A PASSION FOR PERFECTION

PFEIFFER VACUUM

Future

ANNUAL REPORT 2013

Future

The future holds both uncertainty as well as the promise of opportunity. Some people just stand by and wait for the future to unfold. Others are driven by visions. The crucial factors for ensuring that key developments hold the prospect of a successful future lie largely in our own hands. No matter whether we are looking at research into new technologies, tapping into new markets, the sustainable use of resources or simply the perspective which Pfeiffer Vacuum offers as a company, the commitment of our staff and the quality of our products play an essential role. Our sense of duty, and the passion which drives us, underline our great readiness to meet the future.

Content

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; Cluj, Romania
- **Workforce worldwide:** 2,235 people

Key Figures

		2013	2012[2]	Change
Sales and profit				
Total sales	K€	408,727	461,327	–11.4%
Germany	K€	76,652	89,576	–14.4%
Other countries	K€	332,075	371,751	–10.7%
Operating profit	K€	50,523	68,477	–26.2%
Net income	K€	34,815	45,824	–24.0%
Return on sales	%	8.5	9.9	–1.4Pp
Operating cash flow	K€	47,928	63,341	–24.3%
Balance sheet				
Total shareholders' equity and liabilities	K€	430,537	451,346	–4.6%
Cash and cash equivalents	K€	95,129	102,006	–6.7%
Shareholders' equity	K€	276,010	276,983	–0.4%
Equity ratio	%	64.1	61.4	2.7Pp
Return on equity	%	12.6	16.5	–3.9Pp
Capital expenditures	K€	10,274	10,268	0.1%
Workforce				
Workforce (average)		2,219	2,270	–2.2%
Germany		820	806	1.7%
Other countries		1,399	1,464	–4.4%
Personnel costs	K€	130,724	130,581	0.1%
Per employee	K€	59	58	1.7%
Sales per employee	K€	184	203	–9.4%
Per share				
Earnings	€	3.53	4.64	–23.9%
Dividend	€	2.65[1]	3.45	–23.2%

[1] Subject to the consent of the Annual General Meeting
[2] Due to the retroactive application of IAS 19 prior year numbers were partly adjusted

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

Manfred Bender
Chairman of the Management Board

Dear shareholders, employees and business associates,

As anticipated, 2013 was an economically unfavorable year for Pfeiffer Vacuum. With the acquisition of adixen at the end of 2010, we notably increased our dependence on the global semiconductor market. Although this remains of the utmost importance due to its size and its growth momentum, it is also known to be significantly more volatile than the other market areas that we serve. Due to this nature and the prevailing market phase, our expectations for the fiscal year were somewhat conservative from the outset, which meant that we once again had to accept a decline in sales. This weak market phase has unfortunately eclipsed the internal progress we have made in terms of profitability. However, we are proud of the improvements that have taken place in various processes, sales areas and service activities in 2013. Only through these measures, coupled with strict pricing discipline and production flexibility, have we managed to achieve a better operating profit margin than in 2011, despite a renewed decline in sales – even though total sales were more than € 100 million higher at that time.

In the meantime, our first joint "adixen by Pfeiffer Vacuum" products have become successfully established on the market, and other important innovations have been introduced at tradeshows. A good example is the new ASM 340, which is a French leak detector, with a German heart (turbopump). Dry pumps from Annecy (France) and turbopumps or Roots pumps from Asslar are also used jointly in turbo-pumping stations and Roots pumping stations. With the accumulated know-how that leads to new products, we are very well positioned to successfully participate in a potential market upturn. The signs are good: Our orders are slowly increasing, and major customers are expressing a greater willingness to invest through the media.

It remains our clear mission to offer the best and most versatile vacuum solutions to users without losing sight of our profitability objectives. The EBIT margin of 14.0% in the second half of 2013 (compared to only 10.7% in the first half of 2013) can be considered as the first small result of our optimization measures. In 2013, the operating profit amounted € 50.5 million, representing an EBIT margin of 12.4%. Although this figure is only 2.4 percentage points lower than the figure of the previous year, in view of the decline in sales of 11.4% to € 408.7 million compared to the previous year, the EBIT margin is slightly above our previous expectations, which we had communicated as always at the Annual General Meeting in May. The decrease is almost entirely attributable to the weakness in the semiconductor market and the reluctance to invest in this sector that was observed over the course of the year. Demand from the other market areas such as Analytics, Research & Development as well as Coating and the broad Industry business, however, has proved relatively stable over the course of the year. This fact can also be seen as a stabilizing feature of our diverse customer base.

Net income for 2013 amounted to € 34.8 million, 24% below the record level of the previous year. A portion of this profit will again be distributed to you, our shareholders. The remaining amount will be withheld in order to safeguard our balance sheet strength: With an equity ratio of 64.1%, Pfeiffer Vacuum is in a strong position. The Company is net debt free, which means that our liquid assets are greater than the financial liabilities. Although being debt-free is still not the top priority, incurring debt such as three years ago for the acquisition of adixen must be for a purpose and not targeted towards achieving any particular balance sheet structure.

As you can see, we remain true to our basic (and possibly somewhat conservative) principles. The soundness of our balance sheet and our passionate pursuit of top quality and sustainable perfection reflect our belief that in the long term this will be the most profitable way for all of us. We are therefore optimistic about the future as we invest our efforts on focusing on an even brighter future for our customers, our employees and our shareholders.

Dear shareholders, our future is closely tied to your future, and we will therefore continue to do all we can to tread this mutual path with the best possible returns on your investment.

Yours,

M. Bender

Manfred Bender
Chairman of the Management Board

Report of the Supervisory Board

Dear Shareholders,

The 2013 fiscal year in the European and American region was marked by a renewed emergence of confidence after the financial crisis gradually subsided, in contrast to the uncertainties prevailing in the Asian region concerning prospects for growth. The focus for Pfeiffer Vacuum was again on integrating the adixen business unit and improving its profitability. The semiconductor-dominated bias of this business unit – particularly in Asia – and the cyclic nature of its business negatively impacted on the 2013 fiscal year. Underutilizations of capacity, however, were exploited to implement efficiency-boosting and cost-saving measures. The basic tenet of Pfeiffer Vacuum of selling first-class high-tech products at a reasonable price was also embraced as far as possible by the adixen business unit – even if this meant knowingly running the risk of forgoing low-margin business.

The Supervisory Board – as well as the Management Board – is not satisfied with the results achieved in fiscal 2013, but is convinced that the course already embarked on of a pricing policy, efficiency-boosting measures, and continuing to supply to the semiconductor industry, is the right one and promises success in view of the expected recovery.

During the 2013 fiscal year, the Supervisory Board was informed about the current position of the Company and the Corporate Group in five meetings and discussed this in detail with the Management Board. The Supervisory Board meetings took place in Asslar on February 18, March 11, May 28, August 5 and November 4. 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 2013 fiscal year.

The Supervisory Board has a Management Board Committee, an Administration Committee, a Nomination Committee, and an Audit Committee. The Management Board Committee met on November 4. Meetings of the Audit Committee took place on March 11 and November 4. Moreover, the Audit Committee maintained regular contact with the independent auditor, discussing and deciding the course of the audit with him, the main focuses of the audit, and particular questions relating to the audit.

In addition to the general development of business and the Company's strategic alignment, the Supervisory Board meetings focused on the continued integration of adixen. This covered increasing the profitability of the adixen business unit, the integration and support of the foreign subsidiaries, the optimization of the working capital, the standardization of the reporting system, and further strengthening and integrating regional management into the Pfeiffer Vacuum culture. Further key areas were the founding of a service company in Xi'an (China) as well as the "Lean Production" project at the Annecy site (France).

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

The requirements with respect to risk management mandated under the German Control and Transparency in Business Act ("KonTraG") of1998 were discussed extensively together with the Management Board. The Supervisory Board repeatedly satisfied itself that sufficient insurance coverage is in force for insurable risks and that operating, financial and contractual risks are monitored through organizational processes and approval procedures. A detailed reporting system exists for the Company and the Corporate Group and is subject to ongoing review, update and development. All employees in the operating units are sensitized to potential risks and are instructed to conduct appropriate reporting. Current issues in connection with risk management were explained to the Audit Committee as well as the full Supervisory Board.

The Supervisory Board deliberated in detail on the German Corporate Governance Code ("DCGK"). The Management Board and Supervisory Board recognize the German Corporate Governance Code – with one exception – as definitive for the Company and its management. The statement of compliance pursuant to §v 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 2014 fiscal year with the Management Board and adopted it.

In accordance with the resolution adopted by the Annual General Meeting on May 28, 2013, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, of Eschborn, Germany, was commissioned to audit the Annual Financial Statements of the Company and the Company's Consolidated Financial Statements, with the latter being prepared in accordance with International Financial Reporting Standards ("IFRS"), as well as the financial statements of the Company's subsidiaries where prescribed by law. Pursuant to § 315 a of the German Commercial Code ("HGB"), consolidated financial statements presented in accordance with the rules of the German Commercial Code were not prepared.

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

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

The Annual Financial Statements together with the Management's Discussion & Analysis as well as the Consolidated Financial Statements presented in accordance with IFRS together with the Management's Discussion & Analysis, all for the 2013 fiscal year and all of which prepared by the Management Board, were audited by the independent auditor and received his unqualified opinion.

The Annual Financial Statements, Management's Discussion & Analysis for the Company and the Corporate Group, as well as the audit reports from the independent auditor were submitted to all members of the Supervisory Board in a timely fashion. They were discussed in detail at the Audit Committee meeting relating to the financial statements as well as at the Supervisory Board meeting relating to the financial statements on March 17, 2014. 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 concurred with the results of the audit conducted by the independent auditor. Given the concluding results of its review, the Supervisory Board raised no objections to the Annual and Consolidated Financial Statements. It has approved the Annual and Consolidated Financial Statements, with the 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 dedication and commitment in the 2013 fiscal year.

Asslar, March 17, 2014

Dr. Michael Oltmanns
Chairman of the Supervisory Board

Dr. Michael Oltmanns
Chairman of the Supervisory Board

Quality, Expertise and Experience

A Vacuum Solution is created by combining our strengths

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

Up to 5,000 backing pumps and 1,000 turbopumps are required to manufacture some 100,000 wafers per month in a modern semiconductor factory. In contrast, a research laboratory may be sufficiently equipped with a single backing pump. Other applications involve quality assurance in manufacturing processes, where the purpose is often to test the tightness of vessels and components or analyze the composition of process gases.

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

Key factors for compiling a vacuum solution:

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

Application examples for vacuum solutions:

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

Backing pumps

Low and medium vacuum:
Rotary vane, diaphragm, Roots, side channel and piston pumps in addition to pumping stations.

Vacuum chambers

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

Measurement and analysis equipment

For all pressure ranges:
Leak detectors, gas analyzers, gauges and mass spectrometers.

Turbopumps

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

Elements of Vacuum Solutions

Components

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

Systems

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

Consultation

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

Service

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

Kwak Hwa-shin

Service Technician,
adixen Vacuum Technology Korea,
Asan, Republic of Korea

▸▸ *My future will be part of technological excellence!* ◂◂

Vacuum technology influences our everyday lives

Modern day living greatly benefits from seemingly simple devices such as portable USB sticks. Nowadays, I couldn't even imagine living without a smart phone. It helps me remember many things I would have surely forgotten otherwise.

Every day I witness Pfeiffer Vacuum's expertise in semiconductor production technology. Not even the tiniest errors are acceptable in this demanding industry. I'm therefore impressed that our technology delivers the accuracy to meet these difficult requirements. This experience is very important in my goal of becoming a good engineer. At the same time, I am fascinated by the high technical requirements in vacuum technology.

My work at Pfeiffer Vacuum gives me a great sense of accomplishment. I work with the same sincere attitude that I constantly experience from my colleagues around me. Pfeiffer Vacuum offers me the opportunity to continue developing my expertise to become an excellent engineer. This really motivates me!

I want to help make Pfeiffer Vacuum the world's leading company for developing high end products.

»We gear our future towards the mega trends of today and tomorrow!«

Cutting-edge technology drives us

Our products are used in a variety of future technologies. Due to our strong position in the market and the broad regional reach of our business activities, we are almost "automatically" involved in technological innovations. Participation in prestige projects, such as the major research organization, CERN, in Geneva, proves our technological advantage and, thus, enables us to be the first to respond to changing demands in our markets. These changes arise from global megatrends, such as "mobility", "energy", "environment", "communication", "health" and "security". Our stated goal is to contribute to positive further development in these areas. Thus higher levels of safety and health requirements lead to increased demands for innovative mobility concepts. Greater environmental awareness requires a clean, efficient, and constant power supply and a heightened need for security, as a result of growing prosperity and a higher quality of life, must also be satisfied.

Within this context, the primary motto is "innovation". With our vacuum solutions, we consistently support the creation of more precise production methods, more accurate chemical analyses and compositions, smaller and more diverse electronic components, and more efficient products. Only in doing so can we make such varied and changing innovations possible.

Making this contribution inspires us and safeguards the future of our Company for many years to come!

»We are laying the foundations for technologies that will shape your future in an even more attractive way!«

Technological excellence is the success recipe

Product innovations, made possible by our vacuum solutions, can change your life in all sorts of ways:

If you already drive an electric vehicle, or plan to purchase one, the batteries will have been safety checked for leaks using vacuum technology. This also applies to a can of potato chips you may purchase while you are out and about. Even if you use clean and efficient electricity, our vacuum solutions come into play when it's a matter of delivering the power to your home with a minimum of loss. This works very similarly to the way a thermos can keeps your coffee hot – with vacuum.

If you happen to use electronic devices such as "smart" phones, "smart" watches or "smart" eyeglasses in future, then this is also thanks to our vacuum. The same applies for less "smart" objects, such as a conventional cell phone, an analog clock or ordinary reading glasses.

More sensitive areas can also benefit from our innovations: In medical technology, for example, better and gentler treatment processes are continually being developed, such as particle therapy in treating cancer. In these methods, protons or carbon ions are accelerated at high speed and directed to the tumor with millimeter precision, where they destroy the tumor cells.

Similarly, CERN researchers are investigating how the world was created and what ultimately holds it together. Aside from the results of this basic research, we will continue to do everything we can to shape the future!

Samantha Schlesinger
InHouse Sales/Customer Service,
Pfeiffer Vacuum Inc.,
Nashua, USA

My future will continue to hold exciting tasks for me!

Setting highest quality standards

Things are constantly changing, whether we are talking of processes or products. This forces me to learn and grow as I move forward. With the complex requirements that my customers pose, I really have to be an out-of-the-box thinker and come up with creative solutions.

One of the things that work well for Pfeiffer Vacuum is that we are not dependent on any single market segment. In fact, we are very successful in most of them. In my position, I have the responsible task of dealing with customers from various market segments. Based on the feedback from my customers, I feel we are perceived very highly. I constantly hear how well our products and innovations work for our customers, and how we facilitate the return of a product or troubleshooting.

Pfeiffer Vacuum offers great employment opportunities. I consider myself part of the corporate family with very knowledgeable and helpful members. I am passionate about moving forward with such an innovative company and being able to play my part within it.

As my personal relationships grow, and the experience in the field becomes more interesting, I have witnessed Pfeiffer Vacuum offer many opportunities to advance. The Company’s willingness to put people first, and strive to surpass the high quality standards of its customers, defines its core values. Plus we have fun in the process!

›› The diverse nature of our operations ensures a high level of security for our future! ‹‹

Bright prospects

More than a hundred years ago, our Company faced a major challenge: the sole reliance on the market for gas lighting and the threat posed by the imminent mass introduction of the fluorescent light bulb. Today, the situation for Pfeiffer Vacuum is quite different. We are broadly based and serve a diverse set of end markets with our products. Our business model focuses on the five market segments - "Semiconductors", "Industry", "Analytics", "Research & Development" and "Coating". This diverse orientation bestows a high level of financial security and business robustness.

Our regional business distribution is a further stabilizing factor. More than half our sales are generated outside Europe, and around a third each from Asia and the USA. The international demand for our products is even more diverse, in fact, as some of our customers' subsidiaries are found all over the world.

With more than 20,000 products on offer, we are able to meet almost all of our customers' needs. The great advantage of this product diversity is that everything revolves around the same subject – vacuum. Whenever we develop a specific vacuum solution for a customer, we are able to use the experience gained from this development process for finding other concrete solutions. This means that we are continually improving our problem solving skills. Our strategy of maintaining and constantly expanding our diversity of products, markets and regions, affords us excellent prospects for a bright future.

»We want to revolutionize your future across all markets!«

We are well positioned

Pfeiffer Vacuum is firmly supported on a base of pillars. Our market strategy and the corresponding positioning give us the advantage of not being reliant on any single market, product or region. Weaknesses in one area can be offset by relative strengths in others. Even the semiconductor industry, currently our largest end market, makes up only little more than a quarter of the Group's sales volume. The long-term existence of the Company is assured – not only by our strong balance sheet.

This solid business base allows us to direct our entrepreneurial energy towards new projects – enabling our customers to make scientific discoveries or to develop products that change our lives. Some materials can be produced more robustly and of higher quality by means of vacuum treatment. This leads to weight savings for heavy end products, such as cars. Better analysis methods will improve pharmaceuticals and even drug testing in sporting events. Smaller transistor structures enable electronics manufacturers to offer more energy-efficient and powerful products that will revolutionize communication or modernize our leisure activities.

With our products we also help making the world not only more technologically sophisticated – but also greener and cleaner. LED streetlights that require extremely little energy, for example, will replace halogen lighting throughout the world.

Elodie Sireilles

Apprentice, Sales France,
adixen Vacuum Products,
Annecy, France

▸▸ *I will conduct my future responsibly and will contribute to the protection of the environment!* ◂◂

Cutting-edge technology and sustainability – not a contradiction

The subject of sustainability is very important to me, both professionally and privately. Avoiding the exploitation of the human and natural resources of our planet and thereby contributing to safeguarding the future is a heartfelt concern of mine. I experience the strong commitment of Pfeiffer Vacuum up close, every day. Here at adixen in Annecy, for example, we only use recycled water that has been processed directly on the Company grounds. It’s amazing what is possible to do in order to conserve resources! Thanks to the environmentally conscious attitude of Pfeiffer Vacuum, our new products are developed in such a way that they consume as little energy as possible. We also encourage our suppliers and subcontractors to think in ecologically conscientious ways. In my day-to-day work, sustainability is a part of simple measures, such as the sorting of trash, turning off PCs and lights, and avoiding unnecessary printing.

This corporate commitment is an important factor that makes my work interesting and satisfying. I enjoy continuously improving my professional knowledge and behavior. I look forward to helping Pfeiffer Vacuum remain a responsible company, committed to sustainability, ethics, and quality. The future starts now.

»We focus our future on the development of sustainable products and solutions!«

Sustainable concepts preserve precious commodities

The environmental friendliness of our products – both in their production and in use by the customer – is a key factor for their success. Cutting edge technology today is essentially characterized by one feature – savings in time, energy, space and therefore costs.

In increasingly globally oriented marketplaces, with extreme pricing pressure, customer requirements have changed significantly. Our products are expected to improve productivity, reduce the consumption of resources, and allow further cost optimization.

Our products are based on sustainable concepts right from the start of the planning stage. When our developers define the properties and key performance features of a product, they also analyze its environmental impact throughout the entire life cycle – from the raw materials used in the production process, through the transportation method and implementation at the customer's site, to recycling at the end of the product life cycle. Since much of the impact on the environment results from the actual use of the product, many of the projects in our research and development department involve the reduction of energy consumption. To minimize the use of raw materials, we use copper and stainless steel only when absolutely necessary and strive for minimum loss of material during production. By keeping the weight of our products as low as possible, we also minimize transport costs and emissions. In compliance with the RoHS Directive (Restriction of Hazardous Substances), we do not use any hazardous substances or materials.

These are just a few examples of our daily commitment to a sustainable future – for the Company and for our customers.

» Our environmental awareness will have a lasting impact on your future too! «

"Green" thinking offers many advantages

Our goal is that everyone should benefit from our efforts for a sustainable future – whether through less pollution or by careful mining of valuable raw materials. The factories, institutes, and laboratories which use our products and solutions, can work cleaner and, thus, more efficiently. This will not only have a positive effect on the environment.

"Green" thinking offers benefits for many stakeholders. Our low vacuum processes pave the way, for example, for advanced heat treatment processes for metals such as aluminum. This makes it possible to create materials of higher quality with fewer impurities or air pockets. The metal thus has better mechanical properties and is closer to the achievable scientific and theoretical values.

This also benefits consumers. Cars can be produced, for example, from thinner sheet metal, which helps minimize costs, and contributes to a significant reduction in the ecological footprint. Less energy-intensive metal needs to be melted down to produce each car, and transporting fewer raw materials reduces harmful emissions. The most important factor, however, is the reduction in the total weight of materials used to build a vehicle. This results in considerably greater efficiency and therefore lower emissions. The CO_2 savings of a single car over its entire lifetime can easily add up to more than a ton. A further major advantage of such materials is the improved protection they offer in the event of an accident.

