

PFEIFFER VACUUM TECHNOLOGY AG

Form 6-K

November 01, 2004

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**FORM 6-K**

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**Report of Foreign Private Issuer**

**Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934**

For the month of September 2004

**PFEIFFER VACUUM TECHNOLOGY AG**  
*(Translation of registrant's name into English)*

**Berliner Strasse 43  
D-35614 Asslar  
Federal Republic of Germany**  
*(Address of principal executive offices)*

Indicate by check mark whether the registrant files or will file annual reports under cover of form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b) (1):

Yes  No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b) (7):

Yes  No

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If  Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):  
82-\_\_\_\_\_

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**PFEIFFER VACUUM TECHNOLOGY AG**  
**CONSOLIDATED STATEMENT OF INCOME**  
(in thousands other than per share amounts)  
(unaudited)

|   | Three months ended<br>September 30, |               | Nine months ended<br>September 30, |               |
|---|-------------------------------------|---------------|------------------------------------|---------------|
|   | 2004                                | 2003          | 2004                               | 2003          |
| Net sales   | 39,205                              | 35,639        | 117,492                            | 102,276       |
| Cost of sales   | (22,763)                            | (20,602)      | (66,379)                           | (60,009)      |
| <b>Gross profit</b>                                   | <b>16,442</b>                       | <b>15,037</b> | <b>51,113</b>                      | <b>42,267</b> |
| Selling and marketing expenses                        | (5,025)                             | (4,980)       | (14,900)                           | (15,782)      |
| General and administrative expenses                   | (3,018)                             | (2,967)       | (10,136)                           | (9,715)       |
| Research and development expenses                     | (2,213)                             | (2,056)       | (6,875)                            | (6,996)       |
| <b>Operating profit</b>                               | <b>6,186</b>                        | <b>5,034</b>  | <b>19,202</b>                      | <b>9,774</b>  |
| Interest expense                                      | (2)                                 | (6)           | (21)                               | (206)         |
| Interest income                                       | 112                                 | 336           | 773                                | 1,186         |
| Foreign exchange gain                                 | 94                                  | 424           | 824                                | 1,834         |
| <b>Income before taxes</b>                            | <b>6,390</b>                        | <b>5,788</b>  | <b>20,778</b>                      | <b>12,588</b> |
| Income taxes  | (2,469)                             | (2,720)       | (8,311)                            | (5,916)       |
| <b>Net income</b>                                     | <b>3,921</b>                        | <b>3,068</b>  | <b>12,467</b>                      | <b>6,672</b>  |
| <b>Net income per ordinary share and ADR (in \$):</b> |                                     |               |                                    |               |
| Basic   | 0.45                                | 0.35          | 1.43                               | 0.76          |
| Diluted   | 0.45                                | 0.35          | 1.43                               | 0.76          |

See notes to the consolidated financial statements.

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**PFEIFFER VACUUM TECHNOLOGY AG**  
**CONSOLIDATED BALANCE SHEETS**  
**(in thousands, unaudited)**

|   | <b>September<br/>30,<br/>2004</b> | <b>December<br/>31,<br/>2003</b> |
|---|-----------------------------------|----------------------------------|
|   | <hr/>                             | <hr/>                            |
| <b>ASSETS</b>   |                                   |                                  |
| Cash and cash equivalents   | 40,751                            | 29,432                           |
| Trade accounts receivable net   | 22,753                            | 22,224                           |
| Other accounts receivable   | 1,962                             | 2,125                            |
| Inventories net   | 23,496                            | 20,360                           |
| Prepaid expenses  | 625                               | 593                              |
| Deferred tax assets net   | 1,066                             | 1,016                            |
| Other current assets  | 284                               | 920                              |
|   | <hr/>                             | <hr/>                            |
| <b>TOTAL CURRENT ASSETS</b>   | 90,937                            | 76,670                           |
| Property, plant and equipment net   | 25,849                            | 25,734                           |
| Note receivable   | 9,000                             | 9,000                            |
| Deferred tax assets net   | 3,312                             | 3,323                            |
| Goodwill  | 1,037                             | 1,037                            |
| Prepaid pension cost  | 2,819                             | 2,819                            |
| Other assets  | 1,109                             | 1,197                            |
|   | <hr/>                             | <hr/>                            |
| <b>TOTAL LONG-TERM ASSETS</b>   | 43,126                            | 43,110                           |
| <b>TOTAL ASSETS</b>   | <b>134,063</b>                    | <b>119,780</b>                   |
|   | <hr/>                             | <hr/>                            |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>                                    |                                   |                                  |
| Trade accounts payable  | 3,961                             | 4,153                            |
| Other payables  | 4,814                             | 2,252                            |
| Accrued other liabilities   | 9,585                             | 8,758                            |
| Income tax liabilities  | 9,949                             | 6,643                            |
| Customer deposits   | 1,698                             | 1,051                            |
|   | <hr/>                             | <hr/>                            |
| <b>TOTAL CURRENT LIABILITIES</b>  | 30,007                            | 22,857                           |
| Accrued pension   | 1,823                             | 1,041                            |
| Convertible bonds payable   | 819                               | 845                              |
|   | <hr/>                             | <hr/>                            |
| <b>TOTAL LONG-TERM LIABILITIES</b>  | 2,642                             | 1,886                            |
| <b>SHAREHOLDERS EQUITY</b>  |                                   |                                  |
| Share capital (13,459,350 no par value ordinary shares authorized, 8,790,600) | 22,504                            | 22,504                           |

