Made in Germany. Quality for the World.

Annual Report 2008

Corporate Profile

PFEIFFER VACUUM – a name that stands for innovative solutions, high technology, dependable products and first-class service. For nearly 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 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 extremely high profitability. Here, too, we are one of the best in Germany.

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 continuous 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 site	Asslar, Germany
Workforce	726 people worldwide
Operational floor space	Approximately 85,000 m^2
Sales and service	11 subsidiaries and over 20 agencies worldwide
Export ratio	65 %
Quality management	Certified under ISO 9001:2000
Environmental management	Certified under ISO 14001:2004
Stock exchange listing	Deutsche Börse, Prime Standard/TecDAX
Accounting	IFRS
Capital stock	K € 22,965
Number of shares	8,970,600 shares
Free-float	70 %
Cash and cash equivalents	€ 68.3 million
Equity ratio	81.0 %

Dec. 31, 2008

Key performance indicators
(please unfold)

Key Performance Indicators

Net sales (in € millions)

2004	151.5
2005	159.5
2006	179.5
2007	192.0
2008	**198.1**

EBIT margin (in %)

2004	22.8
2005	22.8
2006	25.1
2007	27.5
2008	**26.0**

Operating profit (in € millions)

2004	34.6
2005	36.4
2006	45.0
2007	52.8
2008	**51.5**

Earnings per share (in €)

2004	1.34
2005	2.64
2006	3.39
2007	4.19
2008	**4.36**

Return on shareholders' equity (in %)

2004	11.7
2005	20.5
2006	21.4
2007	25.0
2008	**27.6**

Equity ratio (in %)

2004	79.3
2005	80.3
2006	82.4
2007	84.2
2008	**81.0**

Capital expenditures (in € millions)

2004	2.1
2005	2.5
2006	5.6
2007	6.7
2008	**10.7**

Workforce (31. 12.)

2004	696
2005	691
2006	684
2007	692
2008	**726**

The numbers for fiscal years 2005 to 2008 were determined on the basis of IFRS, those for fiscal year 2004 on the basis of U.S. GAAP.
All percentages in this Annual Report were derived on the basis of amounts in thousands of euros.
Rounding differences might result from their presentation in millions of euros.

Multiple-Year Overview

		2008	2007	change	2006	2005	2004
Sales and profit							
Total sales	K €	**198,060**	192,042	3.1 %	179,484	159,517	151,512
Germany	K €	**69,328**	59,621	16.3 %	50,882	44,939	42,252
Other countries	K €	**128,732**	132,421	– 2.8 %	128,602	114,578	109,260
Operating profit	K €	**51,469**	52,847	– 2.6 %	44,957	36,441	34,618
Net income	K €	**38,048**	37,285	2.0 %	29,786	23,015	11,626
Return on sales	%	**19.2**	19.4	–	16.6	14.4	7.7
Operating cash flow	K €	**43,093**	28,227	52.7 %	31,795	24,501	26,311
Balance sheet							
Total shareholders' equity and liabilities	K €	**170,136**	177,430	– 4.1 %	168,670	139,406	125,233
Cash and cash equivalents	K €	**68,317**	83,383	– 18.1 %	75,354	61,651	44,986
Number of shares issued		**8,970,600**	8,970,600	–	8,970,600	8,790,600	8,790,600
Shareholders' equity	K €	**137,812**	149,367	– 7.7 %	138,972	111,998	99,355
Equity ratio	%	**81.0**	84.2	–	82.4	80.3	79.3
Return on equity	%	**27.6**	25.0	–	21.4	20.5	11.7
Capital expenditures	K €	**10,702**	6,707	59.6 %	5,610	2,470	2,092
Workforce							
Workforce (average)		**713**	679	5.0 %	685	691	697
Germany		**539**	513	5.1 %	505	509	512
Other countries		**174**	166	4.8 %	180	182	185
Personnel cost	K €	**43,309**	44,694	– 3.1 %	47,245	43,954	41,617
Per employee	K €	**61**	66	– 7.6 %	69	64	60
Sales per employee	K €	**278**	283	– 1.8 %	262	231	217
Per share							
Earnings	€	**4.36**	4.19	4.1 %	3.39	2.64	1.34
Dividend	€	**3.35***	3.15	6.3 %	2.50	1.35	0.90

* Joint proposal by the Management and Supervisory Boards, subject to the proviso that there will be no concrete major acquisition candidate, i.e. within the near future, at the time of the Annual Shareholders Meeting

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"Made in Germany" and "Germany as an industrial location." We are committed to that! It is with good reason that "Made in Germany" enjoys a first-class reputation in our globalized world. Yet this designation from the late 19th century was originally intended to serve an entirely different purpose. In England, it was mandatory for products from Germany to bear this designation in order to protect the population against what were considered to be inferior imitations. But what was originally designed as protectionism against German imports has turned into the exact opposite. This designation increasingly came to stand for a symbol of quality, and as the "Made in West Germany" brand it went on to accompany the Federal Republic of Germany's economic upswing during the time of the economic miracle. "Made in Germany" will continue to maintain its good reputation in the future. We are convinced of this, because products from Germany are valued throughout the world for their high quality. Through the worldwide distribution of our products, we are helping to assure that this continues to be the case. This is why we would like to discuss many of the things in this Annual Report that make Germany so unique as an industrial location.

FRANKFURT AM MAIN – MODERN METROPOLIS AND GATEWAY TO THE WORLD

Like nothing else, this skyline is what characterizes the world's image of Germany. Our own location in Asslar is only half an hour away by car.

AT A GLANCE

The Year 2008

January

A new organizational structure brings PFEIFFER VACUUM closer to the customer and new rotary vane pumps

The former Customer Service, Product Management and Service Departments are replaced by a new organizational structure that is based upon market segments. Specialized teams assure holistic support for our customers.

Presentation of the single-stage HenaLine™ rotary vane pumps with pumping speeds of 25 to 1,000 m^3/h for applications in the low and medium vacuum ranges.

February

50 Years of turbomolecular pumps

PFEIFFER VACUUM celebrates an anniversary. It was 50 years ago that the turbopump was developed at Arthur Pfeiffer GmbH by its then development chief Dr. Willi Becker.
The turbopump goes on to become a generic term for an entire field of vacuum technology.

March

Subsidiary opens in Shanghai and the Pittcon tradeshow

The offices of newly established PFEIFFER VACUUM (SHANGHAI) CO. LTD. open on March 13, 2008. Our subsidiary is responsible for sales and service. Its mission is to continue to build the PFEIFFER VACUUM brand in China.

Successful participation in the Pittcon in New Orleans, the most important tradeshow for the analytical industry on the American continent.

April

Analytica tradeshow and stem cell donor registration

PFEIFFER VACUUM participates in this international tradeshow for the analytical industry in Munich and conducts a press conference in connection with the market launch of the HiPace™ turbopumps and the PentaLine™ rotary vane pumps.

More than 100 PFEIFFER VACUUM employees participate in a typification and sign up on the German Bone Marrow Donor Registry (DKMS).

May

Another record dividend and an award for the best IR work

With a total distribution of € 27.9 million (€ 3.15 per share), PFEIFFER VACUUM again increases its dividend year on year, this time by 26 %.

German business weekly Wirtschaftswoche awards PFEIFFER VACUUM the 2008 German Investor Relations Prize as the best company in the TecDAX for its good and comprehensive financial communications.

June **Treasury share buyback begins**

On June 2, 2008, the Management Board of PFEIFFER VACUUM TECHNOLOLGY AG resolves to launch the treasury share buyback program under the authorization voted by the Annual Shareholders Meeting on May 28, 2008.

July **Turbopump innovation**

Presentation of the complete family of HiPace™ turbopumps, including four new sizes in the 1,000 to 2,000 l/s pumping speed class, at the world's largest semiconductor tradeshow, Semicon West in San Francisco.

August **New logistics center in Asslar**

The new logistics center goes into operation, offering 6,000 bin spaces in the automated small-component warehouse and 1,250 pallet spaces in the high-bay warehouse. Up to 300 containers and 44 pallets can be moved per hour.

September **Record order from the solar industry and "Vacuum Technology Book"**

PFEIFFER VACUUM receives extensive follow-on orders to build vacuum systems for coating thin layer solar cells, underscoring its outstanding positioning as a supplier to the solar industry.

Presentation of the new general catalog containing the complete product portfolio and the key fundamentals of vacuum technology.

October **R & D 100 Award**

This distinction from R & D Magazine pays tribute to the development of the HiPace™ 80, HiPace™ 300 and HiPace™ 700 series of turbopumps as one of the 100 most important new technology developments of the year.

November **1,000 m² of additional manufacturing space**

Conclusion of the modernization work in the backing pump manufacturing operation and commencement of the expansion of the manufacturing buildings for turbopumps.

December **Record sales revenues and net income**

Going against the overall trend of economic development, PFEIFFER VACUUM again records the best numbers in its history with net sales of € 198.1 million and net income of € 38.0 million.

MANAGEMENT BOARD

Manfred Bender, Chairman and Chief Executive Officer (at right)
and Dr. Matthias Wiemer, Member of the Management Board (at left)

Letter from the Chief Executive Officer

Dear Shareholders
and Friends of the Company,

“Made in Germany” had for years been considered to be merely a worn-out slogan used only by traditionalists who had missed out on globalization.

PFEIFFER VACUUM operates with 11 subsidiaries worldwide. We generate some two-thirds of our sales revenues outside Germany. So globalization is nothing new to us. Nevertheless, “Made in Germany” is a very important value that we embrace. We do our manufacturing at our facility in Asslar, in the heart of Germany, a region with outstanding infrastructure in which fine mechanics and optics enjoy a long tradition.

This is where we find qualified employees, some of whom we educate in conjunction with a work-study program conducted by a university of applied sciences. We view the training and education of skilled workers, engineers and business administrators as an investment in the future.

In fiscal 2008, we invested over € 10 million in expanding this location, with a further € 10 million to follow in 2009. A new, cutting-edge logistics center has been in operation since August. The renovation and expansion of the manufacturing buildings is in full swing. We are going to be rigorously continuing our investments in order to further optimize our processes and expand our capacities. We are clearly aiming at long-term growth here.

Capital investments of this magnitude are by no means a matter of course for a small or medium-size enterprise. Money that only a few months ago had seemed to be available in unlimited volumes is suddenly in short supply. We are now reaping the benefits of our conservative financial policy, which has assured that we are debt-free and additionally have liquid assets available to invest, even in these difficult times. Not everyone thought that this conservative course in the past was a good thing; however, the vast majority of our shareholders supported our strategy with their votes at the Annual Shareholders Meeting. We are sincerely thankful for that.

We are rewarding your trust with results that are virtually unrivaled. For years, PFEIFFER VACUUM has been one of the most profitable companies in Germany, and we are doing everything in our power to assure that this remains so. In the kind of unsettled times we are now experiencing, we place particular emphasis on stability. Stability in this context means that the Company offers secure jobs for its people and a relatively low-risk financial investment for its shareholders.

Building upon our profitability, we have now been paying a steadily rising dividend for the last ten years. And the performance of our shares during the past 2008 fiscal year demonstrates that continuity does pay off. By comparison with the losses sustained by the DAX and TecDAX indices, PFEIFFER VACUUM shares were extremely stable, and thus a reassuring investment.

Letter from the Chief Executive Officer

2008 was a turbulent year for the economy. Events that nobody would ever have thought possible before were suddenly part and parcel of the daily news: Bank failures, government aid packages and entire industries that lost nearly all of their orders.

The cause of this plight is relatively easy to identify: Excessive "yield expectations", another way of saying "greed". We kept out of all that, endeavoring instead to simply offer our customers the best possible vacuum solutions. Our physicists and engineers developed any number of products to simplify the way vacuum is generated and measured. Speed, light weight and energy efficiency are but a few of the product attributes our customers want. And it is obvious for us that they also expect first-class quality and want to be able to depend upon our world-wide service: "Made in Germany – Quality for the World."

In contrast to the general trend, we were able to largely achieve our goals in fiscal 2008. We grew our sales revenues to € 198.1 million, even though we were forced to incur foreign exchange losses totaling € 5.3 million. Increasing our production volume by some 11 % was an especially noteworthy accomplishment on the part of our people, because at the same time a major portion of our manufacturing capacities was being fully renovated and realigned. The utilization factor of our capacities was extremely high. Our EBIT margin of 26.0 % was fully in line with our expectations.

In the future, too, we will not be chasing after every trend, but will be acting prudently. In doing so, we will specifically be utilizing our Company's strengths in order to broaden its market position. This means that in the future, too, our primary focus will be on our core business, the development and production of highly precise, top-quality vacuum pumps. In addition, we will also be driving business with complete vacuum systems, such as those used for coating solar cells and for leak testing. We are open to acquisitions, but they will have to serve the expansion of our core business. We will not be buying companies merely to pursue financial engineering. Our decisions have never been based upon achieving an optimum balance sheet structure or even on optimum level of debt – nor will they be in the future.

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

Yours, M. Bender

Manfred Bender

Report of the Supervisory Board

Dear Shareholders,

Fiscal 2008 was another successful year for PFEIFFER VACUUM.

In spite of the difficult economic environment, PFEIFFER VACUUM succeeded in recording higher sales revenues and profitability year on year.

During the 2008 fiscal year, the Supervisory Board informed itself about the current position of the Company and the corporate group in six meetings, discussing these subjects intensively with the Management Board. The Supervisory Board meetings took place on February 11, March 12, May 28, July 28, October 21 and December 4 in Asslar. In addition to the information provided at its regular meetings, all members of the Supervisory Board received detailed monthly and quarterly reports on the Company's position, with the Chairman of the Supervisory Board additionally being provided with the minutes of all Management Board meetings. Aside from the regular meetings of the Supervisory Board, its Chairman was constantly kept abreast of all major business matters through discussions with the Management Board. No member of the Supervisory Board attended less than one half of the meetings of the Supervisory Board in the 2008 fiscal year.

The Supervisory Board has a Management Board Committee, an Administration Committee, a Nominating Committee and an Audit Committee. The Management Board Committee met on March 12 and December 4. Meetings of the Audit Committee were conducted on March 12 and October 21. Moreover, the Audit Committee maintained regular contact with the independent auditor, regularly discussing and deciding with him upon the course of the audit, the main focuses of the audit and particular questions relating to the audit.

In addition to the general course of business, the Supervisory Board meetings also focused on new technology developments, the progress of construction work at the company plantsite in Asslar, the continuation of the project with one of Germany's largest solar cell manufacturers, the treasury share buyback program, the new old-age pension plan at PFEIFFER VACUUM, the remuneration system for members of the Management Board, as well as various potential acquisitions. Also discussed in detail were the potential effects of the current economic recession on the Company.

The Supervisory Board complied with all of the obligations vested in it under applicable legislation and the Company's Articles of Association and Bylaws, taking into consideration the particular requirements of the German Control and Transparency Act of 1998 ("KonTraG"), as well as the German Publication Transparency Act of 2002 ("TransPuG"), and diligently and fully supervised the management of the Company.

The requirements with respect to risk management mandated under the German Control and Transparency Act ("KonTraG") were discussed intensively together with the Management Board. The Supervisory Board repeatedly satisfied itself that sufficient insurance coverage is in force for insurable risks and that operating, financial and contract risks are being monitored through organizational processes and approval procedures. A detailed reporting system exists for the Company and the corporate group, and is subject to ongoing review, update and development. All employees in the operating units are sensitized to potential risks and are instructed to conduct appropriate reporting. The Risk Management Coordinator explained current issues in connection with risk management to the Supervisory Board, and discussed these issues with it.

SUPERVISORY BOARD CHAIRMAN

Dr. Michael Oltmanns

As in the year before, the Supervisory Board deliberated in detail on the German Corporate Governance Code ("DCGK"). The Supervisory Board continues to be in agreement with the Management Board that the variances from the German Corporate Governance Code, i.e. in connection with a deductible for the Company's liability insurance and in connection with the structure of the compensation paid to the members of the Supervisory Board, are justified and meaningful. The nominating committee urged under the German Corporate Governance Code has been formed. The statement of compliance pursuant to § 161 of the German Stock Corporation Act ("AktG") was submitted with the above provisos by the Management and Supervisory Boards sufficiently in advance of the close of the fiscal year. In connection with good corporate governance, the Supervisory Board also dealt in detail with its own efficiency, with the review producing positive overall results.

At the meetings of the Supervisory Board and in individual discussions, the Supervisory and Management Boards deliberated at length regarding the Company's strategic alignment and planning. The development of the economy and the high exchange rate of the euro, as well as the impact of these factors on the Company, were the subject of intensive discussions between the Management and Supervisory Boards. The Sales and Marketing Manager reported to the Supervisory Board on presently identifiable factors that could impact the development of business during the next fiscal year. The Supervisory Board then discussed the budget for the 2009 fiscal year with the Management Board and adopted it.

In accordance with the resolution adopted by the Annual Shareholders Meeting on May 28, 2008, Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, of Eschborn, Germany, was commissioned to audit the Annual Financial Statements of the Company and the Company's Consolidated Financial Statements, which are presented in accordance with International Financial Reporting Standards ("IFRS"), as well as the financial statements of the Company's subsidiaries where prescribed by law. Pursuant to § 315a of the German Commercial Code ("HGB"), consolidated financial statements conforming to the rules of the German Commercial Code were not prepared. The focuses of the audit that the Audit Committee defined with the independent auditor included certain line items in the balance sheet (the values of accounts receivable and inventories, the completeness and valuation of provisions, in particular warrantee provisions, additions to and valuation of fixed assets, capitalization of development costs in accordance with IAS 38, deferred taxes, pensions, treasury shares), revenue recognition and periodic accruals for net sales, consolidation entries, as well as the reconciliation to IFRS, the Notes to the Financial Statements and Management's Discussion & Analysis.

The Annual Financial Statements, Management's Discussion & Analysis, as well as the Consolidated Financial Statements for the 2008 fiscal year presented in accordance with IFRS, all of which were prepared by the Management Board, were audited by the independent auditor and received his unqualified opinion.

The Annual Financial Statements, Management's Discussion & Analysis, as well as the audit reports from the independent auditor, were submitted to all members of the Supervisory Board in a timely fashion. They were discussed in detail at the Audit Committee meeting relating to the financial statements as well as at the Supervisory Board meeting relating to the financial statements on March 12, 2009. The independent auditor attended both meetings, reported on the major findings of his audit and was available to answer additional questions from the Supervisory Board. On the basis of its own thorough review, the Supervisory Board concurs with the results of the audit conducted by the independent auditor. Given the concluding results of its review, the Supervisory Board raised no objections to the Annual or Consolidated Financial Statements. It has approved the Annual and Consolidated Financial Statements, with the Annual Financial Statements thus being formally adopted. The Supervisory Board discussed in detail with the Management Board its proposal regarding the distribution of a dividend and then concurred with the Management Board's proposal regarding appropriation of the Company's retained earnings.

The Supervisory Board wishes to express its sincere thanks to the Management Board, to the Employee Council and to the entire staff of the corporate group for their successful work in fiscal 2008.

Asslar, March 12, 2009

Dr. Michael Oltmanns
Chairman of the Supervisory Board

Share Performance

PFEIFFER VACUUM shares have been traded on the Deutsche Börse Stock Exchange in Frankfurt since April 15, 1998. PFEIFFER VACUUM satisfies the high transparency requirements of the Prime Standard and has been included without interruption in the TecDAX, the index of the 30 most important technology issues traded on the Frankfurt stock exchange, since its inception.

Basic Information about PFEIFFER VACUUM Shares

Deutsche Börse, Prime Standard, Frankfurt Stock Exchange Symbol International Securities Identification Number	 PFV ISIN DE0006916604
Bloomberg Symbol	PFV.GY
Reuters Symbol	PV.DE
Number of shares issued	8,970,600
Further indices	HDAX, MID CAP MARKET, CDAX, PRIME INDUSTRIAL, PRIME ALL SHARE, TECHNOLOGY ALL SHARE

The stock market in 2008

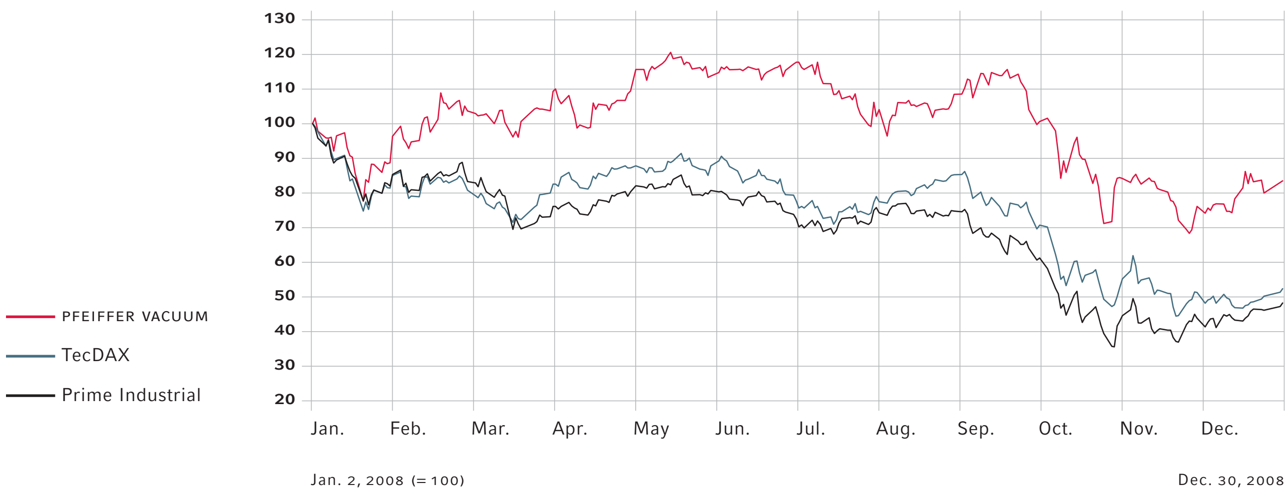
The year on the stock market was characterized by extreme turbulences, triggered by the crisis in the U.S. real estate and financial services sectors. Equity prices plunged on all stock markets throughout the world. Government multi-billion rescue operations for banks and industrial companies had no success in stopping the equity sell-offs. As the year drew to a close, there were increasing signs pointing to a dramatic global recession that would not even spare soundly financed industrial companies. The DAX fell by 39.5 % in fiscal 2008, from 7,949 points to 4,810 points. The TecDAX, in which solar players are strongly over-represented, saw even higher losses of 47.6 %, from 971 points to 508 points.

PFEIFFER VACUUM share performance in 2008

In this difficult environment, PFEIFFER VACUUM shares were as firm as a rock. Trading prices of our shares declined, as well, from € 56.49 on January 2, 2008, to € 46.93 on December 30, 2008. But with 16.9 % this decline is clearly below the TecDAX development. With € 68.78, the high for the year 2008 was reached on May 2, 2008. In early June 2008, the Company had announced it would begin buying back its own shares. By the end of October 2008, the Company held 5.1 % in treasury shares. Further information about this topic is provided under “2008 share buyback program” on page 77. The low for the year was € 38.14 on November 24, 2008. Trading volumes averaged 35,310 shares per day (2007: 33,519 shares).

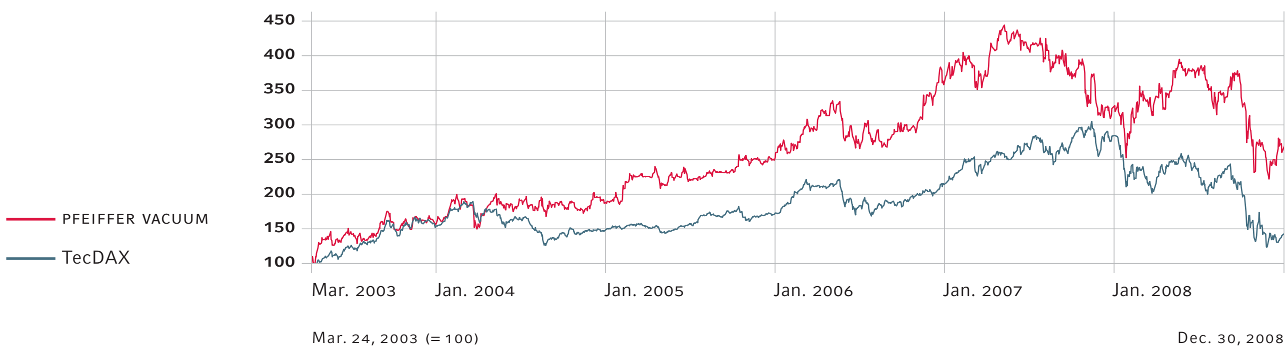
Share Performance

Relative Share Price Development of PFEIFFER VACUUM, TecDAX and Prime Industrial in 2008 (in %)



PFEIFFER VACUUM shares also outperformed the TecDAX average on a multiple-year comparison basis:

Relative Share Price Development of PFEIFFER VACUUM and TecDAX 2003 – 2008 (in %)



PFEIFFER VACUUM was a strong mid-field contender in the TecDAX index ranking in terms of both market capitalization as well as trading volume.

Shareholder structure

According to both, the analysis of our shareholder structure as well as our own estimates, around 40 % of our shares are held by U.S. mutual and pension funds with a long-term investment horizon. New York-based Arnhold & S. Bleichroeder and its First Eagle Funds steadily expanded their PFEIFFER VACUUM holdings during the course of fiscal 2008, crossing the 25 % reporting threshold on August 15, 2008, with holdings of 25.04 %. Under Deutsche Börse's free-float definition, holdings of investment funds in excess of 25 % as well as treasury shares held by the Company (5.09 %) must be deducted from the free-float, which means that this metric now stands at 69.87 %. Further U.S. investors include the Artisan Group in Milwaukee, which held less than 5 % at year-end 2008, Capital Research in Los Angeles with over 5 % of our shares, as well as Neuberger, Berman in New York with more than 3 %.

We estimate that European funds, first and foremost in England and Scotland, as well as in France, Luxembourg and Scandinavia, account for around 35 %. Nearly 3 % are held by our Japanese agency and around 20 % by German investment funds and small investors, while the Company holds 5 % of treasury shares.

Overview of Voting Rights Notifications (as per December 31, 2008)

Arnhold & S. Bleichroeder, New York	25.04 %
DWS Investment, Frankfurt	5.96 %
Capital Research, Los Angeles	5.87 %
Artisan Group, Milwaukee	4.84 %
Hakuto Agency, Tokyo	3.48 %
Neuberger, Berman, New York	3.18 %

Earnings per share

Earnings per share are calculated as consolidated net income attributable to the shareholders of PFEIFFER VACUUM TECHNOLOGY AG divided by the average number of shares in circulation:

Net income	K € 37,967
Number of shares	8,702,529
Earnings per share	€ 4.36

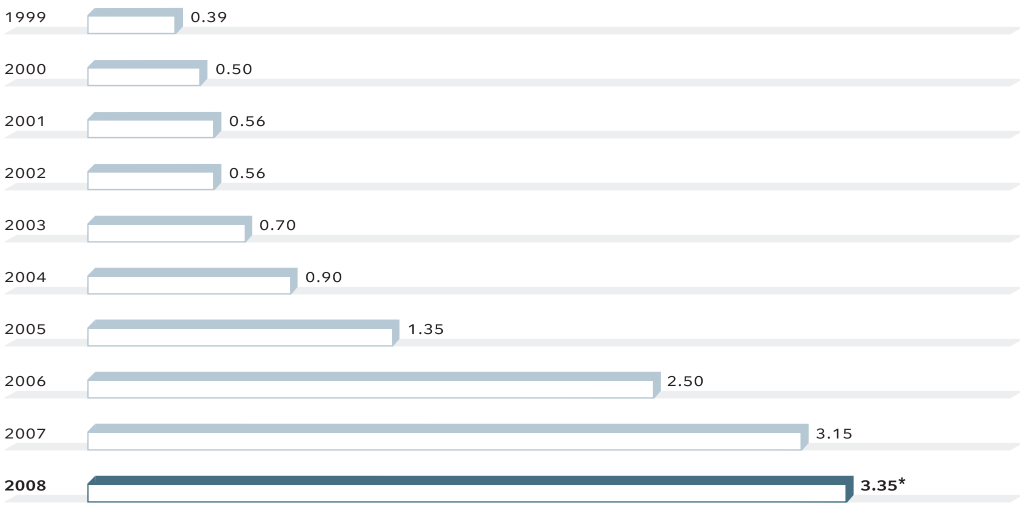
At € 4.36, earnings per share were up by 4.1 % over the previous year.

Share Performance

Dividend

PFEIFFER VACUUM has been enabling its shareholders to participate in their Company's success for the past ten years by distributing a dividend that has steadily risen since then.

Dividend Development for the last 10 Financial Years (in €)



* Joint proposal by the Management and Supervisory Boards, subject to the proviso that there will be no concrete major acquisition candidate, i.e. within the near future, at the time of the Annual Shareholders Meeting

The Management and Supervisory Boards will propose to the Annual Shareholders Meeting on May 26, 2009, that a dividend be distributed in the amount of € 3.35 per share of no-par stock entitled to receive dividends. This would represent a total distribution of € 28.5 million. On the basis of the year-end closing price on December 30, 2008, this would result in a dividend yield of 7.1 % (2007: 5.7 %). This proposal is subject to the proviso that there will be no concrete major acquisition candidate, i.e. within the near future, at the time of the Annual Shareholders Meeting.

Investor relations

Prompt, open and reliable information relating to the position of the Company is at the heart of our investor relations work. We received a number of awards in 2008 for our good capital market information, including the German Investor Relations Prize, which is awarded by business weekly Wirtschaftswoche in collaboration with Thomson Reuters Extel Surveys.

At 23 roadshows (2007: 21) in all major financial centers in both, Europe and the United States, the members of the Management Board presented our business model and commented on our strategy. Moreover, we showcased our Company at a total of 8 investor conferences in Frankfurt, London and Zurich (2007: 6). 35 investors visited our corporate Headquarters in Asslar to obtain a first-hand impression of us. Conference calls on the days we announce our quarterly and annual results, along with numerous individual talks with investors and analysts, round out the Company's investor relations work.

