

Thinking further

LETTER TO THE SHAREHOLDERS

FISCAL YEAR 2015

Corporate Profile

Pfeiffer Vacuum – a name that stands for innovative solutions, high technology and dependable products, along with first-class service. For more than 125 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 exceptional 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 as well as for leak detection
- **Manufacturing sites:** Asslar, Germany; Göttingen, Germany; Annecy, France; Asan, Republic of Korea; Cluj, Romania
- **Workforce worldwide:** 2,374 people

Key Figures

		2015	2014	Change
Sales and profit				
Total sales	κ€	451,521	406,642	11.0 %
Germany	κ€	75,846	75,743	0.1 %
Other countries	κ€	375,675	330,899	13.5 %
Operating profit	κ€	60,759	44,744	35.8 %
Net income	κ€	41,916	32,419	29.3 %
Return on sales	%	9.3	8.0	1.3 Pp
Operating cash flow	κ€	59,653	52,327	14.0 %
Balance sheet				
Total shareholders' equity and liabilities	κ€	453,527	429,078	5.7 %
Cash and cash equivalents	κ€	115,397	101,468	13.7 %
Shareholders' equity	κ€	305,024	279,728	9.0 %
Equity ratio	%	67.3	65.2	2.1 Pp
Return on equity	%	13.7	11.6	2.1 Pp
Capital expenditures	κ€	11,655	10,012	16.4 %
Workforce				
Workforce (average)		2,324	2,261	2.8 %
Germany		872	847	3.0 %
Other countries		1,452	1,414	2.7 %
Personnel costs	κ€	151,996	134,391	13.1 %
Per employee	κ€	65	59	10.2 %
Sales per employee	κ€	194	180	7.8 %
Per share				
Earnings	€	4.25	3.29	29.2 %
Dividend	€	3.20 ¹	2.65	20.8 %

¹ Subject to the consent of the Annual General Meeting

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

Dear shareholders,
 dear employees,
 dear friends of the company,

The year 2015, our anniversary year, was successful in every respect for Pfeiffer Vacuum.

A possible indicator of this success was the respectable volume of incoming orders recorded in the fourth quarter of the previous year, and sales then indeed went on to develop very positively. By the end of 2015, with a figure of € 451.5 million, we were able to report that sales were up 11.0 % against 2014. All market segments contributed to this growth. The main growth drivers, however, were the semiconductor and analytics markets.

In the semiconductor market, capital expenditure by our customers rose again following three years of restraint. In analytics, we benefited from the continued high demand for analyzing equipment, the products into which our customers incorporate our pumps. We have been able to consolidate and sustain our large market share. We are proud of the fact that numerous manufacturers of high-quality analyzers put their trust in the quality and performance capability of our pumps. As a result of this high demand, we produced more turbopumps and rotary vane pumps than ever before. It was an enormous challenge to achieve this with our existing capacities – particularly at the start of the year. In its further course, our production increasingly picked up speed. This high momentum has also continued into the beginning of 2016.

Our earnings – from gross profit and operating profit to net income – followed this positive trend and increased disproportionately.

This was the result of volume effects, the product mix, and initial successes notched up by our cost-saving measures, which are part and parcel of the GAP 2017 program. The aim of our GAP 2017 program (Growth and Profitability 2017) is to get Pfeiffer Vacuum into good shape for the future. No matter how elated we are at the excellent year we had in 2015, it would not do to close our eyes to the fact that the world we live and work in is in a constant state of change. Growing volatility is something we particularly need to take in our stride in view of ever shortening cycles.

We were able to well and truly celebrate the occasion of our anniversary against the backdrop of the company's good performance. A wide variety of activities took place throughout the year under the banner of "125 years of Pfeiffer Vacuum – Nothing is better". This included added trade fair appearances, a customer day, a staff day with several thousand visitors, a charity campaign, and a big party. 125 years were celebrated in style and in spite of this, or perhaps because of this, record production figures were attained. The fact that our share price also reached a record high speaks for itself.

Shareholders appreciate the great stability of our company – even in less positive years, Pfeiffer Vacuum has always been highly profitable – and, not least of all, the high dividend. Our proposal for 2015 will be in keeping with this tradition. At € 3.20 per share, we once again wish to distribute 75 percent of our net income, under the proviso that this proposal is approved at the Annual General Meeting.

