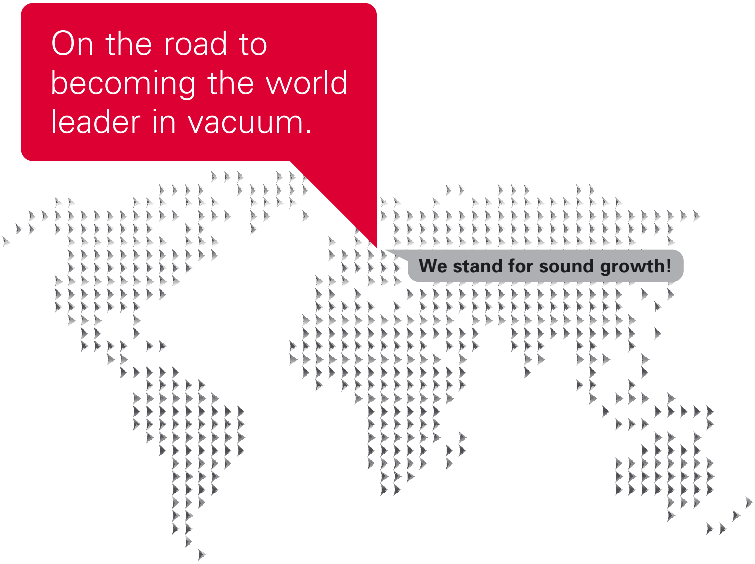
A PASSION FOR
PERFECTION

PFEIFFER VACUUM

Letter to the Shareholders

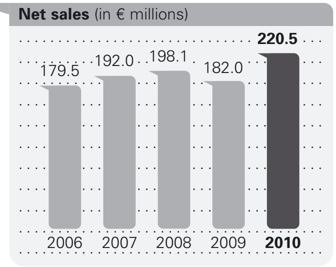
Fiscal Year 2010

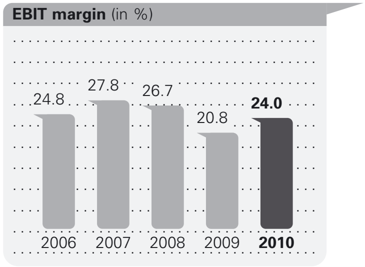


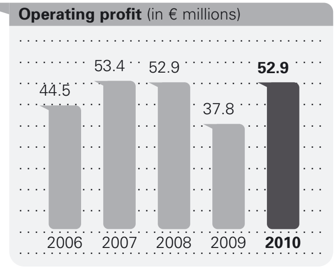
Key Figures

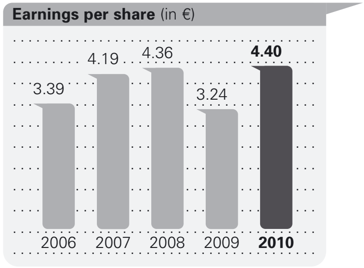
Two-Year-Overview		2010	2009	change
Sales and profit				
Total sales	K€	**220,475**	182,001	21.1 %
Germany	K€	**70,641**	69,059	2.3 %
Other countries	K€	**149,834**	112,942	32.7 %
Operating profit	K€	**52,910**	37,774	40.1 %
Net income	K€	**38,329**	27,693	38.4 %
Return on sales	%	**17.4**	15.2	2.2 Pp
Operating cash flow	K€	**51,904**	23,428	121.5 %
Balance sheet				
Total shareholder's equity and liabilities	K€	**472,709**	159,054	197.2 %
Cash and cash equivalents	K€	**84,975**	61,983	37.1 %
Shareholder's equity	K€	**269,976**	138,337	95.2 %
Equity ratio	%	**57.1**	87.0	−29.9 Pp
Return on equity	%	**14.2**	20.0	−5.8 Pp
Capital expenditures	K€	**4,889**	6,006	−18.6 %
Workforce				
Workforce (average)		**1,226**	729	68.2 %
Germany		**715**	555	28.8 %
Other countries		**511**	174	193.7 %
Personnel cost	K€	**55,350**	46,239	19.7 %
Per employee*	K€	**62**	63	−1.6 %
Sales per employee*	K€	**246**	250	−1.6 %
Per share				
Earnings	€	**4.40**	3.24	35.8 %
Dividend	€	**2.90** **	2.45	18.4 %

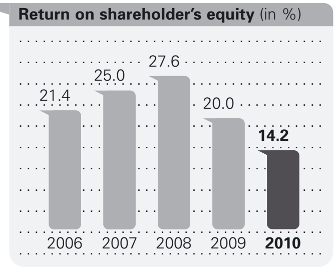
* 2010 without consideration of adixen workforce.
** Subject to the consent of the Annual Shareholders Meeting.

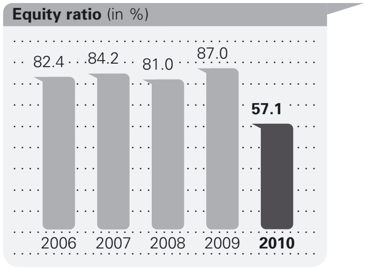


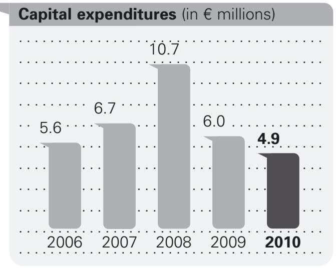


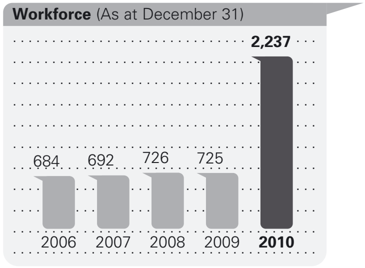












All percentages in this Annual Report were derived on the basis of amounts in thousands of euros. Rounding differences might result from their presentation in millions of euros.

Letter from the Chief Executive Officer

LETTER FROM THE CHIEF EXECUTIVE OFFICER

Dear Shareholders,

The year 2010 ended just as it had begun, only better. That's the way the course of the year could be summarized in a nutshell. But it would be worthwhile to say a few more words about this year, the best ever in our Company's history.

