

A PASSION FOR
PERFECTION

PFEIFFER  **VACUUM**

Letter to the Shareholders

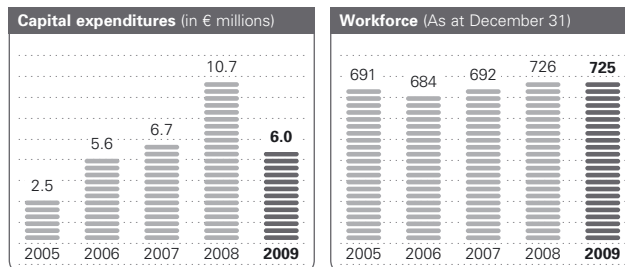
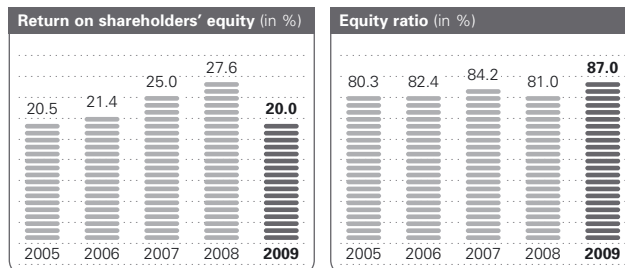
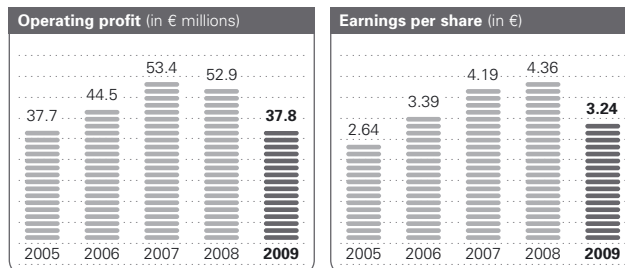
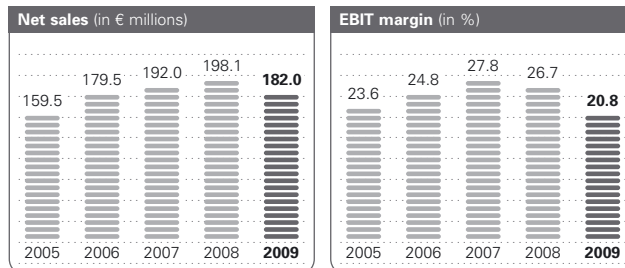
Fiscal Year 2009



02 Key Figures

Two-Year Overview	2009	2008	change
Sales and profit			
Total sales	K € 182,001	198,060	-8.1 %
Germany	K € 69,059	69,328	-0.4 %
Other countries	K € 112,942	128,732	-12.3 %
Operating profit	K € 37,774	52,895	-28.6 %
Net income	K € 27,693	38,048	-27.2 %
Return on sales	% 15.2	19.2	-4.0 pp
Operating cash flow	K € 23,428	43,093	-45.6 %
Balance sheet			
Total shareholders' equity and liabilities	K € 159,054	170,136	-6.5 %
Cash and cash equivalents	K € 61,983	68,317	-9.3 %
Shareholders' equity	K € 138,337	137,812	0.4 %
Equity ratio	% 87.0	81.0	6.0 pp
Return on equity	% 20.0	27.6	-7.6 pp
Capital expenditures	K € 6,006	10,702	-43.9 %
Workforce			
Workforce (average)	729	713	2.2 %
Germany	555	539	3.0 %
Other countries	174	174	0.0 %
Personnel cost	K € 46,239	43,309	6.8 %
Per employee	K € 63	61	3.3 %
Sales per employee	K € 250	278	-10.1 %
Per share			
Earnings	€ 3.24	4.36	-25.7 %
Dividend	€ 2.45*	3.35	-26.9 %

* Subject to the consent of the Annual Shareholders Meeting.



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

04 Letter from the Chief Executive Officer



"When times are stormy some build walls, other windmills. We are going to build windmills, but cautiously. Our objective is to continue to provide our people with secure jobs and you, our shareholders, with a lucrative yield on your capital."

Dear Shareholders,

The words quoted above might possibly seem familiar to you. They were the conclusion of my letter to you at this point in the last year.

I am pleased to be able to report to you today on how we have rigorously implemented the promise we made last year. That was by no means a certainty given the economic environment that prevailed at the time. Reason enough for the entire team to be proud of what we have accomplished.

My report might seem a bit like the continuation of last year's report. And that's a good thing. Continuity is especially important to us at PFEIFFER VACUUM. And we have been able to prove that, even in what was an extremely difficult year.

The year 2009 was just as stormy as anticipated. Relatively early on, we recognized that it would not be possible to match the growth rates we had seen in previous years. Yet boundless growth is not what we mean when we speak of continuity. For us, continuity means holding to a successful strategy. In fiscal 2009, we unerringly yet cautiously sustained the capital investments that we had begun the year before. In other words, we continued

and concluded the renovation and expansion of our manufacturing operations. With a view to the weak economic environment, this year's total capital expenses of € 6.0 million were somewhat lower than originally planned.

Our production operations are now optimally prepared for coming growth. And prospects are quite good that this growth will actually materialize. We have, in fact, seen a steady rise in new orders since September 2009.

Moreover, we have acquired Göttingen-based Trinos Vakuum-Systeme GmbH effective January 1, 2010. This company manufactures vacuum chambers, components and systems. These are products that make for a superb complement to our portfolio. With this move, we have taken a major stride in being able to offer even better vacuum solutions to our customers. With its highly qualified people and its outstanding products, this young company precisely embodies the claim we embrace: "A passion for perfection!"

Just as in renovating and expanding our production operations in Asslar, we also proceeded cautiously in connection with this acquisition. We weren't looking for the "big deal" which would have plunged us into unpredictable risk. Our decision was to purchase a company that would contribute toward expanding our core business in gradual steps.

