

Annual Report  
2007

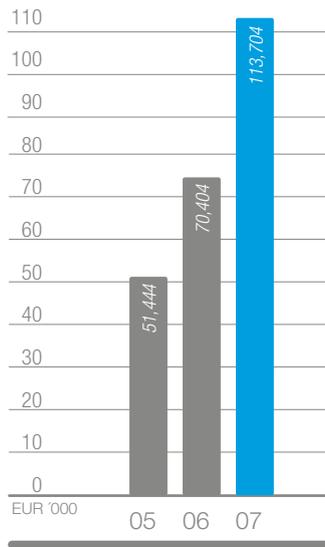


## Highlights 2007

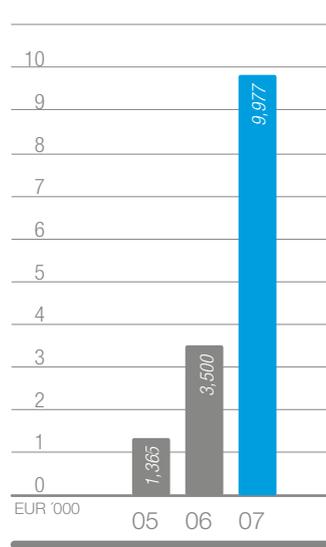
February	<p>At the beginning of the year, PVA TePla Danmark receives an order from Korea for three float zone systems. Float zone technology is one of four important industrially applicable procedures in the manufacture of silicon crystals</p>
March	<p>PVA TePla AG receives an order from Siltronic AG worth around EUR 22 million to supply crystal growing systems for the manufacture of mono-crystal rods of 300mm diameter</p> <p>Significant growth in Group sales revenues and earnings in previous fiscal year</p>
May	<p>Construction begins of new production facilities at the new Company headquarters in Wettenberg near Giessen, Germany. Due to the excellent number of orders and the anticipated continued growth at the previous Asslar location, production visibly nears maximum capacity</p> <p>High amount of incoming orders in the first quarter of the fiscal year</p>
June	<p>The Management Board provides the Annual General Meeting with a comprehensive overview of the Company's strategy and its significantly improved figures. Peter Abel, Chairman of the Management Board, provides details to the shareholders regarding increased capacity in Jena and Wettenberg which has become essential to meet the extraordinarily high number of orders</p>
July	<p>PVA TePla reaches second place in the "Focused Suppliers of Chip Making Equipment" category in the "10 BEST" customer satisfaction survey carried out by VLSI Research Inc., Santa Clara, USA. The annual independent survey is carried out by the renowned American institute for market analysis in the semiconductor industry</p>
August	<p>Significant rise in sales revenues and earnings in the second quarter</p>
September	<p>Development in CGS crystal growing systems allows silicon mono-crystals of 300mm diameter to be pulled for solar wafers. This procedure enables the production of 210mm x 210mm long and 220µm wafers</p>
October	<p>The free float of PVA TePla shares has grown notably to 62.6%</p> <p>CGS receives an order from the Norwegian REC SiTech AS (SiTech) to supply 50 crystal growing systems</p> <p>PVA TePla acquires the KSI Group which develops and builds ultrasonic microscopes and supplies these to international end customers in research and industry</p>
November	<p>CGS receives an order worth around EUR 20 million from ersol Wafers to supply crystal growing systems</p> <p>Growth in sales revenues and earnings in the first nine months</p>
December	<p>PVA TePla and the Fraunhofer Institute: the first MultiCrystallizer to manufacture multi-crystalline silicon ingots for solar wafers is launched in Halle, Germany</p>

# Facts & Figures

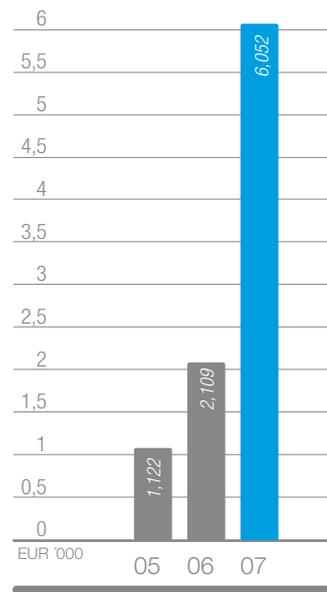
Sales Revenues



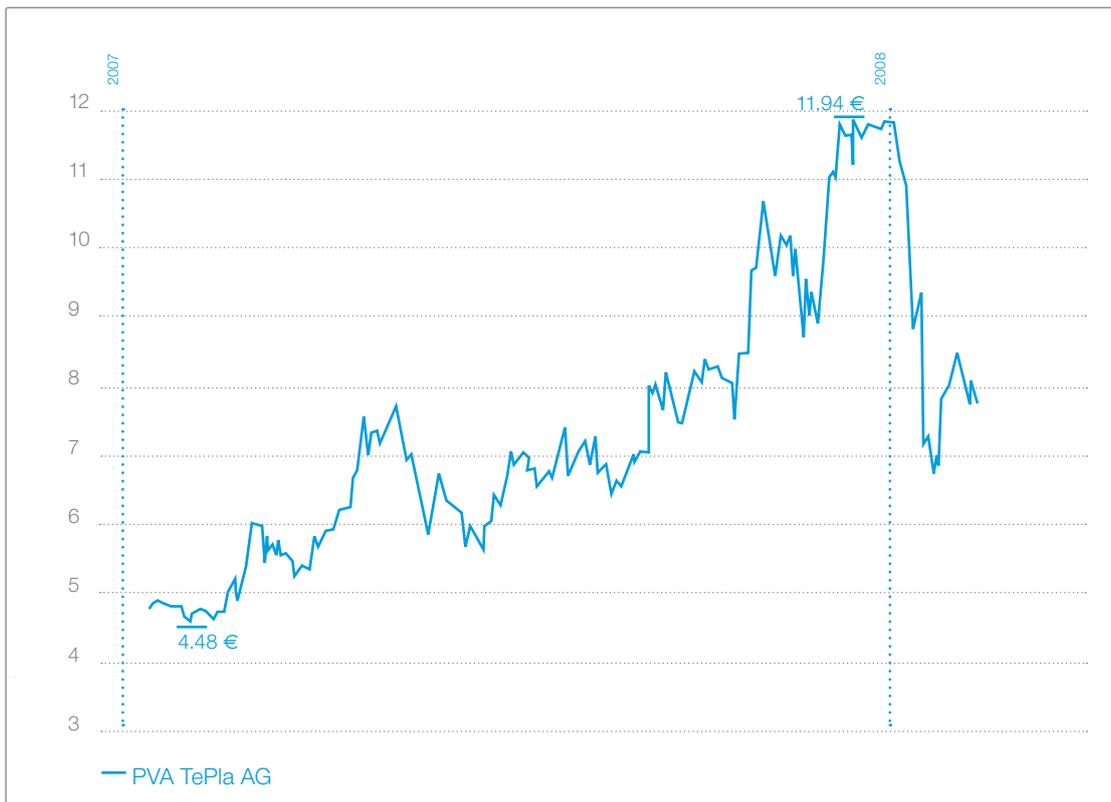
EBIT



Consolidated Net income



## Performance of PVA TePla shares January 2007 – February 2008



## Consolidated figures at a glance

In EUR '000	2007	2006	2005
<b>Sales Revenues</b>	<b>113,704</b>	<b>70,404</b>	<b>51,444</b>
Vacuum Systems	36,946	25,915	31,186
Crystal Growing Systems	60,053	30,934	7,431
Plasma Systems	16,705	13,555	12,827
<b>Gross profit</b>	<b>27,115</b>	<b>18,007</b>	<b>12,424</b>
in % of sales revenues	23.8	25.6	24.1
<b>R&amp;D expenses</b>	<b>1,719</b>	<b>1,545</b>	<b>1,292</b>
<b>Operating result (EBIT)</b>	<b>9,977</b>	<b>3,500</b>	<b>1,365</b>
in % of sales revenues	8.8	5.0	2.7
<b>Consolidated Net income</b>	<b>6,052</b>	<b>2,109</b>	<b>1,122</b>
in % of sales revenues	5.3	3.0	2.1
<b>Earnings per share (EPS), in EUR</b>	<b>0.28</b>	<b>0.10</b>	<b>0.06</b>
<b>Capital expenditures</b>	<b>25,705</b>	<b>2,468</b>	<b>2,969</b>
<b>Total assets</b>	<b>111,340</b>	<b>60,271</b>	<b>49,007</b>
<b>Equity ratio in %</b>	<b>27.8</b>	<b>41.0</b>	<b>46.3</b>
<b>Employees as of Dec 31</b>	<b>422</b>	<b>330</b>	<b>275</b>
<b>Incoming orders</b>	<b>145,968</b>	<b>139,484</b>	<b>64,280</b>
<b>Order backlog</b>	<b>137,118</b>	<b>101,058</b>	<b>33,289</b>
<b>Book to bill Ratio</b>	<b>1.28</b>	<b>1.98</b>	<b>1.25</b>
<b>Cash Flow from operating activities</b>	<b>7,806</b>	<b>13,590</b>	<b>-685</b>

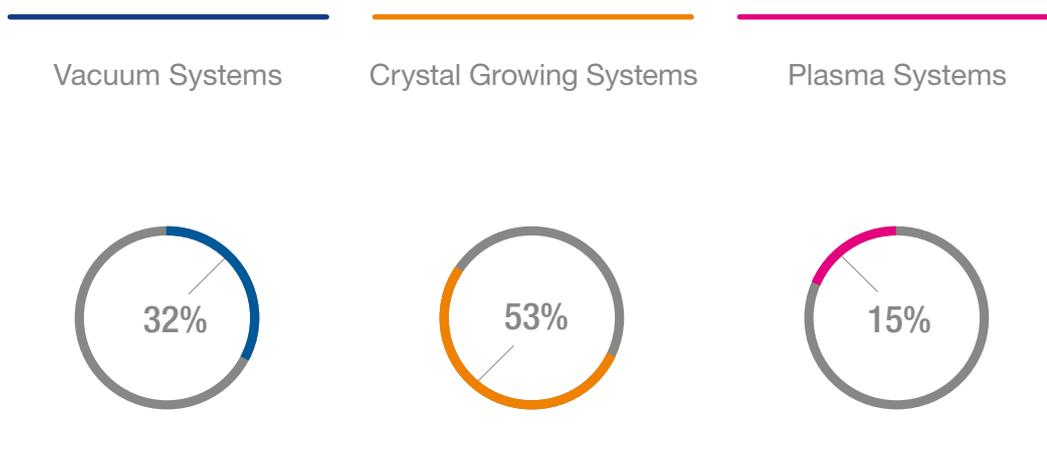


## PVA TePla in brief

PVA TePla AG is an internationally established provider of systems and facilities with which high-quality industrial equipment and materials are produced using Vacuum High temperature and Plasma methods.

We supply our sophisticated customers with globally reliable high-tech systems with which products are created for the markets of today and tomorrow.

The Company is divided into three divisions:



**Turnover of the business units referring to total sales revenues**



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## Foreword by the Board of Management



Arnd Bohle  
Chief Financial Officer

Peter Abel  
Chief Executive Officer

Dear shareholders,  
dear colleagues and business partners,

2007 was an extraordinarily successful year for PVA TePla. It was a record year when we consider sales revenues and profit. On a global basis, we acquired new customers and the ambitious capacity expansion of our location in Jena and in Wettenberg near Giessen, Germany – our future Company headquarters - was begun. The new facilities in Jena had already been completed in the previous year and work in Wettenberg has advanced significantly.

The economic situation in 2007 was notably positive, mechanical engineering boomed and the demand for capital goods “made in Germany” reached new highs. The demand for renewable energies and the technology associated with this is not due to slow down in the foreseeable future but is expected to increase drastically. The production of high-tech materials and high-quality industrial equipment will remain a dominant topic in many areas of technology. With our facilities and systems, we are well equipped to develop and produce this equipment and thus enjoy the confidence of our customers worldwide.

For our Company group, the year under review was very eventful and successful. Sales revenues and earnings were increased for the fourth year in a row and, once again, we intend to significantly grow our business volume and earnings in 2008. Consolidated sales revenues climbed by more than 60% to EUR 114 million and we achieved a growth in earnings to EUR 10 million. This led to an EBIT margin of 8,8%, putting us above the targeted range of 5%-7%. For fiscal year 2008, we have again set ourselves the objective of raising consolidated sales revenues by 40% and the EBIT margin to a range between 7% and 9%.

All business divisions contributed to this growth in sales revenues. Within the Company, Crystal Growing Systems is the division with the strongest sales revenues growth. This is expected to continue in the next few years. The technology change in the semiconductor industry to 300mm wafers and the growth in the photovoltaics industry will also define this division in the future. Thanks to our broad-based product range of crystal growing systems for a large number of application areas, we will participate strongly in this market growth. Our Company is extremely well positioned on the market due to our latest technological developments which we have also been able to drive forward in this field through our cooperation with leading international research institutes. At the moment, we are setting up a new development laboratory. This facility comprises the operation and the testing of state-of-the-art systems for the production of mono-crystals as well as multi-crystalline silicon. In respect of the development activities, this will advance future process optimization and further development of hardware more rapidly and more efficiently.

In October 2007, we acquired the KSI Group which focuses on the development, construction and global marketing of measuring instruments for the non-destructive ultrasonic inspection and quality control of materials. One example is the quality control of silicon ingots for the production of wafers. This is a pioneering versatile technology and also represents an outstanding addition to our portfolio.

In 2007, the Vacuum Systems division, with growth of more approximately 40%, generated significantly higher sales revenues than in 2006. The continuing growth trend is evident in this division and we expect further growth in the current fiscal year based on the excellent number of orders. A positive factor here is that sales revenues generated by foreign customers continued to grow despite sharp appreciation of the euro.

In 2007, the Plasma Systems division posted a growth of 20% in sales revenues, however, the earnings situation is still not satisfactory. Based on restructuring in the sales organization, particularly in the USA, we are expecting to generate higher sales revenues volumes in this area in the future. In addition, innovations were realized in all product areas and are due to be completed and supplied to customers in 2008. Relationships with customers, in particular larger customers, developed positively so that we began fiscal year 2008 optimistically.

In 2007, incoming orders again grew from EUR 139 million in 2006 to EUR 146 million, securing us a substantial share of the planned total sales revenues for 2008. The Vacuum Systems division achieved the highest growth figures. At EUR 48.4 million, we once again managed to exceed the previous year's figure of EUR 37.1 million for 2006 by 30%. The Crystal Growing Systems division posted the largest share of total incoming orders - EUR 81 million. We again won three new large orders from the photovoltaics and semiconductor industry. Our customers of many years, ersol Wafers and Siltronic, commissioned us to supply systems for pulling mono-crystalline silicon crystals. Fortunately we also attracted a new large customer: SiTech is part of the Norwegian REC Group which also produces silicon basic material and now also focuses on the production of solar wafers from mono-crystalline silicon. This Company chose PVA TePla's technologically advanced systems and placed an order in 2007 for 50 systems which will be processed in 2008.

The move to the new Company headquarters in Wettengel near Giessen during 2008 is an important step for our Company. This investment, our largest so far, is due to the outstanding number of orders. In order to ensure the future potential of the Company, it was necessary to significantly increase the production capacity in the Vacuum Systems division after capacity in the Crystal Growing Systems division in Jena had already been doubled. The new production facilities in Wettengel have already been completed for the most part and production will have been entirely relocated by May 2008. The relocation of administration is due to take place in fall of this year.

During 2007 the Company share price grew from EUR 4.65 to EUR 11.79 by the end of December 2007. However, this substantial price gain dropped at the beginning of 2008. By mid-February, the shares were listed at EUR 7.89, thus significantly higher than the share price at the end of 2006. The decline during the first weeks of the new fiscal year can be attributed to the financial and real estate crisis in the USA and uncertainty on the stock exchanges regarding the consequences of this crisis for the future development of the global economy. The fall in the share price occurred at the same time as the negative performance on all stock exchange indices. Thanks to numerous roadshows at key European and American financial centers, telephone conferences and individual talks with existing and potential investors and meetings with analysts, we have once again improved our dialog with the capital market. The substantial rise in trading of PVA TePla shares on the stock exchange confirms the continuation of investors' increasing interest in the Company. Together with the growth potential and the Company's improved position on the capital market, the future will continue to provide investment possibilities for those investors who have chosen to commit to PVA TePla.

We would like to thank all our employees around the world for their enormous commitment, our business associates, and particularly our shareholders for supporting us, for their trust, and for the successful cooperation.

Regards,



Peter Abel  
Chief Executive Officer



Arnd Bohle  
Chief Financial Officer



Alexander von Witzleben  
Chairman of the Supervisory Board of PVA TePla AG

## Report of the Supervisory Board of PVA TePla AG on fiscal year 2007

In 2007, we focused intensely on the PVA TePla strategy and planning as well as the economic and financial situation. During these meetings, the Supervisory Board received detailed reports from the Management Board on the economic situation and the performance of PVA TePla AG and monitored the management on an ongoing basis. The Management Board regularly, promptly and extensively informed us of business policies and other essential matters regarding Company management and planning as well as Company strategies, financial development and results of operations, risk management and other significant events for PVA TePla. We were included in all vital decisions that could affect the Company. The Supervisory Board also received regular monthly reports from the Management Board on the development of the company's economic situation. In addition to meetings and reports, the Supervisory Board also had regular talks with the Management Board in order to stay informed of the current situation.

PVA TePla continued its positive business performance of recent years and once again generated record sales in 2007. The Company had initially set itself extremely ambitious targets to increase sales by around 70% in fiscal year 2007. This target was reached, along with a significantly raised EBIT margin of 8,8% compared to the previous year. We wish to thank all Company employees for their enormous commitment.

The significant capacity expansion, implemented during 2007 and set to continue in 2008, enables the Company to master the excellent order position and to continue growing. New, important customers, with whom to develop a long-term partnership we strive, could be attracted. As a supplier of pioneering system technology, PVA TePla is extremely well positioned in the relevant markets.

### Supervisory Board Meetings

In the course of fiscal 2007, the Supervisory Board held a total of four ordinary meetings and one extraordinary meeting. In the first meeting on March 27, 2007 the PVA TePla AG Management Board and its business divisions provided detailed information to the Supervisory Board regarding the economic situation and Company planning. In addition, the Supervisory Board approved the 2006 annual financial statements, adopting them in accordance with Section 172, sentence 1 of the AktG (German Public Limited Companies Act), and passed the proposed resolutions for the items on the agenda for the 2007 Annual General Meeting. The Supervisory Board also worked intensely on the plans for increased capacity in Wettengel near Giessen, Germany.

In an additional meeting on May 31, 2007, the Supervisory Board was extensively informed about the planned new construction measures for the future Company headquarters in Wettengel and, following a close examination, authorized the plans.

In the second ordinary Supervisory Board meeting in 2007 on June 15, the Supervisory Board was informed about the business situation up to April 30, 2007 and also received an overview of the forecast figures for the year.

In the meeting on September 14, 2007, the acquisition of the KSI Group was extensively discussed along with business developments in the PVA TePla Group up to and including August 30, 2007. The acquisition of the KSI Group was seen as a sensible addition to the Group's portfolio and a mandate for further negotiations up to the acquisition was given to the Management Board.

In the last meeting of 2007, the strategic development of the Company in the upcoming years, the expansion of business divisions and their market potential were all discussed extensively. In addition, the Company planning for 2008 to 2010, proposed by the Management Board, was intensively discussed, inspected and finally authorized.

All members of the Supervisory Board attended all ordinary and extraordinary meetings in fiscal year 2007.

Due to the fact that the Supervisory Board consists of only three people, no committees were formed. All matters that would be handled by committees were dealt with in plenary sessions.

### Corporate Governance

Compliance with the recommendations of the German Corporate Governance Code is felt by the Supervisory Board to be a matter of special importance. Deviations from this Code have been discussed in detail between the Management Board and the Supervisory Board. The Declaration of Compliance required under Section 161 of the AktG was jointly approved and published by the Management Board and the Supervisory Board at the meeting of the Supervisory Board on November 28, 2007. A copy of the Declaration of Compliance has been published in the section "Corporate Governance Report" in the 2007 Group Annual Report on page 39 as well as on the homepage at [www.pvatepla.com](http://www.pvatepla.com). This report also includes basic details of the remuneration system for members of the Management Board and the Supervisory Board.

Self-evaluation using a detailed list of questions was continued, thereby examining the efficiency of the Supervisory Board as required by the German Corporate Governance Code. Overall, the Supervisory Board posted a good result in most areas. Further matters will be worked on in future.

### Annual Financial Statements

The auditing company "Dr. Ebner, Dr. Stolz und Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft", selected by the Annual General Meeting, audited the PVA TePla AG annual financial statements and the consolidated financial statements as well as the management report for PVA TePla AG and the Group up to December 31, 2007. The auditor found that these consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and reflect a true and fair view of the net assets, financial position and results of operations in the fiscal year. Each audit has not led to any reservations. The financial statements, management reports and the respective audit reports by the auditor were provided to each member of the Supervisory Board and discussed in detail at the meeting of the Supervisory Board on March 26, 2008. The auditor also reported on the key findings of the audit at this meeting. We carried out an independent inspection of the annual financial statements including the management report and the consolidated financial statements including the Group management report, provided by the Management Board and granted our approval. The annual financial statements of PVA TePla AG are thereby adopted in accordance with Section 172, Sentence 1 of the AktG.

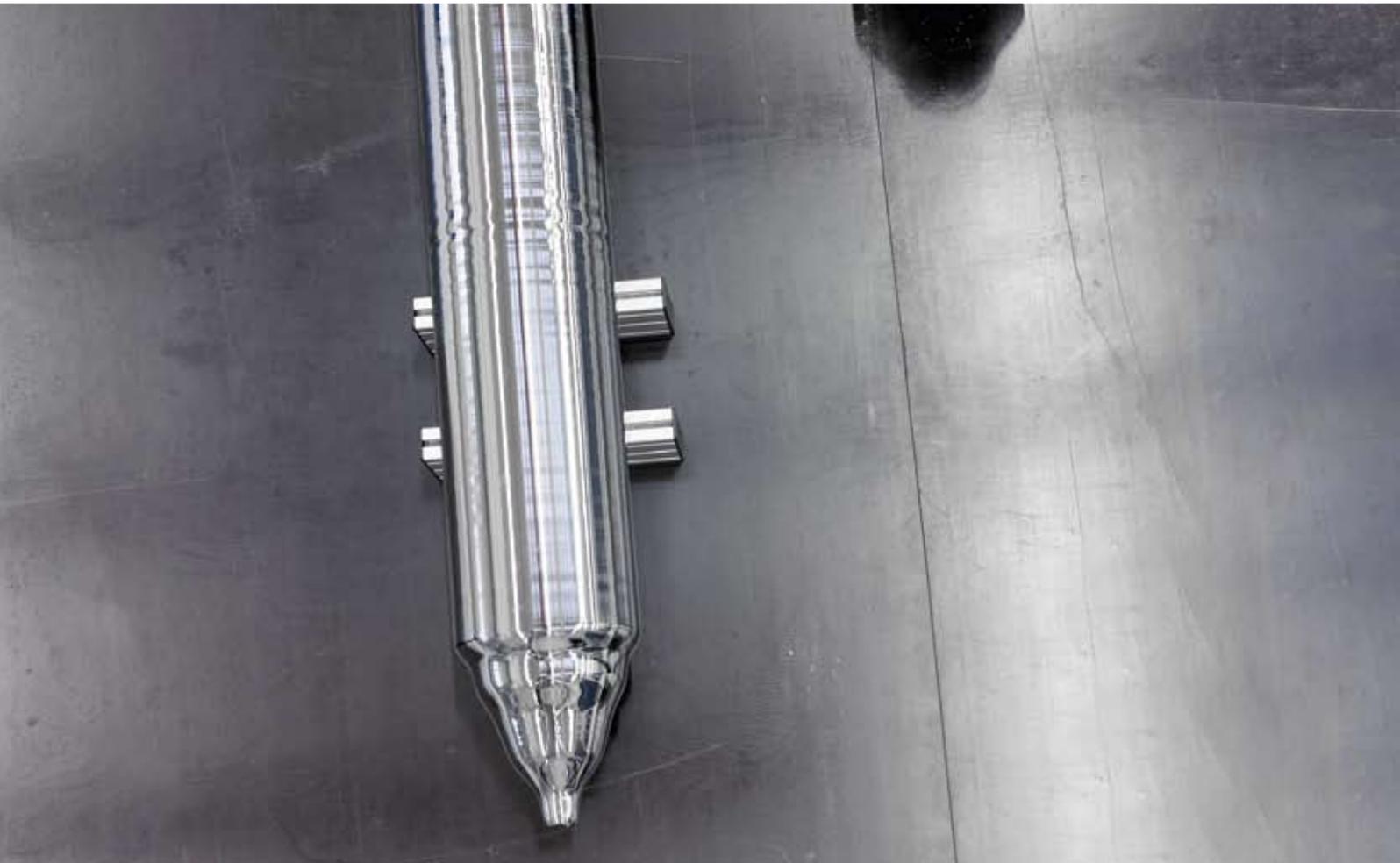
The Supervisory Board will continue to provide the Management Board with constructive support in its ambitious goals in the next fiscal year.

Asslar (Germany), March 26, 2008  
On behalf of the Supervisory Board,

Alexander von Witzleben  
Chairman of the Supervisory Board of PVA TePla AG



Extremely high quality silicon ingots – produced by the PVA TePla systems – are the core of the photovoltaics and semi-conductor industry.



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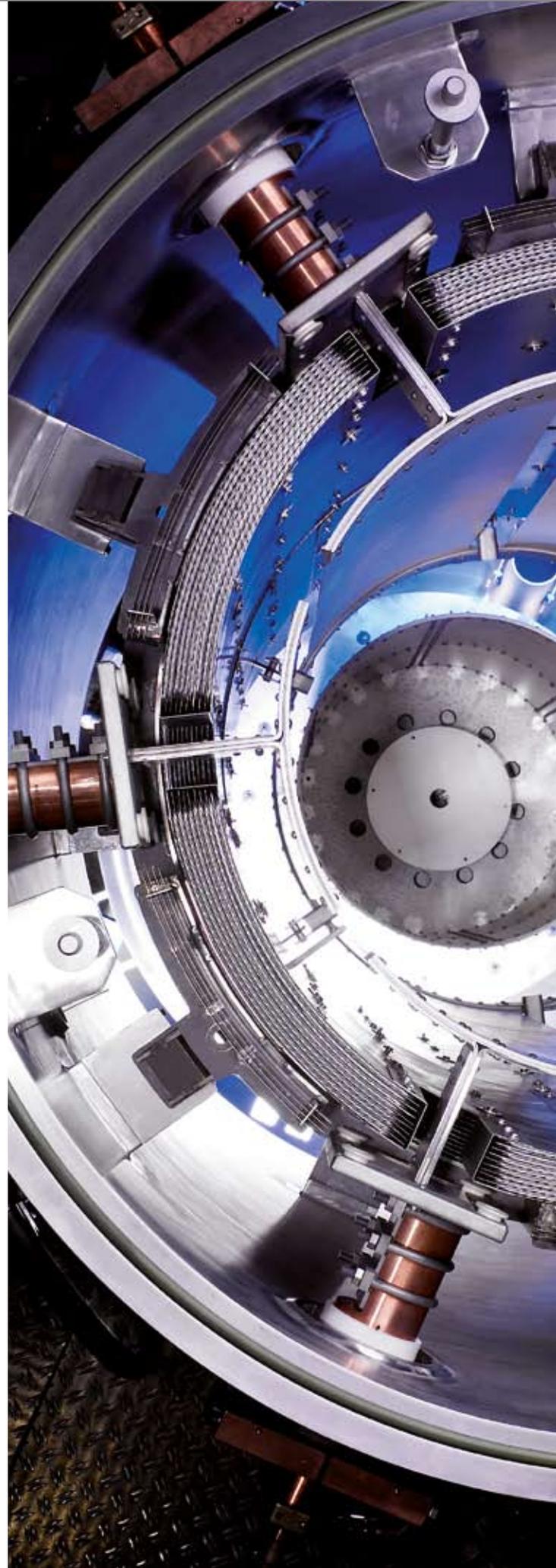


## Locations of PVA TePla AG





New Materials  
**Tomorrow's world**





As a vacuum specialist for high-temperature and plasma treatment processes, PVA TePla AG is one of the world's leading system engineering companies. Its core competencies are in the fields of systems for hardmetal sintering and crystal growing as well as the use of plasma systems for surface activation and ultra-fine cleaning. With its systems and services, PVA TePla enables and supports the innovative manufacturing processes and developments of its customers, primarily in the semiconductor, hard metal, electrical/ electronic and optical industries – as well as the energy, photovoltaic and environmental technologies of tomorrow.

The company provides its customers with customized solutions from a single source. These range from technology development through tailor-made design and construction of production facilities right up to an after-sales service that covers all four corners of the globe. The company will use its systems to enter the latest fields of application jointly with its customers – be they next-generation wafers for use in the semiconductor or photovoltaic industries, powdered-metal technology, new crystals for the optoelectronic industry, fiberoptics for data transmission or the development of high-tech materials and surfaces.

# Vacuum Systems Division





The Vacuum Systems Division of PVA TePla specializes in the development, construction and marketing of thermic plants and systems for processing high-quality materials at high temperatures. With almost 50 years' experience from more than 1,000 systems supplied worldwide, testimonials from big names in the industry and a diversified range of process plants, the Vacuum Systems Division of PVA TePla AG sets technological standards that have seen it grow to become a global market leader in the provision of vacuum sintering systems for hard metals in particular.

## Areas of Application

Conventional materials offer many avenues for optimization. Shaping them with powder-metallurgical methods enables complex components to be manufactured economically with the minimal use of materials and with efficient use of energy resources. Product characteristics can be improved and adapted to specific industrial needs. For example, the desired properties can be achieved by systematically altering the structure and purity of the material during thermal treatment under vacuum or inert gas conditions. Thermal vacuum processes are becoming increasingly important for high-tech materials and modern materials of the highest quality, in particular. Depending on requirements, PVA TePla systems can realize temperatures of up to 3,000°C under vacuum conditions.

The sintering of pre-formed hard-metal components at high temperatures and under vacuum conditions, followed by a compression cycle under high pressure – for example, for the tooling industry – is one of the core competencies of PVA TePla. The systems are also suitable for sintering ceramics, a material that is being increasingly used in car and engine production due to its low specific weight and thermal stability. The specific area of process engineering also covers the sintering of numerous components for engines and transmissions, and in precision mechanics using what is known as the 'MIM' method (metal injection molding, or injection molding using metallic powders). The MIM method permits the large-scale manufacture, for example, of technically challenging, complex and delicate components with a high degree dimensional accuracy in a process that can easily be reproduced.

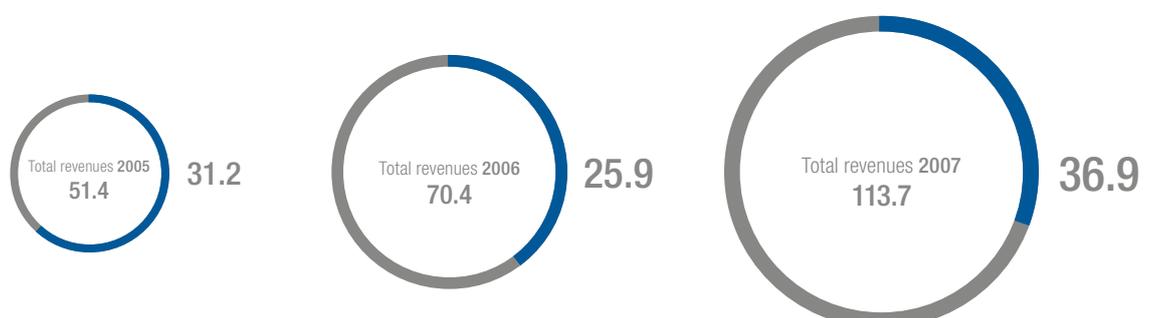
One example application in the area of precision casting technology is the production of turbine blades, which are becoming ever more fuel efficient, quieter and therefore more ecologically friendly thanks to their ability to function at increasing operating temperatures (reaching above 1,200°C) in stationary gas turbines as well as in aircraft turbines.

Vacuum-based processes are used, for example, in the treatment and coating of surfaces, for applications in metallurgy to melt, alloy and cast metals, in the production and processing of high-quality ceramics and glass. They are also used in bonding processes, such as high temperature brazing and diffusion bonding. Vacuum switches for power plants with extremely high electrical rupturing capacities are bonded in vacuum systems.

New applications are also possible for the semiconductor and photovoltaic industry: Increasing raw material prices and increasing requirements of the purity of materials enable new applications. Graphite for example is extensively needed in the crystal growing process and can be cleaned up in a heat treatment system.

Consequently, the company's target sectors are extremely diverse and range from materials research, electrical engineering and electronics to machine tools, micromechanics, aerospace, sensor technology, the automotive industry, optics and optoelectronics, surface and coating technology right up to energy technology and photovoltaics.