By the time of the Annual General Meeting at the end of May, we will be in a position to assess whether 2016 will be equally successful. The staff and management of our company are certainly pulling out all the stops to achieve this.

In addition to our business figures, this Annual Report also gives numerous examples of the trends we anticipate for the future and the role that vacuum technology is expected to play.

I wish you an enjoyable time reading this report.

Yours,
 Manfred Bender

Manfred Bender
 Chairman of the Management Board

Manfred Bender, Chief Executive Officer
Dr. Matthias Wiemer, Member of the Management Board

Vacuum technology is essential to help shape our future. To promote green energy and electromobility, to safeguard our food supply and maintain our life quality at home and at work. To secure a dependable standard of living for tomorrow. Thinking further to the future is what our business is.



Share Performance

Share highlights and Shareholder Structure

Overview of Holdings according to Voting Rights Notification

in %	Dec. 31, 2015
Pangea GmbH / Busch-Holding GmbH, Maulburg	27.19
Hakuto, Tokyo	3.48
Allianz Global Investors, Frankfurt	3.08

Pfeiffer Vacuum Share Data

		2015	2014	2013
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 €	115.60	102.05	99.55
Lowest	in €	65.69	56.21	76.50
Trading price at year-end	in €	93.55	68.60	98.93
Market capitalization at year-end	in € millions	923	677	976
Dividend per share	in €	3.20 ¹	2.65	2.65
Dividend yield	in %	3.4 ¹	3.9	2.7
Earnings per share	in €	4.25	3.29	3.53
Price/earnings ratio		22.0	20.9	28.1
Free float	in %	72.81	100.0	100.0

¹ Subject to consent of the Annual General Meeting

Management's Discussion and Analysis (Excerpt)

2015 Course of Business

Profitability

- Net sales rose noticeably by € 44.9 million or 11.0 % to € 451.5 million
- The gross margin increased substantially due to economies of scale and product mix from 35.3 % to 38.9 %
- Operating profit at € 60.8 million noticeably higher than the figure for the previous year; + 35.8 %
- Operating profit margin also rose noticeably from 11.0 % to 13.5 %
- Net income stands at € 41.9 million, earnings per share at € 4.25
- Management Board and Supervisory Board propose a considerably higher dividend payout of € 3.20 per share

With a rise of 11.0 % to € 451.5 million, sales in the past fiscal year stood noticeably over the level of the previous year (€ 406.6 million). Particularly as a result of the growth in demand of our semiconductor customers, of the improved sales momentum in analytics, and of the positive exchange rate effects, the noticeable sales growth that was formulated as a goal in the previous year's outlook was achieved. The substantiation of this forecast at the last shareholders' meeting with an expected sales volume of between € 430 and € 450 million was, in fact, slightly surpassed due to the reasons stated above.

Sales by region

Sales by Region	2015	2014	Change	
	in € millions	in € millions	in € millions	in %
Europe	187.0	183.2	3.8	2.1
Asia	151.5	130.3	21.2	16.3
The Americas	112.4	92.6	19.8	21.3
Rest of World	0.6	0.5	0.1	18.5
Total	451.5	406.6	44.9	11.0

Europe

Despite the restrained development in Europe, with € 187.0 million, this region remains the area with the highest sales. The increase totaling € 3.8 million was the result of a gratifying development in Great Britain and the Netherlands, while in the remaining countries in Europe, almost all were able to reach the level of sales attained in the previous year.

Asia

The volatility in demand from the semiconductor industry particularly impacted the development of sales in the Asian region. Following a substantial decline of € 13.6 million in the previous year, this region showed a significant growth in demand of € 21.2 million or 16.3%. This positive development was not restricted to individual countries within the region but was recorded virtually everywhere with the exception of Japan. This development was driven predominantly by the Semiconductor and Analytics market segment.

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 units in this region, this development largely conforms to the previously explained course of sales according to segments. Along with the positive sales development in North and South America, the share of total sales improved significantly from 22.8% in the previous year to 24.9% in 2015.

