

A PASSION
FOR PERFECTION

PFEIFFER  VACUUM

Future

LETTER TO THE SHAREHOLDERS

FISCAL YEAR 2013

Corporate Profile

Pfeiffer Vacuum – a name that stands for innovative solutions, high technology and dependable products, along with first-class service. For more than 120 years we have been setting standards in vacuum technology with these attributes. One very special milestone was the invention of the turbopump at our Company more than 50 years ago. Thanks to our know-how, we continue to be the technology and world market leader in this field. To no small degree, this also manifests itself in our strong profitability. Our extensive line of solutions, products and services ranges from vacuum pumps, measurement and analysis equipment right through to complex vacuum systems. And quality always plays a key role in this connection: Products from Pfeiffer Vacuum are constantly being optimized through close collaboration with customers from a wide variety of industries, through ongoing development work and through the enormous enthusiasm and commitment of our people. These are virtues that we will continue to embrace!

- Headquarters: Asslar, Germany
- Established: 1890
- Purpose of the Company: To develop, manufacture and market components and systems for vacuum generation, measurement and analysis
- Manufacturing sites: Asslar and Göttingen, Germany; Annecy, France; Asan, Republic of Korea; Cluj, Romania
- Workforce worldwide: 2,235 people

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

Key Figures

		2013	2012 ²	Change
Sales and profit				
Total sales	K€	408.727	461.327	-11,4 %
Germany	K€	76.652	89.576	-14,4 %
Other countries	K€	332.075	371.751	-10,7 %
Operating profit	K€	50.523	68.477	-26,2 %
Net income	K€	34.815	45.824	-24,0 %
Return on sales	%	8,5	9,9	-1,4 Pp
Operating cash flow	K€	47.928	63.341	-24,3 %
Balance sheet				
Total shareholders' equity and liabilities	K€	430.537	451.346	-4,6 %
Cash and cash equivalents	K€	95.129	102.006	-6,7 %
Shareholders' equity	K€	276.010	276.983	-0,4 %
Equity ratio	%	64,1	61,4	2,7 Pp
Return on equity	%	12,6	16,5	-3,9 Pp
Capital expenditures	K€	10.274	10.268	0,1 %
Workforce				
Workforce (average)		2.219	2.270	-2,2 %
Germany		820	806	1,7 %
Other countries		1.399	1.464	-4,4 %
Personnel costs	K€	130.724	130.581	0,1 %
Per employee	K€	59	58	1,7 %
Sales per employee	K€	184	203	-9,4 %
Per share				
Earnings	€	3,53	4,64	-23,9 %
Dividend	€	2,65 ¹	3,45	-23,2 %

¹ Subject to the consent of the Annual General Meeting

² Due to the retroactive application of IAS 19 prior year numbers were partly adjusted

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



Manfred Bender
Chairman of the
Management Board

Dear shareholders, employees and business associates,

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

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

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

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

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

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

Yours,
M. Bender

Manfred Bender
Chairman of the Management Board

Share Highlights and Shareholder Structure

Overview of Holdings according to Voting Rights Notifications

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

Pfeiffer Vacuum Share Highlights

		2013	2012	2011
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 €	99.55	95.00	104.50
Lowest trading price	in €	76.50	66.31	58.53
Trading price at year-end	in €	98.93	91.57	67.62
Market capitalization ¹ at year-end	in € millions	976	903	667
Dividend per share	in €	2.65 ²	3.45	3.15
Dividend yield	in %	2.7 ²	3.8	4.7
Earnings per share	in €	3.53	4.64	4.19
Price/earnings ratio		28.0	19.7	16.1
Free-float ¹	in %	100.0	100.0	100.0

¹ Value based upon Deutsche Börse's free-float definition

² Subject to the consent of the Annual General Meeting

Management's Discussion and Analysis

(Excerpt)

2013 Course of Business

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

Development of sales revenue in 2013

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

Sales by region

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

Europe

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

Asia

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

The Americas

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

Sales by products

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

Turbopumps

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

Instruments and components

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

Backing pumps

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

Service

The installed basis of products from the Pfeiffer Vacuum Group create a sound base for our service activities. The aggressive and corrosive process conditions, in part, under which the pumps are used, particularly in the semiconductor industry, make regular maintenance an absolute necessity. As in the past, our customers opt for maintenance rather than replacement. After an already

pleasing development in 2012, it was possible to increase sales even further in the past fiscal year. The growth rate was 4.4%.

