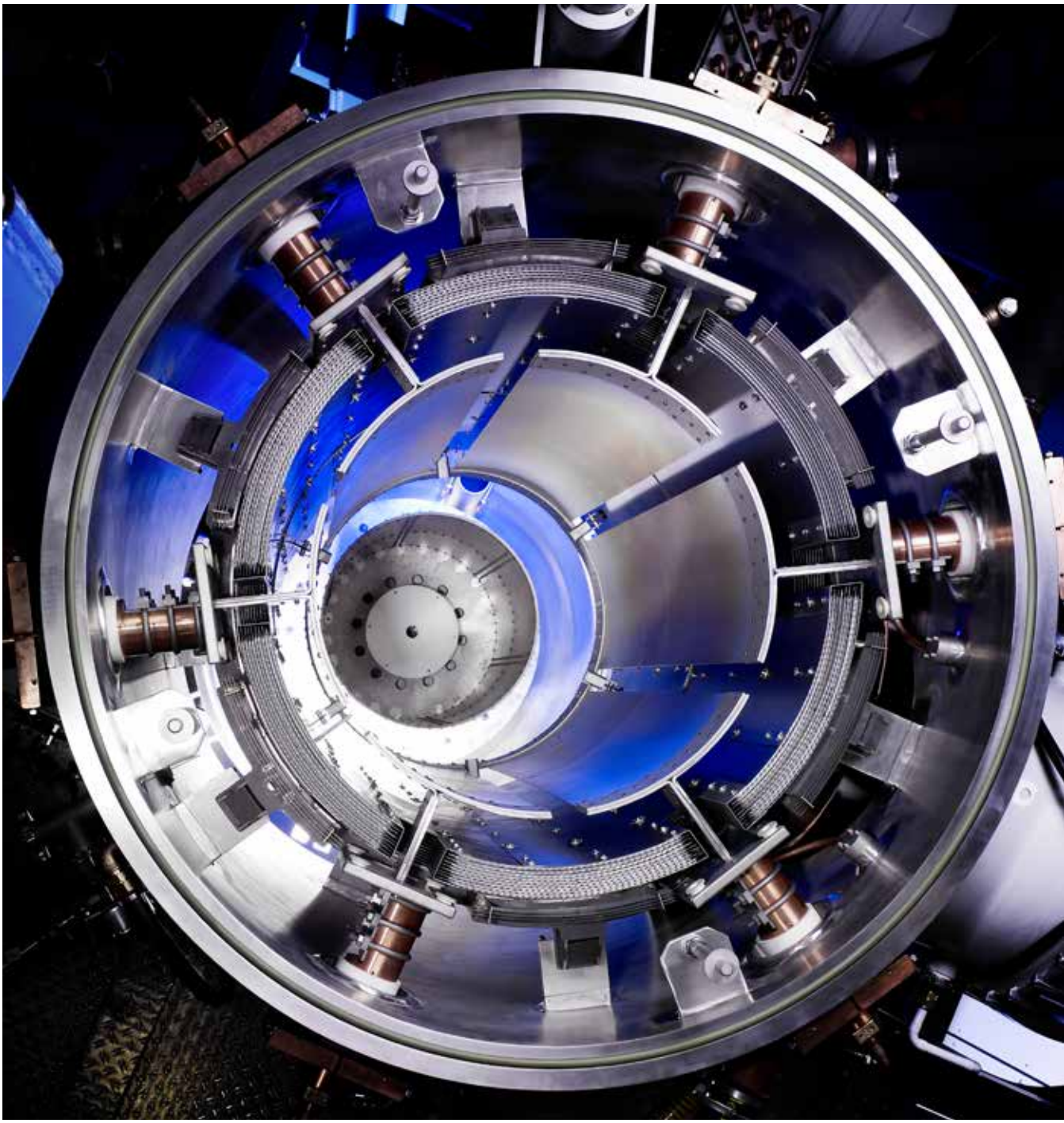
PVA TePla



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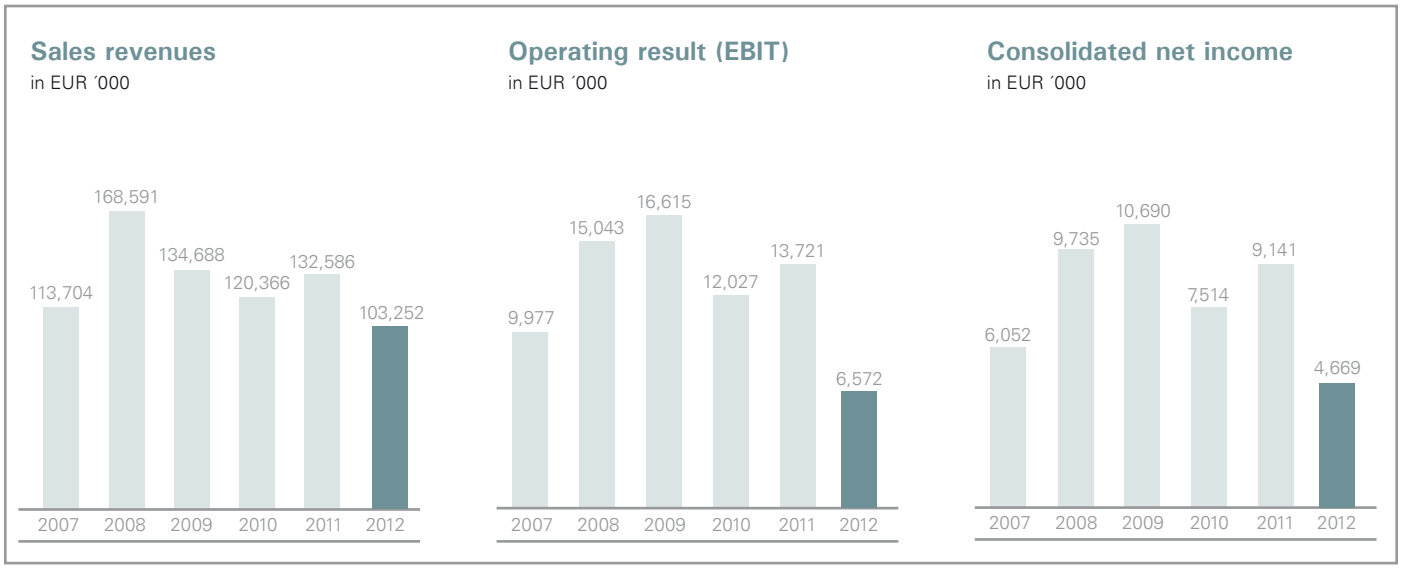
Annual Report 2012

IMPORTANT CONSOLIDATED FIGURES AT A GLANCE

in EUR ´000	2012	2011	2010
Sales Revenues	**103,252**	**132,586**	**120,366**
Industrial Systems	44,102	56,964	28,361
Semiconductor Systems	50,961	49,359	33,908
Solar Systems	8,189	26,263	58,097
Gross profit	**24,181**	**31,125**	**31,228**
in % sales revenues	23.4	23.5	25.9
R&D expenses	4,707	5,508	4,833
Operating result (EBIT)	**6,572**	**13,721**	**12,027**
in % sales revenues	6.4	10.3	10.0
Consolidated net income	**4,669**	**9,141**	**7,514**
in % sales revenues	4.5	6.9	6.2
Earnings per Share (EPS) in EUR[1)]	**0.21**	**0.42**	**0.35**
Capital expenditure	2,232	2,271	2,547
Total assets	**102,991**	**129,131**	**121,737**
Shareholders equity	**61,741**	**60,298**	**54,472**
Equity ratio in %	59.9	46.7	44.7
Employees as of 31.12.	**514**	**509**	**488**
Incoming Orders	**59,162**	**156,235**	**93,413**
Order backlog	**30,741**	**74,854**	**52,893**
Book-to-bill-ratio	0.57	1.18	0.78
Cash Flow from operating activities	**4,437**	**-8,130**	**11,218**

[1)] Circulating shares on average 21,749,988



PVA TePla AG

AS A VACUUM SPECIALIST FOR HIGH-TEMPERATURE AND PLASMA TREATMENT PROCESSES, PVA TEPLA AG IS ONE OF THE WORLD´S LEADING SYSTEM ENGINEERING COMPANIES IN THE FIELDS OF HARD METALL SINTERING, CRYSTAL GROWING, THE USE OF PLASMA SYSTEMS FOR SURFACE ACTIVATION AND ULTRA-FINE CLEANING AS WELL AS SYSTEMS FOR QUALITY INSPECTION.

INNOVATIVE DEVELOPMENTS

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 in the energy, photovoltaic and environmental technologies of tomorrow.

INDIVIDUAL SOLUTIONS

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.

JOINTLY WITH OUR CUSTOMERS

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, fiber-optics for data transmission or the development of high-tech materials and surfaces.

Foreword by the Management Board

OF PVA TEPLA AG ON THE FISCAL YEAR 2012

Dr. Arno Knebelkamp Arnd Bohle

The conclusion of fiscal year 2012 signaled the end of an exciting twelve months for PVA TePla in many respects. On the basis of existing orders, the Company recorded a positive result – albeit lying below the previous year's level. By contrast, incoming orders were very sluggish due to developments in our key markets. Significant overcapacity has developed over the past few years in certain relevant industries, such as hard metal manufacturing and silicon wafer production for the semiconductor industry – high-tech industries to which we supply suitable process systems. Coupled with economic development that has failed to meet expectations, this has led to a notable reluctance to invest among some of our customers.

This trend has made a particular mark on the photovoltaic industry. Major overcapacity has developed as a result of large-scale investment in capacity expansions, predominantly by Chinese companies. Global production capacity of around 60 GWp was met by demand of around 30 GWp, leading to substantial pressure being exerted on prices and margins across the entire value chain. As a consequence, expansion investments in this market practically came to a complete standstill.

Against this backdrop, our annual sales revenues for 2012 fell to around EUR 103 million. At EUR 6.6 million and 6.4% respectively, operating profit and the EBIT margin were also down year on year. Incoming orders were low across all divisions and will therefore continue to burden the company over the current fiscal year.

What do we do to lead the PVA TePla back onto a growth path in the medium term? With our systems, we are reliant on our customers' investment decisions and their expectations of positive development in their own markets. That means we are also reliant on the global economic climate as a whole. We are working hard on refining our products in terms of the technology and operating costs. Last year, we pushed on with many research projects in the areas of semiconductor and solar – some with government support – centered on the further development of applied technology. We believe that our company and our products have a very good technological basis and that we will play a decisive role in the next investment cycle, also in the photovoltaic industry.

This is underpinned by the number and volume of projects we are currently negotiating with our customers. We have not seen any loss of market share to our competitors, as the aforementioned market developments have affected our competitors too. The photovoltaic industry also plays host to a range of projects in regions that want to establish their own solar industry for economic and strategic reasons.

Furthermore, we continue to follow developments in markets relevant to our two other divisions, Industrial Systems and Semiconductor Systems, with great interest. This guarantees that we are in a position to offer our customers the right systems just when they need them. A good example of this is the new "SiCube" crystal-growing system, which can be used to manufacture silicon carbide crystals. Silicon carbide is typically used in high-performance electronics – such as in hybrid and electric cars, air-conditioning units and photovoltaic plants – and in optoelectronics, where silicon carbide's special characteristics such as high thermal conductivity come to the fore. The first of these systems were sold at the end of fiscal year 2012.

We also want to grow through acquisitions. In July 2012, for instance, we acquired Munich Metrology GmbH. Munich Metrology develops and distributes innovative analysis systems for the detection of surface contaminants on semiconductor wafers, thereby strengthening the expertise and business volume of PVA TePla in the metrology segment. Aside from expanding the product portfolio, this acquisition has also resulted in synergies in terms of system sales and system production. The customer base for plasma systems and PVA TePla Analytical Systems is an excellent complement to the customer base of Munich Metrology. What's more, moving system production to the Jena site has led to further improvements to the cost structure.

The Management Board and the Management team at PVA TePla continue to work hard on developing and expanding the company's technological basis. In contrast to many other market participants, our shareholders' equity also developed positively in 2012 due to the positive result, and the PVA TePla AG equity ratio is now up to an impressive 60%. Therefore, we are in a strong position to shape the strategic development of the company. However, it goes without saying that we will keep a sense of perspective when it comes to evaluating acquisitions, particularly given our own valuation on the capital market.

In view of the aforementioned market developments, we are anticipating sales revenues of between EUR 90 and 100 million for fiscal year 2013 which tend to be at the lower end of the range. Due to the cost reduction program that has been implemented – primarily involving short time work at the Wettenberg and Jena sites and a program to reduce non-personnel expenses – we are expecting to generate a positive result in 2013 too.

On this basis, and in consideration of the results and positive liquidity situation in fiscal year 2012, we would like to propose to you, our shareholders, at the Annual General Meeting in June the distribution of a dividend of EUR 0.10 per share for fiscal year 2012.

Our success will continue to be the result of the individual commitment and dedication of all of our employees. We would therefore like to express our warmest thanks to them all. Our thanks also go out to you – our shareholders, customers and partners – for your continued trust in us and your support for our work over the past fiscal year. In the new fiscal year we want to build on this and we look forward speaking with you.

Best regards,

Dr. Arno Knebelkamp
Chief Executive Officer

Arnd Bohle
Chief Financial Officer

Destination: eGrid 2.0

"This is a herculean task." It was with these words that Angela Merkel introduced MPs in the German Bundestag to the energy revolution in the summer of 2011. Since then, eight of Germany's 17 nuclear power plants have been decommissioned and the necessary restructuring of the country's power grid is in full swing.

High Vacuum Heat Treatment Furnace MOV

Centralized energy generation and fixed distribution that began with electrification around 130 years ago have become a thing of the past. The grid of the future is no longer a one-way street. The aim is to integrate and coordinate many different decentralized sources with varying outputs into a single system. The challenge is similar to that of the internet revolution, except that instead of Web 2.0, we are talking about eGrid 2.0! And with its vacuum heat treatment furnaces, PVA TePla also plays a role in this segment. These systems are used to manufacture components such as vacuum circuit breakers, which are used to disconnect or feed energy back into the grid. In flexible grids, this technology is becoming increasingly important!

Vacuum Interrupters

GRID STABILITY NEEDS INTELLIGENCE

Vacuum interrupters and circuit breakers are installed in grids all over the world. They ensure the stability of the grid in substations or municipal utility companies by switching on power sources during periods of peak demand and disconnecting them again in periods of low consumption. Such a system is necessary to keep grid voltage at a stable level. If more energy is fed into the grid than consumed from the grid, voltage simply keeps increasing, posing a danger to industrial and household appliances alike. Aside from switching and disconnecting fed-in power, modern circuit breakers also function as fuses in the event of short circuits or overload.

The conversion of the power grid as part of the energy revolution is giving these components an ever-increasing significance. Due to the variety of energy suppliers, from solar power producers to wind park operators, grid intelligence solutions are having to become more advanced. What is known as smart grid, the energy grid of the future, is actually a highly flexible, consumption-driven distribution system that organizes and coordinates an enormous number of energy suppliers and consumers. As a result, energy feed-in must be regulated at more and more points on the grid in order to ensure that voltage remains constant.

SWITCHING IN A VACUUM

The principle of vacuum interrupter technology is almost 100 years old. The difference between vacuum switching technology and conventional interrupter is that switching takes place in a vacuum. As the switching process takes place in a chamber that contains practically nothing, the process is extremely reliable, maintenance-free and safe. After all, when the supply is disconnected, there is no ionizable material that could trigger a spontaneous thermal arc discharge. Due to the high switching efficiency, vacuum interrupter components can be made extremely compact. There only needs to be a tiny gap between the contacts to disconnect the flow of electricity reliably. This level of efficiency remains stable over the entire lifecycle of around 30 years. By contrast, the efficiency of oil, air or sulfur hexafluoride (SF 6) interrupters is reduced every time the switching process is triggered. This is primarily due to the high voltages that occur in the interrupter's contact areas. In the medium voltage range, this can be as high as 10,000 or even 40,000 volts. Each time the flow of electricity is interrupted at such voltages, a small percentage of the filling medium decays. This results in a loss of efficiency. That is why the vacuum interrupter is superior to filled components. However, the manufacturing of vacuum interrupters is very complex. And that's where PVA TePla comes into play.

VACUUM AND HIGH TEMPERATURES

In order to guarantee a state of vacuum inside the interrupter, the interrupter must be manufactured in a vacuum environment. All components such as anti-rotation devices, metal bellows, ceramic insulation and the contacts are prefabricated out of specially molded copper/chrome compound materials in cleanrooms. The components are then put together using solder pastes or rings, before being treated in furnaces. In the furnaces, they are put through a pre-defined temperature program at negative pressure of up to 10^{-7} mbar. To put that in perspective, atmospheric pressure is usually around 1,000 mbar, so the pressure inside the furnace is around 10 billion times lower than outside. A temperature of between 800°C and 850°C is required to manufacture the vacuum interrupter. At such high temperatures, the solder paste melts and forms an airtight seal around the interrupter. This solder-seal technique allows vacuums to be created with extremely low residual gas pressure. These temperatures don't put much of a strain on the PVA TePla furnaces. Made from ultra-pure stainless steel, molybdenum or tungsten, they can withstand temperatures well over 2000°C. One smart feature of the furnaces is an active cooling system that quickly reduces the interior temperature of the furnace once the temperature program is complete, meaning that the next batch can soon be loaded. This allows shorter cycle times throughout the process.