Sales by product

Sales by Product	2015	2014	Change	
	in € millions	in € millions	in € millions	in %
Turbopumps	144.8	124.7	20.1	16.1
Backing pumps	102.4	89.4	13.0	14.5
Instruments and components	98.8	96.9	1.9	1.9
Service	96.7	85.0	11.7	13.8
Systems	8.8	10.6	- 1.8	- 17.0
Total	451.5	406.6	44.9	11.0

Turbopumps

With an increase of € 20.1 million or 16.1%, sales of turbopumps in fiscal 2015 recorded the best development, both in absolute and relative terms. This encouraging result came from an overall extremely positive development in the individual target markets, with the Analytics and Industry market segments deserving positive mention in this regard. The share of total revenue was 32.0% (previous year: 30.7%), which means the turbopumps again represented the strongest product group in 2015.

Backing pumps

In addition to turbopumps, sales from backing pumps also showed a very encouraging development. With an increase of € 13.0 million or 14.5%, this product group moved up into second place again ahead of instruments and components. In regional terms, the increase resulted particularly from the USA and Asia, while Europe recorded a largely constant development.

Instruments and components

With an increase of 1.9%, sales of instruments and components only slightly exceeded the level of the previous year. Representing a share of 21.9% of total sales, however, this product group remains an important pillar of Pfeiffer Vacuum and contributes substantially to the very well-balanced distribution of sales according to product groups.

Service

The installed basis of products from the Pfeiffer Vacuum Group creates a sound foundation for our service activities. The partly aggressive and corrosive process conditions under which the pumps are used, particularly in the semiconductor industry, make regular maintenance an absolute necessity. Similarly to the previous year, the very good development in 2015, with an increase of 13.8 %, also resulted primarily from increased sales to our semiconductor customers.

Systems

Sales in this project-driven sector fell slightly from € 10.6 million in the previous year to € 8.8 million in the past fiscal year.

Sales by market

Sales by Market	2015	2014	Change	
	in € millions	in € millions	in € millions	in %
Semiconductor	139.9	118.4	21.5	18.1
Industry	115.0	107.2	7.8	7.3
Analytics	91.7	78.7	13.0	16.6
Research & Development	55.6	55.2	0.4	0.6
Coating	49.3	47.1	2.2	4.7
Total	451.5	406.6	44.9	11.0

Semiconductor

The very positive development in the semiconductor industry in the USA from 2014 continued into 2015, although its momentum was somewhat dampened. The predominant impetus in this market in 2015, however, came from Asia, particularly from the Republic of Korea. Overall, we recorded a significant increase in sales of € 21.5 million to € 139.9 million (previous year: € 118.4 million).

Industry

Our most heterogeneous market segment includes a broad range of customers from the automotive and the metalworking up to the food industry. It recorded a very positive increase in sales of 7.3 % in fiscal 2015. In view of the heterogeneous nature of this market segment, positive and negative trends in individual areas are balanced out extremely well. The positive trend resulted particularly from the USA and Europe, where our largest customers in this market segment reside.

Analytics

With an increase of € 13.0 million, this market segment recorded a very encouraging trend. Our customers in this sector use the whole range of products, even if the focus is on turbopumps. Accordingly, the development of sales with turbopumps was impacted substantially by this market segment.

Research & Development

At € 55.6 million, sales in the Research & Development market segment – our most stable segment – were virtually on a par with the previous year's level (€ 55.2 million). Due to the high number of state-owned and partly state-owned research institutes, this segment developed largely independently of economic trends. Typical as well is the development within the fiscal year: slightly more restrained summer months and a much stronger fourth quarter, which was also observed in 2015.

Coating

The Coating market segment again recorded a slight increase in 2015. The solar branch continues to have great potential for development in this segment, and we felt initial impulses from this industry, particularly at the beginning of the past fiscal year. However, the further course of the year showed a trend to more restraint here.

Order intake and order backlog

After an order intake of € 404.9 million in 2014, this figure amounted to € 456.9 million in 2015, which represents a considerable increase of € 52.0 million or 12.8 %. This pleasing development was recorded in all product areas. Of particularly positive note was the development of order intake in the first six months of the year, while the momentum slowed down somewhat in the second half of 2015. The volume of new orders in the current year is looking better, according to present information. After 1.00 in the previous year, the book-to-bill ratio, the ratio between order intake and sales, stood at 1.01 in 2015. The order backlog as of December 31, 2015, totaled € 64.7 million, and was 9.1 % over the previous year's figure of € 59.3 million. The visibility of orders on the basis of the average sales in 2015 remains unchanged at about two months.

