

A PASSION  
FOR PERFECTION

**PFEIFFER**  *VACUUM*

# LETTER TO THE SHAREHOLDERS

FISCAL YEAR 2012

**Combined Expertise**

# Corporate Profile

Pfeiffer Vacuum – a name that stands for innovative solutions, high technology and dependable products, along with first-class service. For more than 120 years, we have been setting standards in vacuum technology with these attributes. One very special milestone was the invention of the turbopump at our Company more than 50 years ago. Thanks to our know-how, we continue to be the technology and world market leader in this field. To no small degree, this also manifests itself in our strong profitability.

Our extensive line of solutions, products and services ranges from vacuum pumps, measurement and analysis equipment right through to complex vacuum systems. And quality always plays a key role in this connection: Products from Pfeiffer Vacuum are constantly being optimized through close collaboration with customers from a wide variety of industries, through ongoing development work and through the enormous enthusiasm and commitment of our people. These are virtues that we will continue to embrace!

Headquarters: Asslar, Germany

Established: 1890

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

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

Workforce worldwide: 2,256 people

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

# Key Figures

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

<sup>1</sup> Subject to the consent of the Annual Shareholders Meeting

Dear Shareholders,

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

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

adixen's strengths lie in backing pumps – in particular dry backing pumps – and leak detectors. Besides these products, the long-term relationship which adixen has built up with major clients is another of its strengths. This frequently

**Dr. Matthias Wiemer**  
Member of the  
Management Board



**Manfred Bender**  
Chairman of the  
Management Board

comes to bear in the semiconductor industry, the largest sales market for vacuum pumps and components. Since this market is highly cyclical, one of our aims is to sell more adixen products to Pfeiffer Vacuum customers.

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

Demand for our products was very strong early in the year, but declined as the year went on due to the global economic slowdown. Year-end sales revenues of € 461.3 million reflected a 11.2% drop over the previous year's figure. This decline is almost exclusively due to the weakness of the solar market. Demand from other markets such as the semiconductor industry, analytics, research and development and other industries remained relatively stable – this also applies for the section of the coatings market not involved in the solar industry. This underlines once again how important it is for us to serve a variety of markets. One advan-

tage of this is that there is no need for us to diversify our business – our customers do it for us.

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

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

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

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

Yours



Manfred Bender,  
Chairman of the Management Board

## Share Highlights and Shareholder Structure

Table: Pfeiffer Vacuum Share Highlights

		2012	2011	2010
Share capital	in € millions	25.3	25.3	25.3
Number of shares issued	in units	9,867,659	9,867,659	9,867,659
Highest trading price	in €	95.00	104.50	90.97
Lowest trading price	in €	66.31	58.53	52.52
Trading price at year-end	in €	91.57	67.62	88.00
Market capitalization <sup>1</sup> at year-end	in € millions	903	667	868
Dividend per share	in €	3.45 <sup>2</sup>	3.15	2.90
Dividend yield	in %	3.8 <sup>2</sup>	4.7	3.3
Earnings per share	in €	4.59	4.19	4.40
Price/earnings ratio		19.9	16.1	20.0
Free-float <sup>1</sup>	in %	100.0	100.0	100.0

<sup>1</sup> Value based upon Deutsche Börse's free-float definition

<sup>2</sup> Subject to the consent of the Annual Shareholders Meeting

### Overview of Holdings according to Voting Rights Notifications

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

# Management's Discussion and Analysis

(Excerpt)

## 2012 Course of Business

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

### Development of sales revenue

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

### Sales by Region

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

#### Europe

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

#### Asia

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

#### The Americas

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

### Sales by products

#### Turbopumps

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

#### Backing pumps

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

### Instruments and components

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

### Service

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

### Systems

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

### Sales by Products

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

### Sales by market

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

### Sales by Market

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

### Semiconductor

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

### Industry

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

### Analytical Industry

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

### Research & Development

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

### Coating

The demand in the solar market as a sub-branch of the coating market segment collapsed in 2012. As a result of the harsh destructive competition by Chinese competitors and cuts in state grants for photovoltaic systems, many of our German solar customers faced significant difficulties that in part jeopardized the existence of their company. Furthermore, there is excess capacity and thus capital expenditure was significantly reduced. While the solar market alone recorded a sales share of 10.1% during the previous year, in 2012 a sales share amounting only to nearly 2% was achieved. This influenced the decline in the coating market segment quite significantly, while other sub-branches such as glass coating or storage media were comparatively stable overall.