PVA TePla delivered seven of its heat treatment furnaces in 2012 alone. The Company's customer base includes all globally renowned energy company suppliers and power station operators such as ABB. The ever-increasing order intake shows that grid renewal and the enhancement of grid flexibility is gaining momentum. Despite decommissioning many of its nuclear power stations, Germany remains a net energy exporter. Renewable Energies now account for over 25% of the country's energy mix. In its report on potential energy outlook in 2020, the Renewable Energies Agency anticipates that this percentage will rise to almost 50%. That means that demand for vacuum interrupters and circuit breakers will remain high in the future, as indeed will demand for systems that can manufacture them – and not simply in Germany either.

SMART OUTLOOK

The upcoming shake-up of the energy grids is nothing less than an attempt to reduce energy costs and retain a high level of grid stability. In the grid of the future, consumer appliances will be able to communicate with each other and switch operating modes in accordance with supply and demand to ensure the lowest costs and least possible environmental burden. That sounds like a smart concept, and indeed it is! Angela Merkel hit the nail on the head when she said this would be a herculean task. But the course has been set and there's no turning back. Another thing is certain: PVA TePla's smart vacuum heat treatment technology will accompany all circuit breaker manufacturers every step of the way.

High Vacuum Heat Treatment Furnace MOV

ABB - Expertise in Vacuum Interrupters Technology

Tracing its history back over 120 years, ABB is one of the leading technology providers in the areas of energy and automation technology. It employs 145,000 people and is active in over 100 countries. ABB has been developing and manufacturing vacuum interrupters for medium-voltage applications at its factory in Ratingen, near Düsseldorf, for the past 30 years.

Brazed Vacuum Interrupters "Leave" the Cleanroom

Over three million sets of vacuum interrupters have left the production line over the past three decades. ABB is a market leader in this segment, a position it maintains by applying the highest possible quality standards and using the very latest technologies in its manufacturing processes.

VACUUM INTERRUPTERS FOR MEDIUM VOLTAGE APPLICATIONS

Nowadays, vacuum interrupters technology is a permanent fixture of the medium-voltage segment. Technological developments, coupled with the expansion of the global power grid, have led to consistent market growth. The key features of this technology, such as its environmental benefits, outstanding switching efficiency, a high level of reliability and compact dimensions, have also made a pivotal contribution to the success of versatile vacuum interrupters. Safety also plays a decisive role in the technology: When the electricity supply is interrupted inside the vacuum, the contacts through which the current flows are separated, causing a metal vapor arc, which – thanks to the special design of high-tech vacuum interrupters – cannot escape the housing and damage the environment.

Preparation for Loading of the Furnace

The reliability of power supply depends largely on the perfect function of the switching devices at the intersections of the distribution network. The job of these switching devices is to connect the electrical circuits and to interrupt the power supply where necessary, such as during maintenance and repair work.

The partnership between ABB and PVA TePla traces its roots back to the delivery of the first high vacuum brazing furnaces in 1985. The company currently operates six furnaces at its factory in Ratingen. The knowledge surrounding this high level of precision necessary for brazing vacuum interrupters in high-vacuum furnaces is a fundamental part of the long and successful partnership between the two companies.

MEDIUM VOLTAGE GRIDS

Medium voltage refers to voltages between 1 kV (1,000 volts) and 50 kV (50,000 volts). These voltages are usually used in local or regional grids in order to guarantee power distribution. Transformers are used to reduce the energy supply to the desired voltage to ensure that the electricity can be transferred over the medium-voltage network. In rural areas, electricity is distributed using overhead lines, whereas underground power cables are typically used in urban environments. Large-scale electricity consumers, such as industrial enterprises, are often directly connected to the medium voltage grid, whereas households and smaller businesses are supplied with low voltage electricity. In the latter case, voltage is reduced to the standard level of 400 / 230 volts using voltage transformers.

INTERVIEW

Interview with Georg Sawitzki, who has worked at ABB for 30 years and now manages vacuum interrupters manufacture in the Ratingen factory.

PVA TePla: How many sets of vacuum interrupters are manufactured in the Ratingen factory every year?

Georg Sawitzki: We have experienced rapid growth in this segment since 1985 and have set new production records on a consistent basis every single year. At present we manufacture around 400,000 sets of vacuum interrupter every year at our Ratingen factory. PVA TePla has very well participate in this production expansion, both through new high-vacuum brazing furnaces, as well as by appropriate services.

PVA TePla: The expansion of the medium-voltage grid is one of the most important markets for vacuum interrupters. Are there any other important markets for such products?

Georg Sawitzki: In principal, vacuum interrupters are deployed where electricity must be switched on a medium voltage level. That includes power stations, rail locomotives and industrial enterprises. We also supply cruise ships on a regular basis. Renewable energies such as wind power stations form an important part of our business. The ever-growing interest in electric vehicles is also opening up another market for us: the automotive industry. Our vacuum interrupters can be found in the highest building in the world, the Burj Khalifa in Dubai, the Beijing National Stadium known as the Bird's Nest, the London Underground, the Gotthard Base Tunnel and the Cape Town Stadium.

PVA TePla: Constant quality assurance at all stages of production is probably a pivotal aspect in manufacturing these sensitive products.

Georg Sawitzki: The manufacturing process starts with a comprehensive testing and quality assurance process in order to guarantee the specified quality of the raw materials we use. Areas focused on in this process include the ultra-pure composition of the materials and low gas emissions during subsequent operations. Only then do we begin to manufacture the individual components. During the subsequent surface treatment process, all components are cleaned using high-tech cleaning technology. Special vehicles automatically transport the components between the various cleaning baths. Once the components have passed through each of the cleaning stations, they are transported to a class 1000 cleanroom. Class 1000 cleanrooms are also used in the semiconductor manufacturing industry, for example. The contacts form the key part of the vacuum interrupter. They are made of a copper/chrome compound and are shaped into their unique form through a separate dry processing. After all, the composition and shape of these components are decisive in eliminating metal vapor arcs.

WHAT ACTUALLY IS A VACUUM?

A vacuum is a space containing no air at all – a completely empty space, in the truest sense. In scientific terms, the term „vacuum" refers to a gaseous state in which the pressure is lower than atmospheric pressure. In other words, the particle density of the gas is lower than that of the Earth's atmosphere. Gases consist of billions of tiny particles, molecules and atoms, which are constantly in a state of movement. The mean velocity of the particles depends on their mass and the temperature of the gas. Pressure is determined by the frequency at which the gas particles collide with one another or the sides of the container housing the gas. In vacuum interrupter, this pressure is approximately 10^{-7} - 10^{-8} mbar. This equates to between 10 and 100 billionth of normal atmospheric pressure and corresponds to pressure experienced at a height of approximately 500 km.

View Over Vacuum Interrupters

Vacuum Interrupters are Prepared for the Brazing Process

PVA TePla: When do the brazing furnaces come into play?

Georg Sawitzki: Once all components in a manufacturing batch have arrived in the cleanroom, the vacuum interrupter is then assembled in a dust-free atmosphere. Firstly, special hard solder for vacuum applications is placed between the components. Then the units are loaded into the PVA TePla high-vacuum brazing furnaces. Once inside the furnaces, the batches are heated to over 800°C during a special high-temperature vacuum process. The components are joined together as the solder melts and sealed directly in the vacuum furnace. The benefit of this solder-sealing technique is that vacuums can be created with extremely low residual gas pressure.

PVA TePla: The partnership between ABB and PVA TePla goes back many years. What makes it so special?

Georg Sawitzki: The process I just outlined is extremely complex and was developed jointly by ABB and PVA TePla over a substantial period of time. It is this process that plays such an important role in the success we enjoy with our vacuum interrupters. Thanks to the close partnership between our companies and the mutual trust that has been created, we have been able to join forces and develop the furnace technology further. The outstanding service provided by PVA TePla is of particular importance to us. PVA

TePla employees are available 24 hours a day, seven days a week for maintenance and repair work. We can call PVA TePla at any time – even Sundays – and know that we will receive support. The value we place on this partnership can be seen by the fact that we have concluded a long-term agreement with PVA TePla – something we do not normally have with systems suppliers at the Ratingen factory.

PVA TePla: How do you see the future prospects for vacuum interrupters? Production volume has risen sharply over the past few years. Do you believe this trend will continue at such a pace?

Georg Sawitzki: ABB has formulated a clear growth strategy in the medium-voltage segment. An investment program has been approved to meet production volume expectations over the next few years and increase overall production capacity substantially from 2014.

Open High Vacuum Brazing Furnace

Report from the Supervisory Board

OF PVA TEPLA AG ON THE FISCAL YEAR 2012

Prof. Dr. Günter Bräuer | Alexander von Witzleben | Dr. Gernot Hebestreit

Looking back on a difficult fiscal year 2012, the Supervisory Board reports on the main focuses of its supervisory function and the economic situation of PVA TePla AG.

The global economic climate took a further turn for the worse over the course of the fiscal year 2012. Following rapid expansion in 2010 and 2011, economic development in emerging countries slowed considerably. At the same time, economic growth in developed countries remained sluggish and in some regions even lost momentum. The global economy was unable to escape from this phase of weak growth before the end of the calendar year. In many countries, economic growth continues to suffer from the effects of the recession in 2008 and 2009, e.g. in the form of high unemployment or high levels of private or public-sector debt. The European sovereign debt crisis played a major role in the slowdown in the global economy. Structural change in crisis-hit eurozone countries is exacerbating

the recession currently being experienced in these economies. For 2013, it is anticipated that global gross domestic product (GDP) growth will reach 3.2%. In the previous year PVA TePla was unable to escape these economic developments and the associated drop in investment propensity of the Company's customers - who had increased their investments in new production capacity in the past -, not least because of the worsening situation seen in another problematic market – the photovoltaic industry – which is struggling with widespread overcapacity and tumbling prices. Overall Group order intake decreased significantly in 2012 to EUR 59.2 million; a drop of almost 62% year on year. The order backlog as of December 31, 2012 was also significantly lower than the previous year. As a result, the management had to adjust its existing full-year forecast with the publication of its business figures for Q3 2012. Consolidated sales revenues reached around EUR 103 million in fiscal year 2012 (previous forecast: EUR 105 to 110 million). Based on these figures, the EBIT margin comes to 6.4% (previous forecast: approx. 7%). Other primary key figures for PVA TePla such as liquidity and equity ratio saw positive development.

Given the aforementioned difficulties in the global economic climate and the corporate key figures as of December 31, 2012, the Supervisory Board and the Management Board are anticipating consolidated sales revenues of between EUR 90 million and EUR 100 million in 2013 which tend to be at the lower end of that range. The reduction of the cost basis at the Company's two largest sites, Wettenberg and Jena, through reduced working hours and a reduction in non-personnel expenses will contribute to a positive operating profit and annual net profit for 2013.

MONITORING OF AND ADVISORY ASSISTANCE TO THE MANAGEMENT

In the 2012 fiscal year, the Supervisory Board continued to regularly monitor the work of PVA TePla AG's Management Board and to assist it in an advisory capacity. At Supervisory Board meetings, we always had sufficient opportunity to engage critically with the Management Board's proposed decisions and contribute our own ideas and suggestions. Detailed reports in both written and oral form provided the basis for this oversight. The Management Board regularly, promptly and extensively informed the Supervisory Board 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, compliance issues and other significant events for PVA TePla. The Supervisory Board was involved in decisions of strategic importance. It also received regular monthly reports and risk reports from the Management Board on the development of the Company's financial situation. In addition to meetings and reports, the Chairman of the Supervisory Board also received information on the current status of the Company in discussions with the Management Board.

In 2012, four regular Supervisory Board meetings took place. All Supervisory Board members attended these meetings in person. Due to the fact that the Supervisory Board consists of only three people, no committees were formed. Instead, all matters that would have been handled by a committee were dealt with in plenary sessions.

There were no indications for conflicts of interest relating to members of the Management or Supervisory Boards, which must be disclosed immediately to the Supervisory Board and reported to the Annual General Meeting.

PRINCIPAL MATTERS ATTENDED TO AT SUPERVISORY BOARD MEETINGS

One of the issues focused on at the Supervisory Board meeting that took place on March 26, 2012 was the annual and consolidated financial statements as of December 31, 2011, and the Management Board's proposal on appropriation of the period's net profit. The last Annual Report contains extensive details of this matter. On the basis of a detailed report from the Management Board and the Division Managers, we discussed the Group's business situation as of February 29, 2012, and received an overview of the current business situation, market and competitive environments and the status of customer projects in each division at that time. The difficult competitive environment and associated overcapacity that we are currently faced with in the solar market were discussed at length. Particular points of discussion included the effects of a drop in order intake on capacity utilization in the Solar Systems division and the options open to the Group in relation to this issue. In the context of the agenda item "Remuneration matters", we reviewed the bonuses paid to the Management Board for appropriateness and approved them. Another item on the Agenda for this meeting was the resolution on the Agenda for the 2012 Annual General Meeting, which was acknowledged and agreed with. The Supervisory Board accepted the Management Board's proposal to distribute a dividend of EUR 0.15 per share.

The focus of the Supervisory Board meeting on June 13, 2012 was the state of business at the PVA TePla Group and its individual divisions as of April 30, 2012. We compared incoming orders and order backlog at the time to the figures budgeted for in each case and the figures from the previous year. The problematic photovoltaic industry was a particular point of discussion. We discussed the Company's position in detail and came to the conclusion together with the Management Board that, in view of its underlying premises such as the long-term positive outlook for the solar industry, PVA TePla's current strategy is the right one. In addition, we were also informed about the status and further course of contractual negotiations relating to the planned acquisition of Munich Metrology GmbH and the resulting strategic development of the Metrology Systems business unit. The Supervisory Board agreed unanimously on the acquisition of Munich Metrology GmbH.

The acquisition of Munich Metrology in July 2012 was discussed at the Supervisory Board meeting on September 21, 2012. The current business situation, market and competitive environments of each division were discussed at length and the full-year forecast for 2012 was debated and approved. The implications of and measures relating to the decline in order intake in the ongoing fiscal year were discussed in detail. The cost reduction program prepared by the Management Board such as a reduction in personnel costs – centered on the introduction of reduced work hours – and in non-personnel costs was presented together with the effects of these measures.

At the last Supervisory Board meeting of 2012 on November 30, 2012, points of discussion included a detailed debate on the strategic development of the Company and the ongoing cost reduction measures, ongoing projects and the business situation as of October 31, 2012 including order intake and order backlog, planning for the period between 2013 and 2015 including investment and personnel planning, which was acknowledged and agreed by the Supervisory Board. In view of the substantial decline in order intake and the resulting fall in prepayments, we found that PVA TePla continues to be able to plan based on a solid financial footing. The meeting additionally focused on questions relating to planning on preparations to draw up and audit the annual financial statements. The Supervisory Board was also in agreement with the budget plan for 2013 as presented by the Management Board, and reviewed and signed the Declaration of Compliance with the German Corporate Governance Code.

CORPORATE GOVERNANCE AND THE DECLARATION OF COMPLIANCE

At the meeting held on November 30, 2012, the Supervisory and Management Boards discussed, among other matters, the update to the Declaration of Compliance with the German Corporate Governance Code pursuant to Section 161 of the AktG. The updated joint Declaration of Compliance was made permanently available to the public in November 2012 on the internet site www.pvatepla.com under "Investor Relations - Corporate Governance". Deviations from this Code were discussed intensively and substantiated in meetings between the Management Board and the Supervisory Board. In line with item 3.10 of the German Corporate Governance Code, the Management Boad publishes its report on the Company's internet site under: http://www.pvatepla.com/pva-tepla-service/investor-relations/corporate-governance.

It was proposed to the Annual General Meeting that it appoint the auditing firm Ebner Stolz Mönning Bachem GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as auditor of the annual financial statements and consolidated financial statements for the fiscal year 2012. The Supervisory Board satisfied itself as to the auditor's independence as defined in Section 107 (3), sentence 2 of the AktG and requested, received and reviewed a corresponding statement of independence from the auditor. This independence is supported by the fact that the auditor does not provide consultancy services to the Company. After receiving the agreement of the Annual General Meeting, the Supervisory Board commissioned the auditor to carry out the audit and determined the fee payable to the auditor. The Supervisory Board agreed with the auditor upon the focal points of the audits to be carried out on the annual financial statements and the consolidated financial statements.

A self-evaluation using a detailed questionnaire was prepared, in which the efficiency of the Supervisory Board was reviewed as required by the German Corporate Governance Code.