Development of sales revenues of the business unit  
Vacuum Systems referring to total sales (in EUR million)





- High current connection for 10,000 Amperes
- General view: High temperature vacuum furnace
- High temperature vacuum furnace



# Crystal Growing Systems Division





With its subsidiary Crystal Growing Systems (CGS) GmbH and manufacturing facility in Denmark, which it took over from Danish chemicals group Haldor Topsoe, PVA TePla AG is able to provide all the major industrially relevant processes, especially in the area of growing mono- and polycrystalline silicon crystals. Founded in 1999, CGS emerged from the Leybold Group and has a long tradition in the area of crystal growing, having delivered over 500 systems since 1958.

## Areas of Application

Extremely high-quality and highly pure crystals are vital components in a whole range of forward-looking industrial sectors, such as the

- Semiconductor-,
- Photovoltaic and
- Optoelectronic industries.

Rod-shaped silicon mono-crystals, also called ingots, are manufactured in the systems and then cut into thin discs. Known as wafers in the semiconductor industry, they are the basic material for chip production. The manufacture of silicon ingots, which must meet the most stringent quality standards, requires extremely reliable crystal growing systems based on sophisticated process technology. CGS has been designing and building these kinds of systems for decades now. In addition to systems for producing ingots with standard diameters of up to 200 mm, the Crystal Growing Systems Division has been supplying 300 mm crystal pulling systems for several years. It is also the world's only manufacturer to have produced, and supplied to its cooperation partners in Japan, systems for developing the generation after next of crystals and wafers with a diameter of 450 mm.

The raw material silicon is also extremely important for the photovoltaic industry, a field that is currently experiencing strong expansion of global production capacities for solar modules. A variety of government support programs have enabled Germany to secure its current position, along with Japan, at the forefront of this growth market of tomorrow. In addition to many other countries, China and the USA will become very significant markets for the photovoltaic industry in the future. The Chinese government plans to generate 12% of its electricity supply, equivalent

to roughly 120 gigawatts, from renewable energy sources by 2020, and similar programs are already in place in many other countries. In March 2007, the European Union also set ambitious targets aimed at increasing the share of renewable energy to 20% by the year 2020.

In today's fast-developing information society, methods allowing for rapid, broadband data transmission are becoming ever more important. For optoelectronic and high-frequency applications, increasing use is being made of compound semiconductors.

The gallium and indium-based materials most frequently for the latter differ from silicon in that their efficiency in interacting with light is significantly greater. Furthermore, they possess greater electron mobility, thus enabling the construction of transistors with higher cutoff frequencies. These types of compound semiconductors are therefore predestined for use in mobile wireless communication and in fiber-optic networks. In future, they will also capture new markets for optoelectronic applications such as LEDs.

Due to its high energy efficiency, which reduces electricity consumption by up to 80%, LED technology will play an important, if not leading, role in the lighting market in future. A supermarket in Switzerland has already become the world's first to be lit entirely by LED technology, while the debate in Australia regarding a possible ban on incandescent bulbs points to an impending revolution in lighting technology. Systems for the non-destructive inspection of silicon ingots in the photovoltaic and semiconductor industry which are already successfully introduced into the market are a reasonable extension of the portfolio of the business unit.

Development of sales revenues of the business unit  
Crystal Growing Systems referring to total sales (in EUR million)





- Mono-crystalline silicon ingots for the Photovoltaic industry
- Crystal growing system EKZ 3500
- Multicrystallizer for multi crystalline silicon ingots



# Plasma Systems Division





The Plasma System Division originated from the core business of the former TePla AG in Munich. The division specializes in technologies used for the surface modification of substrates through the controlled application of plasma.

The central role played by plasma as a key technology, primarily in the semiconductor and solar industries as well as in medical engineering and industrial fields, is based on its exceptional characteristics, such as high reactivity and the low level of stress applied to the surface being treated.

## Areas of Application

Plasma treatment enables a wide range of applications involved in the production of semiconductors. In front-end semiconductor manufacturing, the removal of photoresist masks, referred to as ashing, after the etching or implantation processes is one of the most important and frequently performed steps in the production of components. In the back end, chip packaging is becoming ever more important due to the increasingly sophisticated complex chip packages and optimized chip packaging processes that are required by the constant increases in speed and efficiency of the chips.

The need to deliver high performance in a manageable size is driving the trend for constant reductions in silicon chip thicknesses. Silicon thicknesses of 75  $\mu\text{m}$  and below are already commonplace in mass-production processes around the world. Up to 10 of these wafers are stacked on top of one another and then processed to form chips. In order to maximize the stability and workability of these types of extremely thin silicon wafers, all traces of damage left on their surface as a result of the grinding process must be removed. This is achieved in equipment provided by the Plasma Systems Division, using a dry chemical process that is unique of its kind in the world. The relaxation etching used in this case is also used in slightly modified form to achieve further thinning of the wafers. This enables the production of ultra-thin chips with a thickness of just 20  $\mu\text{m}$ .

The introduction of the 300 mm wafer generation has more than doubled the size of the processing surface previously available. However, this is also accompanied by an increasing risk of breakage along with all the resulting consequences, such as lengthy production downtimes following wafer breakage. When it comes to avoiding wafer breakage, early

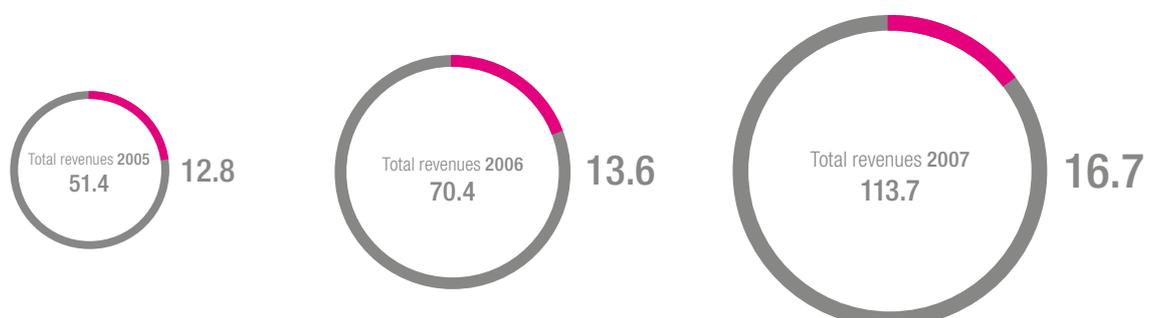
detection of mechanical stresses is a crucial factor. To this end, the division supplies fully automated metrology systems for measuring mechanical stresses in wafers. These systems make the stress distribution visible and quantifiable.

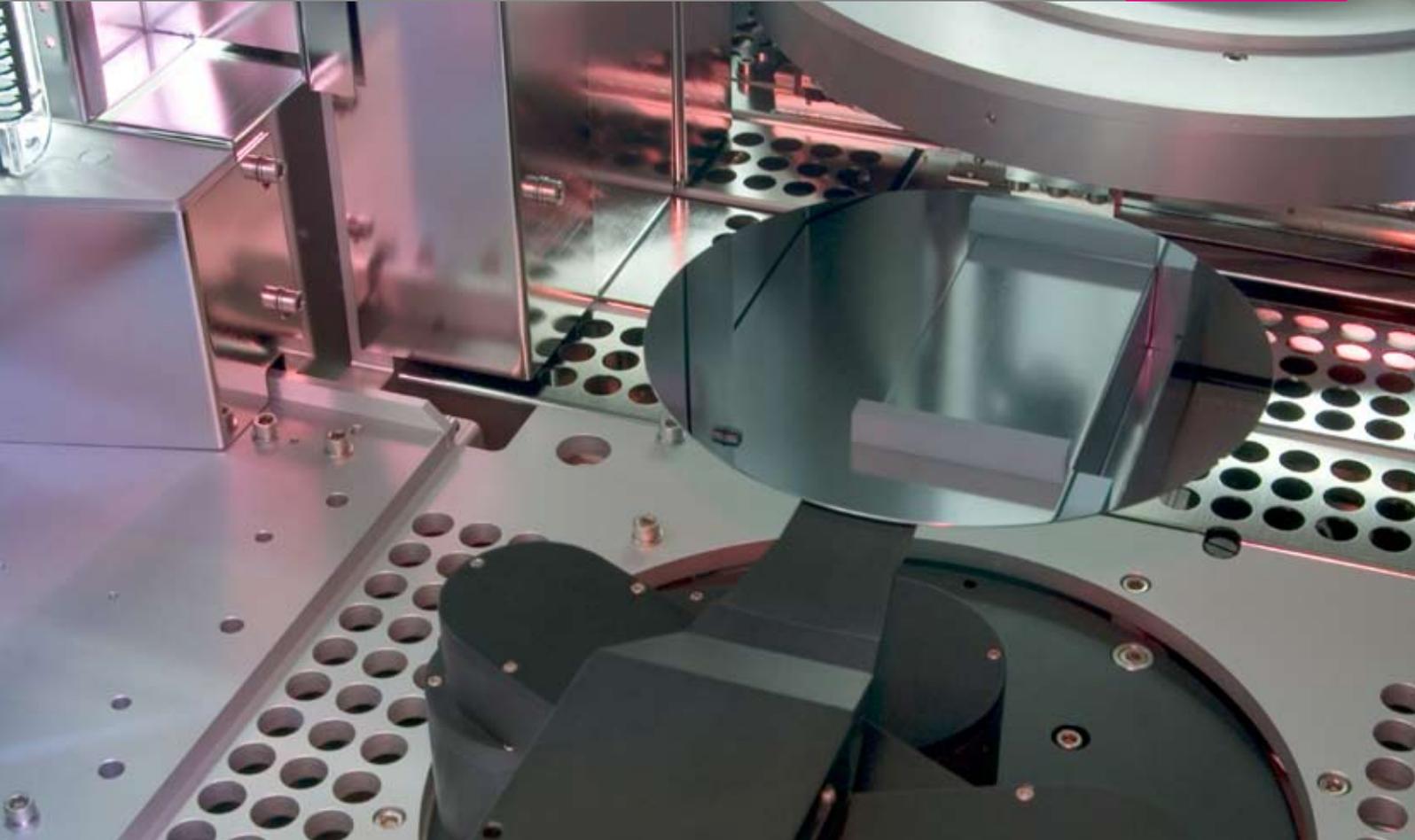
In the industrial and medical engineering market, material surfaces requiring cleaning, coating or chemical activation are subjected to a range of different plasma processes.

Plasma treatment allows specific characteristics in the basic material that are also desired on its surface to be changed in a controlled manner. Examples of these include plastics (polymers), which offer outstanding characteristics in terms of geometric stability combined with low weight, as well as easy formability and low costs. In spite of this, some of these outstanding characteristics of the basic material are frequently undesired on its surface. Bonding, casting or pre-printing of many types of untreated polymers is often difficult or impossible. In these cases, plasma treatment helps to change the surfaces in a controlled manner while retaining the optimum characteristics of the basic material. Plasma treatment can be used for etching, cleaning, activation, chemical modification and coating. As a result, it is suitable for use in achieving targeted changes on virtually any plastic surfaces.

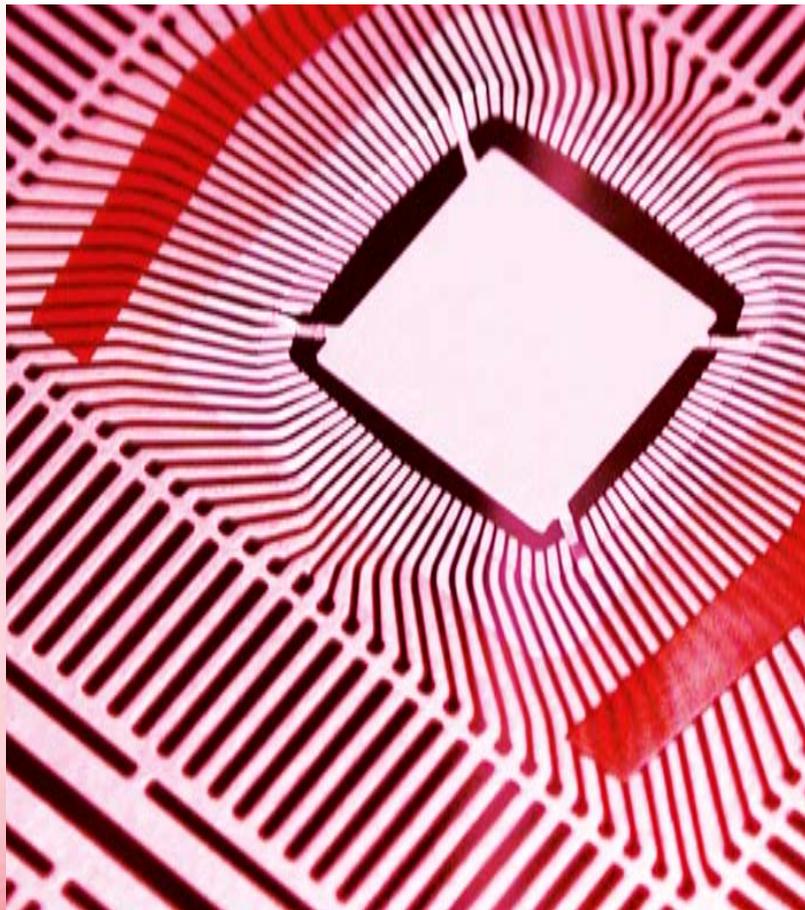
The medical engineering market also offers a large range of applications, which can only be performed to the required purity levels by means of plasma treatment. Examples of these applications include the targeted activation of surfaces of synthetic plastics to further stimulate the development of cell cultures. Plasma treatment is also a particularly effective means of sterilizing the inner walls of blood lines, for example, or changing the wettability of surfaces in an inhaler.

Development of sales revenues of the business unit  
Plasma Systems referring to total sales (in EUR million)





- Si-Wafer after measurement
- Chip after side wall healing using plasma
- Semiconductor Chip



## PVA TePla Shares

### Share performance

During 2007, the PVA TePla AG share price increased by 154%, from EUR 4.65 to EUR 11.79 by the end of December 2007. However, this substantial price gains dropped at the beginning of 2008. By mid-February the share was listed at EUR 7.89, still significantly higher than the share price at the end of 2006. The decline during the first weeks of the new fiscal year can be attributed to the financial and real estate crisis in the USA and insecurity on the stock exchange regarding the consequences of this crisis for the future development of the global economy. The fall in the share price occurred simultaneous to the negative performance on all stock exchange indices. In comparison with the

Prime Standard "Technology All Shares" indices relevant to our shares, which contains 154 stocks and the industry group "Advanced Industrial Equipment", which contains a total of 20 stocks, the PVA TePla shares performed significantly better up to February 2008.

In 2007, the share trading volume almost doubled on the stock market year-on-year, illustrating the increased interest in our shares.

The additional coverage of our Company by BHF Bank, from the beginning of 2007 is further good news.

		2007	2006
Earnings per share (EPS)	EUR	+0.28	+0.10
Annual high	EUR	11.94	5.30
Annual low	EUR	4.48	3.72
Closing price as of December 28/29	EUR	11.79	4.65
Performance of PVA TePla shares	%	154	22
Performance of Technology All Share	%	22	23
Performance of Prime Standard IG „Advanced Industrial Equipment“	%	-2	16
Number of shares at year-end	Mio.	21.75	21.75
Free float	%	74.20	49.00
Market capitalization at year-end	Mio. EUR	256.43	101.13
Base: Xetra prices			

### Shareholding structure

The free float of PVA TePla shares once again significantly climbed in 2007. It rose from 49% to around 74% of voting rights. In the second half of the year, Jenoptik AG relinquished its minority interest in PVA TePla AG. Accordingly, its shareholding of 17.7% was then acquired by German and international institutional investors. In the capital

market, the increased free float resulted in a higher share appeal. This means that an investment in PVA TePla has become even more interesting for institutional and private investors due to the fact that the liquidity of securities on securities trading exchanges has grown considerably.

## Reliable communication with the financial market

Intensive and open communication with the capital market is still a focus of PVA TePla's public relations. The annual financial press conference and analysts' conference call took place on March 30, 2007, when the 2006 figures were announced, at DZ Bank, Frankfurt, the Company's designated sponsor. The analysts present were provided with information on the Company's annual figures, which had just been published, and its strategy for the future. In addition to this, a large number of institutional investors are due to hear reports on the Company and its shares at roadshows in London, Frankfurt, Munich and Zurich as well as New York and Boston. PVA TePla AG also took part in the annual Equity Forum again on November 12, 2007, where the Company met with great interest on the part of investors. In general, we see an intensified interest in our Company and shares. This can be seen in the large demand for appointments with investors and analysts and also in the active participation in the telephone

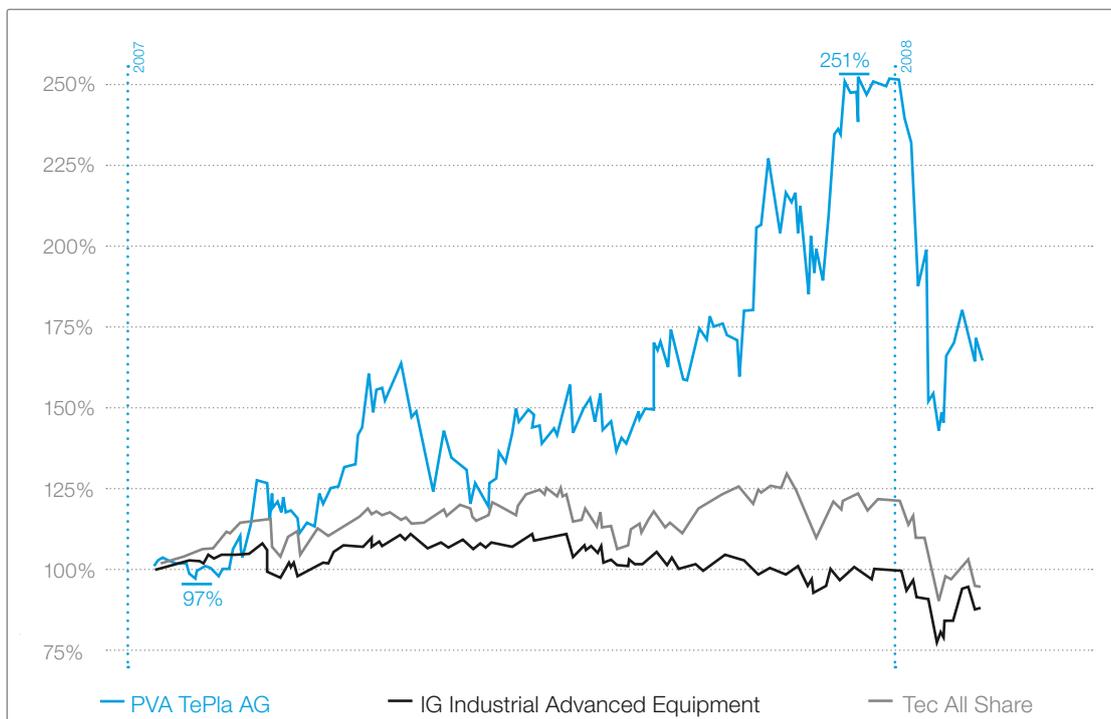
conferences, which began in 2007, on the occasion of each report publication. This became particularly evident towards the end of 2007 when increased interest in working with our Company was shown by institutional investors from the USA.

The Annual General Meeting again took place at Wetzlar's town hall on June 15, 2007. The agenda items proposed by the Management Board and the Supervisory Board were accepted by the shareholders with a large majority.

Our shareholders and other interested parties can find comprehensive information on PVA TePla shares, including the presentations held at the roadshows, on the Company's web site [www.pvatepla.com](http://www.pvatepla.com) under Investor Relations. If you wish to talk one-on-one, you can contact Dr. Gert Fisahn, our Investor Relations manager, on +49(0)6441/5692-342 or e-mail [gert.fisahn@pvatepla.com](mailto:gert.fisahn@pvatepla.com).



## Performance of PVA TePla shares January 2007 – February 2008



## Corporate Governance Report

Corporate Governance at PVA TePla AG fulfils all statutory requirements and complies with the recommendations in the Corporate Governance

Code except for a few minor deviations as explained in the following Declaration of Compliance.

### Shareholders

Our shareholders exercise their rights at the Annual General Meeting. They may exercise their voting rights personally or through a proxy acting in accordance with the shareholder's instructions. Proxies are nominated by the Management Board and their names are announced in the letter of invitation to the Annual General Meeting. We publish the documents for the invitation to the Annual General Meeting on our website.

Board meetings and reports, the Supervisory Board Chairman is updated during regular meetings with the Management Board.

### Management Board and Supervisory Board

The Management Board of PVA TePla AG determines the corporate goals, strategic alignment, corporate policy as well as organizational structure of the Group. In particular, this includes managing the Group including its financial resources, coordinating and monitoring the business divisions, planning human resources as well as presenting the Company to the capital market and the general public.

The Management Board informs the Supervisory Board promptly and comprehensively about all relevant plans involving the Company. Transactions and measures which require Supervisory Board approval are submitted to the latter in a timely manner.

The Supervisory Board of PVA TePla AG consists of three members who are informed in detail about the financial situation and business development of the Company at four meetings annually. Regular monthly reports by the Management Board detailing key financial and performance figures of the Company enable the Supervisory Board to monitor development of the business situation. In addition to

### Remuneration Report

The following report describes the structure and determination of remuneration for the Management Board and the Supervisory Board.

#### Remuneration of the Management Board

The remuneration of the Management Board members consists of a basic salary, other benefits (mainly a pecuniary advantage from the use of a company car and subsidized contributions to health insurance) and a performance-related bonus. The bonus is measured as a percentage of the annual net profit of the PVA TePla Group. The details can be found in the notes to the consolidated financial statements.

#### Remuneration of the Supervisory Board

The remuneration of Supervisory Board members is regulated by Article 14 of the Articles of Association of the Company. In line with this regulation, the remuneration of the Supervisory Board in the 2007 fiscal year was EUR 40 thousand. In line with the Articles of Association of the Company, the Supervisory Board members receive fixed remuneration and remuneration based on the Company's performance. This is taken into account by doubling the remuneration if the consolidated net income for the year exceeds EUR 1 million.

Stock options were not granted to members of the Management Board and the Supervisory Board in fiscal 2007.

## Shareholdings and subscription rights of executive body members

### Management Board

	Shares Dec. 31, 07	Shares Dec. 31, 06	Subscription rights Dec. 31, 07	Subscription rights Dec. 31, 06
Peter Abel (including PA-Bet. GmbH)	5,616,275	6,001,275	0	0
Arnd Bohle	0	0	0	0

### Supervisory Board

	Shares Dec. 31, 07	Shares Dec. 31, 06	Subscription rights Dec. 31, 07	Subscription rights Dec. 31, 06
Alexander von Witzleben	0	0	0	0
Dr. Peter Friedemann	0	0	0	0
Prof. Dr. Günter Bräuer	0	0	0	0

### Directors' Dealings

In line with Section 15a of the German Securities Trading Act (WpHG), members of the Management Board and the Supervisory Board are required to

disclose their transactions in PVA TePla AG shares. The following transactions were reported to PVA TePla AG:

Date	Name	Function	Type and place of transaction	Number	(EUR) Price	(EUR) Total volume
May 7, 2007	PA Beteiligungsges. mbH (Peter Abel)	PA Beteiligungsges. mbH is closely related to Management Board member Peter Abel	Sale of shares, off-market	235,000	7.10	1,668,500
Dec. 14, 2007	PA Beteiligungsges. mbH (Peter Abel)	PA Beteiligungsges. mbH is closely related to Management Board member Peter Abel	Sale of shares, Munich, Frankfurt, Xetra	150,000	11.60	1,740,000

## Risk management

PVA TePla AG is a fast-growing company offering numerous opportunities on the international markets. Entrepreneurial activity is simultaneously and inevitably associated with risks. The handling of opportunities and risks is managed with an efficient risk management system.

Details on the managing of risks faced by our Company is found under item 13 of the group management report in the 2007 Annual Report.

## Transparency and information

The Management Board and Supervisory Board of PVA TePla AG attach great importance to the transparency of corporate decisions. Timely dialog with the shareholders of the Company, the capital market and interested members of the public aim to provide a comprehensive view of our Company. All documents relevant to this objective, in particular quarterly and annual reports, documents for the Annual General Meeting, ad hoc announcements, other press releases, financial calendar, disclosures in line with the Securities Trading Act and information on our divisions are published promptly and regularly and are publicly accessible at our website ([www.pvatepla.com](http://www.pvatepla.com)). Analysts and institutional investors are also provided with opportunities to

inform themselves extensively about the business policies and prospects of our Company during road shows, balance sheet press conferences, analyst press conferences, regular telephone conferences and one-to-one conversations. The corresponding presentations are also available on the PVA TePla website for those who are interested.

## Audit of annual financial statements

The consolidated financial statements of PVA TePla AG are prepared in line with the International Financial Reporting Standards (IFRS). The single-entity financial statements of PVA TePla AG conform to German accounting legislation. The auditors are elected at the Annual General Meeting in line with statutory requirements. In line with item 7.2.1. of the German Corporate Governance Code, the Supervisory Board obtains a statement of independence from the auditor.

For the 2007 fiscal year, the audit of the financial statements were conducted by Dr. Ebner, Dr. Stolz und Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft. The annual financial statements were granted an unqualified audit opinion.

## Joint declaration of compliance by the Management Board and the Supervisory Board of PVA TePla AG in line with Section 161 of the German Stock Corporation Act (AktG)

The Management Board and Supervisory Board of PVA TePla AG, domiciled in Asslar, Germany, hereby declare that the recommendations of the German Corporate Governance Code of the Government Commission in its currently published version dated June 14, 2007 have been and are complied with. The following are deviations to the Code regulations:

1. The German Corporate Governance Code (Item 3.8 Paragraph 2) recommends including an appropriate deductible for liability insurance concluded by a company for its management board and supervisory board members (so-called directors and officers liability insurance, in short D&O insurance). PVA TePla AG's D&O insurance policy for the members of its executive bodies does not include a deductible. However, the members of executive bodies accept the following limited amounts of personal liability

towards the Company:

- up to 50% of annual Supervisory Board remuneration for Supervisory Board members
- up to 20% of their respective fixed annual remuneration for Management Board members.

2. Item 5.3 of the Code recommends the Supervisory Board to form committees. Due to the limited size of the Supervisory Board of PVA TePla AG (three members), no committees are formed. The issues for the committees as specified in Item 5.3 are dealt with by the entire Supervisory Board.

Asslar, November 28, 2007

on behalf of the  
Management Board:

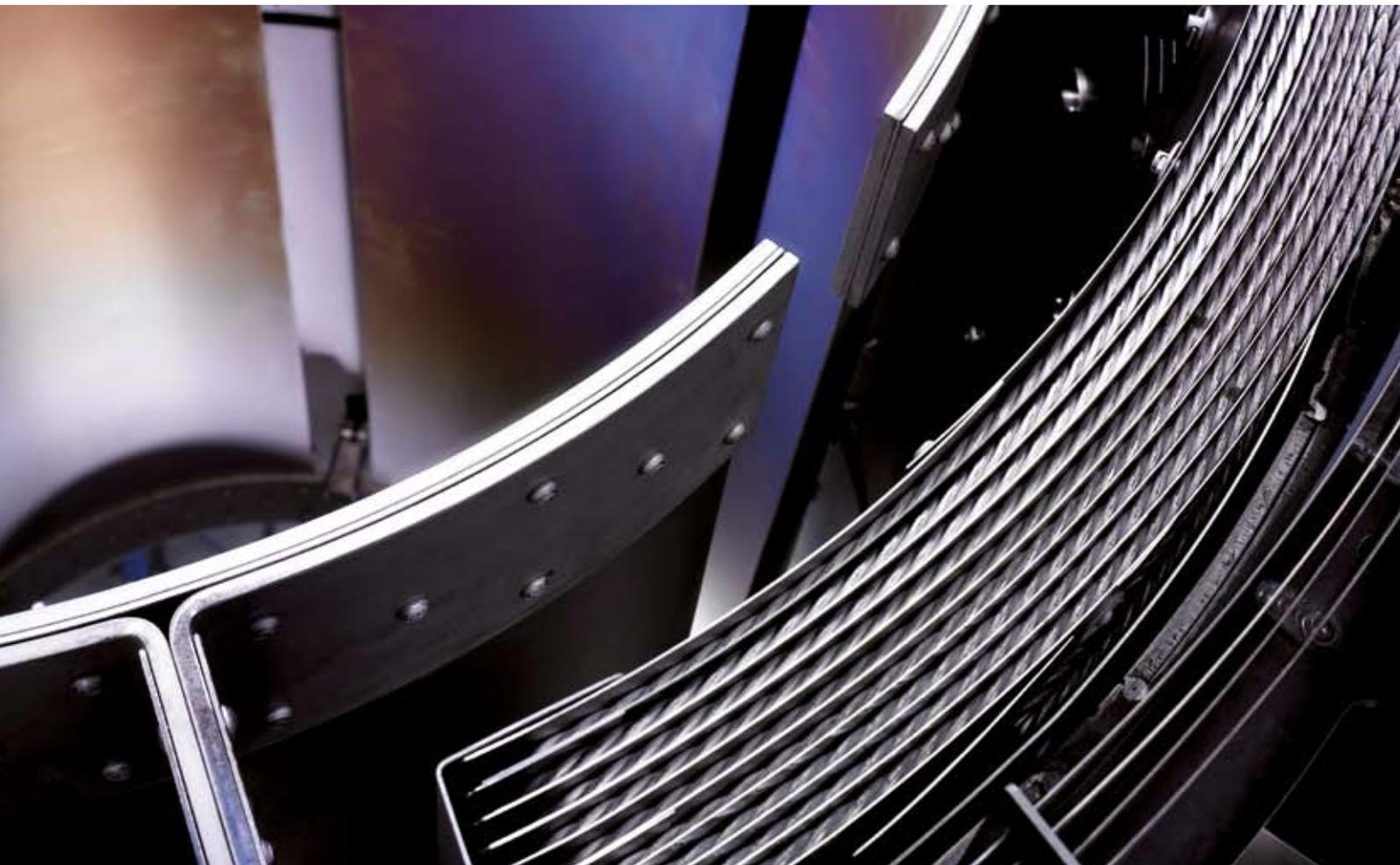
on behalf of the  
Supervisory Board:

Peter Abel  
Chief Executive Officer

Alexander von Witzleben  
Chairman of the Supervisory  
Board of PVA TePla AG



Process technology: In addition to the quality and reliability of our systems, the development and command of process technology is of utmost importance. We work in cooperation with renowned national and international research institutes to carry out research, development and optimization of production processes.



# Group Management Report

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## 1. Introduction

The present management report describes the business development of PVA TePla AG (the „Company“) and its subsidiaries (collectively referred to as „PVA TePla“ or the „Group“) in the fiscal year 2007.

PVA TePla operates worldwide as a supplier of systems for the production and processing of high-quality materials such as hard metals, metals, semiconductors, ceramics, glass, and also for surface treatment of these materials and various plastic surfaces. The production and treatment processes for these types of materials necessitate complex systems in which stable processes can be carried out in reproducible conditions. For this reason, they therefore usually take place under vacuum conditions or in inert gas atmospheres, at high temperatures or with the support of low-pressure plasma.

PVA TePla supplies vacuum systems that produce and treat high-tech materials and surfaces in a vacuum at high temperatures and in plasma. The market for these systems is always associated worldwide with state-of-the-art advances in materials and surface treatment technologies, for example the 300mm silicon (Si) wafer technology for semiconductors, mono- or poly-crystalline wafers for photovoltaics, structural materials for telescopes in outer space, production technologies for metal powder, for example for hard metals, and production technologies for micro-sensors (MEMS, Micro Electromechanical Systems) and luminous lamps made from semi-conductor diodes (HBLED, High Brightness Light Emitting Diodes), the technology for producing extremely thin wafers, and also surface treatment systems for plastic and steel. Devices for

inspection and quality control of materials that have been produced extend the Company's portfolio. This market will exist as long as high-tech materials are produced and further developed.

The markets served by PVA TePla are characterized by a limited number of suppliers and global dimensions. The PVA TePla products are sold in technologically demanding markets, largely in interesting market niches but also in fast growing markets such as photovoltaics.

## 2. Reporting Structure

Due to the increasing degree of integration between the separate divisions of the PVA TePla Group, an isolated analysis of PVA TePla AG that excludes the activities of the subsidiaries will provide only a limited view of the business and financial situation of PVA TePla AG. The preparation of a separate management report for PVA TePla AG for the present reporting year was, therefore, again waived. In this combined management report and Group management report, the specific aspects necessary for understanding the situation of PVA TePla AG are separately described in the respective sections. This integrated management report is also a part of the single-entity financial statements of PVA TePla AG. The consolidated financial statements of PVA TePla AG were prepared in accordance with international accounting principles, as laid down by IFRS. The individual financial statements of PVA TePla AG are prepared in accordance with the accounting principles contained in the German Commercial Code (Handelsgesetzbuch - HGB).

The Group structures its business activities, and hence its reporting, into three divisions: Vacuum Systems, Crystal Growing Systems and Plasma Systems:

## PVA TePla Group



The divisions marked in **dark-gray** have been included in the AG single-entity financial statements

This management report contains statements relating to the future, based on assumptions and estimates by the management of the Company. Although we assume that the forward-looking expectations in the statements are realistic, we cannot guarantee that these expectations will prove correct. The assumptions may harbor risks and uncertainties that could lead to actual results

deviating substantially from the forecasts made. Factors that could cause such deviations include changes in the macroeconomic and business environment, exchange rates and interest rate variability, launching of competing products, lack of acceptance of new products or services, and changes to corporate strategy.