Moreover, our balance sheet continues to be extremely stable following these investments. There's still no indebtedness to be found there.

Last but not least, we were again able to offer our employees secure jobs in fiscal 2009. Fortunately, we were spared any layoffs; nor were short work-weeks necessary.

All in all, we can speak of a successful fiscal year in spite of a dramatic economic crisis that impacted us, too, in the form of a 8.1 % decline in sales revenues. We were able to strengthen our market position and expand our market share.

And we want you, our shareholders, to participate in this success in the customary manner. Once again, our proposed dividend of € 2.45 per share for the 2009 fiscal year will provide a lucrative yield on your capital and should meet with your recognition. As in previous years, the distribution rate will amount to more than 75 %. Here, too, continuity is important to us. The dividend yield – on the basis of the closing 2009 trading price – would thus be 4.2 %.

I can assure you that we will continue to do everything in our power in 2010 to offer our customers perfect vacuum solutions and you, our shareholders, a low-risk investment. Interesting projects with our customers give us every reason to be highly optimistic that our efforts will again be successful this year.

*Yours,
M. Bender*

Manfred Bender

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06 Share Highlights and Shareholder structure

PFEIFFER VACUUM Share Highlights

	2009	2008	2007
Share capital € mill.	23.0	23.0	23.0
Number of shares issued	8,970,600	8,970,600	8,970,600
Highest trading price €	60.59	68.78	78.00
Lowest trading price €	36.11	38.14	51.30
Trading price at year-end €	58.50	46.93	55.00
Market capitalization* at year-end € mill.	498	294	493
Dividend per share €	2.45 **	3.35	3.15
Dividend yield %	4.2 **	7.1	5.7
Earnings per share €	3.24	4.36	4.19
Price/earnings ratio	18.1	10.8	13.1
Free-float %	94.91	69.87	100

* Value based upon Deutsche Börse's free-float definition

** Subject to the consent of the Annual Shareholders Meeting

Overview of Holdings According to Current Voting Rights Notifications

(As per March 31, 2010)

Arnhold and S. Bleichroeder, New York	24.89 %
Capital Research, Los Angeles	5.87 %
Legg Mason, Baltimore	4.99 %
DWS Investment, Frankfurt	4.95 %
Hakuto Agency, Tokyo	3.48 %

Management's Discussion and Analysis (Excerpt)

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Overview of Sales Revenues, Profitability and Financial Position

PFEIFFER VACUUM, too, was impacted by the effects of the world economic crisis in the form of lower sales revenues and profitability. As opposed to € 198.1 million the year before, sales revenues of € 182.0 million were recorded in fiscal 2009. This represents a decline of € 16.1 million, or 8.1 %, which was attributable first and foremost to strongly declining developments in Europe (excluding Germany) and the United States, as well as to moderate decreases in sales revenues in Germany.

At € 103.7 million, cost of sales declined by € 2.6 million from the previous year's level of € 106.3 million. Selling and administrative expenses amounted to € 33.6 million, up moderately from € 33.4 million in fiscal 2008. Including research and development expenses, as well as other operating income and expenses, operating profit totaled € 37.8 million, a € 15.1 million decrease from the previous year's level of € 52.9 million. EBIT margin, i.e. the ratio between operating profit and net sales, declined as well, and now stands at 20.8 %, as opposed to 26.7 % in fiscal 2008. It should also be noted that these results include the costs of the extensive modernization and reorganization of turbopump manufacturing operations at corporate Headquarters in Asslar.

The extremely low level of interest rates that prevailed throughout fiscal 2009 generated financial income of € 0.7 million, as opposed to € 1.2 million the year before, representing a decline of € 0.5 million. After deduction of tax expense in the amount of € 10.7 million, this produced net income of € 27.7 million (2008: Tax expense € 16.1 million and net income € 38.0 million).

A balance sheet total of € 159.1 million and shareholders' equity of € 138.3 million as of December 31, 2009, results in an equity ratio of 87.0 %. As opposed to an equity ratio of 81.0 % as of December 31, 2008, on a balance sheet total of € 170.1 million and shareholders' equity of € 137.8 million, this represents an increase of 6 percentage points. With cash and cash equivalents totaling € 62.0 million at the close of the 2009 fiscal year, the Company's liquidity position, as well, is very comfortable (December 31, 2008: € 68.3 million).

Against the backdrop of the poor economic development of numerous enterprises, especially in the field of mechanical engineering and sometimes threatening their very existence, it is clear to see that with an EBIT margin of 20.8 %, a return on sales of 15.2 % and an equity ratio of 87.0 %, PFEIFFER VACUUM was far from having to record a loss or face a corporate crisis that could threaten its existence. In the most serious economic crisis since the establishment of the Federal Republic of Germany, PFEIFFER VACUUM posted results that the vast majority of enterprises never achieve,

even during economic boom times. This again illustrates the outstanding competitive position that the Company enjoys in the marketplace, as well as its ability to respond to a wide variety of economic conditions flexibly and to the benefit of its shareholders.

Sales by region

Sales by Region				
	2009	2008	Change	
	€ mill.	€ mill.	€ mill.	%
Germany	69.1	69.3	- 0.2	-0.4
Europe*	49.0	58.7	- 9.7	-16.6
United States	37.2	40.8	- 3.6	- 8.6
Asia	24.2	27.3	- 3.1	-11.3
Rest of World	2.5	2.0	0.5	26.5
Total	182.0	198.1	- 16.1	- 8.1

* Excluding Germany

Germany The decline in sales revenues in Germany was relatively moderate by comparison with the other regions. The decrease in sales in our core business with our German customers was largely compensated for by higher sales revenues under the major contract from the solar industry, so that net sales declined by merely € 0.2 million. The decreased demand from other customers in the solar industry, in particular, had a negative impact on our core business. In fiscal 2009, the industry had to cope with considerable overcapacities and financing difficulties. And this also impacted the development at PFEIFFER VACUUM.