Last but not least, lighter vehicles are faster and more maneuverable – which contributes significantly to an enjoyable driving experience and better handling characteristics. Hence we will continue working towards new solutions to advance these positive developments.

Sinan Sinek

Apprentice as an industrial mechanic,
Pfeiffer Vacuum, Asslar, Germany

My future at the Company offers me a clear perspective and planning security!

"Soft" factors also play an important role

Pfeiffer Vacuum offers many prospects for my future: My commercial education to become an industrial mechanic today already gives me the best prerequisite to gather valuable professional experience. In the following, the "Study Plus" program also gives me the opportunity to attain a degree in engineering after my initial training while simultaneously being active in the Company. Even academic theses can be written with the support of Pfeiffer Vacuum. So, on the way to my professional goals, I also have the possibility to plan for the long term and continuously experience further improvement.

In addition to the technical requirements that I am striving towards, there are other less obvious factors that also play an important role for me. An exceptionally good working environment and very helpful colleagues contribute to a feeling of family within the Company.

Some people may think that such considerations are of secondary importance to a publicly traded company such as Pfeiffer Vacuum. But I beg to differ! At Pfeiffer Vacuum, they obviously understand that the collective future depends on each individual experience. I gain from this every day, and the investors certainly stand to profit from it, too.

Motivated and qualified employees are a key success factor for our future!

Giving employees a professional perspective

To promote and maintain the best possible prospects for our Company's future, we offer multi-faceted support to our employees in their professional development. In this respect, it is especially important to us that enthusiastic, new employees are given opportunities to profitably combine theory and practical experience. The advantages of such training include hands-on experience, a short duration of studies, and the prospect of immediately obtaining a position of responsibility at Pfeiffer Vacuum.

In conjunction with the University of Applied Sciences of Central Hesse (Technische Hochschule Mittelhessen), we offer two engineering-related courses of study at our Headquarters. This allows theoretical courses to be combined with practical training within our Company.

In this context, the quality of the entire advanced training process is of primary importance to us. Even the newest trainees have access to professional equipment which, if the necessary skills have been acquired, allows them to produce test parts whose properties are often amazingly close to those from our production line. We also regularly support a wide variety of advanced training models such as working groups, seminars, and workshops.

This is how we kindle a passion for perfection early on.

Your future will benefit from our high quality standards!

Our investments in the future will pay off

Our commitment to comprehensively training our employees is reflected in high-quality, competitive, and innovative products and solutions. That's no coincidence: As a result of our specialized training program, we have a higher than average number of engineers on site who dedicate themselves on a daily basis to research and development. This is why we are always concerned with maintaining the funds invested for this purpose at an above average level. Last year, our investment in the future amounted to almost € 23 million, or 5.6% of sales.

This high degree of professionalism can also be seen by the fact that significantly more than 90% of our staff has relevant technical training or higher academic qualifications. Additionally, in recent years, we have filled over 80 training positions to ensure we have sufficient young talent for the future and to give young people a perspective.

If you are interested in giving your career prospects new direction, please feel free to visit us at www.pfeiffer-vacuum.de/careers and make your relevant selection from the Country Pages at the top of the page.

And if you ever lose sight of your personal prospects, don't worry – the coating used on eyeglasses is also made possible by our vacuum solutions.

Product Portfolio

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

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

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

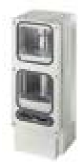
In addition, Pfeiffer Vacuum develops and manufactures complete vacuum systems for customer specific processes, such as testing components for the automotive and electronics industries, testing pressure vessels or packaging in the food industry. These systems include helium leak detection equipment or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

Vacuum generation turbopumps

Hybrid bearing turbopumps

Magnetically levitated turbopumps

SplitFlow turbopumps



Turbo pumping stations

Vacuum generation backing pumps

Rotary vane pumps

Multi-stage Roots pumps

Dry process pumps

Roots pumping stations

Vacuum measurement and analysis

Leak detectors

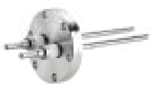
Gas analysis equipment

Gauge heads

Mass spectrometers

Installation elements

Feedthroughs



Valves

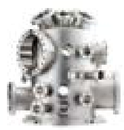
Components

Manipulators

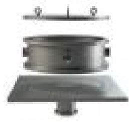
Vacuum chambers

Cubical

Cylindrical, horizontal and vertical



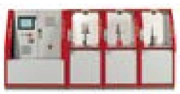
Modular



Vacuum systems

Multi-stage vacuum systems

Helium leak detection systems



Contamination management solutions

Share Performance

Pfeiffer Vacuum shares were listed on the New York Stock Exchange in 1996, initially in the form of an ADR program, and have been traded on the German Stock Exchange in Frankfurt since April 15, 1998. The ADR program was discontinued in 2007 to concentrate the focus on the German listing.

Pfeiffer Vacuum satisfies the high transparency requirements of the Prime Standard and since its inception has been included without interruption in the TecDAX, the index of the 30 most prominent technology companies, measured by free-float market capitalization and liquidity, 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 2013

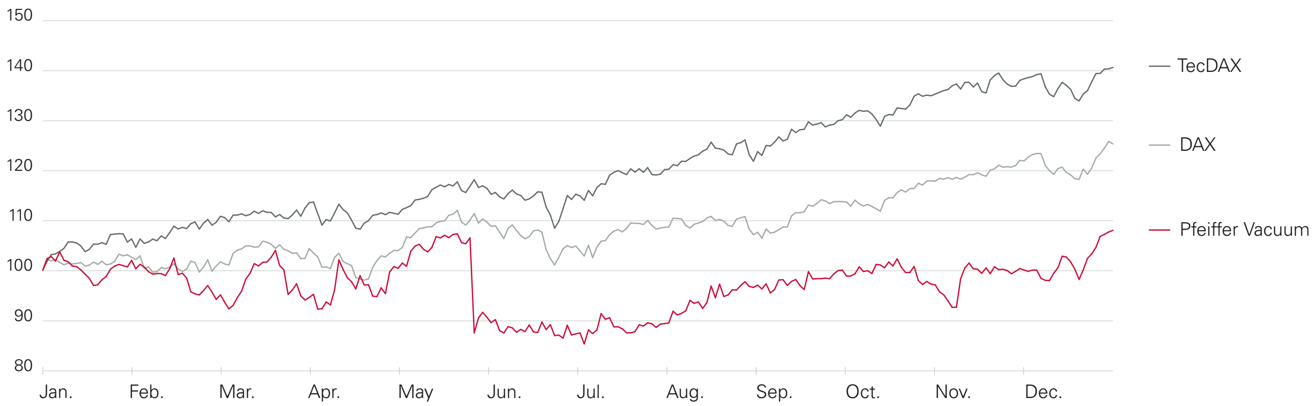
The prominent German stock indices essentially continued in 2013 the strong development experienced in 2012 and reached new record highs. The TecDAX was also able to cast off the slightly below average performance in 2012 compared to the other German indices and also reach new heights.

The German stock index (DAX), the performance index of the 30 largest listed German companies, according to free-float market capitalization and liquidity, marked the low for the year with 7,418.36 points during trading on Friday, April 19. This market weakness was largely due to disappointing economic data from the eurozone, the USA and China. In addition, the market sentiment was clouded by large-scaled disappointing Q1 reports and the Boston marathon bombing on April 15. Despite this mixed market environment, a continuous upward trend set in, which was also bolstered by a prime rate reduction by the European Central Bank (ECB) on May 2. In June, the market experienced yet another damper from fears that the U.S. Federal Reserve (Fed) would reduce its program to buy government bonds. After these phases of relative weakness, the German stock market index rose during the second half of the year almost continuously. The most prominent German index reached its highest level of 9,589.39 points on December 27. Overall, the DAX rose by 26% in 2013 compared to the 2012 year-end level of 7612.39 points. The TecDAX made even more powerful strides in 2013. Over the course of the year, the index increased by 41% to 1,166.82 points. The TecDAX reached its annual high of 1,169.15 index points on December 27.

Pfeiffer Vacuum share performance in 2013

Over the year, Pfeiffer Vacuum shares rose by 8.4% to € 98.93. Here, the course was much less linear than that of the TecDAX. After our shares developed 17 percentage points better than the TecDAX and 9 percentage points better than the DAX in 2012, this development underwent some negative changes in 2013. The development fell short of the TecDAX by 33 percentage points and the DAX by 18 percentage points. The annual high of € 99.55 was recorded by the Pfeiffer Vacuum share during trading on December 30, the last trading day of the year. After the quantified sales and profit expectations at the Annual General Meeting did not meet the high expectations of the market, the share fell from then on during trading to its annual low of € 76.50 on the following day, May 29. In the following months, the share price recovered continuously. A brief period of weakness in late October, which was possibly due to cautious statements by a competitor, was balanced out by the positive response to our quarterly report on November 5. The shares closed on December 30 at a price of € 98.93. In 2013, the trading volume was an average of 24,985 shares per day (previous year: 31,250 shares).

Relative Share Price Development of Pfeiffer Vacuum, TecDAX and DAX in 2013
in %



Dec. 28, 2012 (= 100)
Closing price: € 91.57

Dec. 30, 2013
Closing price: € 98.93

Relative Share Price Development of Pfeiffer Vacuum, TecDAX and DAX between 2003 and 2013
in %

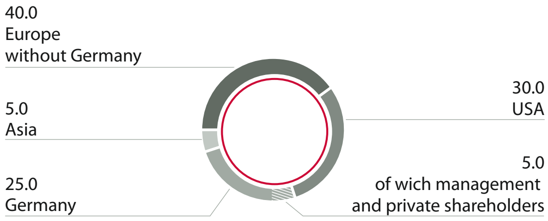
Mar. 24, 2003 (= 100)
Closing price: € 17.00

Dec. 30, 2013
Closing price: € 98.93

Shareholder structure

The shareholder structure was subject to only minor changes in the past year. Based on voting rights notifications, talks with investors and internal analysis, we estimate that USA-based mutual investment and pension funds hold approximately 30% of outstanding shares, including Ameriprise Financial based in Minneapolis. We estimate that European funds, first and foremost in Great Britain, as well as in Switzerland, France and Scandinavia, account for around 40% of outstanding shares. BNP Paribas and Montanaro based in Paris and London are among the largest shareholders here. Approximately 20% of the outstanding shares are held by German investment funds. Direct holdings of private shareholders and Pfeiffer Vacuum management are likely to amount to under 5%. At least 5% of Pfeiffer Vacuum shares are held by Asian investors. A good 3%-points of these shares are attributed to our long-term Japanese trading agency Hakuto.

Estimated Regional Distribution of the Pfeiffer Vacuum Shareholder Structure
in %



Overview of Holdings according to Voting Rights Notifications

in %	Dec. 31, 2013
BNP Paribas Investment Partners, Paris	5.06
Montanaro, London	4.93
Ameriprise Financial, Minneapolis	4.65
Hakuto, Tokyo	3.48
Threadneedle, Luxembourg	3.45
BNP Paribas Asset Management, Paris	3.03
Fiera Capital, Montreal	3.02

Earnings per share

Pfeiffer Vacuum's annual earnings of € 34.8 million represented a decline of 24.0% over the previous year's figure of € 45.8 million. The earnings per share amounted to € 3.53. This also represents a decline of 23.9% compared to the figure of € 4.64 for the previous year. Based on the year-end closing price of € 98.93 on December 30, 2013, this results in a price/earnings ratio of 28.0 (December 28, 2012: 19.7).

Earnings per Share

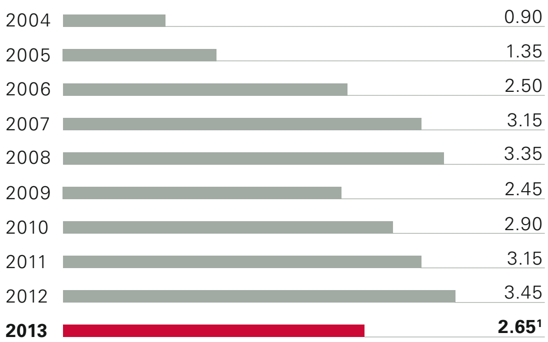
		2013
Net income[1]	in K€	34,815
Number of shares (weighted average)	in units	9,867,659
Earnings per share	in €	3.53

[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 paying a dividend. The annual dividend development is typically based upon the development of profitability. The Management and Supervisory Boards will propose to the Annual General Meeting on May 22, 2014, that a dividend be distributed for fiscal 2013 in the amount of € 2.65 per share of no-par stock entitled to receive dividends. This represents a total payout ratio of 75.1% of consolidated net income and a total payout amount of € 26.1 million. Subject to the consent of the Annual General Meeting and on the basis of the year-end closing price on December 30, 2013, this represents a dividend yield of 2.7% (previous year: 3.8%).

Dividend development per Share for the last 10 financial Years
in €



[1] Subject to consent of the Annual General Meeting

Investor Relations

Consistently competent, professional and reliable communication on all financial and corporate matters is of utmost importance to us in our dealings with our investors, private investors and analysts. This is a contributing factor for ensuring that Pfeiffer Vacuum continues to be regarded an attractive investment. With this, we would like to strengthen the confidence in our share and obtain a realistic and fair assessment.

At 12 roadshows (previous year: 14) in all major financial centers in both Europe and the United States, the members of the Management Board presented our business model and commented on our strategy. Moreover, we showcased our Company at a total of 15 investor conferences (previous year: 14). We also conducted some of the conferences with two people in parallel one-on-one meetings to service the high amount of interest in personal interaction. Further activities included tradeshow visits with investor groups and the regular and frequent interaction with 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 as well as frequent and regular contact with analysts, institutional investors and private shareholders have characterized the work of investor relations. At least 18 analysts regularly follow our Company. According to Bloomberg, there were 6 "Buy" recommendations, 6 "Hold" and 6 "Sell" recommendations at year-end 2013.

Last year's Annual General Meeting was attended by around 400 shareholders and guests. Shareholder presence was 52% compared with 47% 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/agm.

Pfeiffer Vacuum Share Highlights

		2013	2012	2011	2010	2009
Share capital	in € millions	**25.3**	25.3	25.3	25.3	23.0
Number of shares issued	in units	**9,867,659**	9,867,659	9,867,659	9,867,659	8,970,600
Highest trading price	in €	**99.55**	95.00	104.50	90.97	60.59
Lowest trading price	in €	**76.50**	66.31	58.53	52.52	36.11
Trading price at year-end	in €	**98.93**	91.57	67.62	88.00	58.50
Market capitalization[1] at year-end	in € millions	**976**	903	667	868	498
Dividend per share	in €	**2.65**[2]	3.45	3.15	2.90	2.45
Dividend yield	in %	**2.7**[2]	3.8	4.7	3.3	4.2
Earnigs per share	in €	**3.53**	4.64	4.19	4.40	3.24
Price/earnings ratio		**28.0**	19.7	16.1	20.0	18.1
Free-float[1]	in %	**100.0**	100.0	100.0	100.0	94.91

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

Financial Reporting

Management's Discussion and Analysis

2013 Course of Business

Profitability

- Net sales decreased by 11.4% to € 408.7 million as a result of the delayed recovery of the semiconductor industry
- Gross margin increased from 36.2% to 36.5% despite the decline in sales
- Operating profit margin of 12.4% at € 50.5 million
- Net income stands at € 34.8 million
- Management Board and Supervisory Board propose a dividend payout of € 2.65 per share (previous year: € 3.45 per share)
- Dividend payout ratio of around 75% of the consolidated net income is to be retained

After € 461.3 million in 2012, sales revenues in the fiscal year under review stood at € 408.7 million. This represents a decrease of € 52.6 million or 11.4%. Hence, the previously communicated forecast for fiscal 2013 was achieved. Key factors for this development were the delayed recovery of the semiconductor industry as well as a number of sales orders which were deferred to the new year at short notice.

The decline in sales revenues impacted on the profitability situation at Pfeiffer Vacuum. Gross profit at € 149.4 million was below the level of the previous year (€167.1 million). We were nevertheless able to increase the gross margin slightly to 36.5% (previous year: 36.2%) through continued reorganization measures. With selling and administrative expenses and research and development expenses largely remaining steady at the level of the previous year, negative economies of scale resulted and led to a decline in the operating profit and operating profit margin. The operating profit stood at € 50.5 million in 2013, after a figure of € 68.5 million in the previous year. At 12.4%, the operating profit margin, the ratio of operating profit to sales revenues, was 2.4 percentage points lower than the previous year's figure of 14.8%, but slightly above the forecasted margin of 12%.

As a result of the decreased financing volume from the acquisition of adixen, the financial income rose by € 0.8 million to € –0.6 million (previous year: € –1.4 million). Additional effects included a lower tax rate (30.3% following 31.7% in the previous year) and decreased tax expenses of € 15.1 million (previous year: € 21.2 million).

In view of the previously referred to developments, the net income decreased by 24.0% to € 34.8 million (previous year: € 45.8 million). Parallel to this, the earnings per share fell from € 4.64 to € 3.53.

It should be noted regarding the comparable figures from the year 2012 that these have been adjusted within the course of retrospective application of IAS 19, "Employee Benefits" and the resulting amendments due to recognition and valuation of pension obligations. Compared to the originally published figures, the adjusted operating profit was € 0.8 million higher, while net income rose by € 0.6 million.

Liquidity and financial position

Further optimization of working capital, mainly consisting of the balance of inventories and trade accounts receivable and payable, and the reduced volume of business caused a decrease in the balance sheet total in 2013. After € 451.3 million as at December 31, 2012, it stood at € 430.5 million at the end of the past fiscal year. In addition, the decline in property, plant and equipment and intangible assets on the asset side of the balance sheet (€ –10.7 million, mainly due to scheduled depreciation/amortization totaling € 20.2 million) and the redemption of financial liabilities (€ 10.6 million) on the liabilities side, led to the decline in the balance sheet total. Equity decreased by a total of € 1.0 million to € 276.0 million (previous year: € 277.0 million), while the equity ratio rose to a pleasing 64.1% by the end of the past fiscal year.

The development of cash and cash equivalents was influenced quite considerably by the operating cash flow (€ 47.9 million, previous year: € 63.3 million) and the dividend payout of € 34.0 million as well as the repayment of financial liabilities of € 10.8 million. Capital expenditures of € 10.3 million were at the previous year's level. With cash holdings of € 95.1 million and financial liabilities of € 41.5 million, the Company again recorded no net indebtedness (previous year: € 102.0 million cash and € 52.1 million financial liabilities).

We cannot be satisfied with the development of sales in 2013. The improvement in the gross margin in spite of declining net sales nevertheless shows that we are on the right track. With a well-positioned organization, we are excellently prepared for future growth and for the resulting positive economies of scale.

The Management Board and Supervisory Board propose that shareholders should participate in this development in the form of a dividend payout of € 2.65 per share.

Economic Conditions

Overall economic development

World economy

The increase in the global gross domestic product (GDP) in 2013 again amounted to 3.0 % which also meant a stagnation in economic growth in most regions. Japan continued to evade recession through its expansionary monetary measures and weakened currency. Notwithstanding continuing economic tension in the southern countries of Europe and stagnating momentum from Germany and France, discussion regarding the monetary union remained for the most part absent from public perception. The growth rates of the Chinese and Indian economies in 2013 remained almost unchanged.

USA

After a GDP increase of 2.2% in 2012, the U.S. economy grew by 1.9% in 2013. Although this growth was at the upper end of the developed economies, nevertheless, the figure remained below expectations, due to economic fears, higher long-term unemployment, and the uncertainty about the course of action of the new Federal Reserve chairwoman. The "fiscal cliff", in particular, shook confidence in continuing to utilize public spending as an additional economic driver. The problems in public financing still hang in the balance and may hinder development in 2014. On the other hand, crude oil prices in the USA were very low, primarily as a result of the newly developed domestic shale gas development areas which are being opened up by the fracking process.

Europe

Economic development in Europe was also divided in 2013. Germany's GDP growth slowed down from 0.7% in the previous year to 0.5%. However, the driving force behind the growth, capable of pulling Europe out of the crisis, is no longer Germany. After its already slight growth of 0.2% in 2012, France recorded a zero growth rate in 2013. Italy and Spain remained stable, with growth rates of – 1.8% (previous year: – 2.0%) and – 1.2% respectively (previous year: – 1.4%) in the recession. The euro crisis seems initially to be under control, but the rescue mechanisms – mainly in the form of buying up bonds – remain active at European level, but have yet to prove their longer-term effectiveness. In spite of the continuing low interest rates, the feared inflationary trends have not been detected in 2013, mainly due to lower commodity prices and a relatively stronger euro. German consumer prices rose by around 1.5%, corresponding to the general inflation target of the German Central Bank.

