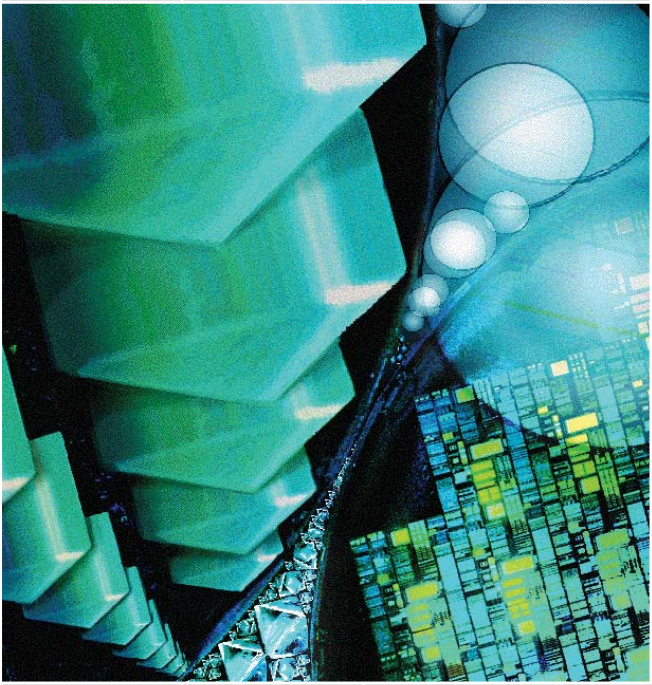
INTERMEDIATE REPORT

1 January to 30 September 2004



PVA TePla

BE EQUIPPED FOR TOMORROW'S MATERIALS

Foreword by the Board of Management

Dear PVA TePla Shareholders,

The figures presented here for the third quarter of 2004 confirm the trend that was already identified in the second quarter. We were again able to produce positive earnings and above all to boost incoming orders substantially. With nine months of the year completed, the order books are presently valued higher than the sales revenues for the entire 2003 business year. Since restructuring, our order backlog has never been as high as it is today.

Analysis shows that the implemented restructuring measures are the crucial factor behind the positive results now achieved. The optimised cost structures – combined with the improved cash-flow situation, which is now positive – are giving us scope to exploit further growth opportunities. We are also intensively monitoring trends in all sectors, of course, and will correct any adverse developments should this prove necessary. Translated into current action, we have closed down our sales operations in France and will serve this market through representatives.

As a producer of systems and equipment in Germany, we consider continuous product innovation as well as the skilling and motivation of employees to be the key factors for gaining and holding leading positions on the global market. We have pushed development of our products forwards and successfully presented a number of innovations.

In order to participate successfully in China's dynamic photovoltaics market, we intensified negotiations with potential Chinese partners. We now assume that a cooperation can be started by the end of this year.

It is gratifying to note that all three divisions are now trending positively – in the Crystal Growing Systems division as well, where performance earlier in the year was slow, the upswing in business is now reflected more in incoming order volumes, at least.

For the fourth quarter of 2004 we expect the positive trend of the past two quarters to continue, leading to an operating result well above zero. Our expectations for the 2005 business year are for further growth in sales and earnings.

I would like to thank you, also on behalf of my fellow Board members, for the confidence you have shown in PVA TePla AG. We will pursue our current path in 2005 as well, and are convinced that we will share success and harvest the fruit of our efforts.

Peter Abel
Chairman of the Management Board

Report on Business Development

Revenue growth as at 30 Semtember 2004	I-III/2004 EUR '000	I-III/2003 EUR '000	Change %
Vacuum Systems	17,086	15,438	10.7
Crystal Growing Systems	1,902	3,465	-45.1
Plasma Systems	11,754	12,238	-4.0
Total revenue	**30,742**	**31,141**	**-1.3**
Locations in Germany	24,694	26,033	-5.1
Locations in the USA	5,260	4,811	9.3
Locations in Denmark	582	n.n.	n.n.
Locations in France	206	297	-30.6

Further stabilisation of revenues in the third quarter

The PVA TePla Group generated € 11.0 million revenues in the third quarter, an encouragingly high level that is above the average of the preceding periods. In the first nine months of the year, PVA TePla booked Group revenues of € 30.7 million (Q1-3/2003: € 31.1 million). Given the strong order situation, we expect substantially higher revenues in the fourth quarter and hence also for the 2004 business year as a whole in a year-on-year comparison.