## 3. Business and General Environment

### 3.1. Macroeconomic Environment

The upswing in the global economy continued throughout 2007. However, various trends in the dynamic of this development became evident. Development momentum remained high in the newly industrializing markets, particularly in Asia, while momentum declined in the industrial nations during the year. The USA, in particular, lost its role as growth engine. However, neither Japan nor the Eurozone were able to maintain the high level of the previous year.

Nevertheless, the global economy as a whole appears robust. In spite of the real estate crisis and its effects on the financial markets, the risks of which cannot be determined yet, and the continued increases in raw material prices, international trade developed positively. Also, the information available on production and demand lead to the conclusion that the economic development of the global economy is progressing positively. The assumption for 2007 is for an increase of around 5% in the global real gross domestic product (GDP), thus putting growth at above the medium-term trend of 4%. Estimates from leading institutes are forecasting a GDP of 4.5% in 2008. However, it should also be noted that the crisis on the financial markets has not yet been overcome and that a distinct weakening of the American economy, possibly even a recession, would have significant effects on the global economy.

In 2007, the strength of the economy in the **Eurozone** remained unchanged when compared to 2006. Private consumption suffered particularly due to the VAT increase in Germany. However, thanks to buoyant investment activities on the part of companies, GDP was significantly raised in Germany (2.5%) as well as in the Eurozone (2.8%). An increase of 2.4% is expected for the Eurozone GDP in 2008.

In **Russia**, the GDP has been rising at an annual rate of approximately 7% for several years. The country is profiting from the substantial increase in raw material prices, but also from active domestic demand which saw double digit growth in 2007 and which is expected to develop positively — something that

should benefit the foreign capital goods industry in the future. This led to imports increasing significantly faster than exports in the past year so that the trade balance shrank noticeably. Growth of approximately 6% is expected in 2008.

In comparison with the other industrial countries, at 1.9%, **Japan** posted distinctly lower moderate GDP growth in 2007. Growth for 2008 is not expected to vary greatly from that of 2007. The Japanese economy was also affected by the downturn in the American economy. Although private consumption developed positively, there were virtually no impulses from economic investments.

The extraordinarily high growth rate over the past years in **China** and **India** continued in 2007 and is not expected to lose momentum in 2008. At 12% GDP growth in the first six months, China achieved the highest growth rate in the past 10 years. Domestic demand as well as exports contributed to this dynamic development. India, with a growth rate of 9% in the first six months of 2007, good domestic demand is the key factor driving the upturn. With estimated 8% growth, the Indian economy remains on a good course and should not be affected by potential weakening of the global economy due to the low importance of its exports.

Although the **USA** posted GDP growth of 2% for 2007, this is still significantly below the growth rates of the other large industrial nations, excluding Japan. Alongside the financial crisis and the resulting consumer uncertainty, which will leave its negative mark on US domestic demand, demand for plant and equipment goods has also remained stagnant for some time. Due to the credit crisis, companies will also be impacted by tighter lending policy on the part of banks. If dollar continues to depreciate against the euro, European competitors in particular will experience difficulties in remaining competitive against American companies. As a consequence, US exports are growing faster than imports. As a result the US current account deficit is not expected to increase.

## 3.2. Sector Development

2007 was one of the most successful years for decades for the German mechanical engineering industry. Production of machines and systems expanded by around 11%. In comparison to recent years, the German domestic economy is contributing almost just as much to growth as foreign trade. Capacity is extraordinarily well utilized with a utilization rate of 92%. Even taking the real estate and the financial crises into account, an increase of 5% is expected for the German engineering industry in 2008. Orders for machinery and systems from abroad have not lost any momentum. Demand from the USA has taken a downturn in recent months. However, orders from Europe and the newly industrializing markets are as buoyant as ever. In the first ten months of 2007, orders received from abroad are 19% above the previous year.

The electrical and electronic industry also grew significantly in 2007 with a growth surge of 6% in Germany. This means that this industry sector has grown notably for the fourth consecutive year. Sales revenues from capital goods grew strongly. However the market for technical consumer goods has stagnated. In the area of capital goods, automation technology and energy technology in particular are outstanding contributors to growth. The ZVEI – the Central Association for electrical Engineering and the Electronics Industry – expects the vibrant growth to continue in 2008, provided the US real estate and financial crises are overcome.

The global semi-conductor market posted an increase in sales revenues of almost 3% to USD 270 billion in 2007. Leading market research institute Gartner estimates growth in sales revenues of 8% for 2008 – depending on the successful management of the financial crisis in the USA. Due to the strength of the euro, sales revenues in Germany declined by 4% in 2007. On a USD basis, semi-conductor manufacturers in Germany continued the growth trend and ended the year with a growth rate of 5%. Further developments in the semi-conductor market are closely linked with the buying behavior of the end consumer due to the ever-more frequent deployment of electronic components in consumer goods. For this reason, semi-conductor manufacturers will have to keep an eye on both the economic situation as well as the buying behavior in the future and also take into account their potential effects on the semi-conductor industry.

The photovoltaics market also grew considerably in 2007 on a global basis. Following the below-average growth in 2006 of just 17%, an expansion of 67% in installed output was achieved in 2007. Based on the growing amounts of silicon that are due to come onto the market in the years to come, growth in this industry is expected to continue at a high level.

## 4. Structural changes within the PVA TePla Group

Some structural changes took place within the PVA TePla Group since the annual financial statements as of December 31, 2006 were presented. Three new companies were integrated into the Crystal Growing Systems division.

On June 4, 2007, PVA TePla Singapore Pte. Ltd., Singapore was founded. Initially, PVA TePla Singapore Pte. Ltd. locally supports processing of a large order for the supply of Crystal Growing Systems for the semi-conductor industry to Siltronic Samsung Wafer Ltd., Singapore.

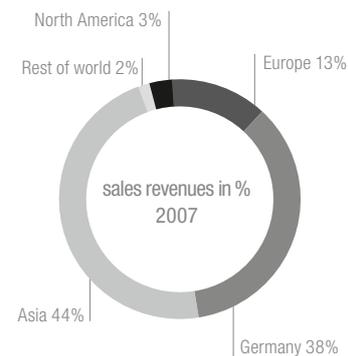
On October 22, 2007, the Company acquired the KSI Group which consists of Krämer Scientific Instruments GmbH, Herborn, Germany and its 100% subsidiary SAM TEC GmbH, Aalen, Germany. The KSI Group develops, produces and markets analysis and measuring systems for inspecting materials non-destructively using ultrasound in the GHz range. Initial systems to examine silicon ingots have already been sold to wafer producers in the semi-conductor and the LED industry. The acquisition of this group is seen as a reasonable addition to the value chain in the Crystal Growing Systems division.

PVA Vakuum Anlagenbau Jena GmbH was reclassified on January 1, 2007, from the Vacuum Systems division to the Crystal Growing Systems division. Due to the very good order situation, the company almost exclusively produces crystal growing systems. In the past, this subsidiary produced systems mainly for the Vacuum Systems division. The previous year's figures have been adjusted accordingly.

## 5. Sales revenues

The PVA TePla Group generated consolidated sales revenues of EUR 113.7 million in fiscal year 2007 (previous year: EUR 70.4 million), thus increasing its sales as forecasted by 61%. Sales revenues constantly grew over the individual quarters and reached its highest value of EUR 35.5 million in the fourth quarter (Q1: EUR 15.4 million, Q2: EUR 29.3 million, Q3: EUR 33.5 million).

Of sales revenues generated, 38% (previous year: 47%) were achieved in Germany. This proportion of sales revenue can be attributed particularly to orders from ersol Wafers (ASi Industries GmbH) and from Siltronic AG in the Crystal Growing Systems division. The markets in Asia continue to play a large role. 72% of sales revenues from foreign markets are attributable to the Asian region. The order to supply crystal growing systems to the joint venture between Siltronic and Samsung in Singapore as well as the systems business from the Vacuum Systems division significantly contribute to sales revenues in this region. 13% of sales revenues were generated in the rest of Europe and 3% is attributed to North America.



Sales revenues by region

### Vacuum Systems Division

With EUR 36.9 million, the Vacuum Systems division generated 42% more sales revenues than in the previous year (EUR 25.9 million). With a proportion of sales revenue of 32%, the Vacuum Systems division was the Group's second strongest business division in terms of sales revenues.

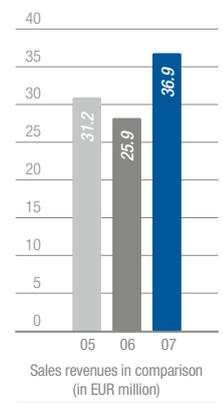
At 82%, the systems business achieved the largest proportion (previous year: 77%). Sales revenues in the Service and Contract Processing reached the high level of the previous year. However, due to the significant growth in the systems business, the proportion of the total sales revenues decreased to 18% (previous year: 23%).

Despite the extraordinarily high euro, the export share in the systems business continued at a very high level. 73% of the systems built were exported (previous year: 77%). In absolute figures, a notably higher level of sales revenues was generated in foreign markets than was the case in 2006. Approximately 38% of systems revenues were achieved in Asia, China still playing a particularly important role for the Vacuum Systems division. Also pleasing is that in 2007 a larger order was supplied to Japan, a market that is traditionally seen as particularly difficult. The export share in the rest of Europe was 30% with Germany itself contributing 27% to sales revenues.

The hard metal area, with 73% of systems revenues, is still by far the most important unit of this division. 18% of systems revenues were other graphite-heated vacuum systems, some of which were supplied to the semi-conductor industry last year.

Löt- und Werkstofftechnik GmbH (LWT), as a subsidiary of PVA TePla AG, operates as a service provider (contract processing) in the high-temperature brazing and heat treatment market and, as was the case in 2006, posted an extremely successful fiscal year in 2007. The company again increased sales revenues against the previous year. The company's results of operations are also very positive, remaining at the high level of 2006. The basis for the successful fiscal year 2007 was the acquisition of numerous new customers as well as the expansion of production capacity combined with the continued development of our close customer relationships.

Vacuum Systems



### Crystal Growing Systems Division

Due to the outstanding orders situation and the large orders on hand, the Crystal Growing Systems division almost doubled sales revenues year-on-year (previous year: EUR 30.9 million) at EUR 60.1 million. This division contributed 53% to total sales revenues, thus significantly increasing its proportion of the PVA TePla consolidated sales revenues. Asia played the most important role in the regional breakdown of sales revenues in 2007.

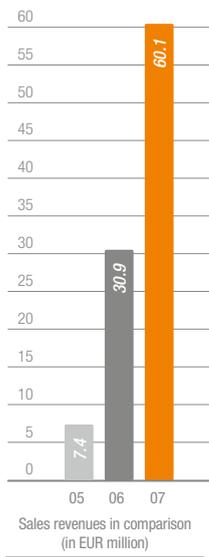
The production capacity of our customers in those markets that are currently important for crystal growing systems — semi-conductor and photovoltaics — are still developing. The switch to 300mm technology and the associated long-term realignment of silicon ingot production in the semi-conductor industry is progressing. Over the next few years in photovoltaics, the amount of solar silicon produced is expected to grow significantly due to capacity expansions carried out by established manufacturers. Most of the silicon capacity due to come onto the market has already been sold to wafer manufacturers. Over the coming years, a large number of crystal growing systems will have to be ordered by the market in order to process the corresponding amounts of material. Due to the fact that PVA TePla has all the standard technology in the industrial production of ingots, the Company is very well positioned on the market. In 2007, approximately 60% of sales revenues from the Crystal Growing Systems division are attributable to the semi-conductor industry. The processing of the two large orders — from the joint venture between Siltronic and Samsung in Singapore in November 2006 as well as from Siltronic AG in Freiberg in March 2007 — advanced according to plan in 2007. From the second quarter onwards, these orders contributed considerably to sales revenues and growth of the Crystal Growing Systems division. To the end of

the year, the first crystal growing systems went into operation in Singapore, in line with the agreed time plan. In fiscal year 2007, other sales revenues are attributable to the area of photovoltaics. 2007 sales revenues are principally due to the large April 2006 order from ersol Wafers (ASi Industries) to supply systems for pulling mono-crystalline silicon ingots. Due to newly acquired customers, with whom a long-term partnership, similar to that with ersol Wafers, is enhanced, the area of crystal growing systems for the photovoltaics market is set to develop steadily. New products, such as the Multicrystallizer for the production of multi-crystalline silicon ingots, will further strengthen PVA TePla's market position.

The Company's branch in Denmark also again made a pleasing contribution to sales revenues. Two crystal growing systems for thin silicon rods (slim rod pullers) as well as a crystal growing system for analytical purposes were produced for a Korean customer. Both types of systems are being implemented in connection with the production of highly pure raw silicon. PVA TePla Denmark is also expecting further orders in this area for the given systems as a result of the extensive global expansion of capacity to produce this material.

Contributions to sales revenues of EUR 1.5 million from the subsidiaries KSI and SAM TEC are also very positive. Both companies were acquired by the Group in October 2007. The non-destructive ultrasonic inspection and quality control of materials is a pioneering technology that can be applied in numerous industrial areas due to its three dimensional high-definition. At present, the analysis devices are principally supplied to leading technological companies for the testing of material and components throughout the entire chip-manufacture value chain.

Crystal Growing Systems

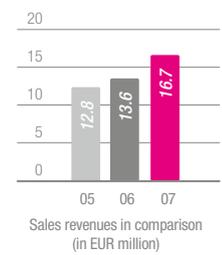


### Plasma Systems Division

The Plasma Systems division generated sales revenues of EUR 16.7 million in 2007 (previous year: EUR 13.6 million) thereby contributing 15% to PVA TePla's total sales revenues. The systems business contributed 86% to the division's sales revenues. Contract Processing and Service account for 14% of sales revenues. In the systems business, the semi-conductor business field (the semi-conductor front end and chip packaging product units were combined into the semi-conductor business field) achieved sales revenues of EUR 9.0 million, slightly below that of the previous year (EUR 9.2 million). This makes the semi-conductor business field the largest contributor to sales revenues (54%) in the Plasma Systems division. Systems for the industrial/medical market experienced a significant growth in sales revenues, up to EUR 5.3 million (previous year: EUR 2.5 million) thereby contributing 32% to the division's sales revenues. This notable growth is primarily due to the acquisition of PlaTeG GmbH in the last fiscal year and its contribution to sales revenues. At EUR 2.4 million, the Contract Processing and Service generated an increase in sales revenues compared to the previous year figure of EUR 1.9 million. This business field contributed 14% to the division's total sales revenues.

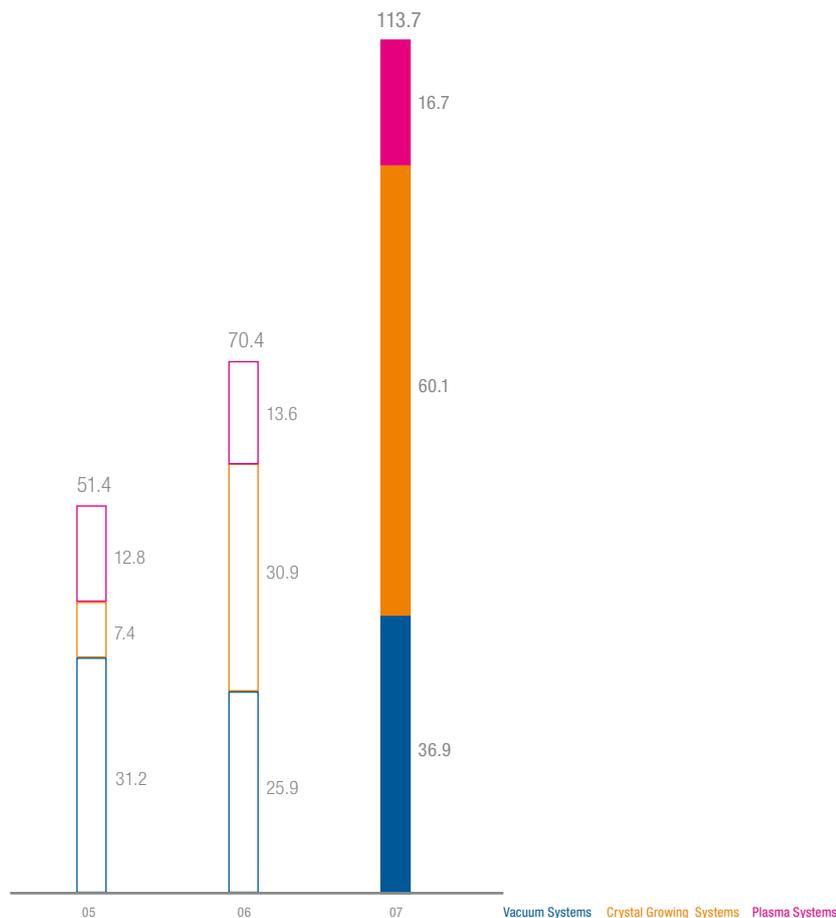
Asia, accounting for 40% of the systems business, is the most important region in the regional breakdown. Within Asia, Taiwan is by far the most important market as the largest companies in the chip packaging industry are based here. China is expected to play a steadily increasing role, due to the fact that photovoltaics are becoming more and more important in this region. North America contributed 24% to sales revenues, with Germany and Europe generating 16% each. The Plasma Systems division restructured its sales organization in the past fiscal year, particularly in the USA, in order to generate higher sales volumes in the future in this region. Innovations were realized in all product areas such as front end ashing, ultra thin wafers, back-end chip packaging and wafer metrology and are due to be completed in 2008 and will meet our larger customers' technical purchasing specifications to a higher degree. All in all, our relationships with customers, particularly larger customers, are developing well. In all regions, the Plasma Systems division has a stable base of customers who have each purchased between 10 and 60 systems from PVA TePla since 1999.

Plasma Systems



## Consolidated sales revenues by division

(in EUR million)



**PVA TePla AG** reported sales revenues of EUR 46.8 million (previous year: EUR 44.2 million) in its single-entity financial statements. With EUR 30.4 million (previous year: EUR 29.5 million), the Vacuum Systems division again provided the largest contribution to total sales revenues. The Crystal Growing Systems division contributed EUR 6.4 million (previous year: EUR 3.9 million) to

sales revenues. This division, in which the order from the Siltronic-Samsung joint venture and the order from Siltronic AG are processed, also comprises the Danish branch which supplied three crystal growing systems in the past fiscal year. The Plasma Systems division did not quite match the previous year's EUR 10.8 million, with a figure of EUR 10.0 million.

## 6. Orders

### Incoming orders

In fiscal year 2007, the Group again improved on the extremely good incoming-order figures from the previous year – growth was from EUR 139.5 million to EUR 146.0 million. This also meant that the previous record from the previous year was once again beaten. The Vacuum Systems division accounts for that increase.

With a book-to-bill ratio of 1.28 at Group level, as expected the previous year's distinctly high ratio of 1.98 was not reached. However the current ratio confirms that the Company is still on a sharp upward trend.

The **Vacuum Systems division** achieved the highest growth figures. At EUR 48.4 million, the figures for the previous year (EUR 37.1 million) were exceeded by 30%, generating 33% of total incoming orders. This increase is much higher than the long-term growth trend that is expected of this division. As in fiscal year 2006, the amount of incoming orders in the fourth quarter (EUR 15.1 million) was once again the highest of all quarters. December 2007 is worthy of special mention due to incoming orders of EUR 8.7 million – this is the division's highest incoming order count in any month in the history of the company. Approximately 74% of orders for systems were received from abroad. Asia, with its approximately 40% share of incoming orders, again played a major role. More than half of the orders from this region come from China. The rest of Europe accounts for around 25% of all orders.

In the **Crystal Growing Systems division**, the order situation is dominated by large orders. At EUR 81.3 million (previous year: EUR 88.0 million), the extremely high incoming order figures from the previous year were not matched (2006 figures include the large order from Siltronic Samsung Singapore). However, the current figure is still at a very high level and generated 56% of total incoming orders.

The division posted three large orders in fiscal year 2007. CGS GmbH received an order from the photovoltaics industry to the value of around EUR 20 million from ersol Wafers (ASi Industries GmbH), a 100% subsidiary of ersol AG. This comprises the supply of systems for growing mono-crystalline silicon crystals. The systems are designed for ingot diameters of up to 300mm. The successful cooperation with this company from the photovoltaics industry is well documented through this additional follow-up order. In addition, we also attracted a new large customer: SiTech is part of the Norwegian REC Group which produces silicon basic material and also focuses on the production of solar wafers from mono-crystalline silicon. This company chose the CGS technologically advanced systems, placing an order for 50 systems. PVA TePla AG received a large order worth around EUR 22 million from Siltronic AG in the semi-conductor industry to supply crystal growing systems for 300mm silicon crystals for the semi-conductor industry.

The large orders are complemented by several interesting orders of a smaller volume. Worth mentioning is the order from Wacker Schott Solar for the first eleven systems based on the EFG process.

PVA TePla Danmark increased its order volume considerably and won orders for float zone systems, slim rod pullers and analytical crystal growing systems. The growing production of raw silicon material has become evident also in that area of crystal growing systems.

KSI, the recent addition to the Group, has won orders to supply analytical systems to examine the quality of silicon ingots in the semi-conductor industry.

The Crystal Growing Systems division continues to expect increased demand for the relevant systems on the global market. In addition to their current

position on the semi-conductor market, the versatile technology that PVA TePla and its subsidiaries have puts the Group in a very strong position on the photovoltaics market.

The **Plasma Systems division** recorded customer orders amounting to EUR 16.3 million (previous year: EUR 14.4 million). The division thus achieved a share of 11% of total incoming orders. A glance at the individual regions shows Europe together with Germany as the most important region. Asia is the second most important region in the regional breakdown. PlaTeG GmbH products represent a significant share of the division's incoming orders. The semi-conductor business field recorded the strongest level of incoming orders for any business field.

**PVA TePla AG** viewed as a single company had incoming orders amounting to EUR 90.8 million (previous year: EUR 109.2 million).

The overall picture for the Vacuum Systems division is similar to that of the Group as a whole. Orders of

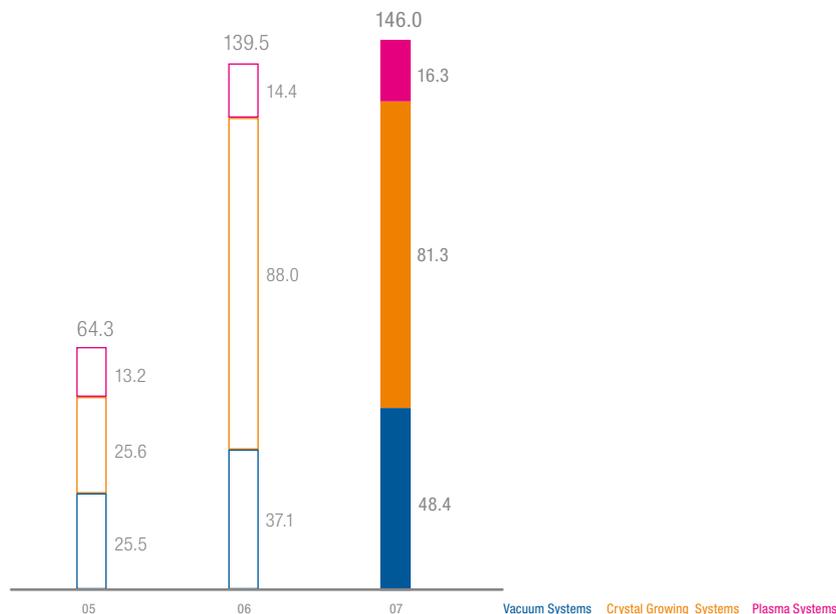
EUR 47.4 million clearly exceeded the previous year's figure of EUR 37.4 million. This includes intra-Group orders of EUR 2.0 million (previous year: EUR 3.0 million).

In the Crystal Growing Systems division, a value of incoming orders of EUR 34.4 million was achieved (previous year: EUR 61.6 million). Incoming orders consist primarily of an order from Siltronic AG to supply crystal growing systems for the semi-conductor industry. The high incoming orders figure in 2006 was due to the order from Siltronic Samsung Wafer Pte. Ltd, which was recorded in the newly installed Crystal Growing Systems division of PVA TePla AG. In 2007, the Danish branch also contributed to the good incoming orders figure in this division, with EUR 7.2 million compared to EUR 2.1 in the previous year.

The Plasma Systems division did not quite match the previous year's EUR 10.2 million, generating a figure of EUR 8.9 million. Intra-group orders within this division amounted to EUR 0.5 million.

## Incoming orders by division

(in EUR million)



## Order backlog

The Order backlog of the PVA TePla Group is shown here after deducting sales revenues already recognized according to the percentage of completion method (POC).

On this basis the Group exceeded the previous year figure of EUR 101.1 million and to December 31, 2007, achieved the new record figure of EUR 137.1 million.

The **Crystal Growing Systems division** has the largest order backlog, with a value of EUR 103.4 million (previous year: EUR 78.8 million). The 31% increase in the order book confirms the positive development in this area, and the importance of this division currently for PVA TePla. The delivery of existing orders will continue to the beginning of 2009.

The amount of orders on hand in the **Vacuum Systems division**, at EUR 30.4 million, has also grown 60% compared to the previous year (EUR 18.5 million). This is the second consecutive year

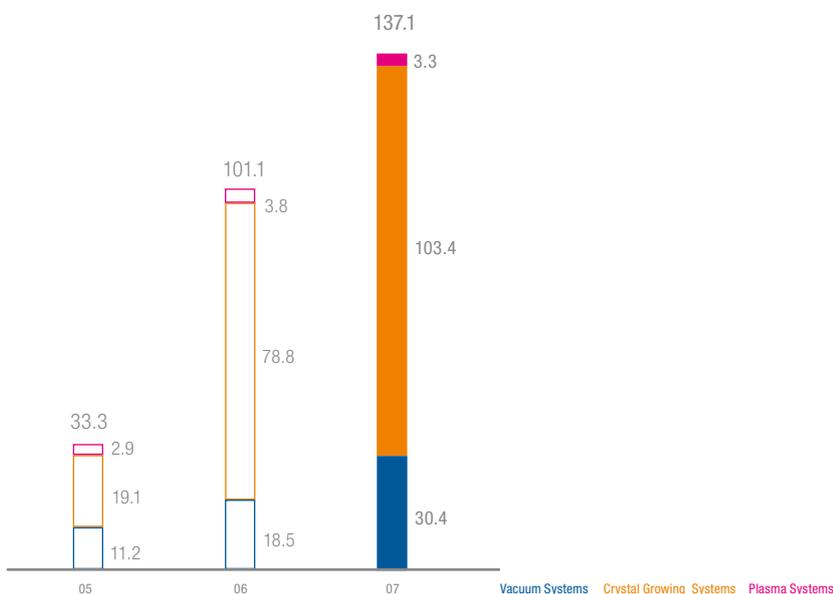
where the order backlog has grown to this extent. This figure also confirms the medium-term growth trend and represents a very good starting point for the business planned in the new fiscal year.

The **Plasma Systems division** recorded a value of EUR 3.3 million (previous year: EUR 3.8 million). Due to the short-term completion times for orders of this division, a larger ratio of order backlog, compared to sales, is generally not to be expected.

The **PVA TePla AG** order backlog— seen individually here as nominal values in accordance with German accounting principles - climbed significantly to EUR 134.4 million (previous year: EUR 88.6 million). The Vacuum Systems division contributed EUR 43.8 million (previous year: EUR 26.7 million) to this figure. The largest part related to the Crystal Growing Systems division that showed an order book of EUR 89.2 million (previous year: EUR 59.5 million). The Plasma Systems division recorded a value of EUR 1.4 million (previous year: EUR 2.4 million).

## Order backlog by division

(in EUR million)



## 7. Production

In 2007, the production of systems as well as the contract processing took place in Germany at the locations Asslar, Feldkirchen, Siegen and Jena. At the end of the year, the transfer of production from Asslar to the new PVA TePla AG headquarters in Wettenberg near Giessen began. A new production location is a result of the acquisition of the KSI Group in Herborn, Germany. Outside Germany, production took place at the locations Corona in the USA, Frederikssund in Denmark and Xi'an in China.

Vertical integration remained low in all areas. Parts are manufactured in-house only to a small degree. This results in a relatively high percentage of material costs, but offers the possibility of making short term and flexible adjustments to production capacity, as necessary, to meet a possible change in demand.

In the **Vacuum Systems division**, systems were produced at the Asslar location where the production facilities were fully utilized throughout the year. Peaks in demand were covered by buying in external assembly capacity. Due to relocating production to Wettenberg, the assembly areas will double. The additional capacity is urgently needed in this division to process the very high number of orders on hand. The relocation of the production facilities will be carried out successively i.e. system assemblies that have not yet begun will be carried out in Wettenberg and projects that have already begun will be completed in Asslar.

The contract processing area also achieved a maximum use of operating capacity at both the Asslar und Jena locations. In addition, by the end of fiscal year 2007, the Company moved production to the new facilities at the Wettenberg location. With more than 600m<sup>2</sup> production area, PVA Löt- and Werkstofftechnik now has a sufficient infrastructure to enable sustained growth in the coming years.

With regard to the **Crystal Growing Systems division**, the production facilities in Jena were fully utilized due to the orders from the semi-conductor industry and from the photovoltaics market. Capacity at this location more than doubled as a result of opening two new assembly facilities in the middle of 2007. The production capacity at the Frederikssund location in Denmark also had very good utilization levels. Here, two slim rod pullers and one float zone crystal growing system were supplied to customers in fiscal year 2007. If necessary, a reduction in the vertical integration of manufacture would result in an increase in the volume of business that can be handled. In Herborn, the assembly capacity for ultrasonic analytical systems was also well utilized due to the high number of orders on hand.

In the **Plasma Systems division**, the production facilities at Feldkirchen – at approximately 75% of maximum capacity (previous year: 80%) average utilization levels were somewhat down year-on-year – are therefore still not fully utilized and offer possibilities for increasing production in the current fiscal year. The production of systems at the Corona location in the USA offers significant growth potential. In order to increase capacity utilization at this location, the production of two products were relocated from Feldkirchen to the USA. PlaTeG capacity utilization at the Siegen location was also good. Due to a large order from Asia at the beginning of 2008, capacity utilization will continue growing in the current fiscal year.

The existing assembly areas, plus those soon to be completed — in particular those in Wettenberg — are sufficient for the planned expansion in the volume of business in 2008. If required, the assembly capacity can be enlarged for additional orders by renting, and also by the construction of new assembly areas, at short notice. In addition, the transfer of partial stages of the assembly or the complete assembly of certain components or also complete types of systems is possible, if needed.

## 8. Research and development

The costs of research and development in the Group in the reporting year totaled EUR 1.7 million (previous year: EUR 1.5 million). The activities of the individual divisions are outlined in the following text

### Vacuum Systems Division

In the Vacuum Systems division, R&D work is largely conducted in the context of paid customer orders; these costs are therefore recorded under cost of sales, and not separately disclosed. R&D services that lead to innovations and to the optimization of products are estimated at approximately 10% of our entire design engineering output.

In the past fiscal year, a high-temperature system for cleaning graphite and insulating felt was created as part of a customer order. These materials, which are used in crystal growing systems for mono-crystalline crystals (ingots) for the semi-conductor and photovoltaics market and are contaminated with silicon during use, are annealed silicon free in our system, i.e. all traces of silicon residue are removed. Silicon is evaporated in a vacuum with a slight current of inert gas at temperatures of up to 2,000°C. Thanks to this method, the costly and – in future – scarce material of graphite can be used again without losses and without impairing silicon mono-crystal production.

In the second six months of 2007, the newly developed VGF (Vertical Gradient Freeze) system for larger crucible dimensions (jumbo crucible) for the manufacture of poly-crystalline ingots for photovoltaic silicon wafers was finished and put into operation. The larger crucible ensures greater throughput and higher productivity. Development of this system concept was advanced with the aim of reducing costs. Additionally the safety concept – several accidents with systems from other manufacturers had recently occurred at solar wafer manufacturers – for safe operation and production using our systems was again reviewed. Initial orders for systems of this kind have already been placed in the reporting year.

A constructive thermal optimization of the rapid cooling systems for pressure sintering furnaces was completed, leading to reduced cooling times, and therefore reduced production cycle times. This measure has already been implemented in initial system orders.

### Crystal Growing Systems Division

In fiscal year 2007, the focus in the Crystal Growing Systems division was on control station technology for production facilities with up to several hundred crystal growing systems. Using this control station technology, all communication and safety systems for a range of crystal growing systems can be controlled from a uniform interface. For companies in the semi-conductor and photovoltaics industry, which often use a large number of systems in their plants, this new kind of control system is an efficient and cost-effective control and optimization system, coupled with the utmost levels of user friendliness and adapted to respective individual requirements. A cooperation agreement was concluded with an American company to develop a new and unique VGF system, which can be used to produce crystals for high-brightness LEDs under extremely high gas pressure. For a number of markets, such as the lighting or automotive industries, LED technology will play a key role in future on account of its energy efficiency.

In cooperation with a customer, CGS realized a process that allows silicon mono-crystals of 300mm diameter to be grown for solar wafers. Ingots for wafers of 210mm x 210mm can be produced using this process. Currently, standard wafers have a format of 156mm x 156mm. The advantage of this 300mm growing process is essentially a greater exploitation of wafer surface, leading to greater material throughput and therefore higher productivity from each growing system.

