A PASSION FOR PERFECTION

PFEIFFER VACUUM

The perfect solution

ANNUAL REPORT 2011

Key Figures

		2011	2010	Change
Sales and profit				
Total sales	K€	519,509	220,475	135.6%
Germany	K€	113,182	70,641	60.2%
Other countries	K€	406,327	149,834	171.2%
Operating profit	K€	61,777	52,910	16.8%
Operating profit without PPA effects [1]	K€	75,124	52,910	42.0%
Net income	K€	41,568	38,329	8.5%
Net income without PPA effects [1]	K€	50,642	38,329	32.1%
Return on sales	%	8.0	17.4	–9.4 pp
Return on sales without PPA effects [1]	%	9.7	17.4	–7.7 pp
Operating cash flow	K€	71,163	51,904	37.1%
Balance sheet				
Total shareholders' equity and liabilities	K€	476,848	498,906	–4.4%
Cash and cash equivalents	K€	108,293	84,975	27.4%
Shareholders' equity	K€	281,117	269,342	4.4%
Equity ratio	%	59.0	54.0	5.0 pp
Return on equity	%	14.8	14.2	0.6 pp
Return on equity without PPA effects [1]	%	18.0	14.2	3.8 pp
Capital expenditures	K€	20,766	4,889	324.7%
Workforce				
Workforce (average)		2,276	1,226	85.6%
Germany		789	715	10.3%
Other countries		1,487	511	191.0%
Personnel cost	K€	130,394	55,350	135.6%
Per employee	K€	57	62 [2]	–8.1%
Sales per employee	K€	228	246 [2]	–7.3%
Per share				
Earnings	€	4.19	4.40	–4.8%
Earnings without PPA effects [1]	€	5.11	4.40	16.1%
Dividend	€	3.15 [3]	2.90	8.6%

[1] PPA = Purchase Price Allocation. The purchase price allocation refers to the process whereby the costs generated during the acquisition of the company are distributed between the individual assets, liabilities and contingent liabilities at the current market value of the transaction.
[2] Without consideration of adixen workforce
[3] Subject to the consent of the Annual Shareholders Meeting

Special effects in 2011

The purchase price allocation during the acquisition of adixen has resulted in the various assets and liabilities being allocated with the current market value on the date of the transaction. The intangible assets are particularly affected by the PPA adjustments. Of particular mention here are technologies not yet included in the balance sheet, the customer base or the brand name "adixen". An adjustment of values has also been necessary in the property, plant and equipment segment and the inventories. As the newly recorded assets or added values are usually limited to a time scale for use, a scheduled depreciation and amortization must be allocated to these assets.

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!

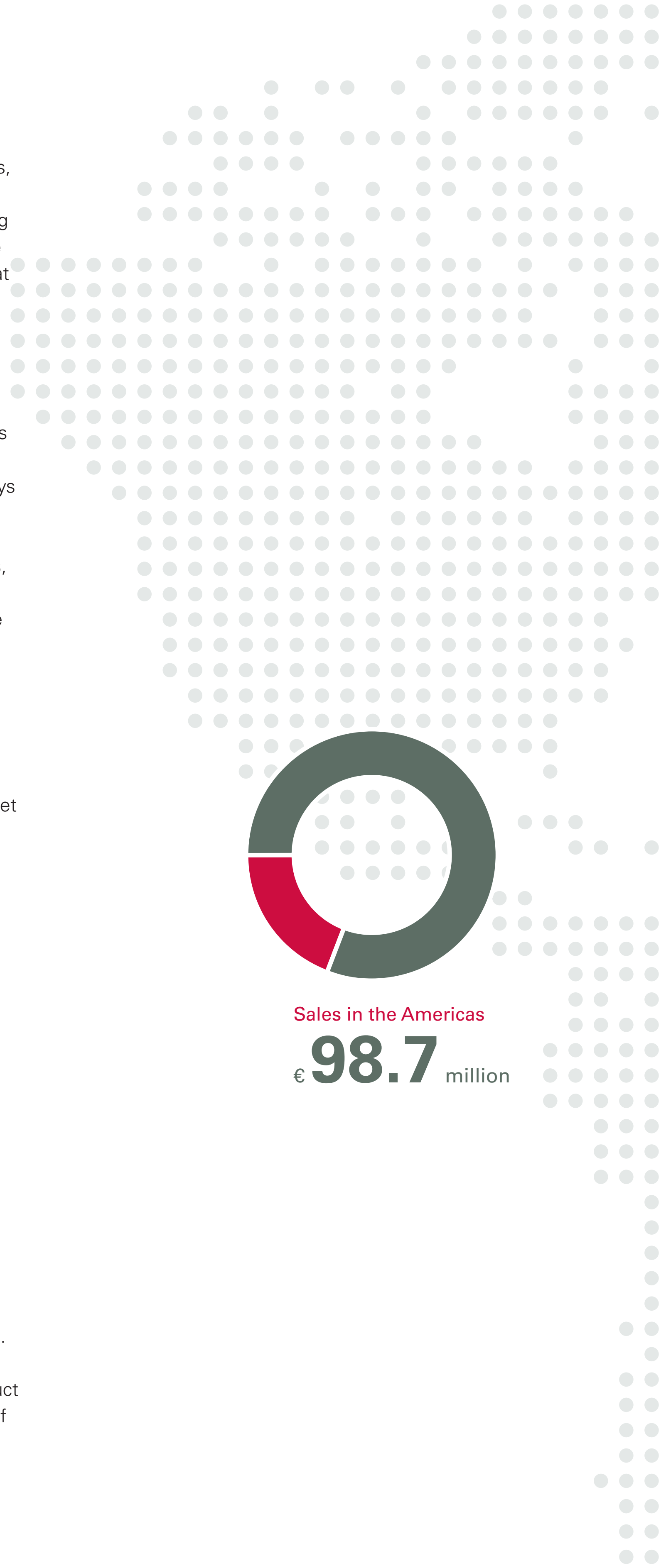
Headquarters: Asslar, Germany

Established: 1890

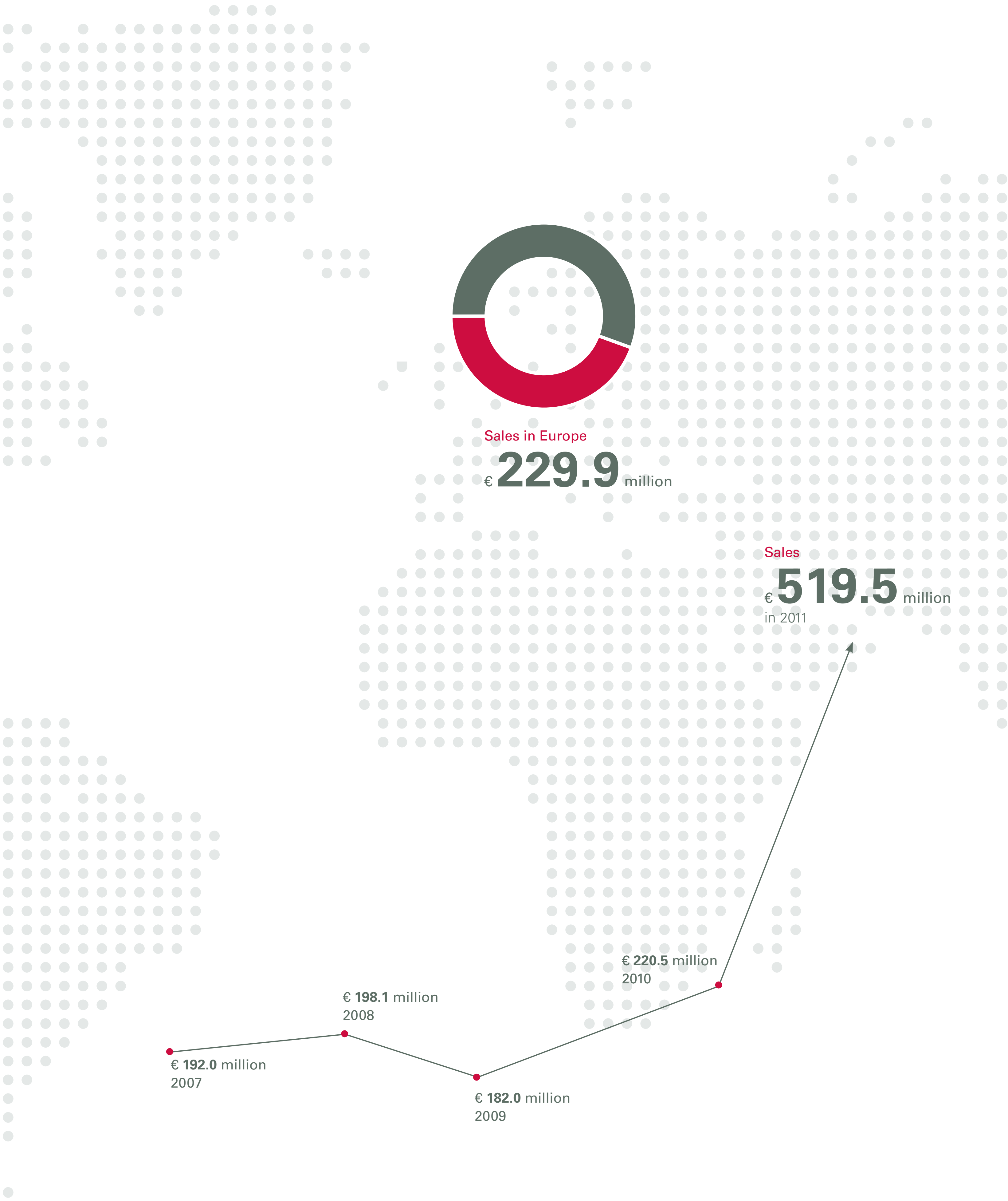
Purpose of the Company: To develop, manufacture and market components and systems for vacuum generation, measurement and analysis

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

Workforce worldwide: 2,291 people



Cover photo: Vacuum chambers, turbopumps and backing pumps. These are the key components of vacuum solutions. With the strategic acquisition of adixen and Trinos Vakuum-Systeme, Pfeiffer Vacuum has intelligently extended its product portfolio. We have expanded our business – for the benefit of our customers, shareholders and employees.


Sales in Europe
€ 229.9 million
Sales
€ 519.5 million
in 2011
€ 192.0 million
2007
€ 198.1 million
2008
€ 182.0 million
2009
€ 220.5 million
2010

The perfect solution. The merger with adixen and Trinos has transformed Pfeiffer Vacuum into an all-round vacuum solutions provider. We integrated the new business units in 2011. We are now well placed to enjoy future growth.

Sales in Asia

€ **189,8** million

Content

Manfred Bender
Chief Executive Officer

Dr. Matthias Wiemer

Dear Shareholders,

2011 was a year in which Pfeiffer Vacuum underwent radical changes not witnessed since the company went public in 1996.

The number of employees has grown from 920 to 2,300. More than a quarter of these employees is located in Asia. The importance of globalization is growing appreciably. Although Pfeiffer Vacuum has always been present on a worldwide scale with internationally-based sales and service subsidiaries, the acquisition of adixen meant that practically overnight we gained a production plant in Asia, more precisely in South Korea. This allows us close proximity to our customers in the semiconductor industry.

Our semiconductor customers represent a third of our sales revenue. However, I do not see that we are solely dependent on this market as we generate approx. 67% of our sales from the other market segments including industry, analytics, coatings and research & development. In contrast to other market segments, the semiconductor market is more cyclical. We particularly noticed this fact in the second half of 2011. If we consider the increasing digitalization of our daily lives as the key trend that will dominate over the next few years, a stronger position in this segment primarily offers us the opportunity to profit from its growth.

We are also independent of the capital market, or more precisely, the debt capital market. Even a year after the acquisition of a company that was bigger than our own company, there is no net indebtedness. This means that our cash and cash equivalents are higher than our bank liabilities and the equity ratio stands at 59.0%. In these turbulent times of the financial crisis, it is reassuring for me as the CEO to know that besides the normal risk that every business has we do not have to deal with a financial risk as well. At this point, I am pleased to note that our banks supported us in the financing of the acquisition of adixen by providing excellent consultancy services and the necessary financial resources.

In the first year following the acquisition, our business activities were dominated by the integration of the new companies. After just twelve months, we can honestly say that we have completed all the major steps in this project. The sales subsidiaries were integrated and a standardized IT infrastructure was implemented. Sales and marketing can already offer the first jointly developed products and the brand image was standardized. Management and reporting structures were adjusted. The fact that all this ran relatively smoothly is thanks to around 2300 motivated employees. Former competitors were quickly integrated into a team. I would like to personally thank all employees for their help.

In spite of the integration activities we incidentally generated sales revenue of € 520 million and an operating profit (EBIT) of € 62 million. Critics will surely question the lower margins. What is of primary importance for me, however, is the fact that Pfeiffer Vacuum is still highly profitable in absolute figures despite such a radical change. The future has only just begun for this new joint company. It opens up an array of chances for us based on a healthy balance sheet.

Yours,

M. Bender

Manfred Bender,
Chairman of the Management Board

Dr. Wolfgang Lust, Manfred Gath, Wilfried Glaum, Dr. Michael Oltmanns (Chairman), **Helmut Bernhardt, Götz Timmerbeil** (Vice Chairman)

Report of the Supervisory Board

Dear Shareholders,

For Pfeiffer Vacuum, 2011 was the first fiscal year following the acquisition of "adixen", the vacuum business unit of France-based competitor Alcatel-Lucent and represented a new chapter in the Company's history. The year was dominated by the multitude of tasks associated with the consolidation of two Group divisions. This primarily concerns the integration of the foreign subsidiaries and the standardization of processes. The Supervisory Board gained an insight into the modern production facilities at the new location in Annecy, the largest of all production sites.

During the 2011 fiscal year, the Supervisory Board informed itself about the current position of the Company and the Corporate Group in six meetings, discussing it intensively with the Management Board. The Supervisory Board meetings took place on February 28, March 17, May 26, May 26 (constitutive), August 1 in Asslar and on November 1 in Annecy. In addition to the information provided at its meetings, all members of the Supervisory Board received detailed monthly and quarterly reports on the Company's position, with the Chairman of the Supervisory Board additionally being provided with the minutes of all Management Board meetings. Aside from the meetings of the Supervisory Board, its Chairman was constantly kept abreast of all major business matters through discussions with the Management Board. No member of the Supervisory Board attended less than half of the meetings of the Supervisory Board in the 2011 fiscal year.

The Supervisory Board has a Management Board Committee, an Administration Committee, a Nomination Committee, and an Audit Committee. The Management Board and Nomination Committee met on March 17. Meetings of the Audit Committee were conducted on March 17 and November 2. 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 integration of adixen. This covered the integration and support of the foreign subsidiaries, the optimization of the working capital, the standardization of the reporting system, the sale of non-core activities and the strengthening and integration of regional management into the Pfeiffer Vacuum culture.

The Supervisory Board complied with all of the obligations and the German Corporate Governance Code ("DCGK") vested in it and diligently and fully supervised the management of the Company.

The requirements with respect to risk management mandated under the German Control and Transparency Act ("KonTraG") 1998 were discussed intensively 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 Supervisory Board.

The Supervisory Board deliberated in detail on the German Corporate Governance Code. The Management and Supervisory Boards acknowledge the German Corporate Governance Code – with two exceptions – as being 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 2012 fiscal year with the Management Board and adopted it.

In accordance with the resolution adopted by the Annual Shareholders Meeting on May 26, 2011, 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 presented 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 line items in the balance sheet (the values of accounts receivable and inventories, the completeness and valuation of provisions, in particular warrantee provisions, capitalization of development costs in accordance with IAS 38, deferred taxes, intrinsic value, goodwill, purchase price allocation of adixen), revenue recognition and periodic accruals for net sales, consolidation entries (in particular relating to the French acquisition), reconciliation to IFRS, the Notes to the Financial Statements and Management's Discussion & Analysis.

The Annual Financial Statements, Management's Discussion & Analysis as well as the Consolidated Financial Statements for the 2011 fiscal year presented in accordance with IFRS, all of which were 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 13, 2012. 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 or 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 2011 fiscal year.

Asslar, March 13, 2012

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 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 has since its inception been included without interruption in the TecDAX, the index of the 30 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 2011

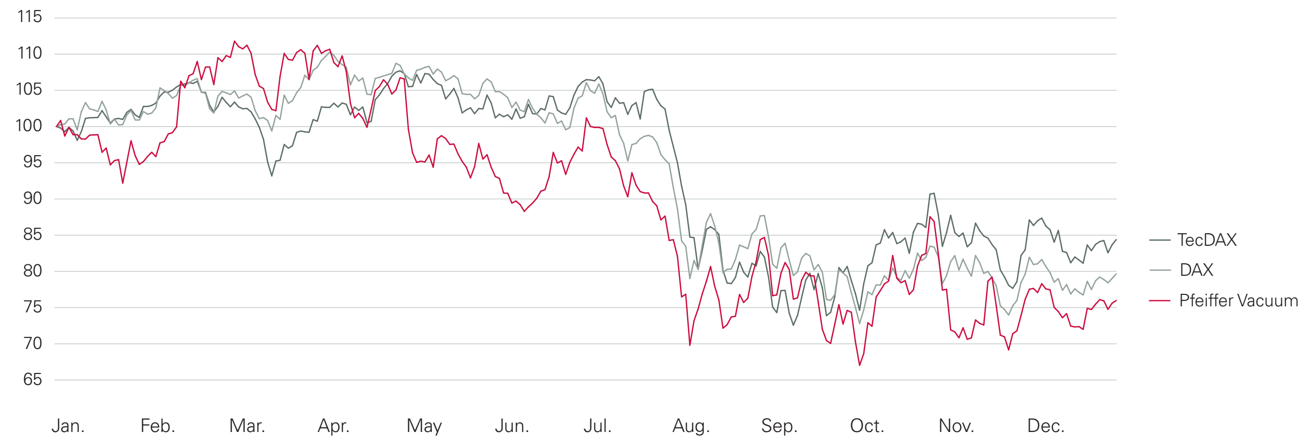
Many external factors, only marginally related to the fundamental data of individual companies, affected stock market events in 2011. Following a promising start to the first quarter, the DAX (the index of 30 major companies listed on the Frankfurter Stock Exchange) was dealt a heavy blow following the earthquake in Japan and the nuclear disaster in Fukushima. Just a few weeks later, however, the DAX reached an annual record high on May 2 at 7,528 points due to a vigorous industrial boom in Germany. Further growth was soon restricted, however, by the debate surrounding the debt crisis in Greece and other parts of the European Union, the political discussion surrounding the Euro and the weak financial situation in the USA. In summer, the first company announcements signalized that the strong global industrial boom up till then was slowing down and clouding the outlook. This led to the DAX dropping rapidly to an annual low of 5,072 points on September 12. Despite several attempts towards an upswing, the stock market did not witness its traditional end-of-year spurt. The DAX posted an overall decrease of 15%, from 6,973 points at the start of the year to 5,898 points at the end. The TecDAX even dropped in the same period by 20% from 851 points to 685 points.

Pfeiffer Vacuum share performance in 2011

The acquisition of adixen resulted in a significant expansion of our international business. We are now far more dependent on international economic developments – in particular, the dynamics of the semiconductor industry – than it was previously the case. Following a euphoric first quarter with the annual high of € 104.50, this trend was also noticeable on the financial market. From the middle of the second quarter, the Pfeiffer Vacuum shares largely followed a similar development to the DAX and TecDAX. The share price recorded an annual low on October 5 of € 58.53. Overall, the Pfeiffer Vacuum share price dropped 23% in the past fiscal year after an opening trading price of € 87.50 on January 3 to € 67.62 on December 30. Trading volumes averaged 45,093 shares per day (2010: 26,178 shares).

Relative Share Price Development of Pfeiffer Vacuum, TecDAX and DAX in 2011

in %



Jan. 3, 2011 (= 100)
Closing price: € 89.00

Dec. 30, 2011
Closing price: € 67.62

Relative Share Price Development of Pfeiffer Vacuum, TecDAX and DAX between 2003 and 2011

in %

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

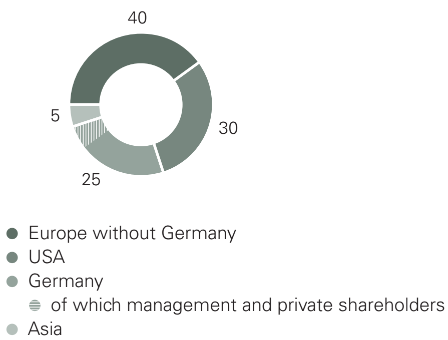
Dec. 30, 2011
Closing price: € 67.62

Shareholder structure

A slight shift towards Asia was witnessed in the shareholder structure in the past fiscal year. Based on data from our investors, our own estimates and an analysis of voting rights notifications, we estimate that at least 5% of Pfeiffer Vacuum is held by Asian investors. A good 3% of these shares are held by our long-term Japanese trading agency Hakuto. U.S.-based mutual investment and pension funds hold approximately 30% of shares, including the New York-based Arnhold and S. Bleichroeder Holdings, Legg Mason in Baltimore and the Canadian insurance company Sun Life based in Toronto. We estimate that European funds, first and foremost in England and

Estimated Regional Distribution of the Pfeiffer Vacuum Shareholder Structure

in %



Scotland, as well as in Switzerland, France and Scandinavia, account for around 40%. Approximately 20% of shares are held by German investment funds and a major German investor is Allianz Global Investors. Private shareholders and Pfeiffer Vacuum management shareholdings likely amount to under 5%.

Overview of Holdings According to Voting Rights Notifications

	Dec. 31, 2011
	in %
Arnhold and S. Bleichroeder, New York	9.61
Legg Mason, Inc., Baltimore	4.95
Allianz Global Investors, Frankfurt am Main	3.49
Hakuto, Tokyo	3.48
Sun Life, Toronto	3.15

Earnings per share

With annual earnings amounting to € 41.4 million attributable to the shareholders of Pfeiffer Vacuum, the company recorded the highest figure in the company's history. The € 4.19 earnings per share are still below the previous year's figure of € 4.40. This is due to a higher average number of shares in circulation in 2011 in comparison to 2010.

Net income[1]	in K€	41,382
Number of shares (weighted average)	in units	9,867,659
Earnings per share	in €	4.19

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

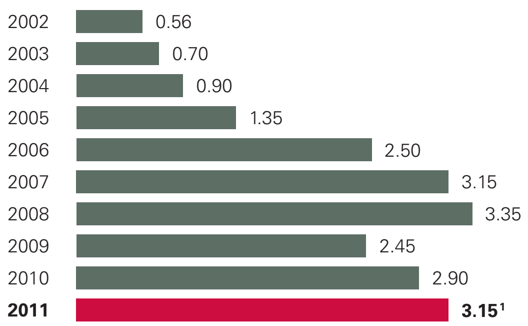
Dividend

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. This tradition will again be maintained for the first year after the acquisition of adixen.

