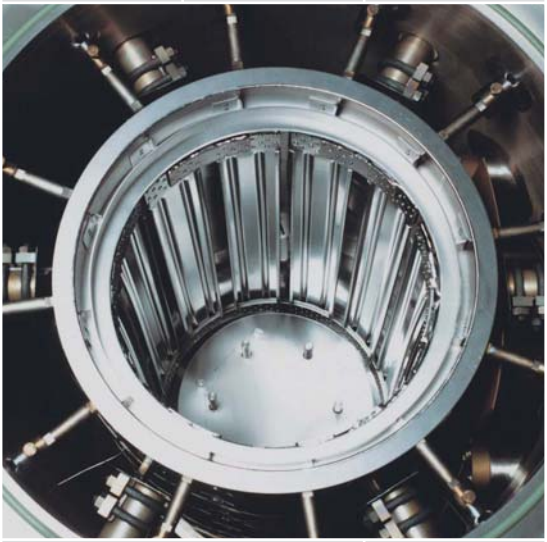
INTERMEDIATE REPORT

1 January to 30 June 2004



PVA TePla

BE EQUIPPED FOR TOMORROW'S MATERIALS

Foreword by the Board of Management

Dear PVA TePla Shareholders,

We have now reached an important goal – PVA TePla is back in the profit zone!

Although earnings in the first half of the year are still negative in total, the second quarter of 2004 returned a positive result for the first time since the Company was restructured. In view of the fact that the volume of incoming orders in our core business is growing at a slightly faster rate than sales, we expect this positive earnings trend to continue in the quarters ahead.

The restructuring measures implemented in the Group over the past 18 months played a major contributory role for our successful second quarter. Our cost structures are much leaner than before, considerably expanding our scope for further activities. Despite cost reductions in all divisions, we have continued to develop our product portfolios in a targeted manner.

The order situation and sales revenues generated by the Vacuum Systems und Plasma Systems divisions are very encouraging. The business situation in the Crystal Growing Systems division is still somewhat reticent. This is related to the continued low volume of the semiconductor equipment market, which experience has shown to lag behind the market cycles in the general market for semiconductors. However, we expect a substantial improvement in the order situation in this division as well in the near future. By acquiring the Floatzone activities of Haldor Topsoe, a Danish Group, the Crystal Growing Systems division has strategically expanded its product portfolio. In the field of solar technology, a highly dynamic growth industry, we are currently conducting negotiations with partners in China. On the whole, therefore, we believe that the Crystal Growing Systems division has good chances of achieving turnaround in the near future.

The Company's strategy was confirmed by a large majority at the Annual Shareholders' Meeting in Wetzlar. The CEO of JENOPTIK AG, Alexander von Witzleben, was elected Chairman of the smaller, newly elected Supervisory Board.

You, our shareholders, can see that things at PVA TePla are developing positively and that your investment in our stock is increasingly supported by good fundamentals. I would like to thank you, also on behalf of my fellow managers and all employees, for the confidence you have shown in the Company. We will continue to make every endeavour to advance the fortunes of the PVA TePla Group. We expect continued improvement of the Company's position in the second half of 2004.

Peter Abel
Chairman of the Management Board

Report on Business Development

Sales as of June 30, 2004	I-II/2004 EUR '000	I-II/2003 EUR '000	Change %
Vacuum Systems	11,205	9,231	21.4
Crystal Growing Systems	767	2,594	-70.4
Plasma Systems	7,745	7,645	1.9
Total	**19,717**	**19,470**	**+1.3**
Location Germany	16,241	15,497	+4.8
Location USA	3,239	3,700	-12.5
Location France	107	273	-60.8
Location Denmark	130	0	n.a.

Substantial sales increase in second quarter

PVA TePla generated Group revenues of € 11.4 million in the second quarter of 2004, increasing its sales volume by 37% relative to the previous quarter (€ 8.3 million). In the first half of the year, the Group booked revenues totalling € 19.7 million (HY1/2003: € 19.5 million).