Asia

The relevance of the Asian market continues to be strong, as many of the products we sell in the USA and in Europe are then exported to Asia by system manufacturers. But here, too, there have been signs of a slowdown in economic activity, as Asia, not including Japan, exhibited a total growth rate of 6.5% in 2013 (previous year: 6.1%). This was also caused by the development in China, where the GDP growth rate of 7.8% in the preceding year receded to 7.7% in 2013. Compared to the other developed economies, Japan demonstrated a very positive development and showed a growth rate of 1.7% (previous year: 2.0%). However, it should be taken into account that Japan, until recently, had been stuck in a long recession, so has some catching up to do.

Mechanical engineering and the vacuum industry

The level of orders placed in the mechanical engineering sector continued its general stagnation in 2013. In total, orders declined by about 0.8% compared to 2012, following a slight contraction of 1.6% recorded in the previous year. Overall, representatives of the Association of German Machinery and Plant Manufacturers (VDMA) believe the bottom has been reached.

In terms of sales, the mechanical engineering sector has repeated its record level from the previous year and has again exceeded the previous best result of around 2.5% from 2008. The production level of the industry, at approximately € 195 billion, was thus almost exactly at the level of the previous year. Although regional differences accounted for only slight nuances, other European countries offered hope of a slight recovery: new orders there increased by 2.7% in 2013 compared to the previous year. The sector benefited slightly in 2013 from a somewhat higher order backlog at the beginning of the year. After industry-wide orders decreased in December 2013 by 6% compared to the previous year, such a start will be more difficult to implement this time. Thus, the book to bill ratio, the ratio of orders to sales, amounted to 0.98 in 2013, as in the previous year. As a sign of growth, the figures are generally larger 1.0. Nevertheless, the professional association puts its hope in the year 2014, for which it expects around 4% growth in sales to approximately € 203 billion.

Vacuum technology is used in many industries. Accordingly, the vacuum industry must be considered against the backdrop of global economic development. This resulted once again during the reporting period in a slight overall decline. Significant differences were revealed within the vacuum industry's most important market segments. Thus, the strongly cyclical semiconductor industry continued the downward trend from 2012 and lost further momentum in the beginning of 2013. On the other hand, in the areas of industry, analysis, research & development, and coating, the situation presented there was comparatively stable.

The Pfeiffer Vacuum Group

Operations

Pfeiffer Vacuum is a leading supplier of vacuum solutions. The product portfolio is marketed under the Pfeiffer Vacuum and adixen product brands and includes all components and systems for vacuum generation, measurement and analysis. The products of both brands complement each other perfectly so that we can offer clients customized vacuum solutions that are tailored to their requirements.

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

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

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

Corporate Group structure and organization

As of December 31, 2013 a total of 23 companies are still part of the Pfeiffer Vacuum Group. To improve the service presence in China, a new company, the Pfeiffer Vacuum (Xi'an) Co., Ltd., was founded in the province of Xi'an in 2013. This company will start its operations in 2014. As planned, Pfeiffer Vacuum Rus OOO i. l. was liquidated in 2013 and therefore no longer belongs to the consolidated group. Pfeiffer Vacuum Technology AG holds a 100% share, directly or indirectly, in all existing companies in the Group. As a result, the Group does not show any non-controlling interests.

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 complete corporate structure was as follows as at December 31, 2013:

Corporate Group Structure as at December 31, 2013	Home state	Share (in %)	
Pfeiffer Vacuum Technology AG	Germany	100.0	
Pfeiffer Vacuum GmbH	Germany	100.0	
Pfeiffer Vacuum Austria GmbH	Austria	100.0	
Pfeiffer Vacuum (Schweiz) AG	Switzerland	99.4	
Pfeiffer Vacuum (Shanghai) Co., Ltd.	China	100.0	
Pfeiffer Vacuum Ltd.	Great Britain	100.0	
Pfeiffer Vacuum Scandinavia AB	Sweden	100.0	
Pfeiffer Vacuum Inc.	USA	100.0	
Pfeiffer Vacuum Brasil Ltda.	Brazil	100.0	
Pfeiffer Vacuum Singapore Ltd.	Singapore	100.0	
Pfeiffer Vacuum Taiwan Corporation Ltd.	Taiwan	100.0	
Pfeiffer Vacuum Benelux B.V.	Netherlands	100.0	
Pfeiffer Vacuum (Xi'an) Co., Ltd.	China	100.0	
Pfeiffer Vacuum Holding B.V.	Netherlands	100.0	
Pfeiffer Vacuum Italia S.p.A.	Italy	100.0	
Pfeiffer Vacuum (India) Private Ltd.	India	73.0	27.0
Pfeiffer Vacuum Korea Ltd.	Republic of Korea	75.5	24.5
Trinos Vakuum-Systeme GmbH	Germany	100.0	
adixen Vacuum Products SAS	France	100.0	
adixen Vacuum Technology (Shanghai) Co., Ltd.	China	100.0	
adixen Manufacturing Korea Co., Ltd.	Republic of Korea	100.0	
adixen Manufacturing Romania S.r.l.	Romania	100.0	
adixen Vacuum Technology Korea Ltd.	Republic of Korea	100.0	

Pfeiffer Vacuum GmbH, Asslar, and adixen Vacuum Products SAS, Annecy, France, play a central role in the Corporate Group. Pfeiffer Vacuum GmbH organizes the development and production for all Pfeiffer Vacuum products and, in addition, is the distributor for Germany and also manages central equity investments for the Corporate Group. The Company employs as of December 31, 2013 a total of 680 employees. adixen Vacuum Products SAS is, in a sense, the French equivalent of Pfeiffer Vacuum GmbH. The Company employed 599 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 1,279 employees works in these two companies and this represents more than half of all workers employed in the entire Corporate Group (2,235 at the end of 2013).

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

Information pursuant to § 315 Sub-Para. 4 HGB

The subscribed capital of Pfeiffer Vacuum Technology AG as of December 31, 2013 is unchanged at K€ 25,261 and consists of a total of 9,867,659 no-par value shares. There are no different classes of shares currently or previously existent, so all shares have the same rights, in particular the same voting and dividend entitlement rights. Accordingly, the calculated share of the subscribed capital amounts to € 2.56.

To our knowledge, there were no shareholders with a holding of more than 10% as of December 31, 2013 and in the previous year.

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

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

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

At the Annual General 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, 2013 and 2012.

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

Markets and market position

Classification of 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. Our positioning in these markets is not explicitly measurable since only a limited amount of data regarding the size of the entire market and individual market segments is available. 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 rank second.

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

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

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

Industry
In this segment, we combine a heterogeneous category of industrial customers who require our vacuum solutions for specific production steps. Industrial trends such as quality improvement, energy supply and conservation, mobility or environmental protection are currently leading to new fields of application here. Application examples include metallurgy, lamp and tube production, as well as air conditioning and refrigeration technology.

We provide the automotive supplier industry with leak detection systems for fully automated quality assurance in the production of fuel tanks, aluminum rims, airbag cartridges or air conditioning lines, for example. A further application is solar thermal energy. This technology requires that absorber tubes are both evacuated using our pumping stations as well as continuously tested for leaks with 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 orientation towards regenerative energies, such as solar energy. 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 vacuum solutions. Working in close cooperation with research facilities in Europe, the United States and Asia, new applications arise continuously in the fields of energy supply or healthcare technology.

Strategy and control

Strategy

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

A further strategic objective is to always be close to the customer. We live up to this objective through our worldwide presence, and we assure that everything we do always focuses squarely on our customers. "A Passion for Perfection" is our promise to our customers.

Corporate Management

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

Steering instruments

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

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

In countries in which Pfeiffer Vacuum is not represented directly through a subsidiary, the sales targets are agreed with the local distribution partner. Here, too, the achievement of sales targets is measured by means of target/actual comparisons. A further steering instrument consists in the variable remuneration of the local management of the non-German subsidiaries and of the sales staff. This sensitizes employees to cost structures, and so to the Company's long-term success, even if they do not work in areas of the Company which have a direct influence on sales.

Profitability, Financial Position and Liquidity

Development of sales revenue in 2013

With sales of € 408.7 million generated in 2013, we recorded a decrease of € 52.6 million or 11.4% compared to 2012 (€ 461.3 million). This development was principally due to the delayed recovery of the semiconductor industry as well as a number of sales orders that were deferred to the new year at short notice. Thanks to continued reorganization measures, we were nevertheless able to restrict the impact on the operating profit due to the decline in sales to € 18.0 million, and to achieve an operating profit margin of 12.4%.

Presented below are net sales by segment, region, product and market for 2013. It should be noted with respect to net sales by segment that the sales shown in this presentation are allocated on the basis of the registered office of the company that invoiced the sales. Therefore, the segment-based presentation shows net sales by subsidiary. On the other hand, net sales by region include all sales revenues in a specific region, regardless of which subsidiary within the Pfeiffer Vacuum Group invoiced the sales. Net sales by segment and net sales by region will thus differ from each other to a greater or lesser extent. Net sales in the Asia segment, for example, differ significantly from those recorded for the Asia region, since the Asia segment includes only the direct sales of our Asian subsidiaries. In contrast, the Asia region additionally contains sales revenues that the manufacturing companies generate directly with Asian customers, for example, from customers in Japan or India. In the case of net sales by segment, the sales generated by the German company through direct deliveries to agents and/or customers outside Germany were significantly higher than German sales by regions. The sales in the USA region and the USA segment, on the other hand, are nearly identical, because virtually all sales in this region are handled through our American subsidiary.

Sales by segment

Germany

The development of sales in Germany showed a decline of 5.2% or € 5.8 million. The principle cause for this was the direct business with our Asian customers. In addition, the year 2013 continued to be impacted by conspicuous restraint on the part of German customers. New orders at the end of 2013 and at the beginning of the year 2014 give us cause for optimism that an upturn is imminent.

Sales by Segment
in %, (previous year)

Europe (without Germany and France)

In this segment we were able to increase sales by 15.5%. Of positive note, our sales subsidiaries in the Benelux countries and the United Kingdom in particular were able to record pleasing growth totaling € 7.4 million. Parallel to this positive development, the

Sales by Segment

	2013	2012	Change	
	in € millions	in € millions	in € millions	in %
Germany	104.7	110.5	–5.8	–5.2
Europe (without Germany and France)	81.1	70.2	10.9	15.5
USA	80.1	95.4	–15.3	–16.1
Republic of Korea	61.7	88.6	–26.9	–30.4
Asia (without Republic of Korea)	46.8	43.8	3.0	6.8
France	34.3	52.8	–18.5	–35.0
Total	**408.7**	461.3	–52.6	–11.4

share of sales of this segment also rose. Close to a fifth of sales recorded in the year 2013 were invoiced by our European sales subsidiaries outside of Germany and France (previous year: 15.2%).

USA

Sales in this segment declined by € 15.3 million in 2013. Here, too, impulses from the semiconductor industry failed to meet our anticipated level. The growth dynamic of our major OEM customers in this industry behaved equally. In addition, the sales development was burdened with € 2.6 million due to exchange rate effects from the EUR/USD exchange rate.

Republic of Korea

The delayed demand from the semiconductor industry was particularly felt in our Republic of Korea segment with its special focus on precisely this market. The reduction in sales in this segment totaling € 26.9 million is the largest absolute change in fiscal 2013. Exchange rate effects had practically no impact on this.

Asia (without Republic of Korea)

The sales subsidiaries in the remainder of Asia (in particular China, Singapore and Taiwan) showed a positive trend overall. Of particular note was the strong growth in Singapore, where a growth in sales of € 4.4 million was able to be recorded.

France

Sales in France in 2013 were € 18.5 million below the previous year's figure. This was due on the one hand to reduced sales from direct business with foreign customers, particularly with German and British customers. On the other hand, the volume of sales in France itself was slightly down as a result of the overall economic situation.

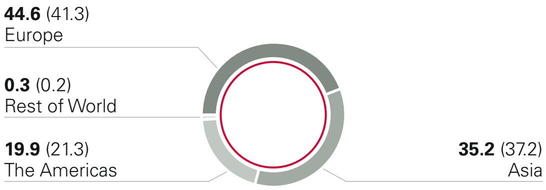
Sales by region

Europe

The region experienced stable development in the period under review, a fact which deserves particular mention in view of the economic situation in Europe. The decline of € 8.7 million is merely due to the weaker demand for systems in Germany.

Sales by Region

in %, (previous year)



Asia

The subdued demand level of the semiconductor industry in 2013 decisively influenced the development of sales in the Republic of Korea. Pleasing growth such as in Singapore contrasted with weaker demand from China and Japan, with the result that sales revenues in this important region for Pfeiffer Vacuum were € 27.6 million lower than in the previous year. In line with the absolute sales development, the share of sales of this region also fell. 35.2% of Group sales were generated in this region.

The Americas

The development of sales in the Americas continues to be affected essentially by the development in the USA. Since there is virtually no direct business by the German or French business units in this region, this development largely conforms to the course of sales according to segments.

Sales by Region

	2013	2012	Change	
	in € millions	in € millions	in € millions	in %
Europe	182.1	190.8	–8.7	–4.6
Asia	143.9	171.5	–27.6	–16.1
The Americas	81.4	98.1	–16.7	–17.1
Rest of World	1.3	0.9	0.4	51.9
Total	**408.7**	461.3	–52.6	–11.4

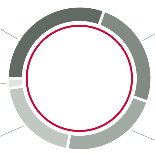
Sales by products

Turbopumps

Sales of turbopumps were relatively robust in fiscal 2013 with a decline of 5.7%. The reason for this relative strength is the increased sales with customers from the coatings industry. The share of total sales rose accordingly from 28.8% to 30.7%, with the result that turbopumps were again the strongest product group in 2013.

Sales by Products

in %, (previous year)



Instruments and components

The development of sales of instruments and components closely correlates to business with backing pumps, since these are often sold with vacuum measurement equipment and special connecting elements such as piping and flanges. The resulting decline was partly able to be offset with considerably higher sales of leak detectors. The fact that a new generation of leak detectors was launched in fiscal 2013 had a positive effect on the development of sales.

Backing pumps

The generally subdued demand from the semiconductor industry is the key reason for the marked decline in sales of backing pumps. This applies particularly to the pumps marketed under the adixen brand, while backing pumps under the Pfeiffer Vacuum brand were only slightly down on the previous year's figure. This development also resulted in the fact that backing pumps now represented the third largest product group in terms of sales, after turbopumps and instruments and components.

Service

The installed basis of products from the Pfeiffer Vacuum Group create a sound base for our service activities. The aggressive and corrosive process conditions, in part, under which the pumps are used, particularly in the semiconductor industry, make regular maintenance an absolute necessity. As in the past, our customers opt for maintenance rather than replacement. After an already pleasing development in 2012, it was possible to increase sales even further in the past fiscal year. The growth rate was 4.4%.

Systems

In 2013, sales revenues in this segment amounted to € 8.5 million (previous year: € 18.2 million).

Sales by Products

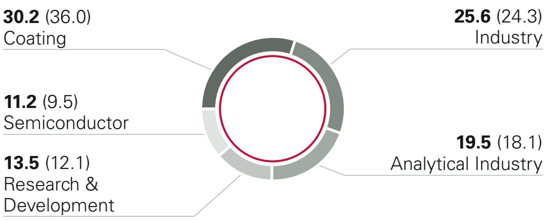
	2013	2012	Change	
	in € millions	in € millions	in € millions	in %
Turbopumps	125.3	133.0	–7.7	–5.7
Instruments and components	101.1	110.9	–9.8	–8.8
Backing pumps	92.1	121.0	–28.9	–23.9
Service	81.7	78.2	3.5	4.4
Systems	8.5	18.2	–9.7	–53.4
Total	**408.7**	461.3	–52.6	–11.4

Sales by market

The following section details the development of sales revenues in individual markets in 2013 relative to the year before.

Sales by Market

in %, (previous year)



Semiconductor

After being less affected by the downturn in this market segment than our competitors in 2012, we have not managed during the past year to break away from this trend. Following a strong 2011, the semiconductor industry went into decline in 2012 and reached its lowest point in 2013.

Overall, we therefore recorded a decline in sales revenues of € 42.5 million to € 123.4 million (previous year: € 165.9 million). The semiconductor market segment is our largest single market with a 30.2% share of sales.

Industry

The development of the extremely heterogeneous industry market segment basically followed the trend of the general mechanical engineering industry and tended to decline accordingly over the course of the year. The temporary loss of many project-related sales due to restrained investment in Europe, in particular, posed an additional task during 2013. In this market segment, a total of € 104.9 million was generated, representing a decline of € 7.4 million.

Analytics

At € 79.6 million, this market segment recorded a reduction in sales of € 4.0 million. In view of the restrained economic growth experienced globally, our customers reacted with the corresponding restraint in 2013.

Research & Development

At € 55.1 million, sales in this market segment remained virtually on a par with the previous year's level (€ 55.8 million), which means that we were able to maintain our high market share in this keenly fought sector. Due to the high number of state-owned and partly state-owned research institutes, and after some weaker months in the summer, sales revenues increased again in the fourth quarter of 2013 and resulted in the best quarter of the entire year.

Coating

With an increase of € 2.0 million over the previous year, the coating market segment experienced growth in 2013. The solar branch, which lay fallow in 2012 and 2013, has great potential for development in this segment. We still regard this sector as being of great interest since, in our estimation, global energy demand will be extremely hard to meet in the medium term without this technology. We discerned initial positive signals during talks with customers in Asia at the end of 2013.

Sales by Market

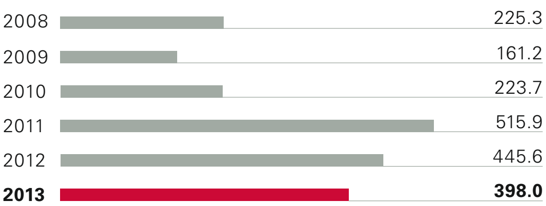
	2013	2012	Change	
	in € millions	in € millions	in € millions	in %
Semiconductor	123.4	165.9	–42.5	–25.6
Industry	104.9	112.3	–7.4	–6.6
Analytics	79.6	83.6	–4.0	–4.8
Research & Development	55.1	55.8	–0.7	–1.4
Coating	45.7	43.7	2.0	4.7
Total	**408.7**	461.3	–52.6	–11.4

New orders and orders on hand

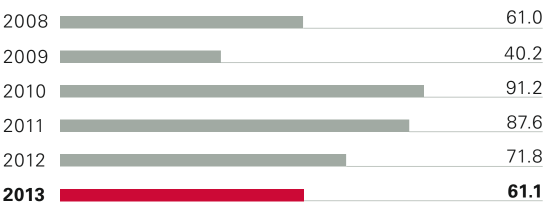
After new orders of € 445.6 million in 2012, this figure amounted to € 398.0 million in 2013 which represents a decline of € 47.6 million. With the exception of Service, this decline was recorded in all product segments. The development of new orders in Service corresponds to the positive sales development in this business segment. As in the previous year, the book to bill ratio, signifying the ratio between new orders and sales, stood at 0.97.

The order volume on hand as of December 31, 2013 totaled € 61.1 million, and lay below the previous year's figure of € 71.8 million. The visibility of orders on the basis of the average sales in 2013 remains unchanged at about two months.

Development of New Orders
in € millions



Development of Orders on Hand
in € millions



Earnings development

Gross profit and Cost of sales

The development of the cost of sales basically followed the development of net sales. After € 294.2 million in fiscal 2012, the cost of sales was recorded at € 259.3 million in 2013. Due to the continued optimization measures, the relative decline of 11.8% is greater here than in net sales. Accordingly, the gross margin, the ratio of gross profit to sales, increased from 36.2% in 2012 to 36.5% in 2013 despite the lower net sales. The gross profit totaled € 149.4 million (previous year: € 167.1 million).

Gross Profit
in € millions

Gross Margin
in %

Selling and administrative expenses

After € 80.5 million in fiscal 2012, the total figure for selling and administrative expenses amounted to € 80.7 million in 2013. This meant a slight increase of € 0.2 million. Viewed in isolation, the selling and marketing expenses rose by € 0.9 million to € 51.3 million (previous year: € 50.4 million), while the general and administrative expenses decreased by € 0.7 million to € 29.4 million (previous year: € 30.1 million). For selling and marketing expenses, the slight increase was particularly due to advertising costs. For general and administrative expenses, the decline resulted from the costs already recorded in 2012 in connection with the legal integration of the adixen business operation. The share of selling and administrative expenses to sales increased, due to the lower turnover basis, from 17.5% in the previous year to 19.7% in the past fiscal year.

Research and development expenses

At € 22.9 million, research and development costs were almost at the level of the previous year (€ 22.3 million). The percentage share of sales rose from 4.8% in 2012 to 5.6% in 2013 as a result of the decline in net sales. Adjusted for funds obtained through grants for research and development services (€ 4.0 million; previous year: € 5.2 million) contained in the other operating income, the net research and development expenses totaled € 18.9 million (previous year: € 17.1 million). We continue to be committed to advancing the development of vacuum technology through our own research projects as well as by rigorously fostering teaching and science. We view research and development expenses as an indispensible investment in the future.