The Management and Supervisory Boards will propose to the Annual Shareholders Meeting on May 22, 2012 that a dividend be distributed for fiscal 2011 in the amount of € 3.15 per share of no-par stock entitled to receive dividends. This again represents a total distribution rate of 75% of consolidated net income and a total distribution amount of € 31.1 million. Subject to the consent of the Annual Shareholders Meeting and on the basis of the year-end closing price on December 30, 2011, this represents a dividend yield of 4.7% (2010: 3.3%).

Dividend Development per Share for the last 10 Financial Years

in €



[1] *Subject to the 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, of which we are proud. In May 2011, for instance, Pfeiffer Vacuum won 2nd place in the German Investor Relations Prize. The "WirtschaftsWoche" magazine awarded this prize on the basis of a Europe-wide survey of analysts conducted by Thomson Reuters. In December 2011, the readers of the journal "Börse Online" voted Pfeiffer Vacuum as the best TecDAX company in the investor relations category. The award ceremony was held at the start of 2012.

The merger with adixen also dominated the focus of investor relations activities in 2011. There was an enormous demand from the financial community for meetings with the Management Board or the investor relations representatives.

At 14 roadshows (2010: 18) in all major financial centers in both Europe, the United States and in Asia and Australia, the members of the Management Board presented our business model and commented on our strategy. Moreover, we showcased our company at a total of 16 investor conferences (2010: 8). 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. Over 22 analysts regularly follow our company. We were aware of 15 "Buy" recommendations and 4 "Hold" recommendations at year-end 2011.

Last year's Annual Shareholders Meeting was attended by around 400 shareholders and guests. Shareholder presence was 48%, by comparison with 59% 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.

Table: Pfeiffer Vacuum Share Highlights

		2011	2010	2009	2008	2007
Share capital	in € millions	25.3	25.3	23.0	23.0	23.0
Number of shares issued	in units	9,867,659	9,867,659	8,970,600	8,970,600	8,970,600
Highest trading price	in €	104.50	90.97	60.59	68.78	78.00
Lowest trading price	in €	58.53	52.52	36.11	38.14	51.30
Trading price at year-end	in €	67.62	88.00	58.50	46.93	55.00
Market capitalization[1] at year-end	in € millions	667	868	498	294	493
Dividend per share	in €	3.15[2]	2.90	2.45	3.35	3.15
Dividend yield	in %	4.7[2]	3.3	4.2	7.1	5.7
Earnigs per share	in €	4.19	4.40	3.24	4.36	4.19
Price/earnings ratio		16.1	20.0	18.1	10.8	13.1
Free-float[1]	in %	100.0	100.0	94.91	68.87	100.0

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

"Does the Perfect Solution Exist?"

An interview with Manfred Bender and Dr. Matthias Wiemer

The most important milestone for Pfeiffer Vacuum in the last fiscal year was the fusion with its newly acquired subsidiaries "Trinos Vakuum-Systeme" and "adixen". The integration of adixen, a former competitor of Pfeiffer Vacuum, particularly attracted a great deal of interest from customers, employees, and the world of finance.

What is "perfect" about the acquisitions which Pfeiffer Vacuum last made?
Bender: The acquisitions of Trinos at the start of 2010 and adixen at the end of the same year have had a significant impact on our business in the year 2011 under review. We were all somehow involved in the integration, including the management as well as many of our employees. We have merged together all of our regional companies, a background development that was mainly played out on a judicial level. What is perfect is that the employees in the various subsidiaries complement each other well. The colleagues have been constructively engaged in this merger from the very start. We can be very satisfied about what we have achieved in 2011.

Manfred Bender, Chief Executive Officer

From a financial perspective, we see perfection in the fact that we have significantly increased the value of our company with a balanced mixture of debt and equity. On a strategic level, we have gained market shares. The acquisition has allowed us to diversify and attract new customer groups. For example, the sale of a Trinos' vacuum chamber offers us the opportunity to market our own pumps to these customers. The same applies to backing pumps from adixen that open doors for our turbopumps and vice versa. In particular, adixen's products and customers hardly overlap with our own, which means that the merger offers us an array of new possibilities.

And from a product perspective, how do the acquisitions meet your perfection standards?
Dr. Wiemer: This lies in our approach to finding customer solutions. If one of our customers merely requires a vacuum pump, our HiPace turbopump or one of our backing pumps for example offers a solution for the customer's individual problem. However, the customer still requires a chamber in which the vacuum can be generated. This is why the acquisition of Trinos was an important step in becoming an all-round solutions provider.

Bender: The next step involved acquiring adixen in order to fill a gap in our product range, namely in low and medium vacuum pumps. To understand this, you need to be aware of the following: Each turbopump can only be operated with a backing pump; this is a simple law of physics. A solution with an integrated turbopump is only complete in combination with a backing pump and a chamber. Our portfolio met the highest technological and quality standards, however it was incomplete. In other words, we could not offer the right product for every application. This is the reason why we won so few contracts that used both classes of pumps in combination. We can now fill this gap with the acquisition of adixen.

Dr. Wiemer: adixen products perfectly suit our portfolio. For example, we were able to integrate these products into our tried-and-tested CombiLine pumping station in the first half of the last fiscal year and into the HiCube Pro pumping station later in the year without any major adjustments. As Mr. Bender has already mentioned, there are only a few customers to date who use adixen and Pfeiffer Vacuum products together. The cross-selling potential is thus enormous.

How have your customers reacted to the changes at Pfeiffer Vacuum?

Bender: Unanimously positive and supportive. There were obviously initial uncertainties on the market. Dr. Wiemer and I spent a major part of last year traveling. On the one hand, we wanted to discover our new locations and meet the employees there. On the other, it was important for us to discuss the latest developments of Pfeiffer Vacuum personally with our customers.

Dr. Wiemer: The resulting benefits for our customers are immense. Since the start of this year, customers can profit from a complete vacuum solution from one single source. The benefit lies in the fact that the individual components are perfectly aligned with each other and are easier to install. We deliver preinstalled units for direct assembly. In this way, we can reduce the process costs for our customers.

Bender: In general, the following rule applies: The more effectively the individual vacuum solution components fit together, the less resources you will need, for example electricity, water or gas. This drastically reduces the total operating costs, also due to the long maintenance intervals of our products. Let us take for example our HiCube Pro pumping station. Our HiPace turbopumps are fitted in these stations that guarantee a particularly low-particle process together with the multi-stage ACP roots pump from adixen. When subject to normal use, maintenance is only required every four years.

Dr. Wiemer: Maintenance is the operative word here. We can also offer synergy effects in the service we provide. Just one trained engineer is now responsible for the entire vacuum solution. We have again optimized the servicing process enabling the technician access to a remote surveillance system in order to estimate the individual maintenance effort involved. As a result, our customers can save a significant amount of money.

"We have gained market shares and have diversified our product and service base."

Dr. Matthias Wiemer,
Member of the
Management Board

To what extent has integration progressed in marketing your products?

Dr. Wiemer: Last year magnificent results were recorded. Just imagine, our Corporate Group product range now includes 20,000 marketable items. The standardization of our pricing system was an enormous task in itself and our team mastered this in no time at all. These are all background activities that do not gain attention outside the company. In contrast, the brand's appearance is visible and the operative word here is corporate design. Ranging from business cards to the Web page, we have standardized the presentation of Pfeiffer Vacuum, Trinos and adixen.

We have also taken a significant step forwards in digitalizing our marketing presence. Our digital catalog has now become mobile thanks to our "eVacuum" app. One standard, extensive catalog will be available from 2013 onwards.

Bender: What impressed me the most in terms of our marketing strategy was our first joint-company stand at the Hanover Trade Exhibition in April 2011. We have to remind ourselves that just three months after the acquisition of adixen, employees from the various companies managed to successfully organize the first combined trade show appearance including the premiere of product solutions at the exhibition. The results were impressive. We organized other trade show appearances for example at the Intersolar/Semicon West in San Francisco/USA, the Vacuum Expo in Coventry/UK and the International Vacuum Congress in Shanghai/China.

By acquiring adixen, you are concentrating your attention on the cyclical semiconductor market. What is the strategy behind this move?

Bender: Whoever wants to grow has to respond to the actual market demand. It is a given fact that around half of the low to ultra-high vacuum market is dominated by the semiconductor industry. As we mentioned in the last annual report, if our goal is to achieve world market leadership, we will not be able to avoid strengthening our presence in the semiconductor segment.

Dr. Wiemer: We were always proud of the fact that we could evenly spread our services and products between all market segments. Besides the semiconductor industry, these include the analytics market, general industrial applications, coatings and the research and development sector. As Mr. Bender has already explained, there is no turbopump available that can work without a backing pump. Our most important objective is to familiarize all of our turbopump customers with the benefits of our adixen backing pumps and to increase our revenue in all market segments.

Bender: It is important for us not to become too disturbed by the slowdown on the semiconductor market witnessed in the second half of 2011. The reasons for this downturn are diverse and few can be attributed to a general lack of demand for semiconductor products. Our daily lives are becoming increasingly dependent on technical equipment. Just think about the wide range of sensors fitted in your vehicle. Today, you cannot even buy a railway ticket without a computer not to mention the array of mobile end devices such as smartphones or handheld PCs; the demand for semiconductors is witnessing a sharp rise.

"Each turbopump can only be operated with a backing pump; this is a simple law of physics."

"Whoever wants to grow has to respond to the actual market demand."

Dr. Wiemer: The same also applies to industries that are closely associated with the semiconductor market. On the one hand, this includes the lighting sector with its new range of technologies LED, OLED, AMOLED. Architects and product designers will develop completely new lighting concepts in the future. And vacuum is required to manufacture this type of equipment. On the other hand, renewable energy is also on the rise. The current stagnation on the photovoltaic market is no real indication of this sector's potential.

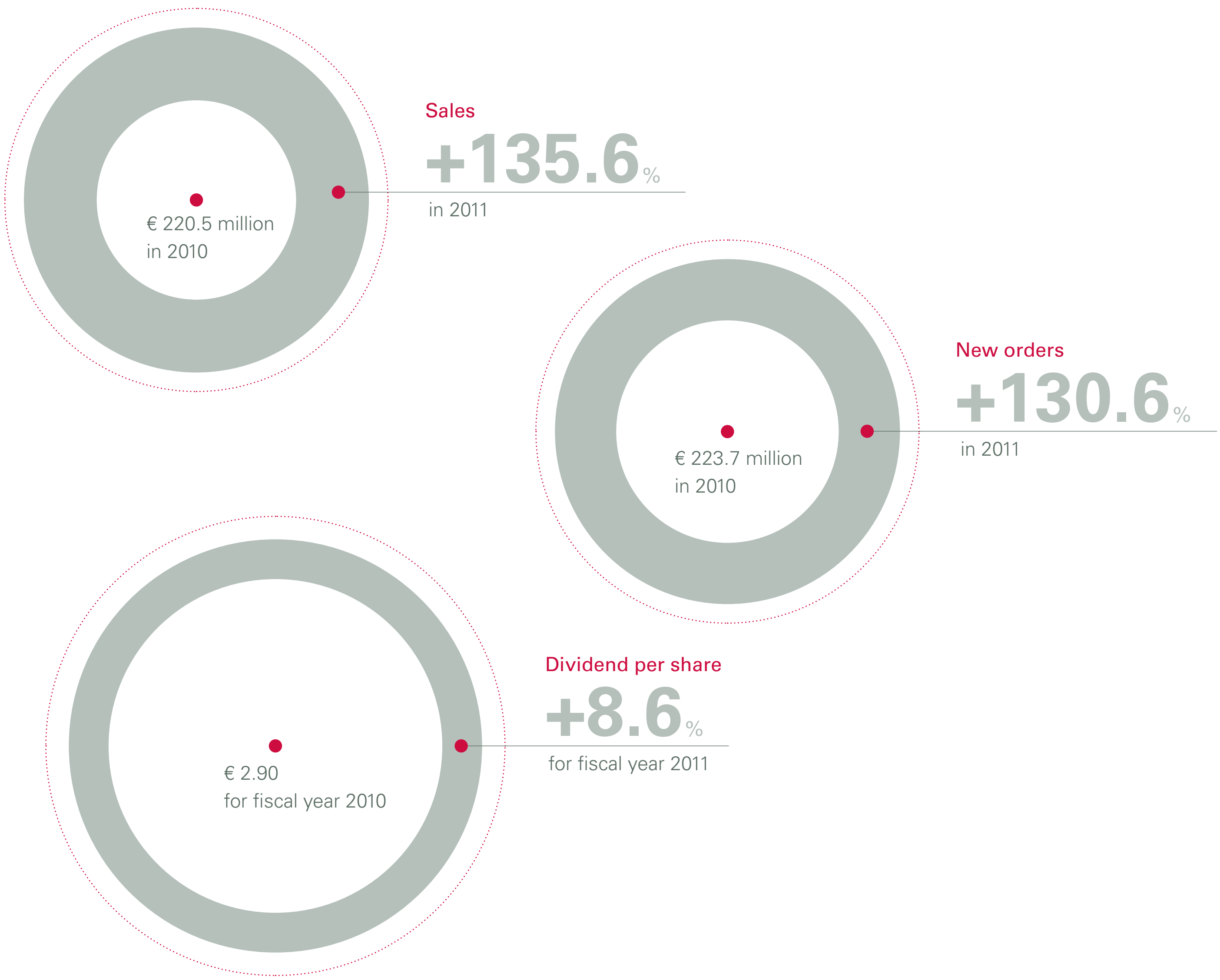
Bender: One exciting aspect is that we have developed an excellent presence among the system engineers of thin-film solar cells with our Pfeiffer Vacuum turbopumps. A particularly high vacuum is required for this industry. These cells are primarily used in large solar power plants. In contrast, the production of silicon-based solar cells, as used by the majority of private households, does not rely on such high vacuum requirements. We perfectly meet the needs of this rapidly growing market particularly in Asia with the adixen backing pumps.

Dr. Wiemer: I'd like to make one other general comment: We have been focusing on turbopumps and backing pumps. The latter, the backing pumps, do not belong to a standardized product group. There are many different backing pump technologies available such as roots pumps, rotary vane vacuum pumps, screw pumps, piston pumps etc. Some are oil-lubricated, others dry, some are ideal in combination with a turbopump, others operate independently while others require a backing pump.

Bender: From all of these technologies, adixen offers those that we have always wanted to add to our own range of turbopumps. All in all, we are well positioned for the future. We have the right products to be able to offer our customers complete vacuum solutions. We have an excellent market access strategy and dedicated employees who know how to leverage this potential. We did our homework last year. Although the start of 2012 has been dominated by economic uncertainties, we still believe we are well positioned to face the challenges of the vacuum industry. I have even more hope in the many chances that are now open to us.

GRO

DEVELOPMENT PERSPECTIVES



WTH

IN ALL AREAS

Growth is a fascinating word. It signifies progress and evolvement. With the acquisition of Trinos and adixen, we have increased the value of Pfeiffer Vacuum and have added vacuum chambers and progressive backing pump technologies to our product portfolio. Our customers, employees and shareholders stand to benefit from this. Future prospects look bright since the vacuum market still holds many opportunities for us.

The right combination leads to success

Vacuum solutions are all about the details

Oxygen and air humidity disrupt many technical processes. They are therefore performed in a vacuum. Appropriate vacuum chambers are required for this purpose, and these are evacuated with suitable pumps. To rapidly achieve low pressure, the chamber must be "clean", which means that the chamber surfaces must be dry and free of lubricants.

Also, the connection flanges on the chamber, between the pipes, valves and on the vacuum pump must be flat, bare, and unscratched. Leakages are avoided as a result. The seals should be clean, free of grease, and undamaged.

During the vacuum processes, gases are often admitted which react with the material to be treated. The pumps which are in use first create the necessary vacuum and then sustain the process pressure.

Pressure is defined as force which can be exerted on a surface. At very low pressures, pressure measurement by force reaches its limits, since the forces exerted are too small. Other procedures are adopted here that, for example, make use of the thermal conduction of the enclosed gas. Or the gas molecules are ionized and the ion currents flowing between electrodes are measured. In vacuum technology, there is no measuring method which covers the entire pressure range. Different sensors must be used as a result.

The use of turbopumps in high and ultra-high vacuums

High vacuum starts below a pressure of 10^{-3} mbar. In nature, this state only occurs in space at a distance of more than 100 km from the Earth. However, certain industrial production processes also make this low pressure necessary on Earth. If a certain surface is to be provided with an extremely thin vacuum coating, for example. To achieve this low pressure, we have found that the use of turbopumps has proven itself increasingly compared to other pump principles and the number of applications is continuing to grow.

The effect of a turbopump is based on the geometric arrangement of rotor and stator blades inside it. The rapidly rotating blades transfer impulses to the gas molecules being pumped. These are adsorbed on the blades and leave them again later. In this process, the blade speed is added to the thermal molecular speed.

The turbopump functions only in the molecular flow range, which must prevail in the chamber. To be able to start the turbopump, a backing pump is required which works from atmosphäre to 10^{-1} mbar in what is known as the laminar flow range. Once the backing pump has achieved the necessary vacuum pressure, the turbopump accelerates to its nominal rotation speed and evacuates the chamber with its high pumping speed.

Vacuum pressure ranges

Designation	Pressure range in mbar	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

"To date, only a few customers have used products from adixen and Pfeiffer Vacuum together. The cross-selling potential is enormous."

Pump technologies according to pressure range

Laminar flow 10^{3} to 10^{-1} mbar	Molecular flow from 10^{-4} mbar
Rotary vane pumps	Turbomolecular pumps
Liquid ring pumps	Diffusion pumps
Diaphragm pumps	Sputter ion getter pumps
Scroll pumps	Cryo pumps
Roots pumps	
Screw pumps	

Advantages of the adixen backing pump technology

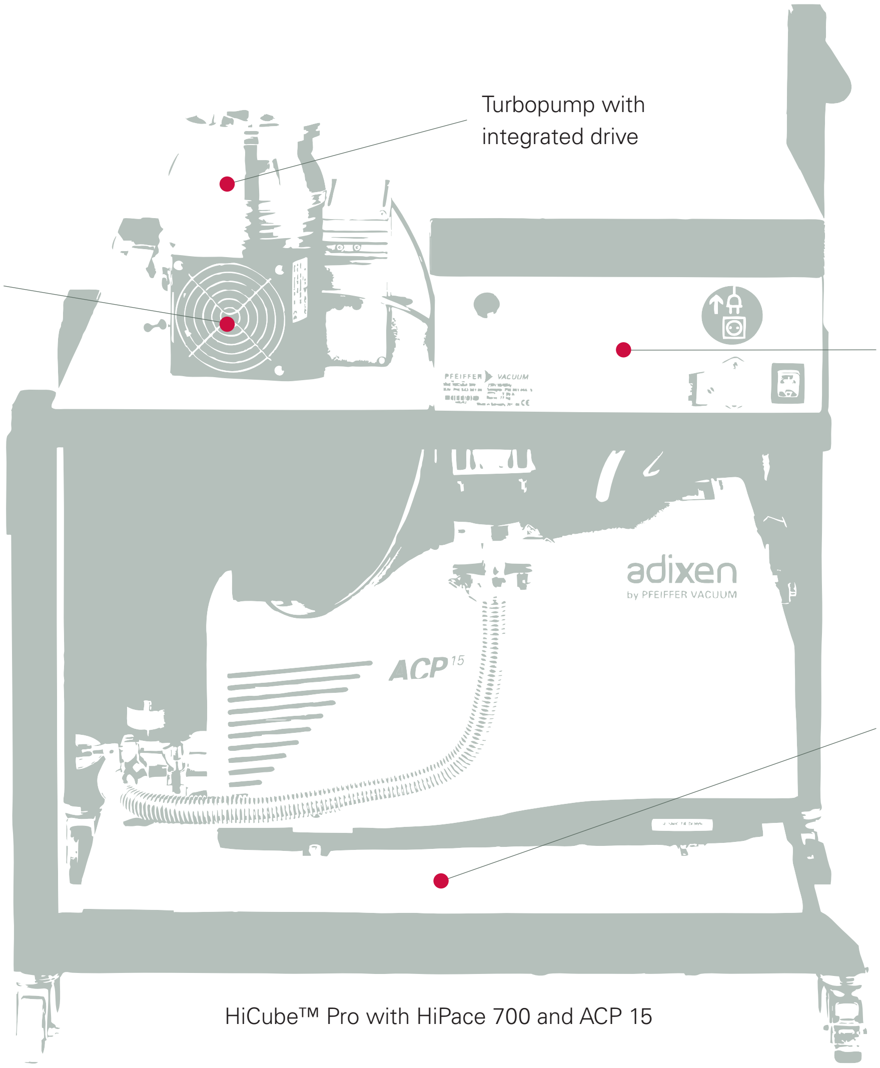
There are backing pumps in a variety of versions and technologies. Two-stage diaphragm pumps suffice as backing pumps for turbopumps, for example. However, they require a long time to evacuate a larger chamber due to their low pumping speed.

The adixen ACP multi-stage roots pump was developed in close co-operation with well-known providers of industrial systems (= OEMs, Original Equipment Manufacturers). The ACP generates a dry, particle-free vacuum very quickly and is characterized by a high long-term stability of the pumping speed and the final pressure. adixen is almost the only provider of multi-stage roots technology worldwide.

Growth begins with the appropriate product portfolio

"Our HiPace series turbopumps have been in use for a long time in systems for manufacturing OLEDs. Our end customers benefit from the extended maintenance intervals and the low operating costs. Dry compressing fore-vacuum pumps are also required for the sensitive coating processes, since a contamination with hydrocarbons is tricky for the OLEDs. The pumps of the adixen ACP product line are ideal for this purpose because, in contrast to other pumping technologies, they do not generate any particles and also save energy. The perfect interaction between HiPace and ACP is ensured by a direct exchange of information between both pumps. With this solution, we can fulfill customer expections far better than a year ago."

Oliver Mayfarth,
Market Segment
Semiconductor



HiCube™ Pro with HiPace 700 and ACP 15

SOLU

CONSISTENT QUALITY AT

Providing solutions means understanding the customer. One vacuum is not just like another vacuum, the key lies in the specific requirements. Which process should be used with which materials to produce the right results? Under which environmental conditions? Our customers demand sophisticated and intelligent results – and rightly so. Their vacuums have to deliver stability and low-maintenance pumps as well as reduced energy and resource consumption.