Europe In Europe, the picture continues to be inconsistent. While economic conditions in Spain and Italy led to sales declines and sales revenues in the Netherlands slumped by nearly 50 % due to the situation in the solar industry, in particular, we saw sales rise in Sweden and sales volumes remain constant in the United Kingdom. However, this development was offset by the negative exchange rate situation in translating these sales revenues to euros. With net sales declining by € 9.7 million and a change rate of -16.6 %, Europe suffered the greatest losses in net sales in both absolute and relative terms.

United States As already indicated in the analysis of sales revenues by segment, the sales of our US sales subsidiary did not develop on a satisfactory note. Despite positive exchange rate impacts totaling € 2.0 million sales here decreased from € 40.8 million to € 37.2 million.

Asia In Japan, net sales again decreased. As opposed to € 12.9 million the year before, sales revenues amounted to € 9.2 million in fiscal 2009. The € 3.7 million decline was attributable, in particular, to the overall weak Japanese market. In Korea, net sales were at the previous year's level, and higher sales revenues were again recorded in China. However, this was unable to compensate for the negative development in Japan.

Rest of World This region includes Central and South America, South Africa and Australia. Improvements in sales revenues here stemmed predominantly from the markets in Brazil and Argentina, which are taking on increasing significance.

Sales by product

Any number of high-tech products and articles used in daily life can only be manufactured in vacuum chambers in which pressure conditions prevail that are similar to those in outer space. Different types of pumps are used for the various vacuum pressure ranges: For low and medium vacuum, these are primarily rotary vane, Roots and dry-running pumps. Turbomolecular pumps, or turbopumps for short, are used to generate high and ultra high vacuum.

Sales by Product				
	2009	2008	Change	
	€ mill.	€ mill.	€ mill.	%
Turbopumps	68.8	79.7	- 10.9	-13.6
Measurement/ Analysis equipment	38.9	47.1	- 8.2	-17.3
Systems	30.0	15.2	14.8	97.8
Backing pumps	25.5	32.1	- 6.6	-20.6
Service	18.7	23.6	- 4.9	-20.7
Other	0.1	0.4	- 0.3	-88.6
Total	182.0	198.1	- 16.1	- 8.1

Turbopumps Sales revenues for the Corporate Group's most important product category declined sharply by € 10.9 million to € 68.8 million during the past 2009 fiscal year. Among other things, this was brought on by the development in the coating industry, and here especially in the solar industry, where our large turbopumps tend to be used. The weak development of the semiconductor industry, too, caused sales revenues for this product category to decline.

Measurement and analysis equipment The products in the Measurement and Analysis Equipment segment cover a broad spectrum and developed very heterogeneously in fiscal 2009. The decline in sales was less pronounced among mass spectrometers and transmitters, in particular, than in this product category overall, while the decrease in sales was significantly greater in vacuum components (such as flanges, seals or valves). However, at 21.4 %, this product category continues to account for the second highest share of total revenues within the Corporate Group (2008: 23.8 %).

Systems Totalling € 30.0 million in fiscal 2009, net sales nearly doubled in Systems business (2008: € 15.2 million). This was attributable first and foremost to the sales revenues stemming from a major contract from the solar industry for construction of a system to coat thin layer solar cells. The system was nearly fully completed in fiscal 2009, with sales revenues being recognized in accordance with the percentage of completion. Sales of leak detection systems, on the other hand, which are used in connection with quality assurance in the automotive industry, for example, declined. As a result of the significant increase in sales revenues for this product category overall, its 16.5 % share of total sales revenues improved this segment's ranking to third place within the Corporate Group (2008: 7.7 %).

Backing pump Sales revenues in the Backing Pumps product category declined by € 6.6 million to € 25.5 million. In previous years, demand for pumping stations for steel degassing, in particular, which are employed in manufacturing automotive engines, for example, had provided positive development. However, demand here slumped strongly in fiscal 2009. The same applies with respect to our Roots pumps, as well, which are also used in the solar industry. In contrast we saw increasing sales with our new products. Hence, this could not compensate the sales declines as mentioned before.

Service The decline in sales revenues in Service correlates with our findings that customers tend to postpone required maintenance and repair work for as long as possible during times of economic difficulty. Additionally, ongoing improvements to the quality of our products and increasingly long intervals between regularly required service result in lower sales revenues for maintenance and repair work anyway.

Other This category records sales revenues generated by leasing out sections of buildings. Sales revenues here again decreased from € 0.4 million the year before to € 0.1 million in fiscal 2009 in conjunction with the vacancy of a tenant during the second half of the 2008 fiscal year. Those sections of buildings that had previously been leased out have since been demolished.

Sales by market

This section of the Annual Report details the development of sales revenues in the individual markets in 2009 relative to the year before.

Sales by Market				
	2009	2008	Change	
	€ mill.	€ mill.	€ mill.	%
Coating.....	47.3	45.4	1.9	4.3
Analytical Industry.....	45.1	50.5	- 5.4	- 10.7
Industrial.....	36.4	46.5	- 10.1	- 21.7
R & D.....	34.9	31.6	3.3	10.5
Semiconductors.....	10.7	15.5	- 4.8	- 30.9
Chemical and Process Technology.....	7.6	8.6	- 1.0	- 11.1
Total.....	182.0	198.1	- 16.1	- 8.1

Coating The development of this market segment was attributable to two major opposing effects. Significant sales revenue growth stemmed from the percentage of completion under a major contract for systems for the production of thin layer solar cells. This contract was largely concluded in fiscal 2009. On the other hand, there was a general slump in demand as a result of the economic crisis; this manifested itself in the form of lower sales revenues with our other solar customers, as well as in declining sales, such as in the wear protection subsegment. Overall, sales revenues in this market segment grew moderately by € 1.9 million, or 4.3 %, year on year. This means that approximately one out of every four euros in sales revenues came from the Coating market, which now makes it PFEIFFER VACUUM's largest market segment. There was a rise in the relative importance of the solar industry both within this segment and for the Corporate Group overall. It accounted for 19.2 % of total sales revenues (2008: 12.5 %).