Other operating income and other operating expenses

Other operating income and other operating expenses principally include the Group's foreign exchange gains and losses. The other operating income of € 8.3 million (previous year: € 10.5 million) in addition includes subsidies for expenses amounting to € 4.0 million (previous year: € 5.2 million). The other operating expenses of € 3.5 million (previous year: € 6.3 million) included only the foreign exchange losses recorded in 2013 (previous year: € 5.6 million) and other expenses. The net foreign exchange results in 2013 were unchanged at € –0.3 million.

Operating profit

As a consequence of the decline in sales revenues, the operating profit decreased from € 68.5 million in the previous year to € 50.5 million in the past year. A pleasing effect is the fact that the drop in sales revenues was softened by continued reorganization measures and that it was still possible to achieve an EBIT margin of 12.4%. The amount of depreciation and amortization (for tangible and intangible assets) included in this figure was recorded at € 20.2 million for 2013 (previous year: € 19.8 million), which results in operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization, EBITDA) of € 70.7 million. After € 88.3 million in 2012, this equals a reduction of € 17.6 million or 19.9%.

Operating Profit

in € millions

Operating Profit Margin

in %

Operating Profit per Employee

in K€

Financial income

As a result of the redemptions of external liabilities in the years 2012 and 2013, the financial expenses decreased from € 2.2 million to € 1.2 million. Overall, the net financial income increased from € –1.4 million to € –0.6 million in 2013.

Income taxes

As a consequence of the lower earnings before taxes, the tax expenses also decreased in 2013. After € 21.2 million in the previous year, a figure of € 15.1 million was recorded for the past fiscal year. At the same time, the relative burden in the form of the tax ratio slightly declined. This ratio stood at 30.3% following 31.7% in the previous year. The decrease is due in particular to international differences in tax levels.

Net income

After € 45.8 million in 2012, earnings before taxes amounted to € 34.8 million in fiscal 2013. This corresponds to a decrease of € 11.0 million or 24.0%. Despite declining sales, the after-tax return on sales, that is, the ratio of net income to sales, at 8.5% was 1.4%-points lower than the 9.9% figure of the previous year.

Income before Taxes

in € millions

Net income

in € millions

Earnings per share

The earnings per share at € 3.53 were € 1.11 lower than the record figure of the previous year. The relative change corresponded exactly to the change in the net income, since as in the year before, there continued to be no dilutive effects in fiscal 2013.

Earnings per share
in €

Financial position

As at December 31, 2013, the balance sheet total of the Pfeiffer Vacuum Group decreased by € 20.8 million from € 451.3 million to € 430.5 million. On the asset side of the balance sheet the renewed decrease in trade accounts receivable and inventories (€ 6.2 million and € 1.1 million respectively) is particularly noteworthy. Income tax receivables developed contrary to this pattern, having risen by € 3.8 million to € 5.9 million. This was primarily due to capitalized tax refund claims. As in the previous year, the decrease in intangible assets is again almost exclusively the result of scheduled amortization relating to items recorded within the framework of the adixen acquisition. Property, plant and equipment decreased in net terms by € 4.6 million. Capital expenditures of € 9.4 million were offset by depreciation and amortization amounting to € 13.3 million. Cash and cash equivalents declined from € 102.0 million on December, 31, 2012 to € 95.1 million at the end of fiscal 2013. A detailed analysis of the development of this item is located in the section "Liquidity and cash flow" below.

With regard to the development of the items on the liabilities side of the balance sheet, the significant decrease in financial liabilities of € 10.6 million and the decrease in equity of € 1.0 million are particular noteworthy. The change in equity is primarily the result of net income earned in the reported year after taxes (€ 34.8 million) and the dividend payment to Pfeiffer Vacuum Technology AG shareholders (€ 34.0 million). Despite the decrease in equity, the equity ratio increased from 61.4% to 64.1%. Pfeiffer Vacuum has improved the already above-average capital base compared to the volume of business, and with cash holdings of € 95.1 million and financial liabilities totaling € 41.5 million again records no net debt position as at December 31, 2013.

Due to the decrease in the volume of business and continued optimization measures, it has been possible to achieve a further reduction in the net working capital in 2013. The improvements amounted to € 5.9 million.

Liquidity and cash flow

At € 47.9 million in 2013, the operating cash flow was € 15.4 million below the previous year's figure of € 63.3 million. Besides the low earnings before taxes (€ –17.1 million) and the correspondingly low income tax payments (€ –6.6 million), the increase in receivables and other assets amounting to € 4.4 million, impacted negatively on the operating cash flow. In the previous year, positive effects of € 6.4 million were still recorded here. From further optimization of inventories, a positive effect of € 2.3 million (previous year: € 8.0 million) resulted in 2013, while from the development of liabilities and customer deposits in the past reporting year burdens of € 1.9 million were recorded, following € 6.6 million in the previous year.

Change in Net Working Capital

	Dec. 31, 2013	Dec. 31, 2012	Change
	in € millions	in € millions	in € millions
Inventories	70.0	76.2	–6.2
Trade accounts receivable	54.1	55.3	–1.2
Trade accounts payable	–23.4	–24.9	1.5
Net working capital	**100.7**	106.6	–5.9

The cash flow per share of € 6.42 in fiscal 2012 decreased to € 4.86 in the past fiscal year 2013. The still high level of this figure shows the unchanged capacity of the Pfeiffer Vacuum Group to generate disproportionally high cash inflows within the framework of operational activities.

The net cash outflow from investing activities stood virtually unchanged against the previous year. Capital expenditures remaining at € 10.3 million are offset by proceeds from the sale of property, plant and equipment amounting again to 0.3 million, with the result that the overall cash outflow totaled € 10.0 million. Further information on the composition of capital expenditure can be found in the section "Capital expenditures and financing" below.

As in the previous year, the cash flow from financing activities in 2013 was essentially characterized by the dividend payment to Pfeiffer Vacuum Technology AG shareholders (€ 34.0 million) and the repayment of financial debts (€ 10.8 million). In 2013, the cash outflow therefore amounted to a total of € 44.8 million. In addition to the dividend payment (€ 31.1 million) and the repayment of financial liabilities (€ 24.6 million), additional cash outflows were recorded in the previous year from the acquisition of shares with non-controlling interests totaling € 2.7 million. Overall, a figure of € 58.4 million was appropriated for financing activities.

Cash Flow Margin

in %

Cash Flow per Share

in €

In light of the currency effects, the cash outflow totaled € 6.9 million (previous year: € 6.3 million) and led to a reduction in cash and cash equivalents of 6.7% to € 95.1 million). Thus, taking into account financial liabilities (€ 41.5 million), there are still no outstanding net liabilities. Furthermore, the Company had unused credit lines amounting to € 19.6 million at the balance sheet date (previous year: € 10.9 million).

The free cash flow is invested in interest-bearing financial instruments. A cash management system is in place in the German Group 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 where financial investments are concerned. Speculative transactions are not conducted. The loan in conjunction with the acquisition of the adixen business unit was taken out by the parent corporation. Both liquidity management as well as steering of the interest-rate change risk are thus primarily handled at Corporate Headquarters, taking into consideration all relevant matters within the Corporate Group.

Capital expenditures and financing

Operating business, capital expenditures and dividend payments (€ 34.0 million) were financed in 2013 solely by internal funds of the Corporate Group. In addition, existing financial liabilities in the amount of € 10.8 million were repaid.

Capital expenditures in the unchanged amount of € 10.3 million related predominantly to necessary re-investments for machinery and plant and equipment. There were no major changes in the composition of capital expenditures. The total amount and the allocation are within our expectations and also comply with the forecast provided for 2013.

The equity ratio in the Pfeiffer Vacuum Group has been extremely sound for a long period now. After 61.4% at the end of the 2012 fiscal year, the equity ratio as of December 31, 2013 stood at an exceptionally high 64.1%. The current assets ratio, as the ratio of current assets to current liabilities, amounted to 318% (previous year: 304%) and continues to reflect the sound financing concept and the high credit rating of Pfeiffer Vacuum.

Current Assets Ratio

in %

Depreciation Expense Ratio

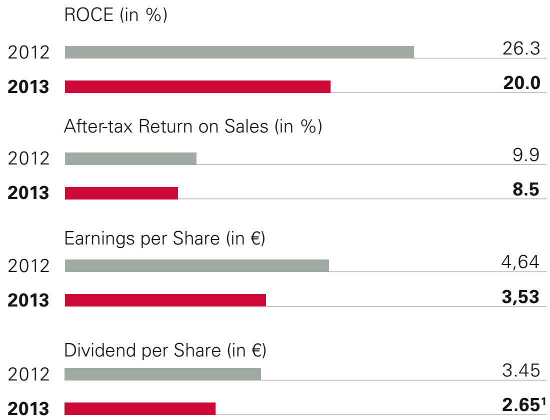
in %

The above-mentioned capital expenditures of € 10.3 million and a depreciation/amortization volume of € 20.2 million in 2013 resulted in a depreciation expense ratio (ratio of capital expenditure to depreciation/amortization) of 51%. Therefore, new capital expenditures in 2013 continued to be below the level of the loss of value of fixed assets (previous year: 52%), which was predominantly due to the high depreciation/amortization amounts resulting from the purchase price allocation (PPA).

Value reporting

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

Key Value Reporting Indicators



[1] Subject to approval by the Annual General Meeting

The above graphic shows that all the success ratios achieved by Pfeiffer Vacuum in 2013 have decreased compared to the previous year. At the same time, however, Pfeiffer Vacuum wishes to stand by the dividend payout ratio of approximately 75% of net income. Accordingly, the Management Board and Supervisory Board will propose a dividend of € 2.65 per share at the Annual General Meeting.

Overall assessment of business performance

After experiencing a number of record figures in the Company's history in 2012, such as in relation to the operating profit or the earnings per share, we are not satisfied with the development of sales revenues in 2013. We are pleased, however, at the success we have achieved with our ongoing reorganization measures. These have enabled us to considerably lessen the effects of the decline in sales and to achieve an EBIT margin of 12.4%. There has been no change in the rock solid financial position of Pfeiffer Vacuum. The Group remains without any outstanding net liabilities. The equity ratio has once again increased over the previous year, and the liquidity situation has allowed us even in a weak year, in addition to financing the operational activities, to significantly reduce the financial liabilities and to distribute a record dividend to shareholders, without reaching our limits. And what's more: with our current focus, we are excellently equipped to withstand the year 2014.

Non-financial Performance Indicators

Employees

Pfeiffer Vacuum employed a total of 2,235 employees at the end of fiscal 2013. This represents a slight decrease of 0.9% compared to the previous year's figure of 2,256 employees. This development is mainly originated in the Asian region.

Composition of Workforce by Regions

	2013		2012	
		in %		in %
Europe	1,588	71	1,577	70
Asia	509	23	533	24
The Americas	138	6	146	6
Total	**2,235**	**100**	2,256	100

Diversity

Pfeiffer Vacuum has a global standing and so unites a multitude of people of different origin under one umbrella brand. Our employees are proud of the successful cooperation between different cultures and nationalities. For several years now, Pfeiffer Vacuum has belonged to the "Diversity Charter", an initiative by the German Federal Government. The "Diversity Charter" is a fundamental commitment to fairness and appreciation of people in companies.

Of the 2,235 employees, 386 are female and 1,849 are male. Therefore, the proportion of women constitutes 17% of the entire workforce. Vacuum technology represents a specific field in mechanical engineering in which there are generally only very few potential young females with adequate training for this field. Nevertheless, it is the firm intention of company policy to increase the proportion of women in this traditionally male-dominated field of work. The French subsidiary of Pfeiffer Vacuum concluded a formal agreement with all labor unions involved with the specific purpose of promoting women. Since January 1, 2013, the Pfeiffer Vacuum Technology AG Management Board consists of one woman and two men. The Supervisory Board of Pfeiffer Vacuum Technology AG does not include any women. In its subsidiary companies, however, several management and key positions in the areas of Purchasing, Finance, Communications, Marketing, Human Resources as well as Sales are occupied by female managers.

Training young talent

The promotion of young talent 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 2013, Pfeiffer Vacuum made a total of 96 apprenticeships available worldwide (previous year: 89).

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. In this way, we ensure our young talent in industrial and mechanical engineering as well as in the area of business informatics.

Also, many of our subsidiaries offer temporary internships for graduates and students and/or temporary positions for students who work during their vacation. This enables young people to gain an insight into operational processes and to qualify as potential employees. In cooperation with different schools and universities, we perform guided tours of the Company and present ourselves to the public at career fairs. In France especially, several of our skilled workers give lectures on vacuum technologies and corporate governance at universities. In addition, 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 decisively based on the expertise, the loyalty and the high motivation of our employees. Particularly the expert knowledge of our service and sales employees, mostly engineers or physicists, plays an important role 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 and Service as necessary. The skilled knowledge of our employees is also of major importance in the manufacturing and installation of our products. The ultimate goal is to offer each customer a perfect vacuum solution for his application.

Good training and the readiness to adapt to changes in market forces by continuous further development are thus the best prerequisites for all employees, regardless of age, in order to secure jobs and sustained professional success. Further training plays a critical role in our Company in all locations. New employees complete an introductory course in the basic principles of Vacuum Technology, while sales and service employees receive advanced training courses about products and service measures.

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

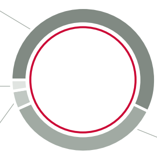
Professional Qualifications of the Workforce

	2013
Development and Production, Total	**1,136**
Graduates of universities, colleges and universities of applied sciences	243
Employees with professional training	798
Employees without professional training	31
Apprentices	64
Administration, Service and Sales, Total	**1,099**
Graduates of universities, colleges and universities of applied sciences	562
Employees with professional training	484
Employees without professional training	21
Apprentices	32

The provision 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. Here, the focus is on training and further training measures in the area of "quality". The management also operates a software system for competence management of the employees to better identify and implement existing expertise and to be able to match training courses specifically.

Proportional Distribution of Professional Qualifications of all Employees

in %



Remuneration and incentive schemes

The personnel costs in fiscal 2013 amounted in total to € 130.7 million compared with € 130.6 million in fiscal 2012.

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 profit. Added to that – depending on the location – are other bonus, incentive or employee participation schemes as well as bonuses for outstanding individual achievements.

Age Structure of the Company

	2013		2012	
		in %		in %
Under 30 years of age	506	23	511	23
30 to 50 years of age	1,195	53	1,215	54
Over 50 years of age	534	24	530	23
Total	**2,235**	**100**	2,256	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, voluntary payment into the company pension scheme has been agreed as part of the performance-related remuneration.

Social responsibility

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

The illness rates in fiscal 2013 in Asslar and Göttingen amounted to 6.0% and 6.4%, respectively, and thus were at a similar level as the German industry average of 6.1%.

The rate of staff turnover also differs depending on the geographical location, with a figure of 4.3% in Asslar in the past fiscal year and 2.6% in Göttingen. In Annecy, the rate of staff turnover is very low at 3.1%.

Workplace safety

Issues of workplace safety mainly relate to the production facilities of Pfeiffer Vacuum. In Asslar there were 7 reportable accidents in fiscal 2013 (previous year: 8). This is equivalent to 11.4 accidents per 1,000 employees (previous year: 13,1). In Göttingen the ratio amounted to 53 reportable accidents per 1,000 employees compared to 40 in the prior year. This figure is slightly higher than the corresponding average of 40.9 sited by the German Workers' Compensation Insurance Company (2012 value; numbers for 2013 not yet available).

Sustainability as a corporate policy

In order to fulfill our quality promise, we place the highest demands on our solutions. Energy efficiency also plays an important role. Our experts integrate efficient technologies and innovative ideas for energy saving as early as during product development. The entire production process is then designed on the basis of these specifications. This results in sustainable solutions for our clients, which meet the high demands of different industries and applications and, in addition, provide real added value: The efficiency of our products leads to considerable energy savings during operation which, in turn, results in significant cost savings overall.

With its commitment to energy efficiency, Pfeiffer Vacuum also fulfills its environmental responsibility. The conscious use of limited resources and materials, the use of recyclable materials, sophisticated waste management, and the heightened environmental awareness and energy-consciousness of our employees show that protecting the environment and natural resources are of special concern to Pfeiffer Vacuum. All of our business activities are based on the requirements of the ISO 14001 standard.

Energy-efficient products by Pfeiffer Vacuum

Our products are the heart of our Company. We meet the highest standards with them and offer our customers a complete and customized program of solutions – for specific requirements from different industries. In addition, we deliver added value through energy-saving technologies that reduce costs and increase efficiency.

Realizing efficient products with the highest possible customer value and fulfilling our environmental responsibilities requires full commitment. We have made energy efficiency and the responsible use of natural resources a cornerstone of our Company by which we live and work – every single day. Pfeiffer Vacuum's philosophy is not only reflected in efficient solutions for our customers, but in every part of the value chain, and in the minds of our employees.

Energy efficiency in development and production

Energy efficiency and resource conservation already play an important role during the planning phase of a new product. At Pfeiffer Vacuum, a product is viewed in its entirety, from its development to its recycling, in terms of energy efficiency.

In this way, we ensure right from the start that our products can offer our customers extensive advantages – additional added value is created through cost savings, space and time-saving processes, and the more efficient results that are entailed.

Production processes

The efficient structuring of our customer's operations with our energy-saving products is not our only priority. We also design our own production processes as efficiently as possible.

During 2013 there were 25 internal audits conducted in Asslar (previous year: 22). In Annecy 22 internal quality and environmental audits were performed (previous year: 22) in addition to one extensive official audit. The corresponding number of internal audits which took place in Göttingen was 14 (previous year: 7). Where applicable, elements of ISO 14001 were integrated into all audits.

The resource consumption of our key production facilities is displayed as follows:

We can substantiate our quality promise through sustainable production, and guarantee our customers maximum efficiency from manufacturing to service. With all the resources at our disposal, we also contribute directly to energy and resource conservation.

Environmental protection is an important part of our corporate policy

With precisely coordinated processes, we not only ensure that our products, their development and production allow for energy saving and resource conservation but that sustainability is provided throughout the entire organization and at all locations. An integral part of our corporate strategy is an ISO 14001 certified environmental management, which is concerned with the holistic view and the monitoring of all environmental areas. Here, all environmental impacts are documented by Pfeiffer Vacuum and guidelines are identified for the prevention and reduction of environmental pollution.

The most important asset of any company is its employees – the same goes for Pfeiffer Vacuum. Their dedication and work are crucial for enabling us to pursue our passion for perfection. This also applies for energy and environmental awareness. We therefore provide our employees with regular information about current policies on energy and environmental issues, the management of hazardous materials, and efficiency aspects of our products.

Ecological Indicators

	2013		2012	
	Absolute consumption	CO_2 emissions in t	Absolute consumption	CO_2 emissions in t
Yield of photovoltaic plant (in MWh)	–84	–49	–96	–57
Power consumption (in MWh)	28,185	16,629	17,471	10,308
Gas consumption (in MWh)	13,240	3,324	6,780	1,702
Total		**19,904**		**11,953**
Gasoline (in l)	156,938	364	119,709	278
Diesel (in l)	194,245	509	342,906	898
Total		**873**		**1,176**
Water consumption (in m^3)	25,671	—	27,480	—

Corporate Governance Report and Declaration on the Corporate Governance

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 2013, the Management and Supervisory Boards of Pfeiffer Vacuum Technology AG submitted the Statement of Compliance for the year 2013 required pursuant to § 161 of the German Stock Corporation Act. It was made permanently accessible to shareholders on the corporation's website (www.pfeiffer-vacuum.com).

Pfeiffer Vacuum Technology AG complies with all recommendations of the Code, as amended in May 2013, with the following exception:

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

Shareholders and Annual General Meeting

The Annual General Meeting is the supreme body of the corporation. At the Annual General Meeting, shareholders may exercise their voting rights themselves, through a proxy of their choice, or a proxy nominated by the corporation who is bound to act on their instructions. The shareholders make key decisions at the Annual General Meeting about the allocation of profits, amendments to the Articles of Association, or the approval of share repurchase programs. All information and documents essential for the Annual General Meeting will be provided to the shareholders in a timely manner. The agenda and an explanation of the conditions of participation in addition to the shareholders' rights will generally be announced one and a half months before the Annual General Meeting date. All documents and information for the Annual General Meeting are also available on our website. In addition, it is possible to electronically direct questions to the employees 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

As of January 1, 2013, the Management Board Consists of the following persons: Manfred Bender (CEO), Master of Business Administration, Ms. Nathalie Benedikt, Master of Business Administration and Dr. Matthias Wiemer, Diploma in Mechanical Engineering. The expansion of the Management Board at the beginning of the fiscal year enables its members to focus more closely on important issues and projects and allows them to be even more present locally.