PVA TePla AG is currently establishing a new laboratory for the Crystal Growing Systems division. This also includes the operation of state-of-the-art facilities for mono-crystalline crystal manufacture (up to 300mm) and poly-crystalline silicon (with jumbo crucible). In respect of the development activities, this will drive forward future process optimization and further development of hardware even more rapidly and more efficiently. Intensive project-related cooperation with research facilities and universities is planned. However, this facility is not only available for the purposes of R&D, but can also be used for process demonstrations and customer training.

#### Plasma Systems Division

In 2007, the main focus in the Plasma Systems division was on developing innovative system concepts for new and for existing customer applications in order to enter into new markets and improve competitiveness in the global market. An additional objective for manufacturing and production was on the one hand significantly reducing the complexity of our product portfolio and, on the other, constructing modular systems to be able to offer them in varying applications.

Thanks to the innovative concept of the new inline-plasma system generation of the PS 80 Plus type, which is used by clean/activate chip carriers in backend chip packaging using direct microwave technology, two orders were gained from a leading high-brightness LED manufacturer. The first delivery was in February 2008.

The semi-automatic PS 4008 machine platform has been complemented by hydrogen technology. This

taps into a new application field in the cleaning of contaminated metal. The technology is based on a modular machine platform which meets the particular requirements in the thin wafer product sector. The prototype is to be introduced to customers globally in the first quarter of 2008.

In the wafer metrology product sector, a demonstration device of the SIRD type was established with state-of-the-art design and audited and certified in Spring 2007 in accordance with the relevant semi standards by a specialized company in the USA. The SIRD measuring instrument based on polarized laser light identifies defective stresses in highly pure semi-conductor silicon. This development was an essential requirement in order to offer SIRD technology for production conditions in state-of-the-art semi-conductor fabs on a global scale. In addition, sales of this product range were positively influenced by a globally implemented test series of our instruments which was initiated by a leading chip manufacturer and implemented at our customers' facilities.

In the second quarter, the new PS 210 microwave laboratory plasma system was launched for international sales in the semi-conductor business field. The system is being built in the USA by PVA TePla America and is replacing the current predecessor models which were produced at the Feldkirchen location. The system satisfies the demand for modularity and can therefore be offered with a particularly short delivery time of four weeks. Customers will include universities and institutions as well as smaller mid-market customers for pilot productions.

## 9. Investments

At EUR 25.7 million (previous year: EUR 2.5 million), the investment volume was considerably higher in 2007 than in previous years. The amount invested was split between property, plant and equipment in the amount of EUR 19.4 million (previous year: EUR 2.3 million) and intangible assets in the amount of EUR 6.3 million (previous year: EUR 0.2 million). No financial investments were made, as in the previous year.

At a value of EUR 17.3 million, the predominant share of investments in 2007 was in the expansion of production areas by constructing new assembly facilities in order to manage the outstanding number of orders on hand and to ensure the Company's future potential. The production capacity of the subsidiary PVA Vakuum Anlagenbau Jena GmbH, where crystal growing systems are manufactured, was doubled in 2007. In contrast to these assembly facilities which have already been completed, the construction of the PVA TePla site in Wetttemberg near Giessen is still in progress. The production capacity – here for the Vacuum Systems division – will also be doubled at this location. The production of vacuum systems will be relocated to the new assembly facilities in Wetttemberg in the first quarter of 2008. In conjunction with the relocation of the future headquarters, the Vacuum System division subsidiaries in Asslar also relocated production to Wetttemberg. The PVA TePla administration facilities

are due to be completed in fall 2008 and, at this point, all administration will move to this site.

A further investment worth mentioning is the installation of an additional brazing furnace for capacity expansion in the contract processing area at the Löt- and Werkstofftechnik GmbH Jena location.

Another substantial investment was the acquisition of the KSI Group - consisting of the company Krämer Scientific Instruments GmbH in Herborn and its 100% subsidiary SAM TEC GmbH in Aalen.

**PVA TePla AG** investments in 2007 totaling EUR 20.7 million are significantly higher than those of the previous years (previous year: EUR 1.6 million / 2005: EUR 0.7 million) primarily due to the outstanding order situation and the measures taken to increase capacity. Investments in property, plant and equipment amounted to EUR 14.1 million (previous year: EUR 0.2 million) and largely comprise the procurement of the land and the advance payments for the new facilities in Wetttemberg. Investments in intangible assets amounted to EUR 0.4 million (previous year: EUR 1.1 million) and those in financial assets amounted to EUR 6.3 million (previous year: EUR 0.3 million). The latter mainly consists of the acquisition of the KSI Group in Herborn.



The new production facilities in Wetttemberg

## 10. Net assets and financial position

### PVA TePla Group

Based on the considerable increase in business volume and the associated investments for expansion of capacity, total assets on December 31, 2007, at EUR 111.3 million significantly increased in comparison to the previous year's value of EUR 60.3 million.

This rise is primarily due to an increased figure for current assets of EUR 65.9 million, compared to last year's figure (EUR 37.1 million). This increase is based primarily on the significant rise – from EUR 5.1 million in 2006 to EUR 19.4 million in 2007 – in coming receivables on construction contracts. This is due to scheduled processing of large orders on hand in the Crystal Growing Systems division as well as the large order backlog in the Vacuum Systems division. The total value of current receivables rose to EUR 24.5 million (previous year: EUR 12.9 million). Thus trade receivables at EUR 11.1 million (previous year: EUR 9.5 million) rose less in percentage terms than the volume of business. The largest growth to be posted in this category is attributable to the advance payments of EUR 9.2 million (previous year: EUR 2.4 million). In order to achieve a higher degree of transparency, we have disclosed this figure separately this year as opposed to last year. The value of inventories rose from EUR 7.1 million in the previous year to EUR 12.6 million. Other receivables increased to EUR 4.0 million from their previous year's figure of EUR 0.9 million. Cash and cash equivalents amounted to EUR 9.1 million (previous year: EUR 12.1 million) on the balance sheet date, yet again amounting to a very pleasing figure.

Due to the investments shown above, the value of non-current assets on the balance sheet date grew significantly to EUR 45.4 million from the previous year's amount of EUR 23.2 million. The value of property, plant and equipment amounted to EUR 27.3 million (previous year: EUR 10.1 million). The figure for intangible assets rose from EUR 7.0 million in 2006 to EUR 13.0 million in 2007, principally due to the acquisition of the KSI Group and the associated goodwill. In contrast, deferred tax assets dropped to EUR 4.0 million (previous year: EUR 5.7 million) because of the improved earnings situation.

The equity and liabilities side of the balance sheet shows an increase in current liabilities from EUR 22.5 million in 2006 to EUR 49.5 million to December 31, 2007. This is principally due to the very favorable order situation, and the connected increase in advance payments received. Current financial liabilities climbed to EUR 2.3 million (previous year: EUR 0.7 million) and mainly contain the current portion of non-current bank borrowings. In connection with the increase in business volume, other provisions climbed from EUR 2.4 million to EUR 2.5 million at present and accruals rose from EUR 2.6 million to EUR 4.9 million.

Overall non-current liabilities (including non-current provisions) rose significantly, from the previous year's figure of EUR 11.3 million to EUR 28.4 million. This can be attributed largely to the increase in non-current financial liabilities to EUR 17.1 million (previous year: EUR 3.1 million) due to taking up loans to finance investments. Retirement pension provisions rose as scheduled to EUR 7.0 million (previous year: EUR 6.7 million). The corresponding pension schemes were taken on from previous companies and contain only existing commitments. New pension obligations are generally no longer made. Deferred tax liabilities increased from EUR 1.2 million to the current figure of EUR 3.7 million. This is principally due to the higher share of accelerated recognition of sales revenue in comparison to the tax evaluation.

Due to the net profit for the year shareholders' equity increased to EUR 30.9 million (previous year: EUR 24.7 million). Because of significantly higher total assets, the equity ratio of 27.8% is less than the previous year's figure of 41.0%.

Current financial liabilities of EUR 2.3 million (previous year: EUR 0.7 million) and non-current financial liabilities of EUR 17.1 million (previous year: EUR 3.1 million) are offset by cash and cash equivalents of EUR 9.1 million (previous year: EUR 12.1 million) at the balance sheet date. This led to the Group's net liquid position decreasing significantly to a value of -EUR 10.3 million (previous year: +EUR 8.3 million) predominantly due to an increase in non-current financial liabilities. The positive net current situation,

the maturity of the non-current financial liabilities, the present cash planning – that is updated on a monthly basis – as well as the credit lines agreed with banks of EUR 6.5 million (previous year: EUR 6.5 million) and guarantee lines of EUR 66.1 million (previous year: EUR 49.1 million) provide PVA TePla, from the present perspective, with sufficient scope for financing and executing the planned further expansion of its business. Against the background of the favorable order situation, the guarantee lines were once again considerably expanded overall by our regular banks in the past fiscal year. A partial amount of EUR 18 million is available on a project-related basis. The short-term lines are wholly available without security being provided.

The PVA TePla Group's liquidity situation remained positive in fiscal year 2007. In 2007, at +EUR 7.8 million cash flow from operating activities was significantly positive, as it had been in the previous year at +EUR 13.6 million. This figure is subject to strong fluctuations at the balance sheet dates in the Vacuum Systems and Crystal Growing Systems divisions, due to the project structure of the orders. We receive considerable advance payments at the beginning of a project, which, in the case of large orders, as in 2006 and 2007, influence the entire cash flow positively. During the period of processing the project its cash flow is negative, whereas at the time close to delivery the remaining amount due is paid, except for a small residual installment.

Because of the investing activities referred to above, cash flow from investing activities showed was strongly negative at -EUR 25.4 million (previous year: -EUR 2.3 million). An amount of EUR 15.7 million of investment was financed by long-term loans. The remaining amount was initially covered by the current cash flow. On January 1, 2008, a further loan of EUR 10 million is available for financing the construction activities in Wettenberg. Cash flow from financing activities was +EUR 14.7 million (previous year: -EUR 1.0 million), being influenced additionally by scheduled repayments of long-term loans and a slight increase in current financial liabilities. The aggregate cash flow (including changes caused by exchange movements) amounted to -EUR 2.9 million (previous year: EUR 10.3 million).

#### PVA TePla AG

Due to the higher business volume and the associated investments, total assets once again increased strongly to December 31, 2007 (EUR 77.3 million) when compared to 2006 (EUR 38.4 million).

The largest changes affect the fixed assets due to the investments described above and due to the increase of amounts owed by associates as a result of higher amount of advance payments.

The figure for fixed assets amounts to EUR 31.6 million (previous year: EUR 14.1 million). The figure for intangible assets remained at EUR 1.3 million (previous year: EUR 1.3 million). At EUR 15.0 million (previous year: EUR 1.3 million), the value for property, plant and equipment rose primarily because of the new construction measures in Wettenberg. The value of financial assets rose from EUR 11.4 million to EUR 15.3 million year-on-year. This item includes an increase from the acquisition of new activities within the Crystal Growing Systems division, which is offset in the Plasma Systems division by a write-down of EUR 2.4 million (previous year: EUR 1.5 million) in the carrying value of the investment in PVA TePla America Inc. because of revised earnings expectations.

For inventories, this year we used the option of deducting advance payments received on orders from inventories. The previous year's figures were adjusted accordingly. The total figure for inventories, at EUR 0.8 million, was slightly above the figure for the previous year (EUR 0.6 million). Finished products and goods dropped to EUR 0.6 million (previous year: EUR 1.1 million), whereas work in progress increased strongly to EUR 28.9 million (previous year: EUR 7.2 million). The figure for raw materials, consumables and operating supplies amounted to EUR 2.9 million (previous year: EUR 1.8 million). The volume of deducted advance payments received on orders amounted to EUR 32.4 million (previous year: EUR 10.1 million).

Despite the higher business volume, trade receivables only increased slightly to EUR 5.2 million (previous year: EUR 5.1 million). Systems for the Crystal Growing Systems division within PVA TePla AG are being assembled at PVA Vakuum Anlagenbau Jena GmbH.

As a result of processing this division's large orders, the assembly volume and the combined volume of advance payments have grown considerably. Due to this, the value of amounts owned by affiliates also increased - to EUR 33.3 million (previous year: EUR 9.7 million).

The value of cash and cash equivalents was EUR 4.3 million (previous year: EUR 8.6 million).

The equity and liabilities side of the balance sheet shows a substantial rise in liabilities to EUR 45.7 million (previous year: EUR 9.6 million), primarily due to a strong increase in advance payments received to EUR 20.2 million (previous year: EUR 3.3 million). The growth in amounts owed to banks to EUR 13.0 million (previous year: EUR 0.0 million) is primarily a result of loans for financing investments. Amounts owed by affiliates have also increased. As of the balance sheet date, the figure is EUR 9.9 million (previous year: EUR 4.1 million) most notably because of current supply liabilities at the reporting date. Trade payables increased to EUR 1.9 million (previous year: EUR 1.3 million), due to the increased volume of business.

Retirement pension provisions rose to EUR 4.6 million (previous year: EUR 4.2 million). The corresponding pension schemes were taken over from the previous companies in each case and only consist of existing commitments. New pension obligations are generally no longer made.

The increase in other provisions to EUR 5.3 million (previous year: EUR 3.8 million) is a result of the expansion in the volume of business. Added to this is a rise, particular to the balance sheet date, in the provisions for outstanding invoices and costs.

Equity increased, principally due to the net profit generated in the year, to EUR 21.6 million (previous year: EUR 20.3 million). Because of the substantially higher balance sheet total, the equity ratio fell to 27.9% (previous year: 52.8%). This year we used

the option to offset the net accumulated loss against share premiums and retained earnings. This results in a net accumulated loss of EUR 2.4 million (previous year: EUR 19.9 million).

On December 31, 2007, EUR 4.3 million (previous year: EUR 8.6 million) was the amount available in cash and cash equivalents. The current liquidity situation, the present cash planning – that is updated on a monthly basis – as well as the agreed credit lines of the banks amounting to EUR 6.5 million (previous year: EUR 6.5 million) and guarantee lines of EUR 66.1 million (previous year: EUR 49.1 million) provide PVA TePla AG with sufficient scope for financing and executing the planned expansion of the business.

## 11. Results of operations

### PVA TePla Group

In fiscal year 2007, PVA TePla once again achieved a significant improvement in net profits. An operating result (EBIT) of EUR 10.0 million (previous year: EUR 3.5 million) and consolidated net profit of EUR 6.1 million (previous year: EUR 2.1 million) were generated. The EBIT ratio, at 8.8%, was substantially above last year's figure of 5.0%, and above the forecast range of 5% to 7%. The return on sales was likewise improved, to 5.3% from 3.0% in the previous year.

As a result of consolidated sales revenues rising to EUR 113.7 million (previous year: EUR 70.4 million), gross profit improved to EUR 27.1 million (previous year: EUR 18.0 million). At 23.8%, the gross margin was just below last year's figure of 25.6%. This can be attributed to the Crystal Growing Systems division's higher proportion of the sales revenues.

Selling and distribution expenses, at EUR 8.0 million (previous year: EUR 5.9 million, and administration expenses, at EUR 6.0 million (previous year: EUR 5.0 million) grew proportionally less than the volume of business. A part of this increase is attributable to the further adjustment of the organizational structures to the strong growth in business. With regards to selling and distribution expenses, what is also relevant is in which market segments orders are being processed and whether commissions for representative offices are incurred. Similarly, research and development expenses rose slightly to EUR 1.7 million (previous year: EUR 1.5 million). The net figure of other operating expenses and other operating income was -EUR 1.4 million (previous year: -EUR 2.1 million). Overall, Group operating profit increased substantially to EUR 10.0 million (previous year: EUR 3.5 million).

In 2007, the Crystal Growing Systems division again posted the largest contribution to this success. Based on the very good order situation, sales revenues were increased strongly, as was EBIT. The Vacuum Systems division also managed to grow its volume of business considerably and once again improved on its excellent earnings from the previous year. Once again, losses were reported in the Plasma Systems division. The prime reason for the deterioration in the operative business were charges from the worsened exchange rate between EUR and USD as well as start-up costs for the new activity Plasma Systems.

The net interest position was at -EUR 0.0 (previous year: -EUR 0.1 million). However, higher interest expenses due to the loans taken up to finance investments offset the higher interest income from investing excess liquidity. The income from the associated company PVA MIMtech of EUR 0.4 million approximately doubled compared to the EUR 0.2 million of the previous year. Profit from ordinary activities was substantially improved at EUR 10.3 million (previous year: EUR 3.6 million).

Net profit for the year of EUR 6.1 million was substantially higher than the previous year's EUR 2.1 million. Income tax expense of -EUR 4.2 million (previous year: -EUR 1.5 million) was made up of the current tax expense of EUR 0.7 million (previous year: EUR 0.8 million) and deferred tax expense of EUR 3.5 million (previous year: EUR 0.8 million). The current tax expense is mainly attributable to provisions for the minimum taxation of PVA TePla AG and the subsidiaries Crystal Growing Systems GmbH and UV Systec. The increase in deferred tax expense is due to a reduction in deferred tax assets caused by the overall improvement in the earnings situation as well as to the higher scope of accelerated sales revenues realization in comparison with the tax evaluation.

#### PVA TePla AG

On a further increase in sales revenues to EUR 46.8 million (previous year: EUR 44.2 million), gross profit also improved to EUR 10.8 million (previous year: EUR 10.3 million). The gross profit ratio was 23.2%, and thus close to the figure of the previous year (23.3%).

The increase in selling and distribution expenses to EUR 5.9 million (previous year: EUR 4.7 million) and administrative expenses to EUR 4.6 million (previous year: EUR 3.1 million) mainly reflected growth in the volume of business, but also took into account the expansion of the Group structures in respect of additional growth. The centrally recorded costs of the Aktiengesellschaft were, as in the previous year, charged to the operating divisions, and thereby partially to the subsidiaries. Research and development expenses dropped slightly to EUR 0.9 million (previous year: EUR 1.0 million). The largest share was once again due to continued development of the product program in the Plasma Systems division. Other operating income, totaling EUR 2.4 million, was above the previous year's figure (EUR 1.4 million). To a large extent this increase is

due to the higher allocation of holding costs. Other operating expenses, at EUR 2.2 million, were also above the previous year's figure (EUR 1.3 million). Once again, the subsidiaries profit distribution of EUR 2.7 million (previous year: EUR 1.8 million) as well as income, posted for the first time, from the income transfer agreements from 2007 with the subsidiaries PVA Control GmbH in Asslar and PVA Löt- und Werkstofftechnik GmbH in Jena of EUR 1.1 million (previous year: EUR 0 million) had a positive impact on net income.

Due to the continued poor performance of the subsidiary PVA TePla America Inc., another impairment of EUR 2.4 million (previous year: EUR 1.5 million) was taken on the corresponding carrying value of the investment.

The net interest figure amounted to EUR 0.3 million (previous year: EUR 0.3 million). A positive current interest position (based on the positive liquidity position) offset interest expenses for the loan to finance the investments.

Overall PVA TePla AG recorded lower earnings figures than in the previous year, with a profit from ordinary activities of EUR 1.4 million (previous year: EUR 2.2 million) and a net profit for the year of EUR 1.3 million (previous year: EUR 2.0 million). The return on sales, at 2.7%, was lower than the previous year's figure of 4.5%. Income tax expense relates mainly to setting up tax provisions concerning minimum taxation under German fiscal law.

When assessing the PVA TePla AG result of operations, it is necessary to bear in mind that, throughout the entire year, the Crystal Growing Systems division worked intensively on the large order from Siltronic Samsung Wafers therefore requiring the relevant extension of capacity. As a result of the long delivery times, this order's contribution to sales revenues was, as planned, still low.

## 12. Growth in workforce

The Group had 422 employees (previous year: 330) as of the balance sheet date. At approximately 28%, this employee growth represents a substantially lower increase compared with the 61% growth in sales revenues. The number of employees in the Vacuum Systems division was 195 (previous year: 199, 167 employees without PVA Vakuum Anlagenbau Jena GmbH which was reclassified to the Crystal Growing Systems division). The number of employees in the Crystal Growing Systems division rose sharply, increasing from 44 employees (76 employees including PVA Vakuum Anlagenbau Jena GmbH) as of the balance sheet date in 2006 to 142 as of December 31, 2007. The excellent number of orders and the acquisition of KSI GmbH and SAM TEC GmbH in 2007 led to an additional increase in the workforce. In the Plasma Systems division, the number of employees decreased slightly to 85 (previous year: 87), caused by a reduction of personnel at PVA TePla America.

A look at the regions shows that Europe has the majority of employees by far, at 381 (previous year: 289). At the end of 2007, there were 22 employees in the USA (previous year: 26) and 19 in Asia (previous year: 15).

In fiscal year 2007, the PVA TePla Group had 13 apprentices (previous year: 9). Six young men and women were being trained in commercial professions and seven in industrial professions.

**PVA TePla AG** employed a workforce of 234 persons at the end of 2007. The increase from the previous year's figure of 188 employees is principally due to the favorable development in business. 7 persons were employed (previous year: 6) in Frederikssund in Denmark.

## 13. Risk Report

As a globally operating technology group, the PVA TePla Group faces a large number of opportunities and risks that are inextricably linked with the entrepreneurial activities of all divisions.

The economic environment of the company is characterized by global markets and the ever-growing complexity of technological applications. The risks of negative corporate and economic performance are continuously monitored and evaluated by the management of the company and, where appropriate and possible, reduced or compensated for. Assessment of the risk factors is integrated into corporate decisions.

The primary objective of efficient and forward-looking risk management is to exploit any opportunities and manage any risks that may exist. This process requires the identification and assessment of opportunities and risks. For this purpose, a risk management manual has been issued to the divisions and employees, which contains procedural directives and lists of measures to be taken. This manual, and a system of regular risk reporting, is continually being optimized. In this way, transparency regarding the opportunities and risks in our business has been further enhanced.

### Risks from the markets

The risks in the particular niche markets served by PVA TePla relate especially to unexpected fluctuations in investment activity on the part of customers and specific industries. This risk is reduced by diversifying our range of products and services across different sectors, such as semiconductors, photovoltaics, tool making and hard metal technology, production of high-quality metals and ceramics, automotive and aerospace industries, as well as the electrical and electronic engineering sectors. Cyclical, common foreseeable fluctuations in the market volume

are primarily offset by increasing or decreasing outsourcing levels, although unexpectedly high demand can give rise to the risk of production bottlenecks. The strategy of maintaining a relatively low level of vertical integration allows rapid responses in this regard. The PVA TePla Group also provides high-quality contract processing work – such as plasma treatment or high-vacuum brazing and heat treatment of components – where experience shows that when customers show little inclination to invest, demand for these services intensifies.

The semiconductor business in particular – a key division for the Group – is highly cyclical in nature, and for that reason involves major opportunities as well as risks. Although the semiconductor industry in recent decades had average annual growth rates that were well above those of most old-economy industries, this average comprised years of both strong growth and recession. At the present time, considerable opportunities for the PVA TePla Group are offered by the expanding of capacity for 300mm crystals. This market is further affected by the high level of investment and development needed by companies to safeguard their market positions. The impact of the risks resulting from this was minimized by diversification into other markets – solar technology in particular is one such market worthy of mention – and by new products launched onto the market.

The general economic situation worldwide cannot be conclusively assessed at this point in time. Several banks believe that the real estate crisis in the USA may lead to a recession in the world's largest economy. The Company attentively tracks economic trends and endeavors to take their potential implications for PVA TePla and its customers into account at an early stage in the planning.

#### **Risks from changes in exchange rates**

Despite hedging exchange rate risks, there is still a risk of further deteriorating exchange rates, especially of that between the EUR and USD, and consequently of potential deterioration in our competitive edge as compared to competitors from this currency zone, and/or ensuing downward pressure on prices. We counter this risk by manufacturing locally in the USA, by more intensive purchasing from this currency zone, and with our involvement in China with the joint venture Xi'an HuaDe CGS Ltd. In spite of these measures, it cannot be ruled out that a further deterioration in exchange rates will increase the price pressure on our products and weaken our ability to compete, especially against competitors in the US dollar zone.

#### **Risks from technological developments**

The risk of losing orders due to a new, unexpected technology appearing on the market (horizontal entry) is monitored worldwide and assessed by continuous observation of new research and technology activities and published results specific to the various sectors, and by discussions with key customers and research institutes. In addition to the ongoing development activities, the technological development of the products is further secured by operating an in-house service centre in which the materials are processed for customers. Here, the Company's Development department very often encounters the latest material quality requirements called for by the customers.

The high level of technical complexity in our products as well as rapid technological advances involve risks concerning our research and development operations. Medium and long-term success is crucially dependent on marketable products being developed within appropriate timeframes, which generate sufficient and timely revenues, so that the internal financing of the Group is secured by cash flow.

#### **Risks from deliveries**

Our subcontractors' utilization has also increased, due to the ongoing overall favorable economic situation. The risk of delivery delays and non-delivery is countered by the choosing and competence of additional suppliers, and additional intensive cooperation with existing suppliers.

An increasing risk of price rises for bought-in goods emanates from the high utilization of subcontractors and from, in some cases, considerably increased raw materials prices (e.g. for high-grade steel and copper). The price increases arising from raw materials also affect our competitors. As a result, we have been in a position to date to pass these on, for the most part, to our customers. Otherwise, we also counter this risk by choosing additional suppliers, as mentioned above.

Dependence on individual suppliers is limited due to the fact that several suppliers are qualified for key components and deliveries are divided across these suppliers.

The risk of suppliers defaulting is substantially reduced by targeted selection and grading of alternative suppliers, also in other countries. Care is taken to ensure that all major suppliers operate a suitable quality management system and have adequate third-party liability insurance cover.

#### **Risks from personnel and capacity issues**

The personnel capacity risk continues to relate primarily to the recruitment and integration of skilled management and technical personnel, if suitable personnel cannot be developed within the Company itself, in order to replace managers and skilled staff leaving the Company particularly for reasons of age, and in order to cope with business growth and the introduction of new technologies. On the whole, recruiting highly qualified personnel has become more difficult at present, due to their limited availability on the labor markets in both Germany and abroad. Contacts are maintained and intensified with various training centers and universities in order to find suitable personnel. In recent years, however, there has continued to be no significant fluctuation in the workforce.

At the moment, personnel capacity must continue to be expanded, particularly in the manufacturing areas, in order to process existing orders. In this case, we are moderately expanding our own capacities, including the use of temporary employment contracts, and in cooperation with external suppliers, particularly in respect of skilled assembly activities. Up to now, the expansion in capacity has been achieved as planned. The growth of our business volume has not been restricted by personnel bottlenecks to date.

The technical complexity of our products, and the standards demanded by our customers give rise to quality-related risks that can cause an increase in expenditure relating to warranties. All enterprises in which PVA TePla holds a participating interest of more than 50% have quality management systems that are certified in accordance with ISO 9001/2000. The maintaining of a quality system tailored to each specific company within the Group is supported and monitored by a central quality department. The concluding of appropriate insurance policies to cover the various operational risks for all companies within the Group is also coordinated by a central department.

The risk of own machines breaking down is of subordinate importance, because relatively few machine tools are used (production is focused mainly on assembly and commissioning activities) and there are also enough suitable machines with close-by subcontractors. Preventive maintenance of our own plasma facilities and vacuum-soldering plant, as well as a rapid response to machine failure, can be implemented by the Company itself.

#### **Risks in connection with IT**

The risk of IT equipment failures and the threat posed by software viruses are reduced by regular and appropriate backups, suitable protective measures against external influences (e.g. up-to-date virus protection systems and firewalls) and by suitable access control systems.

#### **Risks from tax issues**

A tax audit of the former TePla AG for the assessment periods 1997 through 2000 was completed in 2005. Based on this audit, the tax authorities demanded

retrospective payment of input-VAT for emission costs relating to the stock exchange flotation of TePla AG in 1999, as well as corporation tax and trade tax, because it is maintained that the previous loss carryforwards have been forfeited as a result of the flotation. Our appeals against these tax assessments have now been accepted by the tax authorities in the final tax assessments. This means that there is no longer a risk of back tax payments.

Around the end of 2007, the tax authorities began a tax audit of all the main Group companies for the assessment periods up to and including 2006. In so doing, it found that the real property acquisition tax to be paid in the merger between TePla AG and the PVA Group in 2002 was unpaid. A provision for other taxes has been recognized in these financial statements for this purpose. There is no indication of any significant risk from further back tax payments here.

#### **Risks in connection with financial instruments**

Financial instruments arise as part of PVA TePla's actual business activities (e.g. trade receivables and payables). To finance business activities, financial instruments are employed (e.g. loans from banks) or financial instruments arise from this (e.g. investment of excess current liquidity). Derivative financial instruments are employed to eliminate or limit risks from operating activities (e.g. exchange rate risks) or from financing (e.g. interest rate risks). Financial instruments are not used in isolation without a connection to actual business activities. The opportunities and risks of the individual and relevant financial instrument categories are presented below.

**Trade receivables**

- Liquidity and credit risks involved in financing business operations are reduced, in the case of major orders, by means of customer/supplier financing. In most cases, a system of payment by installments is contractually agreed upon, commencing with an advance payment of, on average, 30% on receipt of the order. Collateral arrangements (e.g. letters of credit) are also generally agreed upon to protect against defaults on receivables, and receivables are intensively monitored.
- On the other hand, the Group must itself make advance payments to only a few suppliers. In addition, the Group optimizes its external cash flow requirements with rolling cash flow forecasts for Group companies, and with short-term intra-Group loans. The Group has sufficient credit lines for short-term financing operations, including the expansion of business, and sufficient guarantee lines for providing advance payments guarantees to customers. In this area, special project lines for large orders are additionally agreed with our regular banks, so that existing lines continue to be available for the development and expansion of normal business.
- Due to the current nature of the items, there is no significant market risk here.

**Amounts owed by associates**

- A loan of USD 200 thousand was granted to the associate PVA MIMtech, Cedar Grove, NJ, USA.
- Based on the sound business performance of PVA MIMtech, there is no significant credit or liquidity risk here.
- The market risk lies in a change to the EUR/USD exchange rate. A change in the rate of 10 cents per US dollar means a change of EUR 9 thousand in the carrying value of the loan.

**Other receivables**

- Due to the current nature of the items, there is no significant market risk here.

**Financial liabilities**

- This item primarily includes the bank borrowings raised to finance investments.
- These loans are all either agreed at fixed interest rates over the entire term or, in the case of loans with nominally variable interest rates, backed by corresponding interest rate hedges which effectively make these loans synthetic fixed interest rate loans.
- Thus there is no sign of a significant market risk from changes in the relevant market interest rates.
- There is no credit risk since the contracting parties have already fully fulfilled their obligations by paying the loan amounts.
- Due to the currently sound number of orders, the additional positive expectations and the current liquidity position in connection with this cash planning available, we do not see any relevant liquidity risk here either.

**Trade payables**

- These are current items that are almost exclusively invoiced in euro, therefore there is no relevant market or credit risk.
- Due to the current liquidity position in connection with the liquidity planning, there is no liquidity risk here.

**Other liabilities**

- Due to the current nature of the items, there is no significant market risk here.

**Exchange rate hedging**

- A large proportion of Group sales revenues, as well as the sales revenues of PVA TePla AG, are generated in foreign markets. The billing of projects is implemented predominantly in euros, even for non-EU countries. Otherwise, in each individual case, the hedging of currency risks is assured by means of forward exchange contracts.
- Since these are closed positions that are related to the underlying transaction and for which payment amounts and deadlines are coordinated, there is no market risk. The calculation of the underlying transactions is based on the respective hedged forward rates.
- The credit and liquidity risk here lies in the trade receivables from the underlying transaction. Please refer to our explanations above on this subject.

**Interest rate hedging**

- Part of the loan to finance new facilities was concluded at nominally variable interest rates and backed by interest rate hedges which effectively make these loans synthetic fixed interest rate loans.
- For more details of the risks from these financial instruments, please refer to our information above on financial liabilities.

**Risks jeopardizing the existence of the Company**

There are no recognizable risks that might jeopardize the continued existence of the Company and the Group as a going concern.

## 14. Mandatory information to be provided by companies quoted on the stock exchange in accordance with Sections 289 and/or 315 of the HGB [German Commercial Code]

As of December 31, 2007, the issued share capital of PVA TePla AG consisted of 21,749,988 individual shares with a nominal value of EUR 1.00 each.

There are no restrictions of voting rights or on the transferability of shares. Likewise, there are no shareholders with special privileges, and no control of the voting rights of employees who are shareholders of the Company.

According to the notifications available to the Company, PA Beteiligungsgesellschaft in Wettenberg held more than 10% of the voting rights as of December 31, 2007 at 25.2%.

The appointment of members of the Management Board of PVA TePla AG is made in accordance with Section 84 of the AktG [German Public Limited Companies Act] and according to Section 6, Articles 2 and 3 of the Articles of Incorporation of PVA TePla AG. The articles regulate the following:

- Article 2: The appointment of members of the Management Board, the revocation of their appointment as well as the concluding, the amendment and the termination of contracts of employment with members of the Management Board are effected by the Supervisory Board. The same applies to the appointment of a member of the Management Board as chairman or as spokesman of the Management Board.
- Article 3: The appointment of a member of the Management Board ends in every case with the completion of his/her 65th year.