Analytical industry After having consistently posted encouragingly positive growth rates in previous years, sales revenues in the Analytical market declined during the past fiscal year. This was predominantly due to weaker OEM demand in the United States, as well as in Germany and Japan. Due to an overall weak market environment a sales decline by 10.7 % could not be avoided – in spite of outstanding customer relationships and a broadly aligned portfolio of products that offer outstandingly high quality.

Industrial This heterogeneous market is essentially characterized by companies from the mechanical engineering industry. And the well-known difficulties in this segment impacted the development of sales at PFEIFFER VACUUM, as well. With sales revenues decreasing by € 10.1 million, the Industrial market segment recorded the largest absolute decline in sales revenues in fiscal 2009. This market segment's share of total sales revenues declined from 23.5 % to 20.0 %.

Research & development The positive development of sales revenues in the Research & development segment in fiscal 2009 enabled us to reap the fruits of our work in the past. We – in contrast to many of our competitors – have always been consistently intensive in serving this market segment. And our good customer relationships are now enabling us to do a good job of serving this market, which has taken on increasing significance due to the numerous government stimulus programs for public- and semipublic-sector research institutions, and record encouraging sales revenue growth. Moreover, being able to grow our sales revenues by 10.5 % in the midst of a global economic crisis is an accomplishment that speaks for itself.

Semiconductors The negative development of this cyclical market segment correlated to developments in the United States, where many of our customers are located or manufacture. Even though we had already recorded declines in the past, sales revenues again slumped sharply in fiscal 2009. Down by 30.9 % in 2009, this market segment additionally saw the strongest percentage decline in sales revenues during the past fiscal year. Following 7.9 % the year before, the share of total sales revenues accounted for only 5.9 %. We however – as opposed to several of our competitors – are only marginally dependent upon this market, as the last semiconductor crisis in the year 2002 had prompted us to reduce our dependency on this market segment through broader diversification into other markets.

Chemical and process technology The development of the market for chemical and process technology roughly paralleled the average development of the PFEIFFER VACUUM Group in fiscal 2009. As a result, lower sales revenues stemmed essentially from the decrease in demand in the chemical and pharmaceutical industries. Accounting for 4.2 % (2008: 4.3 %) of total sales, this market segment was the smallest in the Corporate Group.

New orders and orders on hand

After having recorded the highest level of new orders in the Company's history, € 225.3 million, the year before, new orders totaling € 161.2 million were recorded in fiscal 2009 against the backdrop of the worldwide economic crisis, representing a significantly declining development. Overall, the level of new orders received during the 2009 fiscal year was down by € 64.1 million, or 28.5 %, year on year. However, this was essentially attributable to the previous year's very high level of new orders in conjunction with a major contract from the solar industry. Yet the level of new orders received in our core business declined in fiscal 2009, as well. New orders for vacuum pumps in fiscal 2009, for example, were down 17.3 % from the previous year's level. The decline in Service was moderately higher, while a marginally lower change rate could be seen in Measurement and Analysis Equipment. These declines are significant. Nevertheless, the situation at PFEIFFER VACUUM is relatively positive by comparison with the situation in the field of mechanical engineering overall, where in some cases new orders have plummeted by over 50 %.

Following a very good 1.14 the year before, the book to bill ratio – the quotient between new orders and sales revenues – stood below 1 in fiscal 2009, at 0.89. Nevertheless, two things give us reason for optimism: On the one hand, the book to bill ratio in our core business was above 1 in fiscal 2009; on the other, the quarter-to-quarter development of new orders is trending positive. With new orders totaling € 43.9 million, for example, the 4th quarter of 2009 was the strongest quarter of the 2009 fiscal year. For this reason, too, we see ourselves strengthened in our conviction that PFEIFFER VACUUM's economic situation will improve again.

The value of orders on hand on December 31, 2009, totaled € 40.2 million, down by € 20.8 million from the previous year's level of € 61.0 million. It should be noted in this connection that the 2008 value had also been influenced by a major contract. The order backlog on December 31, 2009, provides us with planning predictability for the initial months of the 2010 fiscal year.

Earnings development

Cost of sales and gross profit

Cost of sales in fiscal 2009 amounted to € 103.7 million, down € 2.6 million from the previous year's level of € 106.3 million. This represents a decline of 2.5 %, which thus was significantly lower than the 8.1 % decrease in sales revenues. On the one hand, this was attributable to the extensive modernization, renovation and reorganization expenses incurred: Within the framework of a project that had long been planned, all turbopump manufacturing processes were reorganized in fiscal 2009. This included optimizing the process steps, themselves, aligning the flows of materials so as to reduce transport distances, as well as the thoroughgoing renovation of the production buildings. These measures increased cost of sales in fiscal 2009, on the one hand, while burdening productivity on the other because output declined while the measure was being implemented, although the manpower level remained unchanged. However, all of the costs incurred in this connection were non-recurring costs, which will not longer be a factor in subsequent years. These measures were necessary in order to align manufacturing operations with a view to the future. We thus see ourselves as being well equipped for future developments. Due to lower sales revenues in our core

business, productivity in manufacturing operations overall declined as well. These negative economies of scale burdened cost of sales, in particular in Service. Higher personnel costs and effects from the product mix; in concrete terms, a higher percentage of sales revenues being accounted for by products that involve higher cost of sales also contributed to this development.

Overall, these developments led to a gross profit of € 78.3 million. By comparison with € 91.7 million the year before, this represents a decrease of € 13.4 million, or 14.6 %. The development of cost of sales also had a negative impact on gross margin, the ratio between gross profit and net sales revenues. As opposed to 46.3 % in fiscal 2008, a gross margin of 43.0 % was earned during the past 2009 fiscal year.