The Vacuum Systems division produced € 11.2 million in sales volume in the first half-year (HY1/2003: € 9.2 million), and was once again the division with the strongest sales performance. In a quarterly comparison sales were increased by 38% to € 6,5 million (Q1/2004: € 4,7 million). While business in China continued to grow rapidly, operations in Germany also showed signs of recovery.

Performance in the Crystal Growing Systems division remained weak. As at the end of June, revenues amounted to a mere € 0.8 million (HY1/2003: € 2.6 million). One encouraging development was the acquisition of the floatzone crystal-growing division of Haldor Topsoe, a Danish group, and the concomitant expansion of our product portfolio. The division is now a leading supplier in all the key crystal-growing segments. The new floatzone systems have already contributed to the € 0.6 million in quarterly revenue.

The Plasma Systems division, which supplies the semiconductor industry, performed well and increased sales to € 7.7 million (HY1/2003: € 7.6 million). A significant aspect here again is the quarterly improvement in revenues, which increased by 20% relative to the first quarter to reach € 4.2 million. Special mention must be made of the strong trade in chip packaging systems and in plasma systems for the flat panel growth market. The provision of plasma treatment services also showed encouraging signs of growth, particularly in the USA.

In the regional breakdown of sales, Germany continues to dominate with a € 16.2 million share of total sales (HY1/2003: € 15.5 million). € 3.2 million in sales were generated by the Group's US operations (HY1/2003: € 3.7 million), with Denmark producing its first € 0.1 million in sales and France adding another € 0.1 million (HY1/2003: € 0.3 million). Business operations in France are currently being reviewed due to the persistently weak sales and profit situation of that subsidiary.

Result / Workforce

PVA TePla reaches the profit zone in the second quarter

The PVA TePla Group achieved positive earnings for the first time in the second quarter, due to increased sales volume and the impacts of the various cost reduction and restructuring measures implemented.

With gross profit for the first half-year at € 5.4 million (HY1/2003: € 5.6 million), gross margin came in at 27% (HY1/2003: 29%). This slight decline in margin is mainly due to performance in the first quarter. In the second quarter of the year, gross margin was increased to 33 percent in total. Gross profit was negatively affected by the small volume of business that is still being generated by the Crystal Growing Systems division. The gross profit of the Vacuum Systems division was improved relative to the same period of 2003 and the original budget. In the Plasma Systems division, the gross margin was in line with planning.

Compared to the first half of 2003, the improved cost structures within the Group as a whole are now having visible effects throughout the Company. Cost of sales were reduced to € 3.0 million (HY1/2003: € 3.6 million), while administration expenses were cut to € 2.1 million (HY1/2003: € 3.0 million). A total of € 0.8 million was spent on focused R&D activities, compared to € 1.3 million in HY1/2003. In a move to improve the cost structure still further and to exploit potential synergies, the management decided to relocate the Crystal Growing Systems division from Hanau to Asslar, where the Group has its head office. The move caused restructuring expenses of € 0.2 million in the second quarter.

Operating profit was significantly improved from € -2.9 million in HY1/2003 to € -1.2 million in HY1/2004. Profit from ordinary business operations was also much improved, coming in at € -1.3 million (HY1/2003: € -3.0 million). Due to the capitalisation of € 0.4 million in deferred taxes as required by US-GAAP rules, the net loss for the period is reduced to € -0.7 million (HY1/2003: € -1.1 million).

A closer look at the second quarter provides a much more encouraging picture. An EBIT of € 0.4 million (Q2/2003: € -1.1 million) and net income of € 0.2 million (Q2/2003: € -0.5 million) were achieved in the second quarter – signifying that the profit zone has been reached again for the first time since the November 2002 merger.

In the first half of the year, a positive operative cash flow of € 1.2 million (HY1/2003: € -0.4 million) was generated.