Systems

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

Sales by market

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

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

Semiconductor

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

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

Industry

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

Analytics

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

Research & Development

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

Coating

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

New orders and orders on hand

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

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

Earnings development

Gross profit and Cost of sales

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

Selling and administrative expenses

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

Research and development expenses

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

Other operating income and other operating expenses

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

Operating profit

As a consequence of the decline in sales revenues, the operating profit decreased from € 68.5 million in the previous year to € 50.5 million in the past year. A pleasing effect is the fact that the drop in sales revenues was softened by continued reorganization measures and that it was still possible to achieve an EBIT margin of 12.4%. The amount of depreciation and amortization (for tangible and intangible assets) included in this figure was recorded at € 20.2 million for 2013 (previous

year: € 19.8 million), which results in operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization, EBITDA) of € 70.7 million. After € 88.3 million in 2012, this equals a reduction of € 17.6 million or 19.9%.

Financial income

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

Income taxes

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

Net income

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

Earnings per share

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

Financial position

As at December 31, 2013, the balance sheet total of the Pfeiffer Vacuum Group decreased by € 20.8 million from € 451.3 million to € 430.5 million. On the asset side of the balance sheet the renewed decrease in trade accounts receivable and inventories (€ 6.2 million and € 1.1 million respectively) is particularly noteworthy. Income tax receivables developed contrary to this pattern, having risen by € 3.8 million to € 5.9 million. This was primarily due to capitalized tax refund claims. As in the previous year, the decrease in intangible assets is again almost exclusively the result of scheduled amortization relating to items recorded within the framework of the adixen acquisition. Property, plant and equipment

decreased in net terms by € 4.6 million. Capital expenditures of € 9.4 million were offset by depreciation and amortization amounting to € 13.3 million. Cash and cash equivalents declined from € 102.0 million on December, 31, 2012 to € 95.1 million at the end of fiscal 2013. A detailed analysis of the development of this item is located in the section "Liquidity and cash flow" below.

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

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

Liquidity and cash flow

At € 47.9 million in 2013, the operating cash flow was € 15.4 million below the previous year's figure of € 63.3 million. Besides the low earnings before taxes (€ –17.1 million) and the correspondingly low income tax payments (€ –6.6 million), the increase in receivables and other assets amounting to € 4.4 million, impacted negatively on the operating cash flow. In the previous year, positive effects of € 6.4 million were still recorded here. From further optimization of inventories, a positive effect of € 2.3 million (previous year: € 8.0 million) resulted in 2013, while from the development of liabilities and customer deposits in the past reporting year burdens of € 1.9 million were recorded, following € 6.6 million in the previous year. The cash flow per share of € 6.42 in fiscal 2012 decreased to € 4.86 in the past fiscal year 2013. The still high level of this figure shows the unchanged capacity of the Pfeiffer Vacuum Group to generate disproportionately high cash inflows within the framework of operational activities.

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

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

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

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

Capital expenditures and financing

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

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

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

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

Outlook

General economic development

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

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

Mechanical engineering

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

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

Development in the markets

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

The Semiconductor market segment is regarded as cyclical in nature and, after a sharp downturn at the beginning of the year, later began a slight recovery. Signals from the market point to further upward movement. While some large companies were able to report record profits again, the chip manufacturers are still busy with the next generations of their product lines. In the current fiscal year, the course of this market segment will therefore depend on how quickly and extensively these customers invest in new production facilities and technologies. Pfeiffer Vacuum

strongly believes that the demand for products from the semiconductor industry will generally grow at an above-average rate in view of the increasing complexity of digital innovations in almost all areas of everyday life – even if this development is typically characterized by a strong cyclical nature.