The responsibilities of the Management Board are as follows:

Pfeiffer Vacuum Technology AG Management Board

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

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

The four-eyes principle applies in exercising the duties and responsibilities of the Management Board. Major decisions are always made jointly. Personal expenditures, such as travel and entertainment expenses, require the approval of another Management Board member. In addition to close cooperation and reciprocal information on a daily basis, board meetings are held every two weeks. Minutes are kept of these meetings and the Chairman of the Supervisory Board receives a copy of these.

The members of the Management Board work exclusively for Pfeiffer Vacuum. In addition, Manfred Bender is a member of the supervisory board of the Volksbank Heuchelheim eG, Heuchelheim, Germany.

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 2013, there were no personnel changes to the Supervisory Board. The members are as follows:

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

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

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

No compensations or benefits for personal service rendered, especially consultation and brokerage services, were paid or granted to the members of the Supervisory Board during the period under review. There were no conflicts of interests for Management and Supervisory Board members requiring immediate disclosure to the Supervisory Board. Finally, the Rules of Procedure for the Management Board provide that the Supervisory Board must grant its approval for significant business transactions.

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

The establishment of an Audit Committee is a longstanding practice at Pfeiffer Vacuum. As a certified public account, the Chairman of the Audit Committee, Götz Timmerbeil, is eminently qualified to bear responsibility for the activities of the Audit Committee, in particular in connection with questions relating to financial accounting, compliance, and the risk management system.

The task of the Nominating Committee is to suggest suitable candidates to the Supervisory Board who can then recommend them for nomination to the Annual General 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 in 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), and Scholz AG, Essingen (Chairman)
- Götz Timmerbeil: VfL Handball Gummersbach GmbH (Chairman), Arena Gummersbach GmbH & Co. KG (Vice Chairman)
- Dr. Wolfgang Lust: GeckoGroup AG, Wetzlar (until 01.01.2013)

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 the Group´s earnings before taxes.

In fiscal 2013 the fixed remuneration for Manfred Bender amounted to K€ 380, for Dr. Matthias Wiemer K€ 290 and K€ 150 for Nathalie Benedikt. The variable component recorded in the Income Statement for Manfred Bender was K€ 404, for Dr. Matthias Wiemer K€ 261 and for Nathalie Benedikt K€ 175 in fiscal 2013. Payments in kind of K€ 16, K€ 14 and K€ 17, respectively, were effected. This amounted to total compensation in 2013 of K€ 800 for Manfred Bender (previous year: K€ 871), K€ 565 for Dr. Matthias Wiemer (previous year: K€ 557) and K€ 342 for Nathalie Benedikt (previous year: –). After a total compensation level of K€ 1,428 for the Management Board in fiscal 2012, the total compensation amounted to K€ 1,707 in the past fiscal year.

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

Manfred Bender has received pension commitments in the unchanged amount of 60% of the last fixed salary elements. Matthias Wiemer has received pension commitments in the unchanged amount of 40% of the last fixed salary elements. In this connection, total net pension expenses in accordance with IFRS of K€ 203 (Manfred Bender) and K€ 178 (Dr. Matthias Wiemer) were recorded in the Consolidated Statements of Income in fiscal 2013 (previous year: K€ 124 and K€ 639 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€ 67 (previous year: K€ 171). After K€ 1,651 in 2012, a total of K€ 138 was paid to the Pfeiffer Vacuum Trust e. V. The total net pension obligations for current and former members of the Management Board therefore amount to K€ 3,339 (previous year: K€ 3,376). Current pensions in fiscal 2013 again amounted to K€ 345.

Compensation for the Supervisory Board

The members of the Supervisory Board received a fixed compensation determined by the Annual General Meeting. In 2011, the Annual General Meeting approved an increase in the Supervisory Board's compensation. The total compensation paid to the Supervisory Board and its distribution between the individual members has not therefore changed in comparison with fiscal 2012.

In fiscal 2013 Dr. Michael Oltmanns received compensation of K€ 75, while Götz Timmerbeil received K€ 50. Helmut Bernhardt, Manfred Gath, Wilfried Glaum and Dr. Wolfgang Lust each received K€ 25. The total compensation paid out to the Supervisory Board in fiscal 2012 and 2013 therefore amounted to K€ 225, respectively.

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

Negative statement

No further benefits were paid to Management or Supervisory Board members over and above the listed compensation components. In particular, no stock options were granted, no loan entitlements were established, and no liability commitments were pro nounced. 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 2013 or the previous year.

Accounting and auditing

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

The Annual Financial Statements of Pfeiffer Vacuum Technology AG as the parent corporation are prepared pursuant to the provisions of the German Commercial Code ("HGB"). This Consolidated Financial Statement was audited pursuant to the resolution of the Annual General Meeting on May 28, 2013 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 taking 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. In the following, opportunities and risks are presented on a gross basis.

Risk management system

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

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

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

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

The purpose of an internal consolidated accounting control system is to ensure adequate certainty by implementing controls that – despite identified risks – enable consolidated financial statements to be prepared in accordance with applicable standards. The Management Board bears overall responsibility for the internal control and risk management system in respect to the consolidated accounting process. All companies included in the Consolidated Financial Statements are covered by a strictly defined management and reporting organization. The principles, the organizational and procedural structures, as well as the processes of the individual control and risk management systems relating to consolidated accounting, are stipulated throughout the entire Corporate Group in guidelines and organizational procedures that are adapted at regular intervals to reflect current external and internal developments. Our internal experts also work together with external counterparts on a case-by-case basis. This enables us to ensure that our accounting is in compliance with IFRS accounting and valuation regulations.

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

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

Opportunity management system

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

We conduct market and competition analyses in order to be able to explicitly make optimum use of industry and overall economic opportunities. This provides us with a good overview to further broaden our market share by specifically utilizing our potential. Close contact with our customers additionally aids us in identifying trends early on, thus enabling us to actively shape changes in the marketplace.

With variance analyses and development forecasts, our highly refined reporting system also identifies opportunities in our regional structure. Our global 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 are 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 easily adapt production capacities to reflect the development of the order situation.

Market segments

Sales revenues in Pfeiffer Vacuum's individual market segments are closely linked to global economic developments. The research & development market, for example, is dependent upon government spending and focuses in connection with research projects. The semiconductor market follows its own cycles, which offers enormous opportunities during boom phases and involves major risks during phases of weakness. The coating market is closely linked to developments in the photovoltaic industry and did not recover again following the crisis in 2011. The heterogeneous industrial market segment followed overall economic trends in its general development. And development work in the product categories goes hand in hand with the trends in the individual market segments. This means that smaller turbopumps and analysis instruments, for example, are more likely to be required in the analytical industry, which tends to respond on an early-cyclical basis. Large quantities of backing pumps are employed in the semiconductor market, but also in other industries whose developments generally conform to those in mechanical engineering.

In order to combat the risks stemming from dependence upon individual market segments and products, Pfeiffer Vacuum places a great deal of value on its broad based alignment. At the same time, a disproportionately high share of revenue derives from the semiconductor industry, which presents both an opportunity as well as a risk due to the cyclical nature of this industry's development. Pfeiffer Vacuum's strategy for lowering this risk is to increasingly also market adixen products in other industries through our distribution channels, thus lowering the share of total revenues accounted for by the semiconductor industry. Moreover, we estimate that the semiconductor market will grow strongly beyond the cycles.

Acquisition and integration

The integration of acquired companies into the purchaser's corporate group always poses a special challenge. In order to preclude as far as possible the risk that the expectations which are placed upon the acquisition might not fully materialize, we conduct detailed due diligence reviews in advance of a corporate acquisition. Analyzed in particular in this connection are the legal situation, technical equipment, production planning, and the current and expected financial position of the company to be acquired. To minimize legal and financial risks in particular, we draw upon the counsel of reputable law firms and tax advisors with substantial experience of acquisitions on this scale during the period of preparing and realizing the acquisition. Taken as a whole, these measures ensure that all aspects of a corporate acquisition are taken into consideration, and enables conclusions to be drawn regarding the potential synergies that will result from an acquisition. This significantly reduces the risk of unanticipated developments. However, this risk can never be entirely excluded because a successful acquisition depends upon many other additional factors. This also applies for the integration which follows after acquisition.

To restrict integration-related risks, proven Pfeiffer Vacuum guidelines, which ensure structured and successful business operations, are implemented within newly acquired companies. Directly after acquisition, newly acquired companies are also integrated into the reporting system in the Pfeiffer Vacuum Group, to allow targeted management of the individual companies. Besides extensive reporting, this also includes monthly conference calls and regular meetings on site in the countries concerned. The standardized risk management system is also put in place in all new Group companies. The risk of intransparency is therefore eliminated in this way.

Technology

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

Purchasing and manufacturing

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

Human resources

As a provider of vacuum solutions, i.e. a subset of mechanical engineering, we are dependent upon the high level of education, training and commitment of our employees. We use various measures to combat the risk of losing these people and/or insufficient recruiting possibilities for suitable new talent. 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, virus 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. These manifest themselves in the Consolidated Statements of Income. Aside from the exchange rate risks from the U.S. dollar, there are significantly lower foreign exchange rate parity risks for Pfeiffer Vacuum from developments in the exchange rate of the Korean Won.

In addition to this, 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 the Republic of Korea. The line items in the Statements of Income are converted 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-hedgeable. A certain degree of compensation for this effect results from the fact that the subsidiary in the U.S. records its own selling and general administrative costs, which change counter to 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 (default risk). 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. At year-end 2013, unchanged from previous years, there was no net indebtedness at year end, which means that there continue to be sufficient reserves to assure the survival of the Company, even in difficult economic times. Our operative business generates sufficient liquid assets to enable the Company to continue to grow from within.

Legal risks

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

Opportunities

Macroeconomic and sector-specific opportunities

The global economic development continues to be marked by the economic situation in Asia, particularly in China. The continued increase in presence in this region also enables us to benefit from this development. Our position in the United States remains favorable and, here too, a positive economic development is anticipated compared to Europe. Being well placed here gives us the opportunity to lock into this trend as well. A similar situation applies for Germany too, where a substantial economic upturn is currently anticipated for 2014. The cyclical nature of the semiconductor industry, which has been referred to a number of times, is both an opportunity and a risk. After a slowing down in demand in this sector during the course of 2012, and an emerging recovery in 2013, a further improvement in demand is expected in 2014. This could have a positive effect on the development of sales revenues in this fiscal year.

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 shares. This enables us to offer our customers a broader spectrum of products.

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. The globally active sales teams are interlinked, and uniform Pfeiffer Vacuum sales rules have been put in place. Regular training is also given on the permanently expanding spectrum of products, to enable sales staff to make use of opportunities for increasing sales to existing and prospective 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 future as well. We have rigorously aligned the flows of materials in manufacturing towards 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 increase efficiency. We are confident that the interplay between these modernization measures will help us to reduce throughput times in the future. Pfeiffer Vacuum has a total of three major production sites in Asslar, Göttingen and Annecy.

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 by 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 2014 fiscal year.

Outlook

General economic development

The International Monetary Fund (IMF) expects growth in global gross domestic product (GDP) of 3.7% in 2014. The corresponding figure for 2013 amounted to 3.0%. Although the apparently imminent acceleration of global growth is to be welcomed, it should be mentioned that many of the latest estimates for 2014 are slightly lower than the latest updated figures.

The strongest GDP growth is still expected from the emerging regions, especially China, India, Russia and Mexico, which the IMF calculates with an aggregated 5.1% for these regions in 2014. In contrast, the institute expects 2.2% growth from the group of eight of the economically most important developed countries. For the European Union (EU), the IMF expects that the GDP will experience growth again of 1.0% for 2014, following the recession in 2012 (–0.7%) and 2013 (–0.2%). The growth rankings with the best forecasts for 2014 are still China with an expected 7.5% and India with 5.4%.

Within the eurozone, Germany takes a slightly above-average position with estimated economic growth of 1.6%. The German Federal Bank increased its growth target for 2014 from 1.5% to 1.7% as recently as December 2013. For the USA, the IMF expects that economic growth, compared to 2013, will continue to increase from 2.2% to 2.8%. For the Japanese economy, the expected growth figure still amounts to 1.7%. In Russia, however, after a brief slowdown in growth, the economy appears to be slightly recovering again with an expected rate of 2.0%. In South America, Mexico, in particular, continues to demonstrate a slightly below-average growth rate for the region with a growth forecast of 3.0%.

Mechanical engineering

In the mechanical engineering industry, growth is expected in 2014. Of the major production sites, only China and the USA will grow above average, while the three other major producing countries, Japan, Italy and Germany, are not expected to generate any growth overall for 2014, even though a slight improvement was recorded in these regions towards the end of 2013.

The German Engineering Federation (VDMA) forecasts an increased output of 4.0% in fiscal 2014, after 2013 stagnated according to the latest information. In absolute figures, German mechanical and plant engineering companies with an estimated € 195 billion turnover in 2013 repeated the previous year's figure, and all-time high, in 2012. Another record high could be achieved in 2014 with an estimated growth to € 203 billion.

According to the VDMA, out of the top 5 producing countries in mechanical engineering, only China and the USA were able expand their production by the summer of 2013. In China, however, the slowdown in growth continued in 2013. The growth rate is now around 4.0%. In Germany, however, the engineering industry shrank. In the first nine months, it missed the previous year's result by 2.0%. During the same period, the Japanese machine production shrank by 3.0%. Mechanical engineering in Italy had to cope with a decline of almost 7.0%.

In the 28 countries of the European Union, mechanical industry production was at the same level as the previous year. Only domestic demand declined by approx. 2.0% over the previous year. This suggests that the already high share of exports in the industry continued to increase slightly.

The OECD leading indicator is a pretty good indicator for the mechanical engineering sector in the EU. With a lead of about six months, it displays the future development of machine production. Currently, it signals positive developments, as it has increased every month in

2013 from 99.8 points onward in January 2013 and was listed in December 2013 at 100.9 points. In the course of 2014, this should increase its beneficial effect on EU machinery production in 2014.

In 2013, production in the "Compressors and vacuum pump" sector was 7.0% above the previous year's level. In comparison, the overall orders and sales for mechanical engineering were at an almost identical level to the previous year. For 2014, the Federation expects industry-wide sales growth of about 4.0%.

Development in the markets

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

The Semiconductor market segment is regarded as cyclical in nature and, after a sharp downturn at the beginning of the year, later began a slight recovery. Signals from the market point to further upward movement. While some large companies were able to report record profits again, the chip manufacturers are still busy with the next generations of their product lines. In the current fiscal year, the course of this market segment will therefore depend on how quickly and extensively these customers invest in new production facilities and technologies. Pfeiffer Vacuum strongly believes that the demand for products from the semiconductor industry will generally grow at an above-average rate in view of the increasing complexity of digital innovations in almost all areas of everyday life – even if this development is typically characterized by a strong cyclical nature.

In the Industrial market segment, the order growth will primarily be determined by new product developments as well as the general trend towards energy efficiency and resource conservation. Here, Pfeiffer Vacuum expects a relatively stable development in the medium term as well. Pfeiffer Vacuum expects a similar dynamic development in the case of the Analytical Industry and Research & Development market segments. Analytical instruments are used in research and quality assurance applications in general industry and, in particular, in the semiconductor sector. The Research & Development market segment is dependent on political decisions on the funding of projects, and on research institutes.

The Coating market segment can be roughly divided into two sectors – customers from the solar industry and customers from all other coating industries. As far as the solar industry is concerned, it is currently suffering from acute overcapacities, which resulted in the fact that investment in building up new capacities did not take place in the past fiscal year. Meanwhile, Pfeiffer Vacuum expects a stable development of the solar market - albeit at a much lower level than a few years ago.

Development of sales in 2014

The relatively low level of sales revenues from customers in the semiconductor industry is the primary reason for the 11.4% decline in sales to € 408.7 million in 2013. So far, there are promising signs of improvement, particularly in the semiconductor industry. For the other sectors, we also expect an upswing in 2014. Sales revenues, in line with the general trend in the mechanical engineering sector, increased in the fourth quarter compared to the third quarter, even though some orders were postponed. The visibility of orders again is approximately two months. Therefore, no conclusions should be drawn regarding the expected total annual sales on the basis of the subdued level of orders at the end of 2013. Due to the above reasons and also in view of the improving macroeconomic forecasts – for the global economy as well as the engineering industry – Pfeiffer Vacuum is expecting a notable increase in sales in 2014.

Earnings development

Since the acquisition of adixen, with effect from December 31, 2010, we have continued to write off certain amounts, as scheduled, as a consequence of purchase price allocation. This financial burden amounted to € 7 million in the 2013 fiscal year, and is expected to be € 7 million again in 2014. Operational optimization measures as well as economies of scale related to the expected sales improvement should contribute to a visible improvement in the margin situation in fiscal year 2014. Capital expenditures currently planned for 2014 amount to approximately € 10 million for the entire Group.

Dividend

Pfeiffer Vacuum is also known as a dividend yielding stock on the German stock market. The Company wishes to remain faithful to this tradition. The Management Board and the Supervisory Board will therefore propose at the Annual General Meeting to distribute a dividend of € 2.65 per share for fiscal 2013 (2012: € 3.45 per share). With a distribution volume of some € 26.1 million, this would once again result in approximately 75 % of net profit being paid out to shareholders.

Dividend Figures

		2013	2012
Payout ratio[1]	in %	75.1	74.3
Dividend per share	in €	2.65[2]	3.45
Dividend yield	in %	2.7[2]	3.8

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

Forward-looking statements

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

We wish to remain a highly profitable company. Overall, we are confident that we can achieve this goal on the basis of the development of business at the end of 2013, the strategic focus on clearly defined target markets, and the ongoing conversations with our customers. With our highly trained and motivated employees, we are excellently positioned for achieving this.

Consolidated Financial Statements

Consolidated Statements of Income
Pfeiffer Vacuum Technology AG

in K€	Note	2013	2012 adjusted[1]
Net sales	31	408,727	461,327
Cost of sales	7, 15	–259,345	–294,182
Gross profit		**149,382**	167,145
Selling and marketing expenses	7	–51,343	–50,431
General and administrative expenses	7	–29,407	–30,118
Research and development expenses	7	–22,900	–22,317
Other operating income	8	8,268	10,515
Other operating expenses	8	–3,477	–6,317
Operating profit	31	**50,523**	68,477
Financial expenses	9, 32	–1,217	–2,245
Financial income	9, 32	644	822
Earnings before taxes	24, 31	**49,950**	67,054
Income taxes	24	–15,135	–21,230
Net income		**34,815**	45,824
Thereof attributable to:			
Pfeiffer Vacuum Technology AG shareholders		**34,815**	45,824
Non-controlling interests		—	—
Earnings per share (in €):			
Basic	34	3.53	4.64
Diluted	34	3.53	4.64

[1] Due to the retroactive application of IAS 19 prior year numbers were adjusted; please refer to Note 3

Consolidated Statements of Comprehensive Income Pfeiffer Vacuum Technology AG

in K€	Note	**2013**	2012 adjusted [1]
Net income		**34,815**	45,824
Other comprehensive income			
Amounts to be reclassified to income statement in future periods (if applicable)			
Currency changes	21	–2,528	405
Results from cash flow hedges	21, 32	–167	635
Deferred income tax effect on items to be reclassified to income statement	21	48	–197
		–2,647	843
Amounts not to be reclassified to income statement in future periods			
Valuation of defined benefit plans		1,406	–15,764
Deferred income tax effect on items not to be reclassified to income statement	21	–504	4,597
		902	–11,167
Other comprehensive income net of tax		**–1,745**	–10,324
Total comprehensive income net of tax		**33,070**	35,500
Thereof attributable to:			
Pfeiffer Vacuum Technology AG shareholders		**33,070**	35,500
Non-controlling interests		—	—

[1] Due to the retroactive application of IAS 19 prior year numbers were adjusted; please refer to Note 3