Further reductions in workforce size as scheduled

As at 30 June 2004, the PVA TePla Group had 250 employees on its payroll (compared to 280 a year before and 258 on March 31, 2004), of whom 210 are in Germany, 31 in the USA, 3 in France and 6 in Denmark. This reduction in workforce size (by 11 percent relative to 2003) was carried out systematically as part of the restructuring measures outlined in the 2003 Annual Report. These measures are now largely completed.

Consolidated Income Statement*

Consolidated Income Statement (US-GAAP)	3 months		6 months	
	01.04.04-30.06.04 EUR '000	01.04.03-30.06.03 EUR '000	01.01.04-30.06.04 EUR '000	01.01.03-30.06.03 EUR '000
Revenues	**11,399**	**11,112**	**19,717**	**19,470**
Cost of goods sold	-7,616	-8,081	-14,343	-13,837
Gross profit	**3,783**	**3,031**	**5,374**	**5,633**
Selling expenses	-1,526	-1,652	-3,038	-3,645
General administrative expenses	-1,055	-1,525	-2,085	-3,006
Research and development expenses	-398	-590	-771	-1,293
Restructuring and other non-recurring expenses	-165	-12	-336	-131
Amortization of goodwill	0	0	0	0
Other operating expenses and income	-285	-306	-318	-431
Operating result	**354**	**-1,054**	**-1,174**	**-2,873**
Interest income / expenses	-81	-43	-116	-116
Equity in earnings / Equity in losses of associated companies	-2	40	4	30
Net interest income and net income from associated companies	**-83**	**-3**	**-112**	**-86**
Result from ordinary activities	**271**	**-1,057**	**-1,286**	**-2,959**
Income tax	0	245	0	-81
Deferred tax	-182	283	447	1,344
Extraordinary income	0	0	0	438
Income from the change in accounting methods	0	0	0	0
Net result for the period	89	-529	-839	-1,258
Minority interest	67	61	157	136
Net result for the period after minority interest	**156**	**-468**	**-682**	**-1,122**
Earnings per share (basic)	0,01	-0,02	-0,03	-0,05
Earnings per share (diluted)	0,01	-0,02	-0,03	-0,05
Weighted average shares outstanding (basic)	21,449,988	21,449,988	21,449,988	21,449,988
Weighted average shares outstanding (diluted)	21,449,988	21,449,988	21,449,988	21,449,988

* unaudited

R&D

Research and development – successful at reduced cost

In the first half of 2004, total Group expenditure on R&D was further reduced to € 0.8 million (HY1/2003: € 1.3 million), despite a high level of innovation being maintained. Of that total, € 248 thousand were spent in the Crystal Growing division (HY1/2003: € 668 thousand), and € 509 thousand in the Plasma Systems division (HY1/2003: € 611 thousand).

Development work in the Vacuum Systems division is usually carried out in connection with customer orders and for that reason is not posted separately as R&D expense.

In the second quarter, a newly developed prototype plant for the Vacuum Systems division was successfully brought online and subjected to process verification tests. This COV-type plant will be used for special heat treatment of refractory metal powders in a new production process.

The second quarter also saw the successful completion of a customer order involving a design concept for a universally equipped laboratory and development plant for MIM sintering and debinding processes, to be used for developing, optimising and producing injected metal components and sintered materials in a single step.

In the Crystal Growing Systems division, a project supported by the Federal Ministry for Research and Development (BMBF) and aimed at developing 300 mm silicon wafer technology was successfully brought to an end at a final meeting held at the end of June at the premises of our customer, Siltronic AG. Representatives of the Federal Ministry and the project partners were unanimous in their praise for the pioneering technology and financial success of this networked project. Siltronic AG, our partner in the project, has meanwhile grown the first 300 mm Si crystals in this newly developed plant.

Optimisation of the VGF plant used to grow InP and GaAs crystals for fast semiconductors was successfully continued. After a 4" indium phosphide monocrystal was grown for the first time ever in the first quarter, the quality of the crystals was further enhanced in the course of Q2/2004.