Over 20 analysts regularly follow our Company. In fiscal 2008, Merrill Lynch, Citigroup and equinet either began or resumed coverage of PFEIFFER VACUUM.

At year-end 2008, there were the following recommendations:
- "Buy" or "Accumulate" – 16
- "Hold" or "Reduce" – 6
- "Sell" – 0

The Annual Shareholders Meeting in the year under review was attended by around 400 shareholders. Shareholder presence again increased, from nearly 58 % in 2007 to over 61 % last year. A counter-motion calling for full distribution of retained earnings instead of the proposed dividend of € 3.15 per share was not voted upon, as the shareholders had previously adopted the motion submitted by the Management and Supervisory Boards by a sweeping majority. The shareholders adopted all of the other items on the agenda, including a new share buyback program, with overwhelming majorities.

A dedicated investor relations page on the Internet at www.pfeiffer-vacuum.net affords everyone an opportunity to quickly inform themselves in detail about everything relating to PFEIFFER VACUUM shares, to download financial reports or to sign up on an e-mail distribution list to receive future financial information. An interactive HTML version of the 2008 Annual Report is also available on the Internet.

PFEIFFER VACUUM Share Highlights

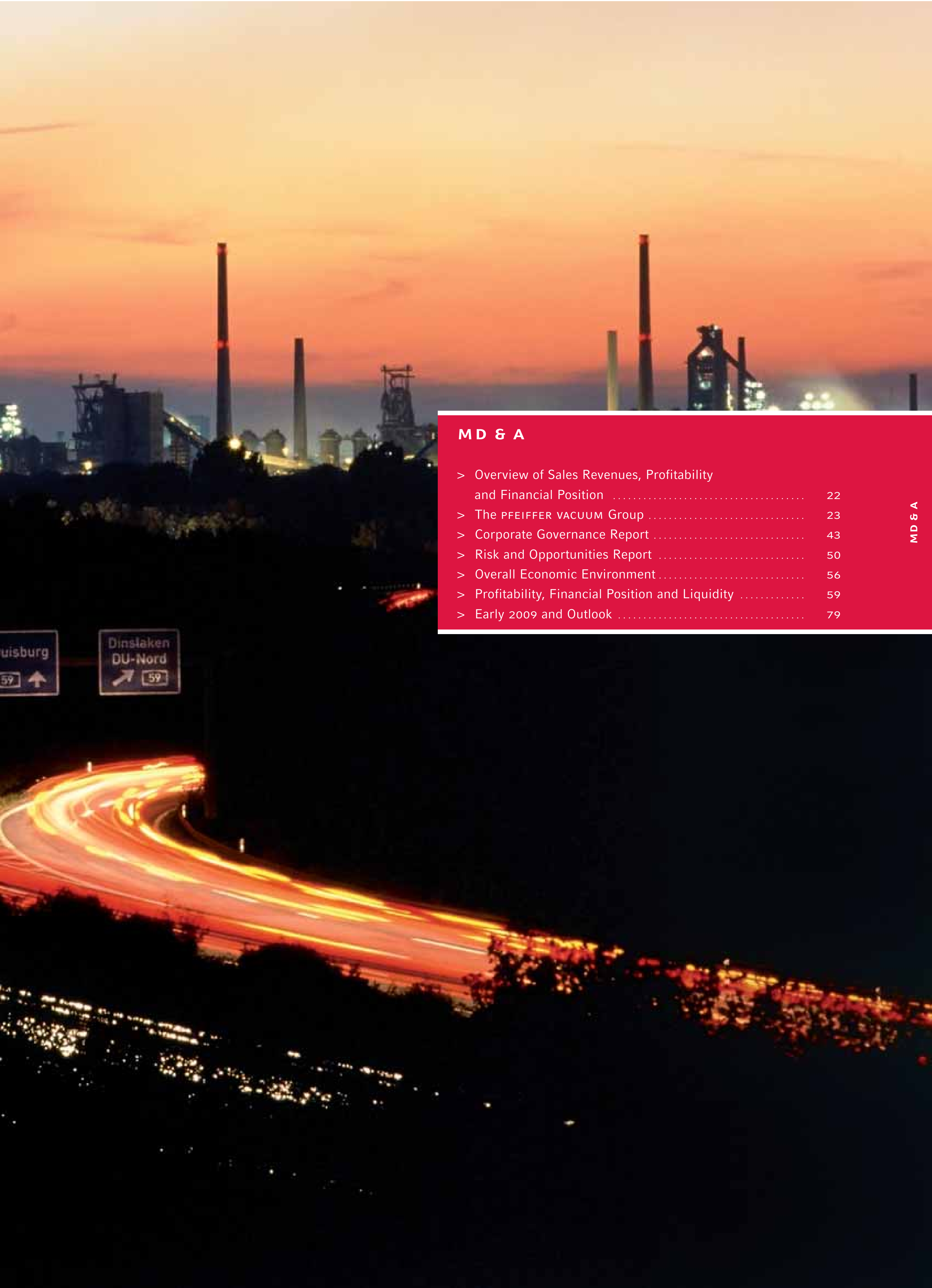
		2008	2007	2006	2005	2004
Share capital	€ MILL.	**23.0**	23.0	23.0	22.5	22.5
Number of shares issued		**8,970,600**	8,970,600	8,970,600	8,790,600	8,790,600
Highest trading price*	€	**68.78**	78.00	66.60	47.25	35.15
Lowest trading price*	€	**38.14**	51.30	44.45	31.60	25.40
Trading price at year-end*	€	**46.93**	55.00	64.40	46.17	33.00
Market capitalization at year-end	€ MILL.	**294**	493	578	406	290
Dividend per share	€	**3.35****	3.15	2.50	1.35	0.90
Dividend yield	%	**7.1**	5.7	3.9	2.9	2.7
Earnings per share	€	**4.36**	4.19	3.39	2.64	1.34
Price/earnings ratio		**10.8**	13.1	19.0	17.5	24.6
Free-float	%	**69.87**	100	100	100	100

* Deutsche Börse, Xetra
** Joint proposal by the Management and Supervisory Boards, subject to the proviso that there will be no concrete major acquisition candidate, i.e. within the near future, at the time of the Annual Shareholders Meeting

The calculation of market capitalization at year-end is carried out reflecting the free-float.

INFRASTRUCTURE

Germany has one of the densest traffic networks in the world. Not just on the road, but on rails and in the air as well.



MD & A

Overview of Sales Revenues, Profitability and Financial Position

With record sales revenues of € 198.1 million and record net income of € 38.0 million, PFEIFFER VACUUM is defying the general trend of economic development.

In spite of the sustained strength of the euro and an increasingly difficult competitive environment stemming from the weakening economy, we nevertheless succeeded in setting a new sales record during the past 2008 fiscal year. At € 198.1 million, sales revenues were up by € 6.1 million from the previous year's level of € 192.0 million. The fact should also be taken into consideration that foreign exchange parities burdened sales revenues by a total of € 5.3 million. As in the year before, the increase in net sales was essentially attributable to the development in Germany.

Totaling € 106.3 million, cost of sales in fiscal 2008 was significantly higher than the previous year's level of € 97.9 million. Once again, selling and administrative expenses were able to be reduced, in spite of higher sales revenues, and now total € 33.4 million (2007: € 34.1 million). Following € 52.8 million the year before, the operating profit for fiscal 2008 totaled € 51.5 million – in spite of negative foreign exchange rate impacts of € 4.1 million and expenses for refurbishing our production facilities of € 1.0 million. The EBIT margin, the ratio between operating profit and net sales, continues to amount to a far above-average 26.0 % (2007: 27.5 %).

Financial income amounted to € 2.7 million (2007: € 6.6 million), and tax expenses – mainly as a result of the corporate tax reform in Germany – declined from € 22.1 million the year before to € 16.1 million in 2008. Overall, this resulted in net income of € 38.0 million and earnings per share of € 4.36 (2007: € 37.3 million and € 4.19, respectively). Earnings per share thus were increased by 4.1 %.

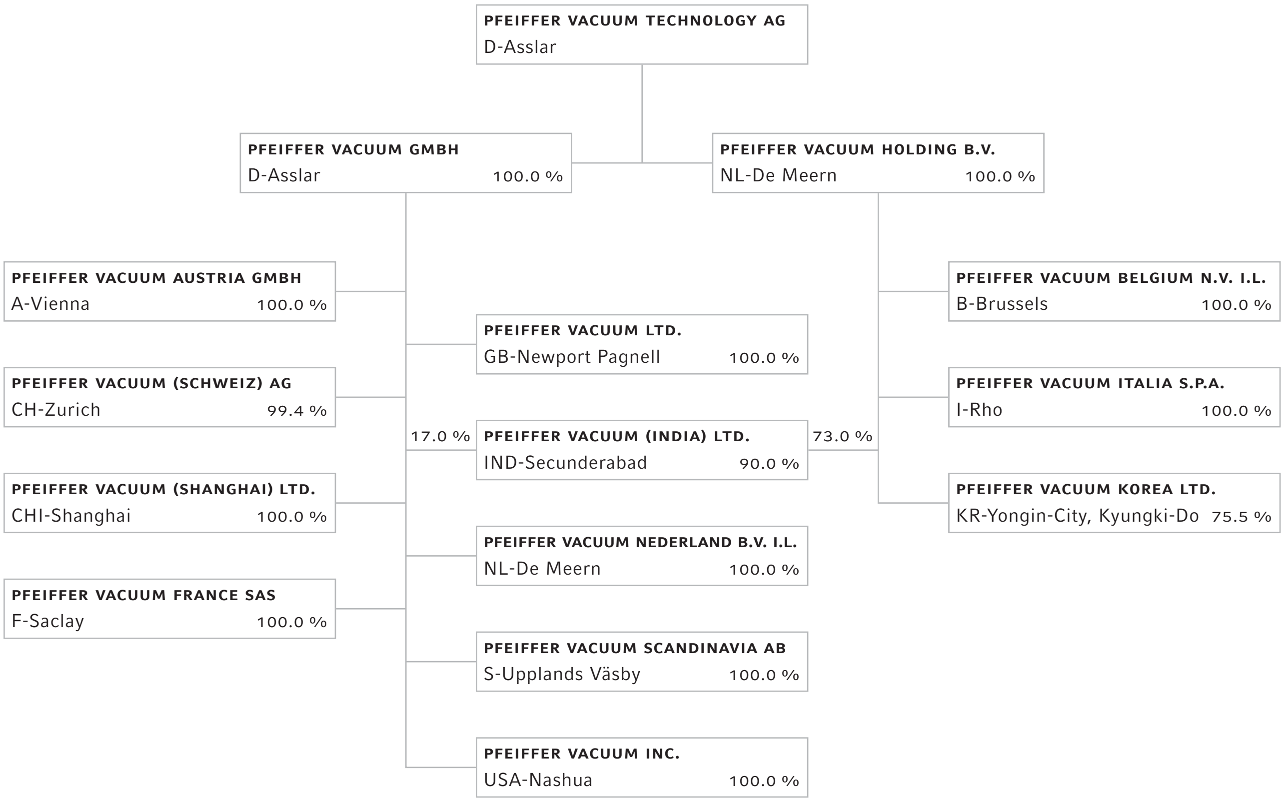
PFEIFFER VACUUM's economic strength is also reflected in its balance sheet. With a balance sheet total of € 170.1 million and shareholders' equity of € 137.8 million, the Company's equity ratio stands at 81.0 % (2007: Balance sheet total € 177.4 million; shareholders' equity € 149.4 million; equity ratio 84.2 %). The Company's equity ratio has been stable at over 80 % for years, in spite of the high dividend payout to the shareholders. The Company continues to carry no bank debt. As opposed to € 83.4 million the year before, cash and cash equivalents totaled € 68.3 million as of December 31, 2008. The Company's liquidity position continues to be very comfortable.

The PFEIFFER VACUUM Group

Corporate structure

As of December 31, 2008, the PFEIFFER VACUUM Group comprised a total of 15 companies. The parent corporation is PFEIFFER VACUUM TECHNOLOGY AG, in Asslar, Germany, which is publicly traded on the Deutsche Börse Stock Exchange in Frankfurt am Main.

The full corporate structure was as follows on December 31, 2008:



The PFEIFFER VACUUM Group

There were no changes in fiscal 2008 to the composition of the companies that are included in the Consolidated Financial Statements. In the spring of 2008, a further 17 % of the shares of PFEIFFER VACUUM (INDIA) LTD. were acquired by PFEIFFER VACUUM GMBH. Given the 73 % of the shares of this company that are held indirectly via PFEIFFER VACUUM HOLDING B.V., the total equity investment by the PFEIFFER VACUUM Group amounts to 90 %. PFEIFFER VACUUM NEDERLAND B.V. and PFEIFFER VACUUM BELGIUM N.V. are currently being liquidated. It can be assumed that these entities will be deconsolidated in fiscal 2009.

PFEIFFER VACUUM GMBH, in Asslar, Germany, is a wholly-owned subsidiary of PFEIFFER VACUUM TECHNOLOGY AG, and plays a key role in the corporate group. Both manufacturing operations for the entire group as well as sales and distribution operations for Germany and the Benelux region are organized within this company. With a total workforce of 552 people as of December 31, 2008, the lion's share of the total PFEIFFER VACUUM workforce (726 at year-end 2008) is employed by this company. "Made in Germany – Quality for the World" is the motto of this year's Annual Report. And this motto is also reflected in the structure of the corporate group.

The further members of the corporate group are legally autonomous corporations, which are predominantly responsible for sales and marketing activities. Essentially, these companies are organized under legal forms that are similar to that of a German closely-held limited liability corporation ("Gesellschaft mit beschränkter Haftung" or "GmbH" for short).

No further material equity investments exist within the PFEIFFER VACUUM Group. In particular, there are no special-purpose entities, joint ventures or associated companies.

Organizational structure and corporate steering

Organizational structure

PFEIFFER VACUUM TECHNOLOGY AG is the parent corporation and is organized as a holding company. In addition to strategic management of the corporate group by the Management Board, this corporation also rents land and buildings to PFEIFFER VACUUM GMBH. PFEIFFER VACUUM GMBH fulfills a key task within the corporate group. Commensurate with its international customer structure, PFEIFFER VACUUM is represented on a global basis. In addition to PFEIFFER VACUUM GMBH, there are 10 operative non-German subsidiaries, which provide local coverage for the Company's major markets. These companies primarily perform sales, service and marketing functions. In this connection, all companies sell the entire PFEIFFER VACUUM product portfolio, without restriction. Specially trained sales engineers work together with the customer to develop the needs profile for the application in question, and select the appropriate products from the extensive PFEIFFER VACUUM product line. Regular training at corporate Headquarters additionally assures that information about current technical developments is available to all sales staff, thus enabling an optimum solution to be offered to the customer.

In addition to selling new products, one of PFEIFFER VACUUM's key success factors is the regular maintenance and repair, if necessary, of our products. In this sector, too, regular continuing education assures that our service technicians possess the requisite professional skills and abilities. In countries in which PFEIFFER VACUUM is not represented through a subsidiary, customers are served directly by PFEIFFER VACUUM GMBH. In addition, there are also contracts in place with sales agencies.

The Management Board of PFEIFFER VACUUM TECHNOLOGY AG is also responsible for managing the business of PFEIFFER VACUUM GMBH. Within the framework of their operations, the non-German subsidiaries have self-directed managements and always make their own decisions on how to attain the targets that have been defined by corporate Headquarters (sales revenues, operating margin and income before tax). The supervisory bodies of the sales and marketing companies, whose staffing includes members of the Management Board of PFEIFFER VACUUM TECHNOLOGY AG, or Headquarters in Asslar, must be involved in the case of major decisions.

Strategy

PFEIFFER VACUUM develops, produces and distributes products that are highly challenging in terms of technology and quality. Reliability, service life, performance and durability are attributes that our customers associate with products from PFEIFFER VACUUM. The Company's long-term strategic objectives include selling its products on the basis of quality, not price. The sales strategy also includes stressing the long-term total cost of ownership advantages over the life of a PFEIFFER VACUUM product. These stem, among other things, from their lower maintenance and repair costs, longer service lives and lower energy consumption by comparison with competitive products.

A further strategic objective is to be always close to the customer. One of the ways this is done is by broadening the sales and marketing structure, as it was done in fiscal 2008, for example, by expanding our presence in China and strengthening our sales and marketing activities in South America. The restructuring of the sales support operations at corporate Headquarters in 2008 in the form of a departmental structure that is geared toward market segmentation also represents a milestone along the road toward greater customer focus. One of PFEIFFER VACUUM's key strategic objectives is to not be dependent upon any one product, region or market long-term and to retain the Company's existing, well-balanced sales mix.

Broadening the "PFEIFFER VACUUM" brand is one of the Company's further strategies. The theoretical preparations for this were initiated in the second half of fiscal 2008, while the brand strategy itself will be implemented in 2009.

In addition to growth from within, the Company's strategic objectives also include further growth through the acquisition of companies that make for a good fit with PFEIFFER VACUUM's core business and meaningfully complement or broaden its product portfolio. An acquisition of this kind must contribute to increasing the value of the Company.

Controlling instruments

Both the subsidiaries as well as the sales and marketing organization in Germany and Benelux are operatively steered by means of agreements on annual sales and profitability targets ("Management by Objectives"). The targets are defined each autumn for the coming fiscal year, with due consideration being given to local aspects and market opportunities. These targets are derived by aggregating individual data from the major sales and marketing operations to produce anticipated consolidated sales. At the same time, costs are also planned. The budget so derived is adopted by the Management Board and then becomes definitive for all units that bear operative responsibility (non-German sales subsidiaries, for example). During the course of the year, target achievement is monitored by means of detailed target/actual comparisons and variance analyses. That is done within the framework of monthly reporting. This assures that undesirable trends can be identified and corrected early on. Monthly conference calls with the management of the sales subsidiaries additionally assure that all business development questions are addressed. This further affords an opportunity to discuss non-monetary aspects, over and above the financial analysis. In addition, personal talks are conducted twice a year on site with the staff within the framework of visits to the sales subsidiaries by corporate management. In countries in which PFEIFFER VACUUM is not represented directly through a subsidiary, the sales targets are agreed with the local distribution partner. Here, too, the achievement of sales targets is measured by means of target/actual comparisons.

A further steering instrument within the corporate group consists of the variable compensation element of the local managements of the non-German subsidiaries and of the German sales staff. Although the variable compensation element is contingent, in particular, upon the sales revenues achieved, profitability targets are also utilized for this purpose. Overall, this results in a high level of coincidence between the operative objectives of the Management Board and the local managements. Employees in executive positions or key roles additionally receive a variable compensation element that is essentially contingent upon the operating profit achieved. This enables employees in those areas of the Company that do not have any direct influence on sales to be sensitized to cost structures and thus to the Company's long-term success.

PFEIFFER VACUUM's sustained economic success demonstrates that the steering systems that are in place support the positive, long-term development of the corporate group.

Business operations

PFEIFFER VACUUM is a leading manufacturer of components and systems for generating, measuring and analyzing vacuum. We are a German mechanical engineering manufacturer that develops and produces high-tech products in "Made in Germany" quality and exports them to all industrialized nations throughout the world.

For nearly 120 years, we have been setting milestones in vacuum technology with our products. Our name stands for innovative solutions, reliable high-technology products, as well as first-class service.

Our product portfolio

Our products include a broad selection of pumps for vacuum generation, vacuum measurement and analytical devices, as well as installation elements and complete vacuum systems. With the aid of our products, pressure conditions are produced under vacuum that are similar to those that prevail in outer space and are indispensable in manufacturing any number of high-tech products and articles used in daily life.

Vacuum generation

Turbopumps Turbopumps are our most important product family. In 2008, we celebrated the 50th anniversary of the turbopump, which was invented at our company by Dr. Willi Becker in the year 1958. The combination of rotating impellers and stationary stators enabled a hydrocarbon-free vacuum to be generated for the first time with these pumps. This design of rotors and stators is similar to the principle that is employed in a turbine – and accounts for

CREATIVE AND INNOVATIVE

Working in close collaboration with universities and research centers, a team of highly qualified physicists and engineers is hard at work driving progress in vacuum technology.

Jörg Stanzel
Manager Turbopump Development, with the Company for 20 years

the name turbomolecular pump, or turbopump for short. The first turbopump had a pumping speed of 140 l/s and weighed 96 kg.

Today, our portfolio includes a broad line of turbopumps. Beginning with the world's smallest turbopump with a pumping speed of 10 l/s, a weight of 1.8 kg and speeds of up to 90,000 revolutions per minute right through to the largest turbopump with a pumping speed of 3,000 l/s and a weight of 94 kg. And the potential applications are every bit as broad and varied. The small and medium-size turbopumps are employed in the analytical industry, for example, with the smallest turbopump, the HiPace™ 10, being used first and foremost in small, portable analyzers. Our largest turbopump, the magnetically levitated HiPace™ 3400 MC, is predominantly required in the semiconductor industry and for coating. The latest generation of our turbopumps features integrated drive electronics that eliminate the need for costly and cumbersome cabling. They are additionally characterized by their extremely low vibration and quiet operation.

More than 280,000 turbopumps from PFEIFFER VACUUM are now in successful operation throughout the world.

Rotary vane pumps Rotary vane pumps are rotational displacement pumps that number among what are called backing pumps. They can be employed universally throughout the entire low and medium vacuum ranges. PFEIFFER VACUUM offers rotary vane pumps that incorporate one or two pumping stages for differing pressure ranges. The HenaLine™ pumps are single-stage pumps, for example, whose applications include electron beam welding, vacuum drying and metallurgy. The UnoLine™ pumps are employed first and foremost in combination with our Roots pumps in a variety of industrial applications. These pumps are water cooled and extremely insensitive to dust and dirt. The two-stage rotary vane pumps include the DuoLine™ and PentaLine™ products. The pumps from the PentaLine™ series are characterized by their innovative drive concept. Further advantages are their high energy efficiency, offering energy savings of some 50 % over conventional rotary vane pumps.

Diaphragm pumps Diaphragm pumps are displacement pumps that are especially suitable for use as backing pumps for turbopump pumping stations, for employment in analytical equipment and for leak detectors. Diaphragm pumps generate a dry, oil-free vacuum, which is why they number among the dry pumps.

Piston pumps The XtraDry™ pump operates in accordance with one of the oldest principles of vacuum generation. Even Otto von Guericke, the father of vacuum technology, used a piston pump for his famous experiments with the Magdeburg hemispheres in 1650. Dry piston pumps have higher pumping speeds than diaphragm pumps, and are employed where a clean, hydrocarbon-free vacuum is required, such as in the analytical industry or in the research & development market segment.

Screw pumps The HeptaDry™ is a screw pump for low and medium vacuum applications that require high pumping speeds. Screw pumps, too, produce dry, oil-free vacuum. This makes them an ideal backing pump for Roots pumps in the field of coating and in industrial applications that involve high levels of dust. A water circulation cooling system means that virtually no heat is given off to the environment; the pump's internal compression assures low energy consumption.

Roots pumps Roots pumps number among the dry-running rotational displacement pumps. They are offered in various sizes and versions; as a standard pump either with or without magnetic coupling, for example, as well as in explosion-protected design. The pumping speed of the smallest pump amounts to 250 m^3/h, while the largest Roots pump offers a pumping speed of 25,000 m^3/h. Roots pumps must always be operated in combination with a backing pump in order to generate a vacuum; applications for Roots pumping stations include chemical and process technology, freeze drying or metallurgy. The large pumps are also used in accelerators, in space simulation chambers or in steel degassing.

Vacuum measurement and analysis

Vacuum measurement and analysis equipment Many vacuum applications operate only in a specific pressure range. Analog and digital vacuum and total pressure measurement devices are employed to regulate the total pressure in a vacuum system. We offer three different series of equipment for total pressure measurement.

Mass spectrometers PFEIFFER VACUUM supplies a broad selection of mass spectrometers ranging all the way to high-performance mass spectrometers for plasma analysis. In industrial production processes, it is often not only important to know "how much" is in something, but also "what it is." With the aid of a mass spectrometer, it is possible to analyze the composition of a gas in a production system.

Leak detectors Our helium leak detectors enable troublesome, quality-reducing leaks in products and processes to be identified. These devices are employed, for example, for quality assurance in building and operating vacuum systems, refrigerators, air conditioning systems, automotive fuel tanks and brake lines.

Installation elements In order to interconnect the various vacuum components or to disconnect them from one another, we offer a broad selection of installation elements, such as flanges, fasteners, piping components, feedthroughs, seals and valves.

Vacuum system solutions

Thin layer solar cell coating systems Developed in close collaboration with our customer, these coating systems feature an ingenious, process-adapted vacuum system that incorporates the latest products from PFEIFFER VACUUM (turbopumps, pumping stations, dry backing pumps, measurement and analysis equipment). The systems comprise multiple successive chambers for the various coating processes under vacuum, as well as complex conveying facilities for the large-area panes of glass.

Helium leak detection systems PFEIFFER VACUUM develops and manufactures vacuum systems for customer-specific processes, such as components for applications in the automotive industry, for pressure vessels or for quality assurance in the food industry. The fully automated measurement method minimizes testing times and operating costs.

HiCube™ turbopump pumping stations With our HiCube™ turbopump pumping stations, we offer our customers a modularly designed, ready-to-run pumping system. These compact pumping stations essentially consist of a turbopump, a backing pump, a vacuum gauge and a controller. They are primarily employed in the field of analysis as well as in research & development.

CombiLine™ pumping stations We supply a broad range of CombiLine™ pumping stations in pressure ranges that extend from atmospheric to high vacuum. In addition to our proven standard pumping stations, in which various sizes of Roots pumps are combined with rotary vane and dry pumps as backing pumps, we also offer custom solutions for specific processes.

Multi-stage vacuum process Together with die casting specialists, PFEIFFER VACUUM has made a crucial advance in die casting technology thanks to the Vacu² multi-stage vacuum process. The purpose of vacuum in a die casting system is to evacuate a given volume of air from the mold cavity and the shot sleeve within the shortest possible period of time in order to produce high-quality die castings.

Markets

Products from PFEIFFER VACUUM are employed in numerous markets. Over 8,000 customers put their trust in the reliability of our products. Without vacuum technology, any number of innovative processes would be inconceivable, such as in nanotechnology, in producing LEDs or in research into the use of renewable energies.

We are not dependent upon any single market; in the past, we have usually been able to more than offset declines in individual, cyclical markets by winning new customers in new fields of application.

The major markets for our products are:

Analytical industry Our largest customers in this market are so-called OEM customers, i.e. manufacturers of analytical equipment that operates under vacuum. Complex analytical devices, such as scanning electron microscopes, are primarily employed for industrial quality control. Ever-smaller and lighter portable analyzers are required in environmental technology, in security technology or for doping analyses. The analytical industry primarily purchases small and medium-size turbopumps from us, along with backing pumps and measurement equipment. Our major customers in this market are located in the United States, Japan, England and Germany.

Industrial applications We define this market as a heterogeneous mix of industrial customers who require our vacuum technology in order to solve specific production steps. Application examples include metallurgy, lamp and tube production or air conditioning and refrigeration technology. The automotive supplier industry needs leak detection systems from us for fully automated quality assurance in the production of fuel tanks, aluminum rims, airbag cartridges or air conditioning lines, for example. One new application consists of steel degassing, in which steel is degassed under vacuum with the aid of large, extremely powerful pumping stations in order to free the steel of as many gas inclusions as possible. Our customers in the industrial segment come primarily from Germany and Europe, and increasingly from Southeastern Europe.

Coating industry Without vacuum, many articles that are used in daily life would not be able to be produced in the desired quality. The antireflective coating on eyeglass lenses, the coating on DVDs or on high-quality valves and fittings, as well as the coating on solar cells or on large panes of glass for high-rise buildings, are produced in vacuum chambers, for example.

High-quality tools are coated and hardened under vacuum to make them even more durable. Required first and foremost in the coating industry are medium-size and large turbopumps, as well as backing pumps, measurement equipment and complete vacuum systems. Our customers in this market come from all industrialized nations.

Research & development Collaboration with research facilities enjoys a long tradition at PFEIFFER VACUUM. Whether in physics or chemistry laboratories at universities, prominent research institutions like the Fraunhofer or Max Planck Institutes, or in large multinational research facilities – all of them rely upon the quality and dependability of our mass spectrometers, leak detection systems and turbopumps. Working in close cooperation with research facilities in Europe, the United States and Asia, new applications are repeatedly being created that will subsequently be industrially marketed, such as ion beam therapy accelerators for highly accurate treatment of tumors.

Semiconductor industry Our vacuum pumps are required in the semiconductor industry for the production of microprocessors, flat screen monitors and handling systems. Customers in this industry predominantly require medium-size and large turbopumps, as well as measurement equipment. This market is highly cyclical and is characterized by pressure on pricing. Our customers in this industry are primarily located in the United States and Asia.

Chemical and process technology The applications in the chemical and process technology market segment are closely related to those in industrial system technology. Employed primarily in the chemical industry are large pumping stations consisting of backing pumps and Roots pumps, for example in the production of plastic bottles. Process technology also includes our customers from the field of medical technology, who build accelerators for cancer therapy. Our most important customers in this segment are located in Germany, Scandinavia and the United States.

Research & development

Products from PFEIFFER VACUUM enjoy the reputation of being top quality "Made in Germany." And everyone who works in our Development Department strives to maintain and broaden this good reputation. Our aim is to steadily improve the quality of our products and to offer our customers added technology value. Development objectives include improving performance data in terms of pumping speeds, run-up times and gas throughputs, lower energy consumption and longer maintenance intervals. With our strategy of offering the customer complete vacuum solutions and stressing the long-term benefits of these kinds of solutions in the form of energy and operating cost savings potential, we clearly set ourselves apart from our competition.