Selling, general and administrative expenses

Selling, general and administrative expenses totaled € 33.6 million. In contrast to € 33.4 million the year before, this represents a minimal rise of € 0.2 million, or 0.4 %. However, this modest change stemmed from highly differing developments in selling and marketing costs, on the one hand, and in administrative and general expenses, on the other. Selling and marketing expenses rose by € 1.1 million to € 23.0 million. The major factors in this development were increased selling activities, which were necessary in a difficult market environment. Moreover, costs were also burdened in conjunction with a new brand strategy. On the other hand, administrative and general expenses decreased by € 0.9 million to € 10.6 million as a result of a reduced scope of consulting projects relating to the entire Company, as well as lower expenditures in conjunction with leasing out buildings. Selling, general and administrative expenses accounted for 18.5 % of total sales revenues (2008: 16.9 %).

Research and development expenses

Research and development expenses rose from € 6.8 million in 2008 to € 7.2 million in fiscal 2009, and thus again stand at their 2007 level. The € 0.4 million increase was essentially attributable to increased development activities for new products. The share of sales revenues accounted for by research and development expenses rose from 3.4 % the year before to 3.9 % in fiscal 2009.

Other operating income and other operating expenses

The other operating income and other operating expenses line items have been added to the Income Statement this year and predominantly record exchange rate gains and losses within the Corporate Group. All transactions upon which these line items are based are attributable to operating activities and are therefore being recorded within operating profit since fiscal 2009, instead of being recorded within financial gain or loss. The comparative figures have been correspondingly adjusted.

As a result of exchange rate developments on international foreign exchange markets, in particular, the balance of other operating income and other operating expenses declined from € 1.4 million to € 0.2 million. Essentially, the development of the US dollar was the major factor in this connection.

Operating profit

At € 37.8 million, operating profit for fiscal 2009 was down by € 15.1 million, or 28.6 %, from the previous year's level of € 52.9 million. As explained above, this was predominantly attributable to the increase in cost of sales. At 20.8 %, the EBIT margin, i.e. the ratio between operating profit and net sales, was above 20 %, and thus within the corridor of our guidance (2008: 26.7 %).

Both operating profit as an absolute number as well as profitability in the form of the EBIT margin were down significantly from the previous year's levels. However, against the backdrop of the most serious economic crisis since the establishment of the Federal Republic of Germany, these results continue to stand for a company that is still posting far above average success. Even in phases of economic upswing, only few enterprises ever succeed in achieving the kinds of margins that PFEIFFER VACUUM recorded under the most difficult conceivable economic conditions. What should additionally be taken into consideration in this connection are the expenses involved in reorganizing and modernizing manufacturing operations, which burdened operating profit in the form of non-recurring effects, but which have aligned the Company for the future. We are therefore of the opinion that PFEIFFER VACUUM has done outstandingly in the face of the current economic situation.

Financial income

Adjusted for the gain or loss on exchange rates, financial income for fiscal 2008 totaled € 1.2 million, and given financial income (essentially interest income) of € 2.7 million was impacted strongly by an impairment for securities held (€ 1.5 million). Only € 0.2 million of these impairments had to be recorded in fiscal 2009. Financial expense totaled € 0.2 million. As a result of the very low level of interest rates, though, financial income also decreased strongly, amounting to € 0.9 million, producing overall financial income of € 0.7 million. This represents a decline of € 0.5 million.

Income taxes

Tax expenses for fiscal 2009 amounted to € 10.7 million, down sharply by € 5.4 million from € 16.1 million the previous year. This was attributable, on the one hand, to lower before-tax income (€ 38.4 million, as opposed to € 54.1 million the year before). Moreover, there was also a decline in the relative tax burden, and the tax ratio stood at 27.9 % for the past fiscal year, in contrast to 29.7 % in 2008.

Net income

Following a record € 38.0 million the year before, the Company recorded net income of € 27.7 million in fiscal 2009, representing a significant decrease of € 10.3 million, or 27.2 %. Nevertheless, PFEIFFER VACUUM continues to be a highly profitable company, even in times of crisis. Our after-tax return on sales of 15.2 % (2008: 19.2 %) represents a level that continues to remain far above average, especially against the back-drop of the overall economic situation. We thus have no reason to fear any international comparisons.

Earnings per share

Mainly as a consequence of the lower level of income before taxes, earnings per share decreased as well, from € 4.36 the year before to € 3.24 in fiscal 2009. This correlates to a decline of 25.7 %; however, due to the share buyback program in 2008 and the resulting lower average number of shares in circulation in 2009, this decline was less pronounced than the decrease in net income. As in the year before, there continued to be no dilutive effects in fiscal 2009.

Financial position

The balance sheet total of the consolidated PFEIFFER VACUUM Group as at December 31, 2009, amounted to € 159.1 million. As opposed to € 170.1 million the year before, this represents a decline of € 11.0 million, or

6.5%. The major reason for this development was the € 6.9 million decline in trade accounts receivable, from € 27.5 million to € 20.6 million, as a result of the lower level of sales revenues. In addition, cash and cash equivalents decreased from € 68.3 million to € 62.0 million. The primary factor in the development of cash and cash equivalents was the dividend payment in the amount of € 28.5 million. A detailed analysis of the development of cash and cash equivalents is presented in the comments on cash flow in the following section. A lower order backlog was the reason why inventories declined from € 21.4 million to € 17.5 million. Up year on year, on the other hand, were receivables from construction contracts (€ +5.8 million) as well as fixed assets (€ +1.9 million). On the one hand, this was attributable to the recognition of sales revenues in conjunction with the major contract from the solar industry and, on the other, to the turbopump manufacturing annex at Group Headquarters in Asslar.