In the Plasma Systems division, the main focus of development work was on chip packaging. The highly successful Plasma System 80 was equipped with a modified handling system and a bigger process chamber for a sizeable customer order. An innovative multitrack substrate-handling system increased the throughput of the plant by a factor of up to three.

The TWIN metrology system used by leading 300 mm factories is now available as fully automatic measurement equipment, following the addition of image recognition software. Key specifications and user-friendliness were further improved by redesigning the measurement optics of the system. In the SIRD metrology system, the handling system was improved for deployment by the market's leading 300 mm wafer manufacturers.

The project to develop a plasma system for the solar industry was successfully completed during the second quarter when the system was evaluated by the customer. In the field of plasma systems for flat panel production, a pilot plant was developed for producing larger substrates and for optimising the uniformity of the plasma process when making polymer OLEDs.

Consolidated Balance Sheet* (US-GAAP)

Assets in EUR '000	30.06.2004	31.12.2003
Current assets		
Liquid assets	1,701	2,267
Trade accounts receivable	6,793	5,329
Amounts due to affiliated companies	0	0
Amounts due to associated companies	0	184
Other receivables	566	832
Inventories	9,364	9,660
Raw materials and supplies	3,417	3,241
Work in process	2,030	1,540
Costs of uncompleted contracts in excess of related billings	3,012	3,640
Finished products / goods	905	1,239
Other current assets	492	284
Prepaid expenses and accrued income	342	52
Deferred tax assets	30	27
Total current assets	**19,288**	**18,635**
Fixed assets		
Financial assets	175	142
Tangible assets	8,088	8,251
Intangible assets	8,333	8,402
Deferred tax assets	6,144	5,794
Total fixed assets	**22,740**	**22,589**
Total assets	**42,028**	**41,224**

Liabilities in EUR '000	30.06.2004	31.12.2003
Current liabilities		
Bank notes payable (current)	2,826	3,879
Trade accounts payable	1,609	1,194
Liabilities due to affiliated companies	0	0
Liabilities due to associated companies	0	51
Advance payments received on orders	2,206	782
Other liabilities	1,659	1,101
Deferred tax liabilities	603	722
Tax provision	0	0
Other accrued expenses	4,118	3,684
Deferred income	4	4
Total current liabilities	**13,025**	**11,417**
Special item relating to investment grants	**1,163**	**1,230**
Long-term liabilities		
Notes payable	1,998	2,113
Other liabilities	12	12
Pension accruals	5,325	5,096
Other accrued expenses	292	344
Total long-term liabilities	**7,627**	**7,565**
Minority interest	**125**	**281**
Shareholders' equity		
Share capital	21,450	21,450
Accumulated deficit	-1,045	-363
Other comprehensive income	-317	-356
Total shareholders' equity	**20,088**	**20,731**
Total equity and liabilities	**42,028**	**41,224**

* unaudited

Consolidated Cash Flow Statement* (US-GAAP)

	Consolidated Cash Flow Statement	01.01.2004-30.06.2004 in EUR '000	01.01.2003-30.06.2003 in EUR '000
	Net loss of the period	-682	-655
+/-	Depreciation / write-ups on fixed assets	884	644
+/-	Increase / decrease of provisions	600	509
+/-	Decrease / increase in deferred taxes	-446	-1,041
+/-	Increase / decrease of the special item relating to investment grants	-66	-30
+/-	Other income / expenses not impacting cash flow	-292	-542
-/+	Gains / losses from disposals of fixed assets	8	7
-/+	Earnings relating to minorities	-157	-75
-/+	Increase / decrease of inventories, trade receivables and other assets	-855	2,352
+/-	Increase / decrease of trade payables and other liabilities	2,243	-1,571
=	**Cash Flow from operating activities**	**1,237**	**-402**
+	Proceeds from disposals of financial assets	122	4
-	Purchases of investments in financial assets	-147	0
+	Net cash acquired in business combinations	0	0
+	Proceeds from disposals of intangible assets	0	7
-	Purchases of tangible and intangible assets	-620	-92
=	**Cash Flow from investment activity**	**-645**	**-81**