As of December 31, 2007, the Management Board has the authorization of the Annual General Meeting to issue new shares, as part of authorized capital, in the amount of EUR 10,874,994 until June 14, 2012. The Management Board has no authority to buy back shares of the Company.

The Company knows of no agreements that are subject to the terms of a change in control because of a takeover bid.

Similarly, there are no compensation agreements for members of the Management Board or for employees in such a case.

## 15. Remuneration Report

The aggregate remuneration of the members of the Management Board amounted to EUR 701 thousand in fiscal year 2007. The remuneration of the Management Board members consists of a basic salary, other benefits (mainly a pecuniary advantage from the use of a company car and subsidized contributions to health insurance) and a performance-related bonus. The bonus is calculated as a percentage of the net profit for the year of the PVA TePla Group, with an individually agreed upper limit. In addition, there exists a pension commitment to Peter Abel in respect of his former activities in the Company. Details of the remuneration paid to the Management Board members, including a breakdown by member, can be found under C.5. of the notes to the 2007 annual financial statements 2007 of PVA TePla AG and under section 36 of the notes to the consolidated financial statements.

The remuneration of members of the Supervisory Board amounted to EUR 40 thousand in the past fiscal year. In accordance with the Articles of Incorporation, members of the Supervisory Board receive a fixed compensation. The financial success of the Company is acknowledged by doubling this compensation if the consolidated net profit for the year exceeds EUR 1 million.

## 16. Supplementary Report

No significant events have occurred since the end of the fiscal year.

## 17. Outlook

The important markets for PVA TePla systems are expected to post above-average growth again this year.

A significant growth rate of 5% is expected for German mechanical engineering sector in 2008. Orders from international customers for machines and systems have not lost any momentum from the previous year, in particular the orders from Europe and the newly industrializing markets are as buoyant as ever. The hard metal market, important for the division, is due to develop positively as infrastructure projects in the newly industrializing markets are continuing with great effort, requiring the respective hard metal tools. However, the automobile sector also plays a large role in these countries. New factories are being built, particularly in China and Russia, thus necessitating wear-resistant tools to work on engine blocks, for example. The heavily increased number of incoming orders to the Vacuum Systems division is a significant indication of these developments. However, the vacuum systems market also has potential for other uses such as cleaning graphite. The fact that resources are becoming more and more scarce provides new opportunities on a global scale for PVA TePla systems. The new plant in Wettenberg near Giessen affords a basis for profitable continued growth for systems construction as well as services and the Contract Processing subdivision in the Vacuum Systems division.

The most important markets, in the foreseeable future, for the Crystal Growing Systems division will remain both photovoltaics and the semi-conductor industry. The conversion to 300mm technology for wafer production in the semiconductor industry has not yet been completed and will still take some

years. In the opinion of many research institutes, the high growth rates in the photovoltaics industry will continue. This expectation has been confirmed through numerous conversations with customers. In the years to come, the production of silicon is expected to rise significantly, at least by the established manufacturers. For that silicon, primarily being sold to solar wafer manufacturers, a relevant number of crystal growing systems is required for processing. This is why an increased demand for these systems is foreseen in the coming years. The high level of orders on hand as at December 31, 2007, in the amount of EUR 103.4 million, for the Crystal Growing Systems division alone, will make it possible to achieve excellent capacity utilization in 2008. The major customers of the Group have also announced further considerable future investment in the crystal-growing systems area. REC SiTech represents yet another customer, acquired in the fourth quarter of 2007, with extremely high demands from systems technology. The parent company, as one of the leading silicon manufacturers worldwide, guarantees that the necessary material will be supplied and ensures potential for further significant growth. The KSI Group, acquired in 2007, also assures significant growth potential based on its analytical systems for examining the quality of silicon ingots. Initial orders from a leading wafer manufacturer confirm this estimation.

Positive development in the current fiscal year is expected for the Plasma Systems division. Based on restructuring of the sales organization in the USA and numerous further product developments, particularly in the growing market for ultra thin wafers, the Plasma Systems division expects to reach a turnaround in 2008.

The PVA TePla Management Board expects growth in consolidated sales revenues of 40% and an EBIT margin of between 7% and 9% in 2008.

The order backlog as at December 31, 2007, in the amount of EUR 137.1 million, as well as the trend of order negotiations up to the date that this report was published, support this forecast.

We also expect a growth in sales revenues and profits in 2009. As a significant contributor to PVA TePla sales revenues and particularly based on the continued high demand coming from the solar and semi-conductor market, the Crystal Growing

Systems division will show additional growth based on current knowledge.

Also when **PVA TePla AG** is viewed as a single company, a distinct growth of sales revenues volumes, and therefore a significant improvement in profits, is to be expected in fiscal year 2008. This is ensured by the high order backlog in the Vacuum Systems and Crystal Growing Systems divisions. These orders will almost completely (Vacuum Systems division) or to a large extent (Crystal Growing Systems division) contribute to sales revenues in fiscal year 2008.

Aslar, March 19, 2008

PVA TePla AG

Management Board

The image shows two handwritten signatures in black ink. The signature on the left is 'Peter Abel' and the signature on the right is 'Arnd Bohle'. Both signatures are written in a cursive, flowing style.

Peter Abel  
Chief Executive Officer

Arnd Bohle  
Chief Financial Officer





High temperature vacuum furnace for sintering of molybdenum parts in a temperature range up to 2,200° C.



# Group Financial Statements

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## Consolidated balance sheet as at December 31, 2007

In EUR '000	Notes	Dec. 31, 07	Dec. 31, 06
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	(4)	13,041	7,018
Goodwill		11,465	6,634
Other intangible assets		1,576	384
Property, plant and equipment	(5)	27,319	10,073
Land, property rights and buildings, including buildings on third party land		11,075	5,634
Plant and machinery		3,192	2,696
Other plant and equipment, fixtures and fittings		1,489	1,079
Advance payments and assets under construction		11,563	664
Investment property	(6)	519	0
Non-current investments	(7)	572	442
Investments in associates		553	420
Other non-current receivables		19	22
Deferred tax assets	(12)	3,982	5,684
<b>Total non-current assets</b>		<b>45,433</b>	<b>23,217</b>
<b>Current assets</b>			
Inventories	(8)	12,639	7,051
Raw materials and operating supplies		7,000	3,452
Work in progress		4,801	2,198
Finished products and goods		838	1,401
Coming receivables on construction contracts	(9)	19,394	5,052
Trade and other receivables	(10)	24,477	12,858
Trade receivables		11,075	9,473
Amounts owed by associates		136	151
Payments in advance		9,235	2,363
Other receivables		4,031	871
Tax repayments		326	16
Cash and cash equivalents	(11)	9,071	12,077
<b>Total current assets</b>		<b>65,907</b>	<b>37,054</b>
<b>Total</b>		<b>111,340</b>	<b>60,271</b>

The following notes are an integral part of the Group statements.

In EUR '000	Notes	Dec. 31, 07	Dec. 31, 06
<b>Liabilities and shareholders' equity</b>			
<b>Shareholders' equity</b>	(13)		
Share capital		21,750	21,750
Revenue reserves		9,367	3,279
Other reserves		-199	-351
Minority interest		-10	26
<b>Total shareholders' equity</b>		<b>30,908</b>	<b>24,704</b>
<b>Deferred investment grants from public funds</b>	(14)	<b>2,552</b>	<b>1,677</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	(15)	17,113	3,103
Other non-current liabilities		11	12
Retirement pension provisions	(16)	7,037	6,667
Deferred tax liabilities	(25)	3,661	1,187
Other non-current provisions	(17)	569	377
<b>Total non-current liabilities</b>		<b>28,391</b>	<b>11,346</b>
<b>Current liabilities</b>			
Short term financial liabilities	(18)	2,294	664
Trade payables		4,516	2,185
Obligations on construction contracts	(19)	167	450
Advance payments received on orders	(20)	33,342	12,040
Accruals	(21)	4,878	2,550
Other short-term liabilities	(22)	1,315	1,348
Provisions for taxes		432	943
Other short-term provisions	(17)	2,545	2,364
<b>Total current liabilities</b>		<b>49,489</b>	<b>22,544</b>
<b>Total</b>		<b>111,340</b>	<b>60,271</b>

The following notes are an integral part of the Group statements.

## Consolidated income statement for the year ended December 31, 2007

In EUR '000	Notes	Jan. 01.- Dec. 31, 07	Jan. 01.- Dec. 31, 06
<b>Revenue</b>	(23)	<b>113,704</b>	<b>70,404</b>
Cost of sales		-86,589	-52,397
<b>Gross profit</b>		<b>27,115</b>	<b>18,007</b>
Selling and distribution expenses		-8,001	-5,892
General administrative expenses		-6,036	-5,020
Research and development expenses	(24)	-1,719	-1,545
Other operating income		1,261	976
Other operating expenses -of which amortization on goodwill EUR 0 thousand (2006: EUR 1,000 thousand)-		-2,643	-3,026
<b>Operating profit (EBIT)</b>		<b>9,977</b>	<b>3,500</b>
Finance revenue		485	101
Finance costs		-528	-184
Share of profits from associates		352	200
<b>Financial result and share of profits from associates</b>		<b>309</b>	<b>117</b>
<b>Net profit before tax</b>		<b>10,286</b>	<b>3,617</b>
Income taxes	(25)	-4,234	-1,508
<b>Consolidated net profit for the year</b>		<b>6,052</b>	<b>2,109</b>
<b>of which attributable to:</b>			
Shareholders of PVA TePla AG		6,088	2,213
Minority interest		-36	-104
<b>Consolidated net profit for the year</b>		<b>6,052</b>	<b>2,109</b>
<b>Earnings per share</b>			
Earnings per share (basic/diluted) in EUR	(26)	0.28	0.10
Earnings per share (diluted) in EUR		0.28	0.10
Average number of shares in circulation (basic)		21,749,988	21,749,988
Average number of shares in circulation (diluted)		21,749,988	21,749,988

## Consolidated cash flow statement for the year ended December 31, 2007

In EUR '000	Jan. 01.- Dec. 31, 07	Jan. 01.- Dec. 31, 06
Consolidated net profit for the year	6,052	2,109
<b>Adjustments to the consolidated net profit for year for reconciliation to the cash flow from operating activities</b>		
+ Income tax expense	4,234	1,508
- Finance revenue	-485	-101
+ Finance costs	528	184
<b>= Operating profit</b>	<b>10,329</b>	<b>3,700</b>
- Income tax payments	-1,514	-60
+ Amortization and depreciation	1,846	2,448
- Share of profits from associates	-352	-200
-/+ Gains/losses on disposals of non-current assets	23	-5
-/+ Other non-cash expenses (income)	-78	107
	<b>10,254</b>	<b>5,990</b>
-/+ Increase/decrease in inventories, trade receivables and other assets	-27,595	-1,871
-/+ Increase/decrease in provisions	512	1,718
-/+ Increase/decrease in deferred investment grants from public funds	875	-25
-/+ Increase/decrease in trade payables and other liabilities	23,760	7,778
<b>= Cash flow from operating activities</b>	<b>7,806</b>	<b>13,590</b>
+ Receipts from associates	152	86
- Payments for the acquisition of consolidated subsidiaries and other business units	-6,071	0
+ Proceeds from disposals of intangible assets and property, plant and equipment	6	11
- Acquisition of intangible assets and property, plant and equipment	-19,981	-2,486
+ Interest receipts	485	101
<b>= Cash flow from investing activities</b>	<b>-25,409</b>	<b>-2,288</b>
+ Receipts from issuance of debt and borrowing of loans	15,700	600
- Payments for redemption of debt and loans	-1,099	-714
-/+ Change in short-term bank liabilities	591	-747
- Payments of interest	-528	-184
<b>= Cash flow from financing activities</b>	<b>14,664</b>	<b>-1,045</b>
net change in cash and cash equivalents	-2,939	10,257
-/+ Effect of exchange rate fluctuations on cash and cash equivalents	-67	0
+ Cash and cash equivalents at beginning of the year	12,077	1,820
<b>= Cash and cash equivalents at end of the year</b>	<b>9,071</b>	<b>12,077</b>

## Consolidated statement of changes in equity

for the year ended December 31, 2007

	Shares issued		Revenue reserves EUR '000	Other reserves		Total EUR '000	Minority interest EUR '000	Total Shareholders' equity EUR '000
	Number	EUR '000		Currency conversion EUR '000	Market valuation EUR '000			
<b>As at January 01, 2006</b>	<b>21,749,988</b>	<b>21,750</b>	<b>1,066</b>	<b>-242</b>	<b>0</b>	<b>22,574</b>	<b>130</b>	<b>22,704</b>
Income/ expenses recognized directly in equity				-109		-109		-109
Net profit for the year			2,213			2,213	-104	2,109
Total income		0	2,213	-109	0	2,104	-104	2,000
<b>As at December 31, 2006</b>	<b>21,749,988</b>	<b>21,750</b>	<b>3,279</b>	<b>-351</b>	<b>0</b>	<b>24,678</b>	<b>26</b>	<b>24,704</b>
<b>As at January 01, 2007</b>	<b>21,749,988</b>	<b>21,750</b>	<b>3,279</b>	<b>-351</b>	<b>0</b>	<b>24,678</b>	<b>26</b>	<b>24,704</b>
Income/ expenses recognized directly in equity				-81	233	152		152
Net profit for the year			6,088			6,088	-36	6,052
Total income			6,088	-81	233	6,240	-36	6,204
<b>As at December 31, 2007</b>	<b>21,749,988</b>	<b>21,750</b>	<b>9,367</b>	<b>-432</b>	<b>233</b>	<b>30,918</b>	<b>-10</b>	<b>30,908</b>

# PVA TePla AG, Aßlar

## Notes to the Consolidated Financial Statements

### for the business year 2007

## A. General information and basis of presentation

### 1. General information

#### Domicile and legal form of the company

PVA TePla AG is a stock corporation in accordance with German law. The Company is entered in the Commercial Register of the Wetzlar Local Court under HRB 4827. The registered office of the company is at Emmeliusstrasse 33, 35614 Asslar, Germany.

#### Business activities

PVA TePla AG and its subsidiaries ("PVA TePla" or the "Group") operate worldwide as suppliers of systems for the production, refinement and processing of high-quality materials, such as metals, semi-conductors, ceramics and glass, and for controlled surface treatment of such materials and the widest range of plastic surfaces. Such production and treatment processes require stable, reproducible conditions. They therefore mostly take place under vacuum conditions or inert gas atmospheres, at high temperatures and/or with the support of low-pressure plasma. In addition to this, there are also systems for the quality control of high-quality materials.

PVA TePla is a supplier of vacuum systems that produce and treat high-tech materials and surfaces in a vacuum at high temperatures and in plasma. The market for these systems is always associated worldwide with the latest developments in materials and surface treatment technologies, such as, for example, 300mm silicon (Si) wafer technology for semi-conductors, mono- or multi-crystal Si wafers for photovoltaics, structural materials for space telescopes, production technologies for metal powder, for instance for hard metals, and production technologies for flat-panel screens. This market will exist as long as high-tech materials are produced and further developed. Through companies newly joining the group in 2006, Plasma Systems GmbH and PlaTeG GmbH, the existing product portfolio of PVA TePla has been supplemented by new products in the fields of creating ultra-thin wafers and plasma nitration using PulsPlasma®-synthesis and of plasma coating. The product portfolio is further complemented by systems for the non-destructive ultrasonic inspection of materials and control of quality based on optical technology.

Moreover, the company provides innovative components and solutions for the cleansing of fresh water, wastewater and surfaces through UVC radiation.

PVA TePla's markets are characterized by a limited number of suppliers, their global dimensions and technologically advanced market niches.

With locations in Germany, USA, Denmark, China, and Singapore, PVA TePla maintains business relationships worldwide.

The fiscal year for PVA TePla AG and its subsidiaries is the calendar year.

The Group structures its business activities, and with it, its reporting, into three divisions: Vacuum Systems, Crystal Growing Systems and Plasma Systems.

#### General principles and accounting standards

From the fiscal year 2005 onwards, PVA TePla is obliged as a publicly quoted parent company domiciled in an EU member state to prepare and publish its consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) and Section 315a of the Handelsgesetzbuch (HGB – German Commercial Code). The consolidated financial statements of PVA TePla for the fiscal year from January 1, 2007, to December 31, 2007, have therefore been prepared in accordance with IFRSs, as issued by the International Accounting Standards Board (IASB) and in force at the balance sheet date, and with the binding interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

In addition, the notes to the financial statements contain certain disclosures to meet the requirements of Article 315a (1) of the HGB. In accordance with Article 315a in conjunction with Article 315 of the HGB, the consolidated financial statements under IFRSs have been supplemented by a Group management report.

The income statement has been prepared in accordance with the cost of sales method of presentation.

The consolidated financial statements convey a true and fair view of the net assets, financial position and result of operations of PVA TePla.

## New statements issued by the IASB

Standard/ Interpretation		Applicable from	Adopted by the European Commission*	Relevance
IFRS 2	Share-based payment – vesting conditions and cancellation of share based payment	Jan 1, 2009	No	None
IFRS 3	Revision / Business Combinations	July 1, 2009	No	Dependent on any pending business combinations
IFRS 7	Financial instruments Disclosures	Jan 1, 2007	Yes	Disclosures in notes
IFRS 8	Operating Segments	Jan 1, 2009	Yes	Segment reporting
IAS 1	Presentation of Financial Statements – Capital Disclosures	Jan 1, 2007	Yes	Disclosures in notes
IAS 1	Presentation of changes in equity not affecting operating result	Jan 1, 2009	No	Expansion of the income statement items
IAS 23	Borrowing costs	Jan 1, 2009	No	Dependent on pending investments
IAS 27	Consolidated and Separate Financial Statements	July 1, 2009	No	None that are material
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	March 1, 2006	Yes	None
IFRIC 8	Scope of IFRS 2	May 1, 2006	Yes	None
IFRIC 9	Reassessment of Embedded Derivatives	June 1, 2006	Yes	None that are material
IFRIC 10	Interim Financial Reporting and Impairment	Nov 1, 2006	Yes	No material issues foreseeable
IFRIC 11	IFRS 2: Group and Treasury Share Transactions	March 1, 2007	Yes	None
IFRIC 12	Service Concession Arrangements	Jan 1, 2008	No	None
IFRIC 13	Accounting for customer loyalty programs	July 1, 2008	No	None
IFRIC 14	Plan Assets – The limit on recognition of assets, obligations to members' subscription fees and interplay	Jan 1, 2008	No	None that are material

\*As of December 31, 2007

The IASB has issued the following standards, interpretations and amendments to existing standards with possible relevance for the PVA TePla Group. Those regulations that are not yet mandatory have not been applied in advance by PVA TePla:

#### **IFRS 2: Share-based payment – vesting conditions and cancellation of share based payment**

The standard defines the vesting conditions for share-based payment and stipulates that all cancellations of share-based payment plans are to be accounted for identically, regardless of the party that has cancelled them. They are to be recognized for the first time in fiscal years beginning on or after January 1, 2009. IFRS 2 does not affect the PVA TePla consolidated financial statements, due to the fact that there are no share-based payments.

#### **IFRS 3: Business combinations**

This standard contains revised rules to be applied when accounting for Company acquisitions. In addition to the scope and accounting for the purchase of shares in stages, an option will be introduced as to whether the shares of the non-controlling shareholder are to be measured at the fair value or using proportionate net assets. As a result, any existing goodwill will be disclosed either completely or only with the shares of the majority owner. We will examine the effects of first-time application of the amendments on the PVA TePla consolidated financial statements in the case of any pending business combination.

#### **IFRS 7: Financial Instruments: Disclosures**

In August 2005 the IASB published IFRS 7: Financial Instruments: Disclosures. This standard summarizes the disclosures on financial instruments that were hitherto governed by IAS 30: Disclosures in the Financial Statements of Banks and Similar Financial Institutions and IAS 32: Financial Instruments: Disclosure and Presentation. As a result, individual disclosure requirements have either been changed or added. IFRS 7 is mandatory for fiscal years beginning on or after January 1, 2007. Earlier adoption is recommended.

The standard was taken into account for the annual financial statements for fiscal year 2007 and resulted in additional disclosures in the notes as well as in the management report. Details regarding the individual financial instruments are given in the respective items of the balance sheet and income statement. The risks and opportunities linked with the financial

instruments are presented as a risk report within the management report.

#### **IFRS 8: Operating Segments**

In November 2006, the IASB issued IFRS 8: Operating Segments, which replaces IAS 14: Segment Reporting. IFRS 8 stipulates the reporting by companies of existing segment information in annual and interim financial statements. Operating segments are determined under IFRS 8 by means of financial information made available to and evaluated by the chief operating decision-maker, with this information serving as a basis for decision making in terms of resource allocation and profit control. A reported segment may consist of one or more operating segments. In order for a reported segment to consist of more than one operating segment, certain criteria in the standard have to be met.

IFRS 8 has to be applied for fiscal years beginning on or after January 1, 2009.

On first-time application by the Group, the standard will lead to further disclosures in the Notes. As the structure of segmental reporting is now already by and large covered by the structure of internal financial reporting, no major changes are expected as a result of the new standard.

#### **IAS 1: Presentation of Financial Statements – Capital Disclosures**

In August 2005, in connection with the publication of IFRS 7: Financial Instruments: Disclosures, the IASB announced a revision to IAS 1: Presentation of Financial Statements – Capital Disclosures. Under this, information has to be published in the financial statements that enables users to evaluate the aims, methods and processes of capital management. The standard was taken into account for the annual financial statements for fiscal year 2007 and resulted in additional disclosures in the notes.

#### **IAS 1: Presentation of changes in equity not affecting operating result**

In September 2007, the IASB passed a revision of IAS 1. The EU endorsement has not yet been applied. This standard requires additional disclosures when presenting the income statement, which comprises, in addition to the conventional income statement profit/loss (as a sub-total), the expenses and income (other comprehensive income), previously recognized directly in equity in the statement of changes in equity.

Apparently, the amendment also applies to the description of the items in the financial statements such as balance sheet, income statement and cash flow statement, which in future will be described as statement of financial position, statement of comprehensive income and statement of cash flows. The official German translation is not yet available so if and how these changes are to be implemented is yet to be seen.

This standard is initially to be applied for fiscal years beginning on or after January 1, 2009.

#### **IAS 23: Borrowing costs**

In its introduction of the amendment to IAS 23 in March 2007, the IASB removed the possibility of the option for the treatment of borrowing costs. In the future, borrowing costs that apply in conjunction with the purchase, the construction or the production of qualified assets must be recognized as a component of the cost of acquisition or production costs. We will examine the effects of adoption of this standard should and when the relevant investments arise.

#### **IAS 27: Consolidated and Separate Financial Statements**

IAS 27 stipulates that if a parent company changes its ownership interest in a subsidiary but does not lose its control, these transactions are to be accounted for in equity transactions charged directly to equity. Furthermore, the amended standard also regulates how a deconsolidation is to be calculated and how a residual participating interest in a former subsidiary is to be measured. The IAS 27 regulation is to be applied for fiscal years beginning on or after July 1, 2009. No significant effects on the consolidated financial statements are expected from the application of amendments to IAS 27.

#### **IFRIC 9: Reassessment of Embedded Derivatives**

In March 2006, the IFRIC issued IFRIC 9: Reassessment of Embedded Derivatives. According to this interpretation, an embedded derivative has to be examined with regard to its separation from the underlying contract and its recognition as an autonomous derivative, if the company becomes a party to the contract. Subsequent reassessments are forbidden, unless there are material changes either to the contractual conditions in the underlying contract or to the embedded derivative. In the Group forward exchange contracts are arranged, also termed solo or outright transactions. These forward exchange contracts serve to hedge payments of receivables in foreign currency and to pass on the

exchange risk to the other contracting party (often a bank). Above all, however, they provide a fixed basis for calculations.

This interpretation is to be applied for fiscal years beginning on or after June 1, 2006. No significant effects on the consolidated financial statements have occurred from the application of IFRIC 9.

#### **IFRIC 10: Interim Financial Reporting and Impairment**

In July 2006, the International Financial Reporting Interpretations Committee (IFRIC) published the interpretation, IFRIC 10: Interim Financial Reporting and Impairment. IFRIC 10 deals with the contradictory rules of IAS 34: Interim Financial Reporting compared to the rules for the recognition of impairment in relation to goodwill (IAS 36) and those for specific financial assets (IAS 39). IFRIC 10 states that impairments which have been recognized in interim financial statements and for which in accordance with IAS 36 and IAS 39 a reversal of impairment charges is forbidden, may not be reversed in subsequent interim, annual or consolidated financial statements. IFRIC 10 has to be applied for fiscal years beginning on or after November 1, 2006. The interpretation of IFRIC 10 has been taken into account since the beginning of fiscal year 2007.

#### **IFRIC 11: IFRS 2: Group and Treasury Share Transactions**

In November 2006, the IASB published the interpretation of IFRIC 11: IFRS 2: Group and Treasury Share Transactions. Share-based payments are to be paid using own equity instruments if the company chooses or is obliged to purchase own equity instruments in order to fulfill the share-based payment obligation.

IFRIC 11 has to be applied for fiscal years beginning on or after March 1, 2007. No effects on the consolidated financial statements are expected from the application of this standard.

#### **IFRIC 12: Service concession arrangements**

IFRIC 12: Service concession arrangements' was issued by the IASB in November 2006. The basis of IFRIC 12 is to regulate arrangements in which governments or other institutions grants contracts for the supply of public services to private operators.

IFRIC 12 has to be applied for fiscal years beginning on or after January 01, 2008. PVA TePla does not expect any changes following application of IFRIC 12.

#### IFRIC 13: Accounting for customer loyalty programs

The IFRIC issued IFRIC 13 in June 2007. This interpretation was introduced in order to account for the presentation of revenues in connection with customer loyalty programs. IFRIC 13 has to be applied for fiscal years beginning on or after July 01, 2008. As there are no customer loyalty programs in place, application of IFRIC 13 is not expected to affect the PVA TePla consolidated financial statements.

#### IFRIC 14: The limit on recognition of assets, obligations to members' subscription fees and interplay

This interpretation deals with specific details regarding the accounting for pension schemes in connection with IAS 19 and adopts general guidelines for determining the upper limit of a pension fund's surplus amount where this limit can be recognized as an asset in accordance with IAS 19. IFRIC 14 stipulates that the employer does not have to recognize any further liability unless the contributions to be paid in accordance with the minimum financing legislation cannot be paid back to the company. No significant effects on the consolidated financial statements are expected from the application of IFRIC 14.

#### Reporting currency and currency translation

The consolidated financial statements are drawn up in euro (EUR). Currency translation is performed in accordance with the concept of functional currency under IAS 21 (The Effects of Changes in Foreign Exchange Rates) which focuses on the principal economic environment. The translation of assets and liabilities as well as contingent liabilities and sundry financial obligations is carried out in all cases at rates ruling on the balance sheet date (middle rate). On the other hand, items in the income statement are translated using average exchange rates in the fiscal year; shareholders' equity is translated at historical rates. Translation differences arising from exchange rate fluctuations between different fiscal years are shown under "Other reserves" under shareholders' equity. Translation in subsequent periods is carried out in accordance with IAS 21.23.

Cumulative exchange differences from the currency translation of subsidiaries were not set to zero on the transition date (January 1, 2004), but shown as a separate item in consolidated shareholders' equity.

The material exchange rates of countries outside the euro zone included in the consolidated financial statements are as follows:

#### Closing rate on Dec. 31 (EUR = 1):

	2007	2006
USA (USD)	1.47184	1.32027
China (CNY)	10.73537	10.32098
Denmark (DKK)	7.45656	7.45592
Singapore (SGD)	2.12785	2.02325

#### Average rate during year (EUR = 1):

	2007	2006
USA (USD)	1.36832	1.25466
China (CNY)	10.39933	9.99400
Denmark (DKK)	7.44989	7.45879
Singapore (SGD)	2.06211	1.99373

As all consolidated subsidiaries are domiciled in countries with no hyperinflation at present, IAS 29 is not applicable.

### Estimates and assumptions

Preparation of the consolidated financial statements requires estimates and assumptions to be made by management. These influence the presentation of assets and liabilities, the disclosure of contingent liabilities at the balance sheet date, and the presentation of income and expenditure for the year under review.

This especially affects allowances for bad debts, the degree of completion of customer-specific production orders, the amount and likelihood of utilization of other provisions, the measurement of goodwill and the recognition of deferred tax assets on loss carryforwards. Management bases its judgment of these assumptions and estimates on past experience, estimates from experts (lawyers,

rating agencies, associations) and the results of carefully weighing up different scenarios. Changes in the economic situation that deviate from assumptions and are beyond the control of management can result in actual amounts deviating from estimates as originally forecast. If the original basis for estimation changes, accounting for the balance sheet items concerned will impact on the income statement.

### Roundings

The tables and figures used in these Notes are based on precisely calculated amounts that are subsequently rounded to the nearest thousand euro. Therefore, rounding differences within tables cannot always be avoided.

## 2. Consolidation

### Companies included in the consolidation

The consolidated financial statements of PVA TePla presented here include both fully consolidated subsidiaries as well as one associate carried at equity.

All subsidiaries in which PVA TePla has a majority of shareholders' voting rights (control) are fully consolidated.

The following companies have been included in the consolidated financial statements as at December 31, 2007 on a fully consolidated basis:

Name	Registered office	Shareholding
PVA TePla AG (parent company)	Aslar, Germany	
PVA TePla America Inc.	Corona/CA, USA	100%
UV Systec Gesellschaft für UV-Strahler und Systemtechnik mbH	Jena, Germany	100%
PVA Vakuum Anlagenbau Jena GmbH	Jena, Germany	100%
Crystal Growing Systems GmbH	Aslar, Germany	100%
Xi'an HuaDe CGS Ltd.	Xi'an, VR China	51%
PVA Löt- und Werkstofftechnik GmbH	Jena, Germany	100%
PVA Control GmbH	Aslar, Germany	100%
Plasma Systems GmbH	Feldkirchen, Germany	100%
PlaTeG GmbH	Siegen, Germany	100%
PVA TePla Singapore Pte. Ltd.	Singapore	100%
Krämer Scientific Instruments GmbH	Herborn, Germany	100%
SAM TEC GmbH	Aalen, Germany	100%

The company Vakuum Anlagenbau Service GmbH in Hanau, Germany (participating interest 100%), has not been included in the consolidated financial statements. On April 25, 2003, insolvency proceedings began regarding the company's assets. For this reason, the management control is no longer exercised by PVA TePla. The carrying value of the interests in the company was fully written off in prior years.

#### Associated enterprises

Companies over which the Group has significant influence through its involvement in financial and business policies, but over which it cannot exercise control are shown as associates. Significant influence is essentially presumed when the Group directly or indirectly holds 20% or more of the voting rights. The consolidated financial statements also include PVA MIMtech LLC, Cedar Grove/NJ, USA, an associate in which PVA TePla AG has a participating interest of 50%. As at December 31, 2007, shareholders' equity of PVA MIMtech LLC stood at US\$1,558 thousand (EUR 1,059 thousand); net income for the year 2007 amounted to US\$1,072 thousand (EUR 783 thousand).

#### Principles of consolidation

The financial statements of the companies included in the consolidated financial statements have been prepared in accordance with IAS 27 (Consolidated and Separate Financial Statements), based on uniform accounting and valuation principles.

Consolidation of investments in subsidiaries is carried out in accordance with IFRS 3 (Business Combinations), under which the costs of acquisition of the participating interests have been set off against the fair values of the assets and liabilities acquired. Any excess of cost over fair value is recognized as goodwill, and subjected to an impairment review at least annually. If there is an excess of fair value over cost, this is credited to income after the fair values of the assets and liabilities acquired have been reviewed. If less than 100% of the shares are acquired, the historical cost of the participating interest is offset against the proportionate fair values of the assets and liabilities acquired. Minority interest is recognized in shareholders' equity at the amount of the remaining fair values, including profits and

losses due to them.

If the percentage shareholding of the parent company changes after acquiring control (acquisition in stages), any difference is recognized in equity without effect on net income.

The differences included in the carrying values of the investments in associates are offset under the same principles, with an adjustment being made where necessary to comply with the accounting and valuation principles in force in the Group. Aggregation is effected under the equity method in line with IAS 28 (Investments in Associates).

Intragroup profits and losses, sales revenues, expenses and income, as well as receivables and payables between consolidated companies are eliminated. If a Group company enters into transactions with an associate, the resultant profit or loss is eliminated in proportion to the share in the associate held by the Group.

#### Acquisitions in the fiscal year

On June 4, 2007, the subsidiary PVA TePla Singapore Pte. Ltd., Singapore was founded.

On October 22, 2007, PVA TePla AG acquired a 100% interest in the KSI Group, Herborn, Germany. The group consists of Krämer Scientific instruments GmbH, Herborn and its 100% subsidiary SAM TEC GmbH, Aalen.

Costs for the acquisition of the KSI Group amounted to EUR 6,250 thousand. Of this amount, EUR 735 thousand was for intangible assets, EUR 157 thousand for property, plant and equipment, EUR 1,669 thousand for inventories, EUR 1,177 for receivables and EUR 179 thousand for cash and cash equivalents. In the inventories, the EUR 562 thousand value of the available short-term order backlog was recognized. These assets were offset by EUR 2,021 thousand in current liabilities and EUR 477 thousand in non-current provisions (particularly in deferred tax liabilities). The remaining EUR 4,831 was recognized as goodwill. In the period between the acquisition and the end of fiscal year 2007, the KSI Group generated EUR 1,507 thousand in sales revenues and EUR 155 thousand in net profit for the period.