As opposed to € 137.8 million as at December 31, 2008, shareholders' equity at the close of the 2009 fiscal year totaled € 138.3 million, up € 0.5 million from the previous year's level. The major causes of this development were net income in the amount of € 27.7 million and the dividend payment to the shareholders of PFEIFFER VACUUM TECHNOLOGY AG in the amount of € 28.5 million. In addition, the € 6.0 million decline in liabilities from construction contracts, the € 3.6 million decrease in tax liabilities and the € 1.9 million decline in provisions were the key factors in the development of the shareholders' equity and liabilities side of the balance sheet.

Liquidity and cash flow

As anticipated, it was not possible to match the previous year's outstanding operating cash flow (€ 43.1 million) in fiscal 2009. At € 23.4 million in 2009, net cash provided by operating activities was down by € 19.7 million, or 45.6 %, year on year. This was initially attributable to the lower level of income before taxes (€ –15.7 million). Moreover, the reduction in payables and other liabilities in fiscal 2009 resulted in a cash outflow of € 5.4 million, while a cash inflow of € 6.1 million had been recorded here the year before. On the other hand, there were positive cash flow effects stemming from the decline in inventories (totaling € 5.7 million) and the reduction in tax payments (€ –1.0 million). As a result of the higher operating cash flow in fiscal 2008, both the cash flow margin (the ratio between operating cash flow and sales revenues) as well as cash flow per share had been very high in the previous year and declined in the year under review. However, with a cash flow margin of 12.9 % and a cash flow per share of € 2.75 in operating activities, PFEIFFER VACUUM continues to record outstanding results.

Amounting to € 5.4 million, considerable capital expenditures were made for buildings and for production and manufacturing systems, although they were not quite as extensive as in the year before (2008: € 10.4 million). This included, in particular, expansion of the turbopump manufacturing buildings and investments in machinery and equipment, as well as factory and office equipment. Moreover, additional software was also acquired, accounting for € 0.6 million in fiscal 2009 (2008: € 0.1 million). Detailed comments on the composition of capital expenditures can be found in the following section entitled "capital expenditures and financing". Net cash provided from disposals of fixed assets amounted to € 0.1 million (2008: € 0.2 million). Proceeds from the redemption of investment securities in fiscal 2009 totaled € 3.0 million, as opposed to none in 2008.

In fiscal 2008, cash flow from financing activities had been characterized essentially by the dividend payment to the shareholders of PFEIFFER VACUUM Technology AG (€ 27.9 million) and by net cash used in the amount of € 20.1 million for the acquisition of treasury shares. Virtually only the higher dividend payment in the amount of € 28.5 million was recorded in fiscal 2009.

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As at December 31, 2009, cash and cash equivalents totaled € 62.0 million, representing a decline of € 6.3 million, or 9.3 %. We thus generated sufficient cash from operating activities to finance our day-to-day business as well as any required investment projects and virtually the entire dividend payment. In addition, the Corporate Group also enjoys access to committed but unused lines of credit having a total volume of € 12.3 million (2008: € 9.8 million).

Free liquidity is invested in interest-bearing vehicles within the framework of our financial management. A cash management system is in place between the German companies within the Corporate Group in order to pool liquidity. The parent corporation regularly pools the free liquidity of the subsidiaries. Conservative and largely short-term investment vehicles, such as money market or time deposits at banks, dominate in conjunction with financial investments. In the case of securities, only fixed- or variable-rate bond issues from issuers with high credit ratings are fundamentally acquired. These typically consist of bond issues from banks or high-grade industrial bond issuers. We do not engage in speculative transactions.

Capital expenditures and financing

Capital expenses decreased from € 10.7 million to € 6.0 million year on year.

In spite of expansion of the production buildings in fiscal 2009, capital expenditures for land and buildings did not reach their 2008 level, where considerable funds had been invested on the new Logistics Center. The increase in capital expenses for software was predominantly attributable to implementation of a Customer Relationship Management solution.

Following a good, above-average equity ratio of 81.0 % the year before, this key figure saw renewed improvement, amounting to 87.0 % as at December 31, 2009. This means that our Company is being financed virtually entirely through shareholders' equity in the long-term segment. The current assets ratio, the quotient between current assets and current liabilities, amounted to 608 % (2008: 407 %) and continues to symbolize our sound financing concept and our high credit rating.

Given the above-mentioned capital expenditures of € 6.0 million and a depreciation expense volume of € 3.7 million in fiscal 2009, the depreciation expense ratio (the ratio between capital expenditures and depreciation expense) totaled 162 %. This means that new capital expenditures in fiscal 2009 were once again higher than the loss of value on existing fixed assets, even though this ratio was not as high as the year before (305 %). This decrease was attributable to the lower level of capital expenditures and a moderate rise in depreciation expense.

▶ Early 2010 and Outlook

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Early 2010

PFEIFFER VACUUM TECHNOLOGY AG has acquired 100 % of the shares in Trinos Vakuu-Systeme GmbH (Trinos), in Göttingen, Germany, effective January 1, 2010. Trinos is one of the leading manufacturers of vacuum chambers, vacuum systems and special components for the vacuum industry. Moreover, it is Europe's largest supplier of vacuum fittings and vacuum components.

By broadening the product portfolio to include the high-quality products from Trinos, it will be possible to even more significantly position PFEIFFER VACUUM in the marketplace as a full-line provider of vacuum application solutions. The company that has been acquired is young, fast growing and profitable, and it is active in the same markets as PFEIFFER VACUUM. In the future, it will be possible to do an even better job of placing the products from Trinos in the market through PFEIFFER VACUUM's close-knit international sales and marketing network. In doing so, we will be able to make much better use of the existing sales potential than would have been possible for that company on its own. All regions and market segments will benefit from this measure, especially the North America region and the Analytical, Coating and Research & Development segments. And the know-how possessed by these two companies will also be complementary in the development and design of new technologies. With this move, we are thus securing PFEIFFER VACUUM's future profitability, as well as the jobs within the previous PFEIFFER VACUUM Group and at the new location in Göttingen.