TIONS

THE HIGHEST LEVEL

> **"The more effectively the individual vacuum solution components fit together, the lower the consumption of electricity, water or gas."**

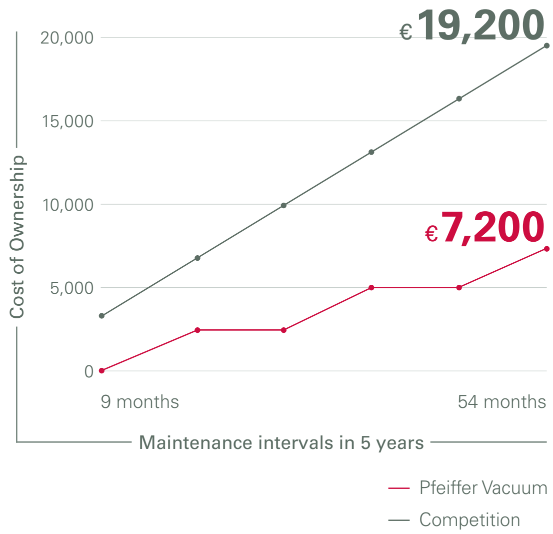
It's not just the pumping capacity that matters

Less downtime reduces cost of ownership

In a large-scale industrial production facility, the vacuum is a relatively small yet vital component. Just one component breakdown or one single leak in a chamber can affect the entire process. The quality of the vacuum is decisive in determining the appearance and workmanship of the end product it produces.

A complete vacuum solution covers all processes and steps involved in creating perfect vacuum conditions including consultation, products, accessories, application training programs and service. Our customers' requirements usually involve a high level of complexity. They not only include the precise vacuum requirements but also specific needs covering the entire system, the materials and products to be used and processed as well as process conditions. This is why we develop customized vacuum solutions hand-in-hand with our customers.

Approximately 500,000 turbopumps and 700,000 backing pumps from Pfeiffer Vacuum are in use today throughout the world. Both type of pumps offer unrivaled, long maintenance intervals which – under standard conditions – equate to an average of 22,000 operating hours which is the equivalent of 4 years. These specifications vary depending on the application. For decades now, our service has included the bearing replacement in our turbopumps on-site at our end customers. The result is lower downtimes without interrupting operation and thus a significant reduction in cost. In the semiconductor industry, a 24-hour, 7-day support service has long been a standard feature. In prior consultation with the customer, we also offer a one-hour service engineer response time for unexpected problems.

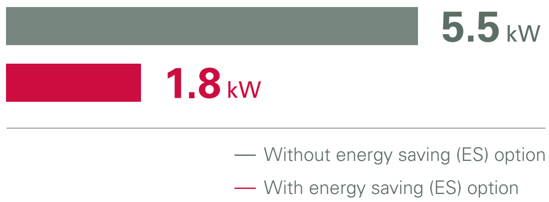


The HiPace 2300 turbopump enables our semiconductor customers to lower their spending even in extremely harsh process conditions.

Environmental aspects are clear selling criteria

By working in close cooperation with our customers, we are constantly optimizing our products. The environmental compatibility of our products is a major selling point with our customers as it enables them to meet their own internal requirements, be awarded with environmental certificates and thus reduce their own ecological footprint. The energy efficiency of the vacuum is undeniably an important factor, yet the limited use of other utilities such as water and nitrogen (used as a flushing gas) is also gaining in importance.

We are constantly monitoring the design of the entire solution as well as the quality of the individual components. Special projects have also been introduced, such as the so-called Eco concept called "Green Lab Fab", the objective of which is to reduce the energy consumption of backing pumps manufactured in France by 30% between 2009 and 2013. Another project involves developing an energy-saving function to be integrated into certain types of pumps that can reduce the power consumption in stand-by mode. For many years now, the HiPace turbopumps have been synonymous with extremely low energy consumption.



The energy-saving option of the AD 30 KL and AD 70 KL roots pumps reduces the power consumption in stand-by mode by approximately two thirds.

The design of the vacuum solution has a significant effect in reducing the cost of ownership. For instance, the manufacturer of an innovative type of PET bottle has chosen to invest almost twice as much in a roots pump rather than in a comparable ejector pump system. However, the optimum integration of the roots pumps into the system significantly reduces the energy, vapor and water consumption rates. The resulting consumption costs are over 90% less than with the alternative system so that the initial investment is recovered within half a year.

Offering solutions means delivering customized quality

"Manufacturing costs are a decisive factor in the solar industry. An ever-increasing amount of more efficient cells are being developed that have to be produced to meet strict environmental standards. The right vacuum solution contributes to achieving the target CO_2 emission standards as well as the "grid parity" requirements. This means that solar power is establishing a better competitive position for itself than power generated from conventional power plants. In the production of a thin-film 1 Gigawatt peak (GWp) solar facility with 1,000 pumps installed, our vacuum solutions offer customers savings of approximately 54 GWh of power and 24,000 tons of CO_2."

Hind Beaujon,
Head of Market
Segment Coating

Perfection is a condition we strive for. The constant effort to live up to our own ambitions.

Fundamental ethical principles are guidelines for our thinking and actions.

Cultural diversity is also an enrichment experienced during conversations with our customers.

Vacuum solutions are created by combining all of our strengths.

PULLING PERFE

TOGETHER ON THE SAME ROPE

CTION

If one can depend blindly on others then teamwork is flawless. Behind this is an internal attitude that can only be learned in a limited way. It is the will to succeed together. What connects all of us at Pfeiffer Vacuum with our customers is the fascination for vacuum. This "nothingness" is repeatedly created through our solutions and – since last year, again, reinforced by a top notch team.

Flawless cooperation is crucial

Consistent marketing is also essential in the field of machine engineering

Although the capital goods industry is not quite as sensitive to current trends as the consumer goods industry is, the image of an industrial company together with the image of its brands is equally as important. A key task of marketing is to present a unified self-image of a company and its services and then portray this self-mage outward. The magic four Ps – product, price, promotion and place (distribution) – are also, in an industrial company, ever more tightly bound together.

It is not enough to connect, on a technical level, a high-quality turbopump and an innovative backing pump with each other. At the same time, the appropriateness of the price must be determined, the product offering to the customer must be presented and, lastly, order processing from receipt to delivery must be carried out in an efficient manner. During the convergence process between the adixen and Trinos business units with Pfeiffer Vacuum, harmonization of the infrastructure and harmonization of brand identities had the highest priority. We want to obtain, in all parts of the world, a congruent image.

Price, promotion and infrastructure are key success factors

With regard to pricing, the critical points of the existing price structure are continuously analyzed. This includes a detailed analysis of the calculations of all product lines and transfer prices for subsidiaries and distribution partners. In a second step, agreement between sales terms and sales practices will be reviewed within all sales companies and revised as appropriate.

The merging of two former competitors and a component supplier into a single unit within one year is a special achievement. In addition to Pfeiffer Vacuum product training, the Company also provides training, at all sites, with regard to brand strategy. A complete newly created Corporate Design Handbook ensures consistent directions with regard to design requirements even by overseas branches.

Marcus Weinhagen, Managing Director of Trinos Vacuum Systems

With the right mentality we are able to attain highest performances

"A good team builds on the strengths of each individual. All members bring their special skills with them. For customers that work in plastics processing we have developed a vacuum chamber to separate out polymers. This procedure prevents gas expulsion during continued plastic processing. With our colleagues from Asslar and Annecy we have created a team, across locations, that developed a complete solution which combined our chamber with a turbopump of the HiPace class and a multi-stage roots pump of the ACP series. Of course, we also deliver the corresponding measurement instruments and the corresponding software.

As a result, our vacuum solutions create a process in which the plastic resists heat up to 300 ° C and can then further be processed under vacuum. One uses such a plastic for the insulation of cables and, in addition, it has many applications in the analysis and production of semiconductors."

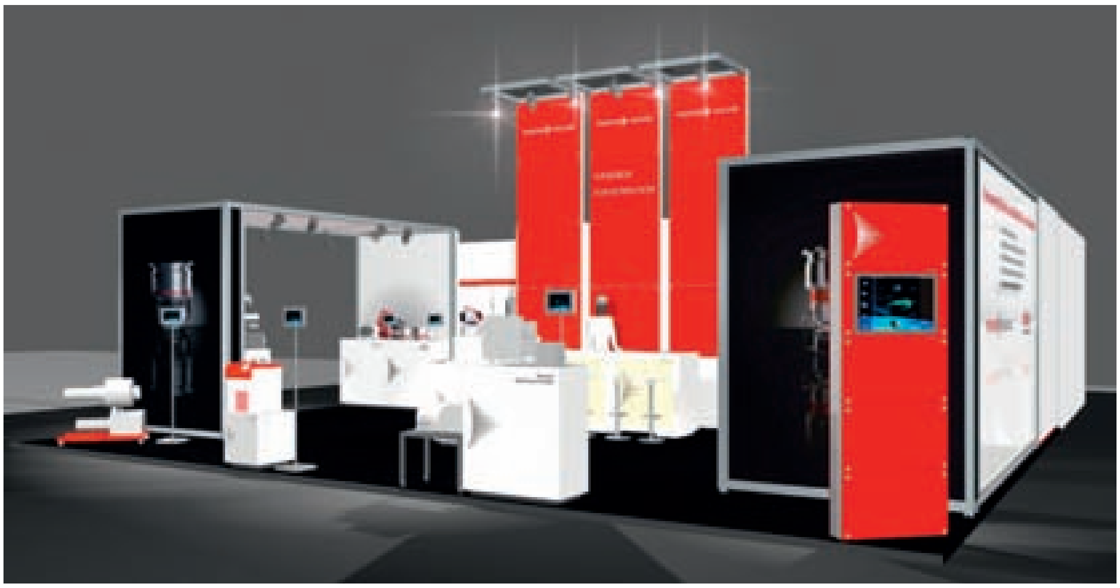
“Throughout the company we now have 20,000 salable items in our product line. Standardization of pricing, by itself, was a huge task.“

During this year we were represented worldwide in nearly 100 national and regional trade fairs. Exhibition highlight was, respectively, the presentation of each of our vacuum solutions and their benefits to customers.

Whoever is active as a supplier of high-tech equipment cannot do without digital sales and communication channels. In addition to a comprehensive and all trademarks inclusive Internet presence, Pfeiffer Vacuum is also active in various social networking groups and has developed its own “eVacuum” application.

At the same time, a robust IT infrastructure forms the basis for a cooperative collaboration across national boundaries. This includes integrating all operations into a single network where we specifically maintain connections to the Asian locations through a controlled MPLS-Net to insure short latency periods and a high degree of availability. We are also consolidating country specific software for resource planning (= ERP system) and are working on a global customer database (= CRM system).

Claus Gerlach, Marketing Manager



The first joint trade show appearance under the umbrella brand of “Pfeiffer Vacuum” took place at the Hanover Fair in April 2011.

IDENTIFYING OPPORTUNITIES

DEVELO

Customer proximity:
We are where our products are used.

Individuality:
We write consulting in very big letters.

Service:
We help our customers avoid downtimes.

Network:
Our customers are simultaneously present in many countries and so are we.

IN EMERGING MARKETS

PMENT

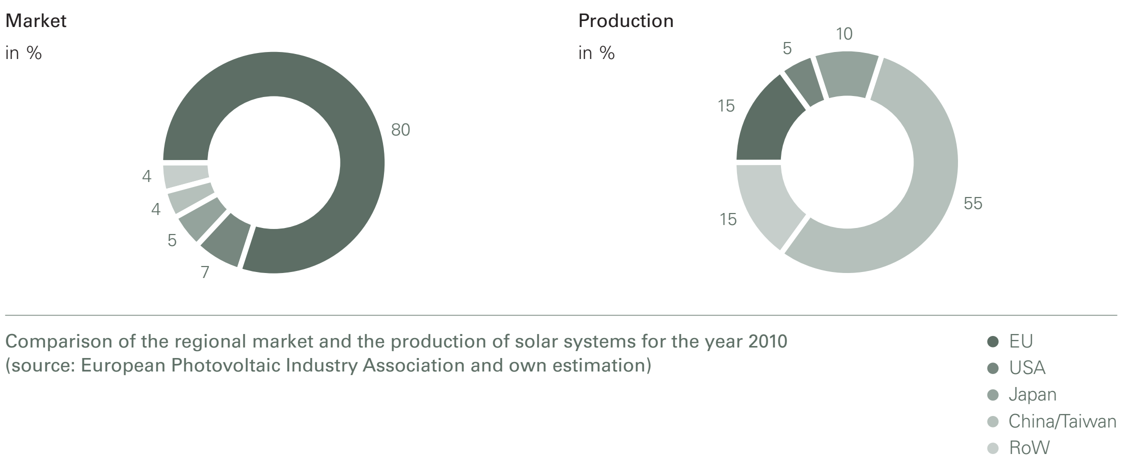
The world is constantly changing and with it the technology. The constant change creates opportunities. These should be identified, evaluated and taken advantage of. Only in this way can we ensure sustainable business success. The dynamism of Asia draws us into its spell. We focus strictly on our strengths. Our business partners appreciate us for it.

> **"We cover the needs of the rapidly growing market in Asia which is already covered very well with adixen backing pumps. With our complete vacuum solutions we aim to grow at above average rates."**

Industrially, Asia is catching up

The industrial revolution of the 21st century will be in Asia. Many Asian countries are in transition from an agriculturally or low level industrial dominated structure to one of where the population is living and working in modern conditions. In terms of gross domestic product and per capita income, according to the World Bank, almost all Asian countries show below average ratios. The average per capita gross domestic product Asia (excluding Japan) is still far behind that of western industrialized countries (including Japan). This results in a catch-up potential which leads in many countries to considerable industrial growth.

This brings with it worldwide potential shifts in manufacturing locations from Europe and the U.S. to Asia. In the meantime, however, even outside of Japan and South Korea, there are competitive local high-tech companies developing which are taking over market share at high speeds. For example, in 2008 about half of all photovoltaic systems were manufactured in Japan and in Europe; this proportion, two years later, was reduced to about 25%. At the same time, the share of world production of photovoltaic systems in China and Taiwan has increased from just over 30% in 2008 to about 55% in 2010. Currently these products are still mainly installed in Europe. The Asian demand for these is still in its infancy. The solar market in Asia is expected to grow significantly due to a change of focus towards alternative energy, resulting in a further increase in production.



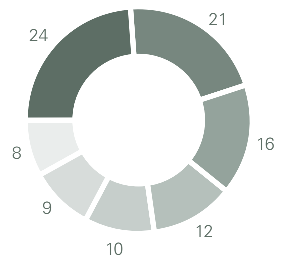
Comparison of the regional market and the production of solar systems for the year 2010 (source: European Photovoltaic Industry Association and own estimation)

Customer benefits result from an inter-regional service network

The semiconductor industry, too, has become a predominantly Asian domain. This gigantic market, which has in the first half of 2010 required a total investment of USD $ 24 billion worldwide for the wafer production alone, has pushed other industries into the background. The first thing that springs to mind when talking about South Korea is its strong semiconductor industry. We are also building up our capabilities in the coating market segment; this applies too to the industrial side as well as to research and development.

Investments

in %



Global investments in production capacity for wafers from January to June 2011 amounts to USD 24 billion (source: SEMI / SEAJ, August 2011)

- Taiwan
- North America
- Republic of Korea
- Japan
- Europe
- China
- RoW

The analytics market in Asia is also growing. This is the case especially in China, where the first local analytical instruments are being produced, which we would like to support as a supplier right from the beginning. In addition, some of our former customers from the U.S. have shifted their manufacturing to Singapore and other nearby countries. Our presence is also increasing in Japan where we originally supplied local analytical customers who have meanwhile moved to Thailand. The advantage that we have over our competitors is our extensive service network which our customers can access in each region.

In the research and development market segment our solutions have become, over many years, well established in India, Japan and China. Moreover, the importance of this industrial market segment is growing. For example, the consulting firm Roland Berger estimates that the market for Chemical Products will grow from the current € 2 billion to € 5 billion by 2030. The Asian region – particularly China and India – is already at 43% the most important producing region with a further increasing trend. Vacuum is needed for many processes in the chemical industry.

Asian development is a global movement

"In Asia, one must look at the overall picture. Each country is different. Numerous geographical, cultural and economic conditions bring forth significant differences. Nevertheless, the overall structure is determining. This is because our major Asian customers are, respectively, active in several countries. They maintain various locations across the entire continent. We develop, in all locations, the right solutions with the usual Pfeiffer Vacuum quality. We also ensure in each country consistent advice with regard to customer support and uniformity of service. In addition, our appearance is identical everywhere. We think locally but act globally – and thus continue to evolve along with our market."

Wannong Eckhardt, Sales & Marketing Manager Asia-Pacific Region

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. And consultation and service are not forgotten. Our qualified employees are there for our customers with science-based expertise and many years of experience.

Key factors for compiling a vacuum solution:

- Number 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.

Consultation

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

Systems

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

Turbopumps

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

Measurement and analysis equipment

For all pressure areas:
Helium leak detectors, gas analyzers, gauges and mass spectrometers.

Elements of Vacuum Solutions

Vacuum chambers

Depending on process conditions:
Low and medium vacuum chambers, high vacuum and ultra-high vacuum chambers in individual shapes and sizes.

Components

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

Service

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

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 cubic, cylindrical or spherical and bell-shaped designs. Our chamber program covers all vacuum areas, from low to medium as well as high to ultra-high vacuum applications.

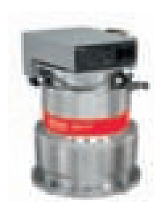
In order to connect the different vacuum components with each other or to shut them off, we offer a wide range of installation elements such as flanges, fittings, seals and valves.

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.

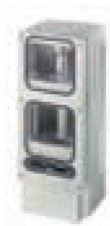
Vacuum generation turbopumps

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

Helium leak detectors

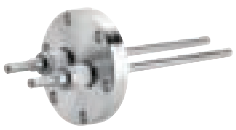
Gas analysis equipment

Gauge heads

Mass spectrometers

Installation elements

Feedthroughs



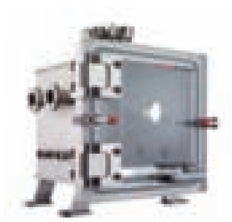
Valves

Components

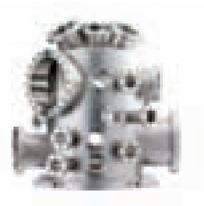
Manipulators

Vacuum chambers

Cubic vacuum chambers



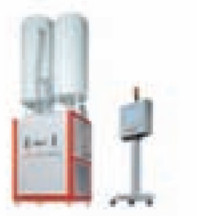
Cylindrical vacuum chambers



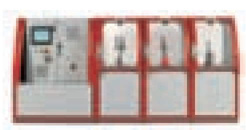
Spherical vacuum chambers

Vacuum systems

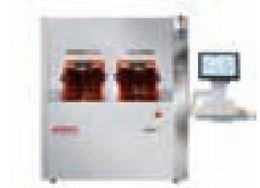
Multi-stage vacuum systems



Helium leak detection systems



Contamination management solutions



Financial Reporting

Management's Discussion and Analysis

2011 Course of Business

Profitability

The inclusion of the adixen group in the Consolidated Financial Statements for the first time also had an effect on the Group's Consolidated Statements of Income in 2011 after the acquisition had had a significant impact on the Consolidated Balance Sheet as per the close of the fiscal year 2010. This fact as well as the strong development in the existing Pfeiffer Vacuum business were the predominant reasons for the rise of € 299.0 million in sales revenues from € 220.5 million to € 519.5 million.

The impact of the acquisition on the gross profit and the operating profit was also significant and results were considerably up from the previous year's figures. The gross profit increased by € 64.5 million from € 102.9 million to € 167.4 million and the operating profit of € 61.8 million is up by € 8.9 million from the previous year's result (€ 52.9 million). In contrast, the gross margin and the operating profit margin saw a decline in comparison to last year's figures: 32.2% and 11.9% respectively after 46.7% and 24.0% in 2010. The negative margin development is primarily caused by the lower profitability level of the adixen division compared to that of the former Pfeiffer Vacuum Group.

It should however be noted that the effects of the subsequent valuation of the purchase price allocation have had a significant impact on profitability. The Purchase Price Allocation (in short: PPA) is a procedure whereby the various assets and liabilities assumed during an acquisition are recorded with the current market value on the date of the transaction. The International Financial Reporting Standards (IFRS) require that this PPA is completed not later than in the first twelve months after the acquisition. After the Consolidated Financial Statements were preliminary prepared as at December 31, 2010 using the book values of the acquired adixen net assets, the market values of the acquired net assets were determined retroactively as at December 31, 2010 and recorded in the adjusted Consolidated Balance Sheets on this date. The adjustments from the PPA as at December 31, 2010 mainly relate to the intangible assets. Of particular mention here are developed technology not yet included in the balance sheet, the customer base or the brand name "adixen". An adjustment has also been recorded in property, plant and equipment and the inventories. At the same time goodwill has also dropped considerably by € 38.0 million to € 45.0 million. As the newly recorded assets or added values are usually limited to a time scale for use, a scheduled depreciation and amortization must be allocated to these assets. The effects resulting from the PPA on the Consolidated Statements of Income will be subsequently referred to as PPA effects and burdened the Group's operating profit with a total of € 13.3 million in 2011. Thus, adjusted values lie at the same level that was forecast for 2011.

As a result of the borrowed capital taken out to finance the adixen acquisition and the financial liabilities assumed from the adixen business, the financial result decreased from € +1.6 million in 2010 to € –2.3 million in the past fiscal year. The tax ratio stood at 30.1%, up only moderately from the previous year's level of 29.7%, primarily due to the tax rate differences between Germany and the individual countries of the newly acquired companies.

The net income of € 41.6 million is € 3.3 million over the previous year's result of € 38.3 million. The PPA effects recorded in the net income amount to € 9.0 million. Earnings per share amounted to € 4.19 in the past fiscal year (2010: € 4.40). Despite the higher net income, the earnings per share decreased as the higher number of shares in circulation cancel out the increase in earnings.