### 3. Accounting and valuation principles

#### Intangible assets

Intangible assets consist mainly of goodwill arising in connection with company acquisitions, representing the excess of the purchase price over the net fair value of the net assets acquired.

The treatment of company mergers before the transition point was retained by invoking the exemption option under IFRS 1. In accordance with IFRS 1, goodwill amounts were transferred to the IFRS opening balance sheet at their carrying values under the previous accounting standard, provided the recognition criteria for intangible assets and contingent liabilities were met. Goodwill is not subject to amortization but is tested for impairment at least once a year or whenever there are indications of that condition and, if necessary, written down to its lower fair value.

Other intangible assets with limited useful lives are carried at cost, reduced by normal straight-line amortization from the date of their first being ready for use. Useful lives are based on three to eight years (software: between three and five years). Amortization of intangible assets is allocated to the functional areas utilizing the assets concerned. Useful lives are reviewed annually and, if necessary, adjusted to meet future expectations.

#### Property, plant and equipment

Property, plant and equipment are carried at cost less cumulative depreciation. Depreciation is calculated on a straight-line basis or by using the geometrical reducing-balance method over the asset's expected useful life; with tenants' fixtures or leasehold improvements this is over the length of the lease, if shorter. Both in the year under review and in prior years, investment subsidies and tax-free investment grants received are not deducted from the cost of the assets benefiting, but are deferred under a separate balance sheet item "Deferred investment grants from public funds", and recognized as income in the periods matching the corresponding expenditure. Interest on external borrowing is not included in cost. Expenditure on maintenance and repairs are expensed in the period in which they are incurred. Costs, together with the related cumulative depreciation, are derecognized when assets are scrapped or disposed of, and any book gains or losses are recognized in the income statement under "Other operating income" or "Other operating expenses".

Depreciation is principally based on the following useful lives:

	Years
Buildings	25 - 30
Plant and machinery	3 - 20
Other plant and equipment, fixtures and fittings	2 - 14

Assets are depreciated pro rata temporis in the year of acquisition.

Depreciation of property, plant and equipment is allocated to the functional areas utilizing the assets concerned.

### Impairment and write-downs of intangible assets and property, plant and equipment

In cases where the value of items of intangible assets or property, plant and equipment, as calculated under the above principles, is greater than the value attributed to them at the balance sheet date, such assets are subject to impairment or write-downs. The fair value to be applied is calculated on the basis of the higher of net proceeds of sale or the present value of the estimated future cash flow from use of the asset. Impairment and write-downs are recognized as other operating expenses.

In accordance with IFRS 3 (Business Combinations), the carrying value of goodwill is reviewed at least annually in an impairment test.

Goodwill is allocated to cash generating units in accordance with IAS 36 (Impairment of assets). As a result, and in accordance with IAS 36.80 (b), these cash generating units may not be larger than a segment within the segment reporting.

There are two cash generating units within the Crystal Growing Systems division. One unit is the subsidiary Crystal Growing Systems GmbH (CGS). The other unit is made up of the two companies of the KSI Group - Krämer Scientific Instruments GmbH, Herborn and its wholly-owned subsidiary SAM TEC GmbH, Aalen, which together can only be counted as one uniform cash generating unit. In this case, both companies depend on each other to such an extent that each individual company does not generate an independent cash flow. In addition, both companies are managed and controlled on an integrated and interrelated basis.

In contrast to the previous year, there are also two cash generating units to be found in the Plasma Systems division. The internal dependence between the allocation groups of the Plasma Systems division within the PVA TePla AG and the subsidiary PVA TePla

America is also so great that these can only be seen as a uniform cash generating unit. In this case also, the companies are controlled and managed as one whole. Although we included the subsidiary PlaTeG in this cash generating unit in the previous year – due to the fact that an intensive integration of this unit was started– we have handled this subsidiary as an independent cash generating unit since fiscal year 2007. In contrast with original estimates, the actual extent of integration was less than expected.

This breakdown of the cash generating unit also corresponds to the levels on which the related goodwill is monitored and managed.

The recoverable amount of a cash generating unit is calculated as its value in use using the discounted cash flow method. Using this method, cash flow is discounted on the basis of the adopted medium-term business plan with a planning horizon of three years and an extrapolation of this plan in line with forecast market trends. Growth rate estimates were not recognized when carrying out extrapolation. The discount rate is based on the weighted cost of capital of PVA TePla AG (WACC approach) and contains a reasonable risk premium.

By comparing the carrying values of the cash generating units with the recoverable amounts, any necessary write-downs are identified.

If the reasons for an impairment loss no longer exist, impairment losses are reversed. Reversing an impairment loss is limited to the continued carrying value that would have arisen had there been no write-downs in the past. Income from such reversals is shown under "Other operating income". Reversing the impairment of goodwill is not permitted.

### Leasing

Under IAS 17.4 (Leases), all agreements whereby the right to use an asset is transferred for payment are deemed to be leases. Rental agreements are therefore also treated here as leasing.

PVA TePla is the lessee of property, plant and equipment. In fiscal year 2007, as in the previous year, all leases of PVA TePla have been treated as operating leases, with the result that lease installments have been expensed as incurred.

### Inventories

Inventories are recognized at the lower of cost, using the average cost method, or net realizable value. In accordance with IAS 2 (Inventories), cost includes not only directly attributable costs, but also production and material overheads and write-downs. In this, fixed overheads are taken into account on the basis of normal capacity utilization of the production facilities. Costs of unused production capacity (costs of idle plant) are included in the income statement under "Cost of sales". Write-downs are charged on inventories when cost exceeds expected net realizable value.

### Coming receivables on construction contracts

As part of the partial recognition of sales revenues on customer-specific construction contracts based on the percentage of completion, any amount due from customers for contract work is to be shown as an asset in accordance with IAS 11.42. We show these items under the item "Coming Receivables on Construction Contracts".

### Receivables

Receivables are carried at their nominal amount.

Appropriate bad debt allowances are recognized for trade receivables to cover possible risks of default.

### Cash and cash equivalents

Cash and cash equivalents comprise all freely available liquid funds such as cash in hand and cash on current accounts as well as current bank balances available.

### Derivative financial instruments / Exchange rate hedging

In some cases, sales are concluded in foreign currency. As a rule, forward exchange contracts are entered into to hedge exchange rate risks in these cases.

These cases are represented as fair value hedges. The assets (trade receivables) shown in the balance sheet are measured at fair value; the adjustment of the carrying value by the fair value is recognized in the income statement as part of the financial result (net finance revenue or net finance costs). Hedging is also measured at fair value. If hedging is implemented completely, the opposing effects on earnings will compensate for each other.

A forward exchange contract with opportunities was concluded for an order received by the Vacuum Systems division. The effects on earnings will be recognized as exchange gain or loss and thus as part of the financial result (net finance revenue or net finance costs). A positive market value will be recognized as "Other assets", a negative market value will be treated as part of "Other provisions".

### Derivative financial instruments / Interest rate hedging

In order to hedge interest rate risks for the financing of planned investments in new buildings, interest rate hedges were concluded. A positive market value of these instruments will be disclosed under "Other receivables". In this case, the cross entry is reported in equity under "Other reserves".

#### Deferred investment grants from public funds

Some items of capital expenditure are supported by investment subsidies and tax-exempt investment grants. These amounts are not deducted from the cost of the assets benefiting, but treated as deferred income and recognized as income in the periods matching the corresponding expenditure.

Under IAS 20 (Accounting for government grants and disclosure of government assistance), grants from public funds are only recognized if there is reasonable assurance that the conditions attached to them are complied with and that the grants will actually be received.

#### Liabilities

Liabilities are carried at amortized cost the balance sheet date in accordance with IAS 39 at carrying value, which usually corresponds to the amount due on settlement.

#### Obligations on construction contracts

As part of the partial recognition of sales revenues on customer-specific construction contracts based on the percentage of completion, any amount due to customers for contract work is to be shown as a liability in accordance with IAS 11.42. This is a result of an excess of invoiced amounts over the corresponding proportionate revenue. Corresponding to "Coming receivables on construction contracts" these items are presented separately in the balance sheet.

Contrary to the offsetting of payments in the previous year, we have now adopted the prevailing method. We only include partial payments that are due based on the progress of each individual system and therefore fulfill the scope of progress billing. Payments received upon beginning the order or partial payments that do not correspond to the progress of completion are presented separately as advance payments. We have adjusted the prior year amounts correspondingly. This led to a balance sheet extension of EUR 224 thousand.

#### Obligations from pension commitments

Obligations from direct pension commitments are calculated in accordance with IAS 19 (Employee Benefits) using the projected unit credit method, taking future salary and pension adjustments into account. Actuarial reports are obtained annually for this purpose. The service cost for pension qualifiers is derived from the scheduled movement in the provisions for pension rights. Differences between defined pension obligations and the present value of future and present pensions at the year-end (actuarial gains and losses) are spread in subsequent periods over the average remaining years of service of qualifiers and recognized in income, provided such gains and losses exceed 10% of total obligations.

Pension obligations in Germany are calculated on the basis of the biometric 2005 G mortality tables issued by Professor Klaus Heubeck. There are no pension obligations outside Germany.

#### Accruals

Accruals are liabilities to be paid for goods or services received that are neither paid nor invoiced or formally agreed upon by the supplier on the balance sheet date. This also includes amounts owed to employees. These values were presented as part of the provisions in previous years.

#### Other provisions

In accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), provisions for other financial obligations are recognized when a present obligation towards third parties arises from a past event, future settlement is probable and the amount can be reliably estimated. Non-current provisions with a remaining term of more than one year are recognized at the value of the amount required to settle the obligation, discounted back to the balance sheet date.

The provision for obligations arising from the part-time retirement schemes comprises expenditure on wages and salaries as well as top-up benefits. This provision is recognized for individual contractual arrangements. As in previous years, no provision is recognized for potential future qualifiers.

### Deferred taxes

Taxes are deferred in accordance with IAS 12 (Income Taxes) for temporary differences arising between the amounts stated in the consolidated balance sheet and those in the tax balance sheets of the companies included in consolidation, as well as on consolidation adjustments and tax loss carryforwards. Deferred tax assets and liabilities are also recognized for temporary differences arising from company acquisitions, with the exception of temporary differences on goodwill. The deferrals are recognized in the probable amount of the tax charge or relief in subsequent fiscal years. Tax assets from deferrals are only recognized if it is reasonably certain they will be recovered.

Loss carryforwards are only included in tax deferrals to the extent that taxable income sufficient to recover the deferred tax assets can be expected in the future. Deferred tax assets are reduced by amounts that are no longer likely to be used for tax purposes. Deferred tax assets that are unlikely to be recovered are subject to a write-down.

Deferred tax is calculated on the basis of tax rates either in force or announced in the individual countries at the time of realization according to the current legal position.

### Revenue recognition

Sales revenues are recognized as soon as the goods or services are delivered and the transfer of risk has taken place. All sales revenues are entered on the date of delivery or performance, as management

regards sundry services and sales arrangements, such as training, as immaterial to the serviceability of its systems. Income from services and repair work is entered at the time the related projects are completed.

Income from customer-specific construction contracts is realized in accordance with IAS 11 (Construction Contracts), based on the progress of the work (percentage of completion method), as a reliable estimate of the outcome of the contract is possible; the products to be delivered, the terms of payment and the manner in which the work is to be progressed are clearly defined in the contracts; and the fulfillment of the contractual arrangements by both the purchaser and the seller is considered to be probable. The degree of completion is determined from the ratio of costs incurred up to the cut-off date to the estimated total costs (cost to cost method). Anticipated losses from long-term construction contracts are immediately expensed in full.

Warranty provisions are recognized at the balance sheet date for realized sales revenues. These provisions are based on estimates and past experience.

### Research and development expenses

PVA TePla is engaged in high-tech mechanical engineering, in single unit and small series production. The continued development of products is closely tied into research in relation to new procedures and processes and the development of new product features. Activities in these two areas

are always alternating in the course of a project. For this reason, the split between research and development activities, and with it the split between their respective costs, is generally not sufficiently meaningful. Likewise, an estimate of probable benefits is too unreliable in view of the uncertainties in future market trends.

This means that of all the criteria specified in IAS 38 (Intangible Assets) for the capitalization of development costs, two important ones are not met. Thus, any such capitalization had to be dispensed with.

Research and development expenses are therefore expensed in the period in which they are incurred.

#### **Interest**

Interest and other costs of borrowing are expensed in the period.

#### **Other financial commitments**

A discount rate of 4.5% has been recognized in order to determine the present value of other financial obligations.

#### **Amendments to disclosures**

Offsetting advance payments relating to partial realization of sales revenues according to the POC method: in the previous year, we recognized that the advance payment amount essentially represents the progress billing amount according to the order progresses. Due to large orders in particular, with the associated significant advance payments when the orders are issued, there was a notable excess of obligations on construction contracts. This year, we have examined the progress billing amount separately from the advance payments. Advance payments are presented separately under this item heading.

Presentation of Accruals in previous years we have not presented this item separately but as part of "Other provisions".

From this year onward, the corresponding amounts will be presented separately under this item heading.

In each case, we have adjusted the figures for prior years correspondingly. The amendments to disclosures have not affected equity, earnings and cash flow.

## B. Notes on individual balance sheet items

### 4. Intangible assets

Changes in intangible assets in the fiscal year under review and in the previous year are shown in the consolidated statement of changes in fixed assets for 2007 and 2006, attached as an appendix.

The carrying values of the intangible assets are as follows:

In EUR '000	Dec. 31, 2007	Dec. 31, 2006
<b>Intangible assets</b>		
Goodwill	11,465	6,634
Other intangible assets	1,576	384
<b>Total</b>	<b>13,041</b>	<b>7,018</b>

The goodwill for the Plasma Systems segment is a result of the acquisition of the Plasma Systems division as part of the merger between TePla AG, Feldkirchen and PVA Vakuum Anlagenbau GmbH, Asslar in November 2002 (EUR 3,850 thousand) and the acquisition of the Plasma Technik Grün GmbH business into PlaTeG GmbH in 2006 (EUR 50 thousand).

The recognized goodwill of the Crystal Growing Systems segment is initially a result of the increase in participating interest in Crystal Growing Systems GmbH in July 2002 (EUR 2,734 thousand). In fiscal year 2007, the acquisition of the KSI Group, Herborn, led to a further amount of EUR 4,831 thousand.

For the impairment test a discount rate of 14.2% was recognized for fiscal year 2007.

Amortization of other intangible assets amounted to EUR 267 thousand and EUR 253 thousand for the years 2007 and 2006 respectively. This is primarily included in cost of sales.

## 5. Property, plant and equipment

Changes in property, plant and equipment in the year under review and in the previous year are shown in the consolidated statement of changes in fixed assets for 2007 and 2006, attached as an appendix.

The carrying values of property, plant and equipment were as follows:

In EUR '000	Dec. 31, 2007	Dec. 31, 2006
<b>Property, plant and equipment</b>		
Land, property rights and buildings, including buildings on third party land	11,075	5,634
Plant and machinery	3,192	2,696
Other plant and equipment, fixtures and fittings	1,489	1,079
Advance payments and assets under construction	11,563	664
<b>Total</b>	<b>27,319</b>	<b>10,073</b>

The increase in the item for land, property rights and buildings, including buildings on third-party land is chiefly due to investments in new assembly facilities at the Jena location. This increase was offset by depreciation of the assets. The item for "Advance payments and assets under construction" has increased because of construction started at the Wetttemberg site.

Depreciation of property, plant and equipment amounted to EUR 1,568 thousand in 2007 and EUR 1,195 thousand in 2006.

In fiscal year 2007 – as in the previous year – there was no need for write-downs in accordance with IAS 36.

In order to secure the loans advanced to PVA Vakuum Anlagenbau Jena GmbH for the financing of commercial property, land to the value of EUR 4,929 thousand has been encumbered with a charge. The corresponding loans were valued at the balance sheet date at EUR 3,556 thousand. Charges of EUR 2,401 thousand have been registered in order to secure the corresponding loans of UV Systec Gesellschaft für UV-Strahler und Systemtechnik mbH. In this case the corresponding loans were valued at EUR 1,177 thousand at the balance sheet date. In order to secure the loan for the financing of the asset deal of PlaTeG GmbH, ownership in the plasma nitration systems installed in the contract processing area was transferred as security. The corresponding loan was valued at the balance sheet date at EUR 438 thousand.

In order to secure the PVA TePla AG loans to finance new facilities in Wetttemberg, land has been encumbered with a charge to the value of EUR 18,000 thousand. The corresponding loans were valued at the balance sheet date at EUR 8,000 thousand. The registered charges also serve to secure a further agreed loan to the value of EUR 10,000 thousand, due to be paid out in 2008.

In order to finance three brazing furnaces for the subsidiary Löt- und Werkstofftechnik GmbH, Jena, the financed furnaces were transferred as security. The residual carrying value of the three furnaces amounted to EUR 1,419 thousand on the balance sheet date. The open remaining amount of the related loans is EUR 1,161 thousand.

There are no other material constraints over ownership or disposition in respect of the property, plant and equipment reported.

## 6. Investment property

Following the capacity expansion at the Jena site where new facilities were put in place, continued internal use of the facilities in Kahla is no longer foreseeable. A large percentage of these facilities has already been leased out. For this reason, this real estate has been classified as investment property since July 1, 2007 in accordance with IAS 40.

The real estate was assessed based on the cost of acquisition minus the value of depreciation. The fair value of EUR 567 thousand was calculated using an appraisal from 2003 based on an optimum estimation of the leasing income that was to be generated. This means that no write-down is necessary. A costly assessment of the real estate by an external surveyor was not conducted.

In fiscal year 2007, the leasing income generated by the real estate amounted to EUR 68 thousand (including a reimbursement of service and maintenance costs which in turn include a retrospective payment of EUR 10 thousand for previous years). In addition, insurance compensation of EUR 22 thousand was also received. These returns are offset by service and maintenance expenses of EUR 35 thousand.

The historic acquisition cost of the real estate amounted to a total of EUR 694 thousand for the land and the buildings. On July 1, 2007 (reclassification), the cumulative depreciation amounted to EUR 164 thousand and on December 31, 2007, this amounted to EUR 175 thousand. These disclosures are also presented in the consolidated statement of changes in fixed assets as of December 31, 2007.

Depreciation is calculated on a straight-line basis with a useful life of 25 years.

## 7. Non-current investments

The carrying values of non-current investments were as follows:

In EUR '000	Dec. 31, 2007	Dec. 31, 2006
Investments in associates	553	420
Other non current receivables	19	22
<b>Total</b>	<b>572</b>	<b>442</b>

The 50% participating interest in PVA MIMtech LLC is shown under non-current investments as investments in associates. Valuation is by the equity method of accounting where the participating interest is initially measured at the amount invested. Gains or losses subsequently arising are offset against the carrying value of the participating interest.

In September 2002, the cost of a 25% investment amounted to the equivalent of EUR 96 thousand. No difference arose between the cost of acquisition and the underlying equity. With effect from January 1, 2004, a further 25% was acquired for the equivalent of EUR 104 thousand. The difference amounting to the equivalent of EUR 66 thousand between the cost of acquisition and equity acquired is recognized as goodwill in a secondary calculation, and subjected to an annual impairment test. For 2007 there were no grounds for impairment. The share of net profit for 2007, in line with reconciliation as a result of single-entity financial statements adjusted for uniform group accounting, amounted to EUR 352 thousand (previous year: EUR 200 thousand); in the income statement the net profit for the year is included in the item "Share of profits from associates". 2007 saw a profit distribution to PVA TePla America of EUR 152 thousand (previous year: EUR 86 thousand).

## 8. Inventories

The financial statements of PVA MIMtech for fiscal year 2007 show the following key figures:

In EUR '000	Dec. 31, 2007 or 2007	Dec. 31, 2006 or 2006
Sales revenues	6,182	5,359
Net profit for the year	783	400
Assets	3,366	1,424
Liabilities	2,307	716
Shareholders' equity	1,059	708

Inventories are made up of the following:

In EUR '000	Dec. 31, 2007	Dec. 31, 2006
Raw materials and operating supplies	7,000	3,452
Work in progress	4,801	2,198
Finished products and goods	838	1,401
<b>Total</b>	<b>12,639</b>	<b>7,051</b>

In 2007, inventories were subject to write-downs of EUR 760 thousand (previous year: EUR 541 thousand). These were offset by reversals of write-downs to the value of EUR 128 thousand (previous year: EUR 718 thousand). Write-downs are primarily attributable to the usual write-downs for non-marketability. Technically superseded prototypes in the Plasma Systems division were also written down in 2007 in the amount of EUR 158 thousand. In addition, demonstration and leasing models are being reserved in the Plasma Systems division. Since these can always be sold at short notice, they are recorded under inventories. Values were decreased as planned in order to simulate write-downs with a useful life of 5 years. Proceeds that are significantly higher than the carrying value are normally generated through a later sale. In these cases, the excess devaluation amount is recorded as a reversal of a write-down.

Besides the reservation of title by suppliers, customary in the trade, there were no significant charges against inventories as at the balance sheet date.

As at December 31, 2006, the value increase of work in progress by EUR 224 thousand compared to the 2006 Annual Report is a result of changes in the presentation of advance payments.

## 9. Coming receivables on construction contracts

Contract costs accounted for under the percentage of completion method and revenue from work in progress in the system construction business is as follows:

In EUR '000	Dec. 31, 2007	Dec. 31, 2006
Capitalized production costs including contract profit	44,098	11,277
for which advance payments received (progress billings)	-24,704	-6,225
<b>Total</b>	<b>19,394</b>	<b>5,052</b>

Further advance payments received of EUR 33,342 thousand and obligations on construction contracts of EUR 167 thousand – on contracts where payments received according to order progress exceed contract costs incurred plus proportionate profits – are shown under “Current liabilities”. See the explanations under Note 19 and Note 20.

## 10. Receivables

Receivables are made up of the following:

In EUR '000	Dec. 31, 2007	Dec. 31, 2006
Trade receivables	11,075	9,473
Amounts owed by associates	136	151
payments in advance	9,235	2,363
Other receivables	4,031	871
<b>Total</b>	<b>24,477</b>	<b>12,858</b>

The “payments in advance” item is disclosed separately for fiscal year 2007 due to the fact that this has once again notably increased because of processing the order backlog. The values for the previous year have been divided correspondingly.

The other receivables item comprises the prepaid expenses which were previously separately presented.

Trade receivables consist of the following:

In EUR '000	Dec. 31, 2007	Dec. 31, 2006
Trade receivables	11,406	9,768
Bad debt allowances	-331	-295
<b>Total</b>	<b>11,075</b>	<b>9,473</b>

As part of normal business, supplier credit is granted to a broad spectrum of customers. The creditworthiness of customers is regularly reviewed. Bad debt allowances are recognized in order to cover potential risks.

Other receivables are made up of the following:

In EUR '000	Dec. 31, 2007	Dec. 31, 2006
Derivative financial instruments	402	5
Receivables from investment incentives	1,134	111
Value added tax due	1,178	173
Accounts payable with debit balances	107	108
Deferred prepayments	130	109
Other items	1,080	365
<b>Total</b>	<b>4,031</b>	<b>871</b>

Derivative financial instruments were carried at market value.

Due to their current nature, the market value of other items does not significantly deviate from the carrying values presented.

## 11. Cash and cash equivalents

Cash and cash equivalents of EUR 9,071 thousand (previous year: EUR 12,077 thousand) mainly consist of current bank balances. Cash in hand amounts to EUR 10 thousand (previous year: EUR 9 thousand). The bank balances consist solely of cash on current accounts or term deposit accounts with a maximum term of 30 days. In order to optimize the net interest income, an agreement has been made to match the interest on the credit balance on current accounts with that of corresponding term deposit investments.

## 12. Deferred tax assets

For further details, please see the information under Note 25 Taxes on income.

## 13. Shareholders' equity

### Share capital

As at December 31, 2007 PVA TePla AG had issued 21,749,988 no-par value shares, each share representing EUR 1.00 of share capital.

### Contingent and authorized capital

There was no contingent capital as at December 31, 2007.

By resolution of the PVA TePla AG Annual General Meeting on August 28, 2002 (prior to the merger between PVA Vakuum Anlagenbau GmbH and TePla AG), the Executive Board was authorized, with the approval of the Supervisory Board, to increase the Company's ordinary share capital on one or more occasions during the period to November 5, 2007 by up to EUR 10,724,994 in total against contributions in cash or in kind (authorized capital), and thereby to exclude shareholders from subscribing.

On the basis of this authorization, ordinary share capital was raised in 2005 by EUR 300,000, as part of a non-cash capital increase. After this non-cash capital increase, authorized capital remained at EUR 10,424,994 as at December 31, 2006.

Due to the time limit on the authorized capital to November 5, 2007, the Annual General Meeting, on June 15, 2007, revoked the existing authorized capital and simultaneously authorized the Executive Board to increase the Company's ordinary share capital on one or more occasions during the period to June 14, 2012, by up to EUR 10,874,994 in total by issuing 10,874,994 new bearer shares against contributions in cash or in kind and thereby to exclude shareholders from subscribing – where legally viable. Capital increases were not passed for the authorized capital in 2007.

## 14. Deferred investment grants from public funds

PVA TePla has received financial incentives from various public authorities under government business development programs, including funding to construct production facilities. These grants are not netted against the assets benefiting, but are shown as deferred income in the consolidated balance sheet.

Changes in deferred income in 2007 are as follows:

In EUR '000	Total	Land and buildings	Plant and machinery	Other plant and equipment, fixtures and fittings
As of Jan. 01, 2007	1,677	1,018	625	34
Addition	1,050	841	174	35
Release	-175	-61	-104	-10
<b>As at Dec. 31, 2007</b>	<b>2,552</b>	<b>1,798</b>	<b>695</b>	<b>59</b>

The addition in 2007 relates to the investments made at the Jena site. Investment grants of EUR 436 thousand and investment subsidies of EUR 405 thousand have been recognized for new buildings. Investment grants of EUR 166 thousand and investment subsidies of EUR 43 thousand have been granted for new machines and other operating and office equipment. The investment subsidies granted are conditional on a total of 39 permanent jobs being secured and 9.5 permanent jobs being created. In view of the satisfactory order position and the expected order volume in the medium-term, this should not present a problem from today's perspective.

The monitoring period in respect of the conditions attached to previously granted investment subsidies has expired. Since the conditions were fulfilled, there is no risk from this of potential repayments having to be made.

## 15. Non-current financial liabilities

Non-current financial liabilities of EUR 17,113 thousand (previous year: EUR 3,103 thousand) are all due to banks.

The significant increase in non-current financial liabilities is chiefly attributable to taking up loans to finance investments in new assembly facilities and to finance the acquisition of the KSI Group.

Non-current financial liabilities are made up of the following:

In EUR '000	Dec. 31, 2007	Dec. 31, 2006
Non-current financial liabilities	18,364	3,763
less: portion of non-current financial liabilities due in less than one year	-1,251	-660
Non-current financial liabilities less current portion	17,113	3,103

The average weighted interest for non-current financial liabilities was 4.93%.

The repayment commitments for these non-current financial liabilities are structured as follows:

Due	In EUR '000
Up to a month	18
Between 1 and 3 months	172
Between 3 and 12 months	1,095
between 1 and 5 years	9,152
more than 5 years	8,368

The difference between the repayment commitments given and the residual carrying value of the loans is based on the agreed debt discounts.

The non-current financial liabilities for financing of construction are all secured by charges on the land of the financed assets – the site in Jena is partly secured additionally by transfer of ownership of the machines and facilities. The carrying value of this collateral amounted to EUR 23,687 thousand on December 31, 2007. On the balance sheet day, the value was more than the total value of non-current financial liabilities due to the fact that the request for collateral for an additional approved loan to a total of EUR 10 million for financing construction in Wetttemberg has been included. This loan was agreed in 2007 but has not yet been valued.

The loan for financing investments in machinery for the subsidiaries PVA Löt- und Werkstofftechnik GmbH, Jena, and PlaTeG GmbH, Siegen, are secured through transfer of ownership of the assets to be financed. The carrying value of this collateral amounted to EUR 1,905 thousand on December 31, 2007.

In accordance with IFRS 7, the market values of non-current financial liabilities must be provided. Unfortunately, our banks were unable to provide us with the corresponding information. Therefore we are unable to establish the actual market values. The largest proportion of loans was taken up in fiscal year 2007. Since the conditions on the day the loan was agreed do not deviate greatly from the conditions on the balance sheet date, the carrying values presented can be assumed to match the market value of the loans. Loans from previous years have in part been agreed at considerably more favorable conditions that would have been possible on the balance sheet date. This results in positive deviations between the disclosed carrying values and the market values.

## 16. Retirement pension provisions

### Basic principles

A distinction is made in company pension schemes between defined benefit plans and defined contribution plans. In the case of defined benefit plans, the Company is obliged to pay defined benefits to active and former employees.

In the case of defined contribution plans, the Company does not enter into any additional obligations other than to make earmarked contributions.

### Defined benefit plans

Provisions for pension obligations are recognized on the basis of pension plans for commitments to pay retirement, invalidity and dependents' benefits. The amount of benefit usually depends on the number of years' service and the amount of employees' pay.

Pension commitments in the form of defined benefit plans exist in favor of eligible employees of PVA TePla AG, PVA Vakuum Anlagenbau Jena GmbH and Crystal Growing Systems GmbH. The relevant pension plans were taken over from previous companies in each case and only consist of previous benefit obligations. New pension obligations are generally no longer made.

Obligations are calculated under the projected unit credit method. In this, future obligations are measured on the basis of the proportionate amount of benefit entitlement acquired as at the balance sheet date. Measurement takes into account assumptions on trends for the relevant factors that affect the amount of benefit.

There is no external financing in the form of a pension fund.

In detail the calculation is based on the following actuarial premises:

%	Dec. 31, 07	Dec. 31, 06
Income trend	3.00	2.50
Pension trend	1.00	1.00
Staff turnover	2.50	2.50
Interest rate for active staff	5.75	4.70
Interest rate for pensioners	5.50	4.49

Biometric parameters have been calculated on the basis of the 2005 G mortality tables issued by Professor Klaus Heubeck. Valuation of pension obligations is supported by actuarial reports.

Reconciliation of present value of future pensions to the pension provisions in the balance sheet:

In EUR '000	Dec. 31, 07	Dec. 31, 06
Present value of future pensions Dec. 31 (= funding status)	6,558	7,138
Unrealised actuarial gains and losses	479	-471
<b>Total</b>	<b>7,037</b>	<b>6,667</b>

The following amounts are recognized in the income statement:

In EUR '000	2007	2006
<b>Current service expense for services provided by employees in the financial year</b>	<b>181</b>	<b>215</b>
of which:		
Cost of sales	124	158
Selling and distribution expenses	20	23
General administrative expenses	28	30
Research and development expenses	2	3
Other operating expenses	7	1
<b>Interest expense</b>	<b>328</b>	<b>333</b>
of which:		
Cost of sales	202	217
Selling and distribution expenses	32	33
General administrative expenses	78	75
Research and development expenses	6	7
Other operating expenses	10	1
<b>Amortization of actuarial gains and losses</b>	<b>0</b>	<b>131</b>
of which:		
Cost of sales	0	54
Selling and distribution expenses	0	10
General administrative expenses	0	62
Research and development expenses	0	4
Other operating expenses	0	1
<b>Total</b>	<b>509</b>	<b>679</b>
The interest portion included in pension expense is split in the income statement between the functional units originating the expense.		

Changes in the recognized provisions for pensions are as follows:

In EUR '000	2007	2006
Pension provisions on Jan. 1	6,667	6,108
Expenditure on retirement pensions	509	679
Pension payments	-139	-120
<b>Pension provisions on Dec. 31</b>	<b>7,037</b>	<b>6,667</b>

On the balance sheet date it can be assumed that within the next 12 months, EUR 169 thousand (previous year: EUR 139 thousand) and at a later date EUR 6,868 thousand (previous year: EUR 6,528 thousand) is to be fulfilled.

Changes in the present value of future pensions are as follows:

In EUR '000	2007	2006
Present value of future pensions on Jan. 1	7,138	7,854
Current service expense for services provided by employees in the financial year	181	215
Interest expense	328	333
Pension payments	-139	-120
Actuarial gains and losses	-950	-1,144
<b>Present value of future pensions on Dec. 31</b>	<b>6,558</b>	<b>7,138</b>

#### Defined contribution plans

The only defined contribution plans of relevance to PVA TePla take the form of the employer's statutory pension insurance contributions. In 2007, expenditure on this amounted to EUR 1,553 thousand (previous year: EUR 1,167 thousand).

## 17. Other provisions

Changes in other provisions of EUR 3,114 thousand (previous year: EUR 2,741 thousand) are as follows:

In EUR '000	Jan. 1, 07	Changes in the scope of consolidation	Utilization	Release	Addition	Netted against assets	Dec. 31, 07
Warranty	665	27	347	26	553	0	872
Year-end closing and audit	270	50	235	34	266	0	317
Anniversaries	89	0	0	0	2	0	91
Part-time-retirement scheme	209	0	93	0	81	-175	22
Impending losses on rentals	413	0	155	0	234	-34	458
Additional production costs	489	0	313	85	203	0	294
Archiving	0	4	0	0	142	0	146
Penalties	96	0	96	0	255	0	255
Others	510	9	45	162	347	0	659
<b>Total</b>	<b>2,741</b>	<b>90</b>	<b>1,284</b>	<b>307</b>	<b>2,083</b>	<b>-209</b>	<b>3,114</b>

Provisions are solely set up in respect of obligations towards third parties, where utilization is highly probable. The measurement of provisions is at the amount of probable utilization.