At the outset of the year, we were cautiously optimistic. We had bought Göttingen-based Trinos Vakuum-Systeme GmbH, a company small in size but very big when it comes to technology and quality. We were confident that, following successful integration, Trinos would be able to make a positive contribution to the Corporate Group's profitability. Right from the very beginning, this expectation was more than fulfilled. Our plan of selling Trinos products through our distribution network without any major additio-nal effort or expense worked as anticipated. From the very first day, our sales team began receiving inquiries for components, rotary feedthroughs, manipulators and chambers, in particular, from our new subsidiary. This company contributed a good € 17 million to our consolidated sales revenues. More than we had originally expected for the first year of this company's membership in our family. And Trinos was profitable, as well, earning net income of nearly € 2 million. This means that the new acquisition has satisfied a criterion that is very important to us: Every operation, every product, every project – or simply every activity – has to be able to earn a profit.

Aside from this acquisition, the beginning of the year was also characterized by steadily rising new orders, a trend that had already set in several months before. Initially, we were not entirely sure about this development, always waiting for a slump to put an end to this wonderful trend. Yet the trend increasingly strengthened as the year continued. The development ultimately reached its high for the moment during the final quarter, which again clearly surpassed the preceding quarters. This development of business confirmed that we had made our investments aimed at optimizing and expanding our production operations at exactly the right time during the economic slump in 2009. Since then, things have been steadily improving. So quickly, in fact, that the objective of again achieving pre-crisis levels of sales and profitability in 2010 again became realistic during the course of the year. I recall having indicated at the presentation of our financial statements in late March 2010 that reaching these levels would be a potential goal for 2011.

In fiscal 2010, we generated sales revenues of over € 220 million, significantly more than we had been able to anticipate at the outset of the year. At € 38 million, profitability, too, is up considerably from what we had expected, and higher than ever before. Following a hiatus of only one year, we can again talk about records.

In the second half of the year the opportunity to acquire a major competitor, Alcatel-Lucent's vacuum technology business unit, was added to this development. Pfeiffer Vacuum is already the world market leader in turbopumps. With the acquisition of adixen – that's the brand name used by this business unit – we now have the opportunity of moving up to hold a leading position in the overall market for vacuum applications. What's more, together with Trinos we will now come very close to our strategic objective of becoming the world's leading provider of vacuum solutions.

The idea is simple. In addition to one or more turbopumps, every customer with a high-vacuum application additionally requires backing pumps, a vacuum chamber, installation components and measurement equipment. We are now able to offer our customers a perfect complete solution.

At first glance, adixen's product portfolio looks similar to that of Pfeiffer Vacuum. Upon closer analysis, though, it can be seen that the two companies have different focuses. Pfeiffer Vacuum, for example, is strong in turbopumps, while adixen holds a leading position in backing pumps, especially in dry backing pumps. Together, these two companies should be virtually unbeatable. adixen enjoys an outstanding position in the semiconductor market, especially in Asia. Pfeiffer Vacuum, on the other hand, is more highly diversified in other markets such as analytics, research & development and other industries. As you can see, the two companies complement one another in every respect.

The acquisition was concluded as at December 31. This means that we embark on the 2011 fiscal year from an entirely new position. The objective is clearly defined: Vacuum market leadership. "On the road to becoming the world leader in vacuum," will therefore be the motto for the time that lies ahead. The prospects of achieving this goal are good. The positive overall economic development would appear to continue. The new Pfeiffer Vacuum Group is likely to generate more than € 500 million in sales revenues in fiscal 2011.

You, our shareholders, have also recognized this potential. Through your tremendous trust, you have put us in a position to be able to finance more than one half of this acquisition through a 10-percent increase of capital and the sale of our treasury shares. Speaking also on behalf of my colleague on the Management Board, Dr. Matthias Wiemer, I would like to express my sincere thanks for this trust. During the past fiscal year, the value of Pfeiffer Vacuum Technology AG rose from around € 500 million to nearly € 900 million. And the value of your shares appreciated by 50 % in fiscal 2010.

We would also like to thank our people, without whose unbridled enthusiasm and commitment it would not have been possible to achieve our outstanding results in 2010. We, the Management Board and the entire Pfeiffer Vacuum team, have again set ourselves challenging tasks for 2011 with the integration of adixen. We look forward to mastering these tasks together with our new colleagues. And the watchword will continue to be: Every operation, every product, every region and every project has to be profitable. Every activity has to contribute to increasing the value of our Company.

Yours,

M. Bender

Manfred Bender

Share Highlights and Shareholder structure

Pfeiffer Vacuum Share Highlights

		2010	2009	2008
Share capital	€ mill.	**25.3**	23.0	23.0
Number of shares issued		**9,867,659**	8,970,600	8,970,600
Highest trading price	€	**90.97**	60.59	68.78
Lowest trading price	€	**52.52**	36.11	38.14
Trading price at year-end	€	**88.00**	58.50	46.93
Market capitalization* at year-end	€ mill.	**868**	498	294
Dividend per share	€	**2.90**	2.45	3.35
Dividend yield	%	**3.3** **	4.2	7.1
Earnigs per share	€	**4.40** **	3.24	4.36
Price/earnings ratio		**20.0**	18.1	10.8
Free-float*	%	**100.0**	94.91	69.87

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

Overview of Holdings According to Voting Rights Notifications
(As per December 31, 2010)

Arnhold and S. Bleichroeder, New York	14.95 %
Legg Mason, Baltimore	5.02 %
Allianz Global Investors, Frankfurt	3.49 %
Hakuto – Acency, Tokyo	3.48 %

MANAGEMENT'S DISCUSSION AND ANALYSIS (Excerpt)

Management's Discussion and Analysis (Excerpt)

Overview of Sales Revenues, Profitability and Financial Position

The 2010 fiscal year was characterized by two major circumstances. On the one hand, Pfeiffer Vacuum returned to its accustomed economic strength. Sales revenues of € 220.5 million in 2010 significantly exceeded sales in 2009 (€ 182.0 million), and even the previous record of € 198.1 million for 2008. With an operating profit (EBIT) of € 52.9 million and an EBIT margin of 24.0 %, profitability, too, was back at its pre-crisis level (2009: € 37.8 million with a 20.8 % EBIT margin). As a result of significantly better financial income (€ + 1.0 million) and a consistently low tax ratio of 29.7 %, the Company achieved net income of € 38.3 million, the best in its history (2009: € 27.7 million). Earnings per share, the ratio between consolidated net income attributable to shareholders of Pfeiffer Vacuum Technology AG and the weighted average number of shares, has never been higher: standing at € 4.40, it was up significantly from its level in fiscal 2009 (€ 3.24) and even higher than in the 2008 fiscal year (€ 4.36). The acquisition of Trinos Vakuum-Systeme GmbH effective January 1, 2010, additionally contributed to this highly positive development in fiscal 2010.

