

PFEIFFER VACUUM TECHNOLOGY AG

Form 20-F

March 29, 2007

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549**

**FORM 20-F
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

Commission file number 001-14264

PFEIFFER VACUUM TECHNOLOGY AG
(Exact Name of Registrant as Specified in Its Charter)

FEDERAL REPUBLIC OF GERMANY
(Jurisdiction of Incorporation or Organization)

BERLINER STRASSE 43, D-35614 ASSLAR, GERMANY
(Address of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of Each Class **Name of Each Exchange
On Which Registered**

American Depositary Shares, each representing one
Ordinary Share New York Stock Exchange

Ordinary Shares, without nominal value Frankfurt Stock Exchange
Securities registered or to be registered pursuant to Section 12(g) of the Act.

NONE
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

NONE
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Ordinary shares, without nominal value 8,970,600
(as of December 31, 2006)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Accelerated Filer

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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Preliminary Remarks

The Consolidated Financial Statements of Pfeiffer Vacuum Technology AG for the fiscal year ended December 31, 2006, have been prepared for the first time 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) and the interpretations of the Standing Interpretations Committee (SIC), which continue to retain their validity. 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 not been adopted at an earlier stage. The Notes to the Consolidated Financial Statements additionally include the information required by § 315a, Sub-Para. 1, in connection with § 315a, Sub-Para. 3, of the German Commercial Code (HGB).

Reporting is performed using all mandatorily applicable standards and interpretations. The transition to IFRS from the formerly used United States Generally Accepted Accounting Principles (U.S. GAAP) was carried out in accordance with IFRS 1 First time adoption of IFRS. Alternative accounting and valuation methods were exercised to receive preferably marginal differences compared to U.S. GAAP.

The Consolidated Financial Statements include a reconciliation from IFRS to U.S. GAAP and the regulations of the United States Securities and Exchange Commission (SEC), Washington D.C., U.S.A.

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.

Unless otherwise specified, the terms we, us, our, Pfeiffer Vacuum or the Company or the Group refers to Pfeiffer Vacuum Technology AG and its consolidated subsidiaries included in this Annual Report, or any more of them, as the context may require.

Unless express reference is made to a differing presentation, all amounts in our Consolidated Financial Statements are expressed in euros ().

Application of Amended or New Standards

On August 18, 2005, the International Accounting Standards Board (IASB) issued IFRS 7, Financial Instruments: Disclosures. IFRS 7 replaces former IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and includes all provisions from IAS 32, Financial Instruments: Presentation, relating to disclosure in the Notes. In this connection, amendments and supplements were made to IAS 1, Presentation of Financial Statements, with regard to equity disclosures. IFRS 7 leads to a fundamental restructuring of disclosure requirements for financial instruments. Essentially, disclosures are required relating to management's intentions, methods, risks, securities and processes. The disclosure requirements under IFRS 7 and the amended equity disclosures according to IAS 1 are applicable for the first time to reporting periods beginning on or after January 1, 2007. The new rules will not lead to any changes in valuation for the Company.

IFRIC 10, Interim Financial Statements and Impairment, and IFRIC 11, IFRS 2 Group and Treasury Share Transactions, were issued as per December 31, 2006, and endorsed by the EU, although their application is not yet mandatory. No material impact on the Company's profitability, financial position or liquidity is anticipated in the future from the employment of these interpretations.

In addition, IFRS 8, Operating Segments, IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies, IFRIC 8, Scope of IFRS 2, IFRIC 9, Reassessment of Embedded Derivatives, and IFRIC 12, Service Concession Arrangements, were reissued prior to December 31, 2006. These standards and interpretations have not yet been endorsed by the EU, nor have they been voluntarily applied. No material impact on the Company's profitability, financial position or liquidity is anticipated in the future.

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Forward-Looking Statements

This Annual Report contains forward-looking statements that reflect our current views about future events. We use the words anticipate, assume, believe, estimate, expect, intend, may, plan, project, should and similar to identify forward-looking statements. These statements are subject to certain risks and uncertainties, including:

changes in general political, economic or business conditions, especially an economic downturn or slow economic growth in Europe or the United States;

changes in currency exchange rates and interest rates;

changes in laws, regulations and government policies, particularly those relating to emissions, environmental protections and waste disposals;

introduction of competing products and possible lack of acceptance of new products or services;

increased competitive pressures which may limit our ability to reduce sales incentives and raise prices;

price increases, shortages or supply interruptions of production materials, or labor strikes;

other risks and uncertainties, some of which are described in Item 3. D Key information under the heading Risk Factors.

If any of these risks and uncertainties materialize, or if the assumption underlying any of our forward-looking statements prove to be incorrect, then our actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made.

Table of Contents**Part I****Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information**A. Selected Financial Data****Selected Financial Data**

The following selected financial data should be read in conjunction with, and are qualified in their entirety by reference to, Pfeiffer Vacuum's Consolidated Financial Statements and Operating and Financial Review and Prospects included elsewhere in this Annual Report. For further information please see Item 5. Operating and Financial Review and Prospects and Item 8. Financial Information.