Consolidated Balance Sheets
Pfeiffer Vacuum Technology AG

in K€	Note	Dec. 31, 2013	Dec. 31, 2012 adjusted [1]	Jan. 1, 2012 adjusted [1]
ASSETS				
Intangible assets	10	81,397	87,505	93,688
Property, plant and equipment	11	88,897	93,465	96,331
Investment properties	12	544	568	592
Shares in associated companies	13	1,600	1,600	1,950
Deferred tax assets	24	16,064	16,294	12,570
Other non-current assets	14	4,027	4,520	3,883
Total non-current assets		**192,529**	**203,952**	**209,014**
Inventories	15	69,975	76,194	84,941
Trade accounts receivable	16	54,128	55,262	61,418
Income tax receivables		5,909	2,084	5,905
Other accounts receivable	17, 32	11,153	9,861	6,884
Prepaid expenses		1,714	1,987	2,432
Cash and cash equivalents	18	95,129	102,006	108,293
Total current assets		**238,008**	**247,394**	**269,873**
Total assets	31	**430,537**	**451,346**	**478,887**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity				
Share capital	19	25,261	25,261	25,261
Additional paid-in capital	19	96,245	96,245	98,147
Retained earnings	20	173,931	173,159	158,418
Other equity components	21	–19,427	–17,682	–7,358
Equity of Pfeiffer Vacuum Technology AG shareholders		**276,010**	**276,983**	**274,468**
Non-controlling interests	6	—	—	798
Total equity		**276,010**	**276,983**	**275,266**
Financial liabilities	23	40,945	50,385	71,473
Provisions for pensions	25	27,941	28,916	15,440
Deferred tax liabilities	24	10,690	13,659	16,360
Total non-current liabilities		**79,576**	**92,960**	**103,273**
Trade accounts payable	26	23,362	24,928	26,966
Other accounts payable	27	18,785	20,049	24,844
Provisions	28	23,519	26,136	28,410
Income tax liabilities		3,254	3,731	9,429
Customer deposits		5,481	4,803	5,613
Financial liabilities	29	550	1,756	5,086
Total current liabilities		**74,951**	**81,403**	**100,348**
Total shareholders' equity and liabilities		**430,537**	**451,346**	**478,887**

[1] Due to the retroactive application of IAS 19 prior year numbers were adjusted; please refer to Note 3

Consolidated Statements of Shareholders' Equity Pfeiffer Vacuum Technology AG

		Equity of Pfeiffer Vacuum Technology AG Shareholders						
in K€	Note	Share Capital	Additional Paid-in Capital	Retained Earnings	Other Equity Components	Total	Non-controlling Interests	Total Equity
Balance as at January 1, 2012		**25,261**	**98,147**	**158,418**	**–1,507**	**280,319**	**798**	**281,117**
Effects relating the retroactive application of IAS 19 (adjusted [1])	3	—	—	—	–5,851	–5,851	—	–5,851
Balance as at January 1, 2012 (adjusted [1])		**25,261**	**98,147**	**158,418**	**–7,358**	**274,468**	**798**	**275,266**
Net income		—	—	45,824	—	45,824	—	45,824
Earnings recorded directly in equity (adjusted [1])	21, 32	—	—	—	–10,324	–10,324	—	–10,324
Total comprehensive income (adjusted [1])		—	—	**45,824**	**–10,324**	**35,500**	—	**35,500**
Dividend payment	20	—	—	–31,083	—	–31,083	—	–31,083
Purchase of non-controlling interests	6, 19	—	–1,902	—	—	–1,902	–798	–2,700
Balance as at December 31, 2012 (adjusted [1])		**25,261**	**96,245**	**173,159**	**–17,682**	**276,983**	—	**276,983**
Net income		—	—	34,815	—	34,815	—	34,815
Earnings recorded directly in equity	21, 32	—	—	—	–1,745	–1,745	—	–1,745
Total comprehensive income		—	—	**34,815**	**–1,745**	**33,070**	—	**33,070**
Dividend payment	20	—	—	–34,043	—	–34,043	—	–34,043
Balance as at December 31, 2013		**25,261**	**96,245**	**173,931**	**–19,427**	**276,010**	—	**276,010**

[1] Due to the retroactive application of IAS 19 prior year numbers were adjusted; please refer to Note 3

Consolidated Statements of Cash Flows Pfeiffer Vacuum Technology AG

in K€	Note	2013	2012 adjusted [1]
Cash flow from operating activities:			
Earnings before taxes	31	49,950	67,054
Adjustment for financial income/financial expense		573	1,073
Financial income received		566	641
Financial expenses paid		–1,027	–1,678
Income taxes paid		–21,503	–28,081
Depreciation/amortization	10, 11, 12, 31	20,218	19,844
Non-cash impairment losses	13	—	350
Gain/loss from disposals of assets		–54	36
Changes in allowances for doubtful accounts	16	357	908
Changes in inventory reserves	15	2,971	1,423
Other non-cash income and expenses		–856	–1,716
Effects of changes in assets and liabilities:			
Inventories		2,321	8,028
Receivables and other assets		–4,413	6,422
Provisions, including pension and income tax liabilities		696	–4,319
Payables, other liabilities		–1,871	–6,644
Net cash provided by operating activities		**47,928**	63,341
Cash flow from investing activities:			
Capital expenditures	10, 11, 12, 31	–10,274	–10,268
Proceeds from disposals of fixed assets		237	318
Net cash used in investing activities		**–10,037**	–9,950
Cash flow from financing activities:			
Dividend payments	20	–34,043	–31,083
Redemptions of financial liabilities		–10,775	–24,617
Expenditures from purchase of non-controlling interests	6	—	–2,700
Net cash used in financing activities		**–44,818**	–58,400
Effects of foreign exchange rate changes on cash and cash equivalents		50	–1,278
Net decrease in cash and cash equivalents		**–6,877**	–6,287
Cash and cash equivalents at beginning of period		102,006	108,293
Cash and cash equivalents at end of period	18	**95,129**	102,006

[1] Due to the retroactive application of IAS 19 prior year numbers were adjusted; please refer to Note 3

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, 2013, have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRS IC) as applicable in the European Union (EU). This includes the International Accounting Standards (IAS), which continue to retain their validity, the interpretations of the Standing Interpretations Committee (SIC) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). Those standards that have been published but whose application is not yet mandatory have generally not been adopted at an earlier stage. The Notes to the Consolidated Financial Statements additionally include the information required by § 315a, Sub-Para. 1, of the German Commercial Code ("HGB").

Basic valuation principles

The Consolidated Financial Statements are prepared essentially in accordance with the acquisition cost principle. However, this does not include derivative financial instruments and financial assets 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 to benefit from its activities.

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, 2013, 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 (including, if applicable, intangible assets to be recognized additionally) and liabilities are first valued at their attributable fair values. The acquisition costs of the equity investment, i.e. the total compensation transferred, valued in accordance with attributable fair values, are then offset against the acquired, newly valued shareholders' equity. Any resulting 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, if application was mandatory. Basically, this did not have any impact on the Consolidated Financial Statements.

In contrast, the retroactive application of amended IAS 19 led to an adjustment of prior year numbers because the disclosure on the face of the balance sheet as well as the determination of the period's net pension expenses were impacted by the amendment (please also refer to Note 4). As of December 31, 2012, the actuarial gains and losses recorded directly in the equity led to a decrease of other comprehensive income by € 24.2 million before taxes and to an according increase in pension liabilities. Taking into account deferred taxes the net burden in other comprehensive income was € 17.0 million; deferred tax assets and deferred tax liabilities were adjusted as well. Newly determined net pension expenses however increased the income before tax by € 0.8 million or the net income by € 0.6 million. Continued application of former IAS 19 (corridor approach) would have resulted in the 2013 income before tax being lower by € 0.2 million, and the 2013 net income being lower by € 0.1 million. As at December 31, 2013 pension provisions would have been lower by € 22.0 million and other equity components (before tax) would have been higher by € 22.0 million. Deferred tax assets and liabilities would have been adjusted as well. Changes in IAS 1 caused adjustments in the presentation of comprehensive income. First-time application of IFRS 13 led to additional disclosures relating to financial instruments. However, regarding the determination of fair values there was no material impact on the Company's net worth, financial position or profitability.

The following standards and interpretations were issued by the IASB and partly endorsed by the EU. The future application of mandatory standards will presumably have no material impact on the Consolidated Financial Statements. The option of voluntarily applying standards ahead of time has not been utilized.

Application of amended or new Standards

	Issued by IASB/IFRIC	Applicability[1]
Mandatory application fiscal year 2013		
Changes to IAS 1 – Presentation of Items of Other Comprehensive Income	June 2011	July 1, 2012
Changes to IAS 12 – Deferred Taxes: Recovery of Underlying Assets	December 2010	January 1, 2013
IAS 19 – Employee Benefits (revised 2011)	June 2011	January 1, 2013
Changes to IFRS 1 – Government Loans	March 2012	January 1, 2013
Changes to IFRS 1 – Severe Hyperinflation and Replacement of Fixed Dates for First-Time Adoption	December 2010	January 1, 2013
Changes to IFRS 7 – Offsetting Financial Assets and Financial Liabilities	December 2011	January 1, 2013
IFRS 13 – Fair Value Measurement	June 2011	January 1, 2013
Improvements to IFRS 2009–2011	May 2012	January 1, 2013
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	October 2011	January 1, 2013
Voluntary applicability in fiscal year 2013		
IAS 27 – Separate Financial Statements (revised 2011)	May 2011	January 1, 2014
IAS 28 – Investments in Associates and Jointly Controlled Entities (revised 2011)	May 2011	January 1, 2014
Changes to IFRS 32 – Offsetting Financial Assets and Financial Liabilities	December 2011	January 1, 2014
Changes to IAS 36 – Recoverable Amount Disclosure on Non-financial Assets	May 2013	January 1, 2014
Changes to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting	June 2013	January 1, 2014
IFRS 10 – Consolidated Financial Statements	May 2011	January 1, 2014
IFRS 11 – Joint Arrangements	May 2011	January 1, 2014
IFRS 12 – Disclosure of Interests in Other Entities	May 2011	January 1, 2014
Changes to IFRS 10, IFRS 11 and IFRS 12 Transitional provisions	June 2012	January 1, 2014
Changes to IFRS 10, IFRS 12 and IAS 7 Investment Companies	October 2012	January 1, 2014
Issued, but not yet endorsed in fiscal year 2013		
Changes to IAS 19 – Employee Benefits – Employee's Contributions	November 2013	July 1, 2014
IFRS 9 – Financial Instruments	2009 and 2010	open
IFRS 14 – Regulatory Deferral Account	January 2014	January 1, 2016
Changes to IFRS 7, IFRS 9 – Financial Instruments: Mandatory Effective Date and Transition Disclosures	2009 and 2010	open
IFRIC 21 – Levies	May 2013	January 1, 2014
Improvements to IFRS 2010–2012	December 2013	July 1, 2014
Improvements to IFRS 2011–2013	December 2013	July 1, 2014

[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.

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:

Estimated Useful Life

Production halls, production and administration buildings and similar facilities	20–40 years
Machinery and equipment (including IT equipment)	3–15 years
Intangible Assets[1]	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, (Held-to-Maturity-Investments),
- Loans and receivables,
- Financial assets available-for-sale,
- Financial liabilities at fair value through profit and loss (financial liabilities held for trading) and
- Financial liabilities measured at amortized cost.

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

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

The Company uses derivatives only to manage foreign currency exchange rate risks. Around 55% (previous year: 56%) 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 on the balance sheet date using current reference quotations and taking into account forward premiums and discounts. 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 an impairment, the equity investment valuation is reduced, with the change being charged to income.

Cash and cash equivalents

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

Inventories

Inventories are valued at the lower of acquisition costs, manufacturing costs or market price, with the market price being defined as the net realizable value. Removals from inventory are determined on a weighted 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." According to the new IAS 19 actuarial gains and losses from changes in the amount of either the defined benefit obligation (under pension plans), the actuarial present value of earned entitlements (under other plans) as well as those variances between actual returns and returns calculated with the discount rate or from changes in other actuarial assumptions are recorded directly in the other equity components since the beginning of the 2013 fiscal year. Accordingly the corridor approach is no longer applied. The pension provisions thus show the net benefit obligation resulting from the difference of the defined benefit obligation and the plan assets measured at fair value. Additionally, the return on plan assets is considered with the discount rate. Resulting from the mandatory retroactive application of IAS 19 prior year numbers were adjusted accordingly. 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 or for unused tax loss carry-forwards (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 relating to line items recorded directly in shareholders' equity are recorded directly under equity and not in the income statement. An adjustment is recorded for deferred tax assets if it is unlikely that future tax advantages will be realized. Deferred tax assets and liabilities are offset if the entitlements and obligations relate to one and the same tax authority.

Treasury shares

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

Leases

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

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

Pfeiffer Vacuum is only acting as a lessee in this regard.

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.

Determination of fair values

IFRS 13 "Fair Value Measurement" includes uniform regulations for fair value measurement and rules the determination of fair value in cases where other standards allow or require measurement at fair value. While the scope of this regulation is virtually unchanged for financial instruments, there are now precise regulations for other items such as investment property, intangible assets and property, plant and equipment which include amongst other a three level fair value hieracrhy. As Pfeiffer Vacuum Group did not apply any fair value measurement options, IFRS 13 did not result in any material adjustment of the financial statements.

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, 2013, no judgment uncertainties existed that could lead to the significant risk of the need for a material adjustment of book values in the 2014 fiscal year.

Material forward-looking estimates and assumptions exist, among others, in estimating the cash flows in connection with the goodwill impairment test, with regard to the formation of pension and warranty provisions, in forecasting the useful lives of fixed assets, or in connection with deferred tax assets. The major assumptions are detailed in the Notes relating to the individual line items of the balance sheet or in the accounting principles. With regard to the assumptions the goodwill impairment test is based on, please refer to Note 10. The parameters underlying the pension accounting are detailed in Note 25. Information concerning the estimated useful life of tangible and intangible assets is included in Note 4, section "Property, plant and equipment and intangible assets". Further details for provisions are described in Note 28.

Notes to the Scope of Consolidation

5. Composition of consolidated companies

In addition to Pfeiffer Vacuum Technology AG, again two German and 20 foreign subsidiaries are fully consolidated in the Company's Consolidated Financial Statements as at December 31, 2013.

Pfeiffer Vacuum Group as at December 31, 2013

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

[1] Total Group holdings: 100.0%

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

In 2013 Pfeiffer Vacuum (Xi'an) Co., Ltd. was founded in China and was fully consolidated in the Group's Financial Statements. There was no material impact on the Company's net worth, financial position or profitability.

Pfeiffer Vacuum Rus OOO i.l. which was no longer operating already in 2012 was deleted in 2013 and was thus taken out of the scope of consolidation. There was no impact on the Company's net worth, financial position or profitability.

Purchase of further shareholdings in Pfeiffer Vacuum Korea Ltd.

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

adixen Integration

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

Notes to the Consolidated Statements of Income

7. Functional expenses

Cost of Sales

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

Selling and marketing expenses

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

General and administrative expenses

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

Research and development expenses

Research and development expenses include personnel and material expenses allocated to this functional section. Amortization expenses for developed technology recognized in connection with the adixen purchase price allocation totaled € 3.0 million and are also included in research and development expenses.

For further analysis of operating expenses please refer to Note 15 (relating to cost of sales), to Note 25 (relating to the development of pension expenses) and to Note 37 (relating to development of personnel expenses).

8. Other operating income and other operating expense

Other operating income and expense are comprised as follows:

Composition of Other Operating Income and Expenses

in K€	**2013**	2012
Government grants	4,030	5,233
Foreign exchange gains	3,187	5,282
Other	1,051	—
Other operating income	**8,268**	10,515
Foreign exchange losses	−3,477	−5,566
Other	—	−751
Other operating expenses	**−3,477**	−6,317

9. Financial income and financial expenses

Financial income and financial expenses as recorded in 2013 and the previous year comprises as follows:

Composition of Financial Income and Financial Expenses

in K€	**2013**	2012
Interest expenses and similar	−1,217	−1,895
Impairment losses	—	−350
Total financial expenses	**−1,217**	−2,245
Interest income	644	822
Total financial income	**644**	822
Financial result	**−573**	−1,423

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 2013 and 2012 was as follows:

Development of Intangible Assets

in K€	Software	Goodwill	Other intangible assets	**Total**
2013				
Acquisition cost				
Balance as at January 1, 2013	5,360	53,404	45,175	103,939
Currency changes	–23	—	–52	–75
Additions	721	—	120	841
Disposals	–612	—	—	–612
Balance as at December 31, 2013	5,446	53,404	45,243	104,093
Amortization				
Balance as at January 1, 2013	3,583	—	12,851	16,434
Currency changes	–19	—	–31	–50
Additions	549	—	6,362	6,911
Disposals	–599	—	—	–599
Balance as at December 31, 2013	3,514	—	19,182	22,696
Net book value as at December 31, 2013	**1,932**	**53,404**	**26,061**	**81,397**
2012				
Acquisition cost				
Balance as at January 1, 2012	4,839	53,404	45,162	103,405
Currency changes	–9	—	–38	–47
Additions	544	—	51	595
Disposals	–14	—	—	–14
Balance as at December 31, 2012	5,360	53,404	45,175	103,939
Amortization				
Balance as at January 1, 2012	3,188	—	6,529	9,717
Currency changes	–10	—	–14	–24
Additions	419	—	6,336	6,755
Disposals	–14	—	—	–14
Balance as at December 31, 2012	3,583	—	12,851	16,434
Net book value as at December 31, 2012	1,777	53,404	32,324	87,505

Impairment losses did not have to be recorded for intangible assets in fiscal 2013 and 2012. Scheduled amortization on intangible assets was allocated to the functional sections according to their actual origin and reason.

The trademark right “adixen” recognized in connection with the acquisition (net book value € 3.0 million) has an indefinite useful life and was allocated to the business segments based on sales portions. Here, amongst others, € 0.8 million related to France, € 0.9 million to the Republic of Korea, and € 0.5 million to the USA. Based on cash generating units the trademark right was tested for impairment as at December 31, 2013. No impairment was determined.

Based on cash generating units 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, 2013. The basis for this was a cash flow forecast for fiscal 2014 through 2016. The cash flows expected thereafter were extrapolated using a growth rate of 0.5% (unchanged). The pre-tax discount rate employed was 10.6% (previous year: 11.1%). The determination of this value did not result in an impairment.

The recoverable amount (value in use) for impairment testing of the goodwill recognized in connection with the adixen acquisition (€ 45.0 million) was also determined as at December 31, 2013, based on cash generating units. Here, too, the valuation was based on a cash flow forecast for fiscal 2014 through 2016. The cash flows expected thereafter were extrapolated using an individual growth rate. The adixen goodwill allocation to the cash generating units and the major assumptions used in calculating the recoverable amount are detailed in the following table.

Allocation of adixen Goodwill and Major Valuation Assumptions

		December 31, 2013		December 31, 2012	
	Goodwill	Pre-tax discount rate	Long-term growth rate	Pre-tax discount rate	Long-term growth rate
	€ in millions	in %	in %	in %	in %
Germany	3.4	10.2	1.5	11.1	1.5
France	22.9	11.8	1.5	12.0	1.5
Rest of Europe	2.8	12.3	1.5	12.4	1.5
USA	6.6	11.7	1.5	13.2	1.5
Republic of Korea	3.7	10.7	1.5	11.8	1.5
China	3.6	10.8	1.5	12.0	1.5
Rest of Asia	2.0	10.3	1.5	12.3	1.5

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

An increase in discount rate by 0.2%-points with all other assumptions kept constant would cause the recoverable amount (value in use) of the goodwill allocated to the Italy region to match its net book value. The same situation would result from a 0.2%-point reduction of the sustainable EBIT margin used for the cash flow extrapolation or a 0.25% point reduction in the sustainable sales growth rate used for the cash flow extrapolation. With regard to all other analyses 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 K€	Land and Buildings	Technical Equipment and Machinery	Other Equipment, Factory and Office Equipment	Construction in Progress	**Total**
2013					
Acquisition or manufacturing cost					
Balance as at January 1, 2013	67,385	64,592	23,368	746	156,091
Currency changes	–302	–354	–133	—	–789
Additions	467	3,820	2,045	3,101	9,433
Disposals	–376	–2,083	–1,400	–80	–3,939
Reclassifications	73	1,181	175	–1,429	—
Balance as at December 31, 2013	67,247	67,156	24,055	2,338	160,796
Depreciation					
Balance as at January 1, 2013	20,844	29,282	12,500	—	62,626
Currency changes	–53	–120	–68	—	–241
Additions	3,599	7,222	2,462	—	13,283
Disposals	–376	–2,055	–1,338	—	–3,769
Balance as at December 31, 2013	24,014	34,329	13,556	—	71,899
Net book value as at December 31, 2013	**43,233**	**32,827**	**10,499**	**2,338**	**88,897**
2012					
Acquisition or manufacturing cost					
Balance as at January 1, 2012	65,888	62,219	21,145	928	150,180
Currency changes	359	333	200	18	910
Additions	1,226	2,529	2,920	2,998	9,673
Disposals	–88	–2,185	–2,360	–39	–4,672
Reclassifications	—	1,696	1,463	–3,159	—
Balance as at December 31, 2012	67,385	64,592	23,368	746	156,091
Depreciation					
Balance as at January 1, 2012	17,769	24,300	11,780	—	53,849
Currency changes	9	52	–31	—	30
Additions	3,153	6,980	2,932	—	13,065
Disposals	–87	–2,050	–2,181	—	–4,318
Balance as at December 31, 2012	20,844	29,282	12,500	—	62,626
Net book value as at December 31, 2012	**46,541**	**35,310**	**10,868**	**746**	**93,465**

In fiscal 2013, buildings and machinery having a net book value of K€ 2,892 (previous year: K€ 2,305) were used as collateral to secure the Group's financial liabilities.