During the year under review, we continued our innovation offensive, "Leading innovations. Too fast to be copied," from fiscal 2007. More than 60 % of our current product portfolio consists of new products or products that have been significantly modified during the past two years.

In 2008, research & development expenditures totaled € 6.8 million (2007: € 7.2 million), resulting in a development ratio of 3.4 % of total sales, as opposed to 3.7 % in fiscal 2007.

A total of 71 engineers, physicists and technicians in the Development Department (2007: 77) are working to develop new products in order to be able to generate and measure even better vacuum in even less time.

Patents are a visible manifestation of innovative strength. During the year under review, 10 new patent applications were filed (2007: 12). In addition, eleven patents were granted on pending applications. We hold a total of over 80 fundamental patents worldwide, as well as more than 125 patent families with nearly 400 national intellectual property rights.

Development focuses in fiscal 2008

Compact yet powerful HiPace™ turbopumps

At the outset of the year, PFEIFFER VACUUM brought to market a new series of compact yet powerful turbopumps under the name of HiPace™. These pace-setters cover pumping speeds of 10 to 700 liters per second. The pumps are characterized by their high level of cost-effectiveness and flexibility. Their improved rotor design affords high pumping speeds and high gas throughputs, as well as very good compression ratios for light gases. In addition to analysis, vacuum process and semiconductor technology, their broad spectrum of applications also includes coating, research & development as well as industrial applications.

The integrated drive electronics in the HiPace™ products reduces the need for costly and cumbersome cabling. Moreover, various drive alternatives are available in the same physical size. The service life of the drives has been doubled through the employment of innovative materials. Run-up time, too, has been shortened, making these pumps ready for service even faster. Remote and sensor functionalities afford analysis of pump data, such as temperatures. A sealing gas connection protects the bearings against particulate matter or oxidizing gases. This results in optimum integration capabilities for our pumps, which are also setting standards in terms of quiet operation and improved gas loads.

Expanding the HiPace™ series of turbopumps

In July, PFEIFFER VACUUM rounded out the HiPace™ series of turbopumps by adding four sizes that offer pumping speeds of 1,000 to 2,000 liters per second. They are characterized by their high pumping speeds for both light (H_2, He) and heavy gases (Ar, CF_4). These turbopumps achieve high throughputs, even in connection with heavy gases. In addition to photovoltaics and semiconductor technology, their broad spectrum of applications also includes coating architectural glass and eyeglass lenses, as well as employment in such industrial applications as furnace manufacturing. Their industrial suitability is assured through Protection Class IP 54 and the SEMI S2 standard.

HiPace™ turbopumps offer convincingly high levels of cost-effectiveness and flexibility. With their sophisticated rotor design and precise sensor technology, the HiPace™ series achieves the highest level of safety on the market. Very low operating costs are attained through the PFEIFFER VACUUM service concept in conjunction with the innovative design of the pumps.

In October 2008, PFEIFFER VACUUM received the prestigious R & D 100 Award for developing the small and medium-size HiPace™ turbopumps.

SECURING THE FUTURE

A view for the big picture right from the very beginning. Many of our new people complete a course of university study in cooperation with our Company that unites challenging theory and hands-on real-world experience with high efficiency.

Anna-Charlotte Rausch
StudiumPlus Student, with the Company for three years

New diaphragm pumps

A new generation of diaphragm pumps was brought to market in September 2008. These pumps are characterized by their improved performance data, their very low leakage rates, their maintenance-friendly design and the long service life of their diaphragms. The pumps operate absolutely oil-free and are suitable for pumping dry, non-aggressive gases. They can be employed both as backing pumps for turbopumps as well as standalone pumps.

Modular HiCube™ pumping station for clean vacuum

PFEIFFER VACUUM developed the dependable HiCube™ turbopump pumping stations for applications from the fields of research & development, accelerators, analysis and surface physics, as well as for vacuum process technology, electron beam welding and leak detection systems. With the modular design principle of the HiCube™ Classic and Pro series, PFEIFFER VACUUM makes a variety of alternatives available that are suitable for the various requirements in the 35 l/s to 685 l/s pumping speed range. Fully configured and ready to run immediately ("Plug and Play"), turbopump and backing pump interoperate perfectly.

HiCube™ pumping stations offer a convincing combination of a turbopump from the HiPace™ series and a dry or oil-sealed backing pump that is designed for the specific needs of the application in question. Thanks to its robust housing and ready-to-connect, fully automated pump unit, there are virtually no limits to its flexibility. All connections are consolidated at the rear. Moreover, the turbopump can easily be removed from the housing and connected to a vacuum chamber or system, as all individual components are highly accessible. In addition, oil changes on the rotary vane pumps can be performed easily, without the need for any special tools or disassembly.

The pumping stations are energy-saving and quiet. Depending upon the specific application, these pumping stations are also available with water cooling or heating sleeve. The smallest version within the HiCube™ family is the HiCube™ Eco, available with pumping speeds of 35 l/s to 67 l/s.

Workforce

On December 31, 2008, PFEIFFER VACUUM employed a workforce of 726 people, including 31 trainees (2007: 692, including 30 trainees). The workforce rose by 34 people or 4.9 % by comparison with December 31, 2007. Personnel were added primarily in the Manufacturing, Development and Sales and Marketing Departments. At year-end, 552 people (76.0 %) were working in Germany, first and foremost at corporate Headquarters in Asslar, and 174 people (24.0 %) at our non-German subsidiaries.

Employees

	Germany	Europe*	United States	Asia	**Total**
2007	526	82	56	28	692
2008	552	83	59	32	**726**

Dec. 31

* Excluding Germany

Initial and continuing training and education

Those performance indicators that are not directly quantifiable (SD-KPIs – Sustainable Development Non-Financial Key Performance Indicators) include the initial and continuing training and education of our people. Good training and education, along with a willingness to engage in ongoing continuing training and education in response to the changing needs of the market, represent the best prerequisites for secure jobs and sustained business success.

"Made in Germany – Quality for the World" is the motto of our 2008 Annual Report. The foundation for the acknowledged high quality of our products consists of our well trained and educated people. The optical-fine mechanical industry in the Central Hesse region of Germany enjoys a tradition that dates back centuries, along with an outstanding reputation. We train our future industrial mechanics in a workshop that is outfitted with modern machinery and equipment. In addition, we have for years been very successfully participating in the "StudiumPlus" work-study educational program in a collaborative effort between the Giessen-Friedberg University of Applied Sciences and the Chamber of Industry and Commerce. This is one way we recruit our new business and mechanical engineers. In fiscal 2008, we provided a total of 31 training slots (2007: 30).

By making jobs available for interns and awarding contracts to post-graduate thesis candidates, we are offering young people insights into life in a modern mechanical engineering manufacturing company. The subjects of the post-graduate theses were highly varied in fiscal 2008, ranging from the introduction of a balanced scorecard as a controlling instrument to spare parts logistics all the way to studies on the behavior of imbalances in rapidly rotating rotors. A total of 6 theses were written (2007: 9).

Continuing training and education plays a major role at our Company. New hires receive an introductory course in the fundamentals of vacuum technology, while sales and service staff are given training in the latest products. The continuing education offensive that was launched in 2007 aimed at improving English language skills was further broadened in fiscal 2008 to include more than 60 participants (2007: 35). Foremen and group leaders were trained in communication and leadership techniques. Individual continuing training and education, as well as courses that accompany our people's professional and vocational lives, are supported within the framework of specific personnel development measures.

Professional and Vocational Qualifications

	2008	2007
Development and Manufacturing		
College and university graduates	58	61
Employees with specialized training	259	245
Employees without specialized training	46	45
Trainees	19	19
Administration, Sales and Marketing		
College and university graduates	151	131
Employees with specialized training	173	172
Employees without specialized training	8	8
Trainees	12	11
Total	**726**	692

Dec. 31

Performance-based pay

In 2008, our people again shared in the Company's success in the form of a bonus. Employees in Sales received additional incentives through an individual bonus system that is based upon profitability and growth criteria. The bonus for professionals and executives was coupled to the achievement of operating profit targets. Personnel expense in fiscal 2008 totaled € 43.3 million, as opposed to € 44.7 million in 2007.

Old-age retirement benefits

In Germany, PFEIFFER VACUUM offers its employees various Company old-age pension options: A funded supplemental retirement benefit corporation, direct insurance and a pension fund. By enabling a portion of the employee's income to be earmarked for this purpose, it is possible to build a tax-advantaged supplementary old-age pension that is matched to the individual's own needs.

In fiscal 2008, we introduced a new and forward-looking system for those employees who work at Headquarters in Asslar who had previously not had any employer-financed pension contributions. The principle is very simple: Within the framework of what is called "freedom of allocation," PFEIFFER VACUUM decides annually on the amount of the total contribution that will be made available for Company pension options. This "total pension contribution" is a voluntary, employer-paid benefit that is highly contingent upon the Company's economic success. PFEIFFER VACUUM intends to continue to annually make the total pension contribution available in the future, although no legal entitlement to it exists, even if it has repeatedly been made available.

PFEIFFER VACUUM's pension obligations under agreements relating to the Company-funded old-age pension have been held in an asset management trust organized in the form of a registered association, PFEIFFER VACUUM TRUST E. V., since year-end 2003. Various pension plans that conform to country-specific conditions are in place at the sales subsidiaries. Information relating to the development of the pension assets is contained in Note 23 to the Consolidated Financial Statements.

Age Structure of the Company

	2008	2007
Under 30	117 (16 %)	98 (14 %)
30 to 50	392 (54 %)	411 (59 %)
Over 50	217 (30 %)	183 (27 %)
Total	**726 (100 %)**	692 (100 %)

Dec. 31

As in the year before, 9 employees again took advantage during the year covered by this report of the opportunity to gradually transition into retirement under a part-time contract for near retirees (2007: 10). This enabled us to offer trainees permanent jobs upon passing their final examinations.

Social responsibility

During the year under review, PFEIFFER VACUUM signed the United Nations Global Compact – 10 Principles and acknowledged the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights relating to child labor and the prohibition of discrimination, spreading their message throughout the Company's worldwide organization. The detailed Code of Conduct has also been published under "Corporate Governance" on our Internet pages.

We take our social responsibility toward our people seriously. We meet our disabled-employee quota and are in compliance with official accident prevention and job safety regulations (see also chapter "Sustainability"). The issue of family friendliness includes models for re-entering the working world with flexible working hours and job sharing for young mothers and fathers, as well as assistance in obtaining childcare. Preventive healthcare is a major issue: The Company offers cooking courses for healthier nutrition and a program of back and spine exercise courses, and supports cancer prevention programs.

Averaging 4.1 %, our absenteeism rate is lower than the industry average of 5.1 %. Our attrition rate of 2.7 % also illustrates our attractiveness as an employer and the sense of responsibility we exercise in dealing with our people.

Purchasing

The logistics center went into operation in August 2008 with the objective of further optimizing our efficient and cost-oriented sourcing operations. With this move, PFEIFFER VACUUM has been able to implement fully automated materials management for a major share of its inventories, as well as computer-networked capture of all materials movements by means of barcode scanners. At the same time, this will also optimize the flows of materials in Manufacturing, including the employment of automated in-house conveying routes, with whose aid it is possible to buffer inventories even faster. And improvements in the way movements of materials are managed predominated in connection with the central handling of shipping operations that has been made possible by the logistics center.

Generally speaking, efficient and cost-oriented sourcing of goods and services is a key basis for a company's profitability. Our activities here are characterized by ongoing optimization of our purchasing processes, access to new purchasing sources and the best possible prices, combined with a high degree of flexibility and quality. Maintaining intensive contacts with existing and potential suppliers both in Germany and in other countries, along with collaboration in a spirit of partnership, assure good and trustful relationships.

This method of vendor management and the way in which we collaborate leads to sustained success for both sides. PFEIFFER VACUUM's involvement of suppliers in the product creation process early on, in particular in connection with categories of goods that are highly demanding in terms of technology, additionally enables us to utilize our suppliers' development competence during early phases of the development work. This affords us the opportunity of creating innovative products at optimal cost in shorter development cycles, with make-or-buy decisions being taken into consideration. Depending upon the focus of the task in question, our Development, Purchasing, Logistics, Quality and Manufacturing Departments are involved to a greater or lesser extent in this joint process. And, finally, the fact that all products are manufactured exclusively at our facility in Asslar, Germany, enables us to centralize all major purchasing processes and thus achieve economies of scale. Additionally, electronic handling of purchasing processes is a further major element in our internal process optimization.

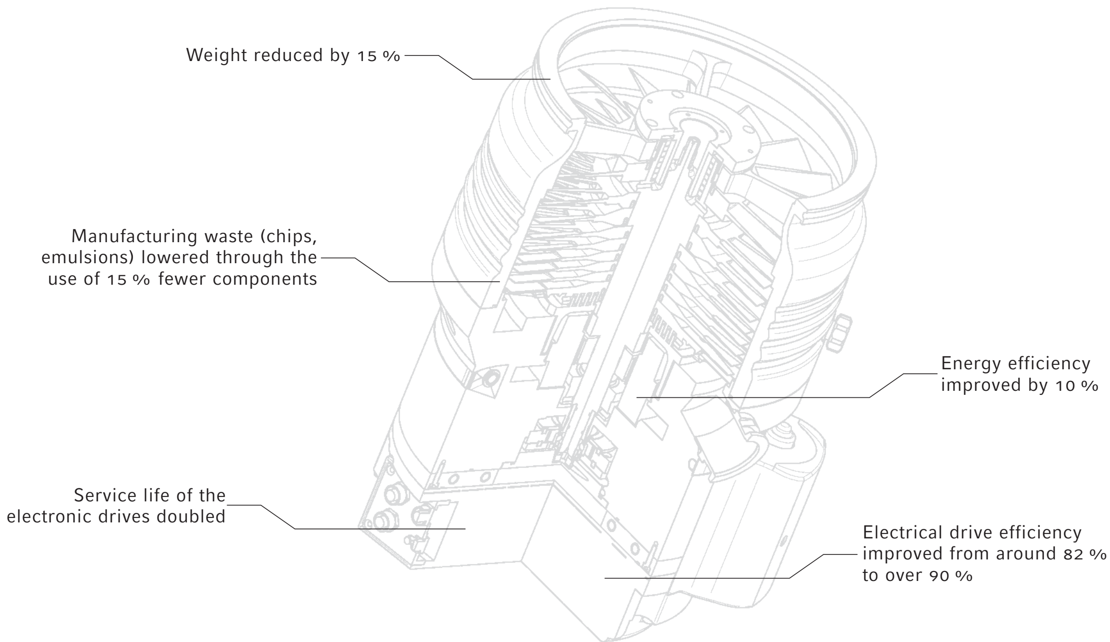
Sustainability

There need be no contradiction between sustainability and economic activities in either the Company or in society. Responsibility toward resources, sustainability in product development, outstanding product quality, safeguarding our people at their workplaces and social commitment are the cornerstones of visionary, entrepreneurial stewardship and are major elements of the corporate culture at PFEIFFER VACUUM.

Product development

We place great emphasis on environmental design engineering in developing new products. This relates to both the materials that are used, including their recyclability, as well as to such customer-specific environmental aspects as energy efficiency in operating our pumps.

One good example of our efforts in this field is the HiPace™ line of turbopumps that we brought to market in fiscal 2008, in which considerable savings have been achieved by comparison with the predecessor models:



Environmental protection

All environmental factors, such as electricity, gas and water consumption as well as waste disposal, are regularly monitored and assessed. Water consumption was reduced by more than 25 %, from 23,076 m^3 in fiscal 2007 to 16,924 m^3. However, consumption in 2007 had been higher than usual due to the test filling of a new fire extinguishing water tank. Electrical consumption rose moderately by 4.3 % from 8,344 kWh to 8,706 kWh. This increase related to the new construction and renovation work, as well as to the higher energy demand for air conditioning and ventilation stemming from the expanded office and manufacturing floor space. Gas consumption was able to be lowered by 2.8 %, from 7,489 KkWh to 7,279 KkWh. This reduced consumption was attributable first and foremost to modernization of the heating system in the manufacturing buildings as well as their improved insulation.

During the course of the fiscal year, 9 environmental audits were conducted (2007: 11). The aspects that were audited included compliance with legal requirements in handling, storing and disposing of hazardous substances.

The Company's environmental management system was reviewed by an independent certifier in connection with a repeat audit in August 2008. We passed the audit without any variances.

In 2008, further factory building roofs were converted to a modern radiant ceiling heating system, the thermal insulation on various factory building roofs was improved and the heating in various manufacturing buildings was modernized. This will enable the Company to considerably reduce its energy consumption, and thus contribute toward lowering CO_2 emissions.

A new gas-fired condensing boiler (700 kW output) went into operation.

Changeover of the lamps in one production building to state-of-the-art, energy-saving technology will produce energy savings of around 7 %. Solar cells had already been installed on a leased portion of one of our factory buildings. Further solar cells will be installed on the turbopump production annex in fiscal 2009. We will then have photovoltaic systems on all roofs whose structural engineering makes them suitable for this purpose.

Quality

Our quality management system was reviewed by an independent certifier in August 2008 in connection with a repeat audit under ISO 9001:2000. The audit was passed without any variances, and the certificate will retain its validity through September 2010.

Within the framework of our quality management system, all business processes are continuously scrutinized and enhanced. 8 internal quality audits were conducted in 2008 for this purpose (2007: 8), with no material variances being identified.

Internal processes are documented and available to employees in our quality handbook. In parallel to this, quality goals are defined, assessed and quantified, with compliance being measured. Continuous improvement processes are an element of all of the Company's processes, from the development of a product right through to its employment by the customer.

Significant improvements to our processes were achieved when the logistic center went into operation in the summer of 2008: Secure storage of products in 6,000 bin spaces in the automated small-component warehouse and 1,250 pallet spaces in the high-bay warehouse, as well as process improvements stemming from cutting-edge warehousing technology.

Modernization of those buildings in which backing pumps are manufactured and assembled will result in better working conditions and an optimized flow of materials. A new air conditioned measurement room equipped with a 3D measurement machine will also help to improve quality.

Job safety and working conditions

Following the retirement of the former job safety coordinator, our Company's job safety activities were contracted out to an external company beginning in January 2008. The job safety coordinator who is responsible for us worked some 680 hours for us in fiscal 2008, focusing on accompanying construction activities and internal changes to production processes. The Company's job safety organization and job safety measures were reviewed in October 2008 in connection with a follow-up audit under ISO 14001. No deficiencies were found. In fiscal 2008, there were 15 reportable on-the-job accidents (2007: 13). No technical deficiencies or lack of safeguards were identified as the cause of any on-the-job accidents. At 28 reportable accidents per 1,000 employees, PFEIFFER VACUUM is below the average of the Worker Compensation Insurance Company.

Social responsibility

PFEIFFER VACUUM lives up to its social responsibility outside the Company, as well. It awards grants to aid the work of facilities for children and the disabled, and also sponsors regional sports clubs. Schools and universities are supported through both cash and non-cash donations. For over 40 years, we have been one of the two companies that sponsor the prestigious Röntgen Prize, which is awarded annually at Justus Liebig University in Giessen in recognition of outstanding research work performed by the coming generation of scientists.

Information pursuant to § 315, Sub-Para. 4, German Commercial Code ("HGB") ("Report on the Acquisition Situation")

The subscribed capital of PFEIFFER VACUUM TECHNOLOGY AG totaled K € 22,965 as of December 31, 2008, and comprised a total of 8,970,600 shares of no-par stock. There are no differing classes of shares, which means that all shares are vested with the same rights, in particular the same voting and dividend entitlement rights. Consequently, each share mathematically represents € 2.56 of the subscribed capital.

As of December 31, 2008, New York-based Arnhold and S. Bleichroeder Holdings Inc./First Eagle Funds held 25.04 % of the voting rights in the Company. To the best of our knowledge, no further shareholders held more than 10 % of the Company's shares as of December 31, 2008.

Amendments to the Articles of Association and Bylaws can be resolved by a simple majority of the votes present at the Annual Shareholders Meeting, unless a higher majority is legally mandated. To the best of our knowledge, there are no restrictions relating to voting rights or the transfer of shares. Pursuant to the Company's Articles of Association and Bylaws, members of the Management Board are appointed by the Supervisory Board for a term of office of not more than five years. A renewed appointment or an extension of the term of office, neither to exceed five years, is permissible.

Through a resolution of the Annual Shareholders Meeting on June 8, 2005, the Management Board is authorized to increase subscribed capital by K € 11,252, or 4,395,300 shares, against contributions in cash and/or kind. This authorization is valid through June 7, 2010, and requires the consent of the Supervisory Board.

At the Annual Shareholders Meeting on May 28, 2008, the shareholders authorized PFEIFFER VACUUM to buy back treasury shares in accordance with § 71, Sub-Para. 1, No. 8, German Stock Corporation Act ("AktG"). This authorization covers the buyback of a proportionate amount of the Company's share capital of up to € 2,296,473.60 (897,060 shares, representing 10 % of the share capital at the time the resolution was adopted) and is valid through November 27, 2009. Utilizing the above-indicated resolution of the Annual Shareholders Meeting, the Company bought back a total of 329,276 shares at a total trading price of € 20.1 million in fiscal 2008. As of December 31, 2008, holdings of treasury stock totaled 456,352 shares having a total purchase price of € 23.8 million. This also includes 127,076 shares valued at cost of acquisition (€ 3.7 million), which had already been bought back under prior authorizations.

There are no further aspects that would require discussion within the context of § 315, Sub-Para. 4, German Commercial Code ("HGB").

ASSURING QUALITY

Guaranteed by the Company's own, certified system of quality management, along with major standards and regulations developed in Germany, many of which are also adopted by other countries.

Bernd Koci

Manager R & D Quality and Analysis, with the Company for 20 years

Corporate Governance Report

The recommendations and suggestions contained in the German Corporate Governance Code ("DCGK") have already been a firm element of our corporate governance and corporate culture for years. Both the close collaboration in a spirit of trust between the Management and Supervisory Boards as well as a high level of transparency and authenticity in the Company's corporate communications and accounting have always been fundamental principles. The activities of the members of the Management and Supervisory Boards are aligned to these principles. Material adaptations to reflect the Code were and are thus unnecessary.

In December 2008, the Management and Supervisory Boards of PFEIFFER VACUUM TECHNOLOGY AG submitted the Statement of Compliance for the year that is required in accordance with § 161 of the German Stock Corporation Act ("AktG") and made it permanently available to shareholders on the Company's Internet website (www.pfeiffer-vacuum.net).

The following points are in variance with the recommendations of the German Corporate Governance Code:

- No agreement was able to be reached in negotiations with our D & O insurance carrier to obtain a lower premium if a deductible is arranged. We will therefore not arrange for a deductible. A deductible would not improve the overall motivation and sense of responsibility of the members of the Management and Supervisory Boards. Both the Management and Supervisory Boards work to the benefit of the enterprise. (Point 3.8 of the Code)

- The members of the Supervisory Board have in the past received and presently still receive fixed compensation, which does not contain any performance-related variable income components. Their compensation is stated in the compensation report. (Point 5.4.6 of the Code)

Shareholders and Annual Shareholders Meeting

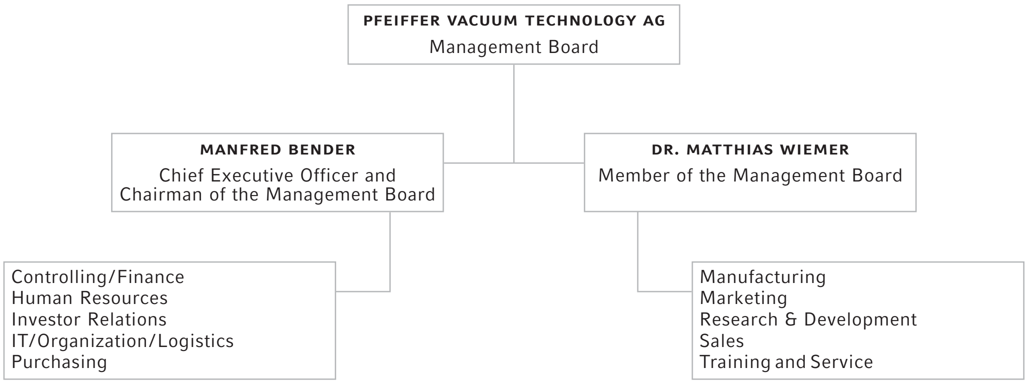
The Annual Shareholders Meeting is the Company's supreme body. At the Annual Shareholders Meeting, our shareholders are able to either exercise their voting rights in person or have them exercised by a proxy of their choice or by an individual named by the Company who will be bound by their instructions. The shareholders make all major decisions at the Annual Shareholders Meeting, such as on the employment of unappropriated retained earnings, amendments to the Articles of Association and Bylaws or consent to share buyback programs. The shareholders are provided with all major information and documents for the Annual Shareholders Meeting sufficiently in advance.

Our financial calendar, which is published in the Annual Report, in the Quarterly Reports and on our Internet website, informs our shareholders and other interested parties throughout the year about major dates, publications and events. Moreover, it is also possible to contact the Company with questions at any time.

Management Board

In fiscal 2008, just as at the close of the preceding fiscal year, the Management Board consists of two members: Diplom-Betriebswirt Manfred Bender (Chief Executive Officer and Chairman of the Management Board) and Diplom-Ingenieur Dr. Matthias Wiemer. These two members of the Management Board are responsible for the Company's further development and strategy. Moreover, they are also highly involved in the Company's day-to-day activities and bear operational responsibility.

The distribution of responsibilities within the Management Board is as follows:



The four-eyes principle applies within the Management Board: Major decisions are always made jointly. Personal expenditures, such as travel expenses, for example, must be approved by the other member of the Management Board. In addition to collaborating closely with one another and mutually informing one another on a daily basis, Management Board meetings are conducted every two weeks. Minutes of these meetings are kept, with a copy being provided to the Chairman of the Supervisory Board.

The members of the Management Board work exclusively for PFEIFFER VACUUM. Manfred Bender has additionally held a seat on the supervisory board of Technotrans AG in Sassenberg, Germany, since 2006.

Modest donations are made predominantly to local facilities and institutions, with the focus on both educational as well as social and sports engagement. No donations are made to political parties.

Supervisory Board

In accordance with statutory regulations and the Articles of Association and Bylaws of PFEIFFER VACUUM TECHNOLOGY AG, the Supervisory Board comprises a total of six individuals, with four members being elected by the shareholders and two members by the Company's employees. The last elections by both parties to the Supervisory Board were conducted in the year 2006, which means that the term of office of all members of the Supervisory Board will end in 2011.

In fiscal 2008, the Supervisory Board continued to comprise the following members:

- Dr. Michael Oltmanns (Chairman), Attorney at Law and Tax Advisor
- Götz Timmerbeil (Vice Chairman), Certified Public Accountant and Tax Advisor
- Michael J. Anderson, Investment Banker
- Wilfried Glaum, Business Administrator
- Helmut Bernhardt (Employee Representative), Development Engineer
- Manfred Gath (Employee Representative), Chairman of the Employee Council

The Supervisory Board submits a slate of nominations for the election of shareholder-representative members of the Supervisory Board. In selecting the nominees, care is taken to assure that the Supervisory Board will at all times be composed of members who possess the requisite expertise, skills, abilities and professional experience, as well as sufficient independence. Both the international business activities of the corporate group as well as potential conflicts of interest are taken into consideration in this regard.

This also applies with respect to the Audit Committee. As a certified public accountant, the Chairman of the Audit Committee, Götz Timmerbeil, is outstandingly qualified to bear responsibility for the activities of the Audit Committee, in particular in connection with questions relating to accounting, compliance and the risk management system. It has also long been the practice of PFEIFFER VACUUM to maintain an Audit Committee.

Further committees of the Supervisory Board are the Management Board Committee and the Administration Committee. The Management Board Committee deliberates in detail on the personnel matters of the members of the Management Board before – in accordance with the requirements of the German Corporate Governance Code ("DCGK") – they are resolved by the full Supervisory Board. The Administration Committee deals, in particular, with transactions which require the consent of the Supervisory Board and with contracts entered into with members of the Supervisory Board.

The committee memberships of the Supervisory Board members can be seen from the following overview:

Personnel Composition of Committee Memberships

	Nominating Committee	Audit Committee	Management Board Committee	Administration Committee
Dr. Michael Oltmanns	Yes (Chairman)	Yes	Yes (Chairman)	Yes (Chairman)
Götz Timmerbeil	Yes	Yes (Chairman)	Yes	Yes
Michael Anderson	–	Yes	–	–
Wilfried Glaum	Yes	–	Yes	–
Helmut Bernhardt	–	–	–	Yes
Manfred Gath	–	–	–	–

Dr. Oltmanns additionally holds seats on the supervisory boards of the following companies: Becker Mining Systems AG, Friedrichsthal, Germany (chairman), HPC AG, Weinheim, Germany, until May 6, 2008 (chairman), Jetter AG, Ludwigsburg, Germany (chairman), Merkur Bank KGaA, Munich, Germany (vice chairman, chairman from May 7, 2008) and Scholz AG, Essingen, Germany (chairman)

Collaboration between the Management and Supervisory Boards

Close collaboration in a spirit of trust between the Management and Supervisory Boards is a major prerequisite for good corporate governance and serves to the benefit of the Company. Quarterly meetings of the Supervisory Board are conducted in this connection, as well as special meetings and conference calls, if required. The Management Board reports to the Supervisory Board on the general position of the corporate group, including its risk position, through a monthly reporting system. The Company has taken out liability insurance for the members of the Management and Supervisory Boards. No consultancy or other contracts for services or work were in force between members of the Supervisory Board and the Company during the period covered by this report. Should, in exceptional cases, a member of the Supervisory Board be active for the Company, for example as legal counsel, such activity must be approved by the Supervisory Board. Members of the Management and Supervisory Boards were not subject to any conflicts of interest, which must be disclosed to the Supervisory Board without delay. Finally, the Rules of Procedure for the Management Board require that the Supervisory Board grant its consent to material business transactions.