The Vacuum Systems division again accounted for the largest share of sales, or € 17.1 million, thus exceeding the € 15.4 million generated in Q1-3/2003 by a substantial margin. In the third quarter, the division achieved sales of € 5.9 million. Exports continue to generate a major proportion of total revenues, currently more than 50%. A strong focus in this regard is Asia, a key growth region. Internationalization of the company's activities is pacing ahead.

In the Crystal Growing Systems division, business operations are still at a low level due to continued investment restraint in the relevant markets. Sales were nevertheless increased in relation to previous quarters. Third-quarter revenues came in at € 1.1 million, resulting in total year-to-date sales of € 1.9 million (Q1-3/2003: € 3.5 million).

The Plasma Systems division achieved sales of € 4.0 million in the third quarter. The total figure so far in the 2004 business year is € 11.8 million, which is slightly less compared to the same period in 2003 (€ 12.2 million) due to invoicing factors. The order backlog is high at € 4.0 million. Considering the short-term nature of its business, we expect this division as well to generate strong sales in the fourth quarter of 2004.

A break-down of sales by region shows that Germany continues to account for the largest share of Group revenues, at € 24.7 million (Q1-3/2003: € 26.0 million), ahead of the USA at € 5.3 million (Q1-3/2003: € 4.8 million). New operations in Denmark, which commenced in the second quarter, contributed not less than € 0.6 million to third-quarter sales. In France, sales were again very low at a mere € 0.2 million (Q1-3/ 2003: € 0.3 million). In light of this poor performance, the Management Board subjected the company's activities in France to a critical review. As the additional business volume that could be generated by the sales organisation there does not justify an even further optimised cost structure, it was decided to close down the sales organisation in France. The opportunities presented by the French market will be exploited by the company's bases in Germany, in co-operation with independent representatives.

Result / Workforce

Confirmation of positive result achieved in previous quarter

Following the positive result first recorded by the PVA TePla Group in the second quarter of 2004, the third quarter saw a continuation of this encouraging trend. Once again, it was the positive effects of the cost reduction and restructuring measures that were most decisive.

The gross profit of € 8.9 million at the end of the third quarter (Q1-3/2003: € 9.2 million) is equivalent to a gross margin of 29%. The third-quarter gross profit came to € 3.5 million, equal to a gross margin of 32%. Here, too, the opposing trends in the various divisions familiar from previous quarters remained in place. The gross profit generated by the Crystal Growing division is again offset by the low volume of business. In the Vacuum Systems division, the gross profit was improved relative to the same period of 2003. The Plasma Systems division achieved a high level of gross profit, in line with expectations.

The main factors accounting for these positive results were the cost reductions derived from successful restructuring. Cost of sales was reduced from the previous year's figure of € 5.1 million to € 4.5 million, while administration expenses were cut to € 3.1 million (Q1-3/2003: € 4.5 million). By exercising more efficient and focused cost control, PVA TePla succeeded in limiting R&D expenditure to € 1.2 million (Q1-3/2003: € 1.6 million) without putting the company's innovation capacity at risk. Restructuring expenses of € 0.3 million (Q1-3/2003: € 0.5 million) were all incurred in the first half of the year. Completion of restructuring meant that the Group did not incur any further costs in the third quarter of 2004.

The operating result (EBIT) for the first nine months of the year was substantially improved relative to the first half-year (€ -1.2 million) and to the same period of 2003 (€ -3.1 million), coming in at € -0.7 million. The result from ordinary business operations, at € -0.9 million (Q1-3/2003: € -3.3 million) provided further evidence of the progress made by the Group. Due to capitalisation of € 0.6 million in deferred taxes as required by US GAAP rules, the net loss for the Q1-3 period was reduced to € -0.2 million (Q1-3/2003: € -1.3 million).