The second major circumstance in fiscal 2010 was the acquisition of the Alcatel-Lucent group's adixen vacuum technology business unit, which was concluded on December 31, 2010. This acquisition consisted of a worldwide network totaling 14 production, distribution and service companies and serves as a nearly perfect complement to Pfeiffer Vacuum's previous business activities because there are very few technology and regional overlaps. Due to the effective date of the acquisition, December 31, 2010, it has already had a very significant impact on the consolidated balance sheet as per the close of the fiscal year. As a result of the transfer of the shares effective year-end, adixen's business activities in 2010 were not attributable to the Pfeiffer Vacuum Group, which means that the acquisition did not directly influence the development of the 2010 Income Statement. However the expenses for consulting services in connection with the acquisition, which in accordance with international accounting standards must be charged to the Income Statement, have already burdened the Company's profitability during fiscal 2010, which means that operative business in fact developed even better than had been discussed above.

As already mentioned, the acquisition of the adixen business unit had a considerable impact on the Company's balance sheet for the year ended December 31, 2010. Virtually all line items on the Assets and Liabilities sides of the balance sheet have been affected, in particular trade accounts receivable and payable as well as inventories. The acquisition of Trinos additionally impacted the Company's financial position, however to a much lesser extent than was the case in connection with the adixen acquisition. A balance sheet total of € 472.7 million and shareholders' equity of € 270.0 million as at December 31, 2010, represent an equity ratio of 57.1 %. As at December 31, 2009, the equity ratio had stood at 87.0 % on a balance sheet total of € 159.1 million and shareholders' equity of € 138.3 million. Major factors in the development of shareholders' equity were the increase of share capital conducted in conjunction with financing of the purchase price of the adixen acquisition, the sale of treasury shares on the stock market, the dividend payment to the shareholders of Pfeiffer Vacuum Technology AG and the Company's outstanding net income. In spite of a loan in the amount of € 68.1 million at the close of the fiscal year and the existing financial liabilities of the adixen business unit (€ 10.6 million), the Pfeiffer Vacuum Group recorded no net indebtedness at the close of the past fiscal year, with cash and cash equivalents totaling € 85.0 million.

With a very good 2010 fiscal year, a sound liquidity position and an absolutely viable financing concept, the Pfeiffer Vacuum Group is outstandingly positioned to swiftly and efficiently integrate the adixen business unit. In 2010, we put in place all of the prerequisites that are needed so that we can develop into the leading provider of vacuum solutions worldwide. And we are already hard at work on transforming this vision into reality to the benefit of our shareholders.

Sales by region

Sales by Region

	2010 € mill.	2009 € mill.	Change € mill.	Change %
Germany	70.7	69.1	1.6	2.3
Europe*	57.0	49.0	8.0	16.4
United States	53.4	37.2	16.2	43.2
Asia	37.3	24.2	13.1	54.3
Rest of World	2.1	2.5	–0.4	–15.4
Total	**220.5**	182.0	38.5	21.1

* Excluding Germany

Germany The rise in sales revenues in Germany was relatively moderate by comparison with the other regions, even though the vast majority of Trinos' sales revenues were attributable to this region. This was attributable to the share of total sales revenues that had been generated the year before under a major contract from the solar industry, while only a small portion of this contact's sales revenues were included in fiscal 2010, as had been expected. In addition to the effects stemming from the initial consolidation of Trinos, higher sales revenues with our German customers were able to more than compensate for the decline in sales revenues.

Europe After having recorded the greatest decline in sales the year before, Europe again posted sales revenue growth in fiscal 2010. New customers in the Analytical and Industrial market segments contributed to this rise, which was also retarded by the unsatisfactory situation in the Netherlands.

United States As already discussed in the analysis of sales revenues by segment, the sales revenues of our U.S. sales company developed on a highly satisfactory note. Very good growth rates in the Semiconductor, Analytical Industry and other Industrial market segments increased sales revenues from € 37.2 million to € 53.4 million. Exchange rate parity effects totaling € 2.5 million contributed to this improvement.

Asia It was predominately growth in the Analytical Industry and R & D market segments, which are strong in Japan, that drove the development of sales revenues in this country, which is so important to us. After recording € 9.2 million here the year before, sales revenues in fiscal 2010 totaled € 13.6 million. By again generating strong sales revenue growth, the China region developed into the most important Asian region after Japan, thus ranking it ahead of Korea and India, where good growth was also achieved.

Rest of World This region includes Central and South America, South Africa and Australia. Fiscal 2010 saw moderate declines in sales revenues overall here. During the 2010 fiscal year, we responded to the growing importance of the South American markets, in particular, by establishing a sales company in Brazil, from where all customers in this region are supported.

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

	2010 € mill.	2009 € mill.	Change € mill.	Change %
Turbopumps	92.4	68.8	23.6	34.2
Measuremet and analysis equipment, components	69.2	38.9	30.3	77.6
Backing pumps	28.7	25.5	3.2	12.4
Service	23.1	18.8	4.3	23.5
Systems	7.1	30.0	–22.9	–76.2
Total	**220.5**	182.0	38.5	21.1

Turbopumps Turbopumps have thus far been the Corporate Group's most important product category. This is why it is all the more positive that sales revenues with this product rose very sharply by € 23.6 million, or 34.2 %, to € 92.4 million during the 2010 fiscal year. One of the reasons for this can be found in developments in the analytical and semiconductor industries. Just how important turbopumps were for the Pfeiffer Vacuum Group in fiscal 2010 is clear to see with a view to their 41.9 % relative share of total sales revenues (2009: 37.8 %).

Measurement and analysis equipment, components The products in the Measurement and Analysis Equipment segment cover a broad spectrum that was significantly expanded in fiscal 2010 to include the Trinos product portfolio, i.e. essentially high quality vacuum components and chambers. The strong € 30.3 million, or 77.6 %, rise in revenues was attributable to this, on the one hand. On the other, the former measurement and analysis line of business developed on a thoroughly positive note. Especially noteworthy were sales revenues for pressure measurement equipment and leak detectors. This product group's 31.4 % share of total revenues continues to rank it second in the Corporate Group (2009: 21.4 %).