Effects of the PPA on the profitability (in € millions)

	2011 (before PPA effects)	PPA effects	**2011 (incl. PPA effects)**	2010
Net sales	519.5		519.5	220.5
Cost of sales	–345.1	–7.0	–352.1	–117.6
Gross profit	**174.4**	–7.0	**167.4**	102.9
Gross margin	33.6 %		32.2 %	46.7 %
Other operating income and expenses	–99.3	–6.3	–105.6	–50.0
Operating profit (EBIT)	**75.1**	–13.3	**61.8**	52.9
EBIT margin	14.5 %		11.9 %	24.0 %
Earnings before taxes	**72.8**	–13.3	**59.5**	54.5
Income taxes	–22.2	4.3	–17.9	–16.2
Net income	**50.6**	–9.0	**41.6**	38.3
Thereof attributable to:				
Pfeiffer Vacuum Technology AG shareholders	**50.4**	–9.0	**41.4**	38.1
Non-controlling interests	0.2		0.2	0.2
Earnings per share (basic/diluted in €):	**5.11**	–0.92	**4.19**	4.40
Average shares in circulation	9,867,659		9,867,659	8,667,075

Financial position and liquidity

As a direct result of the agreed objective to considerably reduce inventory levels and the trade accounts receivable, the balance sheet total decreased from € 498.9 million to € 476.8 million. The shareholder's equity increased from € 269.3 million to € 281.1 million. As at December 31, 2010, the equity ratio had stood at 54.0%. At the end of the fiscal year, it stood at 59.0%. With cash and cash equivalents totaling € 108.3 million and with financial liabilities of € 76.6 million, the Group again recorded no net indebtedness as at the close of 2011 (2010: € 85.0 million cash and cash equivalents and € 78.7 million financial liabilities).

As a key parameter in determining the overall cash flow, the operating cash flow amounted to € 71.2 million (2010: € 51.9 million). After capital expenditures of € 4.9 million in 2010, € 20.8 million was invested in 2011 in renovating and expanding assets.

The development of the key earning figures in 2011 is a clear indication that the acquisition of adixen has led to a better earnings position within the first year already. All absolute performance indicators have risen. The negative margins were expected and were not a surprise due to the very high margins of the former Pfeiffer Vacuum Group. A year after an acquisition of this size and magnitude, we are more than satisfied with the Company's standing. We are convinced that the acquisition of adixen and the success experienced from the integration have positioned Pfeiffer Vacuum well for the Company's future development.

Economic Conditions

Overall economic environment

World economy

After a rise in the global gross domestic product (GDP) from 4.9% in 2010, the global economic development in 2011 saw a slight decline with a growth of 3.7% in 2011. This can be partly attributed to the modestly optimistic data from the leading industrial nations which were overshadowed as a result of the debt crisis in Europe and the discussion centering around the stability and future of the Euro. Another attributing factor is the continuing difficulties and the unresolved issues regarding the U.S. public finances that has received almost no public discussion in Germany as a result of the Euro crisis. The Chinese and Indian economies were again the driving forces behind the global economic development.

USA

Following a 2.9% increase in GDP in 2010, the United States achieved overall economic growth of 1.7% in 2011. The trend towards recession experienced throughout the first half of the year could be offset against an increase in consumer household spending in the second half. The situation on the labor market has also relaxed. Unresolved problems in the banking sector and particularly with public finances however are preventing an overall improvement in the economic development. Prices could be stabilized in 2011 mainly as a result of lower petrol and food prices. As a result, the U.S Federal Reserve Bank continued with its low interest rate policy to promote economic development. It is almost certain that this strategy will be followed well beyond 2011.

Europe

The economic development in Europe was deeply divided in 2011. Following a GDP growth of 3.6% last year, Germany was again the driving force behind Europe posting an above-average growth of 3.0%. This development was encouraged further by continuing low unemployment figures. A noticeable slowdown in the growth dynamics could however be seen in the fourth quarter of 2011. In contrast, the economic and debt crisis reached a critical stage in the Southern European Union countries in 2011. Massive but urgent saving measures weighed down the economic development not only in Greece, but also in Spain and Italy. With a growth rate of 0.6% and 0.3% respectively, the economic development ground to a halt in the above-mentioned countries. The GDP growth rate of 1.6% in France stood at the European average (1.5%).

Dissolution of the European Monetary Union could only be avoided by extensive guarantee commitments from Germany and France as well as an intervention by the European Central Bank. Fears of inflation were also strengthened in 2011 as a result of the transfer of supervision for monetary stability away from the Central Bank and onto the budgetary discipline of the member states and thus under the responsibility of the national parliaments. Critics increasingly regard the Central Bank as a political agent as the buying up of state debts issued by weakening Euro countries does not belong to the core activities of a central reserve bank. The effectivity of the debt ceiling agreed on a European level and the associated sanctions are currently only being discussed on an abstract level and still have to prove their worth once they have been transposed into national law. In conclusion, it must be noted that at the end of 2011, the core states of the European Monetary Union, Germany and France, had felt the effect of the debt crisis.

Asia

The relevance of the Asian market is continually growing as many of the products that we sell in the USA and Europe are then exported to Asia by the manufacturers. Asia excluding Japan recorded an overall growth rate of 7.4%. The only country in which we generate notable sales, Japan, saw a decline in GDP in 2011 (-1.0%). China and India were largely unaffected by the development of the Western economies. Following growth rates of 10.3% and 9.0% respectively in the previous year, 2011 witnessed a trend towards lower growth rates. However, with GDP rates of 9.1% and 7.4% respectively, the countries again posted far above-average results, following the trend of previous years.

Mechanical engineering and vacuum industry

With a general reputation to lag behind growth trends, the mechanical engineering industry recorded in 2011 a slight drop in the volume of new orders in contrast to the sharp rise in the previous year. With regard to the German mechanical engineering industry, the volume of new orders from Germany and the rest of Europe in 2011 was on the same level as the previous year. The overall decline could be mainly attributed to non-European countries. However, representatives from the German Engineering Federation (VDMA) do not regard this development as a slump. It is seen as a normal, cyclical development, especially as an immediate comparison with the previous year is distorted by the extremely high volume of orders in 2010.

The capacity utilization in the mechanical engineering industry was also well above average in 2011. In the wake of the serious economic crisis in 2009, the total production net of inflation was still below the result of 2008 before the onset of the crisis. The worldwide economic development was also reflected in the volume of export sales: strong dynamics could be identified on the Asian and, in particular, the Chinese market.

Vacuum technology is used in very many industries. Accordingly, the vacuum industry must be viewed against the background of the worldwide economic development. As a result, a slightly declining trend could be witnessed during the year under review. Significant differences were revealed within the vacuum industry's most important market segments. Following a successful 2010, the extremely cyclical semiconductors industry lost its momentum in 2011 as well as the coating industry that was heavily affected by the declining development of the solar industry. The situation in the research & development and analytical industry market segments proved constant. In contrast, the extremely heterogeneous industry market segment posted a slight increase.

The Pfeiffer Vacuum Group

Operations

Pfeiffer Vacuum is a leading supplier of vacuum solutions. Due to the acquisition of "Trinos Vakuum-Systeme" on January 1, 2010 as well as the acquisition of "adixen" on December 31, 2010 a clearly 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" underline the strategic importance of this acquisition. The products complement each other perfectly and, therefore, we can offer our customers even better vacuum solutions.

The name of "Pfeiffer Vacuum" and "adixen" stand globally for innovative and customized vacuum solutions as well as for superior engineering, expert consulting and reliable service. With our technologically advanced turbo and backing pumps we set the standards in our industry. This leadership position will continue to inspire us in the 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 under vacuum space like pressure conditions are created that are essential for research, various industrial processes and for the production of many products used in daily life.

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, the USA and in Asia.

Corporate Group structure and organization

As of December 31, 2011 a total of 26 companies belong to the Pfeiffer Vacuum Corporate Group (2010: 30). The decrease is attributable to the Corporate Group-wide integration of the adixen operations. The aim of integration is to have, in each country, only one organizational and legal entity represented in the market. In this context, during 2011, three companies merged into existing Pfeiffer Vacuum distribution companies (Germany, Italy and USA). In order to cover sales territories for the Netherlands, for Belgium and for Luxembourg, the Pfeiffer Vacuum Benelux B.V., Culemborg, Netherlands, was newly established. In other countries, where as of December 31, 2011, two independent units still formally existed, a transfer of business operations had already taken place during 2011 to an existing Pfeiffer Vacuum unit. The transferred units are, therefore, without active business activities and will be dissolved shortly. As a result we were sucessful to reduce the number of operating entities to 21 for the time being. The shares of adixen Scandinavia AB and adixen Japan Ltd. were sold in 2011 within the framework of the optimization process of Corporate Group structures.

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 entire corporate structure was as follows as at December 31, 2011:

	Home State	Rate	
		in %	
Pfeiffer Vacuum Technology AG	Germany		
Pfeiffer Vacuum GmbH	Germany	100.0	
Pfeiffer Vacuum Austria GmbH	Austria	100.0	
Pfeiffer Vacuum (Switzerland) AG	Switzerland	99.4	
Pfeiffer Vacuum (Shanghai) Co., Ltd.	China	100.0	
Pfeiffer Vacuum Ltd.	Great Britain	100.0	
adixen Vacuum Technology Ltd. [1]	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	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 Technology India Ltd. [1]	India	73.0	27.0
Pfeiffer Vacuum Korea Ltd.	Republic of Korea	75.5	
Trinos Vakuum-Systeme GmbH	Germany	100.0	
adixen Vacuum Products SAS	France	100.0	
adixen Vacuum Technology (Shanghai) Co., Ltd. [1]	China	100.0	
adixen Manufacturing Korea Co., Ltd.	Republic of Korea	100.0	
adixen Manufacturing Romania S.r.l.	Romania	100.0	
Pfeiffer Vacuum France SAS	France	100.0	
adixen Vacuum Technology Korea Ltd.	Republic of Korea	100.0	

[1] *Operating activities of these entities were transferred to the respective Pfeiffer Vacuum companies in 2011; the entities will be dissolved shortly.*

Pfeiffer Vacuum GmbH, Asslar, and adixen Vacuum Products SAS (formerly Alcatel Vacuum Technology France SAS), Annecy, France play a central role for 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, 2011 a total of 638 employees. The adixen Vacuum Products SAS is in a sense, the French equivalent of Pfeiffer Vacuum GmbH. The Company employed 598 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 1,236 employees are working in these two companies and this represents more than half of all co-workers employed in the entire Corporate Group (2,291 by the end of 2011).

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 charged with manufacture and assembly of various types of products. Generally all companies are 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, 2011 is unchanged at K€ 25,261 and consists of a total of 9,867,659 no-par value shares. There are and there have not been different classes of shares, so that all shares have the same rights, in particular the same voting and dividend entitlement rights. Accordingly, the calculated share value of the subscribed capital amounts to € 2.56.

To our knowledge there were no shareholders that own more than 10% of outstanding shares as of December 31, 2011. On December 31, 2010, Arnhold and S. Bleichroeder Holdings based in New York inclusive of the First Eagle Funds had 14.95% of voting rights of the Company but has due to its divestments in 2011 fallen below the participation rate of 10%.

Amendments, at the general annual meeting, can be made 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. Executive Board members, according to the Articles of Association, can be appointed by the board for a maximum term of five years. Reappointments or extensions of the tenure period is permitted; – each for a maximum of five years.

Through a resolution of the Annual Shareholders Meeting on May 26, 2011, the Management Board is authorized to increase subscribed capital by € 12,630,603.24, or 4,933,829 shares, against contributions in cash and/or kind (authorized capital). This authorization is valid until May 25, 2016 and requires the consent of the Supervisory Board. Under the 897,059-share increase of capital in 2010 having a mathematical par value of K€ 2,296, the remaining authorized capital totaled K€ 9,186 as of December 31, 2010.

Under 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 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 does not own treasury shares as at December 31, 2011 and 2010.

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: semiconductors, industry, coating, analytics, and research & development. As far as the positioning of these markets is concerned, only a limited amount of data is available regarding the size of the entire market and individual market segments. 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 socio-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	
Ion implanter	Leak detection	Tool coating	Life science	

Semiconductors

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. The semiconductor industry itself particularly benefits from the changes in communication technology. New fields of application for vacuum take shape, for example, in nanotechnology and from the development of organic light emitting diodes (OLEDs). Our customers are located primarily in the United States and Asia 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. One new 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 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 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 turbopumps. 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

Corporate Management

The Management Board of Pfeiffer Vacuum Technology AG is responsible for the strategic leadership of all companies and its members also serve as the managing directors of Pfeiffer Vacuum GmbH. All further subsidiaries have self-directed managements and 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 tax). The supervisory bodies of the subsidiaries whose composition also includes members of the Management Board of Pfeiffer Vacuum Technology AG, or Headquarters in Asslar, Germany, must be involved in the case of major decisions.

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 by comparison with competitive products.

This goal was valid in the past and after the acquisitions of adixen and Trinos Vakuum-Systeme continues unchanged . All of the company products meet our high standards. We are convinced that by combining the brands of Pfeiffer Vacuum with 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.

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 assures that undesirable trends can be identified and corrected early on. Monthly conference calls with the management of the subsidiaries additionally assure that all business development questions are discussed. In addition, personal interviews are held twice a year with the staff of the Executive Committee and are held on 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 of the variable compensation component of the local managements of the non-German subsidiaries and of the German sales staff. The variable compensation component is contingent, in particular, upon the sales revenues and operating profits achieved. In addition, employees in executive positions or key roles additionally receive a variable compensation component that is essentially contingent upon the operating profit achieved. This sensitizes employees in those areas of the Company that do not have any direct influence on sales to cost structures, and thus to the Company's long-term success.

Profitability, Financial Position and Liquidity

Development of sales revenue in 2011

After the acquisition of adixen had a considerable impact on the balance sheet ratios as at December 31, 2010, this acquisition is now leaving its mark on all items in the Consolidated Statements of Income. The acquisition of adixen is the major, yet not the only reason why the sales revenues have significantly risen by € 299.0 million or 135.6% from € 220.5 million to € 519.5 million. We have clearly exceeded our estimate of € 500 million that we forecast at the beginning of 2011 and lie at exactly the level of the sales revenue forecast predicted in the last quarterly report ("around € 520 million").

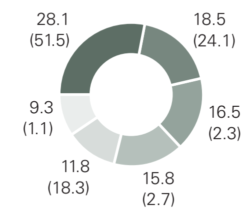
Presented below are the net sales that we recorded in fiscal 2011 by segment, by region, by product and by market. It should be noted with respect to net sales by segment that the sales shown in this presentation are allocated on the basis of the registered office of the company that invoiced the sales. The segment-based presentation thus shows net sales by subsidiary. Net sales by region, on the other hand, include all sales revenues in a given region, regardless of which subsidiary within the Pfeiffer Vacuum Group actually invoiced the sales. Net sales by segment and net sales by region will thus differ from one another to a greater or lesser extent. Net sales in the Asia segment, for example, differ significantly from those recorded for the Asia region, as the Asia segment includes only the direct sales of our Asian subsidiaries. The presentation for the Asia region, in contrast, additionally includes sales revenues generated directly with Asian customers by the production companies, such as with customers in Japan or India. In the case of net sales by segment, the sales generated by the German company through direct deliveries to agencies and/or customers outside Germany were significantly higher than German sales by region. The sales revenues 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

Following a successful 2010, the sales revenues could again be increased in 2011. On the one hand, this was attributable to the sales revenue activities of the former adixen sales subsidiary in Germany that was merged with Pfeiffer Vacuum GmbH as part of the group-wide integration in 2011. Besides this external growth, Pfeiffer Vacuum GmbH and Trinos Vakuum-Systeme GmbH have both recorded positive developments with two-digit growth rates and have contributed in almost equal measure to the development of the German segment. This was attributable to the revenue growth with our German customers and with many of our Asian customers, some of whom are supported and delivered to directly from Germany. There were no special or one-off effects in 2011.

Sales by segment, in %
(previous year)



Sales by segment

	2011	2010	Change	Change
	in € millions	in € millions	in € millions	in %
Germany	146.0	113.5	32.5	28.7
USA	96.3	53.0	43.3	81.5
Republic of Korea	85.7	5.2	80.5	1,562.2
France	82.1	6.0	76.1	1,261.2
Europe (without Germany, France)	61.0	40.4	20.6	51.0
Asia (without Republic of Korea)	48.4	2.4	46.0	1,887.8
Total	**519.5**	220.5	299.0	135.6

USA

Both U.S. based sales subsidiaries contributed in almost equal measure to the total sales revenue of € 96.3 million in 2011 and were merged together as part of the adixen integration at the end of the fiscal year 2011. Following a record year in 2010, the sales revenue in US dollars of the Pfeiffer Vacuum sales subsidiary saw a modest decline in 2011; the effect was strengthened by the weaker exchange rate parity during the course of the year and thus had a negative impact on the sales revenue development. Calculated with the same exchange rate as during 2010, the sales revenue converted into euros would have reached € 100.8 million, € 4.5 million above the actual value for 2011 (€ 96.3 million).

Republic of Korea

The group companies based in the Republic of Korea are also of major importance to the Pfeiffer Vacuum primarily due to their on-site production facilities and have thus been grouped into their own segment with an adjustment of the previous year's figures. Similar to the developments in France, the significant increase is attributable to the Korean adixen companies. With a 16.5% share in the total sales revenue, the South Korean segment is ranked in third position behind Germany and USA.

France

The adixen acquisition has led to a significant increase in the importance of our French companies and therefore France is reported as a separate segment for the first time in 2011. The previous year's figures have been adjusted accordingly. After the adjusted 2010 figures included exclusively to the former Pfeiffer Vacuum subsidiary based in France, the significant increase in 2011 is attributed to the inclusion of the French adixen business unit for the first time which plays a major role for this business.

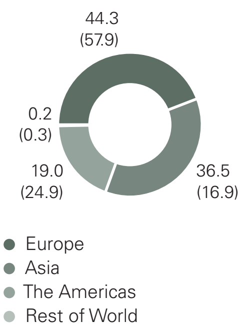
Europe (without Germany, France)

The sales revenue posted by the subsidiaries based in Europe outside Germany and France rose by € 20.6 million in 2011. The initial consolidation of adixen in the Pfeiffer Vacuum Consolidated Financial Statements was the main reason for this rise. This should in no way undermine the positive business developments of the other entities based in Europe, as the excellent positioning in Europe in 2011 is attributable to the fact that all the companies achieved two-digit sales revenue growth rates. As a result of the weaker performance in the East European states, the Austrian sales subsidiary saw a slightly negative development; however, the country recorded extremely high growth rates in 2010.

Asia (without Republic of Korea)

As a result of adixen's strong presence in the rest of the Asian region, this segment also recorded major changes in 2011. Although the Pfeiffer Vacuum sales subsidiaries developed at a satisfactory rate in 2011, this appeared relatively insignificant in light of the enormous difference to the sales volumes of the adixen subsidiaries, especially in China and Singapore.

Sales by region, in %
(previous year)



Sales by region

Sales by region

	2011	2010		Change
	in € millions	in € millions	in € millions	in %
Europe	229.9	127.7	102.2	80.1
Asia	189.8	37.3	152.5	408.5
The Americas	98.7	54.8	43.9	80.4
Rest of World	1.1	0.7	0.4	44.8
Total	**519.5**	220.5	299.0	135.6

Europe

As was expected, the initial consolidation of adixen in the Consolidated Financial Statements had an impact on the development of the sales revenue in the region of Europe. The sales revenue rose by more than € 100 million, or 80.1 %. Contributing countries in Europe include Germany, France and Italy.

Asia

The outstanding importance of the Asian region for the Pfeiffer Vacuum Group was underlined in the sales by segment analysis and becomes even more evident in the regional overview. The sales revenues more than quintupled due to the fact that the majority of the semiconductor industry customers are based in the economic region of Asia and due to the significance of this industry segment for adixen. It is not just the initial consolidation of adixen in the Financial Statements but also the positive development of the Pfeiffer Vacuum business activities – be it to a lesser extent – that has contributed to this development.

The Americas

The development of the sales revenue in the region of the Americas is characterized by the developments in the USA. The inclusion of adixen for the first time and the modest decline in the former U.S. sales subsidiary's volume combined with a negative sales impact due to weaker U.S. dollar/euro exchange rate parity were causal for this (see also "Sales by segments", USA). The share of sales revenue posted outside the USA, in particular in South America, is also included in this region that is represented for the first time. These results were included in the "Rest of World" category last year and were re-categorized accordingly to ensure comparability.

Sales by products

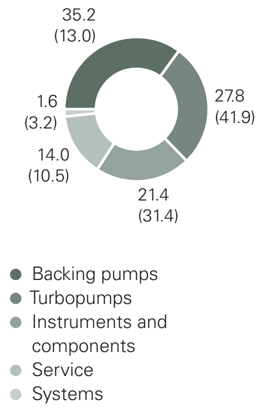
Backing pumps

The most significant change in the sales revenue by product category has been noticed in the Backing Pump segment by € 154.3 million to € 183.0 million. This is essentially attributable to the strength of adixen particularly in this segment but was also fueled by the positive development of the sales revenue of backing pumps by the Pfeiffer Vacuum brand.

Turbopumps

The formerly strongest product range in the Pfeiffer Vacuum Group's product portfolio, the turbopumps, has now dropped to second in the revenue standings behind the backing pumps with a total sales revenue of € 144.3 million and a sales revenue share of 27.8 % in 2011. The initial consolidation of adixen in the Consolidated Financial Statements has not had the same impact in this segment as is the case in the backing pump product category. Nevertheless, the development of the sales revenue has also been affected, yet Pfeiffer Vacuum turbopumps also recorded positive developments.

Sales by products, in %
(previous year)



Sales by products

	2011	2010		Change
	in € millions	in € millions	in € millions	in %
Backing pumps	183.0	28.7	154.3	538.4
Turbopumps	144.3	92.4	51.9	56.2
Instruments and components	111.3	69.2	42.1	61.0
Service	72.5	23.1	49.4	213.2
Systems	8.4	7.1	1.3	17.7
Total	**519.5**	220.5	299.0	135.6

Instruments and components

The instruments and components product group covers a wide spectrum that was significantly expanded in 2011 with the addition of the adixen product portfolio. This is partly a result of the steep rise in the sales revenue by € 42.1 million or 61.0%. On the other hand, the instruments and components business from Pfeiffer Vacuum and Trinos have also recorded comparatively impressive developments.

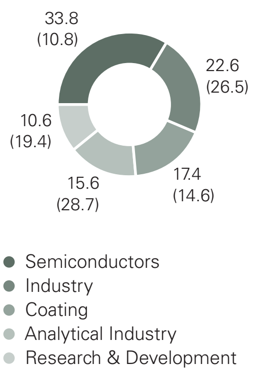
Service

As a result of the high revenue share of adixen in the semiconductors industry, the sales revenue in Service from adixen is considerably higher than the revenue in the Pfeiffer Vacuum Group before the merger. One of the reasons for this are the aggressive process conditions that the pumps are exposed to in this branch of the industry and that make regular maintenance inevitable. With an increase of € 49.4 million, the sales revenue in Service has more than tripled.