Formed in 1997, Trinos generated sales revenues of around € 18 million in fiscal 2008 with sound profitability, and presently employs a workforce of over 140 people. The two founding shareholders and former owners will remain with the company as managing directors.

The focal points within the context of the integration project currently consist of augmenting the PFEIFFER VACUUM product portfolio with the products from Trinos and providing the resulting training to the people in the sale force, as well as the standardization of purchasing and supplier management systems and the implementation of monthly financial reporting. In addition, the IT infrastructure is being studied with a view to its compatibility with the systems at PFEIFFER VACUUM, and the brand style of the two companies is being standardized.

There have not been any further significant changes in the Company's position or the industry environment since the beginning of the 2010 fiscal year.

Outlook

General economic development

After seeing the world economy contract by 1.1 % in 2009, leading economists are anticipating that world economic output will rise by 3.9 % in 2010. As in previous years, it is expected that developments in the individual economic regions will differ greatly during the current fiscal year. The forecasts for development in Asia excluding Japan continue to be positive. Gross domestic product growth rates of 9.5 % and 8.0 %, respectively, are being anticipated for the People's Republic of China and for India, for example. Advancing by 4.8 %, above-average growth is also being predicted for Russia, while gross domestic product is likely to grow by 3.4 % in the United States. According to the most recent forecasts, the countries of the European Union will see economic growth of 0.8 % overall in 2010. While this will mean that the region will be able to overcome the negative development it saw in 2009, the anticipated growth rate for 2010 will continue to lag considerably behind worldwide development. Forecasts for Germany are currently calling for growth of 1.4 %. This would be the highest growth rate of any major national economy in Europe, directly ahead of France, whose gross domestic product is predicted to rise by 1.2 %. On the other hand, the growth rate forecasts for the United Kingdom and Italy, amounting to 0.4 % and 0.6 %, respectively, are very low, producing a heterogeneous overall picture within the European Union.

Global economic growth of 3.8 % is being anticipated for 2011. While economists see a moderate slowdown in the pace of growth in China and India, these countries will nevertheless continue to grow at a high level. These declines will be compensated for by the improving development in Europe. Gross domestic product growth of 1.7 % overall is being forecast here, while experts are looking for economic growth in the United States to be down moderately from its 2010 level.

Development of sales revenues

Against the backdrop of the global economic crisis, PFEIFFER VACUUM did well in fiscal 2009. Sales revenues developed on a relatively satisfactory note, and profitability continued to be strong. However, the contribution accounted for by the major contract from the solar industry has to be taken into consideration, especially with a view to the development of sales revenues. It is not yet possible to judge with certainty whether we will be able to win a follow-up order for this in fiscal 2010. We do expect to see stronger growth in the solar industry in 2010, and we are engaged in ongoing talks with customers. However, it is very difficult to predict the probability of receiving a further contract for building coating systems.

Given the development of new orders, especially in the fourth quarter of 2009, we anticipate that sales revenues in our core business will develop on a positive note – building upon the past fiscal year's level. As a result of economic developments in the United States and Asia excluding Japan, we see sales revenue growth in these regions, in particular. Additionally, the acquisition of Trinos will have a two-fold impact on sales revenues. On the one hand, sales revenues will rise solely as a result of the actual acquisition of this company and its inclusion in the Consolidated Financial Statements (external growth). What will be much more decisive with respect to the short- and medium-term success of this acquisition will additionally be the question of the extent to which we are able to increase the volume of consolidated sales revenues in 2010 through its integration into the PFEIFFER VACUUM sales and distribution network. In order to achieve successes as quickly as possible, a variety of projects were launched in this connection right at the outset of fiscal 2010. The development of these projects thus far gives us reason to view the future with optimism.

Development of profitability

The development of profitability in fiscal 2010 will be very significantly influenced by the volume of sales revenues in PFEIFFER VACUUM's core business. In recent years, we have invested considerable amounts of money in our manufacturing and shipping processes in order to largely optimize internal costs and align the Company with a view to the future. However, the ability to utilize positive economies of scale will necessitate a volume of sales revenues that we will not quite be able to achieve in fiscal 2010 as a result of the crisis and the slow pace of economic recovery. Regardless of sales volume, though, these capital investments are being depreciated on schedule and are thus affecting profitability. The inclusion of Trinos in the consolidated financial statements will also impact margins in 2010. While this is a company with sound profitability, it will not be able to achieve PFEIFFER VACUUM's margin level in fiscal 2010, which will slightly dilute consolidated EBIT margin. On the other hand, fiscal 2010 will see an improvement in operating profit over 2009 due to the abolition of non-recurring effects in conjunction with the modernization and reorganization of turbopump manufacturing operations. Overall, we again anticipate high, above-average profitability for the current fiscal year. Currently planned capital expenditures for 2010 total approximately € 5.0 million.

In line with our approach in the past, which we feel has proven its worth, we will provide a detailed outlook for the full 2010 fiscal year at the Annual Shareholders Meeting on May 20, 2010. The existing planning uncertainties relating to overall economic development and in conjunction with the acquisition of Trinos would make it simply unsound to attempt to make a precise outlook for fiscal 2010 at any earlier point in time.

Dividend

PFEIFFER VACUUM is one of the highest-dividend issues on the German equity market. In spite of the somewhat weaker economic development during the course of 2009, the Management and Supervisory Boards would like to again enable our shareholders to participate above average in the Company's consolidated net income for fiscal 2009. The ratio between consolidated net income and dividend distribution volume should also remain constant. Consequently, the Management and Supervisory Boards will propose that a dividend in the amount of € 2.45 per share be distributed for fiscal 2009 (2008: € 3.35 per share). A distribution volume of € 20.9 million would mean that around 75 % of consolidated net income will be paid to our shareholders. The statements contained in this outlook are based upon assumptions relating to the development of both the overall economy and specific industries. Overall results might differ materially from the Company's expectations regarding anticipated developments should the assumptions upon which the statements are based subsequently prove to be incorrect.