Backing pumps Sales revenues in the Backing Pumps product category rose by € 3.2 million to € 28.7 million. This development was fueled by sales of our dry, oil-free sealed pumps, whose design enables them to generate especially clean vacuum. This is a factor that is taking on increasing importance in connection with the steadily rising demands of our customers' processes. Sales revenue growth was also recorded in rotary vane pumps, while sales revenues with Roots pumps stood at their 2009 level.

Service Ongoing improvements in product quality and longer scheduled service intervals are fundamentally burdening sales revenue potential in our Service operations. However the economic recovery in fiscal 2010 initially prompted our customers to catch up on the maintenance and service work they had put off the year before – if they were not asking for entirely new vacuum solutions. Overall, sales revenues in Service rose by € 4.3 million.

Systems As expected, sales revenues in Systems business declined sharply from € 30.0 million to € 7.1 million. This was attributable to the fact that the above-mentioned major contact from the solar industry had largely been concluded in fiscal 2009 and therefore made only a modest contribution to total sales revenues in fiscal 2010. The share of total sales revenues accounted for by Systems during the 2010 fiscal year was therefore 3.2 %, as opposed to 16.5 % the year before.

Sales by market

The following section details the development of sales revenues in the individual markets in 2010 relative to the year before.

Sales by Market

	2010 € mill.	2009 € mill.	Change € mill.	Change %
Analytical Industry	63.3	45.1	18.2	40.5
Industrial	48.6	36.4	12.2	33.3
Research & Development	42.9	34.9	8.0	23.0
Coating	32.1	47.3	–15.2	–32.2
Semiconductors	23.8	10.7	13.1	121.9
Chemical and Process Technology	9.8	7.6	2.2	29.0
Total	**220.5**	182.0	38.5	21.1

Analytical Industry The positive development in the analytical market, which was up by 40.5 % in fiscal 2010, corresponded to the good regional developments in the United States and Japan, where demand on the part of the major OEM manufacturers for vacuum solutions from Pfeiffer Vacuum again rose, following a decline in fiscal 2009. Accounting for 28.7 % of total sales (2009: 24.8 %), the Analytical Industry is the strongest market segment in the Corporate Group.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Excerpt)

Industrial Fueled by the swift recovery of the mechanical engineering sector, this heterogeneous market segment saw good development in fiscal 2010. The decline in the crisis year 2009 was more than compensated by a € 12.2 million rise in 2010, with sales revenues that were even higher than their 2008 level. The Trinos sales revenues also played a major role in the growth of sales in 2010.

Research & Development The positive development of sales revenues in the Research & Development segment is especially noteworthy, because the 23.0 % increase in fiscal 2010 had already been preceded by sales growth of 10.5 % in 2009. We – in contrast to many of our competitors – have always been consistent in intensively serving this market segment. The market continues to be characterized by numerous government stimulus programs for public- and semipublic-sector research institutions. As a result of our longstanding customer relationships, Pfeiffer Vacuum is well positioned. This market accounted for 19.5 % of total sales revenues (2009: 19.1 %).

Coating The Coating market segment was the only segment to record negative development in fiscal 2010. The previous year's sales revenues had been characterized by a major contact for construction of systems for the production of thin layer solar cells. This contract had largely been concluded in fiscal 2009, and therefore made only a minor contribution to total sales revenues in fiscal 2010. Adjusted for this special effect, though, the solar subsegment did see positive development (+ 37.5 %), as did the glass coating subsegment (+ 67.9 %). After being Pfeiffer Vacuum's largest market in fiscal 2009 (26.0 % of sales revenues), it was relativized in fiscal 2010, where this segment accounted for 14.6 % of total sales revenues. The relative importance of the solar industry for the Corporate Group has declined overall, as well. As opposed to 19.1 % of total sales revenues the year before, this segment accounted for only 6.4 % in fiscal 2010.

Semiconductors The semiconductor industry posted a strong upswing in fiscal 2010, which also impacted the development of this market segment at Pfeiffer Vacuum. We observed especially strong demand from the United States and Taiwan in this market segment. With a growth rate of 121.9 %, sales revenues here more than doubled to stand at € 23.8 million, up sharply from the good years 2007 and 2006. This segment now accounts for 10.8 % of total sales revenues, as opposed to 5.9 % the year before.

Chemical and Process Technology Sales revenue growth in the Corporate Group's smallest market segment (accounting for 4.4 % of total sales revenues in fiscal 2010) was moderately better than for the Corporate Group as a whole. Growth here stemmed predominantly from medical technology.

New orders and orders on hand

Following a relatively weak volume of new orders in the amount of € 161.2 million in 2009, this metric stood at an outstanding € 223.7 million in fiscal 2010. This represents an increase of € 62.5 million, or 38.8 %, nearly matching the record new order volume of € 225.3 million in 2008. In comparing fiscal 2010 with the year 2008, it should be noted that the major contract from the solar industry had a significant positive impact on new orders that year. On the other hand, the level of new orders in fiscal 2010 includes the effects of the initial inclusion of Trinos in the Consolidated Financial Statements. If these two special effects were left out of consideration, there would have been a significant improvement over the pre-crisis volume of new orders in fiscal 2008. This relates predominantly to the field of turbopumps, where there was a significant improvement in the development of new orders by comparison with 2009 (+ 46.5 %), as well as by comparison with 2008 (+19.6 %). Trinos' business operations have also considerably increased the volume of new orders in component business. As opposed to a book to bill ratio – the quotient between new orders and sales – that had stood below 1 in fiscal 2009, at 0.89, fiscal 2010 saw a ratio of 1.01.

The value of orders on hand on December 31, 2010, totaled € 45.0 million. Orders on hand at the companies of the adixen business unit, which was acquired as of December 31, have not been considered herein. As a result, the volume of orders on hand was up € 4.8 million from the previous year's level of € 40.2 million. The Company's well-filled order books as at December 31, 2010, provide us with planning predictability for the initial months of the 2011 fiscal year.