Systems

The changes in the Systems segment have been insignificant in 2011 despite the initial consolidation of adixen in the financial figures. The decline in sales revenue resulting from the withdrawal of sales revenue generated from a large contract still proportionally included in last year's results was more than offset by external growth, enabling the total sales revenue to increase to € 8.4 million in the total fiscal year. With a share in sales revenue totaling 1.6%, the Systems segment was of rather subordinated importance in 2011.

Sales by market, in %
(previous year)



Sales by market

The following section details the development of sales revenues in the individual markets in 2011 relative to the year before.

Semiconductors

In view of the development of net sales in the Semiconductors market segment, the increase in relevance of this market segment becomes evident for the Pfeiffer Vacuum Group. A third of the total sales revenue volume is generated with customers from this segment. A high level of volatility is observed when looking back at the development of the sales revenue volume over the year. Despite an impressive first quarter in 2011, the sales revenue volume dropped steadily and posted the lowest result for 2011 in the last quarter of the fiscal year (€ 34.7 million). However, we now believe that the worst of the downturn in this segment is now behind us.

Industry

Since 2011, the extremely heterogeneous Industry market segment now includes the sales revenue generated by the previous Chemical and Process Technology market segment and is basically following the trend set by the general mechanical engineering industry. As a result, we are satisfied with both the solid development compared to last year's level as well as during 2011. The main reason for the increase is attributable to the consolidation of adixen in the results for the first time, yet the sales revenue generated from customers of the Pfeiffer Vacuum Industry segment also achieved a two-figure growth rate.

Coating

As a result of the business activities of adixen, the coating industry has also gained in importance for the Pfeiffer Vacuum Group with a share in sales revenue of 17.4% (2010: 14.6%). The solar industry has also gained in significance as a sub-branch of this market segment and the total share in sales revenue is up to 10.1% in 2011 (2010: 6.4%).

Sales by market

	2011	2010	Change	
	in € millions	in € millions	in € millions	in %
Semiconductors	175.4	23.8	151.6	636.9
Industry	117.5	58.4	59.1	101.3
Coating	90.2	32.1	58.1	181.1
Analytical Industry	81.3	63.3	18.0	28.4
Research & Development	55.1	42.9	12.2	28.5
Total	**519.5**	220.5	299.0	135.6

Analytical Industry

The traditionally strong position of Pfeiffer Vacuum in the Analytical Industry has been strengthened by the acquisition of adixen. The entire growth of € 18.0 million in comparison to 2010 is attributed to external growth and organic growth of the former Pfeiffer Vacuum Group. With a total of € 81.3 million in 2011, this market remained constant during the course of 2011.

Research & Development

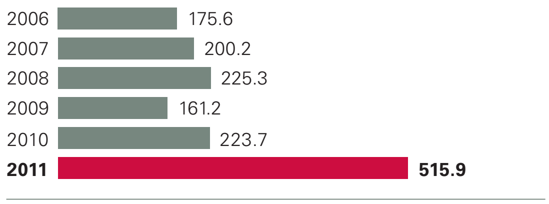
Pfeiffer Vacuum always enjoyed a high share of the market in this market segment in the past. The acquisition of adixen has strengthened the Company's share of the market and a positive development in the former Pfeiffer Vacuum Group has improved its position even more. Following several weaker months in the summer of 2011, the sales revenue recovered by the end of the year and the fourth quarter was the most successful of the entire year.

New orders and orders on hand

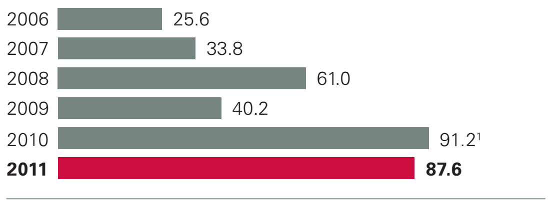
New orders are at € 515.9 million, in 2011. This represents an increase by € 292.2 million (2010: € 223.7 million), which was largely influenced by the acquisition of adixen on December 31, 2010. In addition, the recent development in the core business of Pfeiffer Vacuum during 2011 was also very satisfactory. Similarly, the development of new orders, in the fourth quarter of 2011, allows us to be cautiously optimistic about the future. After a very strong first half in 2011 (€ 293.2 million) new orders in the third quarter were comparatively low at € 109.7 million. In contrast, the volume of new orders in the last quarter of the previous fiscal year has increased again (€ 113.0 million). After the book to bill ratio, the ratio between new orders and revenue, in 2010 stood at 1.01, in 2011 a ratio of 0.99 was reached.

The value of orders on hand on December 31, 2011, totaled € 87.6 million, down by € 3.6 million from the previous year (€ 91.2 million, taking into account the adixen orders). The Company's well-filled order books as of December 31, 2011 provides us with planning predictability for the initial months of the 2012. The visibility of orders, based on average sales in 2011, is about two months.

Development of new orders (in € millions)



Development of orders on hand (in € millions)



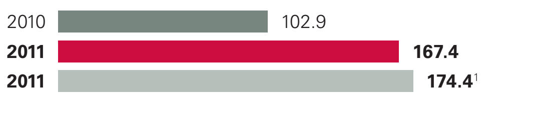
¹ adjusted by adixen orders

Earnings development

Cost of sales and gross profit

The cost of sales for 2011 are € 352.1 million. Compared to the previous year's figure of € 117.6 million the development is significantly influenced by the cost of sales from the adixen business. Also, significant portions of the PPA effects are attributable to the cost of sales so that they alone shall be charged a total of € 7.0 million. Considering sales revenues of € 519.5 million and taking into account the effects of PPA, this results in a gross profit of € 167.4 million (2010: € 102.9 million). This represents an improvement of € 64.5 million. The gross margin, the ratio of gross profit and revenue is, as expected, in decline. According to 46.7% in 2010, the gross margin reached 32.2% in the current fiscal year. Gross profit and gross margin are also influenced by the product mix.

Gross profit (in € millions)



¹ without PPA effects

Gross margin (in %)

[1] *without PPA effects*

Selling and administrative expenses

In fiscal year 2011, selling and administration expenses totaled € 89.5 million. The amount in the previous year was € 42.7 million and this represents a significant increase of € 46.8 million covering both selling and marketing expenses as well as general and administrative expenses which are clearly attributable, by a large extent, to the inclusion of adixen. € 28.3 million of this increase are attributable to selling and marketing expenses, including PPA effects of € 3.3 million. € 18.5 million are attributable to general and administrative expenses. In addition, there are expenses for consulting services incurred in connection with the legal integration of the adixen business operation. Despite the high absolute changes in selling and administrative expenses, the percent share of total sales is significantly reduced from 19.4% in the previous year to 17.2% in 2011.

Research and development expenses

The research and development expenses are significantly influenced by the added expense components of adixen and amount to € 7.0 million in the previous year and € 22.7 million in 2011. Included therein are € 3.0 million for PPA effects. The percent share of sales has risen from 3.2% in 2010 to 4.4% in 2011. Adjusted for the PPA effects and the funds obtained through grants for research and development services (€ 5.0 million) contained in the other operating income, net research and development expenses totaled € 14.7 million.

Other operating income and other operating expenses

Other operating income and other operating expenses mainly 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, other operating income of € 14.6 million (2010: € 1.4 million) included for the first time in 2011, the French adixen unit's expense subsidies totaling € 5.0 million. Other operating expenses of € 8.0 million (2010: € 1.7 million) also included losses of € 0.5 million for disposal of fixed assets (2010: € 0.0 million). The foreign exchange gains in 2011 were € 2.1 million (2010: € –0.3 million). This significant increase resulted primarily from the increased importance of foreign currency transactions in the adixen area. Essentially, the development of the U.S. dollar is the major factor in this connection.

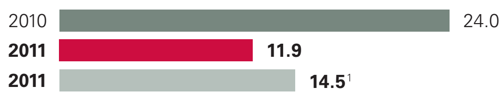
Operating profit

The operating profit of € 61.8 million for 2011 is € 8.9 million over the previous year's figure of € 52.9 million. The PPA effects contained in the operating profit amount to € 13.3 million. The operating profit margin, the ratio between operating profit and net sales, was at 24.0% last year, now at 11.9%.

Operating profit (in € millions)

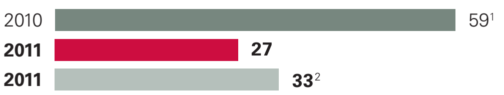
[1] *without PPA effects*

Operating profit margin (in %)



[1] *without PPA effects*

Operating profit per employee (in K€)



[1] without consideration of adixen employees
[2] without PPA effects

The increase in operating profit shows that the acquisition of adixen by Pfeiffer Vacuum is already a sucess in the first year. Even though margins are weaker compared to the previous year, the absolute values increased and represent an improvement compared to the situation before the acquisition. The success is already clearly apparent looking at the operating profit before depreciation and amortization (earnings before interest, taxes, depreciation, amortization, EBITDA): this figure increased by € 26.2 million in the past year from € 57.2 million in 2010 to 83.4 million. This represents an increase of 45.8%. The amount of the depreciation/amortization included in this figure is recorded for 2011 at € 21.6 million (2010: € 4,2 million). The significant increase in depreciation/amortization results from the initial inclusion of adixen and, in particular, from the amortization of intangible assets recorded in connection with the PPA (technology, customer base) of € 9.5 million.

Financial income

In particular, due the incurred financial liabilities that result from the acquisition of adixen the financial expenses have increased from € 1.8 million to € 2.9 million. Financial income of € 3.4 million in the previous year was characterized by realized investment gains and amounts to a total of € 0.6 million in 2011. On balance, the net financial income showed a decline from € +1.6 million to € –2.3 million in 2011.

Income taxes

As a result of the increase by € 5.0 million in income before taxes the tax expenses for 2011 have also increased slightly by € 1.7 million to a total of € 17.9 million (2010: € 16.2 million). The tax rate for the Corporate Group is 30.1%, only slightly higher than in the previous fiscal year with 29.7%, so that the relative burden hardly increased. The slight increase in the tax rate is primarily due to tax rate differentials between the companies previously included in the Consolidated Financial Statements and the newly consolidated companies. The positive PPA effects on tax expenses amounted to € 4.3 million and reduced the overall recorded burden.

Net income

Even though a profit of € 41.6 million after taxes was achieved, which was the highest result in the history of Pfeiffer Vacuum, the overall results in 2011 are reduced by a total of € 9.0 million due to the PPA effects. In addition, when taking the previous year into account, the results after taxes were favored in 2010 because of capital gains from investments in securities. Overall, the after-tax return on sales of 17.4% last year declined to 8.0%.

Income before taxes (in € millions)

[1] without PPA effects

Net income (in € millions)

[1] without PPA effects

Earnings per share (in €)

[1] without PPA effects

Earnings per share

Earnings per share are recorded at € 4.19 which is € 0.21 less than the previous year's value of € 4.40. This development is mainly due to the fact that the average numbers of shares in circulation must be taken into account when calculating the earnings per share. Through a capital increase of 10% and the sale of treasury shares (5.1% of existing share capital), the absolute number of shares increased in November 2010, and thus influences the weighted average.

In 2011, however, the higher number of outstanding shares during the year must be taken into account for the full year, so that in absolute terms, despite a higher net income, earnings per share have declined. In addition,the burden on earnings due to PPA effects were € 0.92 per share. As in the year before, there continues to be no dilutive effects in fiscal 2011.

Financial position

When analyzing the financial situation on December 31, 2011 it should be noted that the Balance Sheets of December 31, 2010 have been adjusted in connection with the purchase price allocation for the acquisition of adixen. The corresponding effects from the recognition of all assets and liabilities acquired in this regard with their fair value, in other words the required disclosures of hidden reserves in connection with the PPA, are summarized in the following table:

Effects of PPA on the financial situation on December 31, 2010

	Values before PPA	Revaluations	Values after PPA
	in € millions	in € millions	in € millions
Intangible assets[1]	10.6	50.8	61.4
Property, plant and equipment	80.6	10.1	90.7
Other non-current assets	12.3	2.9	15.2
Total non-current assets	**103.5**	**63.8**	**167.3**
Inventories	104.5	–6.2	98.3
Receivables	95.1	6.6	101.7
Cash and cash equivalents	85.0	—	85.0
Other current assets	1.6	—	1.6
Total current assets	**286.2**	**0.4**	**286.6**
Total assets	**389.8**	**64.2**	**453.9**
Non-current liabilities	–82.8	–19.2	–102.0
Current liabilities[2]	–122.3	–7.0	–129.3
Total liabilities	**–205.1**	**–26.2**	**–231.3**
Net Change		**38.0**	

[1] *Excluding goodwill from adixen acquisition*
[2] *Including non-controlling interests*

Significant effects from the revaluation of the acquired intangible assets as of December 31, 2010 result from the previously unrecognized and within the framework of the PPA recognized values for technology, customer base and brand. The adjustments for fixed assets reflect, in comparison to book values, the higher market value of buildings and machinery. With regard to inventory, write-downs were necessary in order to revalue acquired stock items at fair value. The net write-down of € 6.2 million in comparison to the book value stated on December, 31, 2011 consists of a gross appreciation of € 4.1 million and a gross depreciation of € 10.3 million. The liabilities side show significant PPA adjustments resulting from the inclusion of deferred taxes on recognized fair value adjustments. As a result of the net fair value adjustments recorded, the goodwill due to the adixen acquisition was able to be reduced by € 38.0 million from a preliminary € 83.0 million to a final value of € 45.0 million.

When taking into account the previously mentioned adjusted Balance Sheets of December 31, 2010 the following picture emerges. Total assets of € 498.9 million declined slightly by € 22.1 million to € 476.8 million as at December 31, 2011. On the asset side of the Balance Sheets the decrease in trade accounts receivable and inventories (€ – 25.0 million or € – 13.4 million) is particularly noteworthy. The decrease in 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 increased from € 85.0 million on December, 31, 2010 to € 108.3 million at the end of fiscal 2011. A detailed analysis of the development of this position is located in the following section "Liquidity and cash flow." With regard to the development of the items on the liabilities side of the Balance Sheets, the decrease in trade accounts payable by € 26.9 million and the increase in equity of € 11.8 million are of particular note. The change in equity results primarily from the net income earned in the reported year (€ 41.6 million) and the dividend payment to shareholders of Pfeiffer Vacuum Technology AG (€ 28.6 million). The equity ratio rose from 54.0% to 59.0%. Pfeiffer Vacuum has improved the already above-average capital base and – with cash holdings of € 108.3 million and financial liabilities totaling € 76.6 million – again shows no net debt position.

The development of trade accounts payable corresponds in exactly the same way as the change in inventories and trade account receivables to the declared intention of Pfeiffer Vacuum, to reduce the value of these Balance Sheet items in relation to revenue and volume of business. The first results are evident with regard to the development of net working capital, which is the sum of trade accounts receivable and inventories less trade accounts payable.

Change in net working capital

	Dec. 31, 2011	Dec. 31, 2010	Change
	in € millions	in € millions	in € millions
Inventories	84.9	98.3	– 13.4
Trade accounts receivable	61.4	86.4	– 25.0
Trade accounts payable	– 27.0	– 53.8	26.8
Net working capital	**119.3**	130.9	– 11.6

Liquidity and cash flow

As with the development of the Income Statement the operating cash flow is substantially affected by the acquisition of adixen. Thus, the cash inflow increased from € 51.9 million in 2010 to € 71.2 million in 2011. This represents a significant increase by € 19.3 million. This can be attributed mainly to the higher income before tax (€ +5.0 million) and also to the higher non-cash amortization and depreciation expenses (€ 21.6 million compared to € 4.2 million last year). Similarly to 2010, the cash flow effects from the development of assets (mainly inventories and trade accounts receivable) are essentially offset by those from the development of the liabilities and provisions. Positive impacts additionally stemmed from the development of inventories. As a result of the sharp rise in operating cash flow, the cash flow per share at € 7.21 was also higher in 2011 than ever before in the Company's history (2010: € 5,99). This figure illustrates, impressively, the advantages of adixen acquisition.

Cash flow margin (in %)

Cash flow per share (in €)

Within the investment activities, the Company in 2011 recorded cash outflows totaling € 12.2 million (2010: € 94.7 million). Major factors were capital expenditures of € 20.8 million (2010: € 4.9 million) and proceeds from divestments totaling € 5.9 million (2010: € 0.0 million). Information on the composition of capital expenditure can be found in the following section "Capital expenditures and financing." Proceeds from divestments resulted from the sale of adixen companies in Japan and Sweden to long-term business partners. In conjunction with the determination of the final purchase price for the adixen acquisition a total cash inflow of € 1.4 million occurred during 2011. In 2010, the cash flow from investing activities was significantly affected by the acquisitions of adixen and Trinos (€ 85.0 million and € 9.9 million respectively, totaling € 94.9 million).

The cash flow from financing activities in 2011 was characterized almost exclusively by the dividend payment to shareholders of Pfeiffer Vacuum Technology AG (€ 28.6 million). In addition, funds amounting to € 5.0 million were spent in connection with the repayment of financial debts. The acquisition of non-controlling interests in adixen Vacuum Technology Korea Ltd. resulted in a cash outflow of € 1.8 million. Overall, the cash outflow in 2011 amounted to € 35.5 million (2010: € 64.5 million cash inflow). The high 2010 figure, in addition to the dividend payment, was marked in particular by the acquisition of adixen. Thus, in connection with the financing activities in 2010, net proceeds from the capital increase (€ 73.0 million), the proceeds from the sale of treasury shares (€ 38.5 million) and a new bank loan for € 67.0 million was noted. The dept redemption of the acquired companies in 2010 led to further outflows of € 93.0 million.

After a balance of € 85.0 million on December 31, 2010 cash and cash equivalents at end of fiscal year 2011 are at a total of € 108.3 million. Thus, when taking into account financial liabilities of € 76.6 million there are still no remaining net liabilities outstanding. Additionally the Company has unused credit lines in the amount of € 17.7 million (2010: € 17.3 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. In the case of securities, only fixed- or variable rate bond issues from issuers with high credit ratings are acquired on principle. These typically consist of bond issues from banks or high-grade industrial bond issuers. Speculative transactions are not performed. 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 is thus handled at Corporate Headquarters, taking into consideration all relevant matters within the Corporate Group.

Capital expenditures and financing

The area of capital expenditures and financing was influenced by the transaction involving adixen at the end of the previous fiscal year and in 2011. However, the main effects were already recorded in 2010, because under the debt-free acquisition a total of € 196.9 million was paid to the seller on December 31, 2010. This amount consists of the redemption of debt in the amount of € 85.0 million and the then preliminary purchase price for the equity investments in the amount of € 111.9 million. As part of the final settlement of the purchase price € 1.4 million were repaid from Alcatel-Lucent in 2011. As a result of the optimization of business operations in Sweden and Japan in 2011, the companies that were acquired in connection with the adixen purchase, adixen Scandinavia AB, Sweden, and adixen Japan Ltd., Japan, were divested. The net cash inflows amounted to € 5.9 million.

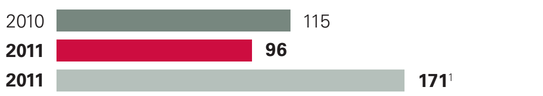
Operating business, capital expenditures and dividend payments (€ 28.6 million) were financed in 2011 by internal funds of the Corporate Group. In addition, existing financial debts in the amount of € 5.0 million were repaid. The financing of the purchase price paid for adixen and debt relief in 2010 was covered by a net capital increase (€ 74.0 million), the sale of treasury shares (€ 38.5 million), taking out a bank loan (€ 67.0 million) and free cash flow (€ 17.4 million).

The capital expenditures in the amount of € 20.8 million (2010: € 4.9 million) related predominantly to technical equipment and machinery (€ 11.2 million; 2010: € 2.7 million) as well as to land and buildings (€ 6.0 million; 2010: € 0.0 million). 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.

After the expansion of business volume and the obtaining of borrowed capital at the end of fiscal year 2010 the equity ratio as at December 31, 2010 stood at sound 54.0%. Because of the satisfactory earnings development in 2011 and the increase in business volume this ratio at the end of the 2011 fiscal year was at 59.0%. Considering the cash and cash equivalents, the Corporate Group also had as at December 31, 2011 no net financial liabilities. The current assets ratio as the ratio of current assets and current liabilities amounted to 269% (2010: 225%) 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 %)



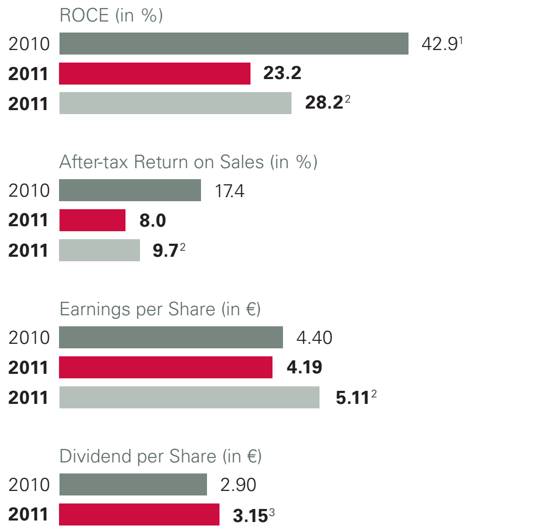
[1] *without PPA effects*

The aforementioned capital expenditures of € 20.8 million (excluding corporate transactions) and depreciation/amortization amounts in 2011 of € 21.6 million resulted in a depreciation expense ratio (ratio of capital expenditure to depreciation/amortization) of 96%. Therefore, the capital expenditures in 2011 were roughly at the level of the loss of value of fixed assets (2010: 115%). Excluding the PPA effects, which were affected, in particular, by € 9.5 million in amortization of intangible assets, the ratio was 171%.

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, considering all material financial aspects. Only in doing so is it would be possible to achieve the results generated by Pfeiffer Vacuum. 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 and earnings per share are also presented here. What is ultimately the decisive factor for the shareholder, however, is the annual dividend that is proposed or distributed. 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] *Adjusted ROCE excluding the balance sheet effects from the acquisition of adixen*
[2] *without PPA effects*
[3] *Subject to approval by the Annual Shareholders Meeting*

The above graphic shows that the success ratios achieved by Pfeiffer Vacuum declined due to the higher sales volume which is in a disproportionate increase in total expenses. When taking into account the effects of PPA this picture relativizes itself considerably. This can be seen most clearly in the analysis of earnings per share: The effect of the PPA-adjusted amount is stated at € 5.11. In addition, the development of cash flow looks very positive, even in the first year after the acquisition. Thus, cash flow per share is considerably increased from € 5.99 to € 7.21. Accordingly, the Management Board and Supervisory Board will propose that the Annual Shareholders Meeting resolve a dividend of € 3.15 per share.