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

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

Development of sales in 2014

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

Earnings development

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

Dividend

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

Forward-looking statements

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

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

Financial Calendar 2014

Friday, February 21

Preliminary results for fiscal year 2013

Thursday, March 20

Results for fiscal year 2013

Tuesday, May 6

Interim report 1st quarter 2014 results

Thursday, May 22

Annual General Meeting 2014

Tuesday, August 5

Interim report 2nd quarter/1st half-year 2014 results

Tuesday, November 4

Interim report 3rd quarter/9-month 2014 results

Consolidated Statements of Income

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

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

Consolidated Statements of Comprehensive Income

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

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

Consolidated Balance Sheets

(Excerpt)

in K€	Dec. 31, 2013	Dec. 31, 2012 adjusted ¹
ASSETS		
Intangible assets	81,397	87,505
Property, plant and equipment	88,897	93,465
Investment properties	544	568
Shares in associated companies	1,600	1,600
Deferred tax assets	16,064	16,294
Other non-current assets	4,027	4,520
Total non-current assets	192,529	203,952
Inventories	69,975	76,194
Trade accounts receivable	54,128	55,262
Income tax receivables	5,909	2,084
Other accounts receivable	11,153	9,861
Prepaid expenses	1,714	1,987
Cash and cash equivalents	95,129	102,006
Total current assets	238,008	247,394
Total assets	430,537	451,346

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

in K€	Dec. 31, 2013	Dec. 31, 2012 adjusted ¹
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity		
Share capital	25,261	25,261
Additional paid-in capital	96,245	96,245
Retained earnings	173,931	173,159
Other equity components	-19,427	-17,682
Equity of Pfeiffer Vacuum Technology AG shareholders	276,010	276,983
Non-controlling interests	—	—
Total equity	276,010	276,983
Financial liabilities	40,945	50,385
Provisions for pensions	27,941	28,916
Deferred tax liabilities	10,690	13,659
Total non-current liabilities	79,576	92,960
Trade accounts payable	23,362	24,928
Other accounts payable	18,785	20,049
Provisions	23,519	26,136
Income tax liabilities	3,254	3,731
Customer deposits	5,481	4,803
Financial liabilities	550	1,756
Total current liabilities	74,951	81,403
Total shareholders' equity and liabilities	430,537	451,346

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

Consolidated Statements of Cash Flows

in K€	2013	2012 adjusted ¹
Cash flow from operating activities:		
Earnings before taxes	49,950	67,054
Adjustment for financial income/financial expense	573	1,073
Financial income received	566	641
Financial expenses paid	-1,027	-1,678
Income taxes paid	-21,503	-28,081
Depreciation/amortization	20,218	19,844
Non-cash impairment losses	—	350
Gain/loss from disposals of assets	-54	36
Changes in allowances for doubtful accounts	357	908
Changes in inventory reserves	2,971	1,423
Other non-cash income and expenses	-856	-1,716
Effects of changes in assets and liabilities:		
Inventories	2,321	8,028
Receivables and other assets	-4,413	6,422
Provisions, including pension and income tax liabilities	696	-4,319
Payables, other liabilities	-1,871	-6,644
Net cash provided by operating activities	47,928	63,341
Cash flow from investing activities:		
Capital expenditures	-10,274	-10,268
Proceeds from disposals of fixed assets	237	318
Net cash used in investing activities	-10,037	-9,950

(continued)	2013	2012 adjusted ¹
Cash flow from financing activities:		
Dividend payments	-34,043	-31,083
Redemptions of financial liabilities	-10,775	-24,617
Expenditures from purchase of non-controlling interests	—	-2,700
Net cash used in financing activities	-44,818	-58,400
Effects of foreign exchange rate changes on cash and cash equivalents	50	-1,278
Net decrease in cash and cash equivalents	-6,877	-6,287
Cash and cash equivalents at beginning of period	102,006	108,293
Cash and cash equivalents at end of period	95,129	102,006

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



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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