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issued and 8,690,524 outstanding at September 30, 2004

|   |         |         |
|---|---------|---------|
| Additional paid-in-capital                    | 2,821   | 2,821   |
| Treasury stock (100,076 ordinary shares)      | (2,438) | (2,438) |
| Retained earnings                             | 80,097  | 73,713  |
| Accumulated other comprehensive income (loss) | (1,570) | (1,563) |
|   | <hr/>   | <hr/>   |
| TOTAL SHAREHOLDERS EQUITY                     | 101,414 | 95,037  |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY     | 134,063 | 119,780 |
|   | <hr/>   | <hr/>   |

See accompanying notes to consolidated financial statements.

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**PFEIFFER VACUUM TECHNOLOGY AG**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(in thousands of \$, unaudited)

|   | Accumulated other<br>comprehensive income<br>(loss) |              |               |              |                |             |                |                |
|---|---|--------------|---------------|--------------|----------------|-------------|----------------|----------------|
|   | Share   | Additional   | Retained      | Minimum      | Cumulative     | Unrealized  | Treasury       | Total          |
|   | capital   | paid-in      | earnings      | pension      | translation    | gain/(loss) | stock          | shareholders'  |
|   | capital   | capital      | earnings      | liability    | adjustment     | on          | stock          | equity         |
|   | capital   | capital      | earnings      | liability    | adjustment     | hedges      | stock          | equity         |
| <b>Balance at January 1, 2003</b>               | <b>22,504</b>                                       | <b>2,821</b> | <b>65,870</b> | <b>(656)</b> | <b>1,560</b>   | <b>409</b>  |                | <b>92,508</b>  |
| Dividends paid                                  |   |              | (4,903)       |              |                |             |                | (4,903)        |
| Acquisition of treasury stock                   |   |              |               |              |                |             | (2,438)        | (2,438)        |
| Net income                                      |   |              | 12,746        |              |                |             |                | 12,746         |
| Components of other comprehensive income (loss) |   |              |               |              |                |             |                |                |
| net of tax of (305)                             |   |              |               | 592          | (3,609)        | 141         |                | (2,876)        |
| Total comprehensive income                      |   |              |               |              |                |             |                | <u>9,870</u>   |
| <b>Balance at December 31, 2003</b>             | <b>22,504</b>                                       | <b>2,821</b> | <b>73,713</b> | <b>(64)</b>  | <b>(2,049)</b> | <b>550</b>  | <b>(2,438)</b> | <b>95,037</b>  |
| Subtotal accumulated other comprehensive loss   |   |              |               |              | <u>(1,563)</u> |             |                |                |
| Dividends paid                                  |   |              | (6,083)       |              |                |             |                | (6,083)        |
| Net income                                      |   |              | 12,467        |              |                |             |                | 12,467         |
| Components of other comprehensive income (loss) |   |              |               |              |                |             |                |                |
| net of tax of (57)                              |   |              |               |              | 381            | (388)       |                | (7)            |
| Total comprehensive income                      |   |              |               |              |                |             |                | <u>12,460</u>  |
| <b>Balance at September 30, 2004</b>            | <b>22,504</b>                                       | <b>2,821</b> | <b>80,097</b> | <b>(64)</b>  | <b>(1,668)</b> | <b>162</b>  | <b>(2,438)</b> | <b>101,414</b> |
|   |   |              |               |              | <u>(1,570)</u> |             |                |                |

Subtotal accumulated other  
comprehensive loss

—

See accompanying notes to consolidated financial statements.



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**PFEIFFER VACUUM TECHNOLOGY AG**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(in thousands, unaudited)

|   | <b>Nine months ended<br/>September 30,</b> |                 |
|---|--|-----------------|
|   | <b>2004</b>                                | <b>2003</b>     |
| <b>Cash flow from operating activities:</b>                                       |  |                 |
| Net income  | 12,467                                     | 6,672           |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |                 |
| Depreciation  | 2,653                                      | 3,057           |
| Gain on disposal of fixed assets  | (48)                                       | (98)            |
| Change in deferred taxes  | 60   | 18              |
| Provision for doubtful accounts   | 897  | 574             |
| Effects of changes in operating assets and liabilities:                           |  |                 |
| Trade accounts receivable   | (1,298)                                    | (158)           |
| Other accounts receivable   | 169  | 1,650           |
| Inventories   | (3,065)                                    | (654)           |
| Prepaid expenses  | (29)                                       | 9               |
| Other current assets  | 588  | (62)            |
| Other long-term assets  | (284)                                      | (167)           |
| Accrued pension liabilities   | 770  | 2,268           |
| Accounts payable trade  | (199)                                      | 629             |
| Other payables  | 2,547                                      | 1,843           |
| Income tax liabilities  | 3,241                                      | 287             |
| Accrued other liabilities   | 784  | (1,010)         |
| Customer deposits   | 643  | (615)           |
|   | <hr/>                                      | <hr/>           |
| <b>Net cash provided by operating activities</b>                                  | <b>19,896</b>                              | <b>14,243</b>   |
| <b>Cash flow from investing activities:</b>                                       |  |                 |
| Proceeds from disposal of fixed assets  | 132  | 170             |
| Capital expenditures  | (2,852)                                    | (627)           |
| Minority interests  |  | (130)           |
|   | <hr/>                                      | <hr/>           |
| <b>Net cash used in investing activities</b>                                      | <b>(2,720)</b>                             | <b>(587)</b>    |
| <b>Cash flow from financing activities:</b>                                       |  |                 |
| Dividend payment  | (6,083)                                    | (4,903)         |
| Repayment of loan   |  | (9,037)         |
| Purchase of treasury stock  |  | (1,792)         |
| Bonds payable converted (repayments)  |  | (13)            |
|   | <hr/>                                      | <hr/>           |
| <b>Net cash used in financing activities</b>                                      | <b>(6,083)</b>                             | <b>(15,745)</b> |
| Effects of foreign exchange rate changes on cash and cash equivalents             | 226  | (1,285)         |