### New orders and orders on hand

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

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

### Earnings development

#### Gross profit and Cost of sales

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

#### Selling and administrative expenses

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

#### Research and development expenses

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

#### Other operating income and other operating expenses

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

#### Operating profit

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

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

### Financial income

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

### Income taxes

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

### Net income

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

### Earnings per share

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

### Financial position

As at December 31, 2012, the balance sheet total decreased from € 476.8 million by € 31.1 million to € 445.7 million. On the asset side of the balance sheet the renewed decrease in trade accounts receivable and inventories (€ 6.1 million or € 8.7 million) is particularly noteworthy. As in the previous year, the decrease of intangible assets is almost exclusively the result of the scheduled amortization relating to items recorded within the framework of the adixen acquisition. Cash and cash equivalents declined from € 108.3 million on December, 31, 2011 to € 102.0 million at the end of fiscal 2012.

A detailed analysis of the development of this position is located in the section below, "Liquidity and Cash Flow." With regard to the development of the items on the liabilities side of the balance sheet, the significant decrease in financial liabilities by € 24.4 million and the increase in equity of € 12.3 million are particular noteworthy. The change in equity results primarily from the net income earned in the reported year after taxes (€ 45.3 million) and the dividend payment to shareholders of Pfeiffer Vacuum Technology AG (€ 31.1 million). As a result of the decrease in the balance sheet total with a simultaneous increase in equity, the equity ratio increased from 59.0% to 65.8%. Pfeiffer Vacuum has improved the already above-average capital base and with cash holdings of € 102.0 million and financial liabilities totaling € 52.1 million again shows no net debt position as at December 31, 2012.

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

### Liquidity and cash flow

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

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

The cash flow from financing activities in 2012 was characterized by the dividend payment to shareholders of Pfeiffer Vacuum Technology AG (€ 31.1 million) and the repayment of financial debts (€ 24.6 million). Furthermore, within the scope of the acquisition of still existing shares with non-controlling interests, a cash outflow

of € 2.7 million was paid out to Pfeiffer Vacuum Korea Ltd. A total of € 58.4 million was used for the financing activities. Even in the previous year, the dividend payment (€ 28.6 million), repayment of financial liabilities (€ 5.0 million) and the acquisition of shares with non-controlling interests (€ 1.8 million) were the determinants for cash outflow from financing activities totaling to € 35.5 million.

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

The free cash flow is invested in interest-bearing financial instruments. A cash management system is in place between the German companies in Asslar in order to pool liquidity. Conservative and largely short-term investment vehicles, such as money market or time deposits at financial institutions, dominate in conjunction with financial investments. Speculative transactions are not conducted. The loan in conjunction with the acquisition of the adixen business unit was taken out by the parent corporation. Both liquidity management as well as steering of the interest-rate change risk are thus primarily handled at Corporate Headquarters, taking into consideration all relevant matters within the Corporate Group.

## Capital expenditures and financing

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

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

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

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

## Subsequent Events

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

## Outlook

### General economic development

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

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

### Mechanical engineering

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

### Development in the markets

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

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

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

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

### Development of sales revenue in 2013

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

The level of incoming orders declined in the fourth quarter compared to the third quarter, in line with general trends in the mechanical engineering sector. This is contrasted with a more upbeat mood in

the early weeks of the current financial year. Conclusions should not therefore be drawn about the expected annual turnover from the level of incoming orders at the end of 2012. A quantifiable estimation of sales development is also complicated by the fact that the visibility of our orders is about two months.