Earnings development

Cost of sales and gross profit

Cost of sales in fiscal 2010 totaled to € 117.6 million, up € 13.9 million from the previous year's level of € 103.7 million. This represents an increase of 13.4 %, which was predominantly attributable to the development of sales revenues. In addition, the previous year's cost of sales had been impacted by extensive modernization, renovation and reorganization expenses. Within the framework of that project, all turbopump manufacturing processes were reorganized in fiscal 2009. This included optimizing the processsteps, themselves, aligning the flow of materials so as to reduce transport distances, as well as the thoroughgoing renovation of the production buildings. As a result, in fiscal 2010 we were able to generate higher sales revenues at lower relative costs and raise gross profit significantly by € 24.6 million, from € 78.3 million to € 102.9 million. In this connection, there was also a significant improvement in gross margin, the ratio between gross profit and sales revenues. As opposed to 43.0 % in 2009, an outstanding 46.7 % was achieved during the year under review. Another factor that also had a positive influence, in addition to efficiency gains, was the product mix, i.e. in concrete terms a greater percentage of products with higher margins.

Selling, general and administrative expenses
Selling, general and administrative expenses totaled € 42.7 million in fiscal 2010. As opposed to € 33.6 million the year before, this represents a significant rise of € 9.1 million, or 27.2 %, which was recorded in connection with both selling and marketing expenses as well as with general and administrative expenses. The rise in selling and marketing expenses was attributable to heightened selling activities in conjunction with the development of sales revenues and the initial inclusion of Trinos in the Consolidated Financial Statements. There was also a rise in general and administrative expenses (€ + 5.9 million). Here, too, the development was impacted by the costs incurred at Trinos. Plus the expenses for consulting services in conjunction with the acquisition of the adixen business unit. In spite of the high absolute changes in selling and administrative expenses, their share of total sales revenues rose only modestly from 18.5 % the year before to 19.4 % for the 2010 fiscal year.

Research and development expenses
As opposed to € 7.2 million the year before, research and development expenses declined moderately to € 7.0 million in fiscal 2010. The share of total sales revenues accounted for by research and development expenses declined from 3.9 % in 2009 to 3.2 % for the fiscal year under review.

Other operating income and other operating expenses
The other operating income and other operating expenses line items predominantly record exchange rate gains and losses within the Corporate Group. All foreign-currency transactions upon which these line items are based are attributable to operating activities and are therefore recorded under operating profit. The balance of other operating income and other operating expenses declined from € 0.2 million to € – 0.3 million. Essentially, the development of the U.S. dollar was the major factor in this connection.

Operating profit
At € 52.9 million, operating profit for fiscal 2010 was up by € 15.1 million, or 40.1%, from the previous year's level of € 37.8 million. This was attributable to the development of sales revenues and the relatively lower rate of cost increases in operational areas. Following a respectable 20.8 % in the crisis year 2009, the EBIT margin, the ratio between operating profit and net sales, stood at an outstanding 24.0 %, and thus within the corridor of our guidance ("more than 23 %"). This margin would have again been higher if not for the nonrecurring expenses in connection with the acquisition of the adixen business unit.

Financial income
Financial expenses increased from € 0.2 million to € 1.8 million, especially in connection with the financing of the adixen acquisition. As a result of realized capital gains on the sale of securities, financial income in fiscal 2010 totaled € 3.4 million (2009: € 0.9 million). On balance, the Company's financial position thus rose from € + 0.7 million to € + 1.6 million in fiscal 2010.

Income taxes
Due to the Company's significantly higher income before taxes, which rose by € 16.1 million, there was also a significant € 5.5 million rise in tax expenses for fiscal 2010 to a total of € 16.2 million. However the tax ratio for the Consolidated Group stood at 29.7 %, up only moderately from the previous year's level (27.9 %), which means that there was virtually no rise in the relative burden.

Net income
With net income totaling € 38.3 million, Pfeiffer Vacuum achieved the highest result in the Company's history. This clearly surpassed the previous year's level of € 27.7 million by € 10.6 million, or 38.4 %, as well as the former record that had been set in fiscal 2008 (€ 38.0 million). The after-tax return on sales rose from 15.2 % the year before to a far-above-average 17.4 %. This was attributable first and foremost to the good development of the Company's operative business and was enhanced by the capital gains realized on the sale of securities. This again puts us in one of the top-ranking positions by international comparison.

Earnings per share
At € 4.40 (2009: € 3.24), earnings per share, too, set a new record. However the growth rate of 35.8 % was slightly lower than that of net income. This was attributable to the fact that the average number of shares outstanding must be taken into consideration in calculating earnings per share. As a result of the 10 % increase of capital and the sale of treasury shares (5.1 % of the previous share capital) in November 2010, this metric rose moderately by comparison with the year before. As in the year before, there continued to be no dilutive effects in fiscal 2010.

Financial position

There was a significant change in the financial position of the Pfeiffer Vacuum Group as a result of the acquisition of adixen as at December 31, 2010. The balance sheet total of € 472.7 million at the close of the 2010 fiscal year has nearly tripled from its level of € 159.1 million as at December 31, 2009. The initial consolidation of the adixen companies in the Consolidated Financial Statements impacted virtually all line items in the balance sheet.

What has changed on the Assets side of the balance sheet, in particular, is the total change of € 91.2 million in the level of goodwill, which is recorded under intangible assets, stemming from the acquisitions of adixen (€ 83.0 million, preliminary) and Trinos (€ 8.2 million). Inventories rose by € 87.0 million to € 104.5 million. Further major changes related to trade accounts receivable (€ + 64.9 million) and property, plant and equipment (€ + 44.5 million). In spite of the considerable volumes of cash flow that were used in conjunction with the corporate acquisitions of Trinos and adixen (including the repayment of financial liabilities this involves), the level of cash and cash equivalents rose from € 62.0 million as at December 31, 2009, to € 85.0 million at the close of the 2010 fiscal year. A detailed analysis on the development of this line item is contained in the following section entitled "Liquidity and cash flow."

MANAGEMENT'S DISCUSSION AND ANALYSIS (Excerpt)

The development of the line items on the Liabilities side of the balance sheet, too, was characterized substantially by the acquisition of adixen, which predominantly impacted trade accounts payable and other payables. Moreover, the financing of the acquisition by means of an increase of capital, the sale of treasury shares and the new bank loan, considerably altered the balance sheet ratios. Because although equity nearly doubled by comparison with the year before (€ 138.3 million) to stand at € 270.0 million as at December 31, 2010, the equity ratio declined from 87.0 % to 57.1 %. But this means that Pfeiffer Vacuum continues to possess above-average equity; and with cash and cash equivalents totaling € 85.0 million and financial liabilities totaling € 78.7 million, the Company shows no net indebtedness.