|   |               |                |
|---|---------------|----------------|
|   | _____         | _____          |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>11,319</b> | <b>(3,374)</b> |
| <b>Cash and cash equivalents at beginning of year</b>       | <b>29,432</b> | <b>72,264</b>  |
|   | _____         | _____          |
| <b>Cash and cash equivalents at end of period</b>           | <b>40,751</b> | <b>68,890</b>  |
|   | _____         | _____          |
| <b>Non-cash transactions:</b>                               |               |                |
| Repayments of convertible bonds and employee loans          | (26)          | (153)          |
|   | _____         | _____          |

See notes to the consolidated financial statements.

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**PFEIFFER VACUUM TECHNOLOGY AG  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

**September 30, 2004**

**Basis of Presentation**

The accompanying unaudited consolidated financial statements of Pfeiffer Vacuum Technology AG and its subsidiaries (herein called the Company ) have been prepared in accordance with accounting principles generally accepted in the United States ( U.S. GAAP ) for the periods presented. They do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of financial position and results of operations have been included. Operating results for the three and nine month periods ended September 30, 2004 are not necessarily indicative of the results that may be expected for the year ended December 31, 2004. All amounts in the accompanying unaudited consolidated financial statements are presented in euros ( ). For further information, refer to the consolidated financial statements and footnotes thereto included in the Pfeiffer Vacuum Technology AG annual report on Form 20-F for the year ended December 31, 2003, and the Company s homepage ([www.pfeiffer-vacuum.net](http://www.pfeiffer-vacuum.net)).

The presentation of certain prior year information has been reclassified to conform to the current year presentation.

**Business Overview**

Pfeiffer Vacuum is a full-line manufacturer in the vacuum technology business offering solutions for a variety of customer applications relating to the generation, control and measurement of vacuum. The products developed and manufactured at the main production facility in Asslar/Germany include turbomolecular pumps, a range of backing pumps, such as rotary vane, Roots and dry pumps, complete pumping stations, as well as customized vacuum systems.

Pfeiffer Vacuum distributes its products through a network of its own sales offices and subsidiaries, as well as independent marketing agents. Moreover, there are also service support centers in most major industrial locations throughout the world. The Company s primary markets are located in Europe, the United States and Asia.

**New U.S. Legislation and Accounting Rules**

As a result of the Company s listing at New York Stock Exchange, it is subject not only to the provisions of German law (corporation, codetermination and capital market legislation) and of its own Articles of Association but also to the licensing requirements of the New York Stock Exchange. American capital market legislation specifically the Sarbanes-Oxley Act and the rules and regulations of the Securities and Exchange Commission (SEC) also apply to Pfeiffer.

In December 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 46R, Consolidation of Variable Interest Entities an interpretation of ARB No. 51 which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN No. 46R replaces FIN No. 46, Consolidation of Variable Interest Entities , which was issued in January 2003. The provisions of FIN No. 46R had to be applied to

special-purpose entities as of December 31, 2003, and to all other entities as of March 15, 2004. The Company does not hold variable interests in special-purpose entities. The adoption of FIN No. 46R to all other variable interests did not have any impact on the consolidated financial statements of the Company.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)****Inventories**

Inventories consist of the following:

|                       | <b>September<br/>30,<br/>2004</b> | <b>December<br/>31,<br/>2003</b> |
|-----------------------|-----------------------------------|----------------------------------|
|                       | ( in thousands)                   |                                  |
| Raw materials         | 8,467                             | 7,648                            |
| Work-in-process       | 9,861                             | 8,848                            |
| Finished products     | 10,161                            | 8,749                            |
| Reserves              | (4,993)                           | (4,885)                          |
|                       | <hr/>                             | <hr/>                            |
| Total inventories net | 23,496                            | 20,360                           |
|                       | <hr/>                             | <hr/>                            |

**Stock-Based Compensation    Convertible Bonds*****Accounting for Stock-Based Compensation***

As permitted under SFAS No. 123, Accounting for Stock-Based Compensation, as amended, the Company applies the intrinsic value-based method in accordance with APB No. 25 for its stock-based compensation plans. Under APB No. 25, Accounting for Stock Issued to Employees, compensation expense is recorded on the measurement date only if the current market price of the underlying stock exceeds the exercise price.