Earnings development

Gross profit and Cost of sales

The cost of sales in 2015 increased to € 276.0 million – predominantly due to the growth in sales. After € 263.3 million in fiscal 2014, this represents an increase of € 12.7 million or 4.8 %. By means of economies of scale and the parallel improvement of the product mix in favor of higher-margin products, the development of the cost of sales was notably and disproportionately low compared to the development of sales.

Accordingly, we were able to achieve a significant improvement in the gross profit and the gross margin, the ratio of gross profit to sales.

After € 143.4 million in the previous year, the gross profit in the past fiscal year was a superb € 175.5 million, and the gross margin rose substantially from 35.3 % in the previous year to currently 38.9 %. This means that the gross profit increased by an impressive € 32.1 million and the gross margin by 3.6 % points. In addition to the positive effects referred to previously from the product mix and the economies of scale, the euro, which remained weak during the course of the year, impacted the development of the gross profit and the gross margin favorably.

Selling and administrative expenses

After € 82.6 million in fiscal 2014, the total figure for selling and administrative expenses amounted to € 95.7 million in 2015. This marked a noticeable increase of € 13.1 million. Viewed in isolation, the selling and marketing costs rose by € 7.1 million to € 59.9 million (previous year: € 52.8 million), while the general and administrative expenses increased by € 6.0 million to € 35.8 million (previous year: € 29.8 million). Despite the higher sales basis, the ratio of selling and administrative expenses to sales increased from 20.3 % in the previous year to 21.2 % in the fiscal year under review. In addition to adverse exchange rate impacts, the reasons for the substantial increase were to be found particularly in one-time effects in connection with the 125-year anniversary of the Company and also in a strategic consulting project in the second half of the year.

Research and development expenses

We are continuously 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. Accordingly, a high share of sales was expended for research and development activities again in 2015. After 5.9 % in the previous year, this percentage share still amounted to 5.6 % despite the good development of sales. In absolute terms, the research and development expenses totaling € 25.5 million in the past fiscal year were € 1.6 million over the previous year's figure of € 23.9 million. Adjusted for funds obtained through grants for research and development activities with an amount of € 4.4 million (previous year: € 4.0 million), the net research and development expenses totaled € 21.1 million (previous year: € 19.9 million).

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 € 13.3 million (previous year: € 10.2 million) in addition includes subsidies for expenses in an amount of € 4.4 million (previous year: € 4.0 million). In 2015, too, the other operating expenses of € 6.9 million (previous year: € 2.2 million) included virtually only the foreign exchange losses recorded. The net foreign exchange results in 2015 at € +2.0 million were slightly below the previous year's figure of € +3.9 million.

Operating profit

The gross profit, which had grown strongly by € 32.1 million through positive economies of scale and a favorable product mix, was partially diluted by € 14.7 million due to the increase in the selling and administrative expenses and the research and development costs. Added to this is the slightly lower balance from other operating income and other operating expenses (€ – 1.6 million). Nevertheless, we are very pleased with the development of business in 2015, since the operating profit at € 60.8 million is an impressive € 16.1 million or 35.8 % over the previous year's figure of € 44.7 million. This corresponds to an equally noticeable improvement in the operating profit margin, or EBIT margin, of 13.5 % (previous year: 11.0 %). The amount of depreciation and amortization (for tangible and intangible assets) included in this figure was recorded at € 20.7 million (previous year: € 20.5 million) for 2015, which results in operating profit before depreciation and amortization (earnings before interest, taxes, depreciation, and amortization, EBITDA) of € 81.5 million. After € 65.2 million in 2014, this also means a significant increase of € 16.3 million or 24.8 %.

Financial income

As a result of the continued decline in interest rates and the redemption of financial liabilities undertaken again in 2015, both financial income and financial expenses decreased once again in the past fiscal year. The result was a slight improvement in the financial income from € – 0.5 million in the previous year to € – 0.3 million in 2015.