Compensation report

The compensation paid to members of the Management and Supervisory Boards is detailed in the following section.

Compensation paid to members of the Management Board

The compensation paid to members of the Management Board is thoroughly discussed in detail by the Management Board Committee of the Supervisory Board and then adopted by the full Supervisory Board. This compensation consists of a fixed element and a variable element, as well as non-monetary compensation (company car, accident insurance). The variable element is basically contingent upon the group's sales, operating profit or loss and after-tax income. The following table describes the compensation of the Management Board in 2008 on an individual basis as included in the income statement.

Compensation of Members of the Management Board (in K €)

	Fixed Element	Variable Element	Non-Monetary Compensation	**Total 2008**	Total 2007
Manfred Bender	240	434	13	**687**	503
Dr. Matthias Wiemer	160	273	8	**441**	300 *
Total	400	707	21	**1,128**	803

* Effective April 1, 2007

Manfred Bender has received a pension commitment in the amount of 20 % of his last fixed salary element. In this connection, net pension expenses under IFRS in the amount of K € 19 were recorded in the Income Statement in fiscal 2008 (2007: – K €). In addition, pension commitments also exist to former members of the Management Board. The net pension expenses for the year attributable to former members of the Management Board amounted to K € 30 (2007: K € 20). Following K € 17 in fiscal 2007, a total contribution in the amount of K € 49 has been paid to PFEIFFER VACUUM TRUST E. V. for the current fiscal year. The total net advance payment to PFEIFFER VACUUM TRUST E. V. for current and former members of the Management Board thus continues to amount to K € 142, of which K € 137 is predominantly attributable to former members of the Management Board (2007: K € 137). Current pensions in fiscal 2008 amounted to a total of K € 199, as opposed to K € 99 the year before.

Compensation paid to members of the Supervisory Board
The members of the Supervisory Board receive fixed compensation, which is stipulated by the Annual Shareholders Meeting.

Compensation of Members of the Supervisory Board (in K €)

	2008	2007
Dr. Michael Oltmanns	45	45
Götz Timmerbeil	30	30
Michael J. Anderson	15	15
Wilfried Glaum	15	15
Helmut Bernhardt	15	15
Manfred Gath	15	15
Total	135	135

Should members of the Supervisory Board be newly elected or retire during the course of the fiscal year, their compensation is paid on a pro rata basis. However, this was not the case in fiscal 2007 or 2008.

Negative statement
No further payments in addition to the above-indicated compensation elements were paid to members of the Management or Supervisory Boards during the year covered by this report. In particular, no stock options were granted, no loan entitlements were established and no guaranty commitments were issued. Nor do any special agreements exist in connection with the termination of the activities of members of the Management or Supervisory Boards.

Transparency

Our corporate communications work strives to provide all target audiences with the same information at the same time. One of the ways in which this manifests itself is the fact that all material information is disseminated in both the German and English languages. Shareholders and interested parties can utilize the Internet to inform themselves on a timely basis about current developments within the corporate group. All ad-hoc corporate press releases issued by PFEIFFER VACUUM TECHNOLOGY AG are made available on the Company's website. Pursuant to § 15a of the German Securities Trading Act ("Wertpapierhandelsgesetz"), the members of the Management and Supervisory Boards must disclose purchases and sales of PFEIFFER VACUUM shares. We publish this information on the Internet at www.pfeiffer-vacuum.net under "Investor Relations/Corporate Governance." Accordingly, the share purchase by CEO Manfred Bender end of May 2008 was disclosed. Moreover, it is also possible for shareholders and other interested parties to receive current information on the development of the corporate group via e-mail.

Accounting and auditing

In accordance with statutory regulations, the Consolidated Financial Statements of PFEIFFER VACUUM as well as the Quarterly Financial Reports are compiled in accordance with currently applicable International Financial Reporting Standards (IFRS). As the parent corporation, the Annual Financial Statements of PFEIFFER VACUUM TECHNOLOGY AG are compiled in accordance with the regulations of the German Commercial Code ("HGB").

Pursuant to a resolution by the Annual Shareholders Meeting on May 28, 2008, the Consolidated Financial Statements were audited by Ernst & Young AG, Wirtschaftsprüfungsgesellschaft/ Steuerberatungsgesellschaft, Eschborn, Germany. Ernst & Young AG also audits the Annual Financial Statements of PFEIFFER VACUUM TECHNOLOGY AG.

It was agreed with the independent auditor that the Chairman of the Audit Committee will be informed without delay with respect to any grounds for exclusion or prejudice which may arise during the course of the audit should they fail to be eliminated without delay. The independent auditor is tasked with also reporting without delay any and all observations and events that are material to the responsibilities of the Supervisory Board which may be determined in connection with the audit of the financial statements. Moreover, the independent auditor must also inform the Supervisory Board and/or include a notation in the audit report should he or she identify facts in connection with the audit of the financial statements that cannot be reconciled with the Statement of Compliance submitted by the Management and Supervisory Boards pursuant to § 161 of the German Stock Corporation Act ("AktG").

FOSTERING NEW BLOOD

We train. In fact, we are constantly training some 30 blue- and white-collar trainees in a variety of vocations.

Janik Holder
Trainee, with the Company for one year

Risk and Opportunities Report

The purpose of entrepreneurialism is to specifically utilize opportunities that have been identified in order to increase the value of the Company. However, this intrinsically involves the taking of risks. The opportunity and risk management system that we employ serves to provide guidance to us in utilizing opportunities and taking specific risks. To assure this, we use and evolve suitable instruments for identifying, analyzing and controlling opportunities and risks.

One major aspect of the Company's opportunity and risk management system is to identify and assess the major opportunities and risks for PFEIFFER VACUUM. To do this, a defined circle of individuals within the corporate group compiles detailed opportunity and risk inventories. The information contained therein is aggregated at the level of the corporate group and reassessed, if necessary, taking into consideration internal Group interactions. Overall, this enables us to define the major opportunities and risks for the Company. We have defined the areas of risk management within the individual departments and have put in place the necessary procedures, early warning and monitoring systems. This includes monthly reporting for the major operations of the corporate group and the corporate subsidiaries that enables undesirable trends to be identified early on. We additionally take the opportunity and risk factors we have defined into consideration in our annual budgeting process. The budget and our current business position are comprehensively deliberated with the Supervisory Board. In addition, the Supervisory Board also receives monthly overviews of our financial results by region, as well as further reports from the Management Board.

The opportunity and risk management system thus comes to bear at all levels of leadership within the corporate group; this assures the completeness and correctness of the identified opportunities and risks, enabling all significant opportunities for the further positive development of PFEIFFER VACUUM to be identified and utilized early on and the identified risks to be combated.

The major opportunities and risks for the corporate group are presented below.

Opportunities

Technology

PFEIFFER VACUUM is highly successful in developing viable, innovative products and bringing them to market. This stems from our close collaboration with our customers in a spirit of trust, which enables us to anticipate their needs and thus gain a head start over our competitors. Innovative products afford us the opportunity of being able to better cover existing markets, along with the opportunity for generating additional sales volume by gaining market share. One example of PFEIFFER VACUUM's innovative strength was winning the R & D 100 Award for our new HiPace™ series of turbopumps. R & D Magazine bestows this internationally renowned award annually for the 100 most important technological products premiered worldwide.

Sales and marketing

Given the general expectations and prospects for the year 2009, it might sound surprising to speak about sales and marketing opportunities. PFEIFFER VACUUM, too, will feel the weakening economy. However, one of the Company's key competitive advantages has always been its lack of dependence upon individual regions, products or markets. And since not all regions, products or markets will be equally affected by the weaker economic development, we view our broad alignment as being an opportunity to compensate for declining business in various parts of the corporate group through rising business in other parts of the corporate group. These opportunities include the coating market, and in particular the solar industry, where the lion's share of the major contract we received in 2008 will be turned into sales revenues in fiscal 2009.

Purchasing and manufacturing

Further optimization of the Company's purchasing and manufacturing processes offers a major opportunity for improving the Company's profitability. The logistics center in Asslar, which was completed and went into operation in fiscal 2008, will help to do just that. The rigorous alignment of the flows of material in Manufacturing towards the new logistics center will be concluded in fiscal 2009. Moreover, a cutting-edge, automated warehousing system and a standardized system of product shipping will lead to efficiency gains. Throughput times will be further reduced in conjunction with modernization of our machinery and equipment.

Human resources

The development of viable new products, the ongoing improvement of the existing product portfolio, the high level of precision of the production processes, the sale and distribution of our products in a technologically challenging competitive environment and the administration of an internationally operating, publicly traded corporate group necessitate a highly qualified and motivated workforce. Attractive pay concepts have been in place at PFEIFFER VACUUM for years with the objective of assuring the long-term loyalty of existing talent to the company while simultaneously being an attractive employer for new people. In addition to base pay that is commensurate with the employee's individual activities, qualifications and responsibilities, this also includes the payment of vacation and year-end bonuses, as well as a variable, success-based compensation element. In addition, an old-age pension model that is financed entirely by the employer was put in place in Germany; this model covers all employees who have not acquired entitlement to a Company old-age pension under previous commitments. We therefore view ourselves as being well equipped to cover our future needs for qualified skilled labor and university graduates and to assure the loyalty of our talent to the Company – both are absolute prerequisites for the Company's successful further development.

Risks

Overall economy, industry sector

Even though the coating market, underpinned by the development of the solar industry, has taken on increasing significance in 2007 and 2008 and will continue to play a major role in fiscal 2009, PFEIFFER VACUUM continues to be broadly aligned. We are not dependent upon the coating market or other markets, and especially not upon the semiconductor sector, a risk that is often encountered in the vacuum industry. In addition, the Company also has a strong balance in its regional sales mix and in the distribution of sales revenues among our products. Nevertheless, the impending global economic turndown will also impact PFEIFFER VACUUM's core business. However, the Company's above-mentioned broad alignment will serve to level the situation somewhat, as not all regions, products and markets will be equally affected by the economic development. Moreover, the major contact that was received in fiscal 2008 will compensate for the development of our core business. However, managing the economic risk includes more than merely steering sales revenues. We combat negative changes to the economy through capacity adjustments and by quickly reducing costs. Flexible working time models enable production capacities to be swiftly and simply adapted to reflect the development of the order situation.

Technology

As a manufacturer of high-tech products, we are dependent upon innovative, high-quality products and services. Products and services that do not meet up to customer expectations lead directly to declining sales and thus to a loss of market share and reputation. Ongoing customer contact and the resulting market intimacy provide us with key information about the needs of our customers. The information thus obtained enables us to develop and offer products that are suited to their needs. This allows us to expand both our competitive position as well as our name recognition. In fiscal 2008, we spent a total of € 6.8 million on research & development (2007: € 7.2 million). This correlates to 3.4 % of sales – as opposed to 3.7 % the year before. Through these development investments, we will continue to combat the risk of insufficient innovation. In addition, maintaining high standards of quality is a top priority for us as a manufacturer of quality high-tech products. We first received certification under ISO 9001:2000 in the year 1995, which has since been sustained without interruption.

Purchasing, manufacturing and logistics

We primarily combat the risk of supply bottlenecks and vendor dependence by continuously reviewing alternative supplier options. Anticipated market shortages of raw materials, such as steel and aluminum, are combated through long-term framework contracts. Business interruption insurance is in force to cover the effects of downtimes resulting from fire, storm or flood damage, for example. Qualified technicians and modern production machinery keep technically related downtimes at a low level. Regular maintenance and repair of our machinery and equipment also helps to avoid downtimes. The proper condition of our modern equipment, too, is a major success factor in catering to our customers' wish for ever-shorter delivery times. These can only be achieved if the individual steps in the production process mesh optimally. During the year under review, we put the new logistics center into operation in order to further optimize the internal flows of materials. Cutting-edge warehouse management systems, a fully automated high-bay warehouse and the consolidation of shipping processes are being employed in this connection.

Foreign exchange parities

As a result of our pronounced international operations and the high percentage of export business that this involves, we are subject to a foreign exchange risk. The following distinction must be made with respect to steering this foreign exchange risk: The Company engages in active foreign exchange management for the future intercompany sales of PFEIFFER VACUUM GMBH with the corporate subsidiary in the United States. The Company enters into transactions in currency options and futures to hedge foreign exchange risks with respect to sales revenues in U.S. dollars. Moreover, there is a valuation risk at PFEIFFER VACUUM GMBH as per the close of the fiscal year stemming from intercompany accounts receivable in foreign currencies. Both realized gains and losses from foreign exchange futures and options transactions, as well as the results of the valuation of foreign-currency accounts receivable can be steered to a certain degree. They manifest themselves in the foreign exchange gains/losses line item of the Individual Income

Statement. Aside from the U.S. dollar, there are no material exchange rate risks, as the vast majority of our invoices are issued in euros.

However, the consolidated statements of income also include the income and expenses of the foreign sales subsidiaries that do not report in euros and therefore first have to be translated into euros. This approach and the resulting effects are presented below using the U.S. sales company by way of example. However, these remarks are also analogously applicable to all other non-euro companies, such as the ones in England or South Korea. The line items in the Income Statement are translated into euros at the average annual exchange rate and are adjusted to eliminate intercompany sales and services. Leaving selling and administrative expenses out of consideration, sales revenues with U.S. customers are offset by the cost of sales in Germany. In this connection, sales revenues that are invoiced in U.S. dollars are subject to a foreign exchange risk (currency translation risk), while the cost of sales is incurred only in Germany and is not subject to any exchange rate influences. The level of sales revenues and gross profit is therefore influenced directly by the exchange rate, which is an external factor that cannot be hedged. A certain degree of compensation for this effect results from the fact that the subsidiary in the United States records its own selling and administrative costs, which run counter to sales revenues (natural hedge). An analysis of the year under review shows that the overall impact is considerable: The negative effect of the sales revenues of the U.S. sales subsidiary expressed euros in the amount of € 3.0 million was mitigated moderately by opposite effects in connection with operative costs (€ 0.6 million), resulting on balance in a negative impact of € 2.4 million on operating profit stemming purely from currency translation. Further material effects are due to the development of the pound sterling and the Korean won. It should also be noted at this point that positive sales revenues and profitability influences could occur in connection with a weakening euro.

Financial position and liquidity

As a result of the more restricted availability of credit, in particular for small and medium-size enterprises, as a direct result of the banking crisis, the likelihood of insolvencies on the part of our customers has risen. The rigorous system of accounts receivable management that has long been practiced at PFEIFFER VACUUM, along with monitoring of our customers' payment patterns, minimizes creditworthiness risks and thus accounts receivable losses. Moreover, our dependence upon individual customers is limited, as no end customer accounts for more than 10 % of our total sales revenues. Deliveries under initial orders from new customers are always made exclusively against payment in advance; only after a lengthy, trouble-free customer relationship are deliveries made against invoices, with credit limits being defined for the maximum level of accounts receivable. This highly conservative approach is proving to be correct, especially during times of economic difficulties, and results in a very low level of write-offs.

In spite of the cash used during the year under review, in particular for the dividend (€ 27.9 million), for the share buyback program (€ 20.1 million) and for capital investments (€ 10.7 million), the liquidity position of the PFEIFFER VACUUM Group continues to be very comfortable. There are liquid assets totaling € 68.3 million, as well as unused lines of credit in the amount of € 9.8 million. The Company continues to be able to avoid the need for interest-bearing bank debt. This means that there are sufficient reserves to assure the survival of the Company, even in difficult economic times. To steer liquidity, a cash management system is in place between the German companies, which assures them a sufficient supply of cash. Our operative business generates sufficient liquid assets to enable the Company to continue to grow from within.

And against the backdrop of a highly volatile stock market environment, our investment strategy for our liquid assets, which has always been highly conservative in the past, has proved to be correct. The value of those securities classified as available for sale declined by merely € 2.8 million, with a writedown of € 1.3 million being made directly within shareholders' equity. Those fixed-interest securities which are held to maturity continue to be shown at cost of acquisition. These securities will be redeemed at nominal value (= cost of acquisition). There was no need for lowering the valuation of these securities as a result of creditworthiness issues.

Information technology

We keep the risk of data losses to a minimum by performing daily backups of our complete enterprise data. Our enterprise database, in particular, with which manufacturing operations, materials management, order handling, financial and cost accounting are handled, is subject to a high security standard. All files created by our employees within the server environment are also backed up on a daily basis. Our backups are stored in secure, fireproof locations. The activities of our in-house support team reduce system outages to a low level.

The Company uses regularly updated virus scanners and modern firewalls to protect its hardware and software against the risk of computer viruses and hacking.

Legal risks

As a result of PFEIFFER VACUUM's international business operations, the Company is subject to a variety of legal risks. National and international contract law and taxation are of particular significance in this connection, as they can have a direct bearing on the Company's earnings and financial positions. Standardized terms and conditions of contract and business are always employed to minimize the risk stemming from contracts entered into for products or services. In the case of special contracts, the contract instrument is first reviewed in-house and then by external legal counsel, if necessary. The expertise required for assessing the Company's daily business is provided by our qualified staff. We draw upon the assistance of external tax advisors in connection with complex issues that relate to national and international taxation. No legal disputes are currently pending whose outcome could have a material impact on the Company's earnings or financial positions.

Acquisitions

The integration of acquired companies into the purchaser's corporate group always poses a special challenge. It is therefore not possible to preclude the possibility that the expectations which are placed upon the acquisition might not fully materialize. To minimize this risk, we conduct detailed due diligence in advance of a corporate acquisition. Analyzed in particular in this connection are the legal situation, technical equipment, production planning and current financial position of the company to be acquired. This assures that all aspects of a corporate acquisition are taken into consideration, and enables conclusions to be drawn regarding the potential synergies that will result from an acquisition. This significantly reduces the risk of unanticipated developments. However, this risk can never be entirely excluded because the integration must also, to no small degree, take place within the minds of the employees.

General comments on the risk management system

We are of the opinion that the risk management system which has been established is suitable for identifying, analyzing and quantifying existing risks in order to adequately steer them. Our auditor has reviewed the risk management system that is in place in connection with the audit of the Annual Financial Statements. This review did not result in any objections.

No risks are identifiable that could endanger the Company's survival, neither for fiscal 2008 nor for the following years.

Summarized in a SWOT analysis, the major strengths and weaknesses, opportunities and risks that relate to the PFEIFFER VACUUM Group are as follows:

SWOT Analysis of the PFEIFFER VACUUM Group

	Strengths	Weaknesses
Company-related	■ Technology leadership and world market leader in turbopumps ■ Highly innovative ■ Balanced mix of products, markets and regions ■ Global sales and service network ■ High equity ratio ■ Debt-free, strong cash position	■ Low market share in backing pumps ■ Niche market, in part dependent upon economic cycles ■ Low presence in the chemical and process technology markets
	Opportunities	**Risks**
Market-related	■ Strengthening technology leadership ■ Developing and supplying needed products ■ Expanding position in the solar market ■ Expanding backing pump market share through innovative products ■ Buying-in appropriate companies	■ Weakening of the dollar and yen relative to the euro ■ Further heightening of competitive pressure

Overall Economic Environment

World economy

The world economy grew by 3.1 % in 2008, as opposed to 5.1 % the year before, very clearly indicating the global economic downturn in 2008. Noteworthy in this connection was the decline in the pace of growth in all nations and regions, even though the extent of the decline differed throughout the world in 2008.

United States

At 1.3 %, economic growth in the United States was down from the previous year's level of 2.2 %. In this connection, it should be noted that there were major differences in this development during the year 2008. While the development prospects at the outset of the year still tended to be viewed optimistically, the increasingly significant declines in sales of U.S. automobiles during the final quarter of 2008 in particular led to a weak overall economic development. The impacts from the real estate crisis also contributed to this development. This was in line with the U.S. Federal Reserve Bank's historic step of paring the interbank lending rate to virtually zero in an effort to promote the supply of credit to the economy. The U.S. dollar, which had temporarily strengthened somewhat, again turned weaker as the year drew to a close, although this development was conducive to exports.

Europe

The 27 member states of the European Union saw economic growth of 1.2 % in 2008. It should be noted in this connection, however, that developments in the individual national economies differed greatly. After 6.5 % and 5.8 %, respectively, the year before, Poland and the Czech Republic were still able to post comparatively good growth rates of 4.8 % and 4.2 %, respectively, in 2008. The Netherlands, too, was also able to record positive development, with economic growth amounting to 1.8 % (2007: 3.2 %). Italy, one of Europe's largest national economies, saw negative growth of 0.5 % on the other hand. With a contracting real economy, Italy is thus already in recession. The positive impulses for the UK's export industry stemming from the steadily declining pound sterling had virtually no overall effect on the country's economy, which saw economic growth of 0.7 % in 2008 (2007: 3.1 %). With real gross domestic product growing by 1.3 % in 2008, on the other hand, Germany was still able to post satisfactory growth (2007: 2.5 %) – in spite of the burdens on export-oriented German businesses stemming from the strong euro. However, due to the major significance of the automotive industry for the German economy and the slumping sales there in the final quarter of 2008, a negative trend can also be seen here. And the increasingly difficult supply of credit to small and medium enterprises by financial institutions that were battered by the financial crisis, plus the resulting liquidity bottlenecks and payment difficulties, also impacted economic development in Germany. It remains to be seen whether or to what extent the economic rescue packages that have been announced by the German federal government will be able to combat the deteriorating overall economic development.

Asia

At 9.1 %, the Peoples Republic of China continues to record the highest growth rate of any major industrialized nation (2007: 11.4 %). India, too, is seeing above-average growth of 7.6 % (2007: 9.0 %). In Japan, with a decrease by 0.3 % in 2008 in gross domestic product, the impacts from the worldwide economic development are already evident.

Vacuum industry

The development of the vacuum industry in 2008 was very heterogeneous. This development, which was still satisfactory overall, was driven by the coating industry, and here once again – as in the year before – by the solar sector. The semiconductor sector, on the other hand, saw a significant weakening of demand, while growth in the analytical and industrial market segments generally paralleled the year before. The development was also very heterogeneous with respect to timing. The first half year of 2008 saw stable demand by comparison with the year before. The industry showed signs of moderate declines in demand in the third quarter, which then went on to become more pronounced during the final three months of fiscal 2008. Uncertain prospects for the future and a deteriorating supply of credit, among other factors, were responsible for the course of development during the second half of the year.

AT HOME IN THE WORLD

With 11 subsidiaries and over 20 agencies, we are represented in all of the world's major industrialized nations through a close-knit, global sales and service network.

Diego Peña Rey

Sales Manager Latin America, with the Company for one year

Profitability, Financial Position and Liquidity

Analysis of sales revenues

Presented below are net sales by segment, by region, by product and by market for the year 2008. In fiscal 2008, PFEIFFER VACUUM succeeded in increasing its total sales revenues by € 6.1 million, or 3.1 %, in spite of both the global financial and economic turbulences as well as negative foreign exchange influences. With net sales of € 198.1 million, the Company thus remained only barely 2 % below its sales revenue forecast of € 202 million. The considerable foreign exchange parity fluctuations in fiscal 2008 were of major significance for the development of sales revenues. The same foreign exchange parities as the year before would have led to consolidated sales revenues of € 203.4 million.

It should be noted with respect to net sales by segment that the sales shown in this presentation are allocated on the basis of the registered office of the company that invoiced the sales. The segment-based presentation thus shows net sales by subsidiary. Net sales by region, on the other hand, include all sales in a given region, regardless of which subsidiary within the PFEIFFER VACUUM Group actually invoiced the sales. Net sales by segment and net sales by region will thus differ from one another to a greater or lesser extent. Net sales in the Asian segment, for example, differ from those shown for the Asian region, as the Asian segment includes only the sales of our Asian subsidiaries in India, China and Korea. The presentation for the Asian region, in contrast, additionally includes sales generated directly with Asian customers by the German company, such as with customers in Japan, Taiwan and Indonesia. In the case of net sales by segment, the sales the German company generated through direct deliveries to agents and/or customers outside Germany were significantly higher than German sales by region. Net sales in the U.S.A. region and the U.S.A. segment, on the other hand, are nearly identical, because virtually all sales in this region are handled through our American subsidiary.

Sales by segment

The Company's total net sales of € 198.1 million generated in fiscal 2008 (2007: € 192.0 million) break down as follows among the various segments:

Sales by Segment

	2008	2007	Change	
	€ MILL.	€ MILL.	€ MILL.	%
Germany	107.8	98.7	9.1	9.2
Europe*	44.9	46.2	– 1.3	– 2.9
United States	40.7	41.7	– 1.0	– 2.4
Asia	4.7	5.4	– 0.7	– 13.4
Total	**198.1**	**192.0**	**6.1**	**3.1**

* Excluding Germany

Profitability, Financial Position and Liquidity

With a growth rate of 9.2 %, the German segment posted the strongest growth. One of the reasons for this were higher sales revenues in systems business, which were predominantly invoiced in Germany.

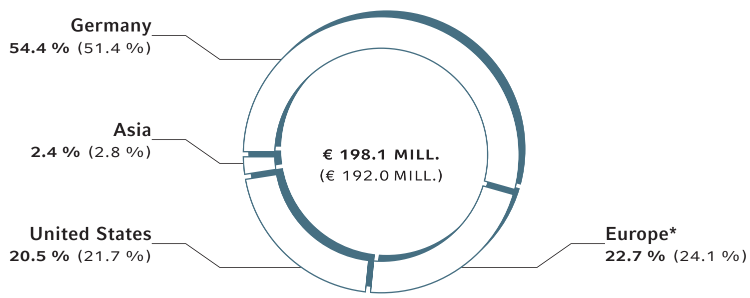
Sales revenues declined by € 1.3 million at the European sales subsidiaries, although development differed greatly at the individual companies. While sales revenues in Austria declined by € 0.9 million from an outstanding baseline the year before to € 12.0 million in fiscal 2008, sales revenues in England and Sweden, above all, rose by € 0.6 million each (total sales revenues: € 7.4 million and € 6.6 million, respectively). It should be noted in the case of the UK sales subsidiary that sales revenues actually rose by £ 1.3 million when expressed in local currency. However, due to the weakness of the pound sterling, all that remained for the corporate group was merely the above-indicated € 0.6 million.

At the American subsidiary, net sales as translated to euros were down 2.4 % from the previous year's level. However, the weak U.S. dollar had a significant impact on sales revenues. Given the same foreign exchange parities as the year before, sales revenues would have been € 3.0 million higher. Expressed in local currency, sales revenues in the United States rose by 4.9 %. US$ 2.3 million in additional sales revenues were able to be generated with some 240 new customers.

The "Asia" segment reports on our three subsidiaries in China, India and Korea. While the Chinese subsidiary, which is still being in the process of being built up, developed on a positive note, the two subsidiaries in India and Korea were forced to suffer declines that were almost totally attributable to the strong euro.

The following circle diagram shows the distribution of net sales by segment (by company):

Sales by Segment 2008 (2007)



* Excluding Germany

Sales by region

PFEIFFER VACUUM has an active customer base of some 8,000 customers worldwide. None of its customers accounts for more than 10 % of the Company's total sales revenues, which means that PFEIFFER VACUUM is not dependent upon any one customer.

Sales by Region

	2008	2007	Change	
	€ MILL.	€ MILL.	€ MILL.	%
Germany	69.3	59.6	9.7	16.3
Europe*	58.7	59.0	– 0.3	– 0.5
United States	40.8	41.4	– 0.6	– 1.4
Asia	27.3	30.5	– 3.2	– 10.8
Rest of World	2.0	1.5	0.5	31.5
Total	**198.1**	**192.0**	**6.1**	**3.1**

* Excluding Germany

Germany The development in Germany was especially noteworthy on a year-to-year comparison basis. Sales revenues here rose far above average by 16.3 %. Contributing to this were not just orders for systems for the production of thin layer solar cells, but also higher sales revenues with OEM manufacturers in the analytical and solar industries. We know from talks with our German customers that many of the systems they build which incorporate our vacuum products are intended for export, for example to Asia. The population of our pumps and products on the Asian market is therefore higher than would be suggested by sales revenues in this region.

Europe Overall sales revenues in the countries of Europe, excluding Germany, remained just under the previous year's level. However, the picture differed from country to country. Significant growth was recorded in England and the Scandinavian countries (+ 9.6 % and + 9.8 %, respectively). In England, this growth would have been significantly higher (exchange rate impact: € – 1.2 million) were it not for the weakness of the pound sterling. Sales revenues in Belgium and France also posted above-average growth (+ 11.8 % and + 7.1 %, respectively), while declining in the Netherlands, Austria and Italy (– 2.4 %, – 6.7 % and – 11.6 %, respectively).

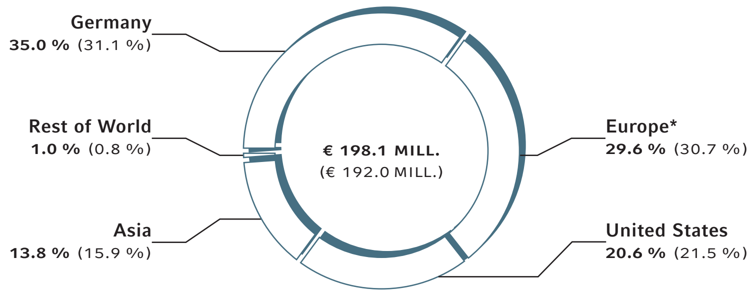
United States In the United States, sales revenues as translated into euros were under the previous year's level. Expressed on the basis of U.S. dollars, the sales revenues of the U.S. sales subsidiary rose by 4.9 % from US$ 57.2 million to US$ 59.9 million, in spite of the difficult economic environment. This figure represents the highest sales revenues in the history of our U.S. subsidiary. Sales revenues developed on an especially good note with customers from the analytical market, in the solar industry and in chemical and process technology. The semiconductor industry saw sharp declines.