DEPENDENT COMPANY REPORT

The Management Board prepared a dependency report for the fiscal year pursuant to Section 312 (3) of the AktG. The auditing firm Ebner Stolz Mönning Bachem GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft audited the report and issued an audit opinion without reservations worded as follows: "Having conducted a proper audit and appraisal, we hereby confirm that the facts set out in the report are correct and that the Company did not pay inordinately high amounts relating to the legal transactions mentioned in the report." Thereafter, the dependency report was presented to the Supervisory Board, which then performed its own independent review of the report and the legal transactions and actions set out therein pursuant to Section 314 (2) AktG. This review resulted in no objections.

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

The auditing firm Ebner Stolz Mönning Bachem GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, appointed by the Annual General Meeting, audited the PVA TePla AG annual financial statements and the consolidated financial statements as of December 31, 2012, as well as the combined management report for PVA TePla AG and the Group for 2012. The auditor found that these annual and consolidated financial statements were prepared in accordance with the Handelsgesetzbuch (HGB – German Commercial Code) and 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. There were no audit reservations regarding the annual and consolidated financial statements or the combined management report. The financial statements and management reports and the audit reports for each of these were sent to each member of the Supervisory Board. The Supervisory Board reviewed all the reports and discussed them in detail in its meeting held on March 22, 2013. The auditor also reported on the key findings of the audit at this meeting. We performed an independent review of the annual financial statements, the management report, the auditor's statement on the Management Board's assessment of the Company's situation, the Management Board's proposal for appropriation of net profit and the consolidated financial statements including the Group management report. There were no objections to any of these items. Therefore, we agreed to the results of the audit, and we granted our approval to the annual financial statements and the consolidated financial statements. The annual financial statements of PVA TePla AG are thereby adopted in accordance with Section 172, sentence 1 AktG. We approve the management reports, and particularly the assessment of the Company's future development as well as the Management Board's proposal on the appropriation of the current period's net profit, to distribute a dividend of EUR 0.10 per share and carry forward the remaining amount to new account.

COMPOSITION OF THE SUPERVISORY AND MANAGEMENT BOARDS

There were no changes to the individual composition of the Supervisory and Management Boards in the reporting period.

The Supervisory Board will continue to provide constructive support to the Management Board in its responsibilities. The Supervisory Board would like to thank the Company's management and all employees for their dedicated performance in the fiscal year 2012.

Wettenberg, March 2013

On behalf of the Supervisory Board

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

PVA TePla on Capital Markets

FOR THE FISCAL YEAR 2012

DEVELOPMENT OF PVA TEPLA SHARES

PVA TePla's share price declined considerably in 2012. After reaching its annual high for the year at EUR 3.83 in the first quarter of 2012, the share price declined thereafter, falling to its annual low of EUR 1.91 at the beginning of December 2012 (Xetra closing price). Overall gloomy prospects for the economy and a sharp decline in incoming orders – due to limited willingness by customers to invest in markets partially plagued by overcapacity, particularly in industries that are important for PVA TePla such as semiconductors and photovoltaics – led to this weak price. The market capitalization at the end of 2012 is therefore considerably below the total equity of the Company. However, at the start of 2013, the PVA TePla share posted gains again, rising on January 11, 2013 to EUR 2.38.

COMMUNICATION WITH THE CAPITAL MARKET

High transparency regarding our business activities in the capital market is important to us. This is why conference calls at the time of publication of our quarterly reports form an integral part of communications. We held an analysts' conference in Frankfurt after the publication of our Annual Report, maintained contact with analysts from banks, and participated in a number of conferences and roadshows in Paris, London, Frankfurt and Munich to establish direct contact with institutional investors. One focus in 2012 was discussions with representatives of family offices. In addition, investors had the opportunity to talk to our Management Board members and gather comprehensive information on our Company's prospects during field trips. The primary topics discussed with investors were trends in the photovoltaic market, which is plagued by overcapacity, and, in this context, the future perspectives of various technologies in this sector. In addition, other points of interest included incoming order trends across different product groups, management's assessment of the progress of the business and the opportunities resulting from new materials developments.

The Company presentations regarding these topics can be downloaded on the Company website at www.pvatepla.com under Investor Relations.

ANNUAL GENERAL MEETING

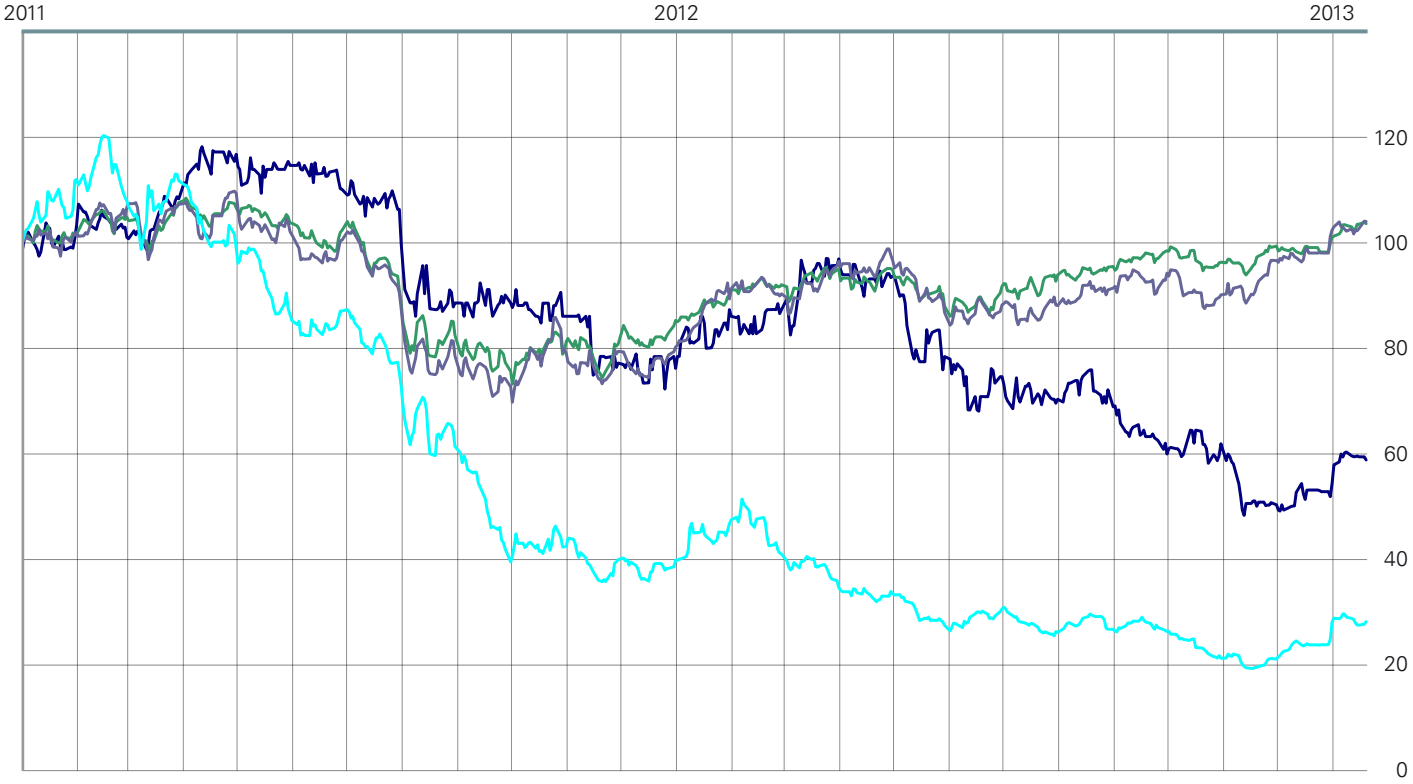
The Annual General Meeting of PVA TePla was held on June 13, 2012 at the Congress Hall in Giessen. The agenda items were approved by a large majority of the 47% share of shareholders who were present.

DIVIDENDS

The Management Board and Supervisory Board of PVA TePla proposed to the Annual General Meeting 2012 a dividend of EUR 0.15 (2011: EUR 0.15) per share on account of the earnings situation in the previous fiscal year. This corresponds to a dividend yield of 7.2% calculated using 2012's closing share price.

Performance of PVA TePla shares January 2011 – January 2013

in % 1-day-interval

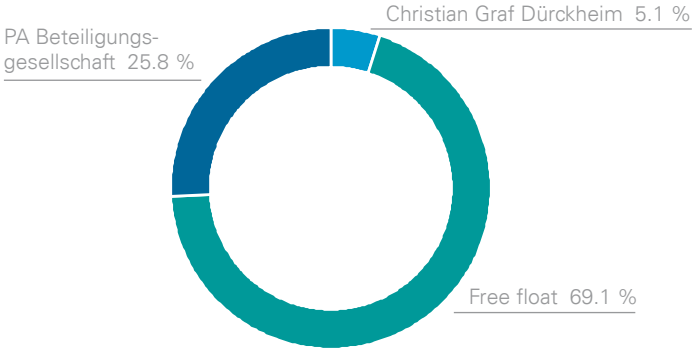


PVA TePla AG
DAXSubs. Advanced Industrial Equipment
Tec All Share
Photovoltaik Global 30 Total Return

PVA TePla shares key figures

		2012	2011
Earnings per share (EPS)	EUR	0.21	0.42
Annual high	EUR	3.83	4.67
Annual low	EUR	1.91	2.86
Closing rate as of Dec. 30	EUR	2.08	3.07
Performance of PVA TePla shares	%	-32	-21
Performance of Technology All Share	%	+17	-28
Performance of „DAXSubs. Advanced Industrial Equipment“	%	+23	-23
Performance of „Photovoltaik Global 30 Total Return“	%	-38	-61
Number of shares at year-end	million	21.75	21.75
Free float	%	69.1	69.1
Market capitalization at year-end	EUR million	45.2	84.8

Shareholding structure

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MANAGEMENT AND GROUP MANAGEMENT REPORT

PVA TePla AG

Management and Group Management Report

OF PVA TEPLA AG ON THE FISCAL YEAR 2012

1. INTRODUCTION

The PVA TePla Group is a global supplier of systems for the production, refinement and processing of high-quality materials such as hard metals, metals, semiconductors, ceramics, silicon and silicon carbide. In addition, it develops and produces systems for the controlled surface treatment of these and similar materials as well as for a wide range of plastic surfaces. Another part of the Company's current portfolio is nondestructive inspection and analytical systems for the quality control of manufactured materials and products (metrology), which are an important component in the production of high-tech materials. The production and treatment processes for these types of materials require complex systems in which stable processes can be carried out under reproducible conditions. For this reason, these processes typically take place under (high) vacuum or inert gas conditions, at high temperatures or using low-pressure plasma. The global market for these systems involves advanced, state-of-the-art materials and surface treatment technologies, including, for example, 300 mm silicon (Si) wafer technology for semiconductors, high-purity (Si) wafers made from floatzone material and wafers made from silicon carbide for high-performance electronics, mono- or multi-crystalline Si wafers for photovoltaics, structural materials for aviation and space technologies, metal powder production technologies, such as for hard metals, microsensor production technologies (MEMS, Micro Electromechanical Systems) and luminous light sources from semiconductor diodes (HB LED, High Brightness Light Emitting Diodes), ultrathin wafer production technology, and surface treatment systems for plastic in the life science industry and for metallic surfaces. In the future, too, high-tech materials will most likely have to be produced under vacuum and high-temperature conditions, providing plenty of sales opportunities in the global market for PVA TePla's products and technologies. PVA TePla's markets are characterized by high technological requirements for material characteristics as well as long-term growth, such as the photovoltaic and semiconductor industries.

2. REPORTING STRUCTURE

This 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 fiscal year 2012. Due to the increasing degree of integration between PVA TePla Group divisions, an isolated analysis of PVA TePla AG excluding the activities of the subsidiaries provides only an incomplete view of the business and financial situation of PVA TePla AG. It was therefore decided to waive the preparation of a separate management report for PVA TePla AG. In this combined management and Group management report, specific aspects necessary for understanding the situation of PVA TePla AG are respectively discussed in separate sections. This integrated management report is also a part of the single-entity financial statements of PVA TePla AG. The PVA TePla AG consolidated financial statements were prepared in accordance with IFRS international accounting principles. The single-entity financial statements of PVA TePla AG are prepared in accordance with the accounting principles applicable under the Handelsgesetzbuch (HGB – German Commercial Code). PVA TePla is organized into the Industrial Systems, Semiconductor Systems and Solar Systems divisions.

This management report contains forward-looking statements based on assumptions and estimates made by Company management. While we consider these forward-looking statements to be realistic, no assurance can be offered that these expectations will prove correct. Assumptions are subject to risks and uncertainties, thus actual results may deviate substantially from forecasts made. Factors potentially causing such deviations include changes in the macroeconomic and business environment, exchange rate and interest rate movements, competing products, lack of acceptance of new products / services, and changes in corporate strategy. Added to this are uncertainties about the development of the world economy and the continuing Euro crisis caused by the high debt of almost all countries in the Eurozone.

INDUSTRIAL SYSTEMS	SEMICONDUCTOR SYSTEMS	SOLAR SYSTEMS
PVA TePla AG / Vacuum Systems, Wettenberg	PVA TePla AG / Crystal Growing Systems, Wettenberg	PVA TePla AG / Solar Systems, Wettenberg
PVA Control GmbH, Wettenberg	PVA TePla Danmark, Frederikssund, Denmark	Xi'an HuaDe CGS Ltd., Xi'an, PR China
PVA Löt- und Werkstofftechnik GmbH, Jena	PVA TePla Singapore Pte. Ltd., Singapore	
PlaTeG GmbH, Wettenberg	PVA Vakuum Anlagenbau Jena GmbH, Jena	
PVA Jena Immobilien GmbH, Jena	PVA TePla Analytical Systems GmbH, Westhausen	
PVA TePla (China) Ltd., Beijing, PR China	PVA TePla AG / Plasma Systems, Kirchheim	
	PVA TePla America Inc., Corona, California, USA	
	PVA TePla Metrology Systems GmbH, Kirchheim	
	Munich Metrology GmbH, Munich	

The divisions highlighted were included in the single entity financial statement of PVA TePla AG.

3. STRUCTURAL CHANGES WITHIN THE PVA TEPLA GROUP

There are no fundamental changes to the structure of the PVA TePla Group's subsidiaries in 2012 compared with the annual financial statements as of December 31, 2011; however, there were adjustments due to the relocation of the registered offices of subsidiaries, including name changes, as well as due to an acquisition.

PlaTeG GmbH, which was previously located in Siegen, relocated to Wettenberg during the first quarter of 2012. Producing PulsPlasma® systems at the main production site in Wettenberg will create greater synergy effects and a better cost structure.

Munich Metrology GmbH, Munich was acquired as of July 6, 2012. Munich Metrology develops and distributes innovative analysis systems for the detection of surface contaminants on semiconductor wafers. Its acquisition strengthens the technological expertise and business volume of PVA TePla in the metrology segment. Besides this addition to the product portfolio, the acquisition has created synergies regarding the sale and production of systems. The customer base for the Plasma Systems business unit and PVA TePla Analytical Systems is an excellent complement to the customer base of Munich Metrology. The relocation of systems production to the site in Jena - which had been performed by third parties until now - leads to an improved cost structure. Munich Metrology was consolidated for the first time in the interim consolidated financial statements as of September 30, 2012.

The name of the subsidiary Plasma Systems GmbH, previously located in Wettenberg, was changed to PVA TePla Metrology Systems GmbH. The registered address of the company was transferred to Kirchheim.

4. BUSINESS AND GENERAL ENVIRONMENT

4.1 MACROECONOMIC ENVIRONMENT

Global

Forecasts for future global economic growth have been increasingly lowered during recent quarters. Gross dome-

stic product (GDP) is expected to grow by just 3.2% in 2013, following an already extraordinarily weak 2012 with a growth rate of 2.9%. Several factors are responsible for this pessimistic assessment: The pace of economic recovery in the US is considerably slower than originally expected. The still unresolved "fiscal cliff" problem (the term "fiscal cliff" refers to an automatic increase in taxes that occurs if the political parties in the US cannot agree on budget cutbacks), will weaken growth well into 2013. Forecasts for Japan have also been lowered due to the decline in spending on reconstruction following the tsunami and due to the weak outlook for exports. No growth impulses for the global economy can be expected from the Eurozone because of the still smoldering debt crisis in numerous countries. Even the expected stimulus from emerging markets such as India, Brazil and China will probably not materialize, as exports to industrialized nations are likely to decline significantly.

Eurozone
Economic output in the Eurozone declined by 0.5% in 2012. The best case scenario for 2013 is stagnation of the economy. Government budget consolidation is in full swing in a number of countries, and the success of these measures is ultimately not assured. There is no evidence of positive momentum in either private consumption or through exports; global demand is too weak. In addition, banks remain too reluctant to lend, subduing investment even further.