Income taxes

As a consequence of the higher earnings before taxes, the tax expenses also rose in 2015 to € 18.5 million. After € 11.9 million in the previous year, this means an increase of € 6.6 million. The relative burden in the form of the tax ratio also increased. After a very low 26.8 % in the previous year, this ratio stood at 30.7 % in 2015. This increase is caused particularly by payments of tax arrears for previous years.

Net income

Despite higher burdens from the increased tax rate for the Group, the net income in fiscal 2015 showed a very pleasing increase to € 41.9 million. After € 32.4 million in the previous year, this corresponds to a growth of € 9.5 million or 29.3 %. The net return on sales, i.e. the ratio of net income to sales, also rose significantly from 8.0 % in the previous year to 9.3 %.

Earnings per share

The earnings per share at € 4.25 were also substantially above the recorded figure of the previous year (€ 3.29). The relative change of € 0.96 also corresponded to the change in net income, since as in the year before, there continued to be no dilutive effects in fiscal 2015.

Financial position

After € 429.1 million as of December 31, 2014, the balance sheet total of the Pfeiffer Vacuum Group as of December 31, 2015, rose to € 453.5 million. This increase of € 24.4 million on the asset side of the balance sheet is substantially due to the rise in inventories (€ + 13.5 million) and the renewed increase in cash and cash equivalents. The largest balance sheet item, taken together, of cash and cash equivalents increased from € 101.5 million at the end of fiscal 2014 to € 115.4 million on December 31, 2015, and so rose by € 13.9 million. A detailed analysis of the development of cash and cash equivalents is given in the section "Liquidity and cash flow". The fixed assets in particular developed contrary to the rise in inventories and cash and cash equivalents. As in the previous years, the decrease in intangible assets here was again almost exclusively the result of scheduled amortization relating to items recorded within the framework of the adixen acquisition. Tangible fixed assets decreased by a net € 2.8 million. This development was primarily influenced by capital expenditures of € 10.3 million and scheduled depreciation of € 13.5 million (previous year: € 9.0 million or € 13.5 million). With regard to the development of the items on the liabilities side of the balance sheet, the redemption-based decrease in financial liabilities by € 10.5 million is particularly noteworthy. In contrast, the provisions and other liabilities recorded increases (€ + 8.0 million in total).

Equity rose significantly by € 25.3 million from € 279.7 million to € 305.0 million. This noticeable change is primarily the result of net income after taxes earned in the year under review (€ 41.9 million) and the dividend payment to Pfeiffer Vacuum Technology AG shareholders (€ 26.1 million) as well as the net € 9.5 million increase in other equity components. The equity ratio increased from 65.2 % to 67.3 %. Pfeiffer Vacuum has improved the already above-average capital base compared to the volume of business, and with cash holding of € 115.4 million and financial liabilities totaling € 20.7 million again records no net debt position as at December 31, 2015. Due to the increase in the volume of business, net working capital also rose. The increase amounted to € 16.7 million.

Liquidity and cash flow

After € 52.3 million in fiscal 2014, the operating cash flow was € 59.7 million in 2015. This represents a pleasing increase of € 7.4 million. Contrary to the higher earnings before taxes (€ + 16.2 million), it was mainly the increase in inventories amounting to € 15.5 million that negatively impacted on the operating cash flow. In the previous year, positive effects of € 3.8 million were recorded here. A positive effect of payables and customer deposits amounting to € 6.6 million received was recorded in 2015, while in the previous year, burdens of € 7.4 million were reported. The cash flow per share of € 5.30 in 2014 increased markedly to € 6.05 in fiscal 2015. The again increased 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 of € 11.7 million (previous year: € 10.0 million) were to be seen against proceeds from the sale of property, plant and equipment amounting to € 0.7 million (previous year: € 0.3 million), with the result that after € 9.7 million in 2014, the overall cash outflow totaled € 11.0 million. Further information on the composition of capital expenditure can be found in the section "Capital expenditures and financing".