Asia The Asian region was the only region to record significant declines in sales revenues during the past fiscal year. We generate nearly one half of our total Asian sales in Japan, where sales revenues decreased by 8.3 % from € 14.1 million to € 12.9 million. While we did not lose any market share there thanks to the support of our Japanese agency, the capital goods industry in Japan nosedived in the second half of the year. We were also forced to incur declines in sales revenues in India and Korea. In addition to the weakness of the semiconductor industry, the Korean won, which fell sharply from the year before, also had a negative impact of € 1.1 million on the development of sales revenues. In local currency, sales were flat to previous year. Sales revenues were able to be increased significantly in Taiwan and the People's Republic of China.

Rest of World Sales revenues in the “Rest of World” region, which includes Central and South America, South Africa and Australia, advanced by 31.5 % from € 1.5 million to € 2.0 million. The strengthening of our sales and marketing activities in South America is now gradually coming to bear.

Overall, we are not dependent upon any one region; our regional sales mix is well balanced:

Sales by Region 2008 (2007)



* Excluding Germany

Sales by product

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

Sales by Product

	2008	2007	Change	
	€ MILL.	€ MILL.	€ MILL.	%
Turbopumps	79.7	80.0	−0.3	−0.4
Measurement/Analysis Equipment	47.1	45.2	1.9	4.1
Backing Pumps	32.1	29.8	2.3	7.7
Service	23.6	25.4	−1.8	−6.9
Systems	15.2	11.0	4.2	37.6
Other	0.4	0.6	−0.2	−25.7
Total	**198.1**	**192.0**	**6.1**	**3.1**

Turbopumps Our most important product, accounting for 40.2 % of total sales revenues (2007: 41.8 %), is the large family of turbopumps. Small and medium turbopumps are employed, among other things, in the analytical industry and in research & development. Nearly 80 % of turbopump sales revenues were generated with these pump sizes. In the year under review, there was a significant increase in sales of large turbopumps, which are employed in coating systems and in the semiconductor industry.

Totaling € 79.7 million, sales of turbopumps in fiscal 2008 generally paralleled the previous year's level. Due to the customer structures of the sales subsidiaries in the United States and England, an above-average number of turbopumps was sold there. Thus, turbopump sales revenues were adversely impacted by € 2.5 million as a consequence of the weak U.S. dollar and the weak pound sterling.

Measurement and analysis equipment Sales of mass spectrometers for quantitative gas analysis contributed to the positive development of sales revenues generated by measurement and analysis equipment. Sales revenues here rose sharply by 10.5 % from € 10.1 million to € 11.1 million. In order to interconnect or isolate the various vacuum components with or from one another, we offer a broad selection of installation elements, such as flanges, fasteners, seals and valves. Totaling € 9.1 million in fiscal 2008, sales revenues here advanced by 24.0 % (2007: € 7.3 million). At € 14.6 million, sales revenues generated by vacuum gauges remained at the previous year's level, while declining for leak detectors. Overall, the 23.8 % of total sales revenues accounted for by measurement and analysis equipment remained roughly at the previous year's level of 23.5 %.

Backing pumps Sales revenues for backing pumps rose disproportionately from € 29.8 million by 7.7 % to € 32.1 million in fiscal 2008. This was attributable first and foremost to our increased sales and marketing activities in the industrial market segment. During the year under review, numerous large pumping stations were delivered for steel degassing and the production of plastics; they consisted of large Roots pumps and rotary vane pumps, as well as measurement and control equipment. Roots pumps were also supplied to customers in the solar industry. The analytical industry ordered large quantities of small and medium rotary vane pumps as well as diaphragm pumps. The manufacturing buildings for backing pumps were completely renovated in fiscal 2008. In the coming year, new machinery and an improved production flow will contribute to efficiency gains in backing pump manufacturing operations. New and innovative backing pumps will further expand the percentage of total sales revenues accounted for by backing pumps, which had already risen from 15.5 % to 16.2 % between fiscal 2007 and 2008. The sales increase in 2008 shows, that actions taken to boost this product group are successful.

Service Service includes maintaining, repairing or replacing products at the factory or at the customer site, supplying spare parts, as well as putting systems into operation. A close-knit service network in all major industrial locations throughout the world guarantees that our customers can be swiftly helped. Our own, well-trained service technicians, as well as staff from key customers, are upgraded at corporate headquarters or in the field in order to keep them abreast of the latest iterations of our products. In fiscal 2008, the percentage of total sales revenues accounted for by Service decreased from 13.2 % to 11.9 %. This decline was in line with the trend that our customers tend to use less service during times in which they are making more capital investments. In addition, ongoing improvement to the quality of our products leads to increasingly long maintenance intervals, and thus to lower sales revenues in this category.

Systems Systems business, which we define as complete vacuum systems for customer-specific processes, advanced very strongly by 37.6 % in fiscal 2008. Growth came from the field of leak detection systems, which are employed for quality assurance in connection with production

NO PROBLEM

No matter what might happen. Whether the need is for a genuine part, to replace a pump or for repairs – our service technicians find a solution to every problem. And are on the scene promptly when needed.

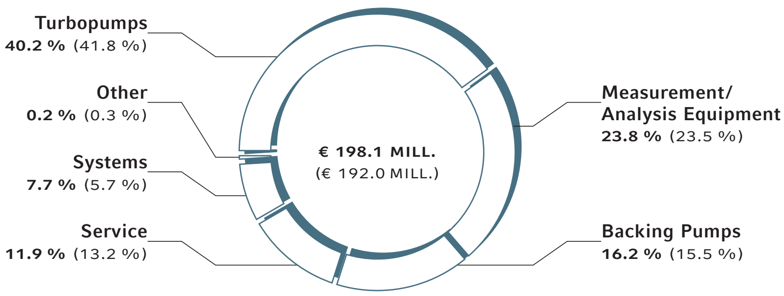
Marcelli Schönfelder
Service Technician, with the Company for 20 years

processes, for example in the solar and automotive supplier industries, as well as from sales of systems for coating thin layer solar cells. The percentage of total sales revenues accounted for by Systems rose from 5.7 % to 7.7 %.

Other This category records sales revenues generated by leasing sections of buildings. Sales revenues here declined from € 0.6 million to € 0.4 million in fiscal 2008 in conjunction with the vacancy of a tenant during the second half of the year.

The distribution of sales revenues by product is presented below:

Sales by Product 2008 (2007)



Sales by market

This section of the Annual Report details the development of sales revenues in the individual markets in 2008 relative to the year before.

Sales by Market

	2008	2007	Change	
	€ MILL.	€ MILL.	€ MILL.	%
Analytical Industry	50.5	47.9	2.6	5.4
Industrial	46.5	44.7	1.8	4.1
Coating	45.4	39.4	6.0	15.4
R & D	31.6	32.2	– 0.6	– 2.1
Semiconductors	15.5	20.1	– 4.6	– 22.9
Chemical and Process Technology	8.6	7.7	0.9	11.1
Total	**198.1**	**192.0**	**6.1**	**3.1**

Analytical industry Sales revenues in this category again saw growth during the year under review, and now account for 25.5 % of total sales revenues, as opposed to 24.9 % the year before. Demand for our products on the part of OEM manufacturers from the United States, as well as from Germany, England and Japan, remained strong through to the close of the fiscal year – in spite of all the negative reports about the collapse of the economy.

Industrial We significantly strengthened our position in this heterogeneous market. Large pumping stations for steel degassing aid producers in manufacturing high-quality stainless steel products that are free of air inclusions. During the year covered by this report, we delivered pumping stations and leak detection systems for solar-thermal plants in Spain and New Mexico in the United States. Moreover, pumps were delivered for electron beam welding systems for bonding modern materials and for metallurgical furnaces. The industry segment's percentage of total sales increased from 23.3 % to 23.5 %.

Coating Sales revenues in this market segment significantly advanced by 15.4 %, fueled in particular by growth in the solar industry. In addition to completing the first major order for systems for the production of thin layer solar cells and commencement of work on the follow-on order, numerous orders from manufacturers of solar cells were also able to be filled for pumps and measurement equipment. All prominent solar players, especially in Germany, number among our customers. Although the solar sector continues to be the largest sales driver in the Coating market segment, orders also came from the fields of optical coating, film coating and wear protection. Following 20.5 % in 2007, the percentage of total sales accounted for by this market segment went up to 22.9 % in 2008. More than 50 % thereof, 12.5 % of total sales, relate to the solar industry (2007: 9.0 %).

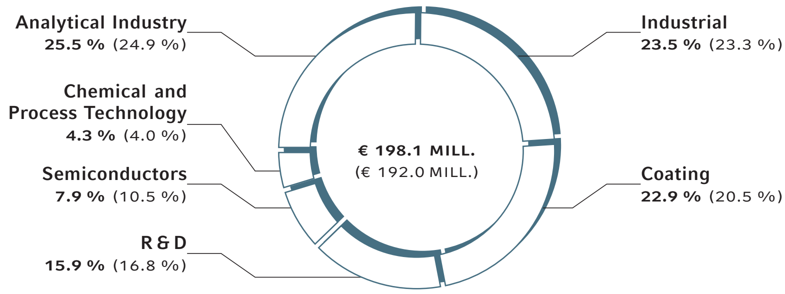
Research & development Sales revenues in this market segment slightly declined, first and foremost due to low public-sector capital investments for research and development projects. During the year under review, we delivered pumps and measurement equipment, such as mass spectrometers, to a variety of international research facilities in Germany and the rest of Europe. Experiments and studies conducted during missions in space are also performed with the aid of products from our Company. Numerous pumps and measurement equipment from PFEIFFER VACUUM are in service at the huge CERN research institution in Geneva.

Semiconductors Sales revenues declined again in this cyclical market segment. It now accounts for only 7.9 % of total sales revenues, as opposed to 10.5 % the year before. Price degradation and crumbling sales in this industry have also left their mark on PFEIFFER VACUUM. Many of our customers in this market segment also manufacture in the United States, adding negative foreign exchange effects to the generally weak development in this sector. Fortunately – in contrast to several of our competitors – we are only marginally dependent upon this market, as the last semiconductor crisis in the year 2002 had prompted us to reduce our dependency on this market segment through broader diversification into other markets. The positive development in the other market segments bears out this decision.

Chemical and process technology Applications in the Chemical and Process Technology market are closely related to those in the Industrial system technology segment. We recorded significant growth in this segment in fiscal 2008. Among other things, working together with a customer from the chemical industry, we developed pumping stations that incorporate gas-cooled Roots pumps, which are employed in the production of plastics, where they replace steam ejectors. In the medical technology sector, we delivered pumps and measurement equipment to manufacturers of cancer therapy accelerators during the year covered by this report. This market segment now accounts for 4.3 % of our total sales revenues, as opposed to 4.0 % in fiscal 2007.

The circle diagram below clearly shows that we are not dependent upon any one market segment, and are thus well positioned to compensate for fluctuations in individual industries.

Sales by Market 2008 (2007)



New orders and orders on hand

After having broken the € 200 million sound barrier for the first time in the Company's history with new orders totaling € 200.2 million the year before, we grew our new orders by another 12.5 % to € 225.3 million in fiscal 2008! At the close of the year under review, the book to bill ratio – the quotient between new orders and sales revenues – stood at an outstanding 1.14 (2007: 1.04); this gives us sufficient visibility for the initial months of fiscal 2009. New orders declined moderately in November and December 2008, with their value totaling € 42.6 million in the 4th quarter of 2008, a decline of only 6.6 % relative to the 4th quarter of 2007. This lies within the usual volatility of our business. No reversal of the trend can be derived from this. This numbers PFEIFFER VACUUM among the few mechanical engineering manufacturers in Germany who were not affected by dramatically plummeting levels of new orders in the 4th quarter of 2008.

Contributing first and foremost to the above-average growth of new orders was the follow-on order for the solar industry to delivery further systems for the production of thin layer solar cells. This purchase order was issued in September 2008. The systems will be recorded in sales revenues according to the percentage of completion, with the order being completely filled probably by year-end 2009. New orders for backing pumps were up 17.5 % year on year in fiscal 2008, with new orders for turbopumps advancing by 5.3 %. New orders in Service declined, while orders for measurement and analysis equipment roughly paralleled the previous year's level. In contrast to the overall economic trend in the U.S., the new orders of our American subsidiary on the basis of U.S. dollars increased significantly by 12.0 % to a record level of US$ 63.7 million.

At € 61.0 million, the value of orders on hand on December 31, 2008, was 80.5 % higher than the previous year's level of € 33.8 million. The order backlog for turbopumps was up 33.3 % from the year before. As can be seen from the following table, our order backlog had never before been as high as it was at the close of fiscal 2008.

CLOSE TO THE CUSTOMER

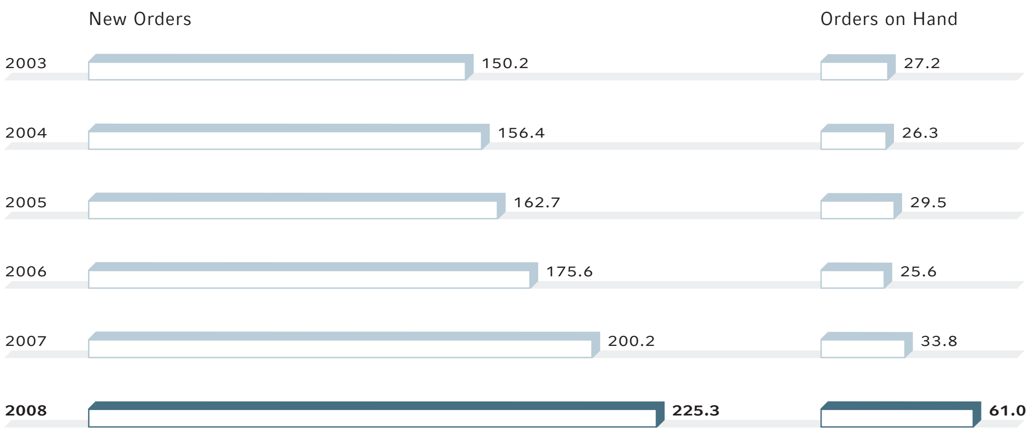
We're there when you need us. Well-trained sales engineers are thoroughly familiar with the real world and provide professional, reliable and fast support to our customers.

Jörg Karius
Sales Engineer, with the Company for two years

Profitability, Financial Position and Liquidity

The following table shows the development of new orders and orders on hand over the years.

Development of New Orders and Orders on Hand (in € millions)



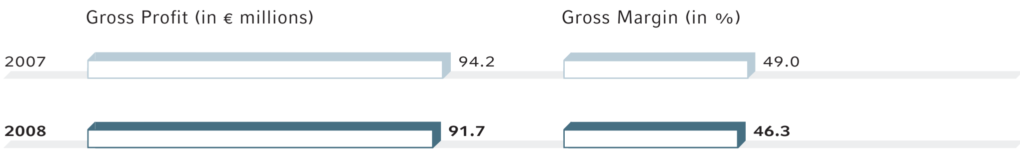
Earnings development

Cost of sales and gross profit

At € 106.3 million, cost of sales in fiscal 2008 were up by € 8.5 million, or 8.7 %, from the previous year's level of € 97.9 million. This rise stemmed predominantly from the development of sales revenues. Because the Company manufactures only in Germany, the € 5.3 million lower level of sales revenues stemming from foreign exchange translation – in the United States or England, for example – was offset by € 0.4 million in lower manufacturing costs. Moreover, the manufacturing machinery and equipment and the production buildings were extensively renovated during the year covered by this report, additionally burdening cost of sales by € 1.0 million. As a result of the high percentage of sales revenues generated by new products and in systems business, it was necessary to increase warranty provisions by € 1.5 million (2007: € 0.4 million). The product mix – in concrete terms a higher percentage of sales revenues stemming from products with somewhat lower margins – also impacted cost of sales. The development of cost of materials and personnel expenses, on the other hand, did not have an unproportionate impact on cost of sales. Overall, this produced a gross profit of € 91.7 million. After € 94.2 million the year before, this represents a decrease of € 2.5 million, or 2.6 %. Gross margin, the ratio between gross profit and net sales revenues, was 46.3 % in fiscal 2008, as opposed to 49.0 % in 2007. Leaving the pronouncedly negative net foreign exchange effect in the amount of € 4.9 million out of consideration, a gross profit of € 96.6 million and a gross margin of 47.5 % would have resulted.

Profitability, Financial Position and Liquidity

Gross Profit and Gross Margin



Selling, general and administrative expenses

Total selling, general and administrative expenses declined from € 34.1 million to € 33.4 million. Selling expenses increased by € 0.4 million to € 21.9 million. Lower personnel expenses and positive foreign exchange translation effects were more than offset here by higher expenses in conjunction with bringing new products to market (trade show presence, brochures, marketing campaigns) and the new edition of the product catalog in both, print and electronic form. General and administrative expenses, on the other hand, decreased from € 12.7 million to € 11.6 million; this represents a decline of € 1.1 million or 8.7 %, which was essentially attributable to lower personnel expenses and positive foreign exchange effects. Higher personnel expenses due to increases in collective-bargaining pay scales, higher overtime expenses, bonus payments and a larger workforce were more than offset by the dissolution of personnel and pension provisions no longer required and by positive foreign exchange parity effects. Lower additions to provisions for doubtful accounts receivable also helped to reduce the expense level here. Selling, general and administrative expenses represented 16.9 % of sales revenues (2007: 17.8 %).

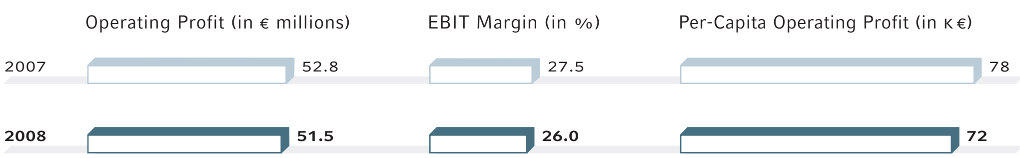
Research and development expenses

Research and development expenses decreased form € 7.2 million in fiscal 2007 to € 6.8 million. This represents a decline of € 0.4 million. Higher expenses in 2007 in connection with the introduction of new products on the market were causal for this development. At the same time, the percentage of sales revenues accounted for by these expenses decreased from 3.7 % the year before to 3.4 % in fiscal 2008.

Operating profit

Following the record level of € 52.8 million the year before, an operating profit of € 51.5 million was earned in fiscal 2008, a decrease of € 1.3 million, or 2.6 %. The EBIT margin, i.e. the ratio between operating profit and net sales, also declined moderately, although it continues to remain at an outstanding 26.0 % (2007: 27.5 %). Major influencing factors included maintenance expenses increased by € 1.0 million and additions to warranty provisions increased by € 1.1 million, which were offset by lower personnel expenses (€ – 1.4 million), in particular.

Operating Profit, EBIT Margin and Per-Capita Operating Profit



Financial income

Following financial income in the amount of € 6.6 million, which was primarily attributable to non-recurring capital gains in the amount of € 2.3 million on the sale of securities, financial income totaled € 2.7 million in fiscal 2008. This significant decrease is due to an impairment of € 1.5 million for securities held. As a result of the lower average annual levels of cash and cash equivalents, interest income also declined. At € 1.4 million, foreign exchange gains, on the other hand, stemming in particular from the development of the U.S. dollar, were up by € 0.8 million from the previous year's level of € 0.6 million.

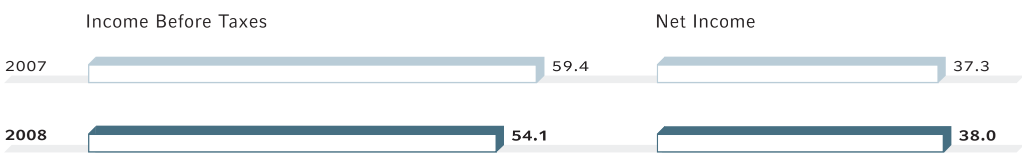
Income taxes

Totaling € 16.1 million, tax expenses in fiscal 2008 were down significantly by € 6.0 million from the previous year's level of € 22.1 million. On the one hand, this was attributable to the Company's lower income before tax (€ 54.1 million by comparison with € 59.4 million the year before). On the other hand, the tax rate of 29.7 %, as opposed to 37.2 % the year before, is an indication that there has also been a decline in the relative tax burden. This was predominantly attributable to the 2008 corporate tax reform in Germany and the resulting positive impact on the major German companies in the corporate group. Tax expenses in fiscal 2008 consisted of € 15.8 million in current tax expenses and € 0.3 million in deferred tax expenses (2007: € 20.6 million and € 1.5 million, respectively).

Net income

After having achieved a record € 37.3 million in net income the year before, PFEIFFER VACUUM was again able to improve this metric in fiscal 2008. As a result of significantly lower tax expenses, net income for fiscal 2008 stands at an outstanding € 38.0 million, representing an increase of € 0.7 million, or 2.0 %. And the after-tax return on sales of 19.2 % also marks a benchmark by international comparison (2007: 19.4 %).

Income Before Taxes and Net Income (in € millions)



Earnings per share

As a result of the Company's higher net income and because of the share buyback program and the resulting lower average number of shares in circulation, earnings per share rose from € 4.19 the year before to € 4.36 in fiscal 2008, representing an increase of € 0.17, or 4.1 %. Neither in 2008 nor the year before were there any dilutive effects.

KNOWLEDGE BREEDS SUCCESS

Knowledge is gathered, filtered and made accessible. This serves to enhance our people's qualifications and strengthen the Company's innovative power.

Dr. Frank Leiter

Manager R & D Knowledge Management, with the Company for six years

Profitability, Financial Position and Liquidity

Financial position

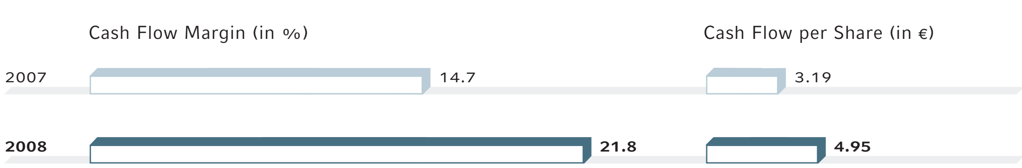
The balance sheet total of the PFEIFFER VACUUM Group as of December 31, 2008, amounted to € 170.1 million, down € 7.3 million from the previous year's level of € 177.4 million. The primary reason for this development was the € 15.1 million decrease in cash and cash equivalents, from € 83.4 million to € 68.3 million, particularly attributable to the dividend payment in the amount of € 27.9 million and the cash used in the amount of € 20.1 million in conjunction with the 2008 share buyback program. A detailed analysis of the development of cash and cash equivalents is presented in the comments on cash flow in the following section. Receivables from construction contracts also declined, as the major contract that was received in 2007 was concluded in fiscal 2008. Write-downs totaling € 2.8 million were necessary in connection with valuation of securities at the close of the fiscal year. It was necessary to reclassify € 3.0 million to current assets due to the anticipated premature redemption of a security in 2009. The amount of property, plant and equipment rose by a total of € 8.0 million to € 34.3 million in conjunction with the completion of the new logistics center.

Shareholders' equity at the close of fiscal 2008 totaled € 137.8 million, down by € 11.6 million from the previous year's level of € 149.4 million as of December 31, 2007. Chiefly responsible for this development were the Company's net income of € 38.0 million, the dividend payment to the shareholders of PFEIFFER VACUUM TECHNOLOGY AG in the amount of € 27.9 million and the share buyback program involving € 20.1 million. In addition, liabilities from construction contracts (€ + 6.2 million) and the € 1.7 million decrease in provisions were the key factors in the development of the shareholders' equity and liabilities side of the balance sheet. Disclosure of payables from construction contracts on the balance sheet date results from the fact that the prepayments received exceed receivables recognized on a pro rate basis.

Liquidity and cash flow

At € 43.1 million, the operating cash flow for fiscal 2008 was € 14.9 million, or 52.7 %, higher than the previous year's level of € 28.2 million. This significant rise was attributable to the development of the Company's financial position in fiscal 2008, on the one hand, where advance payments received in the amount of € 9.3 million under the new construction contract increased the operating cash flow. Moreover, accounts receivable decreased in fiscal 2008, resulting in a corresponding cash inflow. On the other hand, the Company's 2007 operating cash flow had been burdened by the non-recurring effect in conjunction with the further external funding of pension provisions and the sharp rise in accounts receivable. Overall, this development produced a significantly higher cash flow margin (the ratio between operating cash flow and sales revenues), which shows that PFEIFFER VACUUM is not only highly profitable, but is additionally able to transform this profitability into cash. Amounting to € 4.95, cash flow per share was also up significantly by € 1.76, or 55.2 %, from the previous year's level.

Cash Flow Margin and Cash Flow per Share



Profitability, Financial Position and Liquidity

Investment activities in fiscal 2008 were again characterized by considerable capital expenditures for buildings and for production and manufacturing systems. Capital expenses for property, plant and equipment amounted to € 10.4 million, as opposed to € 6.6 million the year before. This line item includes both the remaining expenditures for completion of the logistics center as well as investments in machinery and office equipment. Net cash provided from disposals of fixed assets continued to amount to € 0.2 million. € 0.4 million was employed for the purchase of shares from other shareholders. There were no proceeds from the sale or redemption of investment securities in fiscal 2008 (2007: € 7.5 million).

After cash flow from investing activities had been characterized essentially only by the dividend payment to the shareholders of PFEIFFER VACUUM TECHNOLOGY AG the year before (€ 22.1 million), net cash used in the acquisition of treasury shares in the amount of € 20.1 million should also be mentioned for fiscal 2008, in addition to the higher dividend payment of € 27.9 million. This means that a total of € 48.0 million went to shareholders in fiscal 2008, alone!

As of December 31, 2008, cash and cash equivalents totaled € 68.3 million, representing a decrease of € 15.1 million or 18.1 %. We thus generated sufficient cash from operating activities to finance our day-to-day business as well as any required investment projects. In addition, the corporate group also enjoys access to committed but unused lines of credit having a total volume of € 9.8 million (2007: € 7.9 million).

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

Against the backdrop of dramatic declines in the trading prices of speculative investments and equities, this conservative investment strategy has proven to be correct. While other corporate groups are seeing their continued survival endangered by this development or have already become insolvent, refinancing is not assured for many companies and various prominent, publicly traded corporations are dependent upon government aid, some of them having to accept the government as a major shareholder, the losses at PFEIFFER VACUUM remained relatively low. Only € 2.8 million had to be recorded as a result of declining trading prices on international stock exchanges (€ 1.5 million thereof through profit and loss). We have thus proven that we are well aware of our responsibility for our shareholders’ money.

Capital expenditures and financing

Totaling € 10.7 million, capital expenses in fiscal 2008 were again up from the previous year's level (€ 6.7 million). Their composition is presented in the following table:

Capital Expenditures (in € millions)

	Land and Buildings	Technical Equipment and Machinery	Other Equipment, Factory and Office Equipment	Software	Goodwill	**Total**
2007	2.8*	2.7	1.1	0.1	–	6.7
2008	5.1*	2.6	2.7	0.1	0.2	**10.7**

* Including construction in progress (0.7 MIO. €; 2007: 2.6 MIO. €)

The significant rise in capital expenditures for land and buildings was chiefly attributable to the construction of a new logistics center, which was concluded in the summer of 2008. In addition, an adjacent plantsite with warehouse building was acquired at the Asslar location.

Current Assets Ratio and Depreciation Expense Ratio (in %)

	Current Assets Ratio	Depreciation Expense Ratio
2007	504	205
2008	**407**	**305**

With a good, above-average equity ratio of 81.0 % (2007: 84.2 %), our Company is financed virtually entirely through shareholders' equity in the long-term segment. The current assets ratio, the quotient between current assets and current liabilities, amounts to 407 % (2007: 504 %), and continues to symbolize our sound financing concept and our high credit rating.

Given the above-mentioned capital expenditures of € 10.7 million and a depreciation expense volume of € 3.5 million in fiscal 2008, the depreciation expense ratio (the ratio between capital expenditures and depreciation expense) totaled 305 %. Accordingly, new capital expenditures in 2008 were once again higher than the loss of value on existing fixed assets, which means that a higher level of fixed assets has been accumulated.

Profitability, Financial Position and Liquidity

Value reporting

The concept of value-based controlling of the Company has long been an element of the management approach that exists within the corporate group. All major decisions at PFEIFFER VACUUM are made with due consideration being given to all major financial aspects. Without this ongoing focus of every transaction on the value it contributes, it would not be possible to achieve the results earned by PFEIFFER VACUUM.

The following table provides an overview of various further financial performance indicators. In addition to ROCE (Return On Capital Employed) as a parameter for the yield on capital employed, the Company's return on sales and earnings per share are also presented here. What is ultimately the decisive factor for the shareholder, however, is the annual dividend that is proposed or distributed. The ratio between the dividend and earnings per share serves as an indicator of the extent to which shareholders participate in the Company's economic success.

Key Value Reporting Indicators

	ROCE in %	After-tax Return on Sales in %	Earnings per Share in €	Dividend per Share in €
2007	39.5	19.4	4.19	3.15
2008	**40.1**	**19.2**	**4.36**	**3.35***

* Joint proposal by the Management and Supervisory Boards, subject to the proviso that there will be no concrete major acquisition candidate, i.e. within the near future, at the time of the Annual Shareholders Meeting

PFEIFFER VACUUM's continuing economic success is also reflected in the above-mentioned performance indicators, because all metrics are on a high level or even rose year on year. The decrease in short-term assets as a direct result of cash outflows in connection with the share buyback program had a positive impact on ROCE, which increased in spite of a declining operating profit. As a consequence of the low tax ratio, the after-tax return on sales reaches to 19.2 %. This shows that lawmakers have provided relief for companies with strong levels of equity that are not leveraged to the limits of economic feasibility. Our shareholders will again benefit from this if they follow the joint proposal by the Management and Supervisory Boards and resolve a dividend of € 3.35.