Liquidity and cash flow

Following the relatively low operating cash flow of € 23.4 million the year before, net cash provided by operating activities improved significantly to € 51.9 million in fiscal 2010, going hand in hand with the better earnings position. This correlates to a significant rise of € 28.5 million, or 121.5 %, which was primarily attributable to the Company's improved income before taxes (€ + 16.1 million) and tax payments that were € 7.0 million lower in fiscal 2010. Moreover, the development of liabilities in fiscal 2010 generated net cash of € 3.4 million (2009: Net cash used € 5.4 million). On the other hand, the rise in inventories reduced net cash provided by € 4.3 million, as opposed to a moderately positive effect in the amount of € 0.7 million the year before. As a result of the significantly higher operating cash flow, the cash flow margin (the ratio between operating cash flow and sales revenues) and cash flow per share were higher in fiscal 2010 than ever before in the Company's history.

Cash flow from investing activities in fiscal 2010 was determined very significantly by the acquisition of the adixen vacuum technology business unit from the Alcatel-Lucent group and the acquisition of Trinos (€ 85.0 million and € 9.9 million, respectively, totaling € 94.9 million). Moreover, € 2.5 million was spent on the acquisition of a further equity investment. Totaling € 4.9 million, considerable capital investments in buildings, for production and manufacturing systems, as well as for software, were again made in fiscal 2010, although they were not quite as extensive as they had been the year before (€ 6.0 million). Detailed comments on the composition of the capital investment volume are contained in the following section entitled "Capital expenditures and financing." Net cash provided in conjunction with the sale and redemption of financial assets totaled € 7.7 million in fiscal 2010, as opposed to € 3.0 million the year before. Taking into consideration the net cash provided from the sale of property, plant and equipment (€ 0.1 million) and the payments made for the acquisition of non-controlling interests (€ 0.2 million), net cash used in investing activities thus totaled € 94.7 million (2009: € 2.9 million).

After always having been able to finance necessary capital expenditures from available liquidity in the past, including the acquisition of Trinos, it was necessary to obtain funding from external sources in conjunction with the acquisition of the adixen vacuum technology business unit in fiscal 2010. Consequently, the net proceeds from the increase of capital (€ 73.0 million), the cash flows generated from the sale of treasury shares (€ 38.5 million) and a new bank loan in the amount of € 67.0 million were recorded within the framework of financing activities. During the year covered by this Report, a total of € 21.0 million of cash flow was used for dividend payments (including € 20.9 million for the shareholders of Pfeiffer Vacuum Technology AG). The redemption of debt at the companies acquired in fiscal 2010 led to € 93.0 million in further net cash flows used. Overall, the Company received net cash flows of € 64.5 million from financing activities. The year before, the dividend payments in the amount of € 28.6 million had been the sole parameter in determining cash flow from financing activities.

As opposed to € 62.0 million as at December 31, 2009, cash and cash equivalents totaled € 85.0 million at the close of the 2010 fiscal year, representing an increase of € 23.0 million, or 37.1 %. In spite of the high level of borrowed capital in fiscal 2010, there were no net financing liabilities, even taking into consideration financial liabilities in the amount of € 78.7 million. Moreover, the Corporate Group enjoys access to free lines of credit totaling € 17.3 million (2009: € 12.3 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 in Asslar 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 financial institutions, dominate in conjunction with financial investments. In the case of securities, only fixed- or variable-rate bond issues from issuers with high credit ratings are fundamentally acquired. These typically consist of bond issues from banks or high-grade industrial bond issuers. We do not engage in speculative transactions.

The new 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 effected at corporate Headquarters, taking into consideration all relevant matters within the Corporate Group.

Capital expenditures and financing

The area of capital expenditures and financing was characterized very significantly by the acquisition of the adixen vacuum technology business unit from the Alcatel-Lucent group. Within the framework of this debt-free acquisition, a total of € 196.9 million was remitted to the seller on December 31, 2010. This amount consists of the redemption of debt in the amount of € 85.0 million and the purchase price for the equity investments in the amount of € 111.9 million.

To finance the purchase price and the redemption of debt, in November 2010 Pfeiffer Vacuum Technology AG issued a total of 897,059 new shares at a computed par value of € 2.56 per share within the framework of a 10 % increase of capital excluding the right of subscription, thereby recording gross placement proceeds totaling € 74.0 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Excerpt)

Moreover, 456,352 treasury shares were sold on the stock market for total proceeds of € 38.5 million. In addition, a € 67.0 million bank loan was taken out at the close of the fiscal year. The shortfall of € 17.4 million needed to pay the entire purchase price was financed through free Corporate Group liquidity.

All shares of Trinos Vakuum-Systeme GmbH (Trinos) had already been acquired as of January 1, 2010. The € 10.0 million purchase price for these shares and the funds required for debt redemption (€ 8.0 million) were financed entirely through available Corporate Group liquidity.

After having expended considerable sums in fiscal 2008 and 2009 for the new Logistics Center and for expanding the production buildings, there were no additions to land and buildings in 2010. Capital expenditures for technical equipment and machinery, on the other hand, were up in fiscal 2010 by comparison with 2009. There was also a rise in expenses in the field of intangible assets, which in fiscal 2010 amounted to € 0.4 million each for software and other intangible assets (2009: € 0.6 million for software).

In spite of the borrowed capital taken out at the close of the 2010 fiscal year, the equity ratio amounted to a far-above-average 57.1 % (87.0 % as at December 31, 2009). Including cash and cash equivalents, the Corporate Group did not record any net financial liabilities as at December 31, 2010. The current assets ratio, the quotient between current assets and current liabilities, amounted to 239 % (2009: 608 %) and, in spite of the far-reaching changes in financial position as a result of the corporate acquisitions, continues to symbolize our sound financing concept and our high credit rating.

Given the above-mentioned capital expenditures of € 4.9 million (excluding corporate acquisitions) and a depreciation expense volume of € 4.2 million in fiscal 2010, the depreciation expense ratio (the ratio between capital expenditures and depreciation expense) totaled 115 %. This means that new capital expenditures in fiscal 2010 were once again greater than the loss of value on existing fixed assets (2009: 162 %).

Early 2011 and Outlook

Early 2011

There have not been any material changes in the Company's position or the industry environment since the beginning of the 2011 fiscal year.