As in the previous years, the cash flow from financing activities in 2015 was characterized solely by the dividend payment to Pfeiffer Vacuum Technology AG shareholders (€ 26.1 million) and the repayment of financial debt (€ 10.5 million). In 2015, the cash outflow therefore totaled € 36.6 million. In the previous year, the dividend payment of € 26.1 million and the repayment of financial debt (€ 10.5 million) resulted in a cash outflow from financing activities amounting to € 36.7 million.

In light of the currency effects, the cash inflow totaled € 13.9 million (previous year: € 6.3 million) and led to an increase in cash and cash equivalents by 13.7 % to € 115.4 million. Thus, taking into account financial liabilities (€ 20.7 million, thereof € 10.5 million short-term), there are still no outstanding net liabilities. Furthermore, the Company had unused credit lines amounting to € 41.0 million (previous year: € 28.1 million).

The free liquidity 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 were financed as in previous years solely by internal funds of the Corporate Group. In addition, again in 2015, existing financial liabilities in the amount of € 10.5 million were repaid. Capital expenditures in the amount of € 11.7 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 2015 (€ 10–12 million).

The balance sheet total of the Pfeiffer Vacuum Group has long demonstrated a very solid capital base. After an equity ratio of 65.2 % at the end of the 2014 fiscal year, the equity ratio as of December 31, 2015, was able to be increased again and stood at an exceptionally high 67.3 % as at December 31, 2015. The current assets ratio, the ratio of current assets to current liabilities, amounted to 298 % (previous year: 308 %) and continues to reflect the sound financing concept and high credit rating of Pfeiffer Vacuum.

The above-mentioned capital expenditures of € 11.7 million and a depreciation/amortization volume of € 20.7 million in 2015 resulted in a depreciation expense ratio (ratio of capital expenditure to depreciation/amortization) of 56 %. As in previous years, new capital expenditures in 2015 continued to be below the level of the loss of value of fixed assets (previous year: 49 %). This is due to the continued high depreciation amounts resulting from the purchase price allocation (PPA).

Outlook

General economic development

The International Monetary Fund (IMF) expects moderate global economic growth of 3.4 % in 2016. The corresponding figure for 2015 amounted to 3.8 %. Slightly higher overall growth is forecast for the emerging and developing countries – despite the continuing slowdown in China. Hopes here are pinned on India, Southeast Asia (ASEAN), and Africa. Russia and Brazil are unlikely to emerge from the recession during 2016. However, a far smaller decline is forecast for Russia compared to last year. Only a marginal improvement is expected for Brazil's economy.

In the industrialized countries, however, moderate growth is likely to continue at a slightly accelerated rate. This will be made possible by a slight recovery in Japan, the Eurozone, and Canada. Both the USA and the United Kingdom are anticipated to maintain the sound rate of growth begun in 2015.

The German Council of Economic Experts predicts that the price-adjusted gross domestic product (GDP) in Germany will exhibit a growth rate of 1.6 % in 2016. A strong continuing level of consumer spending is anticipated that will help to fuel an increase in the gross domestic product. Employment is expected to rise by 300,000 people in 2016. The development of gross fixed capital investments is anticipated to be on the low side at 2.7 %.

In total, we expect the economic conditions of our business segments to develop regionally differently.

Mechanical engineering

The economists from the German Engineering Federation (VDMA) forecast that the production level of the previous year can be maintained in 2016 despite the negative influences of global demand. Although the decline in the price of many raw materials stimulates the economy in consumer countries, prices have meanwhile fallen to an extent that creates problems for certain producer countries and is causing them to cut back on investments. The strong devaluation of the euro initially had the effect of a stimulus package for the eurozone. However, the flow of goods has meanwhile adjusted to the altered exchange rate conditions. A downside of this development is becoming evident: The manufacturing industry in the USA is suffer-

ing from pressure due to the high dollar exchange rate. This affects not just their exports, but also sales on the American market. It furthermore dampens the willingness of local industry to invest. The VDMA expects that the continuing low interest rates will not bring any further significant expansive effects for investments. Geopolitical unrest and trouble spots and the lack of a clear growth trend result in many potential global investors adopting a cautious stance. Growth is likely to exhibit a slight downturn in a number of key developing and emerging countries that were decisively responsible for high export growth in German mechanical and plant engineering in recent years. Negative growth rates are to be expected in part. For BRIC countries, for example, the VDMA anticipates that only India will increase imports of machinery from Germany.