### Earnings development

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

### Dividends

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

### Forward-looking statements

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

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

## Financial Calendar 2013

### Tuesday, February 19

Preliminary results for fiscal year 2012

### Friday, March 22

Results for fiscal year 2012

### Tuesday, May 7

Interim report 1st quarter 2013 results

### Tuesday, May 28

Annual Shareholders Meeting 2013

### Tuesday, August 6

Interim report 2nd quarter/1st half year 2013 results

### Tuesday, November 5

Interim report 3rd quarter/9-months 2013 results

## Consolidated Statements of Income

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

## Consolidated Statements of Comprehensive Income

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

# Consolidated Balance Sheets

	Dec. 31, 2012	Dec. 31, 2011
	in K€	in K€
<b>ASSETS</b>		
Intangible assets	87,505	93,688
Property, plant and equipment	93,465	96,331
Investment properties	568	592
Shares in associated companies	1,600	1,950
Prepaid pension cost	684	354
Deferred tax assets	9,926	10,177
Other non-current assets	4,520	3,883
<b>Total non-current assets</b>	<b>198,268</b>	206,975
Inventories	76,194	84,941
Trade accounts receivable	55,262	61,418
Other accounts receivable	11,945	12,789
Prepaid expenses	1,987	2,432
Cash and cash equivalents	102,006	108,293
<b>Total current assets</b>	<b>247,394</b>	269,873
<b>Total assets</b>	<b>445,662</b>	476,848

	Dec. 31, 2012	Dec. 31, 2011
	in K€	in K€
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	25,261	25,261
Additional paid-in capital	96,245	98,147
Retained earnings	172,587	158,418
Other equity components	-665	-1,507
<b>Equity of Pfeiffer Vacuum Technology AG shareholders</b>	<b>293,428</b>	280,319
Non-controlling interests	—	798
<b>Total equity</b>	<b>293,428</b>	281,117
Financial liabilities	50,385	71,473
Provisions for pensions	6,188	7,354
Deferred tax liabilities	14,258	16,556
<b>Total non-current liabilities</b>	<b>70,831</b>	95,383
Trade accounts payable	24,928	26,966
Other accounts payable	20,049	24,844
Provisions	26,136	28,410
Income tax liabilities	3,731	9,429
Customer deposits	4,803	5,613
Financial liabilities	1,756	5,086
<b>Total current liabilities</b>	<b>81,403</b>	100,348
<b>Total shareholders' equity and liabilities</b>	<b>445,662</b>	476,848

# Consolidated Statements of Cash Flows

	2012	2011
	in K€	in K€
<b>Cash flow from operating activities:</b>		
Earnings before taxes	66,262	59,499
Adjustment for financial income/financial expense	1,073	2,078
Financial income received	641	463
Financial expenses paid	-1,678	-2,743
Income taxes paid	-28,081	-21,971
Depreciation/amortization	19,844	21,582
Non-cash impairment losses	350	200
Loss from disposals of assets	36	529
Changes in allowances for doubtful accounts	908	564
Changes in inventory reserves	1,423	2,451
Other non-cash income and expenses	-924	—
Effects of changes in assets and liabilities:		
Inventories	8,028	11,105
Receivables and other assets	6,422	21,109
Provisions, including pension and income tax liabilities	-4,319	-73
Payables, customer deposits	-6,644	-23,630
<b>Net cash provided by operating activities</b>	<b>63,341</b>	71,163
<b>Cash flow from investing activities:</b>		
Capital expenditures	-10,268	-20,766
Proceeds from disposals of fixed assets	318	1,336
Proceeds from divestments	—	5,885
Proceeds from purchase price adjustments	—	1,374
<b>Net cash used in investing activities</b>	<b>-9,950</b>	-12,171

	2012	2011
(continued)	in K€	in K€
<b>Cash flow from financing activities:</b>		
Dividend payments	-31,083	-28,616
Redemptions of financial liabilities	-24,617	-5,015
Expenditures from purchase of non-controlling interests	-2,700	-1,837
<b>Net cash used in financing activities</b>	<b>-58,400</b>	-35,468
Effects of foreign exchange rate changes on cash and cash equivalents	-1,278	-206
<b>Net decrease/increase in cash and cash equivalents</b>	<b>-6,287</b>	23,318
Cash and cash equivalents at beginning of period	108,293	84,975
<b>Cash and cash equivalents at end of period</b>	<b>102,006</b>	108,293



Upon request you will receive a full print version of our Annual Report. Please visit our online version at [www.pfeiffer-vacuum.com](http://www.pfeiffer-vacuum.com)

Pfeiffer Vacuum Technology AG  
Investor Relations

Berliner Straße 43  
35614 Asslar  
Germany

Dr. Brigitte Looß  
T +49 6441 802-1346  
F +49 6441 802-1365  
[Brigitte.Loos@pfeiffer-vacuum.de](mailto:Brigitte.Loos@pfeiffer-vacuum.de)

[www.pfeiffer-vacuum.com](http://www.pfeiffer-vacuum.com)