Earnings improvements are even more apparent when a quarter-by-quarter view is taken. The operating profit was increased from € -0.3 million in Q3/2003 to € 0.5 million. The result for the period improved even more to the same figure of € 0.5 million (Q3/2003: € -0.2 million).

Another encouraging development was the significant improvement in operative cash flow of € 3.1 million at the end of the third quarter (Q1-3/2003: € -5.6 million). This led to short-term loans being reduced significantly to the current level of € 1.0 million (Q2/2004: € 2.8 million, Q3/2003: € 4.9 million).

Slight decrease in workforce size

As at the cut-off date of 30 September, the PVA TePla Group had a total of 245 employees on its payroll (2003: 276, previous quarter: 250). The number of employees in Germany was 206. The total workforce also included 30 employees in the USA, 6 in Denmark and 3 in France.

Consolidated Income Statement*

Consolidated Income Statement (US GAAP)	3 months		9 months	
	01.07.04-30.09.04 EUR '000	01.07.03-30.09.03 EUR '000	01.01.04-30.09.04 EUR '000	01.01.03-30.09.03 EUR '000
Revenues	**11,025**	**11,671**	**30,742**	**31,141**
Cost of goods sold	-7,504	-8,131	-21,846	-21,968
Gross profit	**3,521**	**3,540**	**8,896**	**9,173**
Selling expenses	-1,463	-1,441	-4,501	-5,086
General administrative expenses	-991	-1,527	-3,076	-4,533
Research and development expenses	-389	-273	-1,161	-1,567
Restructuring and other non-recurring expenses	0	-351	-336	-482
Amortization of goodwill	0	0	0	0
Other operating expenses and income	-209	-222	-527	-653
Operating result (EBIT)	**469**	**-274**	**-705**	**-3,148**
Interest income / expenses	-53	-66	-168	-182
Equity in earnings / Equity in losses of associated companies	15	-21	19	9
Net interest income and net income from associated companies	**-38**	**-87**	**-149**	**-173**
Result from ordinary activities	**431**	**-361**	**-854**	**-3,321**
Income tax	-46	78	-46	-3
Deferred tax	108	20	554	1,364
Extraordinary income	0	0	0	438
Income from the change in accounting methods	0	0	0	0
Net result for the period	493	-263	-346	-1,522
Minority interest	33	57	189	193
Net result for the period after minority interest	**526**	**-206**	**-157**	**-1,329**
Earnings per share (basic)	0.02	-0.01	-0.01	-0.06
Earnings per share (diluted)	0.02	-0.01	-0.01	-0.06
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 – powerful innovation and cost optimisation

Expenditure on R&D in the first nine months of 2004 amounted to € 1.2 million (Q1-3/2003: € 1.6 million). The largest share of R&D expenses were generated in the Plasma Systems division (€ 767 thousand compared to € 859 thousand in Q1-3/2003); the Crystal Growing Systems division spent € 382 thousand on R&D (Q1-3/2003: € 681 thousand).

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

In addition to systems' components and functions developed for specific orders and applications to meet specific customer requirements, a cutting-edge, inexpensive and compact control system for high vacuum furnaces was developed by the Vacuum Systems division in the third quarter. This control system enables simple and rapid exchange and replacement of production plant control elements that are no longer available.

The Crystal Growing Systems division achieved further advances in the key 300mm-technology for Si wafers. In the third quarter, crystals were grown from batches in excess of 300 kg by Siltronic AG, one of the company's most important customers, after 300-mm Si crystals had been successfully grown for the first time. The new handling system necessary for supporting such large crystals was successfully deployed in real-world pulling processes – another first.

Testing of the newly developed VGF plant for InP and GaAs semiconductor crystals, installed at the global market leader's facilities, is progressing well after the first high-quality 100 mm InP crystals were grown.

One development project aimed at improving process control of systems for solar cell silicon production was successfully completed in collaboration with a leading supplier. The quality and yield of silicon solar wafers was substantially increased. A follow-up project to develop a new plant with much greater capacity and productivity has meanwhile been started.