Germany
Germany posted economic growth of 0.7% in 2012 – following strong growth of 3.0% in 2011 – and is therefore the fastest growing economy in the Eurozone. But forecasts indicate that its growth will weaken further in 2013 to 0.3%. Industry is increasingly feeling the effects of economic weakness in important export markets, particularly in Asia. But naturally the consolidation of public finances in the Eurozone has likewise led to a considerable downturn for the German export industry. That means assessments of future export trends have become much more pessimistic. Declining demand from the Eurozone can no longer be offset to the same extent as in previous years by the young growth markets and the US. German exports – the workhorse of the economy – will probably just barely grow in 2013. To be sure, the domestic German economy will be somewhat more stable, also thanks to higher wages, but it will of course not be able to fully offset weakening exports.

Japan
Nearly two years after the tsunami and the nuclear reactor catastrophe, the Japanese economy has still not fully recovered. The increase in Japan's economic output in 2013, growing by 0.6% at best, will be just barely positive. As in the case of Germany, this trend is caused by the slowdown in the global economy, but also because following the natural disaster, the Japanese reconstruction program is now hovering at a stable level. Declining capacity utilization in industry will also lead to a reduction in domestic investment in 2013. In addition, the persistent strength of the yen will tend to cause difficulties for the export industry.

USA
Forecasts of further economic developments in the US are particularly problematic at the moment. The still unresolved problems associated with the "fiscal cliff" – as mentioned above – will have a considerable positive or negative effect on economic performance in any case. GDP growth of nearly 2% is expected for 2013, following 2.2% in 2012. But a recession is also not impossible if the ongoing government debt crisis continues.

BRIC
Economic growth in the so-called BRIC countries (Brazil, Russia, India and China) is likely to increase by nearly 7% in 2013, i.e., considerably more than in industrialized countries, and will therefore continue to play an important role for the global economy. With a growth rate of about 8% in 2013, China could play the role of a growth engine for the global economy, following the slowdown in growth that occurred in 2012.

4.2 SECTOR DEVELOPMENTS

Mechanical Engineering Industry
With an increase in 2012 of 2% and a total production value of EUR 196 billion, Germany's mechanical engineering industry once again reached the record level of 2008. Sales revenues were about EUR 209 billion, more than EUR 1 billion higher than in 2008. That means 2012 turned out to be considerably better for German engineering firms than initially expected at the start of the year. German engineering exports increased by 4.5% in real terms during the first three quarters of 2012. There are, however, significant differences from a regional perspective. There were not as many deliveries to the People's Republic of China, the lar-

gest foreign market for German engineering firms; exports declined 8.6% year-on-year in nominal terms. Following years of steady, double-digit growth, this was an unaccustomed development. But in many other countries and regions, German engineering companies were able to increase exports, despite a generally difficult global economic environment. That is the case in trade with both Latin America (+10.7%) and the US (+20.1%). Business with Southeast Asia also grew markedly (+21.4%). Overall, trade with EU countries reached a plus of 7.5%, with significant differences between individual countries. The German labor market also benefited from growth in the engineering industry. Engineering companies created more than 30,000 new jobs during 2012, reaching a level of employment at the turn of 2012/2013 of around 978,000 people, the highest level of employment in the industry since 1993. The German engineering industry expects to grow by 2% in 2013. But this average growth rate conceals widespread discrepancies in sub-sectors, with increases and decreases that are sometimes in the high double-digit range. Demand bottlenecks in important individual markets, namely in China, are likely to disappear, while experts believe that growth in the US will continue. For instance, the hard metal market, which is important for PVA TePla, is characterized by significant overcapacity that has developed over the last two years, especially in China. As a result, the willingness of hard metal manufacturers to invest was extraordinarily low during 2012.

Semiconductor Market

According to forecasts from 2011, the global semiconductor market was supposed to breach the "magic" threshold of USD 300 billion in 2012. But instead, sales revenues declined slightly last year to nearly USD 290 billion. The looming "fiscal cliff" in the US, the ongoing debt crisis in Europe and slower growth in emerging markets were primarily responsible for this development. Besides negative economic indicators, high inventory balances, following a sharp decrease in demand for PCs, also led to a significant decline in prices. Market observers believe that the semiconductor market will grow to about USD 310 billion in 2013.

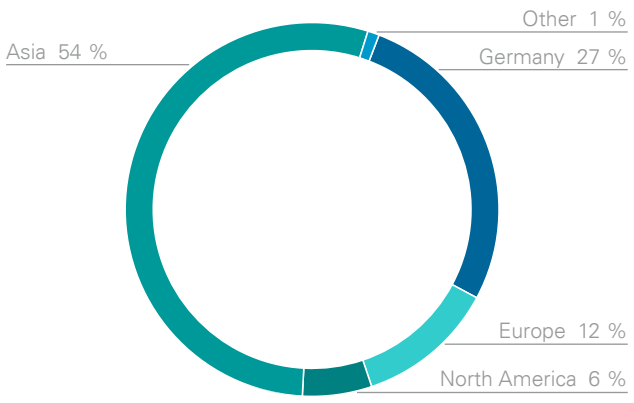
Photovoltaic Market

Market researchers expect that the global solar market will consolidate further in 2013. A double-digit percentage increase (GWp) in installations stands in contrast to a reduction in sales and an ongoing concentration process due to fierce competitive pressure. The global photovoltaic market grew further in 2012, too. For instance, solar power installations with an output of about 30 GW were newly installed around the world, representing growth of more than 10% compared with 2011 (27 GW). The most important markets in 2012 were Germany with 8 GW, followed by China with 4.8 GW, Italy with 3.6 GW, US with 3.5 GW and Japan with 2.5 GW. Despite this growth, sales revenues for the sector were considerably lower, falling from USD 94 billion in 2011 to USD 77 billion in 2012. This slump was caused primarily by global overcapacity and the ongoing deterioration in module and system prices (2012: -30%). According to market observers, the number of manufacturers declined from over 750 in 2010 to less than 150 by the end of 2012. It is expected that this consolidation will continue this year. It is likely that Chinese companies will also be impacted by this consolidation, particularly so-called integrated manufacturers of solar wafers, cells and modules. In this context, system manufacturers are naturally also affected due to a dramatic decline in order volume. However, it is also expected that prices for solar modules will stabilize starting in the middle of the year due to declining overcapacity and a pickup in demand. According to forecasts, China will be the main growth market in 2013 for photovoltaic installations, with new solar projects of more than 6 GW. This means that in 2013, China will surpass Germany for the first time with regard to the amount of new solar power systems under construction. The government in Beijing, for instance, recently announced an increase in its expansion target for installed photovoltaic capacity by 2015, calling for an increase from 21 GW to 40 GW. The photovoltaic market in the US is also expected to continue growing strongly. While prospects in Europe for the photovoltaic industry are rather subdued, potentially significant additional markets are starting to develop elsewhere: Japan, India, Australia, Morocco, the MENA region (Middle East and North Africa) and South Africa.

5. SALES REVENUES

PVA TePla Group achieved consolidated sales revenues of EUR 103.3 million in 2012 (previous year: EUR 132.6 million). This decline is attributable to considerably lower incoming orders during 2012 in nearly all business units. 27% of consolidated sales revenues were generated in Germany (previous year: 21%). The Asian market continues to be very important, accounting for 54% of sales revenues (previous year: 59%). Deliveries of vacuum systems for manufacturing hard metals and different types of crystal growing systems to several customers in Asia contributed in particular to the sales revenues in this region. 12% (previous year: 12%) of total sales revenues were generated in other European countries. North America accounted for 6% of total sales revenues (previous year: 7%). Other regions contributed 1%. The following section provides a detailed discussion of sales revenues generated by the Industrial Systems, Semiconductor Systems and Solar Systems divisions.

Consolidated sales revenues by region



INDUSTRIAL SYSTEMS DIVISION

The Industrial Systems division posted sales revenues totaling EUR 44.1 million (previous year: EUR 57.0 million), accounting for 43% of consolidated sales revenues. This positive figure is primarily due to incoming orders received in 2011. Systems for manufacturing hard metals remain the division's core business, representing about 70% of system sales revenues in the Vacuum Systems business unit. Sales revenues in the Hard Metals business unit were generated in equal portions in Europe and Asia, with China remaining the largest single market. Systems for brazing materials are the second largest revenue group. The worldwide expansion of the electricity grid and the vacuum interrupters necessary for this growth have resulted in growing importance for this type of system in recent years. PVA TePla has established an important market position in this segment and supplies a large number of well-known system manufacturers in the electricity generation field. Systems for processing graphite materials are another source of sales revenues. High-purity graphite is in demand in various industries, such as semiconductor and optoelectronics for LED manufacturing, aviation or photovoltaics. Due to the downturn in the semiconductor and photovoltaic industry in particular, demand for this type of system was not as strong as in recent years.

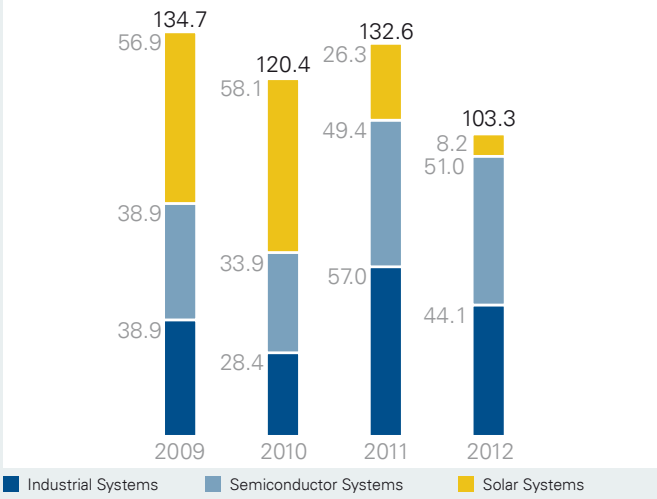
SEMICONDUCTOR SYSTEMS DIVISION

Sales revenues in the Semiconductor Systems division totaled EUR 51.0 million in 2012 (previous year: EUR 49.4 million), contributing 49% to total sales revenues of the PVA TePla Group. Sales revenues were based primarily on the high order backlog from fiscal year 2011. In fiscal year 2012, customers showed a noticeable reluctance to invest. Crystal growing systems based on the Czochralski method for the semiconductor industry made the largest contribution to sales revenues in this division. Crystal growing systems for manufacturing high-purity silicon crystals for the semiconductor industry from the branch of PVA TePla AG in Denmark were another important contributor to sales revenues. The PVA TePla Analytical Systems GmbH subsidiary, a supplier of systems for the nondestructive inspection and quality control of materials using ultrasound technology, supplies analytical systems to leading technology companies – across the entire chip manufacturing value creation chain – for the purpose of material and component inspection. This subsidiary posted relatively stable sales revenues in fiscal year 2012. The Plasma Systems business unit reported slightly lower sales revenues in 2012. Sales in this unit were generated from ashing systems used in the semiconductor industry at the front end for performance and compound semiconductors, HBLED and to produce MEMS components, as well as from clearing and activation systems in back end packaging.

SOLAR SYSTEMS DIVISION

Sales revenues in the Solar Systems division totaled EUR 8.2 million in 2012 (previous year: EUR 26.3 million). The division thus contributed 8% of total sales revenues for the PVA TePla Group. As in the other divisions, sales revenues in 2012 result primarily from orders received in 2011; in the Solar Systems division, these orders were for delivery of crystal growing systems. There is significant overcapacity in the global photovoltaic market. Worldwide production capacity for PV modules is nearly 60 gigawatt. That means the capacity to produce PV modules in 2012 was nearly twice as high as the expected market volume. A significant decline in prices was therefore unavoidable. Despite these difficulties, the worldwide photovoltaic market in 2012 grew by about 15% in volume to around 30 GW. The collapse in prices was a significant contributing factor to the growth in the market, particularly in countries such as the US. Photovoltaic markets are growing and diversifying. This also leads to new opportunities in markets that were not the focus of attention until now. In particular, the Solar Systems division sees good sales opportunities for its products in the short term in markets that want to expand their own solar production due to economic policy reasons. Nevertheless, it must also be stated that 2013 will be a difficult year for the division.

Consolidated sales revenues by division
EUR million



PVA TePla AG reported sales revenues of EUR 91.0 million (previous year: EUR 105.9 million) in its single entity financial statements. The decline is fundamentally attributable to the same causes described above for the individual divisions. In addition, there were several cases of final customer approvals being postponed to fiscal year 2013.

6. ORDERS

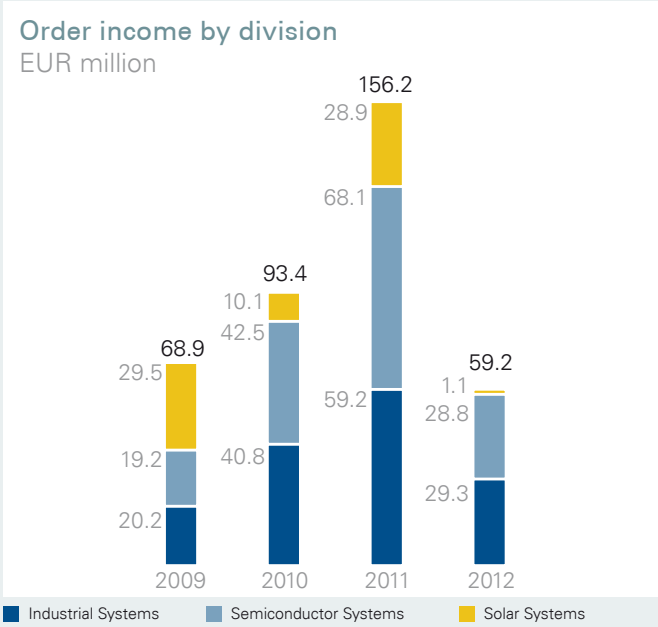
6.1. INCOMING ORDERS

At EUR 59.2 million, total incoming orders for the Group in fiscal year 2012 declined significantly compared to the previous year (EUR 156.2 million). All of the Company's divisions fell considerably short of the previous year's figures for incoming orders. The book-to-bill ratio of 0.6 at Group level (previous year: 1.2) reflects this trend. The steep decline is attributable to significantly reduced customer willingness to invest due, in part, to the build-up of overcapacity in recent years. In light of the overall decline in order volume in the relevant markets, there is no evidence that PVA TePla has lost market share. As in the past, the Company has proven that it can deal with strong fluctuations in incoming orders – e.g., in 2009, when incoming orders declined to a similar extent – through its flexible structure with a low depth of added value.

The **Industrial Systems division** generated incoming orders totaling EUR 29.3 million (previous year: EUR 59.2 million), contributing 49% to total incoming orders. Following record incoming orders in the previous fiscal year, incoming orders in 2012 were significantly lower. As in the previous year, approximately 70% of orders for vacuum systems were received from abroad, with approximately half still coming from customers in Asia. While the vast majority of vacuum systems were ordered in recent years by customers from the hard metal market, this sector contributed just 50% to systems sales in 2012. Demand decreased considerably in 2012 due to the weaker economy – including in China, the single most important market for hard metal sinter systems – and due to the considerable increase in capacity in the hard metal segment in recent years. Customers are cautious about making large investments, and numerous investment decisions are being postponed. Also the product group with the second highest amount of incoming orders in 2011 – systems for manufacturing and thermal handing of graphite – experienced extraordinarily low incoming orders. In this area, the difficult market situation in the photovoltaic and semiconductor industry, which are important customers for high-purity graphite, is clearly evident. In contrast, incoming orders for systems used for materials production and brazing processes in the electrical industry nearly doubled compared with the prior-year period. The efforts by network operators to expand the electricity grids are noticeable in this product group.

The **Semiconductor Systems division** likewise posted a decline in incoming orders in 2012, coming in at EUR 28.8 million (previous year: EUR 68.1 million), a similar level of incoming orders as the Industrial Systems division, and representing a 49% share of total incoming orders at the PVA TePla Group. During the third and fourth quarter of 2012, PVA TePla Danmark, a manufacturer of floatzone systems, received orders from Korea for crystal growing systems for the manufacture of high-purity silicon crystals for high performance electronics and analysis purposes. This area is impacted by the fact that expansion investments for the manufacture of high-purity polysilicon has come to a standstill due to the weakness in solar markets. In addition, the considerable decline in the need for materials for high-performance electronics, which also comes from this sector, has been an additional factor. As the semiconductor market contracted in 2012, the willingness of companies to invest has declined overall. In contrast, incoming orders in 2011 were characterized by very positive ongoing business for crystal growing systems. Asia also plays a dominant role in the Analytical Systems business unit, in which systems are developed and produced for the nondestructive inspection of materials. Asia's share of incoming orders totaled approximately 50%. At the moment, China and Singapore are the driving markets in this region, whereas Korea and Taiwan will increasingly become the focus of attention for this business unit in the future. The need for systems to analyze defects and perform quality control of chips for smartphones and tablets continues to increase. The Plasma Systems business unit at the locations in Kirchheim and Corona posted the highest incoming orders in the Semiconductor Systems division. The Asian region is the largest market for the plasma systems of PVA TePla. It is encouraging that the customer base in the back end packaging segment has expanded considerably compared with recent years. A series of new products that were finalized in 2012 have resulted in good opportunities that will enable the Company to grow disproportionately when the next recovery in the semiconductor market occurs.