The consolidated statement of income data and balance sheet data have been derived from our Audited Consolidated Financial Statements, 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), which we refer to as IFRS. Our financial statements at December 31, 2006, are the first financial statements we have prepared in accordance with IFRS. Pursuant to the rules and regulations of the SEC, the only data we have prepared in accordance with IFRS are the data for 2005 and 2006. A reconciliation from IFRS to U.S. GAAP is included in Note 39 to our Consolidated Financial Statements.

	Year ended December 31,	
	2006	2005
	in thousands, except per-share amounts	
Statement of Income Data		
Net sales	179,484	159,517
Operating profit	44,957	36,441
Net income from continuing operations	29,786	24,009
Net income	29,786	23,015
Net earnings per share/ADR from:		
Continuing operations, basic and diluted	3.39	2.75
Discontinued operations, basic and diluted		(0.11)
Net earnings per share/ADR ()	3.39	2.64
Dividends declared and paid per share (*)	2.50	1.35
Dividends declared and paid per share in U.S. dollars (*)	\$ 3.30	\$ 1.60

(*) 2006: Proposed

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We have translated the euro-denominated dividend proposed for 2006 into dollars solely for our shareholders convenience at an exchange rate of 1 = \$1.3181, the noon buying rate for euros on December 31, 2006. The U.S. dollar amounts for the year 2005 reflect the dollar amount translated at the noon-buying rate on December 31, 2005 (1 = \$1.1834).

We succeeded in increasing the earnings in our core business of vacuum pumps during the past fiscal year. Our Management and our Supervisory Board plan to propose at the Annual Shareholders Meeting that the shareholders participate in Pfeiffer Vacuum's success in the form of a dividend of 2.50. The dividend will thus be significantly higher than the years before (2005: 1.35). For additional information relating to our policy on dividend distribution, please see Item 8. Financial information.

Detailed reconciliation of consolidated statement of income data is included in Note 39 to the Consolidated Financial Statements.

	December 31,	
	2006	2005
	in thousands	
Balance Sheet Data		
Total net assets	168,670	139,406
Share capital	22,965	22,504
Equity of Pfeiffer Vacuum Technology AG shareholders	138,337	111,429
Equity of minority interests	635	569

Detailed reconciliation of consolidated balance sheet data is included in Note 39 to the Consolidated Financial Statements.

	2006	2005
Other Data		
Adjusted weighted average number of shares outstanding:		
Basic	8,728,672	8,690,524
Diluted	8,728,672	8,690,524

Table of Contents**Selected Historical Financial Data According to U.S. GAAP**

Beginning December 31, 2006 for the first time we prepared our Consolidated Financial Statements according to IFRS. Pursuant to General Instructions G. First-Time Application of International Financial Reporting Standards Instruction (C) (c), the following data are presented in accordance with Accounting Principles Generally Accepted in the United States, our former GAAP. The consolidated statement of income data and balance sheet data have been derived from our Audited Consolidated Financial Statements.

	2006	2005	2004	2003	2002
	(in thousands, except per-share amounts)				
Statement of Income Data					
Net sales	179,484	159,517	151,512	138,590	150,684
Gross profit	87,612	75,505	72,502	63,197	69,002
Selling and marketing expenses	(22,478)	(19,877)	(18,973)	(20,394)	(23,944)
General and administrative expenses	(13,142)	(12,408)	(12,524)	(12,153)	(11,569)
Research and development expenses	(7,323)	(6,432)	(6,387)	(6,301)	(7,517)
Operating profit	44,669	36,788	34,618	24,349	25,972
Income from continuing operations before taxes and minority interests	46,104	39,337	36,447	28,030	29,620
Income from continuing operations	29,440	23,742	21,814	14,705	20,074
Loss from discontinued operations, net of tax		(994)	(10,188)	(1,959)	(2,539)
Net income	29,440	22,748	11,626	12,746	17,535
Net earnings per share/ADR from:					
Continuing operations, basic and diluted	3.37	2.73	2.51	1.68	2.28
Discontinued operations, basic and diluted		(0.11)	(1.17)	(0.22)	(0.29)
Net earnings per share/ADR ()	3.37	2.62	1.34	1.46	1.99
Dividends declared and paid per ordinary share (*)	2.50	1.35	0.90	0.70	0.56
Dividends declared and paid per ordinary share in U.S. dollars (*)	\$ 3.30	\$ 1.60	\$ 1.23	\$ 0.88	\$ 0.59
Balance Sheet Data					
Current assets from continuing operations	119,378	104,468	92,842	66,445	113,580
Net current assets of discontinued operations			1,862	11,592	8,895
Total assets	168,384	138,824	125,233	119,780	155,496
Current liabilities from continuing operations	23,762	20,796	22,443	21,962	19,579
Net current liabilities of discontinued operations			1,186	895	907
Long term debt					7,746
Share capital	22,965	22,504	22,504	22,504	22,504
Shareholders' equity	138,553	112,631	99,355	95,037	92,508