A summary of option shares related to the convertible bonds is as follows:

|  | <b>Number of<br/>Shares<br/>Outstanding</b> | <b>Weighted<br/>Average<br/>Exercise Price<br/>per<br/>Share</b> |
|--|---|--|
| Convertible shares outstanding January 1, 2003 | 395,000                                     | 45.22  |
| Granted  |   |  |
| Exercised                                      |   |  |

|   |          |       |
|---|----------|-------|
| Forfeited   | (65,000) | 47.63 |
|   | <hr/>    |       |
| Convertible shares outstanding December 31, 2003. | 330,000  | 44.74 |
| Granted   |          |       |
| Exercised   |          |       |
| Forfeited   | (10,000) | 42.86 |
|   | <hr/>    |       |
| Convertible shares outstanding September 30, 2004 | 320,000  | 44.80 |
|   | <hr/>    |       |

Shares exercisable at September 30, 2004 totaled 180,000.

SFAS 123 requires disclosure of pro forma information regarding net income and earnings per share as if the Company had accounted for its stock-based compensation to employees using the fair value method. For pro forma purposes, using the fair value method the Company's net income would have been K 11,959 for the nine months ended September 30, 2004 and K 3,752 for the three months ended September 30, 2004; earnings per share would have been 1.38 and 0.43, respectively.

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**PFEIFFER VACUUM TECHNOLOGY AG**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**Share Ownership**

The following table shows (known to the Company) the number of Ordinary Shares, ADR and Convertible Bonds of the Company as of September 30, 2004 by all members of the Supervisory Board and the Management Board:

**Members of the Supervisory Board**

|                               | <u>Ordinary<br/>Shares</u> | <u>ADRs</u> | <u>Convertible<br/>Bonds</u> |
|-------------------------------|----------------------------|-------------|------------------------------|
| Dr. Michael Oltmanns          | 100                        | 0           | 0                            |
| Michael J. Anderson           | 0                          | 0           | 0                            |
| Prof. Dr. Klaus Jürgen Kügler | 0                          | 0           | 0                            |
| Götz Timmerbeil               | 0                          | 0           | 0                            |
| Edgar Keller                  | 0                          | 0           | 0                            |
| Günter Schneider              | 80                         | 0           | 0                            |

**Members of the Management Board**

|                  | <u>Ordinary<br/>Shares</u> | <u>ADRs</u> | <u>Convertible<br/>Bonds</u> |
|------------------|----------------------------|-------------|------------------------------|
| Wolfgang Dondorf | 56,000                     | 200         | 0                            |
| Manfred Bender   | 400                        | 0           | 750                          |

**Employees**

As of September 30, 2004, the Company employed 747 people, of which 565 are in Germany and 182 in other countries.

**Headcount**

|                          | <u>September 30,</u> |             |                        |             |
|--------------------------|----------------------|-------------|------------------------|-------------|
|                          | <u>2004</u>          | <u>2003</u> | <u>2004</u>            | <u>2003</u> |
|                          | <u>Germany</u>       |             | <u>Other Countries</u> |             |
| Production               | 301                  | 293         | 57                     | 57          |
| Research and Development | 96                   | 93          | 0                      | 2           |
| Selling and Marketing    | 103                  | 116         | 91                     | 93          |

|                |                 |                 |                 |                 |
|----------------|-----------------|-----------------|-----------------|-----------------|
| Administration | 65              | 83              | 34              | 34              |
|                | <u>        </u> | <u>        </u> | <u>        </u> | <u>        </u> |
| Total          | 565             | 585             | 182             | 186             |
|                | <u>        </u> | <u>        </u> | <u>        </u> | <u>        </u> |

The Company's manpower dropped in 2004 by 3.1% primarily due to turnover; for example, termination of temporary personnel contracts, individual retirements or terminations for which new staff was not hired.



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**PFEIFFER VACUUM TECHNOLOGY AG**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**Earnings per Ordinary and Diluted Share and ADR**

The following table sets forth the computation of basic and diluted earnings per share and ADR:

|  | Three months ended<br>September 30, |           | Nine months ended<br>September 30, |           |
|--|-------------------------------------|-----------|------------------------------------|-----------|
|  | 2004                                | 2003      | 2004                               | 2003      |
| <i>Numerator:</i>  |                                     |           |                                    |           |
| Net income (in thousands )   | 3,921                               | 3,068     | 12,467                             | 6,672     |
| <i>Denominator:</i>  |                                     |           |                                    |           |
| Denominator for basic earnings per share<br>weighted-average shares                                    | 8,690,524                           | 8,742,158 | 8,690,524                          | 8,769,003 |
| <i>Effect of dilutive securities:</i>  |                                     |           |                                    |           |
| Convertible bonds  |                                     |           |                                    |           |
| Denominator for diluted earnings per share adjusted<br>weighted average shares and assumed conversions | 8,690,524                           | 8,742,158 | 8,690,524                          | 8,769,003 |
| Basic earnings per share and ADR ( )   | 0.45                                | 0.35      | 1.43                               | 0.76      |
| Diluted earnings per share and ADR ( )   | 0.45                                | 0.35      | 1.43                               | 0.76      |

**Pension Plans**

Most employees of the Company are entitled to receive pension benefits from Pfeiffer Vacuum, which are covered by defined benefit plans.