		01.01.2004-31.03.2004 in EUR '000	01.01.2003-31.03.2003 in EUR '000
+	Proceeds from increase of share capital	0	0
+	Proceeds from payments into additional paid-in-capital	0	0
-	Payments to shareholders (dividents, capital repayment, other payments)	0	0
+/-	Proceeds / payments from/to minorities (capital increases, dividents, capital repayments, other payments)	0	0
+	Proceeds from issuance of bonds and borrowing	0	761
-	Principal repayments of bonds and other financial loans	-118	-51
+/-	Change of short-term financial liabilities	-1,053	-1,928
=	**Cash Flow from financing activity**	**-1,171**	**-1,218**
	Change of liquid assets	-579	-1,701
+/-	Currency translation effect and other value changes of liquid assets	12	-3
+/-	Changes to liquid assets resulting from consolidation	0	-2
+	Liquid assets at the start of period	2,268	7,077
=	**Liquid assets at the end of period**	**1,701**	**5,371**

* unaudited

Development of Shareholders' Equity*

Statement of changes in shareholders' equity	Shared issues		Additional paid-in capital	Retained earnings/ Accumulated deficit	Other comprehensive income	Shareholders' equity
	Number	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Status 01.01.2002	14,155,598	1,534	365	11,301	3	13,203
Capital increase I	1,573,100	170	3,829			3,999
Capital increase II	1,821,290	198	3,746			3,944
Distribution				-2,556		-2,556
Acquisition TePla-Group	3,900,000	19,548	-10,227			9,321
Reclassification of retained earnings			2,487	-2,487		0
Foreign currency difference					-175	-175
Change to the scope of consolidation / participations				-31		-31
Capitalization of issue prospectus			-200			-200
Net loss of the year				-3,722		-3,722
Status 31.12.2002	**21,449,988**	**21,450**	**0**	**2,505**	**-172**	**23,783**
Status 01.01.2003	21,449,988	21,450	0	2,505	-172	23,783
Foreign currency difference					-184	-184
Net loss of the year				-2,868		-2,868
Status 31.12.2003	**21,449,988**	**21,450**	**0**	**-363**	**-356**	**20,731**
Status 01.01.2004	21,449,988	21,450	0	-363	-356	20,731
Foreign currency difference					39	39
Net loss of the period				-682		-682
Status 30.06.2004	**21,449,988**	**21,450**	**0**	**-1,045**	**-317**	**20,088**

* unaudited

Outlook

Outlook

In light of the current order volume and earnings situation, the Board of Management sees confirmation of its previous forecasts and maintains its positive earnings forecasts for the PVA TePla Group.

In the first six months of 2004, the Group as a whole booked a substantially higher volume of orders, which totalled € 26.1 million compared to € 22.7 million in HY1/2003. The Vacuum Systems division, in particular, achieved a strong second-quarter increase in order volume to € 8.7 million (€ 5.8 million in the previous quarter), or € 14.5 million for the first half of the year. The Crystal Growing Systems division attracted orders worth € 2.5 million in the second quarter, up from € 0.6 million in the first quarter. Incoming orders totalled € 3.1 million for the first six months of the year. A particularly encouraging aspect here is that the new floatzone segment has already sold its first system, namely to China. The Plasma Systems division generated € 3.9 million in revenue in the second quarter (Q1/2004: € 4.7 million), and a total of € 8.5 million in the first half-year.

The order backlog as at 30 June 2004 was € 17.7 million, well up on the figure a year before (€ 14.8 million).

The order and project situation is continuing to improve at the beginning of the third quarter. Substantial orders have already been received by all divisions.