2008 share buyback program

As announced at the Annual Shareholders Meeting on May 28, 2008, PFEIFFER VACUUM immediately began buying back treasury shares. A total of 329,276 shares having a total value of € 20.1 million were bought back between June 2, 2008, and October 24, 2008. Against the backdrop of the unsettled situation on the financial market and signs of a more difficult supply of credit for small and medium enterprises, the Management Board decided not to buy any more treasury shares for the time being. Taking into consideration the shares that had already been acquired in previous years, the Company's holdings of treasury shares as of December 31, 2008, totaled 456,352 shares, or 5.1 % of the shares issued (2007: 127,076 shares, or 1.4 % of share capital). The total costs of acquisition in the amount of € 23.8 million are recorded as a negative line item within shareholders' equity. Thus, no devaluation due to share price decreases in the meantime had to be recorded in the IFRS Consolidated Financial Statements as on December 31, 2008.

Through the acquisition of shares, a further € 20.1 million indirectly inured to the shareholders in fiscal 2008, in addition to the € 27.9 million dividend. Moreover, our shareholders are benefiting from a lower number of shares that are entitled to receive dividend payments, which means that, given a defined payout volume, there is an increase in the dividend per share. The buyback program also increased earnings per share, because of a lower average number of shares in circulation. Given the overall uncertainty of economic development, no decision has yet been made regarding the disposition of the Company's portfolio of treasury shares. It is thus possible for PFEIFFER VACUUM to continue to hold the shares, to employ them as an acquisition currency, to re-sell them on the market or to withdraw them from circulation once and for all.

General comments on the course of business

In spite of the weakening overall economy during the course of the year, we are satisfied with our business in fiscal 2008. In fact, net sales even surpassed the previous year's record level, and the Company's operating profit again stands at a far above-average level, in spite of numerous negative factors. Net income in turn was significantly increased as compared to prior year. A glance at the balance sheet also shows that PFEIFFER VACUUM is a sound company. Our equity ratio is above average and our liquidity is comfortable. With motivated people, an up-to-the-minute product portfolio, modern production and manufacturing systems and equipment, as well as a comforting financial cushion, we can view the anticipated economic development in the coming years quite calmly.

GOOD WORK

The ability to perform a manual task perfectly is something that has to be learned. This includes responsibility, and every task has to be performed correctly. Our skilled workers know their business.

Ybolya Belosch
Rotary Vane Pump Assembler, with the Company for 30 years

Early 2009 and Outlook

Early 2009

There have not been any significant changes in the Company's position or the industry environment since the beginning of the 2009 fiscal year.

Outlook

General economic development

The prospects for the 2009 world economy are not good. Following growth of 3.1 % in 2009, leading economists anticipate growth of 0.1 % in 2009, representing a more or less stagnating overall global economy. In this connection, developments in the individual economic regions are viewed as being very heterogeneous. Almost without exception, contracting economies are expected in the established industrialized nations of the European Union, in the United States and in Japan. Only for Poland, Australia and the Czech Republic positive gross domestic product growth of 1.6 %, 0.9 % and 0.8 %, respectively, is expected. The forecast development of those national economies that are of importance to the world economy, the U.S.A. (– 2.0 %), Japan (– 2.0 %), Germany (– 2.6 %), the UK (– 2.6 %) and France (– 2.0 %), bears characteristics of a global recession. Overall, a 2.0 % decline in economic growth is anticipated for the industrialized nations. The Asian region and Russia will be notable exceptions to this development, with positive growth rates likely being achieved. Continuing to be noteworthy will be development in the People's Republic of China, where growth of 6.8 % is anticipated. However with growth of 5.2 % and 2.0 %, respectively, India and Russia will post growth rates that are far above average by global comparison. Besides Japan, only for South Korea negative growth of 2.8 % is being anticipated in the Asian economic region.

However, current expectations on the part of economists see the recession in the industrialized nations being limited only to the year 2009. Positive growth rates are again being predicted across the board for 2010. Stronger gross domestic product growth is also being anticipated for the Asian economic region, which means that global economic growth of 2.8 % is being forecast for 2010.

Development of sales revenues

In spite of this overall economic development, we view the future with optimism. We see good opportunities for going against the general trends in 2009. The basis for this assumption consists of our extremely high volume of orders on hand as of December 31, 2008, totaling € 61.0 million, up 80.5 % from the close of the previous year (€ 33.8 million). This order backlog also includes the major order for systems for thin layer coating of solar cells. Even without these plant engineering orders, our order backlog in our core business with pumps and components was higher than at the close of the year before. In 2008, PFEIFFER VACUUM developed in sharp contrast to the general trend of the economy as published in the VDMA numbers for year-end 2008. This high order backlog gives us visibility for the first half of 2009. Even in the event of slumping levels of new orders in the coming months, it should be possible to sustain sales revenues for the full fiscal year at roughly the previous year's level. However, this does not take into consideration the effects of potential fluctuations in foreign exchange parities.

Early 2009 and Outlook

We expect to see the following development in the individual markets in fiscal 2009:

▪ Analytical	Moderate growth
▪ Industrial applications	Stagnation
▪ Coating	Stronger growth
▪ Research & development	Stagnation
▪ Semiconductors	Decline
▪ Chemical and process technology	Moderate growth

By comparison with the last crisis in 2002/2003, we have significantly reduced our dependence upon the highly cyclical semiconductor market and further diversified our customer base. This means that we are now less dependent upon individual customers or industries. Times of crisis always bring with them new opportunities. Customers from the automotive industry, for example, are currently strengthening their development activities with respect to environmentally benign engine concepts or emissions reductions. Vacuum technology is often required for implementing these objectives. The solar industry is working on efficiency gains for thin layer solar cells, and vacuum technology from PFEIFFER VACUUM continues to be in demand here. Investments also continue to be made in quality assurance for production processes, which employs our mass spectrometers and leak detectors, as well as complete leak detection systems.

Development of profitability

During the past fiscal year, PFEIFFER VACUUM succeeded in sustaining its EBIT margin at a high level. The development in 2009 will be contingent upon a variety of factors, such as the level of sales revenues, the product mix, the development of materials and energy costs, as well as currency effects. We do not anticipate a significant rise in cost of materials for 2009, but we do expect to see a moderate increase in energy costs. Sales volumes and foreign exchange parity influences will be extremely important. It is extremely difficult to forecast these factors. On the basis of our current knowledge and expectations, we are confident of being able to sustain the high level of profitability that has been seen in previous years.

During the past fiscal year, we invested € 4.9 million in the construction of our new logistics center and in renovating the backing pump production buildings. This year, we will be constructing an annex to the production buildings for turbopumps and further optimizing the flow of materials. Investments totaling some € 10 million have been earmarked for this purpose and for replacement investments in machinery and IT equipment. The expansion and renovation of the production operation will be concluded this summer. These measures will help to increase efficiency.

Should new orders decline significantly in the coming months, capacity adjustments might be possible, primarily in production operations. Planning is in place for this eventuality, which focuses on flexible worktime models. However, from today's vantage point, there is no reason for doing so thanks to the good utilization factor.

Dividend

PFEIFFER VACUUM is one of the highest-dividend issues on the German equity market. Should there be no major acquisition candidate in the near future by the time of the Annual Shareholders Meeting, the Management and Supervisory Boards will propose that around 75 % of consolidated net income, or € 28.5 million, again be distributed to our shareholders. A dividend in the amount of € 3.35 per share would thus be 6.3 % higher than the previous year's dividend of € 3.15 per share.

Distribution Rate, Dividend per Share, Dividend Yield

		2008	2007
Distribution Rate*	(in %)	**75.1**	75.2
Dividend per Share	(in €)	**3.35****	3.15
Dividend Yield	(in %)	**7.1**	5.7

* Ratio between the (proposed) distribution for the respective year and after-tax income for that year
** Joint proposal by the Management and Supervisory Boards, subject to the proviso that there will be no concrete major acquisition candidate, i.e. within the near future, at the time of the Annual Shareholders Meeting

The statements contained in this outlook are based upon assumptions relating to the development of both the overall economy and specific industries. Overall results might differ materially from the Company's expectations regarding anticipated developments should the assumptions upon which the statements are based subsequently prove to be incorrect.

We have set ourselves goals for the 2009 fiscal year that might appear to be highly ambitious to outsiders given the overall economic environment. However, we are confident that on the basis of our current talks with our customers, our strategic alignment toward clearly defined target markets, the innovative strength of our Development department and our well-trained, motivated people we will be able to achieve these goals.

TRAINING AND EDUCATION

Germany has a proven system of interconnected school, vocational and university training and educational paths. The Technical University of Berlin is a good example of the country's focus on natural sciences and engineering.

FINANCIAL STATEMENTS

Consolidated Statements of Income

(in K €)	Note	2008	2007
Net sales	25, 28	198,060	192,042
Cost of sales	12	– 106,346	– 97,860
Gross profit		**91,714**	94,182
Selling and marketing expenses	5	– 21,884	– 21,487
General and administrative expenses	6	– 11,562	– 12,661
Research and development expenses		– 6,799	– 7,187
Operating profit	28	**51,469**	52,847
Financial expenses	10, 29	– 1,490	– 21
Financial income	29	2,738	6,001
Foreign exchange gains	29	1,426	585
Earnings before taxes	28	**54,143**	59,412
Income taxes	22	– 16,095	– 22,127
Net income		**38,048**	37,285
Thereof attributable to:			
PFEIFFER VACUUM TECHNOLOGY AG shareholders		**37,967**	37,025
Minority interests		81	260
Earnings per share (in €):	31		
Basic		4.36	4.19
Diluted		4.36	4.19

Consolidated Balance Sheets

(in K €)	Note	Dec. 31, 2008	Dec. 31, 2007
Assets			
Intangible assets	7	382	221
Property, plant and equipment	8	34,251	26,251
Investment properties	9	664	1,767
Investment securities	10, 29	5,248	11,060
Prepaid pension cost	23	142	142
Deferred tax assets	22	4,180	4,185
Other non-current assets	11	1,569	1,901
Total non-current assets		**46,436**	45,527
Inventories	12	21,409	16,857
Trade accounts receivable	13, 29	27,513	26,255
Receivables from construction contracts	14, 29	–	2,631
Other accounts receivable	15	1,146	1,979
Prepaid expenses		2,276	608
Investment securities	10, 29	3,000	–
Other current assets	15	39	190
Cash and cash equivalents	16	68,317	83,383
Total current assets		**123,700**	131,903
Total assets	28	**170,136**	177,430
Shareholders' equity and liabilities			
Equity			
Share capital	17	22,965	22,965
Additional paid-in capital	17	13,305	13,305
Retained earnings	18	129,295	119,185
Other equity components	19	–4,467	–3,113
Treasury shares	20	–23,808	–3,722
Equity of PFEIFFER VACUUM TECHNOLOGY AG shareholders		**137,290**	148,620
Minority interests		522	747
Total equity		**137,812**	149,367
Deferred tax liabilities	22	299	275
Provisions for pensions	23	1,664	1,599
Total non-current liabilities		**1,963**	1,874
Trade accounts payable	24, 29	4,518	4,803
Payables from construction contracts	25, 29	6,179	–
Other payables	24	1,714	1,539
Provisions	26	10,773	12,455
Income tax liabilities	22	5,071	5,810
Customer deposits		2,106	1,582
Total current liabilities		**30,361**	26,189
Total shareholders' equity and liabilities		**170,136**	177,430

Consolidated Statements of Shareholders’ Equity

		Equity of PFEIFFER VACUUM TECHNOLOGY AG shareholders							
(in K €)	Note	Share Capital	Additional Paid-in Capital	Retained Earnings	Other Equity Components	Treasury Shares	Total	Minority Interests	**Total Equity**
Balance on January 1, 2007		22,965	13,305	104,269	1,520	–3,722	138,337	635	138,972
Currency changes	19	–	–	–	–2,252	–	–2,252	–73	–2,325
Net results from cash flow hedges	19, 29	–	–	–	–231	–	–231	–	–231
Revaluation of available-for-sale securities	10, 19, 29	–	–	–	–2,150	–	–2,150	–	–2,150
Earnings recorded directly in equity		**–**	**–**	**–**	**–4,633**	**–**	**–4,633**	**–73**	**–4,706**
Net income		–	–	37,025	–	–	37,025	260	37,285
Total earnings for the year		**–**	**–**	**37,025**	**–4,633**	**–**	**32,392**	**187**	**32,579**
Dividend payments	18	–	–	–22,109	–	–	–22,109	–75	–22,184
Balance on December 31, 2007		**22,965**	**13,305**	**119,185**	**–3,113**	**–3,722**	**148,620**	**747**	**149,367**
Currency changes	19	–	–	–	413	–	413	–129	284
Net results from cash flow hedges	19, 29	–	–	–	–432	–	–432	–	–432
Revaluation of available-for-sale securities	10, 19, 29	–	–	–	–1,335	–	–1,335	–	–1,335
Earnings recorded directly in equity		**–**	**–**	**–**	**–1,354**	**–**	**–1,354**	**–129**	**–1,483**
Net income		–	–	37,967	–	–	37,967	81	38,048
Total earnings for the year		**–**	**–**	**37,967**	**–1,354**	**–**	**36,613**	**–48**	**36,565**
Dividend payments	18	–	–	–27,857	–	–	–27,857	–29	–27,886
Share buyback	20	–	–	–	–	–20,086	–20,086	–	–20,086
Purchase of minority interests	2	–	–	–	–	–	–	–148	–148
Balance on December 31, 2008		**22,965**	**13,305**	**129,295**	**–4,467**	**–23,808**	**137,290**	**522**	**137,812**

Consolidated Statements of Cash Flow

(in K €)	Note	2008	2007
Earnings before taxes	28	54,143	59,412
Adjustment for financial income/financial expense		–2,705	–5,980
Financial income received		2,672	5,852
Financial expenses paid		–33	–13
Income taxes paid		–16,080	–16,865
Depreciation/amortization	7, 8, 9, 28	3,514	3,271
Non-cash impairment losses	10, 29	1,457	–
Gains from disposals of assets		–86	–2,230
Changes in allowances for doubtful accounts		124	240
Changes in inventory reserves		381	29
Effects of changes in assets and liabilities:			
Inventories		–4,973	–4,041
Receivables and other assets		630	–6,493
Provisions, including pensions and income tax liabilities		–2,030	–4,420
Payables, other liabilities		6,079	–535
Net cash provided by operating activities		**43,093**	28,227
Proceeds from disposals of fixed assets		180	187
Capital expenditures	7, 8, 9, 28	–10,489	–6,707
Expenditures from purchase of minority interests	2	–356	–
Redemptions of investment securities		–	1,000
Proceeds from disposals of investment securities		–	6,543
Net cash used in/provided by investing activities		**–10,665**	1,023
Dividend payments	18	–27,857	–22,109
Dividend payments to minority shareholders		–29	–75
Share buyback	20	–20,086	–
Net cash used in financing activities		**–47,972**	–22,184
Effect of foreign exchange rate changes on cash and cash equivalents		478	963
Net decrease/increase in cash and cash equivalents		**–15,066**	8,029
Cash and cash equivalents at beginning of year		83,383	75,354
Cash and cash equivalents at end of year	16	**68,317**	83,383

Notes to the Consolidated Financial Statements

Remarks relating to the Company and its Accounting and Valuation Methods

1. General remarks relating to the Company

The parent company within the PFEIFFER VACUUM Group ("the Company" or "PFEIFFER VACUUM") is PFEIFFER VACUUM TECHNOLOGY AG, domiciled at Berliner Strasse 43, 35614 Asslar, Germany. PFEIFFER VACUUM TECHNOLOGY AG is a stock corporation organized under German law and recorded in the Register of Companies at the Local Court of Wetzlar under Number HRB 44. The Company is listed on the Deutsche Börse Stock Exchange in Frankfurt am Main, Germany, where it is included in the TecDAX index.

PFEIFFER VACUUM is one of the leading full-line vacuum technology manufacturers, offering custom solutions for a wide range of needs in connection with the generation, control and measurement of vacuum. The products developed and manufactured at the Company's production facility in Asslar, Germany, include turbopumps, a range of backing pumps, such as rotary vane, Roots and dry pumps, complete pumping stations, as well as custom vacuum systems and components.

PFEIFFER VACUUM markets and distributes its products through its own network of sales companies and independent marketing agents. Moreover, there are service support centers in all major industrial locations throughout the world. The Company's primary markets are located in Europe, the United States and Asia.

2. Basis for preparing Consolidated Financial Statements

Statement of compliance with IFRS The Consolidated Financial Statements of PFEIFFER VACUUM TECHNOLOGY AG for the fiscal year ended December 31, 2008, have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as applicable in the European Union (EU). This includes the International Accounting Standards (IAS), which continue to retain their validity, and the interpretations of the Standing Interpretations Committee (SIC). The PFEIFFER VACUUM Group has not been impacted by the fact that the EU has not yet endorsed all published IFRS or IAS. Those standards that have been published but whose application is not yet mandatory have generally not been adopted at an earlier stage. The Notes to the Consolidated Financial Statements additionally include the information required by § 315a, Sub-Para. 1, of the German Commercial Code ("HGB").

Basic valuation principles The Consolidated Financial Statements are prepared essentially in accordance with the acquisition cost principle. However, this does not include derivative financial instruments and financial investments available-for-sale, which are carried at fair values. PFEIFFER VACUUM prepares its Consolidated Financial Statements in euros (€). Unless otherwise indicated, the presentation is in thousands of euros (K €).

Consolidated companies and principles of consolidation All companies which PFEIFFER VACUUM directly or indirectly controls are consolidated. The Company is considered to control an entity if it either directly or indirectly holds a majority of the voting rights and can therefore decide the financial and operating policies of the controlled entity. In addition to PFEIFFER VACUUM TECHNOLOGY AG, as in the year before, one German and 13 foreign subsidiaries are fully consolidated in the Company's Consolidated Financial Statements as of December 31, 2008.

In the second quarter of 2008, shares were purchased from a minority shareholder. This purchase was recorded applying the so-called parent entity extension method. Under this method, the difference between the purchase price and the pro-rated share of the book value of the acquired net asset value is recognized as goodwill. With a purchase price of K € 356, the resulting goodwill was K € 213 and was recorded in intangible assets.

Inclusion in the Consolidated Financial Statements is made on the basis of individual financial statements prepared in accordance with consistent accounting and valuation principles. The balance sheet date of the individual financial statements of the included companies is the same as the balance sheet date of the Consolidated Financial Statements.

There were no investments in jointly controlled entities or investments in associated companies as of December 31, 2008, or in previous years. Nor were there any controlled entities pursuant to the rules of SIC 12, "Consolidation – Special Purpose Entities."

Until December 31, 2004, consolidation of investments in subsidiaries had been effected under U.S. GAAP rules in such a manner that in the case of additions the cost of acquisition of the investments was netted against the

PFEIFFER VACUUM Group on December 31, 2008

	Location	Holdings (in %)
PFEIFFER VACUUM TECHNOLOGY AG	D-Asslar	
PFEIFFER VACUUM GMBH	D-Asslar	100.0
PFEIFFER VACUUM AUSTRIA GMBH	A-Vienna	100.0
PFEIFFER VACUUM (SCHWEIZ) AG	CH-Zurich	99.4
PFEIFFER VACUUM (SHANGHAI) LTD.	CHI-Shanghai	100.0
PFEIFFER VACUUM FRANCE SAS	F-Saclay	100.0
PFEIFFER VACUUM (INDIA) LTD.	IND-Secunderabad	17.0
PFEIFFER VACUUM LTD.	UK-Newport Pagnell	100.0
PFEIFFER VACUUM NEDERLAND B. V. I. L.	NL-De Meern	100.0
PFEIFFER VACUUM SCANDINAVIA AB	S-Upplands Väsby	100.0
PFEIFFER VACUUM INC.	USA-Nashua	100.0
PFEIFFER VACUUM HOLDING B. V.	NL-De Meern	100.0
PFEIFFER VACUUM BELGIUM N. V. I. L.	B-Brussels	100.0
PFEIFFER VACUUM ITALIA S. P. A.	I-Rho	100.0
PFEIFFER VACUUM (INDIA) LTD.	IND-Secunderabad	73.0
PFEIFFER VACUUM KOREA LTD.	KR-Yongin-City, Kyungki-Do	75.5

shareholders' equity attributable to them at the time of acquisition or initial consolidation ("purchase accounting"). Employing the simplification rules under IFRS 1, the former consolidation of investments in securities was adopted for IFRS. There have been no consolidations of acquisitions since January 1, 2005.

Minority interests represent that portion of the earnings and net assets not held by the corporate group; in the Consolidated Financial Statements, they are presented in equity separately from the shareholders' equity of the parent corporation. Minority interests of 0.6 %, 24.5 % and 10.0 %, respectively, exist at the PFEIFFER VACUUM (SCHWEIZ) AG, PFEIFFER VACUUM KOREA LTD. and PFEIFFER VACUUM (INDIA) LTD. subsidiaries.

All intercompany receivables and liabilities, gains and losses, revenues and expenses are eliminated in connection with the consolidation process.

Foreign currency translation The annual financial statements of subsidiaries domiciled outside the European Currency Union have been translated into euros (€) in accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates." Each company within the corporate group stipulates its own functional currency. The functional currency of the subsidiaries is the respective local currency. When translating financial statements presented in foreign functional currencies, year-end exchange rates are applied to assets and liabilities, while average annual exchange rates are applied to income statement accounts. The resulting translation adjustments are recorded in other equity components.

In the individual financial statements of consolidated companies, foreign-currency transaction gains and losses from regular operations are recorded as a separate line item in the income statement.

3. Application of amended or new standards

The accounting and valuation principles used are essentially the same as those used the year before. In variance thereto, the Company has applied the following new or amended standards and interpretations. There was no impact on the Consolidated Financial Statements.

In November 2006, the International Accounting Standards Board (IASB) had issued IFRS 8, "Operating Segments," which replaces the former IAS 14, "Segment Reporting." IFRS 8 is mandatory for reporting periods beginning on or after January 1, 2009. The endorsement under European law occurred in November 2007. PFEIFFER VACUUM has complied with the IASB's recommendation and has adopted IFRS 8 in advance beginning in fiscal 2007.

In August 2008, Amendments to IAS 39, "Financial Instruments: Recognition and Measurement," and IFRS 7, "Financial Instruments: Disclosures," were issued as a consequence of the financial and economic crisis and subsequently endorsed by the EU. Both rules were immediately applicable and dealt predominantly with reclassification rules and required disclosures in connection with financial instruments. Their application had no impact on profitability, financial position or liquidity as the Company did not reclassify financial instruments.

The following standards and interpretations issued and endorsed by the EU were not yet mandatory and were not voluntarily adopted ahead of time.

On March 29, 2007, the IASB reissued amended IAS 23, "Borrowing Costs." Under IAS 23, capitalization of borrowing costs is mandatory under certain conditions, and the former capitalization option has been eliminated. IAS 23 in its amended version is applicable for borrowing costs that are capitalized on or after January 1, 2009. Earlier adoption is permissible. Because capital expenditures are funded through the liquidity generated within the PFEIFFER VACUUM Group, there are no borrowing costs. Accordingly, the adoption of IAS 23 will have no impact on the Consolidated Financial Statements.

IAS 1, "Presentation of Financial Statements" as amended was issued in September 2007. The revised version of IAS 1, endorsed by the EU in 2008, predominantly deals with new but not mandatory naming of the mandatory elements of the financial statements and with the mandatory presentation of income and expenses recorded directly in equity (other comprehensive income) in the statement of comprehensive income. IAS 1 is applicable for the first time for financial years beginning on or after January 1, 2009, and will impact only the presentation of PFEIFFER VACUUM's Consolidated Financial Statements.

An amended version of IFRS 2, "Share-based Payment," was issued by the IASB in January 2008, and was endorsed by the EU that same year. IFRS 2 is applicable for fiscal years beginning on or after January 1, 2009, and deals with further details in connection with vesting conditions for and premature cancellations of share-based payment plans (stock option plans). As there are currently no share-based payment plans in place within the PFEIFFER VACUUM Group, there will be no impact on profitability, financial position or liquidity. IFRIC 11, "IFRS 2 – Group and Treasury Share Transactions," issued in November 2006, addresses accounting details for granting stock option plans. IFRIC 11 was endorsed by the EU and is mandatory for fiscal years beginning on or after March 1, 2007. Its application had no impact on profitability, financial position or liquidity.

IFRIC 13, "Customer Loyalty Programs," was also issued and endorsed by the EU. There will be no impact on profitability, financial position or liquidity under its mandatory application for fiscal years beginning on or after July 1, 2008.

IFRIC 14, "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction," was issued in July 2007, with EU endorsement occurring in fiscal 2008. IFRIC 14 is applicable for fiscal years beginning on or after January 1, 2009, and deals with the maximum amount for plan assets under IAS 19. As there were no material prepaid pension costs on December 31, 2008, there will be no impact on the Consolidated Financial Statements.

The following amended standards and interpretations have thus far not yet been endorsed by the EU:

Amended versions of IFRS 3, “Business Combinations,” IAS 27, “Consolidated and Separate Financial Statements,” IAS 39 “Financial Instruments: Recognition and Measurement“ (Eligible Hedged Items, Reclassification of Financial Assets), IFRS 1, “First-time Adoption of International Financial Reporting Standards” (newly structured), and IFRIC 12 “Service Concession Arrangements,” IFRIC 15, “Service Agreements for the Construction of Real Estate,” IFRIC 16, ”Hedges of a Net Investment in a Foreign Operation,” IFRIC 17 “Distribution of Non-Cash Assets to Owners,” IFRIC 18 “Transfer of Assets from Customers” as well as the IASB’s 2008 Annual Improvements Project, were issued prior to the preparation of the Consolidated Financial Statements. Here, too, no significant impact is expected on profitability, financial position or liquidity.

4. Accounting and valuation methods

Income recognition Sales revenues are recognized when the material risks and rewards relating to the ownership of the products sold passes to the purchaser, which is essentially the case when the goods are shipped. Should product sales be subject to customer acceptance, revenues are not recognized until customer acceptance has occurred. Service revenues are recognized when the underlying services are performed. These revenues include the invoiced working hours of the service personnel, as well as spare parts and replacement products. Rebates are recorded as a reduction of sales revenues. Interest income is recorded when the interest originates. Rental income from investment properties is recorded on a straight-line basis over the term of the leases.

Construction contracts Construction contracts are accounted for under IAS 11, “Construction Contracts.” The percentage of completion method is used for revenue recognition, with the stage of completion being calculated as the ratio between contract costs incurred and expected total contract costs (cost-to-cost method). Receivables from construction contracts are presented as a separate line item on the assets side of the balance sheet, net of prepayments received, if applicable, or, if the prepayments received exceed the receivables, as a separate line item on the liabilities side of the balance sheet.

Cost of sales The cost of sales presented in the income statement include all expenses that are directly or indirectly attributable to the (sold) product or service. This essentially includes materials consumed (including inbound freight charges), production-related wages and salaries, purchasing and receiving costs, as well as certain service costs. Inventory excess and obsolescence charges, as well as warranty-related expenses, are also recorded as cost of sales. Warranty provisions for recognized revenues are recorded as of year-end.

Research & development expenses Research & development costs are expensed as incurred. Development costs are not capitalized, since the capitalization prerequisites in IAS 38, “Intangible Assets,” are not fully satisfied.

Property, plant and equipment and intangible assets Property, plant and equipment and intangible assets are stated at cost and depreciated/amortized on a straight-line basis over the customary useful lives of the assets. At the close of each fiscal year, the useful lives and depreciation/amortization methods, as well as the residual values in the case of property, plant and equipment, are reviewed and adjusted where necessary. The following useful lives are assumed:

Production halls, production and administration buildings and similar facilities	20 – 40 years
Machinery and equipment (including IT equipment)	3 – 15 years
Software*	2 – 5 years

* With the exception of goodwill, there are currently no intangible assets with indefinite useful lives.

Scheduled depreciation and amortization are allocated to the expense lines in the income statement on the basis of the input involved.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances suggest that the carrying amount of an asset may not be recoverable. Should impairment indicators exist, the Company performs the analyses required under IAS 36, "Impairment of Assets," with the carrying amount of the asset being compared to the recoverable amount. The recoverable amount of an asset is the greater of the fair value of an asset or a cash-generating unit less its selling costs and value in use. The resulting amount must be determined for each individual asset, unless an asset generates cash flows that are dependent upon those from other assets or other asset groups. Should the carrying amount of an asset be higher than its recoverable amount, the asset is viewed as being impaired and is written down to its recoverable amount. To determine the value in use of an asset, the anticipated future cash flows are discounted to their cash value, taking into consideration a before-tax discount rate that reflects current market expectations with respect to the interest rate effect and the specific risks of the asset in question. An appropriate valuation model is employed to determine the fair value less selling costs. This model is based on valuation multiples and other available indicators for the fair value.

Once a year, the Company reviews goodwill for possible impairments. This review is also made whenever events or changes in circumstances suggest that the carrying amount may not be recoverable. In this case, the above-described process for impairments under IAS 36, "Impairment of Assets," is applied.

Any resulting impairment loss is recorded in the income statement. Any required reversals of impairment losses are recorded in future-period income statements up to the amount of the impairment loss reversal limit. This limit is determined by the amount that would have resulted at the close of the respective fiscal year given scheduled depreciation of the asset. Repair and maintenance costs are expensed as incurred.

A fixed or intangible asset is derecognized either at the time of disposal or at such time as no economic benefit can any longer be expected from the further utilization or sale of the asset. Gains and losses from disposals of assets are determined and recorded in the income statement on the basis of the difference between selling costs and carrying amount, less any directly attributable selling costs, where applicable.