In November 2003, the Company established for the German Pension Plans the Pfeiffer Vacuum Trust e.V. ( the Trust ), a registered association. It is an independent, bankruptcy-protected, separate legal entity whose sole purpose is to act in a fiduciary capacity as trustee for the assets held. In connection with the formation of the trust, the Company in December 2003 made a cash contribution of K 35,955. The trust has invested this cash in a mutual fund managed by an unrelated third party that pursues a target allocation of not more than 30% in equities and 70% in fixed-income securities and cash.

Effective January 1, 2004 the Company adopted SFAS No. 132 (Revised), *Employers' Disclosures about Pension and Other Postretirement Benefits*. This standard requires the disclosure of the components of net periodic benefit cost recognized during interim periods.



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**PFEIFFER VACUUM TECHNOLOGY AG**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

Pension expense for all plans included the following components:

|   | Three months ended<br>September 30, |      | Nine months ended<br>September 30, |       |
|---|-------------------------------------|------|------------------------------------|-------|
|   | 2004                                | 2003 | 2004                               | 2003  |
|   | ( in thousands)                     |      |                                    |       |
| Service cost                              | 221                                 | 242  | 662                                | 727   |
| Interest cost                             | 516                                 | 541  | 1,548                              | 1,622 |
| Expected return on assets                 | (501)                               | (18) | (1,504)                            | (54)  |
| Amortization of:                          |                                     |      |                                    |       |
| Unrecognized net actuarial (gains) losses | 4                                   | 12   | 11                                 | 35    |
| Unrecognized prior service cost           | 19                                  | 19   | 57                                 | 57    |
|   |                                     |      |                                    |       |
| Net pension cost                          | 259                                 | 796  | 774                                | 2,387 |
|   |                                     |      |                                    |       |

**Warranty**

Warranty accruals are established in the period the related revenue is recognized. The estimate is based on managements estimate and historical experience by specific product type.

Warranty provisions consist of the following:

|   | September 30,   |       |
|---|-----------------|-------|
|   | 2004            | 2003  |
|   | ( in thousands) |       |
| Balance at beginning of period          | 3,625           | 3,774 |
| Warranties issued during the period     | 1,085           | 612   |
| Utilization of accruals                 | (103)           | (146) |
| Releases                                |                 | (39)  |
| Foreign exchange translation adjustment | 12              | (74)  |
|   |                 |       |
| Balance at end of period                | 4,619           | 4,127 |
|   |                 |       |

**Segment Information**

The Company evaluates the success and performance of its subsidiaries on the basis of their income before income tax. The accounting principles used in regional reporting are identical to those described in the Basis of Presentation.

The Company's business activities 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. Consequently, segment reporting is country-based.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

Information concerning the Company's geographic locations is summarized as follows:

|                           | <b>Three months ended<br/>September 30,</b> |                    | <b>Nine months ended<br/>September 30,</b> |                     |
|---------------------------|---|--------------------|--|---------------------|
|                           | <b>2004</b>                                 | <b>2003</b>        | <b>2004</b>                                | <b>2003</b>         |
|                           | <b>( in thousands)</b>                      |                    | <b>( in thousands)</b>                     |                     |
| <i>Net Sales</i>          |   |                    |  |                     |
| Germany                   |   |                    |  |                     |
| Unaffiliated              | 18,556                                      | 16,734             | 54,599                                     | 47,083              |
| Intercompany              | 11,701                                      | 10,469             | 37,129                                     | 30,435              |
|                           | <hr/>                                       | <hr/>              | <hr/>                                      | <hr/>               |
|                           | 30,257                                      | 27,203             | 91,728                                     | 77,518              |
| Europe excluding Germany  | 10,550                                      | 9,871              | 33,524                                     | 30,796              |
| United States             | 9,315                                       | 8,468              | 25,813                                     | 23,084              |
| Rest of World             | 983   | 901                | 4,079                                      | 2,450               |
|                           | <hr/>                                       | <hr/>              | <hr/>                                      | <hr/>               |
| Intercompany eliminations | 51,105<br>(11,900)                          | 46,443<br>(10,804) | 155,144<br>(37,652)                        | 133,848<br>(31,572) |
|                           | <hr/>                                       | <hr/>              | <hr/>                                      | <hr/>               |
| Total                     | <b>39,205</b>                               | <b>35,639</b>      | <b>117,492</b>                             | <b>102,276</b>      |
|                           | <hr/>                                       | <hr/>              | <hr/>                                      | <hr/>               |
| <i>Operating profit</i>   |   |                    |  |                     |
| Germany                   | 4,359                                       | 3,238              | 13,746                                     | 5,511               |
| Europe excluding Germany  | 901   | 712                | 2,832                                      | 1,854               |
| United States             | 851   | 910                | 1,966                                      | 1,950               |
| Rest of World             | 89  | 64                 | 513  | 373                 |
|                           | <hr/>                                       | <hr/>              | <hr/>                                      | <hr/>               |
| Intercompany eliminations | 6,200<br>(14)                               | 4,924<br>110       | 19,057<br>145                              | 9,688<br>86         |
|                           | <hr/>                                       | <hr/>              | <hr/>                                      | <hr/>               |
| Total                     | <b>6,186</b>                                | <b>5,034</b>       | <b>19,202</b>                              | <b>9,774</b>        |
|                           | <hr/>                                       | <hr/>              | <hr/>                                      | <hr/>               |

The Company decided to reorganize its unprofitable DVD business, which is part of its reporting segment Germany. In conjunction with this reorganization in the third quarter costs were recognized which impacted the operating profit with approximately 1.7 million.