Outlook

General economic development

In fiscal 2010, the world economy recovered surprisingly swiftly from the previous year's serious crisis. It is against this backdrop that predictions should be viewed that call for the world economy to see further growth during the current fiscal year, although in somewhat weaker form. Experts estimate, for example, that world economic growth will be around 4.2 % in 2011, as opposed to 4.9 % last year. In this connection, growth will predominantly be coming from the threshold countries, while the Euro Zone will develop at a below-average pace of 1.5 %. With estimated above-average growth of 2.5 %, Germany will continue to hold a prominent position within the Euro Zone. It is expected that the economic situation in the United States will tend to improve over 2010, with this development being forecast to manifest itself in a growth rate of 3.3 %. In Asia, it is anticipated that China will post the strongest growth rate of 9.5 %, followed by India with 8.0 %. Both of these values represent a modest decline from the high growth rates that had been seen the year before. In the case of the Japanese economy, a growth rate of 1.6 % represents a significant cool-down in growth. In Russia, on the other hand, the economy would appear to be picking up speed with a growth rate of 4.2 %. In South America, Brazil is expected to see a growth rate of 4.1 % and Mexico 3.6 %, which are average for the region.

Mechanical engineering

According to information from the German Association of Machinery and Systems Manufacturers (VDMA), the situation in the mechanical engineering industry improved considerably during the past fiscal year as opposed to the year before, when production had crumbled by 24.5 %. With production output rising by around 6 % from 2009, though, this sector has still not nearly returned to its pre-crisis level. A further 8 % increase in production output is anticipated for the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Excerpt)

What has changed with respect to the regional structure is that China has since moved up to become our most important non-German market, ahead of the United States. A further change that should be noted is that the four BRIC countries (Brazil, Russia, India, China) now are major competitors to German capital goods manufacturers. Although only around one out of every twelve German mechanical engineering companies indicates that its biggest competitor is domiciled in the BRIC countries, almost one out of every two of them believes that their biggest competitor will be coming from one of these countries within five years at the latest. For Pfeiffer Vacuum, this development means that the regional structure of its markets will be shifting away from a focus on Germany and Europe and toward stronger deliveries to the BRIC countries and further Asian nations.

Since the Company's main competitors are also located in Europe and the barriers to entry are quite high, it is initially not being assumed that increasing competitive pressure will be coming from other regions of the world. However we are constantly monitoring the situation in order to be able to respond to changes early on.

Development in the market segments

Pfeiffer Vacuum classifies its customers into the market segments of Analytical Industry, Industrial, Research & Development, Semiconductors and Chemical and Process Technology. Developments in the individual areas are dependent upon various regional and economic paradigms, which makes them difficult to predict in detail. The Analytical Industry market segment, for example, is dependent upon research and quality assurance activities in industry in general, and especially upon the semiconductor segment. General economic trends also play a role in this connection. In the Industrial market segment, new order growth is being governed first and foremost by new product developments as well as by the general trend toward resource conservation. The Research & Development market segment is dependent upon political decisions regarding support for projects and research institutions.

The Semiconductor market segment is considered to be cyclical, experiencing a boom phase during the past fiscal year that is also expected to be sustained in the current fiscal year, although in weaker form. Fundamentally, Pfeiffer Vacuum assumes that there will be general growth in the demand for products from the semiconductor industry as digitalization of everyday activities increases – although this development could be punctuated by brief setbacks in the future.

The Chemical and Process Technology market segment is subject to factors that are similar to those in the Industrial market segment. This segment is very small, and is already organizationally linked to the Industrial market segment. This is why Pfeiffer Vacuum no longer intends to report on this segment individually in the future, but to include it in the Industrial segment.

Development of sales revenues in 2011

The acquisition of the Alcatel-Lucent group's adixen vacuum technology business unit effective December 31, 2010, will more than double Pfeiffer Vacuum's sales revenues during the current 2011 fiscal year. Combining the sales revenues of € 220 million that Pfeiffer Vacuum recorded in 2010 and adixen's calculated sales revenues for 2010 in the amount of € 270 million, and assuming moderate growth in fiscal 2011, results in a sales revenue forecast of at least € 500 million for fiscal 2011. Given no change in the economic environment and assuming a constant level of demand in the vacuum industry, especially in the semiconductor sector, we also anticipate sales revenues in excess of € 500 million for the 2012 fiscal year.

What will be the decisive factor in the short- and medium-term success of this corporate acquisition will be the extent to which we will already be able to boost the sales volume of the Corporate Group in fiscal 2011 through the integration of the two sales and marketing networks. In order to achieve successes as swiftly as possible, multiple projects were launched in this connection right at the beginning of 2011. And the development thus far gives us every reason to be optimistic in viewing the future. As a result of the development of new orders, especially in the fourth quarter of 2010, we anticipate that sales revenues will develop on a positive note – from the baseline of the past fiscal year. As a result of the better overall economic development in the United States and Asia, we expect to see revenue growth in these regions, in particular.

Development of profitability

The development of profitability in fiscal 2011 will be very significantly influenced by adixen's volume of sales revenues. adixen's return on sales and EBIT margin are not on the same high level as those at Pfeiffer Vacuum. This means that there will be a decline in overall margin within the Corporate Group. Plus the fact that we will be taking scheduled depreciation/amortization on certain amounts as a result of the purchase price allocation, thus burdening profitability. The Management Board anticipates an EBIT margin of less than 20 % for fiscal 2011. It is the medium-term goal of the Management Board to increase the EBIT margin to 20 % again.

The capital expenditures that are currently planned for fiscal 2011 total around € 16 million for the entire Corporate Group. In line with our approach in the past, which we feel has proven its worth, we will provide a detailed outlook for the full 2011 fiscal year at the Annual Shareholders Meeting on May 26, 2011. The realignment of our planning that has been necessitated in conjunction with the acquisition of adixen means that it is not yet possible at the present point in time to provide a precise outlook for fiscal 2011.

Dividend
Pfeiffer Vacuum is one of the highest-dividend issues on the German equity market. Pfeiffer Vacuum Technology AG intends to remain true to this philosophy, even though some € 200 million (including redemption of debt in the amount of € 85.0 million) was invested for the acquisition of adixen. Consequently, the Management and Supervisory Boards will propose that a dividend in the amount of € 2.90 per share be distributed for the 2010 fiscal year (2009: € 2.45 per share). The distribution volume of € 28.6 million would again mean that around 75 % of consolidated net income will be paid to our shareholders.

Forward-looking statements
The statements contained in this outlook are based upon assumptions relating to the development of both the overall economy and specific industries in the future. 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.