Other provisions contain long-term components of EUR 569 thousand (previous year: EUR 377 thousand). These relate mainly to provisions for contingent losses and for archiving.

The long-term element of provisions is shown separately in the balance sheet. All other provisions are short-term.

Differences between the previous year's values compared with the values for 2006 presented in the Annual Report are due to the changes in the presentation of deferred liabilities.

## 18. Short-term financial liabilities

Current financial liabilities are made up of the following:

In EUR '000	Dec. 31, 07	Dec. 31, 06
Amounts owed to banks on current account	443	4
Current loans	600	0
Current portion of non-current bank borrowings	1,251	660
<b>Total</b>	<b>2,294</b>	<b>664</b>

The increase in amounts owed to banks appeared within the Vacuum Systems division on the balance sheet date. For the most part, current bank borrowings comprise a bank loan to the KSI Group from the period when the company was acquired.

No current loans are secured.

Due to the current nature of these items, their market value does not significantly deviate from the carrying values presented.

## 19. Obligations on construction contracts

Among other things, the PVA TePla Group manufactures large-scale systems under customer specific contracts. For these contracts, customers make payments in accordance with the progress of the contract. The negative balance resulting from sales revenues and progress billing, recorded according to the percentage of completion, is presented in the balance sheet as obligations on construction contracts.

Obligations on construction contracts consist of the following:

In EUR '000	Dec. 31, 07	Dec. 31, 06
Advance payments received (progress billing)	2,144	1,434
less contract costs incurred (inc. share of profit)	-1,977	-958
<b>Total</b>	<b>167</b>	<b>449</b>

Differences between the previous year's values compared with the values for 2006 presented in the Annual Report are due to the changes in the presentation of advance payments received.

## 20. Advance payments received on orders

The financing of the PVA TePla Group is largely based on the advance payments and interim payments that customers pay, particularly in the case of larger contracts. The value of the advance payments received amounted to EUR 33,342 thousand on December 31, 2007 (previous year: EUR 12,040 thousand).

## 21. Accruals

Accruals are liabilities to be paid for goods or services received that are neither paid nor invoiced or formally agreed upon by the supplier on the balance sheet date. This also includes amounts owed to employees.

Accruals are made up of the following:

In EUR '000	Dec. 31, 07	Dec. 31, 06
Obligations to employees	2,109	1,455
Obligations to suppliers	2,350	702
Other obligations	419	393
<b>Total</b>	<b>4,878</b>	<b>2,550</b>

All amounts given are current.

## 22. Other liabilities

Of the other liabilities of EUR 1,326 thousand (previous year: EUR 1,360 thousand), EUR 1,315 thousand (previous year: EUR 1,348 thousand) are current and EUR 11 thousand (previous year: EUR 12 thousand) are non-current. Other current liabilities include EUR 367 thousand for taxes (payroll and church tax, value added tax; previous year: EUR 456 thousand) and EUR 6 thousand for social security (previous year: EUR 18 thousand).

## C. Notes on individual income statement items

### 23. Sales revenues

PVA TePla principally generates its sales revenues through the sale of systems. Additional sales revenues are generated from services and by supplying spare parts (referred to collectively as after-sales service), and providing services for customers in our own facilities (contract processing, mainly carried out by PVA Löt- und Werkstofftechnik GmbH and in the field of plasma treatment by PVA TePla America and PlaTeG GmbH). Sales revenues can be broken down into the separate categories as follows:

In EUR '000	2007	2006
Systems	101,534	57,349
After Sales	8,815	10,022
Contract Processing	3,165	2,789
Other	190	244
<b>Total</b>	<b>113,704</b>	<b>70,404</b>

In 2007, growth in sales revenues was mainly due to the systems business. The downturn in after-sales revenues is primarily attributable to the fact that in the Crystal Growing Systems division major refits

were carried out for systems in the market in the previous year. The further growth in the Contract Processing division is additional good news.

For customer-specific contracts already commenced by the cut-off date and shown as coming receivables on construction contracts or obligations on construction contracts, the following sales revenues arise under the percentage of completion method from the partial realization of sales revenues based on the progress to completion:

In EUR '000	2007	2006
Revenue from customer specific contract production	46,074	12,486
For which contract costs incurred	36,181	9,936
Gains from customer-specific contract production	9,893	2,550

The contract-related revenue shown here forms part of revenue for the systems category as set out above.

### 24. Research and development expenses

In calculating the research and development expenses for 2007 and 2006 of EUR 1,719 thousand and EUR 1,545 thousand respectively as shown in the income statement, government grants recognized of EUR 65 thousand (previous year: EUR 137 thousand) were deducted.

### 25. Taxes on income

The rate for actual German taxes has been taken to be 38% up to December 31, 2007. This comprises corporation tax at 25%, solidarity surcharge at 5.5% on corporation tax, and trade tax (deductible) of 12%. From January 1, 2008 onward, we have applied a tax rate of 29% based on the Unternehmenssteuerreformgesetz 2008 (UntStRefG 2008 – German Corporate Tax Reform Act 2008). This includes corporation tax at 15%, solidarity surcharge at 5.5% on corporation tax, and trade tax

of 13%. Deferred taxes were measured after they had been incurred using the tax rates given or, for companies outside of Germany, using the country-specific tax rates.

The actual tax charge is based on probable future tax liabilities and repayment claims.

Taxes on income are broken down as follows:

In EUR '000	2007	2006
<b>Taxes on income</b>		
Actual tax expense	-706	-758
Current tax expense	-601	-767
Prior-period tax charges	-105	9
Deferred tax expense/income	-3,528	-750
Credit from tax loss carryforwards	-1,989	-1,427
Change in allowance against deferred tax	-216	+347
Other deferred taxes	-1,323	330
<b>Taxes on income</b>	<b>-4,234</b>	<b>-1,508</b>

Deferred taxes of EUR 95 thousand (previous year: EUR 0 thousand) were recognized directly in equity without affecting the income statement. The total of these taxes is attributable to effects recognized in equity for derivative financial instruments.

The following table shows reconciliation between the expected and actual tax expense:

	2007		2006	
	In EUR '000	in %	In EUR '000	in %
<b>Profit from ordinary activities</b>	<b>10,286</b>		<b>3,617</b>	
Expected tax income/expense	-3,908	-38	-1,374	-38
Changes to tax rates	-46	0	0	0
Difference in tax rates for foreign companies	-28	0	-92	-3
Tax portion of permanent differences and of temporary differences for which no deferred tax has been recognized	77	1	-380	-11
Prior-period current income tax	-105	-1	9	0
Non-recognition of tax losses	-129	-1	0	0
Change in allowance	-87	-1	347	10
Other effects	-7	0	-18	0
<b>Actual tax expense/income</b>	<b>-4,234</b>	<b>-41</b>	<b>-1,508</b>	<b>-42</b>

Deferred tax from differences in tax rates between foreign companies results from the fact that companies in the PVA TePla Group outside Germany

are subject to different tax rates from companies in Germany. Deferred tax relates to:

In EUR '000	2007		2006	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Fixed assets	194	466	861	
Inventories	961	70		
Receivables and obligations on construction contracts		2,930		1,041
Receivables		116		
Tax loss carryforwards (gross)	2,276		4,502	
Deferred investment grants from public funds	100		76	
Pension provision	385		546	
Other provisions	151	71	2	64
Other items	2	8	5	82
<b>Total</b>	<b>4,069</b>	<b>3,661</b>	<b>5,992</b>	<b>1,187</b>
Allowance for tax loss carry-forwards and/or reversal of allowance from the previous year	-87		-308	
<b>Total</b>	<b>3,982</b>	<b>3,661</b>	<b>5,684</b>	<b>1,187</b>
<b>Balance – deferred tax assets</b>	<b>321</b>		<b>4,497</b>	

The German companies have corporation tax loss carryforwards – expected to be recovered – of EUR 5,124 thousand and trade tax loss carryforwards of EUR 5,810 thousand. The resultant future tax relief available to German companies was set up as an asset of EUR 1,375 thousand in its entirety, as utilization of the loss carryforwards in the next few years is presumed. The practicability of loss carryforwards from the PVA TePla AG preceding companies before the merger between PVA Vakuum Anlagenbau GmbH, Asstar and TePla AG, Feldkirchen is uncertain due to problems with the purchase of a corporate shell. For this reason, loss carryforwards of EUR 2,470 thousand for trade tax and EUR 6,250 thousand for corporation tax have not been recognized when assessing deferred taxes on loss carryforwards.

Deferred tax assets on loss carryforwards of EUR 129 thousand were not recognized for the subsidiary Plasma Systems GmbH in Feldkirchen and deferred tax assets of EUR 4 thousand transferred from the previous year were written down. Due to integration of the ultra-thin wafers business into the PVA TePla AG Plasma Systems division at the Feldkirchen site, the possibility of recovering these deferred tax assets is not seen as sufficiently probable as to be recognized. Business prospects for the subsidiary PlaTeG GmbH in Siegen are positive due to the order situation and the present planning. For this reason, the recognized deferred tax assets of EUR 62 thousand are assessed as being of value in spite of the Company's losses in fiscal years 2006 and 2007.

By means of the law enacted on December 19, 2003 to implement the recorded declaration of the Federal Government on the recommendation of mediators concerning the law to dismantle tax concessions (the

so-called Korb II legislation), minimum taxation levels for corporation tax and trade tax were introduced with effect from 2004. For loss carryforwards as at December 31, 2006, the introduction of minimum taxation means a postponement in their utilization, since they were limited in amount for each year; however, full utilization of the loss carryforwards remains possible for an indefinite period. Taxes on income have to be paid on profits exceeding the deductible amounts.

Loss carryforwards of PVA TePla America Inc. (US\$ 4.0 million federal tax, US\$ 2.2 million state tax) will gradually lapse from 2020 (federal tax) and 2011 (state tax) – provided that they have not previously been utilized. The recognized deferred tax of EUR 809 thousand, despite the losses in the fiscal years 2005 through 2007, is considered to be of value because of current profit planning and the expansion in marketing activities that has been introduced.

A tax audit of the former TePla AG for the assessment periods 1997 through 2000 was completed in 2005. Based on this audit, the tax authorities demanded retrospective payment of input-VAT for emission costs relating to the stock exchange flotation of TePla AG in 1999, as well as corporation tax and trade tax, because it is maintained that the previous loss carryforwards have been forfeited as a result of the flotation. Our appeals against these tax assessments have now been accepted by the tax authorities in the final tax assessments. This means that there is no longer a risk of back tax payments.

Toward the end of 2007, the tax authorities began a tax audit of all the main Group companies for the assessment periods up to and including 2006. There is no indication of any significant risk from back tax payments here.

## 26. Earnings per share

The consolidated net profit for the year after minority interest amounted to EUR 6,088 thousand (previous year: EUR 2,213 thousand). In fiscal year 2007, an average of 21,749,988 no-par value shares were in circulation, as was the case in the previous year.

Earnings per share are calculated by dividing net profit by the weighted mean number of shares outstanding during the year.

Calculation of earnings per share for the years 2006 and 2007:

	2007	2006
<b>Numerator</b>		
Consolidated net profit for the year after minority interest (EUR '000)	6,088	2,213
<b>Denominator</b>		
Weighted number of outstanding shares – basic	21,749,988	21,749,988
<b>Earnings per share (EUR):</b>	<b>0.28</b>	<b>0.10</b>

As at the balance sheet date, there were no stock options issued to employees and members of the management and supervisory boards that entitled them to purchase PVA TePla AG shares. As at December 31, 2007, there are therefore no dilutive effects regarding earnings per share.

## 27. Profit appropriation/net accumulated loss

The separate financial statements of PVA TePla AG (under HGB) show net accumulated loss of EUR 2,369 thousand as at December 31, 2007. There was therefore no proposal by the Executive Board and Supervisory Board concerning profit appropriation. The net profit for 2007 of EUR 1,252 thousand has been offset against the net accumulated loss of the previous year. In addition, EUR 15,710 has been taken from the share premium and EUR 614 thousand from retained earnings to offset the net accumulated loss of the previous year. The resulting net accumulated loss of EUR 2,369 thousand as at December 31, 2007, will be carried forward to the next accounting period.

## D. Notes to the cash flow statement and on capital management

The cash flow statement has been prepared under the indirect method in accordance with IAS 7.20. The cash and cash equivalents in the cash flow statement correspond to the item on the balance sheet of the same name.

No dividends were paid to shareholders or to minority interests either in the fiscal year or in the previous year.

Business transactions not affecting cash and cash equivalents have not been taken up in the cash flow statement.

Payments for investments in intangible assets and property, plant and equipment were all from cash and cash equivalents.

The primary objective of PVA TePla capital management is to ensure the necessary financial flexibility in order to reach the growth and income goals thus enabling the value of the Company to grow. Capital management contains the Company shareholders' equity as well as the external borrowing necessary to finance the business. The material figures for managing the capital are represented by the equity ratio. The actual management will be carried out by optimizing income and setting limits on the commitment of funds. Further objectives of the capital management are ensuring the Group's liquidity by agreeing on appropriate and sufficient credit lines and maintaining the current ratio of advance payments as well as optimizing the financial result thus improving income.

The PVA TePla capital management comprises the following items:

In EUR '000	Dec. 31, 07	Dec. 31, 06
Shareholders' equity	30,908	24,704
Current and non-current financial liabilities	19,407	3,767
Advance payments received	33,342	12,040
<b>Total amount</b>	<b>83,657</b>	<b>40,511</b>
<b>Total assets</b>	<b>111,340</b>	<b>60,271</b>
<b>Equity ratio</b>	<b>27.8%</b>	<b>41.0%</b>

The increase in the total amount is chiefly attributable to the growth in business volume and the investments and associated financing necessary to achieve this growth.

Bearing these factors in mind, a drop in the equity ratio was intentionally accepted.

## E. Additional disclosures

### 28. Segment reporting

The internal management of the PVA TePla Group corresponds to its organization into three divisions: Vacuum Systems, Crystal Growing Systems and Plasma Systems. The allocation of the individual companies and activities to the various divisions is set out in Section 2 of the management report. Opportunities and risks as well as the success of the Company are mainly determined by differences between individual products and the market segments they serve. The primary structure for segment reporting in accordance with IAS 14 (Segment Reporting) therefore follows this divisional structure and classifies each of the above divisions as a separate segment.

The geographical split therefore forms the secondary structure of our segment reporting. This is split into regions: Germany, Europe (excluding Germany), North America, Asia and other territories.

The Vacuum Systems division is engaged in the development, production and marketing of systems and facilities for treating materials and work pieces under vacuum conditions, high temperatures (up to 3000°C) and sometimes high pressure (up to 100 bar). The main products here are sintering and pressure sintering furnaces, as well as systems for soldering and heat treatment. A VGF furnace for producing poly-crystalline solar silicon has been launched. Maintenance and service are also provided for these products. The subsidiary company, PVA Löt- und Werkstofftechnik GmbH (LWT), provides the treatment of workpieces and materials in vacuum high temperature facilities as a service to customers (contract processing). The subsidiary company, UV Systec, develops, produces and markets high-performance emitters for UV light, not only for the treatment of fresh and waste-water, but also for the disinfection of food packaging.

In the Crystal Growing Systems division, systems for the growing of semi-conductor crystals are developed, produced and marketed. The Crystal Growing Systems division within PVA TePla AG is engaged with systems using the Czochralski process for silicon for the semi-conductor industry. Up to now, the emphasis of the subsidiary, Crystal

Growing Systems GmbH (CGS), was on systems using the Czochralski process for silicon. Owing to successful product developments, marketable products are now also available using other processes to make products for the solar industry (EFG process) and to make optical crystals and compound semi-conductors (VGF process). The product range of the PVA TePla AG branch in Denmark includes crystal growing systems based on the float zone process. The joint venture in China (Xi'an HuaDe CGS) produces systems for growing mono-crystalline solar silicon for the Chinese market. All sections of the Crystal Growing Systems division also provide after-sales service for their respective products. New additions in fiscal year 2007 due to the acquisition of the KSI Group were systems for the non-destructive quality control of components and materials using ultrasonic microscopy. These systems are used in the semi-conductor industry for checking components and also in other industrial areas and research institutes. The option to inspect complete 300mm silicon ingots is a particularly interesting and excellent addition to the relevant crystal growing systems.

As a result of the high level of booked business in the Crystal Growing Systems division and the adjustment in production structures this entailed, the PVA Vakuum Anlagenbau Jena GmbH subsidiary now only works for the Crystal Growing Systems division. In order to reflect this in segment reporting, from January 1, 2007, this subsidiary has no longer been assigned to the Vacuum Systems division (as it was until December 31, 2006) and is now assigned to the Crystal Growing Systems division. The previous year's figures were adjusted accordingly.

The Plasma Systems division develops, produces and distributes equipment for the plasma treatment (in rarefied, ionized gas) of work pieces and materials. The main emphasis here is on cleaning and surface activation processes for the semi-conductor and manufacturing industries and for healthcare. In addition, laser wafer measuring systems are made for the semi-conductor industry. The facilities on the Corona (CA, USA) and Marlon (NJ, USA) sites also provide contract processing services for plasma

treatment in industry and medicine. Likewise, this division also provides after-sales service for its products. PVA MIMtech LLC, which is included in the consolidated financial statements at equity, is assigned in full to this division. Additional products which have been added to the product portfolio of the Plasma Systems division through Plasma Systems and PlaTeG GmbH newly joining the Group in 2006 are systems for the production and treatment of ultra-thin wafers and for plasma nitration (principally

for hardening and corrosion protection for products made from steel), as well as plasma coating (the application of wear-resistant or decorative coating) and the activation of plastic surfaces. Apart from that, PlaTeG provides services for plasma nitration and coating at its own facilities at Siegen.

Breakdown by division and primary structure of segmental reporting:

Segment revenues In EUR '000	2007		2006	
	External sales revenues	Internal sales revenues	External sales revenues	Internal sales revenues
Vacuum Systems	36,946	3,717	25,915	2,757
Crystal Growing Systems	60,053	781	30,934	110
Plasma Systems	16,705	1	13,555	0
<b>Consolidated revenues</b>	<b>113,704</b>	<b>4,499</b>	<b>70,404</b>	<b>2,867</b>

Operating profit by segment In EUR '000	2007	2006
	Vacuum Systems	3,732
Crystal Growing Systems	7,085	4,044
Plasma Systems	-961	-2,560
Consolidation	121	39
<b>Consolidated operating profit</b>	<b>9,977</b>	<b>3,500</b>

Segment assets In EUR '000	Dec. 31, 07	Dec. 31, 06
Vacuum Systems	54,753	18,153
Crystal Growing Systems	61,368	37,681
Plasma Systems	28,857	15,166
less intersegment assets	-37,618	-16,413
<b>Total segment assets</b>	<b>107,358</b>	<b>54,587</b>

Segment assets and liabilities exclude deferred tax assets and liabilities.

Segment liabilities In EUR '000	2007	2006
Vacuum Systems	42,494	4,026
Crystal Growing Systems	50,612	31,742
Plasma Systems	12,784	13,348
less intersegment liabilities	-31,671	-16,413
<b>Total segment liabilities</b>	<b>74,219</b>	<b>32,703</b>

Segment investment In EUR '000	2007	2006
Vacuum Systems	16,402	892
Crystal Growing Systems	9,211	448
Plasma Systems	91	1,146
Currency effects	0	0
<b>Group investment</b>	<b>25,704</b>	<b>2,486</b>

Segment depreciation and amortization In EUR '000	2007	2006
Vacuum Systems	586	493
Crystal Growing Systems	660	417
Plasma Systems (normal)	600	538
Plasma Systems – goodwill impairment	0	1,000
Currency effects	0	0
<b>Consolidated depreciation and amortization</b>	<b>1,846</b>	<b>2,448</b>

Other non-cash segment expenses have not been incurred to any significant extent.

Breakdown by region and secondary structure of segmental reporting:

Sales revenues by sales regions In EUR '000	2007	2006
Germany	42,914	33,443
Europe (excluding Germany)	14,320	9,001
North America	3,344	4,173
Asia	50,636	23,802
Others	2,500	-6
Consolidation	-10	-9
<b>Consolidated revenues</b>	<b>113,704</b>	<b>70,404</b>

The strongest growth was generated in Asia and is primarily due to the Crystal Growing Systems division and the settlement of the large order with Singapore-based Siltronic Samsung Wafers. The

Crystal Growing Systems division also enjoyed a high level of business. The level of business was also boosted in other sales regions, except for North America.

Assets by region In EUR '000	2007	2006
Germany	97,748	48,999
Europe (excluding Germany)	1,545	949
North America	6,476	3,354
Asia	1,589	1,285
Others	0	0
<b>Consolidated assets</b>	<b>107,358</b>	<b>54,587</b>

Investments by region In EUR '000	2007	2006
Germany	25,675	2,424
Europe (excluding Germany)	14	8
North America	11	49
Asia	5	5
Others	0	0
Currency effects	-1	0
<b>Consolidated investments</b>	<b>25,704</b>	<b>2,486</b>

In principle, sales and revenues between segments are transacted at the same prices as agreed with companies outside the Group.

## 29. Financial instruments

In this section we show a combined presentation of financial instruments and financial derivatives. Details regarding the individual categories of financial instruments are given in the respective balance sheet items as well as in the income statement.

### Principles of the risk management system

In addition to default risks and liquidity risks, the Company's assets, liabilities and planned transactions are subject to risks from changes in exchange rates and interest rates. The aim of financial risk management is to minimize these risks through ongoing operating and finance-oriented activities. Selected derivative hedging instruments

are employed for market price risks, depending on assessment of the risk. Derivative financial instruments are solely used as hedging instruments, which means that they are not employed for trading or other speculative purposes. The basic details of the financial policy are established annually by the Management Board and monitored by the Supervisory Board. The CFO is directly responsible for implementing the financial policy and ongoing risk management.

### Categories of financial instruments

The financial instruments held by the Group are classified under the following categories (EUR '000):

In EUR '000	Financial assets and liabilities carried at fair value through profit/loss		Extended loans and receivables		Assets held for sale		Financial liabilities	
	Fair value		Amortized costs		Fair value		Amortized costs	
	2007	2006	2007	2006	2007	2006	2007	2006
<b>Non-current assets:</b>								
Investment property	0		519		0		0	
Non-current financial assets	0	0	572	442	0	0	0	0
<b>Current assets:</b>								
Trade receivables	0	0	11,075	9,473	0	0	0	0
Other receivables and assets	403	5	13,325	3,396	0	0	0	0
Cash and cash equivalents	0	0	9,071	12,077	0	0	0	0
<b>Non-current liabilities</b>								
Non-current financial liabilities	0	0	0	0	0	0	17,113	3,103
<b>Current liabilities</b>								
Short-term financial liabilities	0	0	0	0	0	0	2,294	664
Trade payables	0	0	0	0	0	0	4,516	2,185
Other liabilities	0	0	0	0	0	0	40,134	17,331
Net finance costs/ net finance revenue			837	301			-528	-184

The net costs/net finance revenue of the categories corresponds to the respective proportion of net finance costs/net finance revenue in the income statement.

#### Credit risk

The Company's operating business and specific financing activities exposes it to a address non-payment risk.

In the operating business, accounts receivable are monitored locally and on an ongoing basis. Default risks are taken into account by specific valuation allowances and flat-rate specific valuation allowances.

For more information on the composition of receivables and recognized valuation allowances, see Note 10. Valuation allowances were recognized in the amount of the expected defaults on receivables.

#### Liquidity risk

In order to guarantee the Company's solvency and financial flexibility at all times, revolving liquidity plans are drawn up.

If necessary, a liquidity reserve is held in the form of credit lines and, if required, in cash.

For more information on the term of the individual financial liabilities, see the relevant disclosures to the balance sheet items.

#### Market risk

With regard to market price risks, the Company is exposed to currency risks, interest rate risks and other price risks.

#### Currency risks

The Company's currency risks are primarily due to operating activities, financing measures and investments. Risks from foreign currencies are hedged insofar as they significantly impact the Group's cash flow.

Foreign currency risks from operations are primarily due to planned transactions being settled in a currency other than the functional currency (EUR). These planned transactions primarily relate to planned sales revenues that are invoiced in US dollars.

Forward exchange contracts with an open volume of EUR 307 thousand or US\$ 450 thousand, have been concluded in order to hedge the US dollar payments on a delivery of the Plasma Systems division. The due date on these forward exchange contracts was fixed to correspond to the dates when money was expected to be received. The transactions entered into were divided between US\$ 250 thousand at a forward rate of 1.4650 US\$/EUR and US\$ 200 thousand at a forward rate of 1.4665 US\$/EUR.

The forward exchange contracts have been measured at market value on the basis of the forward currency rate on the balance sheet date for the remaining term. At an exchange rate of 1.47184 US\$/EUR on December 31, the forward exchange contracts have present values of EUR 1 thousand overall.

Forward exchange contracts with an open volume of EUR 963 thousand or US\$ 1,309 thousand, have been concluded in order to hedge the US dollar payments on a delivery of the Vacuum Systems division. The due date on these forward exchange contracts was fixed to correspond to the dates when money was expected to be received. The transactions entered into were divided between US\$1,215 thousand at a forward rate of 1.3590 US\$/EUR and US\$ 94 thousand at a forward rate of 1.3619 US\$/EUR. These forward exchange contracts have also been measured at market value on the basis of the forward currency rate on the balance sheet date for the remaining term. At an exchange rate of 1.47184 US\$/EUR on December 31, the forward exchange contracts have present values of EUR 74 thousand overall.

A forward exchange contract with an open volume of EUR 1,301 thousand or US\$ 1,880 thousand, has been concluded in order to hedge the US dollar payments on another delivery of the Vacuum Systems division. The due date on this forward exchange contract was fixed to correspond to the date when money was expected to be received. The contract was concluded at a forward rate of 1.4445 US\$/EUR. This forward exchange contract was

also carried at the market value as of the balance sheet date. The fair value of this contract is -EUR 16 thousand.

Therefore, currency risks due to foreign currency invoices are mainly hedged by forward exchange contracts. Changes in exchange rates from foreign currency transactions thus have no effect on profit/loss or equity.

Interest income and interest expenses from financial instruments in the German companies are recognized in the functional currency (EUR). This means that foreign currency risks can only stem from the financial instruments and assets of the individual companies outside Germany that would be reflected directly in equity under currency reserves.

For this reason, only an equity-based sensitivity analysis was carried out.

If the euro had increased (decreased) by 10% against the US dollar as of December 31, 2007, other reserves in equity would have been EUR 463 thousand lower (higher) (December 31, 2006: EUR 496 thousand lower (higher)).

If the euro had increased (decreased) by 10% against other currencies relevant to the Company as of December 31, 2007, other reserves in equity would have been EUR 56 thousand lower (higher) (December 31, 2006: EUR 51 thousand lower (higher)).

#### Interest rate hedging

The Company is mainly subject to interest rate risks in the euro zone. Taking the existing and planned debt structure into account, the Company employs interest rate derivatives (interest rate swaps) in order to counteract interest rate risks.

In accordance with IFRS 7, interest rate risks are presented using sensitivity analyses. These represent the effects of changes in market interest

rates for interest payments, interest income and expenses, other earnings components and possibly on equity.

Since the Company has fixed interest rate agreements for its non-current primary financial instruments and variable interest rate agreements in the case of its cash flow hedges and financial liabilities are recognized at amortized cost, only the financial derivatives have an impact on the other reserves item under equity. Effects on earnings from any changes in interest rates from the portion of non-fixed-interest current financial liabilities of EUR 1,043 thousand (previous year: EUR 4 thousand) are minor, based on their amounts and their terms.

An equity-based sensitivity analysis has not been provided due to the materiality and the fact that the market value at the end of the term was EUR 0 thousand. The positive and/or negative market values only take into account the differences between the current and hedged rate and are recognized annually in the income statement.

To hedge the interest rate risk for financing investments in new buildings at the Wettenberg and Jena sites, interest rate hedges totaling EUR 11,600 thousand (previous year: EUR 0 thousand) were concluded. As of December 31, 2007, the market value of these instruments amounted to EUR 328 thousand (previous year: EUR 0 thousand) and is reported under "Other receivables". The cross entry of the market values and the deferred taxes incurred in these cases is directly in equity under "Other reserves".

#### Other price risks

As part of the description of market risks, IFRS 7 also calls for information on how hypothetical changes on other price risk variables would affect the prices of financial instruments. Quoted market prices and indices are also considered risk variables.

The Company held no financial instruments as of December 31, 2007 and December 31, 2006, that were subject to other material price risks.

## 30. Leasing

PVA TePla generally acts as lessee only, not as lessor. The leasing arrangements entered into by PVA TePla are all classified as operating leases. There are two main groups of leasing arrangements:

### Renting of buildings

PVA TePla has rented premises for production and administration at the sites in Asslar, Berlin, Feldkirchen, Siegen, Jena, Herborn, Aalen, Frederikssund (Denmark), Beijing (China) and Xi'an (China) as well as in Singapore from third parties. In 2007, the monthly rents for the sites were as follows: Feldkirchen EUR 53 thousand; Asslar EUR 57 thousand; Jena EUR 19 thousand; Siegen EUR 15 thousand; Berlin EUR 3 thousand; Herborn EUR 3 thousand; Aalen EUR 2 thousand; Frederikssund EUR 6 thousand; Beijing EUR 1 thousand; and Xi'an EUR 1 thousand. In addition to the Company's own assembly facilities, a new factory unit was rented at Jena for the 2007 fiscal year in order to handle the orders on hand.

PVA TePla America Inc. operates its business from rented premises in Corona, California. The monthly rent is US\$ 33 thousand; part of the site has been sub-let to a third party since September 2003. PVA TePla America Inc.'s premises at Marlton, New Jersey are rented for US\$ 6 thousand per month. The monthly rent in Manchester, New Hampshire is US\$ 1 thousand.

The tenancy agreements of relevance here are normal agreements for the renting of commercial premises. In 2007, a total of EUR 2,311 thousand was paid under these agreements. The minimum commitments for the next few years are for the following amounts:

Remaining terms In EUR '000	Payments	Present value
Up to 1 year	2,042	1,954
Between 1 and 5 years	3,031	2,698
More than 5 years	0	0

### Subleasing buildings

PVA TePla subleased part of its rented space at the site in Corona, California. In addition, its own building in Kahla is partially subleased. These agreements gave rise to revenue of EUR 182 thousand in 2007. Income from subleasing over the next few years is as follows:

Remaining terms In EUR '000	Payments	Present value
Up to 1 year	183	176
Between 1 and 5 years	231	208
More than 5 years	0	0

### Leasing of vehicles

PVA TePla AG restricts the number of company vehicles to an absolute minimum. It is a basic rule that cars for private use are only provided to members of executive boards, division heads and general managers. Beyond that, pool cars are used for business travel. Since 2004, new motor vehicles have been leased. In 2007 expenditure of EUR 121 thousand was spent on such leases. The minimum commitments for the next few years are for the following amounts:

Remaining terms In EUR '000	Payments	Present value
Up to 1 year	127	122
Between 1 and 5 years	179	161
More than 5 years	0	0

### Other leases

Apart from the leases already mentioned, there are some other leases of minor importance, generally for operating and office equipment. In 2007 expenditure of EUR 121 thousand was spent on such leases. The minimum commitments for the next few years are for the following amounts:

Remaining terms In EUR '000	Payments	Present value
Up to 1 year	122	117
Between 1 and 5 years	327	285
More than 5 years	32	25

Total commitments from other contracts (e.g. servicing agreements, security services) are as follows:

Remaining terms In EUR '000	Payments	Present value
Up to 1 year	423	405
Between 1 and 5 years	153	138
More than 5 years	0	0

Additionally we have entered into a purchase obligation from the general contractor agreement for the construction of an office building in Wettengel in the amount of EUR 8,000 thousand. The action is due to be completed in 2008.

## 31. Other financial commitments

### Commitments from current agreements:

Commitments under rental and lease agreements have already been set out above (Note 30.)

Commitments from framework purchase agreements total the following:

Remaining terms In EUR '000	Payments	Present value
Up to 1 year	3,662	3,504
Between 1 and 5 years	590	540
More than 5 years	0	0

## 32. Cost of materials

Cost of sales contains expenditure on materials for the fiscal years 2007 and 2006 as follows:

In EUR '000	2007	2006
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale	58,943	32,522
Cost of purchased services	3,841	1,903
<b>Total cost of materials</b>	<b>62,784</b>	<b>34,425</b>

The materials ratio (cost of materials to total sales revenues) was thus 55.2% in fiscal year 2007 compared with 48.9% in the previous year. The main reason for this change is due to the higher percentage of sales revenues generated by the Crystal Growing Systems division with an even higher percentage of purchased components.