Overall assessment of business performance

The earnings development of the Pfeiffer Vacuum Group in fiscal 2011 is characterized by the first time consideration of adixen. Although all the absolute profit figures have increased in comparison to the previous year, the margins have declined. This was expected in principle. PPA effects burdened the development in both absolute and relative terms and require explanation with regard to profitability. Excluding the PPA effects, the margin is at the expected level for 2011. Therefore, the situation in the first year after such a comprehensive acquisition as adixen is more than satisfactory. The objective remains unchanged: the further improvement of the operating margin in the coming years. The traditionally rock-solid financial position of Pfeiffer Vacuum has, in fiscal 2011, continued to develop positively. The Corporate Group has, unchanged, no net financial liabilities; the equity ratio has increased over the previous year and the liquidity situation has improved anew.

The operational integration of adixen units into the previous Pfeiffer Vacuum Group was completed during 2011. The corporate legal integration has well advanced in 2011 and will be completed during 2012. Therefore we are very well prepared with regard to achieving our goal of becoming the world market leader for vacuum solutions. We are fully dedicated to this goal and are confident of continuing the success story of Pfeiffer Vacuum in the interests of our employees, customers and shareholders.

Non-financial Performance Indicators

Employees

Pfeiffer Vacuum employed 2,291 employees at the end of fiscal 2011. This represents an increase of 2% in relation to the previous year's figure of 2,237 employees, which already reflected the acquisition of adixen effective December 31, 2010. The increase in employees traces back mainly to an increased provision of training opportunities – particularly at adixen and Trinos – as well as the increase of personnel in individual roles that are classified as strategically important.

Composition of Workforce by Regions

	2011		2010	
		in %		in %
Europe	1,572	69	1,492	67
Asia	573	25	598	27
The Americas	146	6	147	6
Total	**2,291**	**100**	2,237	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. In July 2010, Pfeiffer Vacuum joined the "Diversity Charter" ("Charta der Vielfalt"), an initiative of the German Federal Government. The "Diversity Charter" is a fundamental commitment to fairness and appreciation of people in companies.

Of the 2,291 employees, 379 are female and 1,912 are male. Vacuum technology represents a specific field in mechanical engineering in which it is very difficult to recruit qualified young female blood. There are no women represented on the Management Board and Supervisory Board of Pfeiffer Vacuum Technology AG. 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 blood

The promotion of young blood 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 2011, Pfeiffer Vacuum made a total of 84 apprenticeships available worldwide (2010: 67).

In 2011 four female commercial apprentices won the young blood award "MEine Zukunft" offered by the employer's association "Hessen Metall" in the category "Single products and services". 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 blood 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, mostly engineers or physicists, 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 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.

Professional qualifications of the workforce

	2011
Development, Production and Service, Total	**1,598**
Graduates of universities, colleges and universities of applied sciences	532
Employees with professional training	900
Employees without professional training	112
Apprentices	54
Administration and Sales, Total	**693**
Graduates of universities, colleges and universities of applied sciences	302
Employees with professional training	340
Employees without professional training	21
Apprentices	30

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 training courses about the latest products.

Practical programs exist for the qualification of executives, and foremen and group leaders are trained in communications and management techniques. Furthermore, the company pays attention to specialized advanced training to transfer technical advancements into the company. Chinese, German, English or French 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. In addition, the French management concluded a basic agreement with the local trade unions in fiscal 2010 about the qualification measures of the employees. In fiscal 2011, it introduced steps for regular efficiency reviews of the measures adopted within this framework.

Remuneration and incentive schemes

The personnel costs in fiscal 2011 amounted in total to € 130.4 million compared with € 55.4 million in fiscal 2010. The significant increase results essentially from the first inclusion of the adixen employees.

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.

Age Structure of the Company

	2011		**2010**	
		in %		in %
Under 30 years of age	557	24	577	26
30 to 50 years of age	1,222	53	1,209	54
Over 50 years of age	512	22	451	20
Total	**2,291**	**100**	2,237	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. By means of suitable measures, we are continuously working on filling the quota of employees with severe disabilities which is valid in each case in the various countries. A family-friendly work atmosphere is also very important to us. While varying in different regions, this includes flexible work time models to ensure the work-life balance, provision of home-office connections, return-to-work programs with flexible work time and job sharing especially for young parents.

The illness rate is generally quite low at Pfeiffer Vacuum. In the German locations Asslar and Göttingen, it was below the Germany industry average of 5.3% with 4.8% and 4.5% on average. In Annecy, the illness rate of 2.9% was below the French industry average of 5%. The employee turnover rate also differs according to location, whereby it is distorted with 4% in the corporate headquarters in Asslar by the addition of employees of adixen. In contrast, the turnover rate of 5.7% at Trinos is affected by the substantially lower basis. At adixen in Annecy, the turnover rate is very low at 2.1%.

Sustainability

The responsible treatment of resources which manifests itself in the development, manufacture and quality 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 Labour 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.

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 continued to improve its eco-controlling in fiscal 2011 by using a special software. 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 the current fiscal year 2012, the production facility in Asslar is focused on reduced gas consumption by the modernization of several heating systems and improved thermal insulation. In the production facility in Annecy/France, the "Green Lab Fab" eco-concept is still the primary focus. We will be working up to 2013 within its framework on the reduction of power consumption – by the installation of energy-efficient room lighting among other things – the restriction of chemical substances in manufacturing as well as the conversion to clean processes. Waste improvement by reduced oil use in production forms another field of activity. At the production site in the Republic of Korea a waste water recycling system is currently being installed. The aim is to reduce waste water by 90%.

Ecological indicators

	2011		2010	
	Absolute consumption	CO_2 emission in t	Absolute consumption	CO_2 emission in t
Yield of photovoltaic plant [MWh]	–105.2	–62.1	–102.2	–60.3
Power consumption [MWh]	28,674	16,917.7	10,308	6,081.7
Gas consumption [MWh]	8,194	2,056.8	6,423	1,612.2
Total primary energy consumption		**18,912.4**		7,633.6
Gasoline (l)	221,225	513.2	103,039	239.1
Diesel (l)	325,505	852.8	176,855	463.4
Total vehicle fleet		**1,366.0**		702.5
Water consumption (m^3)	30,116	—	16,018	—

The reporting system for non-financial indicators was adapted to the new size of the Corporate Group in the past fiscal year. Due to the organizational and legal integration that took place in the course of the year, not all locations are considered. The data concerning resource consumption refers primarily to the production locations in Germany and France.

During the year under review, water consumption increased by 88.0% from 16,018 m^3 in fiscal 2010 to 30,116 m^3. Electrical consumption increased by 178.2% from 10,308 MWh to 28,674 MWh. The gas consumption increased in the previous year by 27.6% from 6,423 MWh to 8,194 MWh. The increase in all consumption figures is due to the inclusion of the values of the adixen locations for the first time. On the basis of electricity and gas consumption, CO_2 emissions in fiscal 2011 totaled 18,912.4 t (2010: 7,633.6 t). A revised conversion factor becomes noticeable with this increase. For the year under review, the identifiable fuel consumption for the corporate vehicle fleet amounted to 325,505 l of diesel fuel and 221.225 l of gasoline (2010: 176,855 l of diesel fuel and 103,039 l of gasoline). This correlates to CO_2 emissions of 1,366.1 t (2010: 702.4 t). As for the other figures, the increase here is also due primarily to the inclusion of the adixen vehicles for the first time.

In Asslar, we installed two photovoltaic systems on suitable roofs of our property. In 2011, the systems produced a total of 105.2 MWh (2010: 102.2 MWh). The electricity that is generated is fed into the local energy grid, resulting in annual emissions savings of around 62.1 t CO_2 (2010: 60.3 t).

In fiscal 2011, 16 internal audits were conducted in Asslar (2010: 10 environmental audits). It must be noted that all audits cover both the area of quality management as well as the area of environmental management. The questionnaire that was used contains questions from both areas. There were no significant variances. An external repeat audit was conducted in August 2011.

The production of Pfeiffer Vacuum in Germany, France and the Republic of Korea as well as some sites without production are certified according to ISO 14001. In the production facility in Annecy/France, two external and one internal environmental audits were conducted without any significant objection in the previous fiscal year.

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 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. As of fiscal year 2012, all complaints are recorded across the group and assessed.

The international locations recorded in this report in the previous fiscal year fulfill the specifications in accordance with ISO 9001. In Asslar, 16 internal audits (2010: 11 quality audits) were conducted, which were reviewed during an external repeat audit in August 2011. In the year under review, a team of 35 employees in Annecy/France conducted 26 internal quality audits (2010: 25). An external repeat audit was conducted in June 2011 and was passed without variances.

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 800 hours for us in fiscal 2011 in conjunction with workplace safety issues. A total of three meetings of the Workplace Safety Committee were properly conducted pursuant to the German Occupational Safety Act. There were 10 reportable on-the-job accidents in 2011 (2010: 12). No technical deficiencies or lack of safeguards were identified as the cause of any on-the-job accident. With a mathematical level of 16.3 reportable accidents per 1,000 employees in Asslar, the company is below the 17.3 average of the German Workers' Compensation Insurance Company.

In the production facility in Göttingen, regular inspections and meetings take place with external safety inspectors. The Workplace Safety Committee met four times in the year. In fiscal year 2011, four reportable on-the-job accidents occurred, all of which were not caused by technical deficiencies or a lack of safeguards.

In the year under review, four meetings of the Occupational 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 of electrical systems. Six meetings and one training course were conducted in relation to mental health in the workplace. In fiscal 2011, a total of 18 accidents occurred, five of which led to days of absence. The frequency of on-the-job accidents in our subsidiary in Annecy with a rate of 5.2 is very low compared to the French average of 23.3.

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 2011, 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 on May 26, 2010, with the following exceptions:

- 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. (Sections 1.4.05, 15.1.02, and 5.4.1 of the Code)

- The members of the Supervisory Board have in the past received and presently receive a fixed compensation which does not contain any performance-related variable components. Their compensation is stated in the compensation report. The Management and Supervisory Boards consider a fixed compensation in relation to the supervisory role of the Supervisory Board preferable in order to guarantee the necessary independent monitoring role of the Supervisory Board. (Section 5.4.6 of the Code)

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

Since 2007, the Management Board has consisted of the following persons: Manfred Bender (CEO), Master of Business Administration, and Dr. Matthias Wiemer, Diploma in Mechanical Engineering. Both Management Board members 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 distribution of responsibilities within the Management Board is as follows:

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 and Marketing

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 the other Management Board members. 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 also belonged to the supervisory board of Technotrans AG, Sassenberg, Germany, until May 12, 2011. Since 2010, he has been a member of the supervisory board of the Volksbank Heuchelheim eG, Heuchelheim, Germany.

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 2011, 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
- Dr. Wolfgang Lust, Entrepreneur
- Helmut Bernhardt (Employee Representative), Development Engineer
- Manfred Gath (Employee Representative), Chairman of the Employee Council
- Wilfried Glaum, Business Administrator

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 long-standing 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:

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	—	—	—	—

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 (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 (since August 15, 2011)

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.

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 sales, operating profit, and net income of the Group.

In fiscal 2011 the fixed remuneration for Manfred Bender amounted to K€ 240 and for Dr. Matthias Wiemer K€ 190. The variable component for Manfred Bender was K€ 533 and for Dr. Matthias Wiemer K€ 357 in fiscal 2011. Payments in kind of K€ 13 and K€ 11 respectively were effected. This amounted to total compensation in 2011 of K€ 786 (2010: K€ 856) for Manfred Bender and K€ 558 (2010: K€ 603) for Dr. Matthias Wiemer. After a total compensation level of K€ 1,459 for the Management Board in fiscal 2010, the total compensation amounted to K€ 1,344 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 amount of 60% (2010: 20%) of the last fixed salary elements. Matthias Wiemer has received pension commitments amounting to 20% of the last fixed salary elements. In this connection, total net pension expenditure in accordance with IFRS of K€ 1,079 (Manfred Bender) and K€ 70 (Dr. Matthias Wiemer) was recorded in the Consolidated Statements of Income in fiscal 2011 (2010: K€ 28 and K€ 60 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€ 139 (2010: K€ 129). After K€ 217 in 2010, a total of K€ 237 was paid to the Pfeiffer Vacuum Trust e.V. The total net pension obligation for current members and former members of the Management Board therefore amounts to K€ 906 (2010: net advance payment of K€ 142). Current pensions in fiscal 2011 remain unchanged at 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.

In fiscal 2011 Dr. Michael Oltmanns received compensation of K€ 75 (2010: K€ 45), while Götz Timmerbeil received K€ 50 (2010: K€ 30). Helmut Bernhardt, Manfred Gath and Wilfried Glaum each received K€ 25 (2010: K€ 15 each). Dr. Wolfgang Lust also received compensation of K€ 25 in 2011, while in the previous year K€ 9 was paid out. Michael Anderson, who retired from the Supervisory Board in 2010, received K€ 6 in 2010. The total compensation paid out to the Supervisory Board in fiscal 2011 therefore amounted to K€ 225 (2010: K€ 135).

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 2011.

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). 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 26, 2011 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 coordinators, who have been in place since 2002, monitor proper execution of risk management and the complete 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.

The risk inventories are updated quarterly; what we define, in addition to a concrete description of the risks, are the potential quantitative impact on gross profit, the likelihood of occurrence and suitable countermeasures. At year end, the individual reports are consolidated into a complete risk report, 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 a major foundation for the Management and Supervisory

Boards 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. What are reviewed first and foremost in this connection are processes that have a major impact on Pfeiffer Vacuum's profitability, financial position and liquidity. Regularly conducted inspections protect against human mistakes, system errors and breaches of internal regulations.

Risk management as it relates to consolidated accounting

In addition to general risk management, the ICS also supports risk management as it relates to consolidated accounting in particular. In order to ensure proper accounting, internal regulations and organizational procedures are in place at Pfeiffer Vacuum that are employed throughout the entire Corporate Group and are regularly updated. To assure that the regulations are always in conformity with current legislation and official ordinances, 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.

Our ICS identifies all processes that have a major influence on consolidated accounting. The risks involved in these processes are identified and assessed. Moveover, suitable measures are defined for avoiding mistakes, and appropriate monitoring is put in place. This includes, for example, the four-eyes principle, or the assurance of optimal data quality through the employment of a consistent consolidation tool.

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 oppportunities 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 and simply adapt production capacities to reflect the development of the order situation.

Market segments

Sales revenues in Pfeiffer Vacuum's individual market segments and product categories 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 so on. 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 and 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 the Alcatel-Lucent group's vacuum technology business unit. Because 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 also increasingly market products from adixen 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 strong 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 the Alcatel-Lucent group's vacuum business unit, or adixen for short, effective December 31, 2010. We proceeded with the utmost caution in the acquisition process by conducting comprehensive, detailed reviews in the form of 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. We still view the acquisition of adixen as representing an opportunity, first and foremost, to strengthen our position in the market.

Technology

Products and services that do not meet up to 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, are combated through long-term framework contracts. 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 service and preventive maintenance for our machinery and equipment also helps 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 blood. 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 South 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 with U.S. customers 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-hedgable. 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 administratve 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 acquisition of the Alcatel-Lucent group's vacuum business unit, 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. No legal disputes are currently pending whose outcome could have a material impact on the Company's earnings or financial position.

Opportunities

Integration

In addition to the above-described risks, the acquisition and integration of Trinos Vakuum-Systeme GmbH, as well as the Alcatel-Lucent group's vacuum business unit, or adixen for short, also hold the promise of enormous opportunities for the continued development of our business operations. Expanding our product portfolio to include components from Trinos has not only enabled us to do a better job of satisfying the needs of our existing customers, it is also enabling us to win any number of new customers. We expect the same of the products from adixen. adixen's technological leadership in various backing pump technologies is an obvious vehicle for marketing these products, especially to our existing turbopump customers.

Because 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.

We were already able to record the first successes within cross-selling in the first year after the acquisition. Thus, for example, the first joint sales promotions were started comprising one complete vacuum solution using components of Pfeiffer Vacuum, adixen and Trinos. All in all, we see ourselves as still at the start of the exhaustion of cross-selling potential and expect further successes in the coming years.

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 the adixen vacuum business unit, 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

Significant changes to the business conditions or the branch environment have not occurred since the beginning of the 2012 fiscal year.

Outlook

General economic development

Against the backdrop of a weakening economic development in the second half of 2011, experts of the International Monetary Fund (IMF) expect worldwide economic growth in 2012 to stand at 3.3%, following 3.7% in 2011. This growth would primarily come from Asian countries, whose increase is forecast at a total of 7.3%. China with 8.2% and India with 7.0% had the most increased growth; both values are decreased compared to the two previous years.

In contrast, according to the IMF, the eurozone will develop negatively with –0.5%. Within the eurozone, however, Germany will still have a prominent position with an estimated average economic growth of 0.3%. It is expected that the economic situation in the USA will remain stable compared to 2011 with an increase of 1.8%. For the Japanese economy, the value of 1.7% represents a significant improvement. However, in Russia, the economy appears to cool down with a rate of 3.3%. In South America, Brazil with a forecast of 3.0% and Mexico with 3.5% demonstrate slightly below-average growth rates for this region.

Mechanical engineering

The VDMA forecasts stable development of production for the year 2012, which will lead to a zero growth rate compared to the previous year. For incoming orders, on the other hand, the VDMA has already reported a decline of 9% in January 2012 compared to the strong reference value of the previous year period. Nevertheless, looking at the overall economic condition the VDMA expects the industry to take a breather in 2012, rather than a cyclical downturn. Key factors for this development are, for one, the risky economic environment. In particular, the main export country of China shows a decline in economic dynamics. In addition, uncertainties concerning the outcome of the European national debt create an inhibitory effect on the mood. Capital expenditures are likely to be postponed in such a climate. In addition, the effect on the banks and their willingness to lend is awaited.

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 cyclical and has experienced a boom phase in 2011, which slowed down considerably in the second half of the year. Due to varying signals from the market, further development is difficult to assess. While some large companies have reported strong declines in their business development, Samsung has announced capital expenditures of approximately € 33 billions for 2012. The course of this market will depend on how much the optimism of individual market participants will affect the others. 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. The Coating market segment is significantly influenced by orders from the solar industry. These also declined in the second half of the 2011 fiscal year and a cyclical upturn is currently not foreseeable. However, Pfeiffer Vacuum also anticipates an increase in demand in the long term in this sector. Aside from the solar market, the Coating market segment is also expected to develop in a stable manner.

Pfeiffer Vacuum has the same expectations for solid 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.

Development of sales revenue in 2012

The inclusion of revenues from adixen for the first time as well as the very good developments in the core business across all segments led to an increase in sales in 2011 of 135.6% to € 519.5 million. Concerning the deteriorating forecasts concerning the global economy as well as the mechanical engineering market, Pfeiffer Vacuum does not expect continued strong growth in 2012. A moderate sales decline can not be excluded.

The incoming orders, in comparison to the general trend in the mechanical engineering sector, slightly recovered in the fourth quarter compared to the third quarter. This upbeat mood continued in the first weeks of 2012. However, no conclusions should be drawn about the expected total annual sales. A quantifiable estimation of sales development is also complicated by the fact that the visibility of our orders is amount two months.

Earnings development

After the adixen acquisition, the previously extraordinarily high return on sales and operating profit margin of Pfeiffer Vacuum decreased to normal values for the industry. In addition, assets recognized in connection with the PPA are depreciated/amortized. These burdens will decrease from € 13.3 million in 2011 to approximately € 7.0 million each for the fiscal years 2012 and 2013, respectively. Operating optimization activities should as well contribute to improving margins, also beyond 2012.

Capital expenditures currently planned for 2012 are approximately € 10 million for the entire Group. According to past procedure, which has proven itself in our estimation, we will give a detailed outlook of the entire current fiscal year at the Annual Shareholders Meeting on May 22, 2012.

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 € 3.15 per share (for 2010: € 2.90 per share). With a distribution volume of some € 31.1 million, this would once again lead to approximately 75% of net profit to be paid out to shareholders.

Forward-looking statements

The statements in the forecast report were made on the basis of assumptions about future macroeconomic and sector-specific development. The actual results may significantly differ from the expectations about the likely development if the assumptions underlying the statements subsequently prove to be incorrect.

Beginning in 2012 and continuing in 2013, the integration of adixen in the existing business operations of the Pfeiffer Vacuum Group will have a significant impact. We wish to remain a highly profitable company. Overall we are confident that we can achieve this goal on the basis of the order development at the end of 2011, 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.