Investment properties Real estate properties are allocated to the portfolio of investment properties if they are held for the purpose of generating rental income. They are stated at cost and depreciated on a straight-line basis over their estimated useful lives (cost model). Assessment of their residual values, useful lives and depreciation methods, as well as any impairment losses, is performed analogously to the procedure described in connection with property, plant and equipment. Investment properties are derecognized upon disposal or when they are no longer being permanently used and they are no longer expected to produce any further future economic benefit. Investment properties are reclassified to property, plant and equipment if a change in use is caused by self-occupancy. Conversely, property and plant is reclassified to investment properties if self-occupancy ends and leasing is then effected. Due to valuation at amortized cost in both cases, no revaluation is required upon reclassification.

Financial instruments A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or an equity instrument of another entity. Accounting for financial instruments in the case of usual and customary purchase or sale is performed on the settlement date, i.e. the day on which the asset is delivered. According to IAS 39, "Financial Instruments: Recognition and Measurement," financial instruments are allocated to the following categories upon initial recognition:

- Financial assets at fair value through profit and loss (financial assets held for trading)
- Financial assets held-to-maturity
- Loans and receivables
- Financial assets available-for-sale

- Financial liabilities at fair value through profit and loss (financial liabilities held for trading)
- Financial liabilities measured at amortized cost

Interest-bearing securities (such as bank or corporate bonds, bonded loans) are non-derivative financial assets having a contractually agreed maturity and redeemable at their notional value. Securities for which the Company has the ability and the intention to hold until maturity are classified as "held-to-maturity." Upon initial recognition, they are valued at their fair value, less transaction costs. Subsequent valuation is effected at their carrying amount. Equity securities do not have contractually agreed maturities and are classified as "available-for-sale" and measured at fair value based on identified market prices. Changes in fair value are not generally recorded in the income statement but directly in other equity components. In variance thereto, prolonged (generally more than 6 months) or significant (generally more than 20 %) decreases in fair value are recorded in the income statement. Securities with remaining maturities of one year or less are classified as current.

Accounts receivable, in particular trade accounts receivable are categorized as "loans and receivables" and are measured at (amortized) cost. They typically do not bear interest. Cost are recorded at the invoiced amount (including any value added tax). The Company continuously assesses the adequacy of the allowances for doubtful accounts receivable and makes appropriate adjustments on the basis of both specific probability and aging distribution. Any subsequent reversal is recorded in the income statement in an amount not to exceed its carrying amount (net of amortization or depreciation). Receivables are derecognized after all means of collection have been exhausted.

The Company uses derivatives only to manage foreign-currency exchange rate risks. Around 34 % of total consolidated sales revenues are invoiced in foreign currency (non-euro, predominantly in U.S. dollars). The Company enters into forward exchange and option transactions to hedge its future sales revenues invoiced in foreign currencies against exchange rate fluctuations. Derivative financial instruments are acquired exclusively for this purpose. PFEIFFER VACUUM does not engage in speculative hedging transactions. Derivative financial instruments employed for hedging purposes are recorded at their fair values both at the time they are first recorded as well as in subsequent periods. Derivative financial instruments are recorded as assets if their fair value is positive and as liabilities if their fair value is negative. Changes in the fair value of these derivatives are recorded in equity without any impact on the income statement if the hedging is classified as a cash flow hedge according to IAS 39 and is effective. The derivative is reclassified into foreign exchange gains/losses at the time of realization of the underlying transaction that has been hedged. Ineffective hedging elements of the change in the fair value of derivatives are recorded in the income statement. If derivatives were purchased for hedging purposes but do not formally qualify for hedging under IAS 39, they are recorded at fair value through profit and loss. The fair values of derivatives are determined using accepted option pricing models, taking into account current exchange rates prevailing on the balance sheet date. Please refer to Note 29 for further information relating to financial instruments.

Trade accounts payable are categorized as financial liabilities and are measured at amortized cost. They are recorded at the higher of their notational value or their redemption amount at the close of the fiscal year, including any value added tax.

Cash and cash equivalents Cash and cash equivalents consist of cash on hand, bank balances and all highly liquid bank investments having original maturities of three months or less. Cash and cash equivalents are defined accordingly in the consolidated cash flow statements.

Inventories Inventories are valued at the lower of acquisition, manufacturing costs or market price, with the market price being defined as the net realizable value. Removals from inventory are determined on an average-cost basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs. Valuation adjustments on excess inventories are determined on the basis of internal procedures in accordance with the ratio between inventory turnover and future sales or usage. Excess inventories are stocks of individual inventory items that exceed anticipated sales or usage. Management utilizes its judgment in forecasting sales or usage.

Other accounts receivable and other assets Other accounts receivable and other assets are recorded at amortized cost and less allowances, where applicable. Non-current receivables and assets are valued using the effective interest method.

Provisions Provisions are formed when the corporate group presently has a legal or constructive outside obligation as a result of a past event and it is likely that settlement of the obligation will lead to an outflow of economic resources and the amount of the obligation can be reliably determined. The valuation is made on the basis of the best estimate of the extent of the obligation.

Pensions Valuation of pension obligations under defined benefit plans is based upon the projected unit credit method in accordance with IAS 19, "Employee Benefits." Under this rule, changes in the amount of either the defined benefit obligation (under pension plans), the actuarial present value of earned entitlements (under other plans) or variances between actual and expected returns on plan assets or from changes in assumptions can result in actuarial gains or losses not yet recognized in the Company's Consolidated Financial Statements. Actuarial gains or losses are recognized in the income statement when the balance of the cumulative, unrecorded actuarial gains or losses for each individual plan exceeds the greater of the two amounts resulting from 10 % of the defined benefit obligation or 10 % of the fair value of the plan assets at the close of the previous reporting period. These gains or losses are amortized over the average remaining service period of active employees who are expected to receive benefits under the plan. The accounting for obligations under defined benefit plans is based upon actuarial reports calculated as per the close of the fiscal year. The existing pension plans are detailed in Note 23.

Expenses for defined contribution plans are recorded as expense in the income statement when the premium obligation is incurred. Provisions are formed only if the payment is not made in the year the premium was incurred.

Other accounts payable Other accounts payable are recorded at their notational value or at their higher redemption amount at the close of the fiscal year, including any value added tax.

Income taxes Current income taxes are stated as a liability to the extent to which they have not yet been paid. General tax risks within the group are additionally considered. Should the amounts already paid for income taxes exceed the amount owed, the difference is stated as an asset. Calculation of the amount is based upon the tax rates and tax legislation applicable at the close of the fiscal year.

Under IAS 12, "Income Taxes," deferred tax assets and liabilities are formed in the consolidated and taxation financial statements for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases (liability method). In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. In making this assessment, management considers the scheduled reversal of temporary differences, projected future taxable income and tax planning strategies. Valuation of deferred tax assets and liabilities is performed using the local tax rates expected to be in effect at the time of realization of the asset or satisfaction of the liability, with the tax rates applicable at the close of the fiscal year being employed. The effects of changes in tax laws are recognized in the results of operations in the period in which the new tax rates go into effect. Deferred taxes that relate to line items recorded directly under shareholders' equity are recorded directly under equity and not in the income statement. An adjustment is recorded for deferred tax assets if it is unlikely that future tax advantages will be realized. Deferred tax assets and liabilities are offset if the entitlements and obligations relate to one and the same tax authority.

Treasury shares Should the corporate group acquire treasury shares, they are deducted from shareholders' equity. The purchase, sale, issuance or recall of treasury shares is not recorded in the income statement.

Use of estimates The process of preparing financial statements requires the use of estimates and assumptions on the part of management. These estimates are based upon management's historical experience. Certain of the Company's accounting policies are considered critical, as they can have a major impact on the profitability, financial position and liquidity of the corporate group and necessitate significant or complex judgment on the part of management. These estimates and assumptions could differ from the actual results. As of December 31, 2008, no judgment uncertainties existed that could lead to the significant risk of the need for a material adjustment of book values in the 2009 fiscal year.

Material forward-looking estimates and assumptions exist, among others, in connection with the formation of pension and warranty provisions, in forecasting the useful lives of fixed assets, in forecasting the expected total cost for construction contracts or in connection with deferred tax assets; the major assumptions are detailed in the notes relating to the individual line items of the balance sheet or in the accounting principles.

Notes to the Consolidated Balance Sheets and Consolidated Statements of Income

5. Selling and marketing expenses

Selling and marketing expenses predominantly include wages and salaries, marketing and advertising costs, costs relating to trade shows and conventions, as well as other merchandising costs (such as catalogs, brochures, etc.).

6. General and administrative expenses

General and administrative expenses predominantly include wages and salaries, expenses related to allowances for doubtful accounts, audit and other general consulting fees, as well as all costs relating to the Company as a whole.

For further analysis of operating expenses please refer to Note 12 (relating cost of sales), to Note 23 (relating to development of pension expenses) and to Note 34 (relating to development of personnel expenses). Furthermore, the Company's profitability is detailed in Management's Discussion and Analysis (see section profitability, financial position and liquidity).

7. Intangible assets

The intangible assets item includes software purchased within the consolidated group as well as goodwill to be recorded for fiscal 2008. The development of intangible assets in 2008 and 2007 was as follows:

Development of Intangible Assets 2008 (in K €)

	Software	Goodwill	Total
Acquisition cost			
Balance on January 1, 2008	3,090	–	3,090
Currency changes	11	–	11
Additions	116	213	329
Disposals	– 629	–	– 629
Balance on December 31, 2008	2,588	213	2,801
Amortization			
Balance on January 1, 2008	2,869	–	2,869
Currency changes	11	–	11
Additions	167	–	167
Disposals	– 628	–	– 628
Balance on December 31, 2008	2,419	–	2,419
Net book value on December 31, 2008	**169**	**213**	**382**

Development of Intangible Assets 2007 (in K €)

	Software	Goodwill	Total
Acquisition cost			
Balance on January 1, 2007	3,125	–	3,125
Currency changes	– 26	–	– 26
Additions	129	–	129
Disposals	– 138	–	– 138
Balance on December 31, 2007	3,090	–	3,090
Amortization			
Balance on January 1, 2007	2,806	–	2,806
Currency changes	– 26	–	– 26
Additions	227	–	227
Disposals	– 138	–	– 138
Balance on December 31, 2007	2,869	–	2,869
Net book value on December 31, 2007	**221**	**–**	**221**

Impairment losses did not have to be recorded for intangible assets in fiscal 2008 and 2007.

8. Property, plant and equipment

Development of Property, Plant and Equipment 2008 (in K €)

	Land and Buildings	Technical Equipment and Machinery	Other Equipment, Factory and Office Equipment	Construction in Progress	**Total**
Acquisition or manufacturing cost					
Balance on January 1, 2008	28,988	25,194	13,957	2,791	70,930
Currency changes	– 10	– 40	4	–	– 46
Additions	4,374	2,592	2,667	740	10,373
Disposals	– 89	– 1,090	– 702	–	– 1,881
Reclassifications	6,195	163	–	– 2,723	3,635
Balance on December 31, 2008	39,458	26,819	15,926	808	83,011
Depreciation					
Balance on January 1, 2008	14,148	19,828	10,703	–	44,679
Currency changes	– 4	– 30	24	–	– 10
Additions	1,078	1,174	1,047	–	3,299
Disposals	– 88	– 1,090	– 610	–	– 1,788
Reclassifications	2,580	–	–	–	2,580
Balance on December 31, 2008	17,714	19,882	11,164	–	48,760
Net book value on December 31, 2008	**21,744**	**6,937**	**4,762**	**808**	**34,251**

Development of Property, Plant and Equipment 2007 (in K €)

	Land and Buildings	Technical Equipment and Machinery	Other Equipment, Factory and Office Equipment	Construction in Progress	**Total**
Acquisition or manufacturing cost					
Balance on January 1, 2007	28,731	23,965	15,944	787	69,427
Currency changes	– 4	– 11	– 203	–	– 218
Additions	261	2,684	1,073	2,560	6,578
Disposals	–	– 2,000	– 2,857	–	– 4,857
Reclassifications	–	556	–	– 556	–
Balance on December 31, 2007	28,988	25,194	13,957	2,791	70,930
Depreciation					
Balance on January 1, 2007	13,171	20,880	12,475	–	46,526
Currency changes	– 3	– 8	– 174	–	– 185
Additions	980	937	1,056	–	2,973
Disposals	–	– 1,981	– 2,654	–	– 4,635
Balance on December 31, 2007	14,148	19,828	10,703	–	44,679
Net book value on December 31, 2007	**14,840**	**5,366**	**3,254**	**2,791**	**26,251**

Impairment losses did not have to be recorded for property, plant and equipment for fiscal 2008 and 2007. No such assets were offered as security for loans.

9. Investment properties

Development of Investment Properties (in K €)

	2008	2007
Acquisition or manufacturing cost		
Balance on January 1	4,496	4,496
Additions	–	–
Disposals	–	–
Reclassifications	–3,635	–
Balance on December 31	861	4,496
Depreciation		
Balance on January 1	2,729	2,658
Additions	48	71
Disposals	–	–
Reclassifications	–2,580	–
Balance on December 31	197	2,729
Net book value on December 31	**664**	1,767

The real estate shown in this line item was rented out in fiscal 2008 and 2007. Rental revenues amounted to K € 448 (2007: K € 603), as opposed to direct operating expenses of K € 97 (2007: K € 311). Impairment losses did not have to be recorded in the years 2008 and 2007. Due to its use by the Company beginning in fiscal 2008, it was necessary to reclassify a portion of the assets thus far disclosed under this line item to property, plant and equipment.

The fair values of investment properties totaled € 0.7 million as per December 31, 2008 (December 31, 2007: € 1.9 million). Fair values were derived on the basis of the Company's own calculations by discounting expected net rental revenues during the estimated remaining life by an appropriate discount rate.

10. Investment securities

Those investment securities classified as available-for-sale consist of publicly traded equity securities having no defined maturity or fixed interest rate. A portion of the holdings was sold in fiscal 2007, realizing a gain of K € 2,265. The remaining interests were valued at fair value as of December 31, 2008. € 1.3 million of the required devaluations in the amount of € 2.8 million were recorded directly in equity, € 1.5 million in the income statement.

The investment securities classified as held-to-maturity consist of bank or corporate bonds having variable interest rates or bonded loans. Due to one issuer's expected premature redemption in the spring of 2009, it was necessary to reclassify investment securities totaling € 3.0 million as short-term assets on December 31, 2008. Non-current investment securities having a net book value of € 2.0 million will mature in 2015. The issuer of the securities is allowed to redeem the securities earlier if certain stipulations contained in the terms and conditions are satisfied. PFEIFFER VACUUM considers the impairments to be only temporary in nature, as the securities will be redeemed at notional value and as there is currently no indication of any solvency-based devaluation.

Please refer to Note 29 for the composition of fair values and the net book values of the investment securities.

11. Other non-current assets

Other non-current assets include, among others, the non-current portion of the German corporate tax reduction claims (K € 916; 2007: K € 1,009).

12. Inventories

Composition of Inventories (in K €)

	2008	2007
Raw materials	9,002	7,910
Work in process	6,104	4,537
Finished products	9,358	7,440
Reserves	–3,055	–3,030
Total inventories, net	**21,409**	16,857

Dec. 31

Materials consumption in fiscal 2008 amounted to € 79.4 million (2007: € 73.1 million) and is included in cost of sales.

Development of Inventory Reserves (in K €)

	2008	2007
Balance on January 1	3,030	3,318
Currency changes	– 41	– 65
Additions	381	87
Inventory written off	– 315	– 310
Balance on December 31	**3,055**	3,030

13. Trade accounts receivable

Composition of Trade Accounts Receivable (in K €)

	2008	2007
Trade accounts receivable	27,926	26,790
Allowance for doubtful accounts	– 413	– 535
Trade accounts receivable, net	**27,513**	26,255

Dec. 31

The Company provides credit in connection with its normal course of business to a wide variety of customers. The Company performs ongoing credit evaluations of its customers and establishes allowances for identified credit risks. Trade accounts receivable do not bear any interest and have a remaining term of less than one year.

Summary of Activity in the Allowance for Doubtful Accounts (in K €)

	2008	2007
Balance on January 1	535	386
Currency changes	– 36	– 14
Additions	124	248
Accounts written off	– 210	– 85
Balance on December 31	**413**	535

The decrease in the allowance for doubtful accounts was mainly attributable to one account that was written off in connection with the insolvency of a sales company's foreign customer.

Composition of Unreserved Trade Accounts Receivable (in K €)

	Net Book Value	Thereof: Unreserved and not overdue	Thereof: Unreserved and Overdue in the Following Periods					
			< 30 Days	30 – 60 Days	61 – 90 Days	91 – 180 Days	181 – 360 Days	> 360 Days
2008	**27,513**	20,592	4,345	750	572	184	315	16
2007	26,255	18,463	5,009	840	699	136	40	39

Dec. 31

In 2008, expenses for derecognition of receivables amounted to K € 9 (2007: K € 120). The income from cash proceeds on derecognized receivables totaled K € 35 (2007: K € 10).

14. Receivables from construction contracts

Receivables from construction contracts shown in 2007 included the net amounts resulting from offsetting the prorated sales revenues of K € 7,249 against the prepayments received (K € 4,618). The project was finished in December 2008 and the remaining receivables were thus recorded under trade accounts receivable.

15. Other accounts receivable, other current assets

Other accounts receivable in the amount of K € 1,146 (2007: K € 1,979) consist predominantly of tax claims for overpaid income taxes (K € 749; 2007: K € 766) and interest accruals (K € 168; 2007: K € 173). V.A.T. claims totaling K € 427 were recorded in 2007, but were not material in 2008. Other current assets on December 31, 2007, included the derivatives valued at fair value in the amount of K € 188).

16. Cash and cash equivalents

The cash and cash equivalents item consists of cash at banks and cash on hand. Additionally, the Company records all bank deposits having an original maturity of three months or less as cash equivalents. The fair value of cash and cash equivalents corresponds to their net book value.

17. Share capital and additional paid-in capital

As in the year before, the share capital of PFEIFFER VACUUM TECHNOLOGY AG (parent company) consists of 8,970,600 no-par ordinary shares issued and 8,514,248 no-par ordinary shares outstanding as per December 31, 2008 (December 31, 2007: 8,843,524 no-par ordinary shares outstanding).

The Annual Shareholders Meeting on June 8, 2005, authorized the Management Board to increase the Company's share capital by K € 11,252 or 4,395,300 shares in consideration for contributions in cash and/or kind. This authorization is valid though June 7, 2010, and is subject to the consent of the Supervisory Board.

On December 31, 2008, additional paid-in capital totaled K € 13,305. There were no changes in fiscal 2008.

18. Paid and proposed dividends

The Annual Shareholders Meeting on May 28, 2008, resolved to pay a dividend of € 3.15 per share (Annual Shareholders Meeting on May 31, 2007: € 2.50 per share). The dividend payment carried out thereunder amounted to K € 27,857 in 2008 (prior year: K € 22,109).

At the Annual Shareholders Meeting the Management and Supervisory Boards will propose that the shareholders participate in the Company's success in the form of a dividend in the amount of € 3.35 per share. This proposal is subject to the proviso that there will be no concrete major acquisition candidate, i.e. within the near future, at the time of the Annual Shareholders Meeting. Because the proposal must be approved by the Annual Shareholders Meeting, the resulting payment of K € 28,523 has not been recorded as a liability in the balance sheet for the fiscal year ended December 31, 2008.

19. Other equity components

Other equity components comprise unrealized gains/losses on hedges, foreign currency translation adjustments and gains/losses from the revaluation of available-for-sale securities at fair value.

Development of Other Equity Components (in K €)

	Unrealized Gains/Losses on Hedges	Foreign Currency Translation Adjustments	Revaluation of Available-for-Sale Securities	Total
Balance on January 1, 2007	259	– 2,224	3,485	1,520
Changes in fair value of cash flow hedges (net of tax)	– 231	–	–	– 231
Changes in foreign currency translation	–	– 2,252	–	– 2,252
Revaluation of securities classified as available-for-sale (net of tax)	–	–	– 2,150	– 2,150
Balance on December 31, 2007	**28**	**– 4,476**	**1,335**	**– 3,113**
Changes in fair value of cash flow hedges (net of tax)	– 432	–	–	– 432
Changes in foreign currency translation	–	413	–	413
Revaluation of securities classified as available-for-sale (net of tax)	–	–	– 1,335	– 1,335
Balance on December 31, 2008	**– 404**	**– 4.063**	**–**	**– 4,467**

Due to the fact that the terms of all cash flow hedges are less than one year, the reported year-end balances are reclassified to the income statement in each succeeding year. The new year-end balances result only from changes in that year and thus not from prior years.

20. Treasury shares

At the Annual Shareholders Meeting on May 28, 2008, the shareholders authorized PFEIFFER VACUUM to acquire treasury shares of the Company pursuant to § 71, Sub-para. 1, No. 8, German Stock Corporation Act. The Company is authorized to acquire treasury shares representing up to € 2,296,473.60 of the capital stock (897,060 shares equal to 10 % of capital stock at the time of the resolution) through November 27, 2009.

In accordance with the Management Board's announcement, a share buyback program was commenced following the Annual Shareholders Meeting. Between June 2, 2008, and October 24, 2008, a total of 329,276 shares was repurchased at an average price of € 61.00. This represents 3.7 % of share capital and a total purchase price of K € 20,086. Taking into account the shares repurchased in prior years (127,076 shares, K € 3,722), the portfolio of treasury shares as of December 31, 2008, includes 456,352 shares valued at historical cost of K € 23,808. As of December 31, 2008, treasury shares represented 5.1 % of total shares.

21. Long-term debt

There continued to be no long-term debt as of December 31, 2008. PFEIFFER VACUUM and its subsidiaries have various lines of credit available for operating purposes, totaling approximately € 9.8 million (2007: € 7.9 million). No amounts under these lines were outstanding on December 31, 2008, or 2007.

22. Income taxes

Under current German corporate tax law, taxes on income of German companies comprise corporate taxes, trade taxes and an additional surtax.

Income Before Tax was Taxable in the Following Jurisdictions (in K €)

	2008	2007
Germany	46,333	50,310
Outside Germany	7,810	9,102
Total	**54,143**	59,412

Composition of Income Tax Expenses (in K €)

	2008	2007
Current taxes		
Germany	13,760	17,401
Outside Germany	2,057	3,215
	15,817	20,616
Deferred taxes		
Germany	– 134	1,494
Outside Germany	412	17
	278	1,511
Income tax expenses	**16,095**	22,127

Amounting to K € 15,763, current tax expenses relate to earnings in 2008 (2007: K € 20,441). This item additionally contains tax expenses for prior years amounting to K € 54 (2007: K € 175).

Reconciliation from Expected to Actual Income Tax Expense (in K €)

	2008	2007
Earnings before taxes	54,143	59,412
Expected tax expense using a tax rate of 28.81 % (2007: 37.87 %)	15,599	22,499
Effects from impairment losses for securities	420	–
Higher/lower foreign tax rates	215	– 366
Non-deductible expenses	75	138
Tax debits/credits due to tax filings in prior years	54	– 132
Effects due to dividend payments	– 69	– 111
Effects relating to capital gains on securities	– 252	– 850
Effects of tax rate reductions under the corporate tax reform 2008	–	1,033
Other	53	– 84
Income tax expense	**16,095**	22,127

As opposed to 37.2 % in 2007, the tax rate for the PFEIFFER VACUUM Group amounted to 29.7 % in 2008. The primary reason for this significant decrease was the German group companies' lower tax burden due to the 2008 corporate tax reform.

Deferred Taxes Relate to the Following Balance Sheet Items (in K €)

	2008	2007
Deferred tax assets		
Pensions	3,369	3,201
Inventories	1,102	887
Personnel and other provisions	496	1,434
Cash flow hedges	164	–
Trade accounts receivable (including allowances for doubtful accounts)	122	– 21
Intangible assets	78	124
Property, plant and equipment	51	47
Total deferred tax assets	**5,382**	5,714
Deferred tax liabilities		
Trade accounts receivable (including allowances for doubtful accounts)	– 469	– 860
Property, plant and equipment	– 414	– 410
Tax-privileged reserves of the Swedish subsidiary	– 273	– 275
Personnel and other provisions	– 204	– 55
Inventories	– 141	– 157
Cash flow hedges	–	– 27
Unrealized gains from available-for-sale securities	–	– 20
Total deferred tax liabilities	**– 1,501**	– 1,804
Total deferred taxes, net	**3,881**	3,910

Dec. 31

Amounts Recorded in the Balance Sheet (in K €)

	2008	2007
Deferred tax assets	4,180	4,185
Deferred tax liabilities	– 299	– 275
Total deferred taxes, net	**3,881**	3,910

Dec. 31

Deferred Taxes Recorded in the Income Statement (in K €)

	2008	2007
Personnel and other provisions	928	– 333
Tax-privileged reserves of the Swedish subsidiary	40	– 1
Property, plant and equipment	– 3	– 151
Pensions	– 150	948
Inventories	– 243	180
Trade accounts receivable (including allowances for doubtful accounts)	– 492	798
Other	198	70
Total deferred taxes	**278**	1,511

As of December 31, 2008, the Company recorded deferred tax assets amounting to K € 164, which were recorded directly in equity (2007: K € – 31). This amount relates only to unrealized gains/losses on cash flow hedges (2007: K € – 11). The year before, K € – 20 had been included for unrealized gains from available-for-sale securities.

Provisions have not been established for additional taxes on the undistributed earnings of non-German subsidiaries. These earnings are considered to be permanently reinvested and could become subject to additional tax if remitted or deemed remitted as dividends. Following effective German law, dividends from non-German and German subsidiaries are 95 % tax-exempt, i.e. 5 % of dividend income is not deductible from income for corporate tax purposes. Management estimates that the effects of this rule will be negligible, as the German investments are consolidated for tax purposes.

23. Pensions and similar obligations

Defined benefit plans Employees in Germany and the United States are entitled to receive pension benefits from the Company, which are covered by defined benefit plans in their respective countries. In the United States, the Company has established a pension fund for all employees and a supplemental pension fund for executives (SERP), a non-qualified, non-funded pension plan for certain officers. In Germany, the Company sponsors three pension plans, which are funded via PFEIFFER VACUUM TRUST E. V. ("the Trust"). Taking into account the new 2007 pension plan, this means that an employer funded pension scheme is in place for all employees of the German group companies. The Trust is an independent, bankruptcy-protected, separate legal entity whose sole purpose is to act in a fiduciary capacity as trustee for the assets held; it has invested the contributions in a mutual fund with a pursued target equity allocation of up to 30 % as well as a pursued fixed-income securities and cash allocation of at least 70 %. The fund is managed by an unrelated third party.

Composition of the Net Amounts Recorded in the Balance Sheets (in K €)

	2008	2007
Present value of funded benefit obligations	–46,116	–45,155
Present value of unfunded benefit obligations	–757	–629
Total present value of benefit obligations	–46,873	–45,784
Fair value of plan assets	42,962	47,584
Present value of net obligations	–3,911	1,800
Unrecognized actuarial gains/losses	2,389	–3,257
Net amount recorded in balance sheets	**–1,522**	–1,457
Thereof: Prepaid pension costs	142	142
Thereof: Provisions for pensions	–1,664	–1,599

Dec. 31

Composition of Net Periodic Pension Cost (in K €)

	2008	2007
Service cost	1,315	923
Interest cost	2,434	2,310
Expected return on plan assets	–2,122	–2,080
Income from plan curtailments/settlements	–594	–
Net periodic pension cost	**1,033**	1,153

Development of Benefit Obligations (in K €)

	2008	2007
Present value of benefit obligations on January 1	45,784	50,352
Service cost	1,315	923
Interest cost	2,434	2,310
Actuarial gains/losses	358	–5,531
Benefit payments	–2,041	–1,946
Curtailments/settlements	–1,663	–
Obligations under new pension plan	512	–
Currency changes	174	–324
Present value of benefit obligations on December 31	**46,873**	45,784

Due to the final structure of the new 2007 pension plan at PFEIFFER VACUUM GMBH within the course of fiscal 2008, it was ultimately necessary to classify this plan as a defined benefit plan under IAS 19. In contrast, the obligations had been recorded as outstanding contributions under personnel provisions the year before. As a consequence of the agreement that was finalized in 2008, the previous accruals were used for the new pension plan.

Development of Plan Assets (in K €)

	2008	2007
Fair value of plan assets on January 1	47,584	44,917
Expected return on plan assets	2,122	2,080
Company contributions	1,523	3,316
Benefit payments	– 2,041	– 1,946
Actuarial losses	– 5,173	– 567
Curtailments/settlements	– 1,126	–
Currency changes	73	– 216
Fair value of plan assets on December 31	**42,962**	47,584

The actual return on plan assets in fiscal 2008 amounted to K € – 3,051 (2007: K € 1,513).

Actuarial Assumptions (in %)

	2008	2007
Germany		
Discount rate	5.85	5.60
Long-term rate of increase in compensation levels	2.75	2.75
Expected long-term rate of return on assets	4.50	4.50
United States, Netherlands*		
Discount rate	5.90 – 6.25	4.60 – 6.25
Long-term rate of increase in compensation levels	3.00 – 4.00	3.00 – 4.00
Expected long-term rate of return on assets	5.90 – 7.00	4.50 – 7.50

* 2007: United States, Netherlands, Belgium

Dec. 31

The Company's expected long-term rate of return on assets is based upon premium corporate bonds and the appreciation of equities held by the Trust.

The Company expects that cash contributions to plan assets in 2009 will approximate 2009's net periodic pension cost (€ 2.1 million).

Composition of Plan Assets

	2008		2007	
	K €	%	K €	%
Equity securities	6,227	14.5	11,381	23.9
Fixed-income securities	28,961	67.4	31,440	66.1
Cash and cash equivalents	7,056	16.4	3,087	6.5
Other	718	1.7	1,676	3.5
Total	**42,962**	**100.0**	47,584	100.0

Dec. 31

Plan assets do not contain financial instruments issued by the Company or other assets owned by the Company.