The **Solar Systems division** posted incoming orders of just EUR 1.1 million (previous year: EUR 28.9 million). This division accounted for a 2% share of total incoming orders. Significant overcapacity in the solar market and sharp declines in sales prices across the entire supply chain of the solar industry resulted from the significant investments to expand capacity, particularly by Chinese providers. The entire solar market is in upheaval. It is expected that this consolidation will continue in 2013. Demand for equipment for the solar industry is expected to remain low in 2013 and 2014. It is highly likely that a system technology will prevail that guarantees maximum efficiency and optimal cost of ownership. As PVA TePla is working intensively to develop such systems for industrial applications, medium to long-term market prospects are positive, even given the difficult photovoltaic market at present.



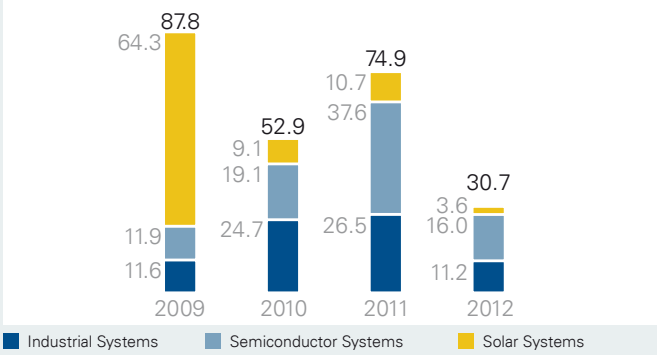
When looking at **PVA TePla AG** on its own, incoming orders declined significantly from EUR 139.5 million in the previous year to EUR 42.9 million in 2012. This includes EUR 2.0 million in orders from other Group companies (previous year: EUR 4.3 million). In particular, declining demand during 2012 in the Vacuum Systems, Crystal Growing Systems (semiconductors), Floatzone Systems and Crystal Growing Systems (solar) business units led to this lower volume of incoming orders. Only the Plasma Systems business unit posted satisfactory incoming orders.

6.2. ORDER BACKLOG

PVA TePla Group's order backlog is reported after deducting sales revenues previously recognized applying the percentage of completion method (PoC). Order backlog for the Group totaled EUR 30.7 million as of December 31, 2012 (previous year: EUR 74.9 million). All divisions have a lower year-on-year order backlog. The order backlog for the Industrial Systems division totaled EUR 11.2 million as of December 31, 2012 (previous year: EUR 26.5 million). Order backlog of the Semiconductor Systems division stood at EUR 16,0 million (previous year: EUR 37.6 million). Order

backlog for the Solar Systems division totaled EUR 3.6 million (previous year: EUR 10.7 million).

Order backlog by division
EUR million



The order backlog of **PVA TePla AG** – presented individually as nominal values in accordance with German accounting principles – totaled EUR 68.0 million (previous year: EUR 116.5 million). All divisions had lower order backlogs than in 2011.

7. PRODUCTION

In fiscal year 2012, system production and contract processing were performed in Germany at the Wettenberg, Jena, Siegen and Westhausen locations. The assembly of PulsPlasma® nitriding systems was transfered to the main site in Wettenberg in the first quarter of 2012. The transfer of the assembly of Munich Metrology GmbH metrology systems to the site in Jena has been taking place since its acquisition in the middle of 2012 and will lead to significant cost reductions. The production locations outside Germany were Corona in the USA and Frederikssund in Denmark. Vertical integration remained low across all areas. Parts are manufactured in-house only to a minor extent. This means material costs are relatively high in percentage terms, but this approach allows for rapid and flexible adjustment of production capacity as necessary to meet potential changes in demand.

8. RESEARCH AND DEVELOPMENT

The costs for research and development (R&D) totaled EUR 4.7 million for the Group in the reporting period (previous year: EUR 5.5 million) and were therefore lower year-on-year. A selection of R&D activities in the individual divisions is presented in the section below:

INDUSTRIAL SYSTEMS DIVISION

In the Industrial Systems division, R&D is largely conducted based on paid customer orders; these costs are thus recorded under cost of sales and are not reported separately. R&D activities leading to innovations and product optimization are estimated at approximately 10% of the total design engineering output.

SOLAR SYSTEMS DIVISION

Most of the Group's R&D costs, around EUR 3 million, were incurred by the Solar Systems division. As part of the "Solarvalley Mitteldeutschland" (Solar Valley Central Germany) top cluster, work continued on optimizing crystal growing systems and their processes. Following the official conclusion of the CzSil top cluster project (Cz = Czochralski) on June 30, 2012, further intensive cooperation has been taking place with project partners in the area of feeder development, with the goal of installing this additional equipment to existing crystal growing systems in the market in order to retract the so-called "MULTIPULLING" process with at least two crystals per process cycle and to qualify them on a customer-specific basis. As part of the xµ-Material top cluster project (reducing specific material costs is the primary technical objective of this cluster consortium), crystals are being grown in a laboratory Cz system developed especially for this purpose and made available to the project partners for characterization. Optimization of active cooling for Cz crystal growing systems and the extension to other system types continued. Crystals were grown with magnetic Cz and then crystal evaluations were performed. These promising results were presented to the technical audience at the EU PVSEC trade fair in Frankfurt am Main. During this fair, a comprehensive process demonstration was conducted for customers and the technical audience at the Competence Center for Industrial Crystal Growing Systems in Wettenberg. This demonstration was received with great interest.

SEMICONDUCTOR SYSTEMS DIVISION

Crystal Growing Systems Business Unit
Following the development of an automated floatzone process, the Crystal Growing Systems business unit installed the FZ-35 system in the Competence Center for Industrial Crystal Growing Systems. This action significantly improved the possibilities for process optimization for high-purity silicon crystals (including for high-performance electronics). As part of the FzSil top cluster project, the first monocrystals for applications in the photovoltaic industry were grown on this floatzone prototype system during 2012. During the course of the previous year, the concept for "baSiC-T," a cost-effective, high temperature system for manufacturing silicon carbide crystals, was further enhanced. The crystals manufactured in "baSiC-T" are primarily needed by customers from high-technology markets. Typical applications include high-performance electronics, such as hybrid and electric cars, climate control systems as well as photovoltaics and optoelectronics, in which specific properties of the silicon carbide material, such as high thermal conductivity, are important. The first systems were ordered by a customer at the end of 2012 for delivery in 2013.

Plasma Systems Business Unit
The Plasma Systems business unit enhanced the GIGAfab ASYNTIS plasma system for one of the leading semiconductor customers in Europe. This plasma system is necessary for 3D integration of ultrathin wafers for manufacturing extremely fast, highly efficient chips. In addition, the test phase for the GIGA 80 Plus IoN system, a new generation of fully automated plasma activation systems for precision cleaning of chip carriers, was successfully concluded for a major customer. The plasma is created using radio frequency (RF) in the megahertz range. This means PVA TePla is the first systems manufacturer to be able to offer its chip packaging customers a choice of radio frequency or microwave inline plasma systems. The newly developed, fully automated 80 Plus High Speed plasma activation system was introduced to a selected group of customers at the SEMICON in Taiwan. This new generation of system features a customer-oriented and practical design, resulting in very high throughput and flexibility for various substrates. Since a cost down approach was consistently pursued in the design phase, it is highly competitive as well. The Plasma Systems business unit aims to achieve innovation leadership in the back end packaging market with this new product, and hopes to acquire expanded access to the market in the coming years.

Analytical Systems Business Unit
PVA TePla Analytical Systems presented the next generation of fully automated ultrasound inspection systems using acoustic microscopy at the SEMICON in Shanghai. Positive feedback in this product segment led to evaluations of the systems by leading manufacturers in the semiconductor industry – with positive results. Broad market access has therefore been realized, enabling significant growth over the next few years. Technology leadership is assured by the product strategy aimed at the development of multichannel systems in combination with the development of ultrasound converters based on thin film technology.

9. INVESTMENTS

At EUR 2.2 million (previous year: EUR 2.3 million), the overall level of investment in 2012 was slightly lower than in the previous year. Large single investments were not made. Most of the investment volume is attributable to the increases resulting from the acquisition of Munich Metrology GmbH. Other investments also include smaller fixtures and fittings, machinery and software licenses.

From the perspective of **PVA TePla AG** as a single entity, the value of investments in 2012 at EUR 0.6 million was considerably lower than the previous year figure of EUR 2.0 million. No large single investments were made in this entity. The investments include several smaller items primarily related to fixtures and fittings. No financial investments were made, as in the previous year.

10. GROWTH IN WORKFORCE

The Group had 514 employees as of the balance sheet date (previous year: 509 employees). A slight decline in the number of employees was offset by an increase of 12 employees from the acquisition of Munich Metrology GmbH, Munich, in July 2012. The number of employees in the Industrial Systems division was nearly unchanged at 263 (previous year: 267). The reduction in the number of employees in the Semiconductor Systems division from 223 to 198 is due to organizational adjustments at the beginning of fiscal year 2012: Employees who primarily performed tasks for the Solar Systems division were now also allocated to that division in order to make the technological development of products more efficient and access to relevant

PV-markets more effective. Therefore, the Solar Systems division now has 53 employees (previous year: 19). Please note that the Solar Systems division obtains significant amounts of goods and services from the other divisions. In particular, this includes the assembly of systems by the subsidiary PVA Vakuum Anlagenbau Jena GmbH, which is assigned to the Semiconductor Systems division in the organizational structure. From a regional perspective, the largest share of employees by far is in Europe at 468 (previous year: 466). There were 26 employees in the USA at the end of 2012 (previous year: 24), while 20 people were employed in Asia (previous year: 19). In 2012, the number of apprentices in PVA TePla Group amounted to 12 (previous year: 15). Six young men and women were being trained in commercial or industrial professions. In addition to these figures about the Company's own employees, the number of temporary employees was reduced by 45 during 2012. A reduced working hour scheme was implemented at the Jena location in December 2012 and in Wettenberg in January 2013, each for a period of six months, and approved by the German Federal Employment Agency (Bundesagentur für Arbeit).

PVA TePla AG employed a workforce of 326 at the end of 2012 (previous year: 317). 16 of these people are employed at the Frederikssund, Denmark location (previous year: 15). During 2012, the number of temporary employees at PVA TePla AG was reduced by 24.

11. NET ASSETS AND FINANCIAL POSITION

PVA TEPLA GROUP

Total assets amounted to EUR 103.0 million as at December 31, 2012, considerably lower than the prior-year figure of EUR 129.1 million.

Given the investments described above, the value of property, plant and equipment declined slightly to EUR 32.5 million in connection with depreciation (previous year: EUR 33.9 million). The value of intangible assets increased to EUR 8.9 million (previous year: EUR 8.4 million), primarily due to the acquisition of Munich Metrology GmbH. Deferred tax assets totaled EUR 3.4 million (previous year: EUR 2.6 million). Overall, non-current assets totaled EUR 45.1 million versus EUR 45.3 million in the previous year.

Overall, current assets declined considerably to EUR 57.9 million (previous year: EUR 83.8 million). The largest change occurred in coming receivables on construction contracts. Due to the further processing of existing orders and the poor incoming order situation, they declined to EUR 10.0 million (previous year: EUR 22.8 million). Total inventories declined to EUR 20.8 million (previous year: EUR 23.7 million). A decrease in finished products (systems from the Competence Center for Industrial Crystal Growing Systems in Wettenberg were sold, as systems will be regularly replaced in order to ensure that the center always has state-of-the-art systems at its disposal) and declines in raw materials and operating supplies due to weak incoming orders are offset by a slight rise in work in progress. Current receivables declined to EUR 14.8 million (previous year: EUR 20.3 million). This is mostly due to a reduction in trade receivables to EUR 12.9 million (previous year: EUR 15.6 million) and in payments in advance to EUR 0.4 million (previous year: EUR 2.4 million). Tax repayments amounted to EUR 1.3 million (previous year: EUR 1.4 million) and other current receivables totaled EUR 1.4 million (previous year: EUR 2.4 million). Due to cash flow, cash and cash equivalents decreased to EUR 10.0 million (previous year: EUR 14.6 million). There are also current securities of EUR 1.0 million (previous year: EUR 1.0 million).

On the liabilities side of the balance sheet, there was a significant decline in total current liabilities to EUR 20.3 million (previous year: EUR 47.9 million). The reduction in current financial liabilities to EUR 1.1 million (previous year: EUR 4.2 million) is due to the fact that the remainder of the loan for financing the acquisition of PVA TePla Analytical Systems was repaid as scheduled in November 2012. Trade payables declined to EUR 2.9 million (previous year: EUR 6.1 million) due to the reduction in incoming orders. The largest decrease occurred in advance payments received on orders, which fell from EUR 16.7 million to EUR 6.5 million. Furthermore, in the balance sheet positions coming receivables on construction contracts and obligations on construction contracts, another EUR 32.9 million (previous year: EUR 23.4 million) were offset against advance payments. Overall, PVA TePla Group therefore received EUR 39.4 million (previous year: EUR 40.1 million) in advance payments as at the balance sheet date. Obligations on construction contracts declined to EUR 0.6 million (previous year: EUR 1.6 million). Other current provisions decreased to EUR 2.2 million (previous year: EUR 8.8 million) and accruals fell to EUR 5.7 million (previous year: EUR 7.4 million). There was also a decline in provisions for taxes to EUR 0.1 million (previous year: EUR 1.7 million).

Total non-current liabilities (including non-current provisions) did not change significantly, rising slightly from EUR 20.9 million in the previous year to EUR 21.0 million currently. A reduction in non-current financial liabilities to EUR 7.6 million (previous year: EUR 8.7 million) due to the scheduled repayment of a loan was offset by slight increases in retirement pension provisions to EUR 8.7 million (previous year: EUR 8.4 million), deferred tax liabilities to EUR 3.2 million (previous year: EUR 2.8 million), other non-current liabilities to EUR 1.0 million (previous year: EUR 0.8 million) and other non-current provisions to EUR 0.5 million (previous year: EUR 0.3 million). The underlying pension schemes were taken on from previous companies and contain only existing commitments. New pension obligations are generally no longer entered into.

Shareholders' equity increased to EUR 61.7 million (previous year: EUR 60.3 million) due to the net profit totaling EUR 4.7 million (previous year: EUR 9.1 million) and reduced by the dividend paid in 2012 totaling EUR 3.3 million (previous year: EUR 3.3 million). Based on considerably lower total assets, the equity ratio increased from 46.7% in the previous year to now 59.9%.

The liquidity situation of PVA TePla Group remained positive again throughout fiscal year 2012. As of December 31, 2012, cash and cash equivalents totaling EUR 10.0 million (previous year: EUR 14.6 million) and current securities of EUR 1.0 million (previous year: EUR 1.0 million) were offset by current financial liabilities of EUR 1.1 million (previous year: EUR 4.2 million) and non-current financial liabilities of EUR 7.6 million (previous year: EUR 8.7 million). The net financial position of the Group therefore amounted to EUR +2.3 million (previous year: EUR +2.7 million). This positive balance, the maturities of the non-current financial liabilities, current liquidity planning – updated monthly and continually monitored – and the credit lines and guarantee lines granted by banks totaling EUR 17.0 million (previous year: EUR 17.0 million) and EUR 80.0 million (previous year: EUR 80.0 million), respectively, at this time provide PVA TePla with enough financial leeway to conduct the planned volume of business. Short-term lines of credit and guarantee lines are available in full without collateral being provided.

In 2012, operating cash flow was positive again at EUR +4.4 million (previous year: EUR -8.1 million). This figure fluctuates heavily in the Vacuum Systems and Crystal Growing Systems business units from one reporting date to the next due to the project nature of orders. We receive considerable advance payments at the beginning of a project, which for large orders influence net cash flow positively. Cash flow is then negative during order processing, whereas near the delivery date, the remaining amount due is paid, except for a small residual installment. Due to the extent of the investment measures described above, cash flow from investing activities (EUR -0.7 million) was below the prior-year level (EUR -2.0 million). Cash flow from financing activities amounted to EUR -8.6 million (previous year: EUR -5.6 million) and contains the payment of a dividend totaling EUR 3.3 million (previous year: EUR 3.3 million). The scheduled repayment of long-term loans totaled EUR 1.2 million (previous year: EUR 1.2 million). Added to this, as shown above in the changes to current financial liabilities, was the aforementioned repayment of the outstanding balance of the loan to finance the acquisition of PVA TePla Analytical Systems in the amount of EUR 3.0 million in November 2012. Interest payments totaled EUR 0.6 million (prior year: EUR 1.2 million). Aggregate cash flow (including changes caused by exchange rate movements) for 2012 came to EUR -4.8 million (previous year: EUR -15.7 million). The additional loan of originally EUR 10.0 million has been in plan since January 1, 2008 to finance construction in Wettenberg was not utilized as of December 31, 2012. This means another EUR 6.7 million is available as a liquidity reserve.