### **Income Tax Expense**

Under German corporate tax law, taxes on income are composed of corporate taxes, trade taxes and an additional surtax.

The Company's effective tax rate for the three month period ended September 30, 2004 was 38.6% and 40.0% in the nine month period ended September 30, 2004, respectively.

**Table of Contents****PFEIFFER VACUUM TECHNOLOGY AG  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS****Results of Operations*****Three Months Ended September 30, 2004 Compared to Three Months Ended September 30, 2003  
(Percentages calculated based on amounts in thousands )****Net Sales*

The following table summarizes the Company's net sales by geographical area:

|                          | <b>Three months ended</b>  |              |                            |              |
|--------------------------|----------------------------|--------------|----------------------------|--------------|
|                          | <b>September 30, 2004</b>  |              | <b>September 30, 2003</b>  |              |
|                          | <b>( in<br/>thousands)</b> | <b>%</b>     | <b>( in<br/>thousands)</b> | <b>%</b>     |
| <i>Net Sales</i>         |                            |              |                            |              |
| Germany                  | 12,202                     | 31.1         | 11,238                     | 31.5         |
| Europe excluding Germany | 11,120                     | 28.4         | 10,483                     | 29.4         |
| United States            | 9,274                      | 23.7         | 8,458                      | 23.7         |
| Rest of World            | 6,609                      | 16.8         | 5,460                      | 15.4         |
| <br>                     |                            |              |                            |              |
| Total                    | <b>39,205</b>              | <b>100.0</b> | <b>35,639</b>              | <b>100.0</b> |

The Company's total net sales increased by 3.6 million or 10.0% from 35.6 million in the three months ended September 30, 2003 to 39.2 million in 2004. All geographical areas recorded an increase in revenues. The sales increased in Germany by 1.0 million (8.6%) and in Europe excluding Germany by 0.6 million (6.1%). Additionally, in the United States, a sales increase by 0.8 million or 9.6% was recorded although revenue was adversely affected by the impact of the weak U.S. dollar. This exchange rate impact approximated 0.8 million. The Company's sales in the Asian market increased significantly by 21.0% or 1.1 million.

Sales in turbo pumps, the Company's most important product, increased by 1.6 million or 13.0%. Additionally increased revenue of 2.2 million (25.9%) was noted in vacuum components and instruments.

*Order intake and Order backlog*

Orders received amounted to 35.2 million in the three months ended September 30, 2004 and decreased by 1.0 million, from 36.2 million in the previous year.

The Company's backlog increased from 24.4 million in 2003 by 2.0 million to 26.4 million in 2004.

Pfeiffer Vacuum reduced its order intake and order backlog in the third quarter 2004 by 3,9 million due to insolvency of a customer of DVD-Systems.

Contracts are included in backlog only if they represent firm orders and include firm shipping schedules. The backlog position at any particular time should not be construed to represent future levels of sales and orders generally.



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**PFEIFFER VACUUM TECHNOLOGY AG  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

*Gross Profit*

Gross profit increased by 1.4 million or 9.3% from 15.0 million in the three month period ended September 30, 2003 to 16.4 million in the comparable period in 2004. The Company's gross margin decreased from 42.2% in 2003 to 41.9% in 2004.

*Selling and Marketing Expenses*

Selling and marketing expenses amounted to 5.0 million with no change to the previous year. As a percentage of sales, selling and marketing expenses decreased from 14.0% to 12.8% primarily due to the higher net sales revenue.

*General and Administrative Expenses*

General and administrative expenses amounted to 3.0 million in both the three month periods ended September 30, 2004 and 2003. The increased revenue led to a decrease of the general and administrative expenses as percentage of sales from 8.3% in 2003 to 7.7% in 2004.

*Research and Development*

Research and development expenses increased from 2.1 million in the third quarter of 2003 to 2.2 million in the third quarter of 2004. Due to the lower net sales revenue in 2003, the percentage of sales was 5.8% in 2003 and decreased to 5.6% in 2004.

The Company depends to a significant extent on continuing technological advances in vacuum pump design and manufacturing. It expects research and development expenses in future will correspond to the current level. The Company expenses all research and development costs as they are incurred.

*Operating Profit*

Operating profit increased by 1.2 million or 22.9% from 5.0 million in the three months ended September 30, 2003 to 6.2 million in the three months ended September 30, 2004. As a percentage of sales, the operating profit increased from 14.1% to 15.8%.

The Company decided to reorganize its unprofitable DVD business. In conjunction with this reorganization, expenses approximated 1.7 million were recorded in operating profit.