Within the Group as a whole, the improved cost structures and stabilisation of revenues had a clear impact in the form of positive second-quarter earnings. Based on the current order situation and the optimised cost structures now in place, we expect the earnings situation to stabilise over the coming quarters. The Board of Management expects the second half of 2004 to produce a positive operating profit.

Executive bodies / Notes

Shareholdings and stock options

	No. of shares held as of 30.06.2004	No. of shares held as of 31.03.2004	Options held as of 30.06.2004	Options held as of 31.03.2004
Management Board				
Peter Abel	6,432,185	6,432,185	0	0
Arnd Bohle	0	0	0	0
Martin Gier	333,227	359,027	0	0
Volker Lang	112,206	0	0	0
Supervisory Board				
Alexander von Witzleben	300	0	0	0
Prof. Dr. Günter Bräuer	0	0	0	0
Dr. Peter Friedemann	0	0	0	0

Additional notes pursuant to Section 63 of the Stock Exchange Regulations for the Frankfurt Stock Exchange (Section 63 (3) 5 BörsO)

Changes to accounting and valuation methods

No changes were made to the accounting and valuation methods.

Orders

Incoming orders received by the Group totalled € 26.1 million in the first half of 2004 (HY1/2003: € 22.7 million).

After deduction of realized sales, calculated using the percentage-of-completion method (POC), the order books of the Group companies amounted to € 18.5 million at the end of the first half of 2004 (HY1/2003: € 16.3 million); after Group consolidation, the total was € 17.7 million (HY1/2003: € 14.8 million).

Development of costs and prices

Costs increases for procurements have been largely avoided so far. However, selling prices are facing severe competitive pressures due to persistent weakness in the economy.

Investments

Group investments in the first six months of 2004 totalled € 620 thousand (HY1/2003: € 186 thousand).

R&D activities

Total group expenditure on research and development was € 771 thousand in the first half of 2004 (HY1/2003: € 1.293 million).

Notes

Revenue breakdown
The Company operates in one segment only. For a breakdown of revenues by division and region, see page 4.

Distributed profits, or proposed profit distribution
No dividend was paid out; a distribution of profits was not proposed.

Interim dividends
No interim dividends were paid out.

Changes in Management and Supervisory boards
Arnd Bohle was appointed member of the Management Board of the Company with effect from 1 April 2004, and Chief Financial Officer since 17 June 2004. Nina von Wersebe left the Board of Management and the Company on 17 June 2004.

At the end of the Annual Shareholders' Meeting on 17 June 2004, the former members of the Supervisory Board, namely Dr. Dietmar Kubis (Chairman), Prof. Dr. Heiner Ryssel, Hartmut Böhle, Michael Daniel, Dr. Peter Friedemann and Bernhard Zeller stated that they were resigning from their positions. At the Annual Shareholders' Meeting on 17 June, Alexander von Witzleben, Prof. Dr. Günter Bräuer and Dr. Peter Friedemann were elected members of the Supervisory Board. On the same day, Alexander von Witzleben was elected Chairman of the Supervisory Board.

Material events since the end of the reporting period
None.

The unaudited Interim Report was prepared in accordance with US-GAAP (United States Generally Accepted Accounting Principles). The Management Board is convinced that the consolidated accounts provide a fair view of the net worth, financial position and results of the PVA TePla Group.

Disclaimer:

This Interim Report contains forecasts based on assumptions and estimates by the management of PVA TePla AG. Although we assume that the expectations in these forecasts are realistic, we cannot guarantee that these expectations will prove correct. The assumptions may harbour risks and uncertainties that can lead to actual results deviating substantially from the forecasts being made. Factors that can cause such deviations include: changes in the macroeconomic and business environment; exchange rate and interest rate variability; launching of competing products; lack of acceptance of new products or services, and modifications to the corporate strategy. PVA TePla does not plan to revise these forecasts, nor does PVA TePla accept any obligation to do so.

INTERMEDIATE REPORT

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