PVA TEPLA AG

Total assets as of December 31, 2012 declined year-on-year from EUR 85.8 million to now EUR 77.8 million. The largest change occurred in cash and cash equivalents.

The figure for fixed assets amounts to EUR 33.8 million (previous year: EUR 35.0 million). The value of intangible assets decreased to EUR 0.3 million mainly because of amortization (previous year: EUR 0.6 million). Property, plant and equipment likewise declined to EUR 24.6 million (previous year: EUR 25.6 million), also primarily due to depreciation. Financial investments remained unchanged year-on-year at EUR 8.8 million (previous year: EUR 8.8 million).

Total inventories came to EUR 4.7 million, down on the prior-year figure of EUR 5.7 million. Finished products and goods decreased further to EUR 2.0 million (previous year: EUR 2.8 million). This decline includes the sale of systems from the Competence Center for Industrial Crystal Growing Systems in Wettenberg. Systems will be regularly replaced there in order to ensure that the latest systems are in use at the center. Work in progress increased to EUR 36.9 mil-

lion (previous year: EUR 35.9 million). This is primarily attributable to larger orders for crystal growing systems from 2011. In some cases, final customer acceptances were delayed until the first quarter of 2013, these will be continued according to schedule in Q1 / 2013. Raw materials and operating supplies declined again to EUR 4.2 million (previous year: EUR 5.0 million). The volume of deducted advance payments received on orders totaled EUR 38.5 million (previous year: EUR 39.2 million). Trade receivables declined year-on-year from EUR 12.0 million in the previous year to EUR 9.6 million. Receivables from affiliated companies increased to EUR 19.2 million (previous year: EUR 16.5 million). This increase was caused in part by higher intercompany financing associated with the acquisition of Munich Metrology at the middle of the year. Other assets decreased again to EUR 1.8 million (previous year: EUR 3.2 million), primarily due to tax receivables. Cash and cash equivalents declined to EUR 7.3 million (previous year: EUR 12.2 million) as a result of the expected change in cash flow. There are also current securities of EUR 1.0 million (previous year: EUR 1.0 million).

On the liabilities and equity side of the balance sheet, there was a further decline in total liabilities to EUR 10.1 million (previous year: EUR 16.6 million). Liabilities to banks declined to EUR 6.2 million (previous year: EUR 9.6 million) due to a regularly scheduled repayment of an existing loan. In November 2012, a loan from the financing of the acquisition of PVA TePla Analytical Systems totaling EUR 3.0 million was repaid in accordance with the loan agreement. The decline in incoming orders resulted in a reduction in trade payables to EUR 1.6 million (previous year: EUR 3.5 million). As in the previous year, no advance payments remained after set-off with inventories. Retirement pension provisions amounted to EUR 8.9 million (previous year: EUR 8.4 million). The underlying pension schemes were taken on from previous companies and contain only existing commitments. New pension obligations are generally no longer entered into. No tax provisions had to be recognized in 2012 (previous year: EUR 0.9 million). Other provisions declined to EUR 7.3 million (previous year: EUR 11.0 million).

Shareholders' equity increased further to EUR 51.6 million (previous year: EUR 48.8 million). The net profit for the year of EUR 6.0 million (previous year: EUR 9.4 million) was offset by the payment of a dividend in 2012 totaling EUR 3.3 million (previous year: EUR 3.3 million). In connection with the decrease in total assets, the equity ratio improved further to now 66.3% (previous year: 56.9%). Retained earnings also increased to EUR 27.6 million based on the favorable results (previous year: EUR 24.9 million). On this basis and in consideration of the good liquidity situation, the Management Board proposes the distribution of a dividend in the amount of EUR 0.10 per share, with the remaining profit being carried forward to new account.

Cash and cash equivalents totaling EUR 7.3 million (previous year: EUR 12.2 million) were available as of December 31, 2012. There are also current securities of EUR 1.0 million (previous year: EUR 1.0 million). The current liquidity situation, current liquidity planning – updated monthly – and the credit lines and guarantee lines granted by banks totaling EUR 17.0 million (previous year: EUR 17.0 million) and EUR 80.0 million (previous year: EUR 80.0 million), respectively, provide PVA TePla enough financial leeway to conduct the planned volume of business. All short-term lines are available without being backed by collateral.

12. RESULTS OF OPERATIONS

PVA TEPLA GROUP

In 2012, PVA TePla once again achieved a good result, albeit considerably lower year-on-year. Against the backdrop of lower business volume, the Company achieved operating profit (EBIT) of EUR 6.6 million (previous year: EUR 13.7 million) and consolidated net profit of EUR 4.7 million (previous year: EUR 9.1 million). The EBIT margin was 6.4% (previous year: 10.3%), somewhat below the updated current forecast of 7%. The return on sales amounted to 4.5% (previous year: 6.9%). Based on consolidated sales revenues of EUR 103.3 million (previous year: EUR 132.6 million), gross profit totaled EUR 24.2 million (previous year: EUR 31.1 million). A gross margin of 23.4% was therefore achieved (previous year: 23.5%). Selling and distribution expenses amounted to EUR 10.4 million (previous year: EUR 10.4 million). Here it is relevant in which market segments orders are being processed and whether representative commissions are incurred. General administrative expenses remained unchanged year-on-year at EUR 8.2 million (previous year: EUR 8.2 million). The initial consolidation of Munich Metrology had an impact on both of the aforementioned cost items in a year-on-year comparison. Research and development expenses decreased to EUR 4.7 million (previous year: EUR 5.5 million). The net balance of other operating expenses versus other operating income was EUR +5.6 million (previous year: EUR +6.7 million). This balance includes primarily income from R&D project grants, income from reversing provisions as well as currency exchange rate gains and losses.

In the Industrial Systems division, EBIT declined to EUR 2.2 million due to lower sales revenues (previous year: EUR 4.1 million). Here there was an additional negative impact on profit in individual cases associated with incremental costs for new system types. In the Semiconductor Systems division, EBIT of EUR 5.8 million was achieved (previous year: EUR 9.7 million). The fact that the order backlog for crystal growing systems was largely processed by the end of the year had an effect on this result. This led to lower sales revenues and inadequate capacity utilization, particularly at the Jena location. In addition, very high sales revenues with good contribution margins were achieved in the fourth quarter of the previous year in the Floatzone Systems business unit; this could not be repeated in 2012. Against the backdrop of significantly lower business volume and in connection with high R&D expenses, the Solar Systems division achieved an overall EBIT of EUR -1.4 million (previous year: EUR 0.1 million). After the end of the corresponding warranty periods and following the completion of some remaining work on major orders from previous periods, provisions established for these factors could be partly released into income as a non-recurring item.

The net interest position totaled EUR -0.8 million (previous year: EUR -1.1 million). Net profit before tax amounted to EUR 5.8 million (previous year: EUR 12.6 million) and net profit for the year amounted to EUR 4.7 million (previous year: EUR 9.1 million). Income taxes totaling EUR -1.1 million (previous year: EUR -3.5 million) consist of current income tax expense of EUR -1.5 million (previous year: EUR 3.5 million) and income from deferred taxes totaling EUR 0.4 million (previous year: expense of EUR 0.0 million).

PVA TEPLA AG

In fiscal year 2012, PVA TePla AG achieved sales revenues of EUR 91.0 million (previous year: EUR 105.9 million). Gross profit amounted to EUR 15.1 million (previous year: EUR 21.8 million) and the gross margin was 16.6% (previous year: 20.6%). At EUR 7.6 million, selling and distribution expenses were slightly below the previous year comparable figure of EUR 7.7 million, as were administrative expenses at EUR 5.4 million (previous year: EUR 5.6 million). Research and development expenses totaled EUR 3.3 million (prior year: EUR 3.4 million). At EUR 7.5 million, other operating income was slightly below the previous year comparable figure of EUR 10.0 million, as were other operating expenses at EUR 5.2 million (previous year: EUR 6.0 million). Income from subsidiary profit distribution amounted to EUR 1.7 million (previous year: EUR 2.0 million). Income transfer agreements with subsidiaries generated EUR 5.0 million (previous year: EUR 2.2 million). Interest expenses totaled EUR 1.0 million (previous year: EUR 1.4 million). As in the previous year, interest income reached EUR 0.6 million. Income tax expenses totaled EUR 1.6 million (previous year: EUR 3.1 million). Overall, PVA TePla AG's total profit from ordinary business activities came to EUR 7.6 million (previous year: EUR 12.6 million) and its net profit for the year amounted to EUR 6.0 million (previous year: EUR 9.4 million). Return on sales was 6.6% (previous year: 8.9%). The results of operations of PVA TePla AG were largely impacted by the same reasons that were already explained regarding the results of operations of the Group.

13. SUPPLEMENTARY REPORT

There are no significant events to report after the end of the 2011 fiscal year.

14. ASSESSMENT OF OPPORTUNITIES AND RISKS

14.1. MARKET OPPORTUNITIES AND RISKS

The opportunities in the markets for the products of our Company depend on the investment activities of customers who process or produce high-tech materials. Growing investments in infrastructure measures and production facilities, e.g. in the automotive sector around the world, are only some examples of segments in which materials from our systems could be utilized. Increasing demand for materials such as graphite is providing new sales opportunities, too. In markets such as photovoltaics and the semiconductor industry, PVA TePla provides process technologies that will remain a firm part of each respective value chain in the future. In the semiconductor industry, for example, this could be systems for growing silicon crystals with a 300mm diameter, for growing high-purity silicon crystals or silicon carbide crystals for high-performance electronics, or analytical systems for nondestructive quality control in LED or MEMS production. In particular, the new materials being put into use or materials with modified properties can require new types of systems, making additional investments by customers necessary. Technologies connected to renewable energies such as photovoltaics provide system suppliers such as PVA TePla Group with growth

opportunities. Leading research institutes continue to see significant growth potential in these areas. Additional sales opportunities also arise from product range expansion, whether involving in-house developments or, as has often been the case in the past, through the acquisition of companies possessing interesting technologies.

One key risk in the markets in which PVA TePla operates is the risk of fluctuations in customers' investment activities and in the overall global economy. This risk is reduced by diversifying the range of products and services across different sectors including semiconductors, photovoltaics, tool making and hard metal technology, the production of high-quality metals and ceramics, the automotive and aerospace industries, and the electrical and electronic engineering sectors. The effects of cyclical, foreseeable fluctuations in market volume are primarily offset by increasing or decreasing outsourcing levels, although unexpectedly high demand can give rise to production bottlenecks. The strategy of maintaining a relatively low level of vertical integration allows rapid response in this regard. The PVA TePla Group also provides high-quality contract processing work – such as plasma treatment, high-vacuum brazing and heat treatment of components – in which greater customer demand has historically been seen in times of generally restrained capital expenditure. The semiconductor business in particular – a key segment for the Group – is highly cyclical in nature, and for that reason involves major risks as well as opportunities. The semiconductor industry in recent decades has enjoyed average annual growth rates well above those of most so-called old economy industries; however, this average includes periods of both robust growth and recession. Although the future condition of the general global economy is not entirely certain, analysts predict global GDP growth of 3.2% for 2013, with a further rise in 2014 to 4.0%. Although the threat of a global recession in the wake of the debt crisis in the established industrialized countries is not acute, further economic trends and particularly the investment activities of many companies remain unclear. The economic development of emerging markets – an extremely important market for PVA TePla Group – has suffered considerably under the debt crisis of industrialized countries and the resulting reduction in export opportunities. Weakening growth rates in emerging markets are evidence of this problem. Incoming orders were low during 2012 in nearly all business units. In the Industrial Systems division, the focus of business in recent years has clearly been on sintering hard metals, with a high percentage in China. In 2011, this division had its best year in the Company's history with regard to both sales revenue and incoming orders. Due to the weaker economy, including in China, and the considerable increase in capacity in the hard metal area in recent years, demand decreased significantly in 2012. Customers are cautious about making large investments and numerous investment decisions are being postponed. Nevertheless, negotiations are underway with customers about a larger number of interesting projects, making it likely that demand will recover in 2013.

Incoming orders in the Semiconductor Systems division were also very subdued in 2012. Growth rates in the semiconductor market fell significantly short of expectations. In addition, capacity in systems for growing silicon crystals was likewise significantly increased in the past, meaning that customers' willingness to make further investments has come to a standstill. But in the current fiscal year, demand for high-purity silicon (floatzone material) and silicon carbide for high-performance electronics is likely to increase sharply again. Demand for plasma and analysis systems is correlated with trends in semiconductor markets (e.g. MEMS, LED, OLED/PLED, IGBT). Demand in these areas was initially quite good in the first half of 2012, but cooled during the latter half of the year. Further growth for these products of PVA TePla is expected again in 2013 due to the anticipated growth in the semiconductor market and newly developed applications for plasma systems in the life science / industrial sectors.

Significant overcapacity in the solar market and sharp declines in sales prices across the entire supply chain of the solar industry resulted from significant investments to expand capacity, particularly by Chinese providers. Market analysts assume that worldwide production capacity for solar modules, at 60 GWp, is approximately twice as high as the corresponding demand. The entire solar market is in upheaval. According to market observers, the number of manufacturers declined from over 750 in 2010 to less than 150 by the end of 2012. It is expected that this consolidation will continue in 2013. However, it is also expected that prices for solar modules will stabilize starting in the middle of the year due to declining overcapacity and a pickup in demand. According to forecasts, China will be the main growth market in 2013 for photovoltaic installations, with new construction projects of more than 6 GW. This means that in 2013, China will surpass Germany for the first time with regard to the number of new solar power systems constructed. The photovoltaic market in the US is expected to continue growing strongly as well. In Europe, too, the chances of more new photovoltaic installation projects are fairly good due to the numerous incentive systems in place

in virtually all EU countries. Outside of Europe, there is also a wide range of further important growth markets: Japan, India, Australia, Morocco, the MENA region (Middle East and North Africa) and South Africa. Opportunities also exist in markets where production capacities are set to expand because of economic policy considerations. Demand for equipment for the solar industry is expected to remain low in 2013 and 2014. It is highly likely that a system technology will prevail that guarantees maximum efficiency and optimal cost of ownership. As PVA TePla works intensely to develop such systems for industrial applications, medium to long-term market prospects are positive, even given the difficult photovoltaics market at present. PVA TePla follows economic developments and individual markets closely. Maintaining a low level of vertical integration provides the Company a flexible structure, enabling it to adjust capacity as needed in the event of lower demand. The decrease in the Group's cost base through a reduction in non-personnel costs and the introduction of reduced working hours at the Company locations in Wettenberg and Jena is likely to contribute to positive operating profit and net profit in 2013, even if the Group's sales revenues in 2013 total between EUR 90 million and EUR 100 million.

14.2. OPPORTUNITIES AND RISKS FROM CHANGES IN EXCHANGE RATES

As the Euro exchange rate falls, our products become more competitive – especially in the US Dollar currency zone. This positive effect of favorable exchange rates applies in particular to markets in the USA and countries with currencies linked to the US Dollar. The decline in the Euro versus all other important global currencies has improved our competitiveness, too. Despite hedging of exchange rate risks in individual transactions, there is a risk that the EUR/USD exchange rate in particular may once again move unfavorably, eroding our competitive position in this currency zone and exerting pricing pressure. A series of forecasts indicate that the EUR/USD exchange rate will remain stable until 2014. In principle, the risk of currency volatility is addressed by having local production in the US and increasing the level of purchasing within the Dollar currency zone.

14.3. OPPORTUNITIES AND RISKS FROM TECHNOLOGICAL DEVELOPMENTS

As a supplier of technologies for the production and processing of materials and components for high-tech industries, where a vacuum and high temperatures play a key role for production, new areas of application for materials produced using our systems may result in additional demand. Moreover, research may define new requirements for materials, requiring new types of systems. In cooperation with our customers, we are able to develop and build systems to meet these new requirements at any time. Nearly all of the systems built by us have been developed according to customer-specific requirements, so that we have a long tradition of experience in technologically demanding markets. A pure atmosphere created using a vacuum and high temperatures are fundamentally important for influencing material properties and will continue to play an essential role in the production of high-quality materials in the future. 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 the latest research and development and published studies specific to the various sectors, and by maintaining dialog with key customers and research institutes. In addition to ongoing development activities, technological product optimization is further supported by, among other things, an in-house technology center (CCIC – Competence Center for Industrial Crystal Growing Systems) as well as the operation of in-house service centers in which materials are processed for customers. Here, the Company's development department stays abreast of the latest material quality requirements of customers. The high level of technical complexity of our products and rapid technological advances pose research and development-related risks. Medium and long-term success is crucially dependent on developing marketable products and generating sufficient revenues within appropriate time frames in order to provide adequate cash flow for the Group's internal financing. The technical complexity of our products and the standards demanded by our customers may also give rise to quality-related risks that can generate increased warranty-related expenditures.