In the Plasma Systems division, the main development focus was on plasma systems for the flat panel display market.

As part of a customer order, a robot-controlled system designed for integration into series production lines was successfully developed for OLED production.

Additional improvements were made to the TWIN and SIRD metrology systems. These are used, for example, to increase temperature stability and to control interfaces in production automation systems.

Consolidated Balance Sheet* (US GAAP)

Assets in EUR '000	30.09.2004	31.12.2003
Current assets		
Liquid assets	1,512	2,267
Trade accounts receivable	6,356	5,329
Amounts due to affiliated companies	0	0
Amounts due to associated companies	206	184
Other receivables	396	832
Inventories	8,069	9,660
Raw materials and supplies	3,229	3,241
Work in process	2,737	1,540
Costs of uncompleted contracts in excess of related billings	1,179	3,640
Finished products / goods	924	1,239
Other current assets	955	284
Prepaid expenses and accrued income	206	52
Deferred tax assets	30	27
Total current assets	**17,730**	**18,635**
Fixed assets		
Financial assets	186	142
Tangible assets	7,827	8,251
Intangible assets	8,255	8,402
Deferred tax assets	6,064	5,794
Total fixed assets	**22,332**	**22,589**
Total assets	**40,062**	**41,224**

Liabilities in EUR '000	30.09.2004	31.12.2003
Current liabilities		
Bank notes payable (current)	1,008	3,879
Trade accounts payable	1,850	1,194
Liabilities due to affiliated companies	0	0
Liabilities due to associated companies	6	51
Advance payments received on orders	1,853	782
Other liabilities	1,272	1,101
Deferred tax liabilities	427	722
Tax provision	0	0
Other accrued expenses	4,197	3,684
Deferred income	4	4
Total current liabilities	**10,617**	**11,417**
Special item relating to investment grants	**1,130**	**1,230**
Long-term liabilities		
Notes payable	1,899	2,113
Other liabilities	12	12
Pension accruals	5,440	5,096
Other accrued expenses	282	344
Total long-term liabilities	**7,633**	**7,565**
Minority interest	**92**	**281**
Shareholders' equity		
Share capital	21,450	21,450
Accumulated deficit	-520	-363
Other comprehensive income	-340	-356
Total shareholders' equity	**20,590**	**20,731**
Total equity and liabilities	**40,062**	**41,224**

* unaudited

Consolidated Cash Flow Statement* (US GAAP)

	Consolidated Cash Flow Statement	01.01.2004-30.09.2004 in EUR '000	01.01.2003-30.09.2003 in EUR '000
	Net loss of the period	-157	-1,329
+/-	Depreciation / write-ups on fixed assets	1,270	1,667
+/-	Increase / decrease of provisions	791	-10
+/-	Decrease / increase in deferred taxes	-553	-1,291
+/-	Increase / decrease of the special item relating to investment grants	-100	29
+/-	Other income / expenses not impacting cash flow	-161	-636
-/+	Gains / losses from disposals of fixed assets	8	0
-/+	Earnings relating to minorities	-189	-193
-/+	Increase / decrease of inventories, trade receivables and other assets	329	-305
+/-	Increase / decrease of trade payables and other liabilities	1,813	-3,494
=	**Cash Flow from operating activities**	**3,051**	**-5,562**
+	Proceeds from disposals of financial assets	123	0
-	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	-704	-307
=	**Cash Flow from investment activity**	**-728**	**-300**

		01.01.2004-30.09.2004 in EUR '000	01.01.2003-30.09.2003 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	1,401
-	Principal repayments of bonds and other financial loans	-211	-177
+/-	Change of short-term financial liabilities	-2,871	166
=	**Cash Flow from financing activity**	**-3,082**	**1,390**
	Change of liquid assets	-759	-4,472
+/-	Currency translation effect and other value changes of liquid assets	3	-39
+/-	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**	**1,512**	**2,564**

* 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					16	16
Net loss of the period				-157		-157
Status 30.09.2004	**21,449,988**	**21,450**	**0**	**-520**	**-340**	**20,590**

* unaudited

Outlook

Outlook

In light of the positive quarterly result and a significant upswing in incoming orders, the Board of Management sees confirmation of its forecasts and expects this positive trend to continue beyond the 2004 business year.