Development of Benefit Obligations and Plan Assets 2005 – 2008 (in K €)

	2008	2007	2006	2005
Present value of benefit obligations	46,873	45,784	50,352	50,678
Fair value of plan assets	42,962	47,584	44,917	41,595
Surplus/deficit	– 3,911	1,800	– 5,435	– 9,083
Experience adjustments on plan liabilities	358	– 5,531	– 1,655	4,236
Experience adjustments on plan assets	– 5,173	– 567	1,210	– 356

Dec. 31

Defined contribution plans Employees of the Company in certain other countries are covered by defined contribution plans. Generally, contributions are based upon a percentage of the employee's wages or salaries. The costs of these plans charged to operations amounted to K € 3,024 (2007: K € 2,993).

24. Trade accounts payable and other payables

Trade accounts payable do not bear any interest and have maturities less than one year.

Other payables primarily consists of payroll taxes and V.A.T. as well as payables from social security contributions. They do not bear any interest and also have maturities of less than one year.

25. Payables from construction contracts

The payables from construction contracts as of December 31, 2008, include the amounts resulting from netting the pro-rated sales recognized in the amount of K € 3,121 against the prepayments received (K € 9,300).

26. Provisions

Composition of Provisions (in K €)

	2008	2007
Warranty provisions	3,301	1,983
Personnel provisions	6,912	9,525
Other provisions	560	947
Total	**10,773**	12,455

Dec. 31

Warranty provisions include the amounts expected due to claims in connection with product warranties. They are recorded as per the close of the fiscal year for realized revenues based on management's estimates and experience.

Employee-related expenses primarily include provisions for bonuses and service anniversary awards.

Development of Provisions (in K €)

	Warranty	Personnel	Other	**Total**
Balance on January 1, 2008	1,983	9,525	947	12,455
Currency changes	10	15	– 67	– 42
Additions	1,655	5,730	347	7,732
Utilization	– 202	– 6,283	– 547	– 7,032
Releases	– 145	– 2,075	– 120	– 2,340
Balance on December 31, 2008	**3,301**	**6,912**	**560**	**10,773**

The increase in warranty accruals was mainly attributable to the high percentage of new-product sales revenues. The return of amounts no longer required was the main reason for the decrease in personnel provisions.

27. Commitments and other financial obligations

The Company has entered into leases and maintenance agreements which expire on various dates, some of which are renewable. The tables below present the maximum amount of the contractual commitments as of year end, classified by the periods in which the contingent liabilities or commitments will expire.

Contractual Obligations as of December 31, 2008 (in K €)

		Payments Due by Period			
	Total	< 1 Year	1 – 3 Years	3 – 5 Years	> 5 Years
Operating leases	1,964	826	832	198	108
Purchase obligations	5,805	5,465	340	–	–
Repair and maintenance	381	343	38	–	–
Total	**8,150**	**6,634**	**1,210**	**198**	**108**

Contractual Obligations as of December 31, 2007 (in K €)

		Payments Due by Period			
	Total	< 1 Year	1 – 3 Years	3 – 5 Years	> 5 Years
Operating leases	1,993	743	936	205	109
Purchase obligations	2,510	915	1,595	–	–
Repair and maintenance	481	350	112	19	–
Total	**4,984**	**2,008**	**2,643**	**224**	**109**

Purchase obligations include long-term arrangements for future supplies of materials. Rental expenses amounted to € 0.9 million each, for fiscal 2008 and 2007. The Company did not have any capital lease obligations in fiscal 2008 and 2007.

28. Segment reporting

The Company's business operations include the development, manufacture, sale and service of vacuum pumps, vacuum components and instruments, as well as vacuum systems. The subsidiaries in the individual countries are independent legal entities with their own management, which distribute products and provide services. The entire product portfolio is offered by all sales subsidiaries.

Controlling of business development by corporate management is carried out on the legal entity's level. Accordingly, the Company identifies its primary operating segments by legal entity. Due to the similarity of their economic characteristics, including nature of products sold, type of customers, methods of product distribution and economic environment, the Company aggregates its European subsidiaries outside Germany into one reporting segment, "Europe (excluding Germany)." All information is based upon the geographic location of the group company in question.

Transactions between segments are based upon the arm's-length principle. The internal reporting on which the disclosures are based is IFRS. Segment sales and segment results in the primary reporting format initially include the effects of inter-segment transactions. These effects are eliminated in connection with the consolidation process.

Segment Reporting as of December 31, 2008 (in K €)

	Germany	Europe (Excluding Germany)	United States	Rest of World	Other/ Consolidation	**Group**
Net sales	173,699	45,076	40,756	5,721	– 67,192	198,060
Third party	107,797	44,919	40,687	4,657	–	198,060
Intercompany	65,902	157	69	1,064	– 67,192	–
Operating profit	44,962	4,382	1,732	700	-307	51,469
Financial income	–	–	–	–	2,674	2,674
Earnings before taxes	44,962	4,382	1,732	700	2,367	54,143
Segment assets	123,442	19,132	24,154	3,408	–	170,136
Thereof: Assets according to IFRS 8.33 (b)*	35,363	627	91	785	–	36,866
Segment liabilities	25,347	4,849	1,805	323	–	32,324
Capital expenditures:						
Property, plant and equipment**	10,053	227	–	93	–	10,373
Intangible assets	321	8	–	–	–	329
Depreciation**	2,971	236	49	91	–	3,347
Amortization	156	11	–	–	–	167

* Non-current assets other than financial instruments, deferred tax assets and prepaid pension cost
** Including investment properties

Segment Reporting as of December 31, 2007 (in K €)

	Germany	Europe (Excluding Germany)	United States	Rest of World	Other/ Consolidation	**Group**
Net sales	161,218	46,447	41,723	6,941	– 64,287	192,042
Third party	98,708	46,275	41,682	5,377	–	192,042
Intercompany	62,510	172	41	1,564	– 64,287	–
Operating profit	44,918	3,222	3,234	1,459	14	52,847
Financial income	–	–	–	–	6,565	6,565
Earnings before taxes	44,918	3,222	3,234	1,459	6,579	59,412
Segment assets	131,319	19,344	23,020	3,747	–	177,430
Thereof: Assets according to IFRS 8.33 (b)*	28,277	686	133	1,044	–	30,140
Segment liabilities	19,149	6,436	1,926	552	–	28,063
Capital expenditures:						
Property, plant and equipment**	6,062	313	22	181	–	6,578
Intangible assets	123	6	–	–	–	129
Depreciation**	2,668	236	59	81	–	3,044
Amortization	214	13	–	–	–	227

* non-current assets other than financial instruments, deferred tax assets and prepaid pension cost
** including investment properties

Aside from reasonably relatable assets the segment "Other" contains all assets that can not be allocated on a reasonable basis (e.g. securities, deferred tax assets).

There were no sales to major customers, as no single customer accounts for more than 10 % of total sales.

Sales by Product (in K €)

	Turbopumps	Measurement and Analysis Equipment	Backing Pumps	Service	Systems	Other	**Group**
2008	79,656	47,060	32,112	23,631	15,153	448	**198,060**
2007	79,992	45,222	29,817	25,394	11,014	603	192,042

29. Financial instruments

Fair value The net book value of financial instruments (e.g. cash and cash equivalents, trade accounts receivable and trade accounts payable, available-for-sale securities) essentially equals their fair value. In variance thereto, differences between net book value and fair value exist with regard to those securities held-to-maturity.

Interest rate risks The interest-bearing portion of cash and cash equivalents, as well as those securities held-to-maturity, involve in interest rate risks. All investment forms have variable interest rates and are – with the exception of held-to-maturity securities – invested on a short-term basis. There are no further investment forms that result in interest rate risks within the PFEIFFER VACUUM Group.

Due to the short investment period for cash and cash equivalents the agreed interest rate equals the market rate. Even if the market rate should change significantly, there will be no impact on the fair value of cash and cash equivalents because the interest rate can be adjusted after only a short period of time. There are no changes in the net book value of the held-to-maturity securities due to changing interest rates because these investments are valued at amortized cost, and interest-based changes in their fair value will therefore not affect their net book value.

All interest-sensitive financial assets as of December 31, 2008, and 2007, respectively, are categorized as held-to-maturity financial instruments. Accordingly, a hypothetical change in the interest rates on the balance sheet dates will not result in any changes in net income or shareholders' equity due to these securities. As a result of cash and cash equivalents on December 31, 2008, an increase (decrease) in interest rate by 50 basis points would increase (decrease) earnings by K € 342 (2007: increase/decrease by K € 417).

Credit risks Due to the Company's heterogeneous customer structure and the fact that no single end customer accounts for more than 10 % of total sales, there are no material credit risk concentrations within the group. Credit risks are additionally minimized through a rigorous accounts receivable management and by monitoring our customers' payment patterns. Furthermore, deliveries to new customers are essentially made only after credit assessment, against payment in advance or credit limit. As a result, PFEIFFER VACUUM is able to keep the level of its allowance for doubtful accounts low, even in difficult economic times. The purchased securities consist predominantly of bank or corporate bonds of very good creditworthiness, making the credit risk minimal here as well. The maximum credit risk is determined by the net book value of the financial assets (including derivatives with positive fair values) recorded in the balance sheet.

Liquidity risks Due to the above-average level of cash and cash equivalents, no liquidity risks can be identified.

Foreign exchange rate risks Approximately 34 % of the Company's net sales are denominated in currencies other than the euro, primarily in U.S. dollars. The Company enters into foreign currency forward contracts and options to hedge the exposure of its forecasted sales against currency fluctuations. All derivative financial instruments are entered into only within this scope. All derivatives held as of December 31, 2008, qualify for hedge accounting under IAS 39.

The derivatives that qualify for cash flow hedges under IAS 39 are recognized either as assets or liabilities at their fair values. Changes in the values of these cash flow hedges are recorded in equity under other equity components, net of applicable taxes. These amounts are subsequently reclassified as earnings (foreign exchange gains/losses) in the same period as the underlying transactions affect operating income. For the fiscal years ended December 31, 2008, and 2007, there were no gains or losses that were recognized in earnings due to hedge ineffectiveness. For the same periods, no gains or losses had to be reclassified to earnings from other equity components as a result of the discontinuance of cash flow hedges.

The Company's derivatives are marked to market at period end using quoted forward rates. The negative fair values recorded under other payables for the period ended December 31, 2008, totaled K€ 568 (2007: Positive fair values of K€ 188). Because the changes in fair value for cash flow hedges are recorded directly in equity, other equity components decreased by K€ 404, net of taxes of K€ 164 (2007: Other equity components increased by K€ 28, net of taxes of K€ 11).

The Company does not engage in speculative hedging for investment purposes. As of December 31, 2008, and December 31, 2007, no contracts held by the Company had a maturity date greater than one year.

As of December 31, 2008, and 2007, the notional amounts of the U.S. dollar forward contracts were € 3.1 million and € 9.0 million, respectively. The Company performs ongoing credit evaluations of the parties to these contracts and enters into contracts only with well-established financial institutions.

Currency risks as defined by IFRS 7 arise as a result of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration. Relevant risk variables are generally all non-functional currencies in which PFEIFFER VACUUM has entered into financial instruments.

The vast majority of non-derivative monetary financial instruments within the PFEIFFER VACUUM Group are directly denominated in functional currency. In variance thereto, exchange rate risks arise from the securities available-for-sale, from a portion of trade accounts receivable and from derivative financial instruments. If derivative financial instruments classify as cash flow hedges, changes in the exchange rate do not impact the income statement but are recorded directly in equity. Exchange rate-based changes in securities available-for-sale are also recorded directly in equity.

Had the euro lost 10 % against the currencies involved in the Consolidated Financial Statements as of December 31, 2008, net income would have been K€ 766 higher and total equity would have been K€ 779 higher (K€ 293 thereof being due to the Swiss franc and K€ 486 to the U.S. dollar). A 10 % gain in the euro as of December 31, 2008, would have decreased net income by K€ 729 and total equity by K€ 775 (K€ –291 thereof being due to the Swiss franc and K€ –484 to the U.S. dollar). A 10 % loss in the euro as of December 31, 2007 would have led to a K€ 440 increase in net income and a K€ 818 increase in total equity (K€ 665 thereof being due to the Swiss franc and K€ 153 to the U.S. dollar). A 10 % gain in the euro as of that balance sheet date would have decreased net income by K€ 567 and total equity by K€ 797 (K€ –542 thereof being due to the Swiss franc and K€ –255 to the U.S. dollar). In all cases, net income was affected solely by the sensitivity of the U.S. dollar.

Composition of financial instruments The following tables show the composition of financial instruments by balance sheet line item and valuation category and fair value as well as net results by valuation category.

Composition of Financial Instruments as of December 31, 2008 (in K €)

	Category According to IAS 39	Net Book Value	Amounts Recognized According to IAS 39			Fair Value
			Amortized Cost	Fair Value Recognized in Equity	Fair Value Through Profit and Loss	
Assets						
Cash and cash equivalents	LaR	68,317	68,317	–	–	68,317
Trade accounts receivable	LaR	27,513	27,513	–	–	27,513
Securities						
Held-to-Maturity	HtM	4,998	4,998	–	–	4,557
Available-for-Sale	AfS	3,250	–	3,250	–	3,250
Liabilities						
Trade accounts payable	FLAC	4,518	4,518	–	–	4,518
Payables from construction contracts	FLAC	6,179	6,179	–	–	6,179
Derivative financial instruments (incl. cash flow hedges)	N/A	568	–	568	–	568
Totals by valuation categories:						
Loans and Receivables (LaR)		95,830	95,830	–	–	95,830
Held-to-Maturity Investments (HtM)		4,998	4,998	–	–	4,557
Financial Assets Available-for-Sale (AfS)		3,250	–	3,250	–	3,250
Financial Assets Held for Trading (FAHfT)		–	–	–	–	–
Financial Liabilities Measured at Amortized Cost (FLAC)		10,697	10,697	–	–	10,697

Composition of Financial Instruments as of December 31, 2007 (in K €)

	Category According to IAS 39	Net Book Value	Amounts Recognized According to IAS 39			Fair Value
			Amortized Cost	Fair Value Recognized in Equity	Fair Value Through Profit and Loss	
Assets						
Cash and cash equivalents	LaR	83,383	83,383	–	–	83,383
Trade accounts receivable	LaR	26,255	26,255	–	–	26,255
Receivables from construction contracts	LaR	2,631	2,631	–	–	2,631
Securities						
Held-to-Maturity	HtM	4,998	4,998	–	–	4,253
Available-for-Sale	AfS	6,062	–	6,062	–	6,062
Derivative financial instruments (incl. cash flow hedges)	N/A	102	–	102	–	102
Derivative financial instruments (excl. cash flow hedges)	FAHfT	86	–	–	86	86
Liabilities						
Trade accounts payable	FLAC	4,803	4,803	–	–	4,803
Totals by valuation categories:						
Loans and Receivables (LaR)		112,269	112,269	–	–	112,269
Held-to-Maturity Investments (HtM)		4,998	4,998	–	–	4,253
Financial Assets Available-for-Sale (AfS)		6,062	–	6,062	–	6,062
Financial Assets Held for Trading (FAHfT)		86	–	–	86	86
Financial Liabilities Measured at Amortized Cost (FLAC)		4,803	4,803	–	–	4,803

Net Results by Valuation Categories (in K €)

	From Interests/ Dividends	From Subsequent Valuation			From Derecognition	Net Results	
		At Fair value	Currency Translation	Impairment/ Reversal of Impairment		**2008**	2007
Loans and Receivables (LaR)	2,410	–399	1,797	–123	26	3,711	3,650
Held-to-Maturity Investments (HtM)	151	–	–	–	–	151	84
Financial Assets Available-for-Sale (AfS)	177	–2,812	–	–	–	–2,635	316
Financial Assets Held for Trading (FAHfT)	–	–	–	–	–	–	57
Financial Liabilities Measured at Amortized Cost (FLAC)	–	28	–	–	–	28	–68

30. Management of financial risks

With an equity ratio of 81.0 %, PFEIFFER VACUUM has an equity base that is far above-average. In the past years, the equity ratio has always been higher than 80 %. Additionally, cash and cash equivalents totaled to € 68.3 million as of December 31, 2008, and are invested on a short-term conservative basis. Due to its high equity ratio and its superior liquidity, PFEIFFER VACUUM does not depend upon interest-bearing liabilities to fund its capital expenditures for replacement and expansion. Moreover, there are sufficient liquidity reserves to respond to changes in the economic situation.

31. Earnings per share

Computation of Earnings* per Share

	2008	2007
Net income (in K €)	37,967	37,025
Weighted average number of shares	8,702,529	8,843,524
Number of conversion rights	–	–
Adjusted weighted average number of shares	8,702,529	8,843,524
Earnings per share in € (basic / diluted)	4.36	4.19

* Attributable to PFEIFFER VACUUM TECHNOLOGY AG shareholders

There were no transactions with ordinary shares or issued ordinary shares during the period between the balance sheet date of December 31, 2008, and the preparation of the Consolidated Financial Statements.

Additional Notes and Supplemental Information

32. Related party disclosures

Related party transactions predominantly consist of all transactions with those companies included in the Consolidated Financial Statements. The amounts of these transactions are detailed in the segment reporting in Note 28, which also includes intercompany sales. All transactions are carried out at conditions that are usual and customary in the market and are entirely eliminated during the consolidation process. Therefore, there is no impact on financial position or results. PFEIFFER VACUUM does not have holdings in any jointly controlled or associated entities. Furthermore, no factual control exists with respect to special purpose entities.

Please refer to Notes 36 and 37 regarding the compensation paid to members of the Management and Supervisory Boards, as well as regarding potential transactions with members of these corporate bodies. Besides their activities in the Supervisory Board, the members of the Supervisory Board do not provide material individual services for the Group or any of its companies. In contrast thereto, the employees' representatives on the Supervisory Board receive salaries under the rules of the respective employment contracts for their work at the Company.

On December 31, 2008, members of the Management and Supervisory Boards held an aggregate total of 2,577 shares in the Company (December 31, 2007: 1,577 shares). The holdings of members of corporate bodies are thus negligible.

In 2008, the reimbursements from PFEIFFER VACUUM TRUST E.V. amounted to € 2.0 million (2007: € 1.8 million). Contributions to PFEIFFER VACUUM TRUST E.V. totaled € 1.7 million in 2008 (2007: € 5.3 million).

Neither in 2008 nor in 2007 were there any reportable transactions under IAS 24 with Arnhold and S. Bleichroeder or First Eagle Funds.

33. Events after the balance sheet date

Since the beginning of the 2009 fiscal year, there have not been any significant changes in the Company's position or the industry environment.

34. Personnel expenses

Personnel Expenses (in K €)

	2008	2007
Wages and salaries	36,079	35,564
Social security, pension and other benefit cost	7,230	9,130
Thereof for pensions	787	2,993
Total	**43,309**	44,694

35. Number of employees

On December 31, 2008, and 2007, the number of employees was as follows:

Number of Employees

	2008	2007
Annual average		
Male	586	557
Female	127	122
Total	**713**	679
Balance sheet date		
Male	597	566
Female	129	126
Total	**726**	692

36. Management Board

As of December 31, 2008, the Management Board of the parent company PFEIFFER VACUUM TECHNOLOGY AG consisted of:

- Manfred Bender (CEO), Diplom-Betriebswirt
- Dr. Matthias Wiemer (Member of the Management Board), Diplom-Ingenieur

The aggregate amount of compensation paid to all members of the Management Board for fiscal 2008 was € 1.1 million (2007: € 1.2 million). Pursuant to § 289, Sub-Para. 2, No. 5, German Commercial Code ("HGB"), the compensation paid to the members of the Management Board is detailed in the compensation report (part of MD & A). Benefits to former members of the Management Board (pensions) amounted to € 0.2 million in 2008 (2007: € 0.1 million).

37. Supervisory Board

Pursuant to § 96, Sub-Para. 1, § 101, Sub-Para. 1, German Stock Corporation Act ("AktG"), § 4, German One-Third Participation Act ("DrittelbG") of 2004, and § 9, Sub-Para. 1, Articles of Association and Bylaws, the Supervisory Board shall comprise four members elected by the Annual Shareholders Meeting and two members elected by the Company's employees.

In 2008, the Supervisory Board comprised the following persons:

- Dr. Michael Oltmanns (Chairman), Attorney at Law and Tax Advisor
  Further supervisory board seats:
  - Becker Mining Systems AG, Friedrichsthal (chairman)
  - HPC AG, Weinheim, Germany (chairman), until May 6, 2008
  - Jetter AG, Ludwigsburg, Germany (chairman)
  - Merkur Bank KGaA, Munich, Germany (vice chairman, chairman from May 7, 2008)
  - Scholz AG, Essingen, Germany (chairman)
- Götz Timmerbeil (Vice Chairman and Chairman of the Audit Committee), Certified Public Accountant and Tax Advisor
- Michael J. Anderson, Investment Banker
- Helmut Bernhardt (Employee representative), Development Engineer
- Manfred Gath (Employee representative), Chairman of the Employee Council
- Wilfried Glaum, Business Administrator

Pursuant to § 289, Sub-Para. 2, No. 5, HGB the compensation paid to the members of the Supervisory Board is detailed in the compensation report (part of MD & A).

38. Exempting provision under § 264 Sub-Para. 3, HGB

PFEIFFER VACUUM GMBH, Asslar, Germany, is included in the Consolidated Financial Statements of PFEIFFER VACUUM TECHNOLOGY AG. Accordingly, this company has made use of the exempting provision under § 264 Sub-Para. 3, HGB.

39. Audit fees for independent auditors

The expenses for fiscal 2008 and 2007 for services rendered by the auditor of the Consolidated Financial Statements as recorded in the statements of income were as follows:

Audit Fees for the Auditor of the Consolidated Financial Statements (in K €)

	2008	2007
Fees resulting from:		
Audit services	295	536
Other certification and consulting services	–	–
Tax advisory	72	44
Other services	–	–
Total	**367**	580

40. German corporate governance code/declaration pursuant to § 161 AktG

Pursuant to § 161 AktG, the Management and Supervisory Boards issued the statement of compliance for the year 2008 in December 2008 and made it permanently available for shareholders and interested parties. With the following exceptions, this statement reflects compliance with the recommendations of the German corporate governance code government commission:

- No agreement was able to be reached in negotiations with our D & O insurance carrier to obtain a lower premium if a deductible is arranged. The Company will therefore not arrange for a deductible. A deductible would not improve the overall motivation and sense of responsibility of the Management and Supervisory Boards. Both, the Management and Supervisory Boards work to the benefit of the enterprise. (Point 3.8 of the Code)

- The members of the Supervisory Board have in the past received and presently still receive fixed compensation, which does not contain any performance-related variable income elements. Their compensation is stated in the compensation report. (Point 5.4.6 of the Code)

The full text of the Code is available at the following Internet address: www.corporate-governance-code.de

41. Authorization for issuance of Consolidated Financial Statements

Through a resolution by the Management Board on February 23, 2009, the Consolidated Financial Statements were authorized for issuance.

Asslar, February 23, 2009

Management Board

Manfred Bender   Dr. Matthias Wiemer

Certification of the Legal Representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Asslar, February 23, 2009

Management Board

Manfred Bender Dr. Matthias Wiemer

Independent Auditors' Report

We have audited the Consolidated Financial Statements prepared by PFEIFFER VACUUM TECHNOLOGY AG, Asslar, comprising the income statement, the balance sheet, statement of changes in equity, cash flow statement and the notes to the Consolidated Financial Statements, together with the group management report for the fiscal year from January 1 to December 31, 2008. The preparation of the Consolidated Financial Statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the Consolidated Financial Statements and on the group management report based on our audit.

We conducted our audit of the Consolidated Financial Statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the Consolidated Financial Statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the Consolidated Financial Statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the Consolidated Financial Statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the Consolidated Financial Statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, February 25, 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

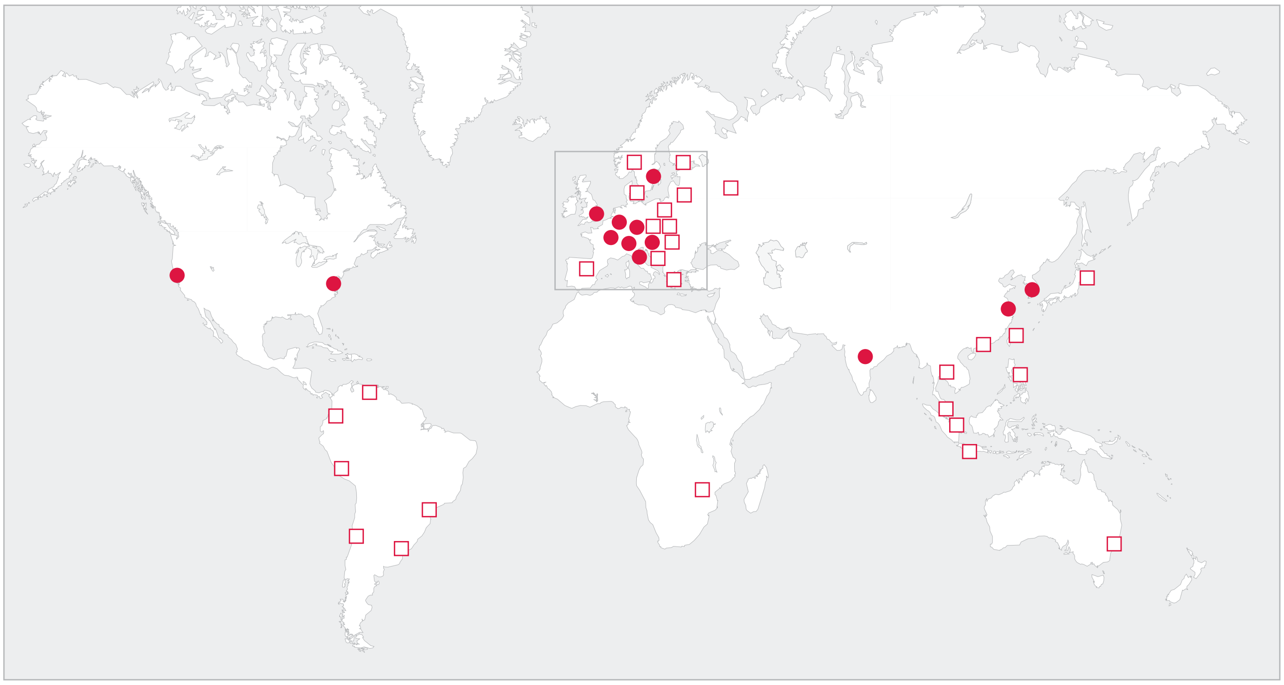
Klingelhöfer	Pott
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

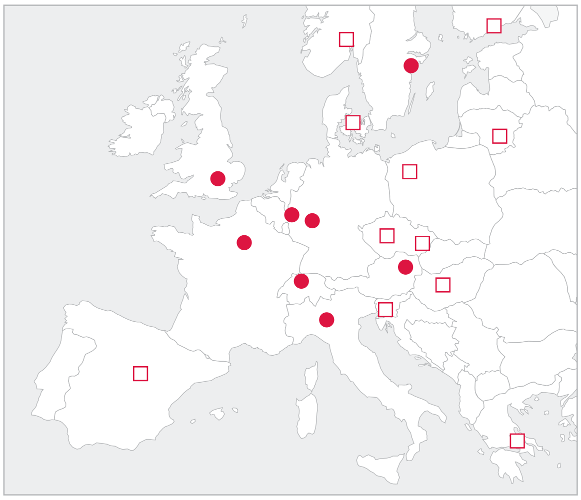
A LAND OF INVENTORS

Printing, vacuum, the automobile, the internal combustion engine, x-rays, computers – any number of German discoveries, inventions and patents are shaping the world. The European Patent Office is located in Munich.

FURTHER INFORMATION

Addresses Worldwide





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AT A GLANCE

MD & A

FINANCIAL STATEMENTS

FURTHER INFORMATION

Concept and content
PFEIFFER VACUUM TECHNOLOGY AG, Asslar

Photos
Maik Scharfscheer, Frankfurt am Main

Graphic design and typesetting
Filusch & Fiore Werbeagentur GmbH, Lich

Photo credits
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Only the German version is binding.
Please visit our online version at
http://annual-report-2008.pfeiffer-vacuum.de

Financial Glossary

Please unfold

In our financial glossary you will find formulas for calculating the key performance indicators and ratios, as well as definitions of financial terms.

Financial Glossary

Cash and cash equivalents
Bottom line in statement of cash flow/total liquid assets

Cash flow from investment/divestiture activities
Net cash used for/provided from investments/divestitures

Cash flow from operating activities
Net cash used/provided, not influenced by investment, divestiture or financial activities

Corporate governance
Responsible corporate management and supervision with a view to long-term economic value added (EVA)

Current assets ratio
Current Assets : Current Liabilities x 100

Dividend yield
Dividend : Trading Price at year-end x 100

Equity ratio
Shareholders' Equity : Balance Sheet Total x 100
(The higher the ratio, the lower the debt level)

Free-float
Broadly held shares

Gross profit
Net sales less cost of sales

Market capitalization
Number of Shares x Trading Price

Operating profit (EBIT)
Earnings before interest and taxes

Operating profit margin (EBIT margin)
Operating Profit : Net Sales x 100
(The higher the percentage, the higher the profitability)

Research & development expense ratio
R & D Expenses : Net Sales x 100

Return on equity
Net Income : Shareholders' Equity x 100

Return on Capital Employed (ROCE)
Ratio between operating profit and the total of property, plant and equipment plus current assets less current liabilities

SWOT-Analysis
Analysis of Strengths, Weaknesses, Opportunities and Threats

Financial Calendar 2009

> 2008 Annual Results
  Wednesday, March 25, 2009

> 1st Quarter 2009 Results
  Tuesday, May 5, 2009

> 2nd Quarter 2009/1st Half Year 2009 Results
  Tuesday, July 28, 2009

> 3rd Quarter 2009/9-Month 2009 Results
  Tuesday, November 3, 2009

> 2009 Annual Shareholders Meeting
  Tuesday, May 26, 2009, 2:00 pm
  Stadthalle Wetzlar

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