The OECD leading indicator is considered a reliable indicator for the mechanical engineering sector in the EU and, in contrast, paints a more optimistic picture. With a lead-time of about six months, it tends to predict the future development of machine production. It currently signals positive developments as it averaged out at values of around 100.6 (previous year: 100.5) for the eurozone in late 2015, thus indicating a slight expansion. This positive trend should strengthen its beneficial impact on EU machine production during the first half of 2016.

In 2015, production in the “Compressors and Vacuum Pumps” sector lay 1 % over the previous year's level. In comparison, the overall orders and sales for mechanical engineering only slightly exceeded the previous year's level. For 2016, the federation expects that sales across the entire industry will stagnate.

Development in the markets

Pfeiffer Vacuum divides its customers into the semiconductor, industrial, analytics, research & development, and coating market segments. The semiconductor market segment is regarded as cyclical in nature and, after a conservative development in the past three years, began to make a strong recovery in the past year. Signals from the market and from our customers point to a favorable level. While some large semiconductor companies have increased investments again, other 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 yet again 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 very dynamic development in the analytical market segment and to a certain extent also in the research & development market segment. 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 includes customers from sectors such as displays (LED, OLED), architectural glass, solar, and many other areas of surface treatment. The solar industry continues to suffer from certain overcapacities, which resulted in the fact that only a certain amount of investments in building up new capacities took place in the past fiscal year. Nevertheless, slight positive impetus has been recorded again. For 2016, Pfeiffer Vacuum anticipates a stable or slightly increasing development of the solar market – albeit far from the high level of some years ago.

Development of sales in 2016

Increased sales to customers from the semiconductor industry and protracted strength in Analytics were the primary reasons for the 11.0 % growth in sales to € 451.5 million in the year 2015. To date, there have been customer-specific and industry-specific signs of a sustained strong level in 2016. 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 incoming orders at the end of 2015. Due to the above reasons, and also in view of the macroeconomic growth predicted – for the global economy as well as the engineering industry – Pfeiffer Vacuum is expecting a noticeable increase in sales in 2016.

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 2015 fiscal year, and is expected to be € 7 million again in 2016. Operational optimization measures as well as economies of scale related to the expected sales improvement should contribute to a noticeable improvement in the operating profit and the EBIT margin situation in 2016. As a result of our low financial liabilities, and therefore low financial expenses, we expect the development of our earnings before taxes to progress parallel to the development of our operating profit. Capital expenditures currently planned for 2016 for the entire Group amount to some € 18–20 million, following € 12 million in the previous year.

Dividends

Pfeiffer Vacuum is specifically 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 € 3.20 per share for fiscal 2015 (previous year: € 2.65 per share). This would correspond to an increase of € 0.55 per share or 20.8 %. With a distribution volume of some € 31.6 million, this would result in 75.3 % of the net profit of the Group being paid out to shareholders (previous year: 80.7 %).

Forward-looking statements

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

We wish to remain a highly profitable company and expect a noticeably positive development of profitability, financial position and liquidity for fiscal 2016. Overall, we are confident that we can achieve this goal on the basis of the development of business at the end of 2015, 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 to achieve this.

Consolidated Statements of Income

Pfeiffer Vacuum Technology AG

in K€	2015	2014
Net sales	451,521	406,642
Cost of sales	– 276,010	– 263,259
Gross profit	175,511	143,383
Selling and marketing expenses	– 59,850	– 52,789
General and administrative expenses	– 35,838	– 29,853
Research and development expenses	– 25,479	– 23,936
Other operating income	13,297	10,176
Other operating expenses	– 6,882	– 2,237
Operating profit	60,759	44,744
Financial expenses	– 691	– 978
Financial income	383	507
Earnings before taxes	60,451	44,273
Income taxes	– 18,535	– 11,854
Net income	41,916	32,419
Earnings per share (in €):		
Basic	4.25	3.29
Diluted	4.25	3.29