Neither in 2013 nor in the previous year there were any impairment losses for property, plant and equipment.

12. Investment properties

The real estate shown in this line item was rented out in fiscal 2013 and 2012. 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 2013 and 2012.

Development of Investment Properties

in K€	2013	2012
Acquisition or manufacturing cost		
Balance as at January 1	861	861
Additions	—	—
Disposals	—	—
Reclassifications	—	—
Balance as at December 31	861	861
Depreciation		
Balance as at January 1	293	269
Additions	24	24
Disposals	—	—
Reclassifications	—	—
Balance as at December 31	317	293
Net book value as at December 31	**544**	568

Unchanged to the previous year, the fair value of investment properties totaled € 0.6 million as per December 31, 2013. Fair values were derived on the basis of the Company's own calculations by discounting expected net rental revenues during the estimated remaining life by an appropriate discount rate (level 3 of the fair value hierarchy according to IFRS 13).

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, 2013, the proportionate shareholders' equity of Dreebit GmbH totaled K€ 1,600 (previous year: K€ 1,600) and consisted of assets in the amount of K€ 1,981 and liabilities of K€ 381 (previous year: K€ 1,920 and K€ 320, respectively). With proportionate sales revenues of K€ 1,219 (previous year: K€ 1,004), Dreebit in 2013, too, earned a balanced bottom line. The financial expenses of the Pfeiffer Vacuum Group include in 2012 K€ 350 of impairment expense.

14. Other non-current assets

Other non-current assets include, among others, deposits made by an adixen entity (K€ 1,479, previous year: K€ 1,524).

15. Inventories

Composition of Inventories

in K€	Dec. 31, 2013	Dec. 31, 2012
Raw materials	29,743	27,060
Work in process	16,676	16,774
Finished products	23,556	32,360
Total inventories, net	**69,975**	76,194

Materials consumption in fiscal 2013 amounted to € 163.1 million (previous year: € 193.6 million) and is included in cost of sales.

In 2013 an amount of K€ 2,971 (previous year: K€ 1,423) from the valuation of inventories at net realizable value was recorded as expense. This expense was shown under cost of sales.

16. Trade accounts receivable

In connection with its normal course of business, the Company extends credit to a wide variety of business customers. The Company performs ongoing credit evaluations of its customers and establishes adequate 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

in K€	Dec. 31, 2013	Dec. 31, 2012
Trade accounts receivable	55,475	56,511
Allowance for doubtful accounts	–1,347	–1,249
Trade accounts receivable, net	**54,128**	55,262

Summary of Activity in the Allowance for Doubtful Accounts

in K€	2013	2012
Balance as at January 1	1,249	873
Currency changes	–22	–2
Additions	357	908
Utilization	–237	–530
Balance as at December 31	**1,347**	1,249

Composition of Unreserved Trade Accounts Receivable

in K€	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
December 31, 2013	**54.128**	**41.978**	**6.872**	**2.562**	**779**	**621**	**304**	**239**
December 31, 2012	55.262	41.098	7.204	3.204	798	1.224	821	399

As at December 31, 2013 receivables with a nominal value of K€ 2,120 were subject to allowances for doubtful accounts (previous year: K€ 1,763).

In 2013, expenses for derecognition of receivables amounted to K€ 96 (previous year: K€ 179).

17. Other accounts receivable

This line item totals K€ 11,153 as at December 31, 2013 (previous year: K€ 9,861). As in the year before, this position was characterized by expense subsidies of K€ 2,415 (previous year: K€ 2,373) and VAT claims of K€ 2,871 (previous year: K€ 4,474).

In addition there are asserted indemnity claims in connection with an acquisition which have not yet been recorded in our books. Additional information is not disclosed at this point to avoid negative impact on the ongoing dispute.

18. Cash and cash equivalents

The cash and cash equivalents item consists of cash at banks and cash on hand. Additionally, the Company records all bank deposits having an original maturity of three months or less as cash equivalents. The fair value of cash and cash equivalents corresponds to their net book value.

19. Share capital and additional paid-in capital

Unchanged compared to the previous year end, the share capital of Pfeiffer Vacuum Technology AG (parent company) consisted of 9,867,659 issued and outstanding no-par ordinary shares.

The Annual Shareholders Meeting on May 26, 2011, authorized the Management Board to increase the Company's share capital by K€ 12,631, or 4,933,829 shares, in consideration for contributions in cash and/or kind (authorized capital). This authorization is valid through May 25, 2016, and is subject to the consent of the Supervisory Board. Authorized capital as at December 31, 2013, totaled K€ 9,186.

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

The additional paid-in capital was debited in 2012 by K€ 1,902 in connection with the purchase of non-controlling interests. There were no changes of the additional paid-in capital in 2013.

20. Paid and proposed dividends

The Annual Shareholders Meeting on May 28, 2013, resolved to pay a dividend of € 3.45 per share (Annual Shareholders Meeting on May 22, 2012: € 3.15 per share). The dividend payment carried out thereunder amounted to K€ 34,043 in 2013 (previous year: K€ 31,083).

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 € 2.65 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€ 26,149 has not been recorded as a liability in the balance sheet for the fiscal year ended December 31, 2013.

21. Other equity components

Other equity components comprise unrealized gains/losses on hedges and actuarial gains/losses resulting from valuation of defined benefit obligations and plan assets at fair value. Furthermore this position comprises foreign currency translation adjustments.

Development of Other Equity Components

in K€	Actuarial Gains/ Losses	Unrealized Gains/Losses on Hedges	Foreign Currency Translation Adjustments	**Total**
Balance as at January 1, 2012[1]	–5,851	–319	–1,188	–7,358
Changes in actuarial gains/losses (net of tax)[1]	–11,167	—	—	–11,167
Changes in fair value of cash flow hedges (net of tax)	—	438	—	438
Changes in foreign currency translation	—	—	405	405
Balance as at December 31, 2012[1]	–17,018	119	–783	–17,682
Changes in actuarial gains/losses (net of tax)	902	—	—	902
Changes in fair value of cash flow hedges (net of tax)	—	–119	—	–119
Changes in foreign currency translation	—	—	–2,528	–2,528
Balance as at December 31, 2013	–16,116	—	–3,311	**–19,427**

[1] Due to the retroactive application of IAS 19 prior year numbers were adjusted

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

	December 31, 2013			December 31, 2012[1]		
in K€	Gross Amount	Tax Effect	Net Amount	Gross Amount	Tax Effect	Net Amount
Actuarial gains/losses	1,406	–504	902	–15,764	4,597	–11,167
Cash flow hedges	–167	48	–119	635	–197	438
Currency changes	–2,528	—	–2,528	405	—	405
Total other comprehensive income	**–1,289**	**–456**	**–1,745**	–14,724	4,400	–10,324

[1] Due to the retroactive application of IAS 19 prior year numbers were adjusted

22. Treasury shares

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

23. Long-term financial liabilities

In connection with the acquisition of the adixen entities, long-term financial liabilities having a net cash inflow of € 67.0 million were taken out. These liabilities have a Euribor-based variable interest rate including a margin. Interest clearing is made quarterly. For the fiscal year 2013, interest expenses totaling € 0.8 million were recorded (previous year: € 1.3 million). Taking into account the loan costs to be recognized over the duration of the liabilities, the amount recorded in the balance sheet on December 31, 2013, stands at € 39.8 million (previous year: € 48.7 million). Guarantors of the credit agreement are Pfeiffer Vacuum Technology AG, Pfeiffer Vacuum GmbH and Trinos Vakuum-Systeme GmbH. Under the loan agreement, the Group has committed to comply with a determined financial ratio. The Company has complied with this ratio in 2013 and

2012. Further long-term financial liabilities totaling € 1.1 million (previous year: € 1.6 million) are due to the partial external funding of some adixen entities. As at December 31, 2013 no more financial liabilities from finance leases were recorded (previous year: € 0.1 million). For the time being redemption of this line item can be assumed in equal yearly amounts in the years 2016 to 2019. Cash outflows from interests will presumably total € 0.5 million in 2014 and 2015, respectively, € 0.4 million in 2016, € 0.3 million in 2017 and € 0.2 million in 2018.

Pfeiffer Vacuum and its subsidiaries have various lines of credit available to them for operating purposes, totaling approximately € 19.6 million (previous year: € 10.9 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

in K€	2013	2012[1]
Germany	36,089	39,710
Outside Germany	13,861	27,344
Total	**49,950**	67,054

[1] Due to the retroactive application of IAS 19 prior year numbers were adjusted

Composition of Income Tax Expense

in K€	2013	2012[1]
Current taxes		
Germany	11,234	12,519
Outside Germany	7,232	10,596
	18,466	23,115
Deferred taxes		
Germany	–329	–715
Outside Germany	–3,002	–1,170
	–3,331	–1,885
Income tax expense	**15,135**	21,230

[1] Due to the retroactive application of IAS 19 prior year numbers were adjusted

K€ 18,158 of current tax expense relate to earnings in 2013 (previous year: K€ 21,819). This line item additionally contains tax expenses for prior years amounting to K€ 308 (previous year: K€ 1,296).

Reconciliation from Expected to Actual Income Tax Expense

in K€	2013	2012[1]
Earnings before taxes	49,950	67,054
Expected tax expense using the tax rate of the parent company (28.81%)	14,391	19,318
Non-deductible expenses	1,005	1,620
Higher/lower foreign tax rates	525	337
Tax debits due to tax filings in prior years	308	1,296
Non-taxable income	–1,172	–1,316
Effects due to dividend payments	–10	–38
Other	88	13
Income tax expense	**15,135**	21,230

[1] Due to the retroactive application of IAS 19 prior year numbers were adjusted

As opposed to 31.7% the year before, the tax ratio for the Pfeiffer Vacuum Group amounted to 30.3% in 2013.

Deferred Taxes Relate to the Following Balance Sheet Items

in K€	Dec. 31, 2013	Dec. 31, 2012[1]
Deferred tax assets		
Personnel and other provisions	11,853	12,435
Tax loss carry forwards	4,690	4,271
Property, plant and equipment	2,796	3,214
Trade accounts receivable (including allowances for doubtful accounts)	1,087	—
Intangible assets	511	399
Financial liabilities	314	348
Other	255	291
Finanzielle Verbindlichkeiten	82	247
Sonstiges	150	320
Total deferred tax assets	**21,738**	21,525
Deferred tax liabilities		
Intangible assets	–8,306	–10,315
Property, plant and equipment	–7,207	–7,562
Tax-privileged reserves of a Swedish subsidiary	–211	–269
Receivables (including allowances for doubtful accounts)	–177	–312
Inventories	–174	–187
Derivatives	–54	–89
Personnel and other provisions	–12	–33
Other	–223	–123
Total deferred tax liabilities	**–16,364**	–18,890
Total deferred taxes, net	**5,374**	2,635

[1] Due to the retroactive application of IAS 19 prior year numbers were adjusted

Amounts Recorded in the Balance Sheet

in K€	Dec. 31, 2013	Dec. 31, 2012[1]
Deferred tax assets	16,064	16,294
Deferred tax liabilities	–10,690	–13,659
Total deferred taxes, net	**5,374**	2,635

[1] Due to the retroactive application of IAS 19 prior year numbers were adjusted

Deferred Taxes Recorded in the Income Statement

in K€	2013	2012[1]
Intangible assets	–1,974	–1,888
Tax loss carry forwards	–1,086	—
Inventories	–513	7
Property, plant and equipment	–473	–135
Receivables (including allowances for doubtful accounts)	–101	–611
Tax-privileged reserves of a Swedish subsidiary	–52	–32
Personnel and other provisions	356	–242
Pensions	172	60
Financial liabilities	165	9
Derivatives	13	316
Other	162	631
Total deferred taxes (income)	**–3,331**	–1,885

[1] Due to the retroactive application of IAS 19 prior year numbers were adjusted

As at December 31, 2013, the total deferred tax assets included income taxes recorded directly in equity of K€ 6,201 (previous year: K€ 6,539). The total deferred tax liabilities included income taxes recorded directly in equity of K€ –481 (previous year: K€ –599). The amount recorded in 2013 only related to actuarial gains/losses recognized in equity (previous year: actuarial gains/losses and 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 pension plans

Composition of the Net Liability Recorded in the Balance Sheet

in K€	Dec. 31, 2013	Dec. 31, 2012[1]
Present value of funded defined benefit obligation	73,987	72,614
Present value of unfunded defined benefit obligation	7,098	7,626
Total present value of defined benefit obligation	81,085	80,240
Fair value of plan assets	–53,144	–51,324
Net defined benefit liability	**27,941**	28,916

[1] Due to the retroactive application of IAS 19 prior year numbers were adjusted

Regional Split of the Net Liability Recorded in the Balance Sheet

in K€	Dec. 31, 2013	Dec. 31, 2012[1]
Germany	20,220	19,887
Europe (excluding Germany)	6,368	6,411
Rest of world	1,353	2,618
Net defined benefit liability	**27,941**	28,916

[1] Due to the retroactive application of IAS 19 prior year numbers were adjusted

For Pfeiffer Vacuum GmbH there are plans in place consisting of old-age, invalidity and surviving dependents benefits. These obligations are based upon plans reflecting period of service and final salary. However, these plans are closed for new employees since many years. For new employees there is a retirement arrangement in place since December 31, 2007 which has been implemented as a direct commitment on a period of service and funded basis. Accordingly for all employees of Pfeiffer Vacuum GmbH employer funded pension schemes are in place which are partially funded via the Pfeiffer Vacuum Trust e.V. There are no legally binding minimum funding requirements for these plans.

For re-appointed members of the Pfeiffer Vacuum Technology AG Management Board there are individually agreed plans in place consisting of old-age, invalidity and surviving dependents benefits. These obligations are based on period of service as well as final salary commitments and are also largely funded via the Pfeiffer Vacuum Trust e.V. Again, there are no legally binding minimum funding requirements. These benefit obligations are detailed in the compensation report (an element of MD&A).

For Pfeiffer Vacuum Inc., USA, there is a plan in place consisting of old-age, invalidity and surviving dependents benefits with the obligations being based upon period of service and final salary. These benefits are partially funded via a trust arrangement. There are no legally binding minimum funding requirements.

For adixen Vacuum Products SAS, France, and for adixen Vacuum Technology Korea Ltd., Republic of Korea, there are plans in place with the obligations being based upon period of service and final salary to be paid as a one-time installment due at the beginning of the retirement. The plan of adixen Vacuum Technology Korea Ltd. is partially funded. There are no legally binding minimum funding requirements in France or the Republic of Korea.

Composition of the Net Pension Expenses

in K€	**2013**	2012[1]
Current service cost	3,184	2,200
Net interest expense	895	618
Past service cost	—	746
Net pension expenses	**4,079**	3,564

[1] Due to the retroactive application of IAS 19 prior year numbers were adjusted

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

Development of the Defined Benefit Obligation

in K€	**2013**	2012[1]
Present value of defined benefit obligation as at January 1	80,240	60,184
Current service cost	3,184	2,200
Interest cost on the defined benefit obligation	2,598	3,152
Actuarial gains/losses from changes in demographic assumptions	536	690
Actuarial gains/losses from changes in financial assumptions	–1,664	16,385
Actuarial experience gains/losses	–536	–343
Benefits paid	–2,980	–3,141
Past service cost	—	1,143
Currency changes	–293	–30
Present value of defined benefit obligation as at December 31	**81,085**	80,240
Thereof attributable to:		
Active employees	45,094	44,483
Deferred employees	3,242	3,263
Pensioners	32,749	32,494

[1] Due to the retroactive application of IAS 19 prior year numbers were adjusted

Development of Plan Assets

in K€	**2013**	2012[1]
Fair value of plan assets as at January 1	51,324	44,736
Interest income	1,703	2,534
Experience gains/losses	–380	973
Company contributions	3,703	6,269
Benefit payments	–2,980	–3,141
Currency changes	–226	–47
Fair value of plan assets as at December 31	**53,144**	51,324

[1] Due to the retroactive application of IAS 19 prior year numbers were adjusted

Actuarial Assumptions

in %	**Dec. 31, 2013**	Dec. 31, 2012
Germany		
Discount rate	3.40	3.35
Wage and salary trend	3.00	3.00
Pension trend	2.00	2.25
United States		
Discount rate	5.00	4.25
Wage and salary trend	3.00	2.50
France, Republic of Korea		
Discount rate (weighted average)	3.32	3.16
Wage and salary trend (weighted average)	3.54	3.58

Composition of Plan Assets

	Dec. 31, 2013		Dec. 31, 2012	
	in K€	in %	in K€	in %
Equity securities	14,539	27.4	13,110	25.5
Debt securities	34,343	64.6	34,798	67.8
Cash and cash equivalents	1,864	3.5	1,481	2.9
Other	2,398	4.5	1,935	3.8
Total	**53,144**	**100.0**	51,324	100.0

With the exemption of plan assets in the category "Other" totaling K€ 1,400 (previous year: K€ 1,183) all plan assets are traded on an active market.

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

Accounting for 89% the vast majority of plan assets related to the funding of the German benefit plans. To invest these funded amounts fiducially and insolvency protected Pfeiffer Vacuum Trust e.V. was founded. Pfeiffer Vacuum Trust e.V. issued a mutual fund with a pursued target equity allocation of up to 30% as well as a pursued fixed-income securities and cash allocation of at least 70%. The fund is managed by an unrelated third-party asset management company with the major conditions regarding the asset allocation being given and adjusted when necessary. Funds are invested conservatively using also a value safeguarding approach. Underlying risks in connection with the investment of plan assets, for example fair value and default risks, are minimized accordingly.

The risks relating to the defined benefit plans within Pfeiffer Vacuum Group predominantly relate to the determination of discount rates. Changes to this parameter impact disproportionately the present value with the current relatively low interest rate level leading to a comparably high benefit obligation. In addition, benefit obligation is impacted by the other actuarial assumptions (for example life expectancy, wage and salary trend, pension trend). Depending on the elements of the pension plan life expectancy or pension trend are of subordinate importance. The following table shows the respective impact of an isolated adjustment of individual assumptions with all other parameters including the basic methodology kept constant compared to the original calculation.

Sensitivity Analysis as at December 31, 2013

	Change in actuarial assumption	Impact on defined benefit obligation	
		in K€	in %
Present value of defined benefit obligation as at December 31, 2013		81,085	
Discount rate	1.0%-point increase	–10,252	–12.6
	1.0%-point decrease	12,952	16.0
Pension trend	0.25%-point increase	1,853	2.3
	0.25%-point decrease	–1,772	–2.2
Wage and salary trend	0.5%-point increase	1,628	2.0
	0.5%-point decrease	–1,579	–1.9
Life expectancy	increase by 1 year	2,963	3.7
	decrease by 1 year	–3,041	–3.8

Due to an existing simplification rule sensitivities were not disclosed for the previous year.

Expected Maturity of Undiscounted Pension Payments

in K€	Dec. 31, 2013	Dec. 31, 2012
Less than 1 year	2,758	2,611
Between 1 and 2 years	2,900	2,723
Between 2 and 3 years	2,980	2,958
Between 3 and 4 years	3,187	2,924
Between 4 and 5 years	3,565	3,164
More than 5 until 10 years	20,197	19,679

The weighted average duration of the defined benefit obligation at December 31, 2013 amounted to 15.3 years (December 31, 2012: 15.6 years).

The expected net pension expenses for defined benefit plans in 2014 will be approximately € 3.9 million.

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€ 9,281 (previous year: K€ 9,871).

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€ 18,785 as at December 31, 2013, and K€ 20,049 as at December 31, 2012) 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

in K€	**Dec. 31, 2013**	Dec. 31, 2012
Warranty provisions	12,136	15,081
Personnel provisions	10,061	9,628
Other provisions	1,322	1,427
Total	**23,519**	**26,136**

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

in K€	Warranty	Personnel	Other	**Total**
Balance as at January 1, 2013	15,081	9,628	1,427	26,136
Currency changes	–141	–94	–20	–255
Additions	6,213	8,251	1,126	15,590
Utilization	–8,968	–7,588	–1,060	–17,616
Releases	–49	–136	–151	–336
Balance as at December 31, 2013	12,136	10,061	1,322	**23,519**

29. Short-term financial liabilities

Short-term financial liabilities include bank loans in the amount of € 0.4 million maturing within one year (previous year: € 1.6 million) and the short-term liabilities from finance leases of € 0.1 million (previous year: € 0.1 million).

30. Commitments and other financial obligations

The Company has entered into leases and maintenance agreements which expire on various dates, some of which are renewable. The tables below present the maximum amount of the contractual commitments as at year end, classified by the periods in which the contingent liabilities or commitments will expire.