Distribution Rate, Dividend per Share and Dividend Yield

		2011	2010
Distribution rate[1]	in %	75.1	75.0
Dividend per share	in €	3.15[2]	2.90
Dividend yield	in %	4.7	3.3

[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	2011	2010
		in K€	in K€
Net sales	31	519,509	220,475
Cost of sales	7, 15	–352,129	–117,553
Gross profit		**167,380**	102,922
Selling and marketing expenses	7	–54,521	–26,211
General and administrative expenses	7	–35,009	–16,518
Research and development expenses	7	–22,713	–6,993
Other operating income	8	14,648	1,424
Other operating expenses	8	–8,008	–1,714
Operating profit	31	**61,777**	52,910
thereof: subsequent effects from purchase price allocation	6	–13,347	—
Financial expenses	9, 32	–2,923	–1,798
Financial income	9, 32	645	3,416
Earnings before taxes	31	**59,499**	54,528
Income taxes	24	–17,931	–16,199
Net income		**41,568**	38,329
Thereof attributable to:			
Pfeiffer Vacuum Technology AG shareholders		**41,382**	38,144
Non-controlling interests		186	185
Earnings per share (in €):			
Basic	34	4.19	4.40
Diluted	34	4.19	4.40

Consolidated Statements of Comprehensive Income Pfeiffer Vacuum Technology AG

	Note	**2011**	2010
		in K€	in K€
Net income		**41,568**	38,329
Other comprehensive income			
Currency changes	21	1,007	2,225
Results from cash flow hedges	21, 32	–508	40
Revaluation of available-for-sale securities	21	—	–1,293
Income tax relating to other comprehensive income	21	161	–12
Other comprehensive income, net of tax		**660**	960
Total comprehensive income		**42,228**	39,289
Thereof attributable to:			
Pfeiffer Vacuum Technology AG shareholders		**42,035**	39,041
Non-controlling interests		193	248

Consolidated Balance Sheets Pfeiffer Vacuum Technology AG

	Note	Dec. 31, 2011	Dec. 31, 2010
			adjusted [1]
		in K€	in K€
ASSETS			
Intangible assets	10	93,688	106,401
Property, plant and equipment	11	96,331	90,662
Investment properties	12	592	616
Shares in associated companies	13	1,950	2,150
Prepaid pension cost	25	354	554
Deferred tax assets	24	10,177	8,744
Other non-current assets	14	3,883	3,146
Total non-current assets		**206,975**	212,273
Inventories	15	84,941	98,295
Trade accounts receivable	16	61,418	86,392
Other accounts receivable	17	12,789	15,343
Prepaid expenses		2,432	1,628
Cash and cash equivalents	18	108,293	84,975
Total current assets		**269,873**	286,633
Total assets	31	**476,848**	498,906
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Share capital	19	25,261	25,261
Additional paid-in capital	19	98,147	98,862
Retained earnings	20	158,418	145,652
Other equity components	21	–1,507	–2,160
Equity of Pfeiffer Vacuum Technology AG shareholders		**280,319**	267,615
Non-controlling interests	6	798	1,727
Total equity		**281,117**	269,342
Financial liabilities	23	71,473	75,487
Provisions for pensions	25	7,354	6,103
Deferred tax liabilities	24	16,556	20,436
Total non-current liabilities		**95,383**	102,026
Trade accounts payable	26	26,966	53,831
Other accounts payable	27, 32	24,844	27,860
Provisions	28	28,410	26,167
Income tax liabilities	24	9,429	11,868
Customer deposits		5,613	4,642
Financial liabilities	29	5,086	3,170
Total current liabilities		**100,348**	127,538
Total shareholders' equity and liabilities		**476,848**	498,906

[1] *Due to the completion of the purchase price allocation for the adixen acquisition in fiscal 2011 some of the amounts shown above were adjusted retroactively and thus differ from the amounts reported in the Consolidated Financial Statements 2010; for further details please refer to Note 6.*

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	Treasury Shares	Total	Non-controlling Interests	**Total Equity**
		in K€	in K€	in K€	in K€	in K€	in K€	in K€	in K€
Balance on January 1, 2010		**22,965**	**13,305**	**128,368**	**–3,057**	**–23,808**	**137,773**	**564**	**138,337**
Net income		—	—	38,144	—	—	38,144	185	38,329
Earnings recorded directly in equity	21, 31	—	—	—	897	—	897	64	961
Total comprehensive income		—	—	**38,144**	**897**	—	**39,041**	**249**	**39,290**
Dividend payment	20	—	—	–20,860	—	—	–20,860	–139	–20,999
Increase in share capital	19	2,296	70,999	—	—	—	73,295	—	73,295
Sale of treasury shares	22	—	14,722	—	—	23,808	38,530	—	38,530
Purchase of non-controlling interests		—	–164	—	—	—	–164	–69	–233
Changes in scope of consolidation (adjusted)	6	—	—	—	—	—	—	1,122	1,122
Balance on December 31, 2010 (adjusted)		**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, 31	—	—	—	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	—	–715	—	—	—	–715	–1,122	–1,837
Balance on December 31, 2011		**25,261**	**98,147**	**158,418**	**–1,507**	**—**	**280,319**	**798**	**281,117**

Consolidated Statements of Cash Flows
Pfeiffer Vacuum Technology AG

	Note	2011	2010
		in K€	in K€
Cash flow from operating activities:			
Earnings before taxes	31	59,499	54,528
Adjustment for financial income/financial expense		2,078	665
Financial income received		463	764
Financial expenses paid		–2,743	–172
Income taxes paid		–21,971	–8,149
Depreciation/amortization	10, 11, 12, 31	21,582	4,244
Non-cash impairment losses	13	200	350
Loss/Gain from disposals of assets		529	–2,627
Changes in allowances for doubtful accounts	16	564	172
Changes in inventory reserves	15	2,451	358
Effects of changes in assets and liabilities:			
Inventories		11,105	–4,327
Receivables and other assets		21,109	1,508
Provisions, including pension and income tax liabilities		–73	1,190
Payables, other liabilities		–23,630	3,400
Net cash provided by operating activities		**71,163**	51,904
Cash flow from investing activities:			
Capital expenditures	10, 11, 12, 31	–20,766	–4,889
Proceeds from divestments	6	5,885	—
Proceeds from purchase price adjustments	6	1,374	—
Proceeds from disposals of fixed assets		1,336	138
Payments for acquisitions	6	—	–94,878
Expenditures from purchase of associated companies		—	–2,500
Expenditures from purchase of non-controlling interests		—	–225
Redemptions/sales of investment securities		—	7,695
Net cash used in investing activities		**–12,171**	–94,659
Cash flow from financing activities:			
Dividend payments	20	–28,616	–20,860
Redemptions of financial liabilities		–5,015	–93,026
Expenditures from purchase of non-controlling interests	6	–1,837	—
Dividend payments to non-controlling interests		—	–139
Proceeds from increase of share capital	19	—	73,007
Proceeds from increase of financial liabilities	23	—	67,000
Sale of treasury shares	22	—	38,530
Net cash used in/provided by financing activities		**–35,468**	64,512
Effects of foreign exchange rate changes on cash and cash equivalents		–206	1,235
Net increase/decrease in cash and cash equivalents		**23,318**	22,992
Cash and cash equivalents at beginning of period		84,975	61,983
Cash and cash equivalents at end of period	18	**108,293**	84,975

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, 2011, 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 § 315 a, 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, 2011, 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. This 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.

Title	Issued by IASB/IFRIC	Applicability[1]
Mandatory application for fiscal years ending on December 31, 2011		
Changes to IFRS 1 – Limited Exemption from Comparative IFRS 7 Disclosures	January 2010	July 1, 2010
IAS 24 – Related Party Disclosures (revised 2009)	November 2009	January 1, 2011
Changes to IAS 32 – Classification of Rights Issues	October 2009	February 1, 2010
Annual Improvements Project 2010 of IASB	May 2010	Separate transitional rules and time of coming into force in each case
Changes to IFRIC 14 Minimum Funding Requirements and their Interaction	November 2009	January 1, 2011
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments	November 2009	July 1, 2010
Voluntary applicability for fiscal years ending on or after December 31, 2011		
Changes to IFRS 7 – Disclosures of Transfers of Financial Assets	October 2010	July 1, 2011
Issued, but not yet endorsed on December 31, 2011		
Changes to IFRS 1 – Severe Hyperinflation and Replacement of Fixed Dates for First-Time Adoption	December 2010	July 1, 2011
Changes to IAS 32 and IFRS 7 – Offsetting Financial Assets and Financial Liabilities	December 2011	January 1, 2013
IFRS 9 – Financial Instruments (2009)	November 2009	January 1, 2013
IFRS 9 – Financial Instruments (2010)	October 2010	January 1, 2013
IFRS 9 – Financial Instruments (2009)	December 2011	January 1, 2013
IFRS 9 – Financial Instruments (2010)	December 2010	January 1, 2013
IFRS 10 – Consolidated Financial Statements	May 2011	January 1, 2013
IFRS 11 – Joint Arrangements	May 2011	January 1, 2013
IFRS 12 – Disclosure of Interests in Other Entities	May 2011	January 1, 2013
IFRS 13 – Fair Value Measurement	May 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, 2012
IAS 19 – Employee Benefits (revised 2011)	June 2011	January 1, 2013
IAS 27 – Separate Financial Statements (revised 2011)	May 2011	January 1, 2013
IAS 28 – Investments in Associates (revised 2011)	May 2011	January 1, 2013

[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)
- 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 54% (2010: 38%) 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. 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.

Leasing

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, 2011, no judgment uncertainties existed that could lead to the significant risk of the need for a material adjustment of book values in the 2012 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 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 given in Note 28.

Notes to the Scope of Consolidation

5. Composition of consolidated companies

In addition to Pfeiffer Vacuum Technology AG, two German (2010: three) and 23 foreign subsidiaries (2010: 26) are fully consolidated in the Company's Consolidated Financial Statements as at December 31, 2011.

	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 Technology India Ltd.	India	27.0[1]
Pfeiffer Vacuum Ltd.	Great Britain	100.0
adixen Vacuum Technology 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	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 Technology India Ltd.	India	73.0[1]
Pfeiffer Vacuum Korea Ltd.	Republic of Korea	75.5
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
Pfeiffer Vacuum France SAS	France	100.0
adixen Vacuum Technology Korea Ltd.	Republic of Korea	100.0

[1] Total Group holdings: 100.0%

Within the course of the global integration of the adixen business units in 2011 various companies were sold within the Group and, if necessary, renamed. Additionally in 2011, Alcatel Vacuum Products Inc., USA, Alcatel Hochvakuum Technik GmbH, Germany and Alcatel Vacuum Systems S. p. A., Italy, were merged into the already existing Group companies in the respective countries. These integration procedures had no impact on the Group's net worth, financial position or profitability.

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

Acquisition of the Alcatel-Lucent group's adixen vacuum technology business unit

Pfeiffer Vacuum Technology AG acquired the 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. For all companies acquired the shareholdings principally totaled 100%. In variance thereto, the shareholdings in Alcatel Vacuum Technology Korea Ltd. (renamed to adixen Vacuum Technology Korea Ltd. in 2011) totaled 90%. In all cases, the total shareholdings equal the portion of voting rights.

Due to the brief period of time between the acquisition and the statutory publication deadline, the initial consolidation of this business unit in the Consolidated Financial Statements for 2010 was made on a preliminary basis, using the IFRS book values of the assets and liabilities. In fiscal 2011 the purchase price allocation, i.e. the valuation of all assets and liabilities acquired with their fair value as of the acquisition date, was completed. Accordingly, as of December 31, 2010 (acquisition date) the following picture was derived:

Fair Value of Assets and Liabilities Assumed

	Dec. 31, 2010
	in K€
Assets	
Property, plant and equipment	48,457
Intangible assets	51,706
Receivables	65,644
Inventories	73,747
Cash and cash equivalents	26,917
Other assets	7,251
Total assets	**273,722**
Liabilities	
Trade accounts payable	–45,056
Provisions	–14,976
Financial liabilities	–94,972
Pension provisions	–4,698
Tax liabilities	–23,917
Other liabilities	–25,479
Total liabilities	**–209,098**
Total net assets (fair market value)	**64,624**
Non-controlling interests	–1,122
Preliminary goodwill arising on acquisition	44,962
Total consideration (purchase price) [1]	**108,464**

[1] *With no consideration being given to the redemption of financial liabilities to the former parent corporation in the amount of K€ 85,000*

Major differences between the fair values and the net book values relate to the recognition of intangible assets previously not recorded, particularly developed technology (€ 26.1 million), customer base (€ 19.1 million), and a trademark right (€ 3.0 million), as well as to the write-up of tangible assets (€ 10.1 million), the net write-down in inventories (€ –6.2 million) and the recognition of deferred taxes for the fair value adjustments (€ 16.5 million net deferred tax liabilities). The net write down in inventories resulting from the purchase price allocation comprises of a gross write-up of € 4.1 million and a gross write-down of € 10.3 million. After the completion of the purchase price allocation the balance sheet amounts as at December 31, 2010, and all related Notes were adjusted accordingly.

The purchase price comprises only a cash component, and was finally determined in June 2011. Final determination of the purchase price will be made in the spring of 2011. Taking into consideration the cash and cash equivalents acquired from adixen (K€ 26.917), the anticipated net cash used in connection with this corporate acquisition totals K€ 81,547, thereof K€ 84,962 in 2010. As at December 31, 2011, other receivables include a purchase price refund claim of K€ 2,041. In addition, the financial liabilities of the adixen entities to the former parent corporation in the amount of K€ 85,000 were redeemed within the context of the acquisition in 2010.

The goodwill in the amount of € 45.0 million comprises the workforce taken over and the acquisition's general business opportunities. 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 expected to be able to be applied for tax purposes.

The valuation of non-controlling interests was based on the proportionate share of the acquiree's identifiable net assets.

As a result of the acquisition's effective date of December 31, 2010, the transaction did not have any effect on profitability for fiscal 2010. Had the acquisition been effected at the outset of fiscal 2010, there would have been sales revenues of € 491.1 million. The consolidated results would have been € 39.3 taking into consideration the acquisition. The transaction costs incurred in fiscal 2010, which are to be borne by the Corporate Group, totaled K€ 2,993. They were attributable to legal and expertise fees and are included under general and administrative expenses. In 2011, no further transaction costs were incurred.

New companies founded during the fiscal year

In fiscal 2011 the sales subsidiary Pfeiffer Vacuum Benelux B.V., the Netherlands, was formed. This did not have any major impact on the Company's net worth, financial position or profitability.

Divestments during the fiscal year

Within the course of 2011, adixen Japan Ltd., Japan, and adixen Scandinavia AB, Sweden, were disposed of. The deconsolidation did not have any major impact on the Company's net worth, financial position or profitability.

Purchase of further shareholdings in adixen Vacuum Technology Korea Ltd.

In 2011 the Company increased its shareholdings in adixen Vacuum Technology Ltd., Republic of Korea, by 10.0% to 100.0%. The difference between the acquisition costs of those additional shares and the related net book value of € 1.1 million and was recorded in additional paid-in capital.

Acquisition of Trinos Vakuum-Systeme GmbH

Effective January 1, 2010, and therefore in the previous fiscal year, Pfeiffer Vacuum Technology AG acquired all shares of Trinos Vakuum-Systeme GmbH (Trinos), Göttingen, Germany, for a total consideration of € 10.0 million. Considering identifiable total net assets of € 1.8 million (fair value), this resulted in a goodwill of € 8.2 million. The total net cash used for this acquisition was € 9.9 million.

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 for 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

	2011	2010
	in K€	in K€
Foreign exchange gains	9,627	1,424
Government grants	5,021	—
Other operating income	**14,648**	1,424
Foreign exchange losses	–7,479	–1,706
Losses from disposals of fixed assets	–529	–8
Other operating expenses	**–8,008**	–1,714

9. Financial income and financial expenses

Financial income and financial expenses as recorded in 2011 and the previous year comprises as follows:

Composition of financial income and financial expenses

	2011	2010
	in K€	in K€
Interest expenses and similar	–2,723	–1,448
Impairment losses	–200	–350
Total financial expenses	**–2,923**	–1,798
Gains on disposals of financial assets	645	526
Interest income	—	2,633
Dividend income	—	257
Total financial income	**645**	3,416
Financial result	**–2,278**	1,618

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 2011 and 2010 was as follows:

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**

Development of Intangible Assets in 2010

	Software	Other intangible assets	Goodwill	**Total**
	in K€	in K€	in K€	in K€
Acquisition cost				
Balance on January 1, 2010	3,142	—	213	3,355
Currency changes	29	—	—	29
Additions	380	397	—	777
Disposals	–5	—	—	–5
Additions from acquisitions (adjusted)	921	51,018	53,191	105,130
Balance on December 31, 2010 (adjusted)	4,467	51,415	53,404	109,286
Amortization				
Balance on January 1, 2010	2,572	—	—	2,572
Currency changes	18	2	—	20
Additions	231	65	—	296
Disposals	–3	—	—	–3
Balance on December 31, 2010	2,818	67	—	2,885
Net book value on December 31, 2010 (adjusted)	**1,649**	**51,348**	**53,404**	**106,401**

Impairment losses did not have to be recorded for intangible assets in fiscal 2011 and 2010. Scheduled amortization of 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, 2011. 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, 2011. The basis for this was a cash flow forecast for fiscal 2012 through 2014. The cash flows expected thereafter were extrapolated using a growth rate of 0.5% (unchanged). The pre-tax discount rate employed was 10.0% (2010: 9.0%). The determination of this value did not result in an impairment.

The recoverable amount (value in use) for the goodwill recognized in connection with the adixen acquisition (€ 45.0 million) was also determined as at December 31, 2011. Here, too, the valuation was based on a cash flow forecast for fiscal 2012 through 2014. 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

	Goodwill	Pre-tax discount rate	Long-term growth rate
	in € millions	in %	in %
Germany	3.4	10.0	1.5
France	22.9	10.7	1.5
Rest of Europe	2.8	10.7	1.5
USA	6.6	11.7	1.5
Republic of Korea	3.7	11.1	1.5
China	3.6	11.0	1.5
Rest of Asia	2.0	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 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**

Development of Property, Plant and Equipment in 2010

	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, 2010	38,325	27,838	17,474	730	84,367
Currency changes	17	30	329	—	376
Additions	38	1,971	1,404	699	4,112
Disposals	–1,124	–1,605	–1,798	—	–4,527
Additions from acquisitions (adjusted)	22,678	24,070	2,739	4,971	54,458
Reclassifications	—	669	142	–811	—
Balance on December 31, 2010 (adjusted)	59,934	52,973	20,290	5,589	138,786
Depreciation					
Balance on January 1, 2010	15,694	20,828	11,728	—	48,250
Currency changes	10	24	299	—	333
Additions	1,342	1,383	1,199	—	3,924
Disposals	–1,149	–1,557	–1,677	—	–4,383
Balance on December 31, 2010	15,897	20,678	11,549	—	48,124
Net book value on December 31, 2010 (adjusted)	**44,037**	**32,295**	**8,741**	**5,589**	**90,662**

In fiscal 2011, buildings and machinery having a net book value of K€ 7,124 (2010: K€ 6,876) were used as collateral to secure the Group’s financial liabilities.

12. Investment properties

Development of Investment Properties

	2011	2010
	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	245	221
Additions	24	24
Disposals	—	—
Reclassifications	—	—
Balance on December 31	269	245
Net book value on December 31	**592**	616

The real estate shown in this line item was rented out in fiscal 2011 and 2010. 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 2011 and 2010.

The fair value of investment properties totaled € 0.6 million as per December 31, 2011 (December 31, 2010: € 0.7 million). Fair values were derived on the basis of the Company's own calculations by discounting expected net rental revenues during the estimated remaining life by an appropriate discount rate.

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, 2011, the proportionate shareholders' equity of Dreebit GmbH totaled K€ 1,950 (December 31, 2010: K€ 2,150) and consisted of assets in the amount of K€ 2,258 and liabilities of K€ 308 (2010: K€ 2,487 and K€ 337, respectively). With proportionate sales revenues of K€ 764 (2010: K€ 502), Dreebit in 2011, too, earned a balanced bottom line. The financial expenses of the Pfeiffer Vacuum Group include K€ 200 (2010: K€ 350) of impairment expense.

14. Other non-current assets

Other non-current assets include, among others, deposits made by an adixen entity (K€ 1,380, 2010: K€ 1,450) and the non-current portion of the German corporate tax reduction claims (K€ 610; 2010: K€ 716).

15. Inventories

Composition of Inventories

	2011	2010
	in K€	in K€
Raw materials	33,501	40,982
Work in process	17,383	13,904
Finished products	40,279	47,468
Reserves	–6,222	–4,059
Total inventories, net	**84,941**	98,295

Dec. 31; 2010 adjusted

Materials consumption in fiscal 2011 amounted to € 231.3 million (2010: € 84.6 million) and is included in cost of sales.

Development of Inventory Reserves

	2011	2010
	in K€	in K€
Balance on January 1	4,059	3,798
Currency changes	23	49
Additions	2,451	603
Inventory written off	–311	–391
Balance on December 31	**6,222**	4,059

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

	2011	2010
	in K€	in K€
Trade accounts receivable	62,291	86,969
Allowance for doubtful accounts	–873	–577
Trade accounts receivable, net	**61,418**	86,392

Dec. 31; 2010 adjusted

Summary of Activity in the Allowance for Doubtful Accounts

	2011	2010
	in K€	in K€
Balance on January 1	577	610
Currency changes	5	15
Additions	564	176
Accounts written off	–273	–224
Balance on December 31	**873**	577

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€
2011	**61,418**	48,344	8,353	1,756	418	1,404	137	70
2010	86,392	72,328	8,062	2,582	793	1,006	586	142

Dec. 31; 2010 adjusted

In 2011, expenses for derecognition of receivables amounted to K€ 84 (2010: K€ 9). The income from cash proceeds on derecognized receivables totaled K€ 10 (2010: K€ 24).

17. Other accounts receivable

This line item totals K€ 12,789 as at December 31, 2011 (2010: K€ 15,343, adjusted). As in the year before, this position was characterized by expense subsidies (K€ 5,021) and VAT claims (K€ 2,460). As at December 31, 2010, this line additionally included claims recognized in connection with the purchase price allocation.

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) as at December 31, 2011, consisted of 9,867,659 issued and outstanding no-par ordinary shares. During 2010, share capital was increased by K€ 2,296. In this regard, a total of 897,059 new no-par ordinary shares having a computed value of € 2.56 per share were issued.

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.

During the year under review, the additional paid-in capital of K€ 98,862 as shown on December 31, 2010, was decreased by K€ 715 in connection with the purchase of non-controlling interests. Changes in 2010 related to share premium of K€ 71,711 resulting from the increase of share capital (897,059 shares; € 79.94 per share) and by K€ 14,722 resulting from the sale of treasury shares (please refer to Note 22). Under IFRS rules, transaction costs for the increase of share capital (K€ 1,000 gross, K€ 712 net of tax) were deducted directly from the changes in additional paid-in capital. Moreover, the additional paid-in capital was debited by K€ 164 in connection with the purchase of non-controlling interests.

20. Paid and proposed dividends

The Annual Shareholders Meeting on May 26, 2011, resolved to pay a dividend of € 2.90 per share (Annual Shareholders Meeting on May 20, 2010: € 2.45 per share). The dividend payment carried out thereunder amounted to K€ 28,616 in 2011 (2010: K€ 20,860).

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 € 3.15 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€ 31,083 has not been recorded as a liability in the balance sheet for the fiscal year ended December 31, 2011.

21. Other equity components

Other equity components comprise unrealized gains/losses on hedges, foreign currency translation adjustments and gains/losses from the revaluation of available-for-sale securities at fair value.

Development of Other Equity Components

	Unrealized Gains/ Losses on Hedges	Foreign Currency Translation Adjustments	Revaluation of Available-for-Sale Securities	**Total**
	in K€	in K€	in K€	in K€
Balance on January 1, 2010	—	–4,350	1,293	–3,057
Changes in fair value of cash flow hedges (net of tax)	28	—	—	28
Changes in foreign currency translation	—	2,162	—	2,162
Revaluation of securities classified as available-for-sale (net of tax)	—	—	–1,293	–1,293
Balance on December 31, 2010	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**

Due to the fact that the terms of all cash flow hedges are less than one year, the reported year-end balances as at December 31 of the respective years will be reclassified to the income statement the next year. The new year-end amounts result form changes during the respective year and thus not from prior years.

Tax Effect on Other Comprehensive Income

	2011			2010		
	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	–508	161	–347	40	–12	28
Currency changes	1,007	—	1,007	2,225	—	2,225
Revaluation of available-for-sale securities	—	—	—	–1,293	—	–1,293
Total other comprehensive income	**499**	**161**	**660**	972	–12	960

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.

Following the sale of treasury shares in 2010, the Group did not hold any treasury shares neither as at December 31, 2011, nor as at December 31, 2010.