For a variety of reasons, the 2010 fiscal year will be especially important to PFEIFFER VACUUM. The task, for example, will be to continue to work to offset the consequences of the economic crisis and to grow again in our core business. At the same time, we intend to integrate the business operations of Trinos Vakuu-Systeme GmbH into the existing PFEIFFER VACUUM Group as swiftly as possible, to achieve the sales revenue potential anticipated in conjunction with this acquisition and to thus make this corporate acquisition a success. In doing so, we intend to continue to remain a highly profitable Company and to offer our shareholders a secure and worthwhile financial investment. And these, in turn, are ambitious goals. However, we are confident that given the development of new orders at the close of fiscal 2009, our ongoing talks with our customers, our strategic alignment toward clearly defined target markets and with the innovative strength of our Development Department and, last but not least, with our well trained and educated, motivated people, we will be able to achieve these goals.



Consolidated Statements of Income

PFEIFFER VACUUM TECHNOLOGY AG

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(in K €)	2009	2008
Net sales	182,001	198,060
Cost of sales	-103,694	-106,346
Gross profit	78,307	91,714
Selling and marketing expenses	-22,961	-21,884
General and administrative expenses	-10,634	-11,562
Research and development expenses	-7,171	-6,799
Other operating income	1,170	2,463
Other operating expenses	-937	-1,037
Operating profit	37,774	52,895
Financial expenses	-239	-1,490
Financial income	893	2,738
Earnings before taxes	38,428	54,143
Income taxes	-10,735	-16,095
Net income	27,693	38,048
Thereof attributable to:		
PFEIFFER VACUUM TECHNOLOGY AG		
shareholders	27,596	37,967
Minority interests	97	81
Earnings per share (in €):		
Basic	3.24	4.36
Diluted	3.24	4.36



Consolidated Statements of Comprehensive Income

PFEIFFER VACUUM TECHNOLOGY AG

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(in K €)	2009	2008
Net income	27,693	38,048
Other comprehensive income		
Currency changes	-248	284
Results from cash flow hedges	568	-607
Revaluation of available-for-sale securities	1,293	-1,355
Income tax relating to other comprehensive income	-164	195
Other comprehensive income, net of tax	1,449	-1,483
Total comprehensive income for the period	29,142	36,565
Thereof attributable to:		
PFEIFFER VACUUM TECHNOLOGY AG		
shareholders	29,006	36,613
Minority interests	136	-48

Consolidated Balance Sheets

PFEIFFER VACUUM TECHNOLOGY AG

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(in K €)	Dec. 31, 2009	Dec. 31, 2008
Assets		
Intangible assets	783	382
Property, plant and equipment	36,117	34,251
Investment properties	640	664
Investment securities	4,355	5,248
Prepaid pension cost	420	142
Deferred tax assets	489	4,180
Other non-current assets	1,458	1,569
Total non-current assets	44,262	46,436
Inventories	17,546	21,409
Trade accounts receivable	20,623	27,513
Receivables from construction contracts	5,775	-
Other accounts receivable	5,943	1,146
Prepaid expenses	924	2,276
Investment securities	1,998	3,000
Other current assets	-	39
Cash and cash equivalents	61,983	68,317
Total current assets	114,792	123,700
Total assets	159,054	170,136
Shareholders' equity and liabilities		
Equity		
Share capital	22,965	22,965
Additional paid-in capital	13,305	13,305
Retained earnings	128,368	129,295
Other equity components	-3,057	-4,467
Treasury shares	-23,808	-23,808
Equity of PFEIFFER VACUUM TECHNOLOGY AG shareholders	137,773	137,290
Minority interests	564	522
Total equity	138,337	137,812
Deferred tax liabilities	347	299
Provisions for pensions	1,478	1,664
Total non-current liabilities	1,825	1,963
Trade accounts payable	3,895	4,518
Liabilities from construction contracts	187	6,179
Other payables	1,415	1,714
Provisions	8,900	10,773
Income tax liabilities	1,513	5,071
Customer deposits	2,982	2,106
Total current liabilities	18,892	30,361
Total shareholders' equity and liabilities	159,054	170,136

Consolidated Statements of Cash Flows

PFEIFFER VACUUM TECHNOLOGY AG

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(in K €)	2009	2008
Cash flow from operating activities:		
Earnings before taxes	38,428	54,143
Adjustment for financial income/financial expense	-842	-2,705
Financial income received	803	2,672
Financial expenses paid	-111	-33
Income taxes paid	-15,093	-16,080
Depreciation/amortization	3,713	3,514
Non-cash impairment losses	188	1,457
Gains from disposals of assets	-8	-86
Changes in allowances for doubtful accounts	272	124
Changes in inventory reserves	1,017	381
Effects of changes in assets and liabilities:		
Inventories	749	-4,973
Receivables and other assets	2,377	630
Provisions, including pension and income tax liabilities	-2,626	-2,030
Payables, other liabilities	-5,439	6,079
Net cash provided by operating activities	23,428	43,093
Cash flow from investing activities:		
Proceeds from disposals of fixed assets	72	180
Capital expenditures	-6,006	-10,489
Expenditures from purchase of minority interests	-	-356
Redemptions of investment securities	3,000	-
Net cash used in investing activities	-2,934	-10,665
Cash flow from financing activities:		
Dividend payments	-28,523	-27,857
Dividend payments to minority shareholders	-94	-29
Share buyback	-	-20,086
Net cash used in financing activities	-28,617	-47,972
Effects of foreign exchange rate changes on cash and cash equivalents	1,789	478
Net decrease in cash and cash equivalents	-6,334	-15,066
Cash and cash equivalents at beginning of year	68,317	83,383
Cash and cash equivalents at end of year	61,983	68,317

Upon request you will receive a full print version of our Annual Report. Please visit our online version at www.pfeiffer-vacuum.net

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