Furthermore, operating profit is burdened with the negative exchange rate impact due to the strong Euro.

*Interest Income*

Interest income decreased by 0.2 million in the third quarter 2004 to 0.1 million. Cash decreased from 68.9 million to 40.8 million or by 28.1 million in September 2004 compared to September 2003 primarily due to the pension trust cash contribution in December 2003 amounting to approximately 36.0 million.



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**PFEIFFER VACUUM TECHNOLOGY AG  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

*Foreign exchange gain*

The Company recorded in the three month period ended September 30, 2004 exchange gains amounting to 0.1 million and in the previous year's period 0.4 million.

*Income Tax Expense*

The effective tax rate for the three month period ended September 30, 2004 was 38.6% compared to 47.0% in the respective period of 2003.

The decrease is primarily due to a change in German tax legislation in 2003 relating to tax credits on distributed earnings.

*Net income*

Net income increased by 27.8% from 3.1 million in the third quarter of 2003 to 3.9 million in the current period due to the factors discussed above.

Net income per Ordinary Share and ADR was 0.45 (basic) and 0.45 (diluted) in the three months ended September 30, 2004 compared to 0.35 (basic) and 0.35 (diluted) in the three months ended September 30, 2003.

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**PFEIFFER VACUUM TECHNOLOGY AG**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION**  
**AND RESULTS OF OPERATIONS**

*Nine Months Ended September 30, 2004 Compared to Nine Months Ended September 30, 2003*  
*(Percentages calculated based on amounts in thousands )*

*Net Sales*

The following table summarizes the Company's net sales by geographical area:

|                          | <b>Nine months ended</b>   |              |                            |              |
|--------------------------|----------------------------|--------------|----------------------------|--------------|
|                          | <b>September 30, 2004</b>  |              | <b>September 30, 2003</b>  |              |
|                          | <b>( in<br/>thousands)</b> | <b>%</b>     | <b>( in<br/>thousands)</b> | <b>%</b>     |
| <i>Net Sales</i>         |                            |              |                            |              |
| Germany                  | 35,639                     | 30.3         | 29,093                     | 28.4         |
| Europe excluding Germany | 35,989                     | 30.6         | 33,629                     | 32.9         |
| United States            | 25,655                     | 21.8         | 23,067                     | 22.6         |
| Rest of World            | 20,209                     | 17.3         | 16,487                     | 16.1         |
| <b>Total</b>             | <b>117,492</b>             | <b>100.0</b> | <b>102,276</b>             | <b>100.0</b> |

Total net sales increased significantly by 15.2 million or 14.9% from 102.3 million in the nine months ended September 30, 2003 to 117.5 million in the nine months ended September 30, 2004. All geographical areas recorded an increase in revenues. The sales increased in Germany by 6.5 million (22.5%) and in Europe excluding Germany by 2.4 million (7.0%). Additionally, in the U.S., a sales increase by 2.6 million or 11.2% was recorded although revenue was adversely impacted by the effect of the weak U.S. dollar. This exchange rate impact was approximated 2.7 million. The Company's sales in the Asian market increased significantly by 3.7 million or 22.6%

Increased sales were noted in most product groups of the Company. Sales of turbo pumps, the Company's most important product, increased by 8.2 million or 21.9% from 37.2 million for the nine months ended September 30, 2003 to 45.4 million for the respective period in 2004. Sales in vacuum instrument and vacuum components increased by 5.6 million or 21.6%. A slight decrease by 0.3 million or 1.4% from 19.1 million in 2003 to 18.8 million in 2004 was recorded in service revenue.

*Order-intake and Order-backlog*

Orders received increased by 11.0 million or 10.4%, from 105.7 million in the nine months ended September 30, 2003 to 116.7 million in the nine months ended September 30, 2004. 3.5 million or 8.4% of this increase were recorded by the Company's core product, turbo pumps. In addition, vacuum instruments and components increased by

5.9 million or 24.2%, only offset by a small decrease in service orders amounting to 0.3 million or 1.5%.

The Company's backlog increased from 24.4 million in 2003 by 2.0 million to 26.4 million in 2004.

Pfeiffer Vacuum reduced its order intake and order backlog in the third quarter 2004 by 3.9 million due to insolvency of a customer of DVD-Systems.

Contracts are included in backlog only if they represent firm orders and include firm shipping schedules. The backlog position at any particular time should not be construed to represent future levels of sales and orders generally.

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**PFEIFFER VACUUM TECHNOLOGY AG  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
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*Gross Profit*

Gross profit increased significantly from 42.3 million in the first nine months of the year 2003 by 8.8 million or 20.9% to 51.1 million in same period in 2004. Gross profit as a percentage of net sales ( gross margin ) increased from 41.3% to 43.5% in the respective periods. An increase in sales and decrease in cost of sales led to these better margins. The Company's cost cutting measures now bear fruit. The plant utilization enhanced.

Exchange rate differences between the Euro and the U.S. dollar influenced the gross profit adversely and accounted for approximately 1.9 million.