The 2011 fiscal year will be an especially important one in the history of Pfeiffer Vacuum. The task will be to integrate adixen's business operations into the existing Pfeiffer Vacuum Group as swiftly as possible, to realize the sales potentials anticipated in connection with the acquisition and to thus make this acquisition successful. In doing so, we intend to remain a highly profitable Company and to offer our shareholders a secure and worthwhile financial investment. And these are ambitious goals. However we are confident that, given the development of new orders at the close of the 2010 fiscal year, our strategic alignment toward clearly defined target markets and our current talks with our customers, we will be able to achieve these goals. This assumption is based upon the innovative strength of our Development Department and, last but not least, our well trained and educated, motivated people.

Consolidated Statements of Income Pfeiffer Vacuum Technology AG

(in K €)	**2010**	2009
Net sales	220,475	182,001
Cost of sales	–117,553	–103,694
Gross profit	**102,922**	78,307
Selling and marketing expenses	–26,211	–22,961
General and administrative expenses	–16,518	–10,634
Research and development expenses	–6,993	–7,171
Other operating income	1,424	1,170
Other operating expenses	–1,714	–937
Operating profit	**52,910**	37,774
Financial expenses	–1,798	–239
Financial income	3,416	893
Earnings before taxes	**54,528**	38,428
Income taxes	–16,199	–10,735
Net income	**38,329**	27,693
Thereof attributable to:		
Pfeiffer Vacuum Technology AG shareholders	**38,144**	27,596
Non-controlling interests	185	97
Earnings per share (in €):		
Basic	4.40	3.24
Diluted	4.40	3.24

Consolidated Statements of Comprehensive Income Pfeiffer Vacuum Technology AG

(in K €)	**2010**	2009
Net income	**38.329**	27.693
Other comprehensive income		
Currency changes	2.225	– 248
Results from cash flow hedges	40	568
Revaluation of available-for-sale securities	– 1.293	1.293
Income tax relating to other comprehensive income	– 12	– 164
Other comprehensive income, net of tax	**960**	1.449
Total comprehensive income	**39.289**	29.142
Thereof attributable to:		
Pfeiffer Vacuum Technology AG shareholders	**39.041**	29.006
Non-controlling interests	248	136

Consolidated Balance Sheets Pfeiffer Vacuum Technology AG

(in K €)	**Dec. 31, 2010**	Dec. 31, 2009
Assets		
Intangible assets	93,565	783
Property, plant and equipment	80,582	36,117
Investment properties	616	640
Shares in associated companies	2,150	–
Investment securities	–	4,355
Prepaid pension cost	554	420
Deferred tax assets	5,850	489
Other non-current assets	3,146	1,458
Total non-current assets	**186,463**	44,262
Inventories	104,511	17,546
Trade accounts receivable	85,551	20,623
Receivables from construction contracts	–	5,775
Other accounts receivable	9,581	5,943
Prepaid expenses	1,628	924
Investment securities	–	1,998
Cash and cash equivalents	84,975	61,983
Total current assets	**286,246**	114,792
Total assets	**472,709**	159,054
Shareholders’ equity and liabilities		
Equity		
Share capital	25,261	22,965
Additional paid-in capital	98,862	13,305
Retained earnings	145,652	128,368
Other equity components	– 2,160	– 3,057
Treasury shares	–	– 23,808
Equity of Pfeiffer Vacuum Technology AG shareholders	**267,615**	137,773
Non-controlling interests	2,361	564
Total equity	**269,976**	138,337
Financial liabilities	75,487	–
Provisions for pensions	6,298	1,478
Deferred tax liabilities	1,001	347
Total non-current liabilities	**82,786**	1,825
Trade accounts payable	54,262	3,895
Liabilities from construction contracts	–	187
Other accounts payable	19,120	1,415
Provisions	26,885	8,900
Income tax liabilities	11,868	1,513
Customer deposits	4,642	2,982
Financial liabilities	3,170	–
Total current liabilities	**119,947**	18,892
Total shareholders’ equity and liabilities	**472,709**	159,054

Consolidated Statements of Cash Flows Pfeiffer Vacuum Technology AG

(in K €)	**2010**	2009
Cash flow from operating activities:		
Earnings before taxes	54.528	38.428
Adjustment for financial income/financial expense	665	–842
Financial income received	764	803
Financial expenses paid	–172	–111
Income taxes paid	–8.149	–15.093
Depreciation/amortization	4.244	3.713
Non-cash impairment losses	350	188
Gains from disposals of assets	–2.627	–8
Changes in allowances for doubtful accounts	172	272
Changes in inventory reserves	358	1.017
Effects of changes in assets and liabilities:		
Inventories	–4.327	749
Receivables and other assets	1.508	2.377
Provisions, including pension and income tax liabilities	1.190	–2.626
Payables, other liabilities	3.400	–5.439
Net cash provided by operating activities	**51.904**	23.428
Cash flow from investing activities:		
Payments for acquisitions	–94.878	–
Capital expenditures	–4.889	–6.006
Expenditures from purchase of associated companies	–2.500	–
Expenditures from purchase of non-controlling interests	–225	–
Redemptions/sales of investment securities	7.695	3.000
Proceeds from disposals of fixed assets	138	72
Net cash used in investing activities	**–94.659**	–2.934
Cash flow from financing activities:		
Redemption of financial liabilities	–93.026	–
Dividend payments	–20.860	–28.523
Dividend payments to non-controlling interests	–139	–94
Proceeds from increase of share capital	73.007	–
Proceeds from increase of financial liabilities	67.000	–
Sale of treasury shares	38.530	–
Net cash provided by/used in financing activities	**64.512**	–28.617
Effects of foreign exchange rate changes on cash and cash equivalents	1.235	1.789
Net increase/decrease in cash and cash equivalents	**22.992**	–6.334
Cash and cash equivalents at beginning of period	61.983	68.317
Cash and cash equivalents at end of period	**84.975**	61.983

Financial Calendar 2011

- Annual Results 2010
  Tuesday, March 29, 2011
- 1st Quarter 2011 Results
  Tuesday, May 3, 2011
- 2nd Quarter 2011/1st Half Year 2011 Results
  Tuesday, August 2, 2011
- 3rd Quarter 2011/9-Month 2011 Results
  Thursday, November 3, 2011
- 2011 Annual Shareholders Meeting
  Thursday, May 26, 2011, 2:00 pm
  Stadthalle Wetzlar

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

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