### 33. Personnel expenses

Personnel expenses for fiscal years 2007 and 2006 consist of the following:

In EUR '000	2007	2006
Wages and salaries	20,411	15,890
Social charges	3,323	2,850
Expenditure on retirement pensions	698	827
<b>Total personnel expenses</b>	<b>24,432</b>	<b>19,567</b>

Total personnel expenses thus amounted to 21.5% in fiscal year 2007 compared with 27.8% in the previous year. The economies of scale generated by the strong growth in the level of business were a key influence here. However, the increased percentage of sales revenues generated by the Crystal Growing Systems division and its low level of vertical integration compared with the other divisions also had an effect here.

As at the year-end, 422 people were employed in the Group (previous year: 330); on average throughout the year, this figure was 384 (previous year: 308).

The average number of employees by function has changed compared to the previous year as follows:

Staff numbers by function (yearly average)	2007	2006
Administration	47	37
Sales	43	35
Engineering, research and development	86	80
Production and service	208	156
<b>Total employees</b>	<b>384</b>	<b>308</b>

## 34. Depreciation and amortization 35. Risk management

Depreciation and amortization are detailed in the explanatory notes for non-current assets (see Notes 4 and 5).

Current risks and opportunities, together with the risk management system, of PVA TePla are set out in detail in the management report. For more information, please see item 13 in the management report.

## 36. Executive bodies of the company

### Management Board:

The Management Board of PVA TePla AG consisted of the following persons in the 2007 fiscal year:

**Peter Abel, Wetttenberg (Chairman/CEO)**  
Engineer

**Arnd Bohle, Bochum (CFO)**  
Business graduate

Managing Director of the following Group companies:

- Crystal Growing Systems GmbH, Asslar
- UV Systec Gesellschaft für UV-Strahler und Systemtechnik mbH, Jena-Maua
- Plasma Systems GmbH, Feldkirchen,
- Krämer Scientific Instruments GmbH, Herborn (from November 2007)
- SAM TEC GmbH, Aalen (from November 2007)

Managing Director of the following Group companies:

- Crystal Growing Systems GmbH, Asslar
- PlaTeG GmbH, Siegen

No membership of supervisory bodies.

And of the following outside companies:

- Messtechnik Wetzlar GmbH, Wetzlar
- PA Beteiligungsgesellschaft mbH, Wetttenberg

The total remuneration of members of the Management Board in fiscal year 2007 amounted to EUR 701 thousand (previous year: EUR 485 thousand). The remuneration of the Management Board members consists of a basic salary, other benefits (mainly a pecuniary advantage from the use of a company car and subsidized contributions to health insurance) and a performance-related bonus. The bonus is measured as a percentage of the annual net profit of the PVA TePla Group. On this basis, members of the Management Board received the following remuneration in fiscal year 2007:

Member of the following supervisory bodies:

- PVA TePla America, Corona, USA (Director)
- Xí'an HuaDe CGS Ltd., Xí'an, China (Chairman of the Supervisory Board)
- SCHEBO Biotech AG, Giessen (Chairman of the Supervisory Board)
- OPTOTEC GmbH, Wetttenberg (Chairman of the Advisory Board)
- 3D Präzisionstechnik AG, Asslar (Chairman of the Supervisory Board)

In EUR '000	Salary	Other remuneration	Bonuses	Total
Peter Abel	240	14	172	426
Arnd Bohle	163	7	105	275

The amounts shown for bonuses contain amounts paid in 2007 for fiscal year 2006 and reduced by amounts disclosed in the provision set up in fiscal year 2006. A provision recognized in 2007 for fiscal year 2007 is also included.

The remuneration shown is entirely in respect of short-term pay due to members of the Management Board. Employer contributions to pension insurance are not paid. Long-term benefits only apply as part of the pension entitlements for Mr. Abel existing prior to the time of the formation of PVA TePla AG. These have been taken into account in the measurement of the pension provisions. The present value of these pension rights as of December 31, 2007 amounts to EUR 363 thousand (previous year: EUR 306 thousand).

No share options were granted to members of the Management Board in fiscal year 2007. There are no financial benefits in respect of members of the Management Board for termination of their employment, or in the event of a change in the constitution of the shareholder majority.

Present values of pension rights of EUR 884 thousand (previous year: EUR 996 thousand) exist in respect of former members of the Management Board. In 2007, EUR 59 thousand (previous year: EUR 12 thousand) was paid to former members of the Management Board as pensions.

Payments through termination of the contract of employment and share-based payments do not apply.

#### **Supervisory Board:**

The Supervisory Board of PVA TePla AG in fiscal year 2007 consisted of:

#### **Alexander von Witzleben, Weimar (Chairman)**

Chairman of the Executive Board of JENOPTIK AG, Jena until June 30, 2007

Member of the Managing Board of Franz Haniel & Cie. GmbH, Duisburg since July 1, 2007

Other membership of supervisory bodies:

- Analytik Jena AG , Jena  
(Chairman of the Supervisory Board)
- Caverion GmbH, Stuttgart  
(Chairman of the Advisory Board)
- VERBIO AG, Zörbig  
(Deputy Chairman of the Supervisory Board)
- TAKKT AG, Stuttgart  
(Deputy Chairman of the Supervisory Board)
- Feintool International Holding AG, Lyss  
(Vice President of the Administration Board)
- Kaefer Isoliertechnik GmbH & Co. KG, Bremen  
(Member of the Advisory Board)

#### **Dr. Peter Friedemann, Königsbrunn**

#### **Königsbrunn (Deputy Chairman)**

Spokesman for the German association for the protection of small shareholders (SdK), Munich

No further membership of supervisory bodies.

#### **Prof. Dr. Günter Bräuer, Wolfenbüttel**

Director of the Fraunhofer Institute for laminate and surface engineering, Braunschweig and director of the Fraunhofer Institute for electron beam and plasma technology (FEP), Dresden

No further membership of supervisory bodies.

The remuneration of members of the Supervisory Board amounted to EUR 40 thousand in the past fiscal year. In accordance with the Articles of Incorporation, members of the Supervisory Board receive a fixed emolument. The financial success of the Company is acknowledged by doubling this emolument if the consolidated net profit for the year exceeds EUR 1 million.

D&O insurance has been taken out to cover the liabilities of members of executive bodies under civil law. In fiscal year 2007, a premium of EUR 17 thousand (previous year: EUR 25 thousand) was paid for this insurance.

## 37. Related parties

There are two categories of business transactions with related parties that are relevant for the PVA TePla Group. Firstly, there are transactions with companies in which executive officers of PVA TePla AG have significant shareholdings or over which they exercise significant influence. The second category relates to relationships with the associated company, PVA MIMtech LLC of Cedar Grove, New Jersey.

### Relationships with executive officers

The normal business activities of the PVA TePla Group involves the exchange of services with companies in which the chairman of the executive board of PVA TePla AG holds shares or over which he exercises significant influence. Services are also exchanged with the companies of the JENOPTIK group. PVA TePla AG's Chairman of the Supervisory Board held the position of CEO at this group until June 30, 2007. Business with the JENOPTIK group was recognized for the first half of 2007. All business is transacted at normal market conditions. In fiscal year 2007, the value of purchases from companies in these categories totaled EUR 2,202 thousand

(previous year: EUR 591 thousand) and the value of sales was EUR 87 thousand (previous year: EUR 111 thousand). The balances of outstanding receivables and liabilities stood at EUR 0 thousand (previous year: EUR 19 thousand) and EUR 47 thousand (previous year: EUR 2 thousand) respectively as of the balance sheet date.

### Relationships with associated companies

PVA TePla AG distributes products of the associate, PVA MIMtech LLC of Cedar Grove, New Jersey, in Europe. Additionally, services are exchanged as part of after-sales service for MIMtech systems. The value of purchases from PVA MIMtech totaled EUR 0 thousand in fiscal year 2007 (previous year: EUR 97 thousand). Sales came to EUR 1 thousand (previous year: EUR 1 thousand). Trade receivables and payables amounted to EUR 0 thousand (previous year: EUR 0 thousand) and EUR 0 thousand (previous year: EUR 0 thousand). In addition, external borrowing for PVA MIMtech is partly provided through the PVA TePla Group. This gave rise to receivables of EUR 136 thousand as at the balance sheet date (previous year: EUR 151 thousand).

## 38. Audit fees (Article 314 of the HGB)

Audit fees recognized in 2007 for PVA TePla AG and other companies in the PVA TePla Group amounted to:

	In EUR '000
For the year-end audit	186
Other certification and valuations	0
Tax advice	0
Other services	0

### 39. Declaration on corporate governance in accordance with Article 161 of the AktG

The declaration of compliance with the German Corporate Governance Code, as required by Article 161 of the Aktiengesetz (AktG – German Stock Corporation Act), was again made by executive board and supervisory board during the course of the financial year.

This declaration forms part of the separate corporate governance report and is permanently accessible to shareholders on the Company's home page ([www.pvatepla.com](http://www.pvatepla.com)). Prior years' declarations are also available there.

### 40. Disclosures under Article 160 (1) No. 8 of the AktG

Mr. Peter Abel, Wettenberg has notified us under Article 21 (1) and Article 22 (1) No. 1 and No.2 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) that his share of the voting rights in our company on November 5, 2002 exceeded the threshold of 25% and now amounts to 29.99%. Of that, 29.32% of the voting rights under Article 22 (1) No. 1 and No.2 of the WpHG are allocated to him.

BlackRock Investment Management (UK) Limited in London, UK, notified us on January 31, 2007 under Article 21 (1) and Article 24 of the WpHG that its share of voting rights in PVA TePla AG, Asslar, Germany had exceeded the threshold of 3% on January 29, 2007 and now amounted to 3.22%. This is equivalent to 701,324 voting rights.

BlackRock Investment Management (UK) Limited in London, UK, notified us on February 28, 2007 under Article 21 (1) and Article 24 of the WpHG that its share of voting rights in PVA TePla AG, Asslar, Germany had fallen below the threshold of 3% on January 27, 2007 and now amounted to 2.82%. This is equivalent to 614,329 voting rights.

Deutsche Bank AG in Frankfurt, Germany, notified us on July 2, 2007 under Article 21 (1) and Article 24 of the WpHG in conjunction with Article 32 (2) of the Investmentgesetz (InvG – German Investment Act) that the share of voting rights in PVA TePla AG, Asslar, Germany held by its subsidiary DWS Investment GmbH in Frankfurt, Germany, had exceeded the threshold of 3% on June 27, 2007 and now amounted to 3.31%. This is equivalent to 719,300 voting rights.

Deutsche Bank AG in Frankfurt, Germany, notified us on August 21, 2007 under Article 21 (1) and Article 24 of the WpHG in conjunction with Article 32 (2) of the InvG that the share of voting rights in PVA TePla AG, Asslar, Germany held by its subsidiary DWS Investment GmbH in Frankfurt, Germany, had exceeded the threshold of 5% on August 20, 2007 and now amounted to 5.01%. This is equivalent to 1,089,749 voting rights.

Jenoptik AG in Jena, Germany, notified us on October 2, 2007 under Article 21 (1) et seq. of the WpHG that it had fallen below the thresholds of 15%, 10%, 5% and 3% of voting rights in PVA TePla AG, Asslar, Germany, on October 2, 2007 has held no voting rights (0%) in our company since this date.

Deka Investment in Frankfurt, Germany, notified us on October 25, 2007 under Article 21 (1) of the WpHG that its share of voting rights in PVA TePla AG, Asslar, Germany had reached the threshold of 3% on October 18, 2007. It now holds 653,018 voting rights (3%). Of that, 153,018 voting rights can be allocated to Deka Investment in accordance with Article 22 (1) Clause 1 No. 6 of the WpHG (special fund). This is equivalent to a share of 0.70%. 500,000 voting rights are considered voting rights of Deka Investment in accordance with Article 32 (2) Clause 3 of the InvG (publicly offered special fund). This is equivalent to a share of 2.3%.

Mr. Wilhelm Hofmann, Germany, notified us on October 29, 2007 in accordance with Article 21 (1) of the WpHG that his share of voting rights in PVA TePla AG, Asslar, Germany, had fallen below the threshold of 5% on October 23, 2007 and now amounted to 4.64%. This is equivalent to 1,010,086 voting rights.

Deka Investment in Frankfurt, Germany, notified us on November 5, 2007 under Article 21 (1) of the WpHG that its share of voting rights in PVA TePla AG, Asslar, Germany had fallen below the threshold of 3% on October 30, 2007. It now holds 620,000 voting rights (2.85%). Of that, 120,000 voting rights

can be allocated to Deka Investment GmbH in accordance with Article 22 (1) Clause 1 No. 6 of the WpHG (special fund). This is equivalent to a share of 0.55%. 500,000 voting rights are considered voting rights of Deka Investment GmbH in accordance with Article 32 (2) Clause 3 of the InvG (publicly offered special fund). This is equivalent to a share of 2.3%.

As at December 31, 2007, PA Beteiligungsgesellschaft, based in Wetttemberg and belonging to Mr. Abel, had a participating interest of more than 25% in the Company.

## 41. Authorization of the financial statements for issue

On March 19, 2008, the Management Board of PVA TePla AG authorized these consolidated financial statements for fiscal year 2007 to be released to the

Supervisory Board. Under IAS 10.6 this represents the clearance for publication.

## 42. Significant post-balance sheet events

Since the beginning of the 2008 financial year there have been no significant changes with reference to the Company's situation or in the sector in which

we operate, nor have there been to date any major changes in the structure, administration or legal form of the Group, or in its personnel.

Asslar, March 19, 2008



Peter Abel  
Chief Executive Officer



Arnd Bohle  
Chief Financial Officer

## Consolidated statement changes in fixed assets for the years ended December 31, 2007

EUR '000	Acquisition and manufacturing costs						Balance Dec. 31, 07
	Jan. 01, 07	Acquisitions 2007	Additions 2007	Transfers 2007	Disposals 2007	Exchange differences	
<b>Intangible assets</b>							
1. Goodwill	7,634	4,831	0	0	0	0	12,465
2. Other intangible assets	3,072	735	728	0	93	0	4,442
<b>Amount</b>	<b>10,706</b>	<b>5,566</b>	<b>728</b>	<b>0</b>	<b>93</b>	<b>0</b>	<b>16,907</b>
<b>Property, plant and equipment</b>							
1. Land, property rights and buildings including buildings on third party land	7,393	0	5,781	-52	2	-42	13,078
2. Plant and machinery	6,219	58	997	0	545	-147	6,582
3. Other plant and equipment, fixtures and fittings	4,210	99	935	0	793	-15	4,436
4. Advance payments and assets under construction	664	0	11,541	-642	0	0	11,563
<b>Amount</b>	<b>18,486</b>	<b>157</b>	<b>19,254</b>	<b>-694</b>	<b>1,340</b>	<b>-204</b>	<b>35,659</b>
Investment property	0	0	0	694	0	0	694
<b>Amount</b>	<b>29,192</b>	<b>5,723</b>	<b>19,982</b>	<b>0</b>	<b>1,433</b>	<b>-204</b>	<b>53,260</b>

Balance Jan. 01, 07	Accumulated amortization and depreciation					Residual carrying values		
	Additions 2007	Transfers 2007	Disposals 2007	Write-ups 2007	Exchange differences	Balance Dec. 31, 07	Dec. 31, 07	Dec. 31, 06
1,000	0	0	0	0	0	1,000	11,465	6,634
2,688	267	0	89	0	0	2,866	1,576	384
<b>3,688</b>	<b>267</b>	<b>0</b>	<b>89</b>	<b>0</b>	<b>0</b>	<b>3,866</b>	<b>13,041</b>	<b>7,018</b>
1,759	434	-164	0	0	-26	2,003	11,075	5,634
3,523	537	0	546	0	-124	3,390	3,192	2,696
3,131	597	0	768	0	-13	2,947	1,489	1,079
0	0	0	0	0	0	0	11,563	664
<b>8,413</b>	<b>1,568</b>	<b>-164</b>	<b>1,314</b>	<b>0</b>	<b>-163</b>	<b>8,340</b>	<b>27,319</b>	<b>10,073</b>
0	11	164	0	0	0	175	519	0
<b>12,101</b>	<b>1,846</b>	<b>0</b>	<b>1,403</b>	<b>0</b>	<b>-163</b>	<b>12,361</b>	<b>40,879</b>	<b>17,091</b>

## Consolidated statement changes in fixed assets for the years ended December 31, 2006

EUR '000	Acquisition and manufacturing costs					Balance Dec. 31, 06
	Jan. 01, 06	Additions 2006	Transfers 2006	Disposals 2006	Exchange differences	
<b>Intangible assets</b>						
1. Goodwill	7,584	50	0	0	0	7,634
2. Other intangible assets	3,001	168	0	97	0	3,072
<b>Total</b>	<b>10,585</b>	<b>218</b>	<b>0</b>	<b>97</b>	<b>0</b>	<b>10,706</b>
<b>Property, plant and equipment</b>						
1. Land, property rights and buildings including buildings on third party land	7,303	185	0	47	-48	7,393
2. Plant and machinery	5,921	722	0	236	-188	6,219
3. Other plant and equipment, fixtures and fittings	4,028	731	0	516	-33	4,210
4. Advance payments and assets under construction	34	630	0	0	0	664
<b>Total</b>	<b>17,286</b>	<b>2,268</b>	<b>0</b>	<b>799</b>	<b>-269</b>	<b>18,486</b>
<b>Total</b>	<b>27,871</b>	<b>2,486</b>	<b>0</b>	<b>896</b>	<b>-269</b>	<b>29,192</b>

Balance Jan. 01, 06	Accumulated amortization and depreciation				Residual carrying values		
	Additions 2006	Disposals 2006	Write-ups 2006	Exchange differences	Balance Dec.31, 06	Dec. 31, 06	Dec. 31, 06
0	1,000	0	0	0	1,000	6,634	7,584
2,533	253	98	0	0	2,688	384	468
<b>2,533</b>	<b>1,253</b>	<b>98</b>	<b>0</b>	<b>0</b>	<b>3,688</b>	<b>7,018</b>	<b>8,052</b>
1,480	353	47	0	-27	1,759	5,634	5,823
3,441	462	235	0	-145	3,523	2,696	2,480
3,286	380	510	0	-25	3,131	1,079	742
0	0	0	0	0	0	664	34
<b>8,207</b>	<b>1,195</b>	<b>792</b>	<b>0</b>	<b>-197</b>	<b>8,413</b>	<b>10,073</b>	<b>9,079</b>
<b>10,740</b>	<b>2,448</b>	<b>890</b>	<b>0</b>	<b>-197</b>	<b>12,101</b>	<b>17,091</b>	<b>17,131</b>

## Auditor's Report

We have audited the consolidated financial statements prepared by PVA TePla AG, Aßlar, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the combined management and group management report for the business year from January 1 to December 31, 2007. The preparation of the consolidated financial statements and the combined management and group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a paragraph 1 HGB is the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management and group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management and group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management and group management

report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Frankfurt/Main, March 20, 2008

Dr. Ebner, Dr. Stolz und Partner GmbH  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Marcus Grzanna  
Wirtschaftsprüfer  
German Public Auditor

Birgit Weisschuh  
Wirtschaftsprüferin  
German Public Auditor

## Responsibility Statement

„To the best of our knowledge we assure that in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the net assets, financial position and profit or loss of the Group, and the Group Management Report – which has been combined with the Management Report of PVA TePla AG – gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principle opportunities and risks associated with the expected development of the group.”

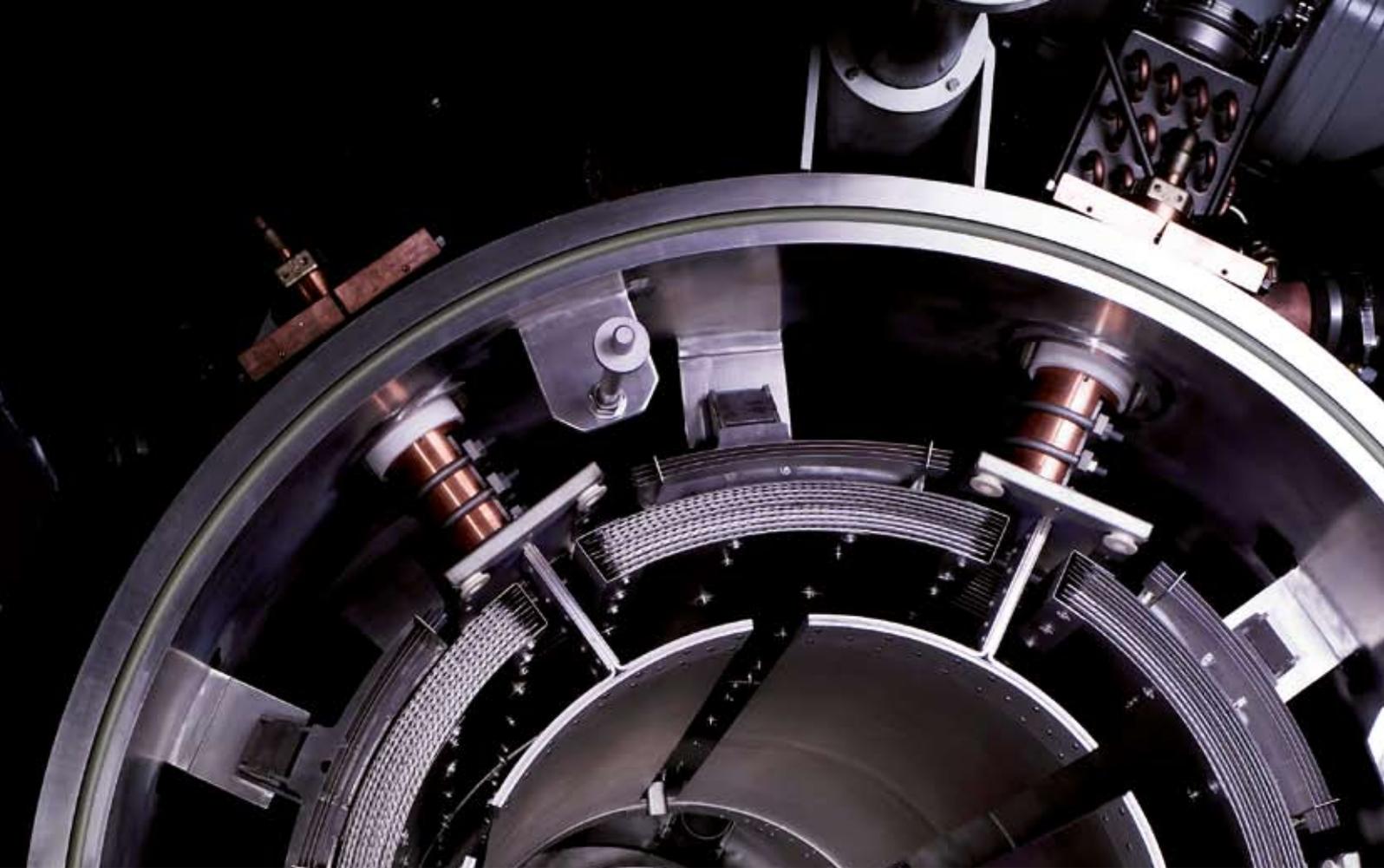
Aslar, March 19, 2008



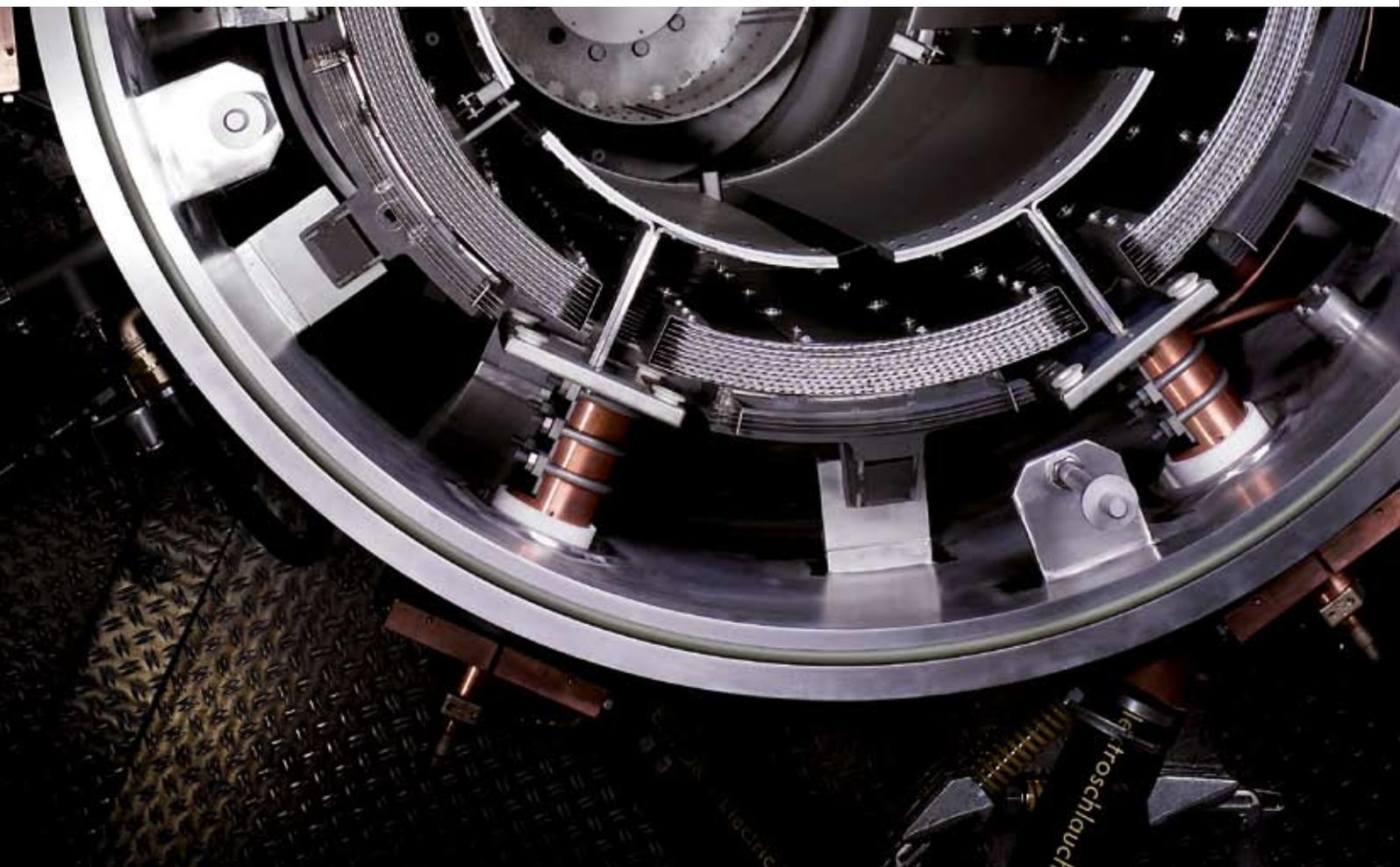
Peter Abel  
Chief Executive Officer



Arnd Bohle  
Chief Financial Officer



Heater und Insulation made of Tungsten: High temperature vacuum furnace



136	Glossary
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## Glossary

### Technical Terms

Ashing	Using a plasma source the photo-resist is removed from an etched wafer
Back End	Process sequence for further processing of the semiconductor chips structured on the front of wafers in front end processing following wafer dicing in pre-assembly (cf.) and includes electrical testing, attachment of brackets, soldering of connections and the fitting of components into a casing
Batch Ashing	Transfer of photo-resist onto several wafers at the same time in the process chamber
Bonding	Gluing
Chip Packaging	Packing of semiconductor boards
CMOS	Complementary metal oxide semiconductor. CMOS technology is primarily used for integrated circuits
Elastomers	Elastomers are plastics with a fixed form that can however be molded elastically
Flat Panel Display (FPD)	A flat screen, normally consisting of a liquid crystal display (LCD) using a lamp as a light source
Photo Mask	Photo masks are projection templates mainly used in photolithography for semiconductors
Front End	Sequence of chemical-physical processes for manufacturing the microstructures of semiconductor chips on the front side of silicon substrates (wafers) ranging from a blank silicon wafer up to wafers with complete circuits
Joining	Permanently combining at least two components
Tungsten Carbide	Metal powder, normally consisting of tungsten (90-94%) and cobalt (6-10%) as a binding agent, which is sintered under pressure, vacuum and high temperature conditions to produce high-strength, low-wearing and dense materials
Hot isostatic	Under high temperature and pressure
MEMS	Micro-electro-mechanical systems are a combination of mechanical parts, such as sensors, and electronic circuits on a substrate or chip

Metrology	Measuring technology for testing adherence to parameters in the manufacture of semiconductor chips
Microwave plasma	Gas consisting of charged and uncharged particles in a highly reactive state, created at low pressures (0.1-10 mbar) with microwave power feed
Metal Injection Molding (MIM)	MIM is a procedure for forming complex, geometric structural parts which combines the advantages of plastic injection molding with the material properties of hard metals
Surface activation	Chemical change in a plastic surface to facilitate or improve subsequent process steps
Plasma	Plasma is described as the fourth aggregation state of material and is a partially ionized gas. Phenomena such as lightening, a comet's trail or polar lights are examples of plasmas that occur in nature. Technically, plasma is created by exciting gases using electrical fields. Plasma is extremely interesting on account of its physical and chemical properties as highly excited particles and radicals are generated. These can trigger chemical reactions that are not possible under normal conditions
Pre-Assembly	Located between the front end and back end, this process thins wafers down to the desired thickness while retaining their original strength and, after placing them on a saw tooth frame, dices them into chips mechanically or using lasers
RF-Plasma	Plasma energized using electromagnetic waves in the radio frequency range (10-30 MHz)
Sintering	Hardening powdered mass under pressure, vacuum and high temperature conditions to create, for example, tungsten tools
Wafer	Basic material for chip production, usually made of silicon. Is processed further in the form of this disc and used as the substrate for integrated circuits
Waferboot	Device consisting of quartz or some other heat-resistant material for around 100 wafers. Using this device, wafer are introduced into furnaces for high-temperature processing

## Definitions of financial terms and key figures

Book-to-bill ratio	Ratio of incoming order volume and sales revenue during a period. A book-to-bill ratio greater than one indicates that a company can expect sales growth
EBIT margin	Operating profit (EBIT) expressed as a percentage of sales revenue during a period
Equity ratio	Shareholders' equity expressed as a percentage of the balance sheet total
Free cash flow	Operative cash flow minus payments for investments in tangible and intangible assets. The free cash flow is therefore an indicator of the amount of liquid assets freely available to the company during a period
Gross domestic product	GDP is defined as the market value of all new goods and services produced within a country by domestic and foreign companies and individuals. It is one of the key indicators for the economic strength of a country
Gross margin	Gross profit expressed as a percentage of sales revenue during a period
Operating profit/loss (EBIT)	The operating profit/loss (EBIT: Earnings Before Interests and Taxes) is the key management accounting variable used in the PVA TePla Group. We consider this performance figure to be the most important indicator of the operative earnings power of a company. It is equal to the net income for the year before deduction of interest, income tax, and without income from associated companies and minority interest
Operative cash flow	The operative cash flow (cash flow from operating activities) shows the change in liquid assets during a period as a result of operating activities
Order backlog	The order backlog figure stated in the consolidated financial statements pursuant to IFRS is the nominal value of orders on hand, minus the revenue already recognised according to the percentage of completion (POC) method
Return on sales	Consolidated net income expressed as a percentage of sales revenue in a period

## The PVA TePla History

1991	Management buy-out of vacuum systems for metallurgy and establishment of
1999	Establishment of PVA Vakuum Anlagenbau Jena GmbH  Establishment of CGS GmbH in a spin-off from Leybold Systems  IPO of TePla AG on the Frankfurt Stock Exchange
2000	Establishment of the Vacuum brazing and thermal treatment centre in Asslar and Jena  Establishment of the US branch PVA USA Corp.
2001	Merger of TePla Inc. and MetroLine to form TePla America Inc.
2002	PVA and TePla merge to form PVA TePla AG  Minority interest in PVA MIMtech LLC, New Jersey, USA; acquisition of the assets of Elnik Systems, USA
2003	Merger of PVA USA and TePla America to form PVA TePla America Inc.
2004	Shareholdings in PVA MIMtech LLC increased to 50%  Acquisition of the Floatzone Crystal Growing division of the Danish Haldor Topsoe Group. Name changed to PVA TePla Denmark.  Establishment of Xi'an HuaDe CGS Ltd., a joint venture with the Technical University in Xi'an (TUX)
2005	Opening of a service and sales office in Beijing  Complete takeover of the CGS by the PVA TePla AG
2006	Takeover of the business of Asyntis GmbH and Plasma Technik Grün
2007	Establishment of the subsidiary PVA TePla Singapore  Complete take over of the KSI Group



## Financial Calendar 2008

08 April	Press conference and analysts' meeting
09 May	Publication of the Q1 Report
19 June	Annual Shareholders' Meeting
12 August	Publication of the Q2 Report
07 November	Publication of the Q3 Report
10-12 November	German Equity Forum

## Imprint

### PVA TePla AG

Emmeliusstr. 33  
D-35614 ABlar

Telefon +49 (0)64 41 / 56 92 -0  
Fax +49 (0)64 41 / 56 92 -111  
eMail [info@pvatepla.com](mailto:info@pvatepla.com)  
Internet [www.pvatepla.com](http://www.pvatepla.com)

Investor Relations Dr. Gert Fisahn  
Phone +49 (0)64 41 / 56 92 -342  
eMail [gert.fisahn@pvatepla.com](mailto:gert.fisahn@pvatepla.com)



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