14.4. OPPORTUNITIES AND RISKS FROM DELIVERIES

Because of the low depth of added value in the production of our systems, PVA TePla has the flexibility to respond to market fluctuations. Our own production capacity is very low, so that production can be increased or reduced quickly depending on the order volume. The probability of being affected by supplier capacity bottlenecks has decreased due to the forecasted fall in global economic growth. Commodity prices (such as for stainless steel and copper) are trending downward, too. The risk of delivery delays and non-delivery is countered by identifying and prescreening additional suppliers in combination with close monitoring of existing suppliers. Dependence on individual suppliers is limited by having multiple qualified suppliers for key components and diversifying deliveries among them. The risk of supplier failure (e.g. as a result of insolvency) is substantially reduced by the systematic selection and evaluation of alternative domestic and international suppliers. Care is taken to ensure that all major suppliers have adequate quality management systems and third-party liability insurance coverage in place.

14.5. OPPORTUNITIES AND RISKS FROM PERSONNEL AND CAPACITY ISSUES

Not only does the complexity of our systems require highly trained and qualified employees, it also creates the need for intensive continuing education for our staff. Retiring employees usually pass on their expertise to newly hired staff over a long period of time in order to intensively familiarize them with the complex systems. Extensive training and experience on the part of our staff helps maintain technology leadership over competitors, preventing new suppliers from bringing comparable systems to market. Due to the gloomy economic situation, personnel capacity risk is limited at the moment. It continues to arise principally in connection with the recruitment and integration of skilled management and technical personnel, where suitable personnel cannot be developed within the Company itself, to replace managers and skilled staff leaving the Company, particularly retiring personnel, and in order to adapt to business growth and to the introduction of new technologies. Contact with various training centers and universities is maintained and intensified in order to find suitable personnel. Significant workforce turnover has not occurred in recent years. Due to the gloomy economic situation and the personnel measures that have been implemented (primarily reduced working hours), there is currently a risk of rising fluctuation. This is being addressed with several measures, for example, through open communication about the status of the business; in addition, know-how carriers in the Company are being specifically addressed and more closely involved. Overall, the issue of personnel quality and capacities has not been a problem for PVA TePla, nor is it expected to become one in the future. Vacant positions were filled appropriately; there is no need to expand the workforce at present. If the order volume should fall, individual divisions and subsidiaries may have surplus employees. Potential or existing measures to adjust capacities include increasing the assembly depth, reducing reliance on labor leasing and temporary employees, utilizing flextime working-hour models, adjusting capacities between individual locations and reduced working hours at individual locations.

All important activities of PVA TePla AG are certified under ISO 9001/2000 as part of its quality assurance program. The maintaining of a quality system tailored to each specific Group company is supported and monitored by a central quality department. A central department also coordinates the conclusion of appropriate insurance policies to cover various operational risks for all Group companies. The risk of our own machines breaking down is of lesser importance because relatively few machine tools are used (production primarily involves assembly and commissioning activities), and there are also enough suitable machines available from nearby subcontractors. Preventive maintenance performed on our own plasma facilities and vacuum-soldering plant and a rapid response to machine failure are among the measures that can be implemented by the Company itself.

14.6. OPPORTUNITIES AND RISKS IN CONNECTION WITH INFORMATION TECHNOLOGY

The risk of IT equipment failures and the threat posed by software viruses and other malware (such as so-called Trojans) are reduced through regular and appropriate backups, adopting suitable protective measures against external influences (e.g., up-to-date virus protection systems and firewalls) and maintaining suitable access control systems. Other technical measures include the use of high-availability systems with appropriate redundancies and centralized storage solutions. In 2012, the Company's storage solution was updated and the available storage capacity was significantly expanded. Besides the availability of the latest hardware, the advantages of this storage solution include guaranteed support in the event of a failure and even faster data recovery through the use of snap-vault technology. In addition, the virtual server farm was updated. In 2012, further preliminary work was carried out on the central UPS installation for all systems and a central mobile phone administration to protect corporate data, which will be implemented in 2013.

14.7. NATURAL HAZARDS AND ENVIRONMENTAL RISKS

Risks from natural hazards at individual locations are evaluated regularly (including in the annual risk inventory) as a central component of the risk management system. We consider natural hazard risks to be primarily risks of natural disasters such as earthquakes and floods.

Our major locations are in temperate regions, therefore the risk of natural disasters is limited. Two individual risks were identified, namely the danger of an earthquake at the Corona location and a limited flood risk at the location in Jena. As its share of the Group's total capacity is small, the capacity of the Corona location can be quickly compensated by other locations in the Group. Overall, appropriate insurance policies were concluded for natural hazards.

Due to the Company's business structure, with its focus on engineering and assembly and to a very limited extent its use of hazardous materials and other substances with risks for safety and the environment, the extent of environment risk posed by the activities of PVA TePla is very limited. Nevertheless, an environmental liability and accidental damage insurance policy with adequate coverage was concluded for this, too.

14.8. OPPORTUNITIES AND RISKS IN CONNECTION WITH FINANCIAL INSTRUMENTS

Financial instruments arise as part of PVA TePla's core business activities (e.g. trade receivables and payables). Financial instruments are employed to finance business activities (e.g. loans from banks) or they arise from business activities (e.g. investment of excess current liquidity). In addition, derivative financial instruments are utilized 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 connection to actual business activities. Opportunities and risks in connection with the respective relevant financial instrument categories are presented below (for further information see note 31 of the Group notes):

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. A contractual installment payment schedule is negotiated in most cases, starting at an average of 30% minimum due upon receipt of the order for a single system. Collateral arrangements (e.g. letters of credit) are also frequently required to protect against default on receivables, in combination with intensive receivables monitoring.

In contrast, the Group itself only has to make advance payments to a few suppliers. In addition, the Group optimizes its external cash flow requirements through rolling cash flow forecasts for Group companies and 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 payment guarantees to customers. In this area, special project lines for large orders may additionally be negotiated with our regular banks to leave existing lines available for normal business operations and expansion.

Due to the short-term nature of the items, there is no significant market risk.

Other receivables:
Due to the short-term nature of the items, there is no significant market risk.

Other financial assets:
Other financial assets include a short-term bonded loan guaranteed by the German government's Deposit Protection Fund.

Payments in advance:
The individual Group companies primarily make payments in advance only to suppliers for larger deliveries / major components. On the purchasing side, advance payments are only made in return for a corresponding advance payment guarantee. Such guarantees ensure that the Group does not incur any discernible risks.

Cash and cash equivalents:
Due to the positive liquidity situation during the course of fiscal year 2012, the Company invested surplus cash and cash equivalents to generate interest income. These investments were made in risk-free instruments (e.g. time deposits) with a term of less than 12 months. Due to the short-term nature of the items, there is no significant market risk.

Financial liabilities:
» This item primarily includes bank loans to finance investments.
» These loans are all either agreed at fixed interest rates for the entire term or hedged accordingly in the case of loans with variable nominal interest rates, effectively rendering them synthetic fixed interest rate loans.
» There is thus no significant market risk from changes in relevant market interest rates.
» However, a special situation results from the fact that in view of the favorable liquidity situation, the loans granted had only been partially drawn upon as of December 31, 2012 in order to minimize interest expense. As market interest rates at the balance sheet date were lower than the interest rates underlying the hedging transactions, a provision for impending losses was necessary totaling EUR 1,210 thousand (previous year: EUR 972 thousand) in the consolidated financial statements; a provision for impending losses totaling EUR 1,192 thousand (previous year: EUR 949 thousand) was necessary in the single-entity financial statements of PVA TePla.
» There is no credit risk since the contract parties have already fully met their obliga-tions, except for granted loan amounts that have not yet been drawn upon for financing new construction projects.
» In our view, no significant liquidity risk exists either given the current liquidity planning.
» There is no risk from the failure to comply with financial covenants since such agreements have been avoided to date.

Trade payables:
» These are short-term items invoiced almost exclusively denominated in Euros. Hence there is no relevant market or credit risk.
» Given the current liquidity position in connection with liquidity planning, there is also no liquidity risk.

Other liabilities:
Due to the short-term nature of the items, there is no significant market risk.

Exchange rate hedging:
» A large proportion of Group sales revenues, including those of PVA TePla AG, are generated in foreign markets. Projects are predominantly billed in Euros, even for non-Eurozone countries. Otherwise, in each individual case, the hedging of currency risks is assured by means of forward exchange contracts. Since these are closed positions in relation to the underlying transaction with matching payment amounts and deadlines, there is no significant market risk. Calculations for the underlying transactions are based on the respective hedged forward rates.
» Due to the aforementioned selection of suppliers from around the world, some purchases are made in foreign currencies. US Dollar cash balances are used to a limited extent to meet payment obligations via natural hedging. Other foreign currency obligations and larger US Dollar payments are hedged with forward exchange transactions whose payment structure corresponds with the underlying transaction, thereby avoiding currency risk. Please refer to the explanations above for delivery/ materials procurement risks.
» The credit and liquidity risk lies in the trade receivables from the underlying transaction. Please refer to the above discussion on this subject.

Interest rate hedging:
» Some of the loans to finance new facilities were concluded at variable nominal interest rates and the interest rate was hedged, effectively making these synthetic fixed interest rate loans.
» For more details concerning risks arising from these financial instruments, please refer to the information above on financial liabilities.

14.9. OPPORTUNITIES AND RISKS FROM TAX ISSUES

Because of the volume of major orders from abroad, the complexity of the related tax issues has increased. In particular, these issues include intercompany prices for transactions between companies in the PVA TePla Group, sales taxes – especially on services – and tax rules for employees sent abroad. We address these issues in close cooperation with our tax advisors and have not identified any material risks in this area. A tax audit is currently underway for all German locations for the years 2007 to 2011. PVA TePla will be audited at the end due to its business volume. The first findings from the tax auditors are available for the subsidiaries Löt- und Werkstofftechnik GmbH and PVA Control GmbH. Overall, no relevant risks are expected from these audits.

There are, however, increasing expenses with respect to these consultations, the internal administration and the implementation of regulations and the associated registrations.

14.10. RISKS JEOPARDIZING THE EXISTENCE OF THE COMPANY

There are no identifiable risks potentially jeopardizing the continued existence of the Company and the Group as a going concern.

15. RISK MANAGEMENT

The risk policy is embedded in the corporate strategy and is designed to secure the continuation of the Company as a going concern. The resulting risk strategy assesses the risk and opportunities of business activities. In the core activities of the Company / the Group, we make a conscious decision to enter into limited and containable risks, if they make appropriate compensation likely or are inevitable. In some cases, we allocate the risks to other parties. This mainly includes concluding suitable insurance policies. This process is conducted in close cooperation with an experienced and specialized insurance broker. It is regularly reviewed for efficiency and optimized where necessary. Other risks, which are not related to core and support processes, are avoided as far as possible. A "Risk Manual" has been made available to divisions and employees, which includes instructions on processes and a catalog of measures to safeguard appropriate and sustainable risk management. The manual details the concrete processes involved in risk management. It aims at the completeness of all risk-related activities and measures, i.e. the identification, assessment, controlling, reporting and monitoring of risks. Based on defined risk categories, risks at divisions, operating units as well as central units are identified and assessed according to their likelihood and potential damage.

Due to the organizational structure of the Company, risk management is carried out locally in the divisions and business processes. The divisions' managers are therefore responsible for central processes of the risk management system. The main objective of the risk management system is the early recognition of risks, in order to regularly provide the Executive Board with up to date information on the current risk situation within PVA TePla. The Management determines the limits for the reporting structure. The duties of those in charge include developing and where necessary installing measures to prevent, mitigate and hedge against risks. The main risks as well as the implemented measures are regularly monitored. The risk reports are regularly compiled and analyzed by central risk management and checked and discussed by the Executive Board and Supervisory Board. In addition to regular reporting, a reporting system has been installed within the Group to immediately report the occurrence of unexpected risks. The system also includes an annual risk inventory, in which all of the risks relevant to the Group are reported and their relevance and possible effects assessed. The risk management system enables the Management Board to identify material risks at an early stage and to implement countermeasures. The key features of the risk management system described above are applied throughout the Group. As far as processes in financial disclosure are concerned, this means that identified risks are reviewed and assessed for their potential impact on disclosures in the respective financial reports. The idea is to provide important information at an early stage about potential changes in the fair value of assets and liabilities, possible impairments and important information to assess the necessity of forming and reversing provisions.

The adequacy and efficiency of the risk management system is reviewed on a regular basis at Management Board level and adjusted where necessary. In the 2012 fiscal year, risk management at the Company / the Group was optimized further and adapted to the management and company structure.

In 2007, an internal audit system was also established. An auditing firm was commissioned to set this up. The Management and Supervisory Boards agreed a medium-term plan, according to which all divisions of PVA TePla Group will be systematically audited.

16. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM FOR THE GROUP FINANCIAL DISCLOSURE PROCESS

The objective of the methods and measures we have put in place is to secure the assets of the Company and enhance operating efficiency. The internal control system that has been implemented is intended to ensure the reliability of accounting and reporting as well as compliance with internal rules as well as legal regulations and the Articles of Association. We assure the adequate separation of functions and have also implemented appropriate spans of control. Furthermore, we make sure that responsibilities do not overlap and that tasks, expertise and responsibilities are bundled. We have also integrated controls into the workflows. Key components of these structures and controls include strict compliance with the system of checks and balances for all essential accounting processes, effective and precisely defined access rights for our IT systems, spot checks of employees at all levels by the respective superior, the use of uniform Group-wide reporting and forms, and control over the structural and process organization including the key operational Company processes within the scope of our certified quality management system. The essential features of the internal control system described above apply to all functional areas. In the accounting process, the implementation of the structural and process organization controls within the internal control system assures data integrity for the information that flows into financial reporting.

In addition to these controls implemented in the organization, the individual functional areas are also monitored by superiors and the internal audit department.

Consolidation and the Group accounting process are based on the decentralized preparation of financial statements by each of the Group companies. These financial statements are prepared and submitted according to uniform Group-wide standards and data formats. As part of the implementation of the new accounting system, some controls that were previously carried out manually have been automated and potential for errors is being further reduced by optimizing data integration.

The consolidation of the financial statements is completed by an external service provider with suitable qualifications (financial auditor). The entire process is controlled and verified by the central Group Accounting department. Here the data is also verified with regard to form and content. In addition, the data and results are intensively verified by central Group Controlling. All of the employees involved in the process receive training at regular intervals.

In conclusion, we would like to point out that neither an internal control system nor a risk management system can ensure with absolute certainty that the related objectives will be achieved. Like all discretionary decisions, resolutions to implement suitable systems can also be incorrect in principle. Controls may not be adequate on a case by case basis due to simple errors or mistakes, or changes to environment variables may be recognized too late in spite of corresponding monitoring.

17. DISCLOSURES RELEVANT TO THE RIGHT TO TAKE OVER

The required disclosures related to the right to take over pursuant to Section 315 (4) of the German Commercial Code (HGB) are provided below.

Composition of Share Capital
As of December 31, 2012, the issued share capital of PVA TePla AG consisted of 21,749,988 individual no-par bearer shares with a nominal value of EUR 1.00 each.

Restrictions of Voting Rights or the Transfer of Shares
There are no restrictions of voting rights or on the sale / transferability of shares.

Shareholdings that exceed 10% of voting right
According to disclosures filed with the Company, PA Beteiligungsgesellschaft mbH, Wettenberg held a 25.8% share of voting rights as of December 31, 2012, above the 10% threshold.

Shares with Special Rights that Impart the Right of Control
There were and are no shares with special rights that impart the right of control.

Control of Voting Rights by Employees holding Shares in the Company
There is no control of voting rights by employees holding shares in the Company.

Appointment and Revocation of Management Board Members
The appointment of PVA TePla AG Management Board members is done in accordance with Section 84 of the German Stock Corporation Act (AktG) and Section 6, Articles 2 and 3 of the PVA TePla AG Articles of Incorporation. The following is specified:

» 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 affected 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.

Authority of the Management Board to issue or repurchase shares
As of December 31, 2012, the Management Board was authorized per Annual General Meeting resolution to issue new shares from authorized capital in the amount of EUR 10,874,994.00 through June 30, 2017. The Management Board has no authorization to buy back shares of the Company.

Company Agreements Contingent upon a Change of Control as the Result of a Take Over Offer
The current master agreements with the banks are based on a largely unchanged shareholder structure and, in case of a change in control, calls for renegotiation or, in one case, specifies that the bank has a right to cancellation. The provisions for a publicly funded research and development project also include a special right to cancellation in case of a change in control. There are no other agreements that are contingent upon a change of control as the result of a take over offer.

Compensation Agreements between the Company and Management Board Members or Employees in case of a Take Over Offer
No compensation agreements are in place for Management Board members or for employees in case of a take over offer.

18. COMPANY MANAGEMENT DECLARATION AND THE CORPORATE GOVERNANCE REPORT

The Company Management Declaration pursuant to Section 289a of the German Commercial Code (HGB) and the remuneration report are permanently available as part of the Corporate Governance Report on the website of PVA TePla AG in the section "Investor Relations – Corporate Governance" or directly under the following link: www.pva-tepla.com/pva-tepla-service/investor-relations/corporate-governance. The remuneration report describes the basics of the remuneration system pursuant to Section 289 no. 5 HGB and also forms an integral part of the 2012 consolidated financial statements of PVA TePla AG.