*Selling and Marketing Expenses*

Selling and marketing expenses decreased by 0.9 million from 15.8 million in the nine month ended September 2003 to 14.9 million in 2004. A reduction in sales and marketing manpower of 7,2% led to a decrease in selling and marketing expenses. As a percentage of sales, selling and marketing expenses decreased from 15.4% to 12.7%, primarily due to the higher net sales revenue position as well as a decrease in headcount.

*General and Administrative Expenses*

General and administrative expenses amounted to 10.1 million in the first nine months of 2004 and increased by 0.4 million from 9.7 million in the prior year's period. As a percentage of sales, general and administrative expenses decreased from 9.5% in 2003 to 8.6% in 2004 primarily due to increased net sales.

*Research and Development*

Research and development expenses decreased slightly from 7.0 million in the period ended September 30, 2003 to 6.9 million in 2004. Due to the higher net sales revenue in 2004, the percentage of sales was 6.8% in 2003 and decreased to 5.9% in 2004. The Company depends to a significant extent on continuing technological advances in vacuum pump design and manufacturing and has invested in the needs of future markets, improving its market position and entering new markets. It expects research and development expenses in the future will correspond to the current level. The Company expenses all research and development costs as they are incurred.

*Operating Profit*

Operating profit increased significantly by 9.4 million or 96.5% from 9.8 million for the nine months ended September 30, 2003 to 19.2 million for the nine months ended September 30, 2004. The Company was able to increase its net sales revenue and to decrease its operational costs. As a percentage of sales, operating profit increased from 9,6% to 16.3%.

The Company decided to reorganize its unprofitable DVD business. In conjunction with this reorganization, expenses approximated 1.7 million were recorded in operating profit.

*Interest Expense*

Interest expense decreased in the nine month period ended September 30, 2004 by 0.2 million because of the Kreditanstalt für Wiederaufbau loan repayment prior to loan maturity in 2003.

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**PFEIFFER VACUUM TECHNOLOGY AG  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

*Interest Income*

Interest income amounted to 0.8 million in the nine months ended September 30, 2004 compared to 1.2 million in 2003. Cash decreased by 28.1 million in September 2004 ( 40.8 million) compared to September 2003 ( 68.9 million) primarily due to the pension trust cash contribution in December 2003 amounting to approximately 36.0 million.

*Foreign exchange gain*

The Company recorded in the nine month period ending in 2003 foreign exchange gains amounting to 1.8 million and in the nine month period ending in 2004 0.8 million.

*Income Tax Expense*

The effective tax rate for the nine months ended September 30, 2004 was 40.0% compared to 47.0% in the respective period of 2003.

The decrease is primarily due to a change in German tax legislation in 2003 relating to tax credits on distributed earnings.

*Net Income*

Net income increased by 86.9% or 5.8 million, from 6.7 million in the first nine months of 2003 to 12.5 million in the first nine months of 2004 for the reasons discussed above.

Net income per Ordinary Share and ADR was 1.43 (basic) and 1.43 (diluted) in the nine months ended September 30, 2004 compared to 0.76 (basic) and 0.76 (diluted) in the previous years period, respectively.

*Liquidity and Capital Resources*

The Company's business continues to generate sufficient cash to fund its operations, including its working capital and capital expenditure requirements. In the nine months ended September 30, 2004, net cash provided by operating activities totaled 19.9 million as compared to 14.2 million for the same period in the previous year.

The increase in net cash provided by operating activities is primarily due to the significant increase in net income. Increased business orders led to an increase in inventories. The provision for income tax liabilities increased due to higher net income.

The Company's use of cash in investing activities increased from 0.6 million to 2.7 million, primarily due to higher capital expenditures ( 2.2 million) in 2004. The investments have been financed by the Company's cash reserves.



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**PFEIFFER VACUUM TECHNOLOGY AG  
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The decrease in cash flow used in financing activities, amounting to 6.1 million in the first nine months of 2004 and 15.7 million in the respective period in 2003 is primarily the result of a long-term debt repayment totaling 9.0 million in 2003. The Company used its high cash position to repay its loan due to Kreditanstalt für Wiederaufbau. The dividend payment to the shareholders increased in 2004 by 1.2 million.

Additionally, in 2003 the Company enforced a share buy back program. The treasury stock at September 30, 2003 accounted for approximately 1.8 million and included the buy back of 75,136 non par value ordinary shares of the Company. At September 30, 2004 as well as at December 31, 2003, the treasury stock accounted for approximately 2.4 million and included 100,076 non par value ordinary shares. The authorization of the acquisition of treasury stock expired in December 2003. The shareholders authorized the Company in the annual meeting on June 16, 2004 to acquire treasury stock up to a maximum 10% of the share capital (including the acquired treasury stock and the shares which evolved from the conversion of the issued convertible bonds) through December 15, 2005.

In June 2004, the Company paid dividends to its shareholders amounting to 6,083,366.80 for the fiscal year 2003.

The Company had no long-term debt as at June 30, 2004, except for convertible bonds related to employee participation programs.

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**PFEIFFER VACUUM TECHNOLOGY AG**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

October 29, 2004

PFEIFFER VACUUM TECHNOLOGY AG

By: /s/ Wolfgang Dondorf  
Wolfgang Dondorf  
Chief Executive Officer

By: /s/ Manfred Bender  
Manfred Bender  
Chief Financial Officer