Consolidated Statements of Comprehensive Income

Pfeiffer Vacuum Technology AG

in K€	2015	2014
Net income	41,916	32,419
Other comprehensive income		
Amounts to be reclassified to income statement in future periods (if applicable)		
Currency changes	7,781	8,083
Results from cash flow hedges	96	– 96
Related deferred income tax effects	– 32	32
	7,845	8,019
Amounts not to be reclassified to income statement in future periods		
Valuation of defined benefit plans	2,269	– 14,916
Related deferred income tax effects	– 585	4,345
	1,684	– 10,571
Other comprehensive income net of tax	9,529	– 2,552
Total comprehensive income net of tax	51,445	29,867

Consolidated Balance Sheets

Pfeiffer Vacuum Technology AG

in K €	Dec. 31, 2015	Dec. 31, 2014
ASSETS		
Intangible assets	73,396	77,857
Property, plant and equipment	82,311	85,135
Investment properties	496	520
Shares in associated companies	1,618	1,600
Deferred tax assets	23,267	22,202
Other non-current assets	4,211	4,819
Total non-current assets	185,299	192,133
Inventories	77,743	64,245
Trade accounts receivable	58,556	53,649
Income tax receivables	5,291	6,325
Prepaid expenses	1,863	1,230
Other accounts receivable	9,378	10,028
Cash and cash equivalents	115,397	101,468
Total current assets	268,228	236,945
Total assets	453,527	429,078

in K €	Dec. 31, 2015	Dec. 31, 2014
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital	25,261	25,261
Additional paid-in capital	96,245	96,245
Retained earnings	195,968	180,201
Other equity components	- 12,450	- 21,979
Equity of Pfeiffer Vacuum Technology AG shareholders	305,024	279,728
Financial liabilities	10,222	20,697
Provisions for pensions	43,497	44,203
Deferred tax liabilities	4,832	7,614
Total non-current liabilities	58,551	72,514
Trade accounts payable	21,245	19,414
Customer deposits	4,860	3,029
Other accounts payable	21,931	18,544
Provisions	26,982	22,367
Income tax liabilities	4,431	2,974
Financial liabilities	10,503	10,508
Total current liabilities	89,952	76,836
Total shareholders' equity and liabilities	453,527	429,078

Consolidated Statements of Cash Flows

Pfeiffer Vacuum Technology AG

in K €	2015	2014
Cash flow from operating activities:		
Earnings before taxes	60,451	44,273
Adjustment for financial income/financial expenses	308	471
Financial income received	317	425
Financial expenses paid	- 451	- 750
Income taxes paid	- 16,847	- 17,236
Depreciation/amortization	20,677	20,492
Gain/loss from disposals of assets	91	- 23
Changes in allowances for doubtful accounts	178	212
Changes in inventory reserves	3,439	3,876
Other non-cash income and expenses	15	446
Effects of changes in assets and liabilities:		
Inventories	- 15,471	3,836
Receivables and other assets	- 726	3,484
Provisions, including pension and income tax liabilities	1,029	206
Payables, customer deposits	6,643	- 7,385
Net cash provided by operating activities	59,653	52,327

(continued) in K €	2015	2014
Cash flow from investing activities:		
Capital expenditures	- 11,655	- 10,012
Proceeds from disposals of fixed assets	649	352
Net cash used in investing activities	- 11,006	- 9,660
Cash flow from financing activities:		
Dividend payments	- 26,149	- 26,149
Redemptions of financial liabilities	- 10,483	- 10,548
Net cash used in financing activities	- 36,632	- 36,697
Effects of foreign exchange rate changes on cash and cash equivalents	1,914	369
Net increase/decrease in cash and cash equivalents	13,929	6,339
Cash and cash equivalents at beginning of period	101,468	95,129
Cash and cash equivalents at end of period	115,397	101,468

Financial Calendar 2016

Upon request you will receive a full print version of our annual report. Please visit our online version at group.pfeiffer-vacuum.com/financial-reports



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FRIDAY,
February 19
Preliminary results
for fiscal year 2015

WEDNESDAY,
March 23
Results for fiscal
year 2015

TUESDAY,
May 3
Interim report
1st quarter 2016
results

TUESDAY,
May 24
Annual General
Meeting 2016

TUESDAY,
August 2
Interim report
2nd quarter/
1st half-year 2016
results

TUESDAY,
November 1
Interim report
3rd quarter/
9-month 2016 results