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. These liabilities have a Euribor-based variable interest rate including a margin and mature on November 3, 2015. Interest clearing is made quarterly. For the first time in fiscal 2011, interest expenses totaling € 1.7 million were recorded. 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, 2011, stands at € 68.3 million (2010: € 68.1 million). Guarantors of the credit agreement are Pfeiffer Vacuum Technology AG, Pfeiffer Vacuum GmbH, Trinos Vakuum-Systeme GmbH and adixen Vacuum Products SAS. Under the loan agreement, the Group has committed to comply with a determined financial ratio. The Company has complied with this ratio in 2011. Further long-term financial liabilities totaling € 3.0 million (2010: € 7.1 million) are due to the partial external funding of some adixen entities. In addition, financial liabilities from finance leases totaling € 0.2 million (2010: € 0.3 million) were recorded.

Pfeiffer Vacuum and its subsidiaries have various lines of credit available to them for operating purposes, totaling approximately € 17.7 million (2010: € 17,3 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

	2011	2010
	in K€	in K€
Germany	49,913	45,996
Outside Germany	9,586	8,532
Total	**59,499**	54,528

Composition of Income Tax Expense

	2011	2010
	in K€	in K€
Current taxes		
Germany	15,085	17,042
Outside Germany	8,001	2,944
	23,086	19,986
Deferred taxes		
Germany	–100	–3,714
Outside Germany	–5,055	–73
	–5,155	–3,787
Income tax expense	**17,931**	16,199

K€ 22,758 of current tax expense relate to earnings in 2011 (2010: K€ 19,966). This line item additionally contains tax payments for prior years amounting to K€ 328 (2010: K€ 20).

Reconciliation from Expected to Actual Income Tax Expense

	2011	2010
	in K€	in K€
Earnings before taxes	59,499	54,528
Expected tax expense using a tax rate of 28.81%	17,142	15,710
Non-taxable income	–1,433	–34
Non-deductible expenses	1,992	179
Higher/lower foreign tax rates	722	311
Tax debits due to tax filings in prior years	328	20
Effects due to dividend payments	32	48
Tax free income relating to capital gains on securities sold	—	–533
Other	–852	498
Income tax expense	**17,931**	16,199

As opposed to 29.7% the year before, the tax ratio for the Pfeiffer Vacuum Group amounted to 30.1% in 2011. The changes predominantly relate to tax rate differences between the companies included in the Consolidated Financial Statements.

Deferred Taxes Relate to the Following Balance Sheet Items

	2011	2010
	in K€	in K€
Deferred tax assets		
Pensions	4,699	4,313
Inventories	4,170	3,834
Personnel and other provisions	2,974	2,565
Other liabilities	505	491
Derivatives	424	—
Intangible assets	422	173
Property, plant and equipment	344	295
Financial liabilities	256	299
Trade accounts receivable (including allowances for doubtful accounts)	107	152
Other	952	508
Total deferred tax assets	**14,853**	12,630
Deferred tax liabilities		
Intangible assets	–12,335	–15,132
Property, plant and equipment	–7,648	–7,539
Receivables (including allowances for doubtful accounts)	–676	–87
Tax-privileged reserves of a Swedish subsidiary	–290	–332
Inventories	–177	–1,140
Personnel and other provisions	–77	–58
Other	–29	–34
Total deferred tax liabilities	**–21,232**	–24,322
Total deferred taxes, net	**–6,379**	–11,692

Dec. 31; 2010 adjusted

Amounts Recorded in the Balance Sheet

	2011	2010
	in K€	in K€
Deferred tax assets	10,177	8,744
Deferred tax liabilities	–16,556	–20,436
Total deferred taxes, net	**–6,379**	–11,692

Dec. 31; 2010 adjusted

Deferred Taxes Recorded in the Income Statement

	2011	2010
	in K€	in K€
Intangible assets	–2,961	76
Inventories	–1,249	–454
Pensions	–375	190
Personnel and other provisions	–348	97
Derivatives	–275	—
Tax-privileged reserves of a Swedish subsidiary	–44	–40
Receivables (including allowances for doubtful accounts)	636	–3,858
Property, plant and equipment	64	255
Financial liabilities	43	–299
Other	–646	246
Total deferred taxes (income)	**–5,155**	–3,787

As at December 31, 2011, the total deferred tax assets include income taxes recorded directly in equity of K€ 64 (2010: K€ 12). The total deferred tax liabilities include income taxes recorded directly in equity of K€ -85 (2010: none). 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

Pension obligations of € 4.7 million (adjusted) were transferred in connection with the acquisition of the adixen entities as of December 31, 2010.

Composition of Net Periodic Pension Cost

	2011	2010
	in K€	in K€
Service cost	1,783	1,268
Interest cost	2,832	2,672
Expected return on plan assets	–1,594	–1,838
Amortization	116	42
Income from plan curtailments/settlements	—	–204
Net periodic pension cost	**3,137**	1,940

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

	2011	2010
	in K€	in K€
Present value of funded benefit obligations	–53,157	–51,487
Present value of unfunded benefit obligations	–7,027	–6,042
Total present value of benefit obligations	–60,184	–57,139
Fair value of plan assets	44,736	45,569
Present value of net obligations	–15,448	–11,570
Unrecognized actuarial losses	8,400	5,953
Unrecognized past service cost	48	68
Net amount recorded in balance sheets	**–7,000**	–5,549
Thereof: Prepaid pension costs	354	554
Thereof: Provisions for pensions	–7,354	–6,103

Dec. 31; 2010 adjusted

Development of Benefit Obligations

	2011	2010
	in K€	in K€
Present value of benefit obligations on January 1	57,139	48,579
Service cost	1,783	1,268
Interest cost	2,832	2,672
Actuarial losses/gains	–207	2,339
Benefit payments	–2,619	–2,234
Past service costs	1,048	—
Curtailments/settlements	—	–429
Additions from acquisitions	—	4,698
Currency changes	208	246
Present value of benefit obligations on December 31	**60,184**	57,139

2010 adjusted

Development of Plan Assets

	2011	2010
	in K€	in K€
Fair value of plan assets on January 1	45,569	44,244
Expected return on plan assets	1,594	1,838
Company contributions	2,368	2,180
Benefit payments	–2,231	–2,234
Actuarial losses	–2,668	–437
Curtailments/settlements	—	–225
Currency changes	104	203
Fair value of plan assets on December 31	**44,736**	45,569

The Company expects that cash contributions to plan assets in 2012 will be € 2.8 million.

The actual return on plan assets in fiscal 2011 amounted to K€ -1,074 (2010: K€ 1,401).

Actuarial Assumptions

	2011	2010
	in %	in %
Germany		
Discount rate	5.50	5.30
Long-term rate of increase in compensation levels	2.75	2.75
Expected long-term rate of return on assets	3.50	3.50
United States		
Discount rate	5.50	5.50
Long-term rate of increase in compensation levels	3.00	3.00
Expected long-term rate of return on assets	7.00	7.00
France, Korea		
Discount rate	4.50–6.30	4.75–6.30
Long-term rate of increase in compensation levels	3.00–6.00	2.56–6.00

Dec. 31

Composition of Plan Assets

	2011		2010	
	in K€	in %	in K€	in %
Equity securities	5,610	12.5	9,032	19.8
Fixed-income securities	30,957	69.3	33,326	73.2
Cash and cash equivalents	7,345	16.4	2,285	5.0
Other	824	1.8	926	2.0
Total	**44,736**	**100.0**	45,569	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 2007–2011

	2011	2010	2009	2008	2007
	in K€	in K€	in K€	in K€	in K€
Present value of benefit obligations	60,184	57,139	48,579	46,873	45,784
Fair value of plan assets	44,736	45,569	44,244	42,962	47,584
Surplus/deficit	– 15,448	– 11,570	– 4,335	– 3,911	1,800
Experience adjustments on plan liabilities	– 207	2,339	– 142	358	– 5,531
Experience adjustments on plan assets	– 2,668	– 437	– 1,010	– 5,173	– 567

Dec. 31; 2010 adjusted

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€ 9,158 (2010: K€ 3,771).

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€ 24,844 as at December 31, 2011, and K€ 27,860 as at December 31, 2010, adjusted) 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

	2011	2010
	in K€	in K€
Warranty provisions	16,075	13,894
Personnel provisions	10,630	9,686
Other provisions	1,705	2,587
Total	**28,410**	26,167

Dec. 31; 2010 adjusted

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, 2011 (adjusted)	13,894	9,686	2,587	26,167
Currency changes	48	58	14	120
Additions	11,661	11,803	1,636	25,100
Utilization	– 7,918	– 9,205	– 2,152	– 19,275
Releases	– 1,610	– 1,589	– 370	– 3,569
Disposals from divestments	—	– 123	– 10	– 133
Balance on December 31, 2011	**16,075**	**10,630**	**1,705**	**28,410**

29. Short-term financial liabilities

Short-term financial liabilities include bank loans in the amount of € 4.9 million maturing within one year (€ 3.0 million) and the short-term liabilities from finance leases (€ 0.2 million, unchanged).

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.

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**

Contractual Obligations as at December 31, 2010

	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	8,566	3,191	3,312	1,375	688
Purchase obligations	10,311	7,673	2,638	—	—
Repair and maintenance	937	552	288	87	10
Total	**19,814**	**11,416**	**6,238**	**1,462**	**698**

Purchase obligations include long-term arrangements for future supplies of materials. Rental expenses amounted to € 3.3 million for fiscal 2011 and € 1.3 million for fiscal 2010.

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 each presented separately 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. Prior year figures were adjusted accordingly. However, it has to be taken into account that development of sales and earnings figures and presentation of depreciation/amortization and capital expenditures in 2010 had not been impacted by the adixen acquisition. Unchanged compared to previous year, all information is based upon the geographic location of the Group company in question.

Transactions between segments are based upon the arm's length principle. The internal reporting on which the disclosures are based is IFRS. Segment sales and segment results in the primary reporting format initially include the effects of inter-segment transactions. These effects are eliminated in connection with the consolidation process.

Segment Reporting as at December 31, 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[1]	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*

Segment Reporting as at December 31, 2010

	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	189,646	6,030	40,472	53,156	5,490	3,788	–78,107	220,475
Third party	113,444	6,030	40,365	53,041	5,158	2,437	—	220,475
Intercompany	76,202	—	107	115	332	1,351	–78,107	—
Operating profit	44,231	480	2,248	3,853	910	984	204	52,910
Financial income	—	—	—	—	—	—	1,618	1,618
Earnings before taxes	44,231	480	2,248	3,853	910	984	1,822	54,528
Segment assets	141,719	163,801	34,031	48,065	62,880	48,410	—	498,906
Thereof: Assets according to IFRS 8.33 (b)[1]	57,169	88,299	9,536	11,394	20,315	14,112	—	200,825
Segmentschulden	98,505	85,794	8,904	5,959	21,344	9,058	—	229,564
Investitionen in:								
Property, plant and equipment[1]	3,407	46	329	20	41	269	—	4,112
Intangible assets	278	—	24	73	—	402	—	777
Depreciation[2]	3,616	19	183	46	31	53	—	3,948
Amortization	196	—	7	68	—	25	—	296

[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). In 2011, financial income in the “Other” segment included impairment losses totaling K€ 200 (2010: K€ 350).

Sales by Product

	Backing Pumps	Turbopumps	Measurement and Analysis Equipment, Components	Service	Systems	**Group**
	in K€	in K€	in K€	in K€	in K€	in K€
2011	182,941	144,337	111,335	72,487	8,409	**519,509**
2010	28,654	92,378	69,155	23,146	7,142	220,475

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, 2011, as in the year before, there were no more interest-sensitive financial assets. As a result of cash and cash equivalents on December 31, 2011, an increase (decrease) in interest rate by 50 basis points would increase (decrease) earnings by K€ 542 (2010: increase/decrease by K€ 425). As a result of financial liabilities shown on December 31, 2011, an increase (decrease) in interest rate by 50 basis points would decrease (increase) earnings by K€ 381 (2010: increase/decrease by K€ 393).

Credit risks

Due to the Company’s heterogeneous customer structure and the fact that no single end customer accounts for more than 10% of total sales, 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, 2011, 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 54% (2010: 38%) 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, 2011, and 2010, 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 payables for the period ended December 31, 2011, totaled K€ 468. Because the changes in fair value for cash flow hedges are recorded directly in equity, other equity components decreased by K€ 319, net of taxes of K€ 149. The Company does not engage in speculative hedging for investment purposes. As at December 31, 2011, and at December 31, 2010, no contracts held by the Company had a maturity date greater than one year.

As at December 31, 2011, the Company has entered into foreign currency forward contracts totaling € 38.9 million (2010: € 5.3 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, 2011, lost 10% against the U.S. dollar which is predominantly material for the Consolidated Financial Statements, net income would have been K€ 78 higher and total equity would have been K€ 1,300 lower. A 10% gain in the euro as at December 31, 2011, would have decreased net income by K€ 643 and would have increased total equity by K€ 467. A 10% loss in the euro as at December 31, 2010, against the currencies reflected in the Consolidated Financial Statements would have led to a K€ 385 increase in net income and a K€ 346 increase in total equity (almost entirely due to the to the U.S. dollar). A 10% gain in the euro would have decreased net income by K€ 314 and total equity by K€ 420 almost entirely due to the U.S. dollar). In all cases, net income was affected solely 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, 2011

			Amounts Recognized According to IAS 39			
	Category According to IAS 39	Net Book Value	Amortized Cost	Fair Value Recognized in Equity	Fair Value Through Profit and Loss	Fair Value
	in K€	in K€	in K€	in K€	in K€	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

Composition of Financial Instruments as at December 31, 2010

	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	84,975	84,975	—	—	84,975
Trade accounts receivable (adjusted)	LaR	86,392	86,392	—	—	86,392
Derivative financial instruments (incl. cash flow hedges	n.a.	40	—	40	—	40
Liabilities						
Trade accounts payable	FLAC	53,831	53,831	—	—	53,831
Financial liabilities	FLAC	78,657	78,657	—	—	78,657
Totals by valuation categories:						
Loans and Receivables (LaR), adjusted		171,367	171,367	—	—	171,367
Held-to-Maturity-Investments (HtM)		—	—	—	—	—
Financial Assets Available-for-Sale (AfS)		—	—	—	—	—
Financial Assets Held for Trading (FAHfT)		—	—	—	—	—
Financial Liabilities Measured at Amortized Cost (FLAC), adjusted		132,488	132,488	—	—	132,488

Net Results by Valuation Category

	From Interest/ Dividends	From Subsequent Valuation At Fair Value	Currency Translation	Impairment/ Reversal of Impairment	From Derecognition	Net Results **2011**	2010
	in K€	in K€	in K€	in K€	in K€	in K€	in K€
Loans and Receivables (LaR)	—	1,947	1,004	−564	−74	2,313	−447
Held-to-Maturity-Investments (HtM)	—	—	—	—	—	—	—
Financial Assets Available-for-Sale (AfS)	—	—	—	—	—	—	2,890
Financial Assets Held for Trading (FAHfT)	—	—	—	—	—	—	—
Financial Liabilities Measured at Amortized Cost (FLAC)	−2,714	—	—	—	—	−2,714	−1,406
Financial Liabilities Held for Trading (FLHfT)	—	−803	—	—	—	−803	—

33. Management of financial risks

With an equity ratio of 59.0% as at December 31, 2011, Pfeiffer Vacuum still has an equity base that is far above average. Additionally, cash and cash equivalents totaled € 108.3 million as at December 31, 2011. In spite of material borrowings for funding the adixen acquisition and the financial liabilities assumed in this context, the Group did not show any net financial liabilities as at December 31, 2011. 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

	2011	2010
Net income (in K€)	41,382	38,144
Weighted average number of shares	9,867,659	8,667,075
Number of conversion rights	—	—
Adjusted weighted average number of shares	9,867,659	8,667,075
Earnings per share in € (basic/diluted)	4.19	4.40

[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, 2011, 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 2011 and 2010.

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, 2011. The holdings of members of corporate bodies are thus negligible.

In 2011, the reimbursements from Pfeiffer Vacuum Trust e.V. amounted to € 2.7 million (2010: € 2.5 million). Contributions to Pfeiffer Vacuum Trust e.V. totaled € 2.7 million in 2011 (2010: € 2.5 million).

Neither in 2011 nor in 2010 were there any reportable transactions under IAS 24 with Arnhold and S. Bleichroeder or First Eagle Funds, whose holdings count for 9.61 % of total shares.

The law firm of Menold Bezler was contracted on the basis of usual and customary terms and conditions, to perform consulting projects. Expenses recorded in this context totaled € 0.1 million (2010: € 0.3 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 2011 and in 2010.

36. Events after the balance sheet date

Since the beginning of the 2012 fiscal year, there have not been any significant changes in the Company's position or the industry environment.

37. Personnel expenses

Personnel expenses

	2011	2010
	in K€	in K€
Wages and salaries	105,478	45,288
Social security, pension and other benefit cost	24,916	10,062
Thereof for pensions	12,295	5,711
Total	**130,394**	55,350

The significant increase in personnel expenses is predominantly due to inclusion of the adixen entities in the Consolidated Financial Statements.

38. Number of employees

The number of employees was as follows on December 31, 2011, and 2010:

Number of employees

	2011	2010
Annual average		
Male	1,897	1,008
Female	379	218
Total	**2,276**	1,226
Balance sheet date		
Male	1,912	1,846
Female	379	391
Total	**2,291**	2,237

The significant increase in the number of employees was attributable virtually only to the changes in consolidated companies.

39. Management Board

As at December 31, 2011, 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 2011 was € 1.3 million (2010: € 1.5 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.

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 2011, 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)
  - Scholz AG, Essingen, Germany (Chairman)

- **Götz Timmerbeil,**
  Certified Public Accountant and Tax Advisor
  (Vice Chairman and Chairman of the Audit Committee)
  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 (from August 15, 2011)

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 as recorded in the statements of income were as follows for fiscal 2011 and 2010:

Audit Fees for the Auditor of the Consolidated Financial Statements

	2011	**2010**
	in K€	in K€
Fees resulting from:		
Audit services	770	644
Other certification and consulting services	9	—
Tax advisory services	85	69
Other services	154	523
Total	**1,018**	1,236

The rise in the expense recorded for auditing of the financial statements must be viewed in conjunction with the adixen entities, which were consolidated in 2011 also with regard to the income statement and the auditing of the purchase price allocation and the additional auditing effort and expense this involved. The decrease in expenses for other services was attributable to legal consulting services provided in 2010 in conjunction with the acquisition of the adixen entities.

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

Pursuant to § 161 of the German Stock Corporation Act, the Management and Supervisory Boards issued the statement of compliance for the year 2011 in November 2011 and made it permanently available for shareholders and interested parties at the Company's homepage. With the following exceptions, this statement reflects compliance with the recommendations of the German Corporate Governance Code Government Commission as amended in May 2010:

- The members of the Supervisory Board have in the past received and presently receive a fixed compensation which does not contain any performance-related variable components. Their compensation is stated in the compensation report.

- 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 12, 2012, the Consolidated Financial Statements were authorized for issuance.

Asslar, March 12, 2012

Management Board

Manfred Bender   Dr. Matthias Wiemer

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 12, 2012

Management Board

Manfred Bender Dr. Matthias Wiemer

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, 2011. 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 12, 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

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Consolidated Statements of Income (5-Year-Overview)

	2011	2011 excluding PPA[1]	2010	2009	2008	2007
	in K€	in K€	in K€	in K€	in K€	in K€
Net sales	519,509	519,509	220,475	182,001	198,060	192,042
Cost of sales	–352,129	–345,078	–117,553	–103,694	–106,346	–97,860
Gross profit	**167,380**	**174,431**	102,922	78,307	91,714	94,182
Selling and marketing expenses	–54,521	–51,294	–26,211	–22,961	–21,884	–21,487
General and administrative expenses	–35,009	–34,963	–16,518	–10,634	–11,562	–12,661
Research and development expenses	–22,713	–19,690	–6,993	–7,171	–6,799	–7,187
Other operating income	14,648	14,648	1,424	1,170	2,463	1,632
Other operating expenses	–8,008	–8,008	–1,714	–937	–1,037	–1,047
Operating profit	**61,777**	**75,124**	52,910	37,774	52,895	53,432
Financial expenses	–2,923	–2,923	–1,798	–239	–1,490	–21
Financial income	645	645	3,416	893	2,738	6,001
Earnings before taxes	**59,499**	**72,846**	54,528	38,428	54,143	59,412
Income taxes	–17,931	–22,204	–16,199	–10,735	–16,095	–22,127
Net income	**41,568**	**50,642**	38,329	27,693	38,048	37,285
Thereof attributable to:						
Pfeiffer Vacuum Technology AG shareholders	**41,382**	**50,456**	38,144	27,596	37,967	37,025
Non-controlling interests	186	186	185	97	81	260
Earnings per share (in €):						
Basic	4.19	5.11	4.40	3.24	4.36	4.19
Diluted	4.19	5.11	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

[1] *PPA = Purchase Price Allocation. The purchase price allocation refers to the process whereby the costs generated during the acquisition of the company are distributed between the individual assets, liabilities and contingent liabilities at the current market value of the transaction.*

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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 acquistion 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 2012

Friday, February 17
Preliminary results for fiscal year 2011

Monday, March 26
Results for fiscal year 2011

Thursday, May 3
Interim report 1st quarter 2012 results

Tuesday, May 22
Annual Shareholders Meeting

Tuesday, August 7
Interim report 2nd quarter/1st half year 2012 results

Tuesday, November 6
Interim report 3rd quarter/9-months 2012 results

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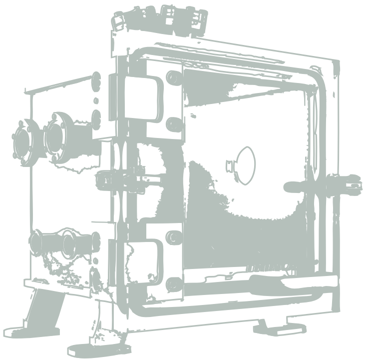

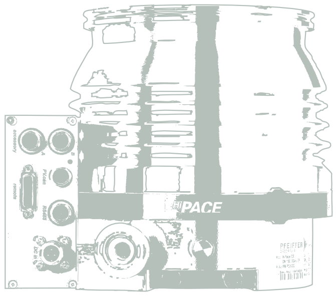
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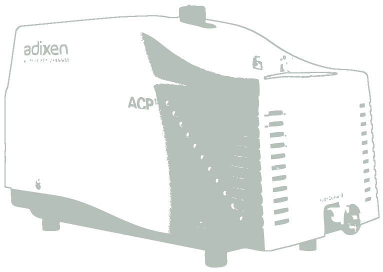
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