The volume of incoming orders was increased in all divisions. At the end of September 2004, total orders were valued at € 41.7 million (Q1-3/2003: € 30.8 million, a rise of 35%). The figure is also 36% higher than sales revenues (€ 30.7 million) and already higher than total Group revenues in the 2003 business year (€ 38.9 million). In the third quarter alone, the Group recorded nearly twice the volume of incoming orders as in the same period in 2003 (€ 15.6 million versus € 8.1 million).

Over the first nine months, the Vacuum Systems division accounted for € 22.2 million, or more than half the Group's total incoming order volume (Q1-3/2003: € 16.8 million), € 7.7 million of which were received during the third quarter alone (Q3/2003: € 4.6 million).

Incoming orders received by the Crystal Growing Systems division totalled € 5.1 million at the end of the third quarter (Q1-3/2003: € 1.2 million), with € 2.0 million in new orders received in the third quarter (Q3/2003: € 0.4 million).

In the first nine months, the Plasma Systems division generated € 14.4 million in total incoming orders (Q1-3/2003: € 12.8 million), achieving its best quarterly figure of € 5.9 million in the third quarter (Q3/2003: € 3.1 million).

The combined book-to-bill ratio for all division therefore exceeded 1.3.

Nine months into the year, the current volume of orders on the books is at the record level of € 22.0 million (2003: € 11.0 million).

Current economic forecasts for the mechanical engineering sector by the VDMA federation indicate growing demand not only in Germany, but also abroad. In a bulletin issued in early November, World Semicon Trade Statistics (WSTS) predicts stable growth in the semiconductor sector, likewise important for the Group, in 2005 and 2006, after expectations of declining growth had persisted until mid-year. Hopes for the industry have improved in the direction of a "soft landing".

Against this background, the Management Board expects the clear upward trend in operative result to continue in the final quarter of 2004, as well as moderate growth in both business volume and earnings in the 2005 business year.

Executive organs / Notes

Directors' holdings and stock options

	Shares 30.09.2004	Shares 30.06.2004	Stock options 30.09.2004	Stock options 30.06.2004
Management Board				
Peter Abel	6,432,185	6,432,185	0	0
Arnd Bohle	0	0	0	0
Martin Gier	320,227	333,227	0	0
Volker Lang	105,600	112,206	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

Group incoming orders in the third quarter amounted to € 15.6 million (Q3/2003: € 8.1 million), and totalled € 41.7 million in the first nine months of 2004 (Q1-3/2003: € 30.8 million).

After deduction of realized sales, calculated using the percentage-of-completion method (POC), the order books of the Group companies were valued at € 23.0 million as at 30.09.2004 (30.09.2003: € 11.5 million); after Group consolidation, the total was € 22.0 million (30.09.2003: € 11.0 million).

Development of costs and prices

Costs increases for procurements have been largely avoided so far. However, selling prices continue to be under pressure due to severe competition and the fall in the US dollar against the Euro. This is particularly the case in the key Asian markets.

Investments

Group investments in the first nine months of 2004 totalled € 851 thousand (Q1-3/2003: € 307 thousand).

Notes

R&D activities

Total group expenditure on research and development was € 1.161 million in the first nine months of 2004 (Q1-3/2003: € 1.567 million).

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

None.

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.

Financial calendar 2004 / 2005 (provisional)	
24 November 2004	Roadshow presentation at the "Eigenkapitalforum" (Equity Forum) organised by the Deutsche Börse in Frankfurt
31 March 2005	Publication of the 2004 Annual Report
April 2005	Analysts and Balance Sheet press conference, Frankfurt
13 May 2005	Publication of the Q1 Report
17 June 2005	Annual Shareholders' Meeting, Stadthalle Wetzlar
12 August 2005	Publication of the Q2 Report
14 November 2005	Publication of the Q3 Report

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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