Contractual Obligations as at December 31

		Payments Due by Period			
in K€	**Total**	< 1 Year	1–3 Year	3–5 Year	> 5 Year
2013					
Operating leases	8,355	3,156	3,388	1,662	149
Purchase obligations	8,297	7,199	1,098	—	—
Repair and maintenance	1,597	1,467	83	34	13
Total	**18,249**	**11,822**	**4,569**	**1,696**	**162**
2012					
Operating leases	6,673	2,578	2,771	1,029	295
Purchase obligations	11,029	9,505	1,524	—	—
Repair and maintenance	2,151	1,438	672	31	10
Total	19,853	13,521	4,967	1,060	305

Purchase obligations include long-term arrangements for future supplies of materials. Rental expenses amounted unchaged to € 3.3 million.

31. Segment reporting

The Company's business operations include the development, manufacture, sale and service of vacuum pumps, vacuum components and instruments, as well as vacuum systems. The subsidiaries in the individual countries are independent legal entities with their own management, which distribute products and provide services. The entire product portfolio is offered by all sales subsidiaries.

Controlling of business development by corporate management is carried out on the level of the legal entities. Accordingly, the Company identifies its primary operating segments by legal entity. Due to the similarity of their economic characteristics, including nature of products sold, type of customers, methods of product distribution and economic environment, the Company basically aggregates its European and Asian subsidiaries into one reporting segment, "Europe (excluding Germany and France)" and "Asia (excluding Republic of Korea)". In contrast, the companies in France and the Republic of Korea were presented separately each as an individual segment. This was caused by the different functions of the French entities, including research and development as well as production, and the production function of the Korean entities, respectively. Unchanged compared to previous year, all information is based upon the geographic location of the Group Company in question.

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

Segment Reporting as at December 31

in K€	Germany	France	Europe (excl. G and F)	USA	Republic of Korea	Asia (excl. Korea)	Other/ Consolidation	**Group**
2013								
Net sales	202,226	143,969	83,528	81,179	66,307	51,022	–219,504	408,727
Third party	104,723	34,314	81,143	80,062	61,702	46,783	—	408,727
Intercompany	97,503	109,655	2,385	1,117	4,605	4,239	–219,504	—
Operating profit	36,415	4,035	4,548	3,879	378	1,190	78	50,523
Financial income	—	—	—	—	—	—	–573	–573
Earnings before taxes	36,415	4,035	4,548	3,879	378	1,190	–495	49,950
Segment assets	129,893	124,062	34,664	49,555	55,599	36,764	—	430,537
Thereof: Assets according to IFRS 8.33 (b)[1]	54,974	74,473	5,004	9,624	19,676	11,114	—	174,865
Segment liabilities	73,848	53,694	8,167	4,416	10,195	4,207	—	154,527
Capital expenditures:								
Property, plant and equipment[2]	3,729	3,874	523	147	230	930	—	9,433
Intangible assets	649	160	32	—	—	—	—	841
Depreciation[2]	4,383	5,939	480	226	1,210	1,069	—	13,307
Amortization	603	4,031	192	651	923	511	—	6,911
2012[3]								
Net sales	207,298	167,575	73,396	97,208	92,647	51,016	–227,813	461,327
Third party	110,515	52,791	70,242	95,387	88,603	43,789	—	461,327
Intercompany	96,783	114,784	3,154	1,821	4,044	7,227	–227,813	—
Operating profit	38,674	10,813	4,935	4,621	7,570	1,846	18	68,477
Financial income	—	—	—	—	—	—	–1,423	–1,423
Earnings before taxes	38,674	10,813	4,935	4,621	7,570	1,846	–1,405	67,054
Segment assets	132,982	141,030	30,523	49,911	55,748	41,152	—	451,346
Thereof: Assets according to IFRS 8.33 (b)[1]	55,952	80,410	5,194	10,413	21,697	12,392	—	186,058
Segment liabilities	85,141	58,984	7,132	5,692	12,258	5,156	—	174,363
Capital expenditures:								
Property, plant and equipment[2]	4,190	3,078	589	180	1,000	636	—	9,673
Intangible assets	437	116	14	28	—	—	—	595
Depreciation[2]	4,091	6,114	454	307	1,162	961	—	13,089
Amortization	472	4,005	188	656	923	511	—	6,755

[1] Non-current assets other than financial instruments, deferred tax assets and prepaid pension cost
[2] Including investment properties
[3] Due to the retroactive application of IAS 19 prior year numbers were adjusted

Aside from directly allocatable assets, the "Other" segment contains all assets that can not be allocated on a reasonable basis (e.g. securities). Sales with one major customer (> 10% of total sales) amounted to € 44.3 million in 2013 and were recorded in the Republic of Korea and the China segment (previous year: € 66.8 million). In 2012, financial income in the "Other" segment included impairment losses totaling K€ 350.

Sales by Product

in K€	**2013**	2012
Turbopumps	125,351	132,992
Instruments and Components	101,151	110,863
Backing Pumps	92,075	121,023
Service	81,653	78,217
Systems	8,497	18,232
Group	**408,727**	461,327

32. Financial instruments

Fair value

Fair value The net book value of financial instruments (e.g. cash and cash equivalents, trade accounts receivable and trade accounts payable, other accounts receivable and payable) essentially equals their fair value.

Interest rate risks

The interest-bearing portion of cash and cash equivalents involves interest rate risks. All investment forms have variable interest rates and are invested on a short-term basis. There are no further investment forms that result in interest rate risks within the Pfeiffer Vacuum Group.

Due to the short investment period for cash and cash equivalents, the agreed interest rate equals the market rate. Even if the market rate should change significantly, there will be no material impact on the fair value of cash and cash equivalents because the interest rate can be adjusted after only a short period of time.

As at December 31, 2013, as in the year before, there were no more interest-sensitive financial assets. As a result of cash and cash equivalents as at December 31, 2013, an increase (decrease) in interest rate by 50 basis points would increase (decrease) earnings by K€ 476 (previous year: increase/decrease by K€ 510). As a result of financial liabilities shown as at December 31, 2013, an increase (decrease) in interest rate by 50 basis points would decrease (increase) earnings by K€ 207 (previous year: increase/decrease by K€ 260).

Credit risks

Credit risks Due to the Company's vastly heterogeneous customer structure, there are no material credit risk concentrations within the Group. Credit risks are additionally minimized through rigorous accounts receivable management and by monitoring our customers' payment patterns. Furthermore, deliveries to new customers are essentially made only after credit assessment, against payment in advance or credit limit. As a result, Pfeiffer Vacuum is able to keep the level of its allowance for doubtful accounts low, even in difficult economic times.

Liquidity risks

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

Foreign exchange rate risks

Approximately 55% (previous year: 56%) of the Company's net sales are denominated in currencies other than the euro, primarily in U.S. dollars. The Company enters into foreign currency forward contracts and options to hedge the exposure of its forecasted sales against currency fluctuations. All derivative financial instruments are entered into only within this scope.

The derivatives that qualify for cash flow hedges under 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, 2013, and 2012, 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. As at December 31, 2013, there were no contracts to be classified as cash flow hedges. Accordingly, no impact on other equity components had to be recorded. The fair values recorded under other receivables for the period ended December 31, 2012, totaled K€ 167. Because the changes in fair value for cash flow hedges are recorded directly in equity, other equity components increased by K€ 119, net of taxes of K€ 48. The derivatives classified as fair value hedges totaled 160 K€ as at December 31, 2013, were recorded through the income statement and shown under other accounts receivable. The Company does not engage in speculative hedging for investment purposes. As at December 31, 2013, and at December 31, 2012, no contracts held by the Company had a maturity date greater than one year.

As at December 31, 2013, the Company has entered into foreign currency forward contracts (U.S. dollar) totaling € 12.5 million (previous year: € 9.0 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, 2013, lost 10% against the U.S. dollar which is predominantly material for the Consolidated Financial Statements, net income and accordingly total equity would have been higher by K€ 632. A 10% gain in the euro as at December 31, 2013, would have decreased net income and thus total equity by K€ 105. A 10% loss in the euro as at December 31, 2012, would have led to a K€ 2,124 increase in net income and a K€ 1,904 increase in total equity. A 10% gain in the euro as at that balance sheet date would have decreased net income by K€ 1,465 and total equity would have decreased by K€ 668. In all cases, net income was affected mostly by the sensitivity of the U.S. dollar.

Composition of financial instruments

The following tables show the composition of financial instruments by balance sheet line item and valuation category and fair value as well as net results by valuation category.

Composition of Financial Instruments as at December 31

in K€	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
2013						
Assets						
Cash and cash equivalents	LaR	95,129	95,129	—	—	95,129
Trade accounts receivable	LaR	54,128	54,128	—	—	54,128
Derivative financial instruments (hedges)	n/a	160	—	—	160	160
Liabilities						
Trade accounts payable	FLAC	23,362	23,362	—	—	23,362
Financial liabilities	FLAC	41,495	41,495	—	—	41,495
Totals by valuation categories:						
Loans and Receivables (LaR)		149,257	149,257	—	—	149,257
Held-to-Maturity Investments (HtM)		—	—	—	—	—
Financial Assets Available for Sale (AfS)		—	—	—	—	—
Financial Assets Held for Trading (FAHfT)		—	—	—	—	—
Financial Liabilities Measured at Amortized Cost (FLAC)		64,857	64,857	—	—	64,857
Financial Liabilities Held for Trading (FLHfT)		—	—	—	—	—
2012						
Assets						
Cash and cash equivalents	LaR	102,006	102,006	—	—	102,006
Trade accounts receivable	LaR	55,262	55,262	—	—	55,262
Derivative financial instruments (hedges)	n/a	288	—	167	121	288
Liabilities						
Trade accounts payable	FLAC	24,928	24,928	—	—	24,928
Financial liabilities	FLAC	52,141	52,141	—	—	52,141
Totals by valuation categories:						
Loans and Receivables (LaR)		157,268	157,268	—	—	157,268
Held-to-Maturity Investments (HtM)		—	—	—	—	—
Financial Assets Available for Sale (AfS)		—	—	—	—	—
Financial Assets Held for Trading (FAHfT)		—	—	—	—	—
Financial Liabilities Measured at Amortized Cost (FLAC)		77,069	77,069	—	—	77,069
Financial Liabilities Held for Trading (FLHfT)		—	—	—	—	—

Net Results by Valuation Category

		From Subsequent Valuation				Net Results	
in K€	From Interest/ Dividends	At Fair Value	Currency Translation	Impairment/ Reversal of Impairment	From Dere-cognition	**2013**	2012
Loans and Receivables (LaR)	644	—	– 288	– 357	34	33	– 1.494
Held-to-Maturity-Investments (HtM)	—	—	—	—	—	—	—
Financial Assets Available-for-Sale (AfS)	—	—	—	—	—	—	—
Financial Assets Held for Trading (FAHfT)	—	—	—	—	—	—	—
Financial Liabilities Measured at Amortized Cost (FLAC)	– 1.197	—	—	—	—	– 1.197	– 1.881
Financial Liabilities Held for Trading (FLHfT)	—	—	—	—	—	—	924

Determination of fair values of financial instruments

Determination of the fair value of derivative financial instruments (K€ 160 as at December 31, 2013; K€ 288 as at December 31, 2012) was done according to level 2 of the fair value hierarchy as set out in IFRS 13 "Fair Value Measurement" based on quoted market prices of counterparties using accepted valuation principles and directly obtainable and up-to-date market parameters.

Determination of fair value of financial liabilities with variable interest rates is based on the assumption that agreed interest rates equal the rates customary in the market. Accordingly the net book values correspond to their fair values.

Due to the underlying short terms fair values of trade accounts receivable and payable, other accounts receivable and payable and cash and cash equivalents equal their respective net book values.

33. Management of financial risks

With an equity ratio of 64.1 % as at December 31, 2013, Pfeiffer Vacuum still has an equity base that is far above average. Additionally, cash and cash equivalents totaled € 95.1 million as at December 31, 2013. Considering financial liabilities of € 41.5 million as at December 31, 2013 (December 31, 2012: € 52.1 million), the Group did not show any net financial liabilities as at December 31, 2013. 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 Earning[1] per Share

in K€	**2013**	2012[2]
Net income	34,815	45,824
Weighted average number of shares	9,867,659	9,867,659
Number of conversion rights	—	—
Adjusted weighted average number of shares	9,867,659	9,867,659
Earnings per share in € (basic/diluted)	3.53	4.64

[1] Attributable to Pfeiffer Vacuum Technology AG shareholders
[2] Due to the retroactive application of IAS 19 prior year numbers were adjusted

There were no transactions with ordinary shares or ordinary shares issued during the period between the balance sheet date of December 31, 2013, 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 2013 and 2012.

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, 2013. The holdings of members of corporate bodies are thus negligible.

In 2013, the reimbursements from Pfeiffer Vacuum Trust e. V. amounted to € 2.3 million (previous year: € 2.9 million). Contributions to Pfeiffer Vacuum Trust e. V. totaled € 2.7 million in 2013 (previous year: € 4.5 million).

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

Dr. Wolfgang Lust, who was elected a member of the Pfeiffer Vacuum Supervisory Board in fiscal 2010, was a shareholder and managing director of a mid-size corporate group. Following the sale of his shareholdings in 2013 he also withdrew from his operational responsibilities as managing director. However, various companies of that group continued to be long-standing suppliers to Pfeiffer Vacuum. Pfeiffer Vacuum purchased goods from these companies for a mid-range single-digit million euro amount in 2013 and in 2012.

36. Events after the balance sheet date

Since the beginning of the 2014 fiscal year, there have not been any significant changes in the Company's position or the industry environment.

37. Personnel expenses

Personnel Expenses

in K€	**2013**	2012[1]
Wages and salaries	104,664	104,497
Social security, pension and other benefit cost	26,060	26,084
Thereof for pensions	13,360	13,435
Total	**130,724**	130,581

[1] Due to the retroactive application of IAS 19 prior year numbers were adjusted

38. Number of employees

The number of employees was as follows as at December 31, 2013, and 2012:

Number of Employees	2013	2012
Annual average		
Male	1,837	1,882
Female	382	388
Total	**2,219**	2,270
Balance sheet date		
Male	1,849	1,870
Female	386	386
Total	**2,235**	2,256

39. Management Board

As at December 31, 2013, 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
- Nathalie Benedikt (Chief Financial Officer), Diplom-Betriebswirtin; since January 1, 2013

The aggregate amount of compensation paid to all members of the Management Board for fiscal 2013 was € 1.7 million (2012: € 1.4 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). Additionally, the distribution of responsibilities within the Management Board is shown in MD&A, too. 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 2013, 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)
  - Scholz AG, Essingen, Germany (chairman)
- Götz Timmerbeil (Vice Chairman and Chairman of the Audit Committee), Certified Public Accountant and Tax Advisor
  Further supervisory board seats:
  - VfL Handball Gummersbach GmbH, Gummersbach, Germany (chairman)
    Gummersbach (Vorsitzender)
  - 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, Business Administrator
  Further supervisory board seats:
  - GeckoGroup AG, Wetzlar, (until January 1, 2013)

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

41. Exempting provision under § 264 Sub-Para. 3, German Commercial Code ("HGB")

Pfeiffer Vacuum GmbH, Asslar, Germany, is included in the Consolidated Financial Statements of Pfeiffer Vacuum Technology AG. Accordingly, this company has made use of the exempting provision under § 264, Sub-Para. 3, German Commercial Code.

42. Audit fees for independent auditors

The expenses for services rendered by the auditor of the Consolidated Financial Statements recorded in the statements of income were as follows for fiscal 2013 and 2012:

Audit Fees for the Auditor of the Consolidated Financial Statements

in K€	**2013**	2012
Fees resulting from:		
Audit services	784	819
Other certification and consulting services	—	30
Tax advisory services	144	14
Other services	44	77
Total	**972**	940

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

The recommendations and suggestions contained in the Code have been a firm element of our corporate governance and corporate culture for many years. Pursuant to § 161 of the German Stock Corporation Act, the Management and Supervisory Boards issued the statement of compliance for the year 2013 in November 2013 and made it permanently available for shareholders and interested parties at the Company's homepage. With the following exception, this statement reflects compliance with the recommendations of the German Corporate Governance Code Government Commission as amended in May 2013:

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

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

44. Authorization for issuance of Consolidated Financial Statements

Through a resolution by the Management Board on March 6, 2014, the Consolidated Financial Statements were authorized for issuance.

Asslar, March 6, 2014

Management Board

Manfred Bender	Nathalie Benedikt	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 6, 2014

Management Board

Manfred Bender	Nathalie Benedikt	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, 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Eschborn/Frankfurt am Main, March 6, 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bösser	Hillebrand
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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Consolidated Statements of Income (6-Year-Overview)

in K€	**2013**	2012[1]	2011	2010	2009	2008
Net sales	**408,727**	461,327	519,509	220,475	182,001	198,060
Cost of sales	–259,345	–294,182	–352,129	–117,553	–103,694	–106,346
Gross profit	**149,382**	167,145	167,380	102,922	78,307	91,714
Selling and marketing expenses	–51,343	–50,431	–54,521	–26,211	–22,961	–21,884
General and administrative expenses	–29,407	–30,118	–35,009	–16,518	–10,634	–11,562
Research and development expenses	–22,900	–22,317	–22,713	–6,993	–7,171	–6,799
Other operating income	8,268	10,515	14,648	1,424	1,170	2,463
Other operating expenses	–3,477	–6,317	–8,008	–1,714	–937	–1,037
Operating profit	**50,523**	68,477	61,777	52,910	37,774	52,895
Financial expenses	–1,217	–2,245	–2,923	–1,798	–239	–1,490
Financial income	644	822	645	3,416	893	2,738
Earnings before taxes	**49,950**	67,054	59,499	54,528	38,428	54,143
Income taxes	–15,135	–21,230	–17,931	–16,199	–10,735	–16,095
Net income	**34,815**	45,824	41,568	38,329	27,693	38,048
Earnings per share (in €)	3.53	4.64	4.19	4.40	3.24	4.36
Number of shares (weighted average)	9,867,659	9,867,659	9,867,659	8,667,075	8,514,248	8,702,529
Profitability figures						
Gross margin	36.5%	36.2%	32.2%	46.7%	43.0%	46.3%
Operation profit margin	12.4%	14.8%	11.9%	24.0%	20.8%	26.7%
After-tax return on sales	8.5%	9.9%	8.0%	17.4%	15.2%	19.2%
Sales by region						
Europe	182,070	190,753	229,857	127,650	118,028	128,015
Asia	143,863	171,483	189,781	37,319	24,179	27,255
The Americas	81,447	98,204	98,769	54,745	37,365	40,790
Rest of world	1,347	887	1,102	761	2,529	2,000
Sales by product						
Turbopumps	125,351	132,992	144,337	92,378	68,845	80,104
Instruments and components	101,151	110,863	111,335	69,155	38,940	47,060
Backing pumps	92,075	121,023	182,941	28,654	25,490	32,112
Service	81,653	78,217	72,487	23,146	18,748	23,631
Systems	8,497	18,232	8,409	7,142	29,978	15,153

[1] Due to the retroactive application of IAS 19 prior year numbers were adjusted

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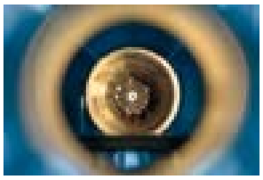

Cover

Many future-oriented technologies promising us a safer, healthier and more efficient future can no longer be realized without high vacuum or ultra-high vacuum. To generate and maintain the extremely low pressure ranges required, Pfeiffer Vacuum supplies not just the necessary pumps and chamber technology but also measurement and analysis equipment. This equipment is used for purposes such as identifying the residual contamination that is released from every surface while under vacuum. Our cover shows the inside of such an analytical system.

Financial Glossary

Cash and cash equivalents
Indicates the cash and cash equivalents provided by the various capital flows and is the result of the cash flow accounting.

Cash flow from financing activities
Indicates the balance of cash and cash equivalents provided to or used by a company in connection with transactions involving shareholders' equity or outside capital.

Cash flow from investment activities
Indicates the balance of cash and cash equivalents that a company has invested or received in connection with the acquisition or sale of financial and tangible assets.

Cash flow from operating activities
Indicates the change in cash and cash equivalents resulting from operative business during the period under review.

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

Dividend yield
Indicates the ratio between a dividend and a defined share trading price – typically the year-end trading price. The dividend yield expresses the magnitude of the effective yield of the capital invested in shares.
Calculation: Dividend ÷ Trading Price x 100

Equity ratio
Describes the relationship between shareholders' equity and total capital. The more shareholders' equity that is available to a company, the better its credit rating will typically be.
Calculation: Shareholders' Equity ÷ Balance Sheet Total x 100

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

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Financial Calendar 2014

Friday, February 21
Preliminary results for fiscal year 2013

Thursday, March 20
Results for fiscal year 2013

Tuesday, May 6
Interim report 1st quarter 2014 results

Thursday, May 22
Annual General Meeting 2014

Tuesday, August 5
Interim report 2nd quarter/1st half-year 2014 results

Tuesday, November 4
Interim report 3rd quarter/9-month 2014 results

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