19. DEPENDENCY REPORT

In 2012, PA Beteiligungsgesellschaft mbH held the majority of votes at the Annual General Meeting of PVA TePla AG. The Management Board of PVA TePla AG therefore prepared a dependency report for the 2012 fiscal year pursuant to Section 312 of the AktG.

The 2012 report includes the following final statement by the Management Board: "We declare that according to the information known to us at this time, our Company engaged in legal transactions with dependent companies pursuant to Section 312 of the AktG and received appropriate compensation in all cases. The Company did not take or fail to take any reportable measures."

20. OUTLOOK

The statements in this chapter were made on the basis of the current Group portfolio and the above-mentioned assumptions on future macroeconomic and industry developments. The actual results may deviate substantially from the forecast development if the underlying assumptions later prove to be incorrect.

In fiscal year 2013, sales revenues for the Industrial Systems division are forecast to decline versus 2012 and then increase considerably in subsequent years. Plans for the Semiconductor Systems division call for slightly lower year-on-year sales revenues in 2013 due to the expected development of the Crystal Growing Systems business unit, followed by an increase in subsequent years in this division, too. The difficult market environment prevailing in the photovoltaic industry at the moment will probably weigh in on the Solar Systems division. Sales revenues are expected to increase slightly in 2013 and the years thereafter, albeit on a relatively low level. Opportunities in this division result primarily from new regional markets and the upgrading and retrofitting of existing system types.

The Management Board of PVA TePla expects consolidated sales revenues of EUR 90 million to EUR 100 million in 2013 which tend to be at the lower end of that range. The decrease in the Company's cost base through a reduction in non-personnel costs and the introduction of reduced working hours at the locations in Wettenberg and Jena will contribute to positive operating profit and net profit in 2013. The weak global economy and customers' reluctance to invest in a range of important markets means that at the present time, it would not be meaningful to provide a more precise forecast of the Company's performance. Due to the expectations and positive long-term forecasts regarding the future development of the markets relevant for PVA TePla Group, we expect our business volume will grow in subsequent years.

We believe sales revenues will grow considerably again in subsequent years and expect to achieve an EBIT margin of approximately 10%.

When viewing PVA TePla AG on its own, we expect sales revenues will decline moderately in fiscal year 2013. Nevertheless, we also expect positive profit margins here based on the cost reduction measures that have been initiated. As with the Group, we expect its business volume will grow in subsequent years.

Wettenberg, March 14, 2013

PVA TePla AG
Management Board

Dr. Arno Knebelkamp
Chief Executive Officer

Arnd Bohle
Chief Financial Officer

GROUP FINANCIAL STATEMENTS

PVA TePla AG

Group Financial Statements

OF PVA TEPLA AG FOR FISCAL YEAR 2012

CONSOLIDATED BALANCE SHEET

as at December 31, 2012

ASSETS in EUR ´000	Notes	Dec. 31, 2012	Dec. 31, 2011
Non-current assets			
Intangible assets	(4)	**8,855**	**8,376**
Goodwill		7,808	7,615
Other intangible assets		1,047	761
Property, plant and equipment	(5)	**32,453**	**33,861**
Land, property rights and buildings, including buildings on third party land		27,750	28,675
Plant and machinery		3,031	3,414
Other plant and equipment, fixtures and fittings		1,672	1,764
Advanced payments and assets under construction		0	8
Investment property	(6)	**410**	**432**
Non-current investments	(7)	**9**	**9**
Deferred tax assets	(13)	**3,400**	**2,633**
Total non-current assets		**45,127**	**45,311**
Current assets			
Inventories	(8)	**20,818**	**23,674**
Raw materials and operating supplies		8,061	10,975
Work in progress		9,648	8,931
Finished products and goods		3,109	3,768
Coming receivables on construction contracts	(9)	**10,019**	**22,828**
Trade and other receivables	(10)	**14,754**	**20,274**
Trade receivables		12,943	15,570
Payments in advance		446	2,352
Other receivables		1,365	2,352
Tax repayments		**1,263**	**1,431**
Other financial assets	(12)	**1,001**	**1,001**
Cash and cash equivalents	(11)	**10,009**	**14,612**
Total current assets		**57,864**	**83,820**
Total		**102,991**	**129,131**

The following notes are an integral part of the Group Financial Statements.

LIABILITIES AND SHAREHOLDERS´ EQUITY in EUR ´000	Notes	Dec. 31, 2012	Dec. 31, 2011
Shareholders´ equity	(14)		
Share capital		21,750	21,750
Revenue reserves		40,483	39,140
Other reserves		-241	-277
Minority interest		-251	-315
Total shareholders´ equity		**61,741**	**60,298**
Non-current liabilities			
Non-current financial liabilities	(16)	7,617	8,742
Other non-current liabilities		962	773
Retirement pension provisions	(17)	8,733	8,396
Deferred tax liabilities	(27)	3,158	2,757
Other non-current provisions	(18)	490	279
Total non-current liabilities		**20,960**	**20,947**
Current liabilities			
Short-term financial liabilities	(19)	1,128	4,154
Trade payables		2,938	6,066
Obilgations on construction contracts	(20)	559	1,641
Advance payments received on orders	(21)	6,490	16,651
Accruals	(22)	5,722	7,354
Other short-time liabilities	(23)	1,215	1,448
Provisions for taxes		86	1,732
Other short-term provisions	(18)	2,152	8,840
Total current liabilities		**20,290**	**47,886**
Total		**102,991**	**129,131**

The following notes are an integral part of the Group Financial Statements.

CONSOLIDATED INCOME STATEMENT

January 1 – December 31, 2012

in TEUR ´000	Notes	Jan. 01. - Dec. 31, 2012	Jan. 01. - Dec. 31, 2011
Sales revenues	(24)	**103,252**	**132,586**
Cost of sales		-79,071	-101,461
Gross profit		**24,181**	**31,125**
Selling and distributing expenses		-10,363	-10,357
General administrative expenses		-8,180	-8,227
Research and development expenses	(25)	-4,707	-5,508
Other operating income		7,969	9,063
Other operating expenses		-2,328	-2,375
Operating profit (EBIT)		**6,572**	**13,721**
Finance revenue		130	300
Finance costs		-942	-1,387
Financial result		**-812**	**-1,087**
Net profit before tax		**5,760**	**12,634**
Income taxes	(27)	-1,091	-3,493
Consolidated net profit for the year		**4,669**	**9,141**
of which attributable to			
Shareholders of PVA TePla AG		4,605	9,147
Minority interest		64	-6
Consolidated net profit for the year		**4,669**	**9,141**
Earnings per share			
Earnings per share (basic) in EUR	(28)	0.21	0.42
Earnings per share (diluted) in EUR		0.21	0.42
Average number of share in circulation (basic)		21,749,988	21,749,988
Average number of share in circulation (diluted)		21,749,988	21,749,988

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January 1 – December 31, 2012

in EUR ´000	Jan. 01. - Dec. 31, 2012	Jan. 01. - Dec. 31, 2011
Consolidated net profit for the year	**4,669**	**9,141**
of which attributable to shareholders of PVA TePla AG	4,605	9,147
of which attributable to minority interest	64	-6
Other comprehensive income		
Currency changes	16	-23
Income taxes	17	-15
Changes recognized outside profit or loss (currency changes)	**33**	**-38**
Changes in fair values of derivative financial instruments	4	-22
Income taxes	-1	7
Changes recognized outside profit or loss (derivative financial instruments)	**3**	**-15**
Other comprehensive income after taxes (changes recognized outside profit or loss)	**36**	**-53**
of which attributable to shareholders of PVA TePla AG	36	-53
of which attributable to minority interest	0	0
Total comprehensive income	**4,705**	**9,088**
of which attributable to shareholders of PVA TePla AG	4,641	9,094
of which attributable to minority interest	64	-6

CONSOLIDATED CASH FLOW STATEMENT

January 1 – December 31, 2012

in EUR ´000		Jan. 01. - Dec. 31, 2012	Jan. 01. - Dec. 31, 2011
	Consolidated net profit for the year	4,669	9,141
	Adjustments to the consolidated net profit for the year for reconciliation to the cash flow operating activities:		
+	Income tax expense	1,091	3,493
-	Finance revenue	-130	-300
+	Finance costs	942	1,387
=	**Operating profit**	**6,572**	**13,721**
-	Income tax payments	-2,985	-4,719
+	Amortization and depreciation	3,077	2,862
-/+	Gains/losses on disposals of non-current assets	63	4
+/-	Other non-cash expenses (income)	-90	-188
		6,637	**11,680**
-/+	Increase/decrease in inventories, trade receivables and other assets	21,989	-22,749
+/-	Increase/decrease in provisions	-6,678	-2,775
+/-	Increase/decrease in trade payables and other liabilities	-17,510	5,714
=	**Cash flow from operating activities**	**4,437**	**-8,130**
+	Proceeds from disposals of financial assets	0	9
-	Payments for the acquisition of consolidated companies and other business units	6	0
+	Proceeds from disposals of intangible assets and property, plant and equipment	40	2
-	Acquisition of intangible assets and property, plant and equipment	-855	-2,271
+	Interest receipts	130	300
=	**Cash flow from investing activities**	**-679**	**-1,960**
-	Payments to shareholders (dividends, capital repayments, other payments)	-3,262	-3,262
-	Payments from redumption of debt and loans	-1,186	-1,178
+/-	Change in short-term bank liabilities	-3,465	-1
-	Payment of interest	-695	-1,150
=	**Cash flow from financing activities**	**-8,608**	**-5,591**
	Net change in cash and cash equivalents	-4,850	-15,681
+/-	Effect of exchange rate fluctuations on cash and cash equivalents	247	13
+	Cash and cash equivalents at the beginning of the period	14,612	30,280
=	**Cash and cash equivalents at the end of the period**	**10,009**	**14,612**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

January 1 – December 31, 2012

in EUR ´000	Shared issues		Revenue reserves	Other equity components	Total	Minority interest	Total Share-holders equity
	Number						
As at January 1, 2011	21,749,988	21,750	33,255	-224	54,781	-309	54,472
Total income			9,147	-53	9,094	-6	9,088
Dividend			-3,262	0	-3,262	0	-3,262
As at December 31, 2011	21,749,988	21,750	39,140	-277	60,613	-315	60,298
As at January 1, 2012	**21,749,988**	**21,750**	**39,140**	**-277**	**60,613**	**-315**	**60,298**
Total income			4,605	36	4,641	64	4,705
Dividend			-3,262	0	-3,262	0	-3,262
As at December 31, 2012	**21,749,988**	**21,750**	**40,483**	**-241**	**61,992**	**-251**	**61,741**

Group Notes

OF PVA TEPLA AG FOR FISCAL YEAR 2012

A. GENERAL INFORMATION AND EXPLANATORY NOTES

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 Giessen local Court under HRB 6845. The registered address of the Company is 35435 Wettenberg, Germany.

Business activities
PVA TePla AG and its subsidiaries ("PVA TePla" or the "Group") operate as global systems suppliers for producing, refining and processing high-quality materials such as metals, semiconductors, ceramics and glass as well as for performing controlled surface treatments of such materials and the widest range of plastic surfaces. Such production and treatment processes require stable, reproducible conditions. They therefore generally take place under vacuum conditions or inert gas atmospheres, at high temperatures and / or with the support of low-pressure plasma. Various systems are also used to monitor quality control for these high-grade materials.

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 closely tied to the latest developments in materials and surface treatment technologies around the world. A few examples include 300 mm silicon (Si) wafer technology for semiconductors, mono or multicrystalline Si wafers for photovoltaics, structural materials for space telescopes, production technologies for metal powder (e.g. 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. PVA TePla's existing product range has been expanded with the creation of ultra thin wafers and plasma nitration using the pulse plasma method and plasma coating. The product portfolio is further complemented by nondestructive testing and quality control systems for materials using optical and ultrasonic technologies as well as analysis systems to determine surface contamination on wafers for the semiconductor industry.

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

With locations in Germany, the USA, Denmark, China, Taiwan and Singapore, PVA TePla maintains business relationships around the world.

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

The business activities of the Group are divided into three divisions: Industrial Systems, Semiconductor Systems and Solar Systems. The Group's reporting is also organized according to this structure.

General principles and accounting standards
As a capital market-oriented parent company domiciled in a member state of the EU from fiscal year 2005 onwards, PVA TePla has been obliged to prepare and publish its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and section 315a of the Handelsgesetzbuch (HGB – German Commercial Code). The consolidated financial statements of PVA TePla for the fiscal year from January 1 to December 31, 2012 have therefore been prepared in accordance with the IFRS regulations issued by the International Accounting Standards Board (IASB) as of the balance sheet date and with the binding interpretations of the International Financial Reporting Interpretations Committee (IFRS IC).

In addition, the notes to the financial statements contain certain disclosures to meet the requirements of section 315a (1) HGB. In accordance with section 315a HGB in conjunction with section 315 HGB, the consolidated financial statements under IFRS 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 results of operations of PVA TePla.

Standard/ Interpretation		Applicable	Adoption by the EU Commission*	Relevance
IFRS 1	Government Loans	Jan. 1, 2013	No	Nothing significant
IFRS 9	Financial Instruments (replaces IAS 39)	Jan. 1, 2015	No	Nothing significant
IFRS 10	Consolidated Financial Statements	Jan. 1, 2013	No	Replaces the existing principles of IAS 27
IFRS 11	Joint Arrangements	Jan. 1, 2013	No	Joint ventures will in future only be recognized using the equity method
IFRS 12	Disclosure of Interests in other Entities	Jan. 1, 2013	No	Expanded disclosure of
IFRS 10, IFRS 12, IAS 27	Changes to IFRS 10, IFRS 12, IAS 27	Jan. 1, 2014	No	Nothing significant
	Annual Improvements to the IFRS Cycle 2009-2011	Jan. 1, 2013	No	Nothing significant

*Status: February 18, 2013

New statements issued by the IASB
The IASB has issued the above mentioned standards, interpretations and amendments to existing standards that could be relevant for the PVA TePla Group. Regulations that are not yet mandatory and not yet adopted by the EU Commission have not been applied in advance by PVA TePla.

PVA TePla AG generally only implements new standards and interpretations as application becomes required.

Reporting currency and currency translation
The consolidated financial statements are prepared in euros (EUR). Currency translation is performed in accordance with the functional currency concept set out in IAS 21 (The Effects of Changes in Foreign Exchange Rates), which focuses on the primary economic environment. The translation of assets and liabilities as well as contingent liabilities and other financial obligations is performed at the prevailing rate on the balance sheet date (middle rate). By contrast, income statement items are translated using average exchange rates for the fiscal year, while shareholders' equity is translated at historical rates. Translation differences arising from exchange rate fluctuations between different fiscal years are reported in "Other reserves" under shareholders' equity. Translation in subsequent periods is performed 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 instead are shown as a separate item in consolidated shareholders' equity.

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

EUR = 1	Average exchange rate		Exchange rate on the balance sheet date	
	2012	2011	Dec. 31, 2012	Dec. 31, 2011
USA (USD)	1.2859	1.39101	1.3217	1.29483
China (CNY)	8.1160	8.99281	8.3378	8.23045
Denmark (DKK)	7.4437	7.45156	7.4603	7.43494
Singapore (SGD)	1.6067	1.74886	1.6175	1.68209
Taiwan (TWD)	38.14149	41.0836	38.4908	39.4288

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

Estimates and assumptions
The 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 as well as the presentation of income and expenditures for the year under review.

In particular, this relates to 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 from tax loss carry-forwards. Management bases its judgment of these assumptions and estimates on past experience, estimates from experts (e.g. lawyers, rating agencies and associations) and the results of carefully weighing up different scenarios. Changes in the economic situation that deviate from the assumptions applied and that lie beyond the control of management may result in the actual amounts differing from the original estimates. If the original basis of estimation changes, accounting for the respective balance sheet items will be adjusted with an effect 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 euros. Accordingly, rounding differences within the tables cannot always be avoided.

2. CONSOLIDATION

Companies included in consolidation
The present consolidated financial statements of PVA TePla include fully consolidated subsidiaries. All subsidiaries in which PVA TePla holds a majority of the shareholders' voting rights (control) are fully consolidated.

The following companies are included in the consolidated financial statements as of December 31, 2012 on a fully consolidated basis:

Name	Corporate domicile	Ownership interest
PVA TePla AG (parent company)	Wettenberg, Germany	
PVA TePla America Inc.	Corona / CA, USA	100 %
PVA Jena Immobilien GmbH	Jena, Germany	100 %
PVA Vakuum Anlagenbau Jena GmbH	Jena, Germany	100 %
Xi'an HuaDe CGS Ltd.	Xi'an, PR China	51 %
PVA Löt- und Werkstofftechnik GmbH	Jena, Germany	100 %
PVA Control GmbH	Wettenberg, Germany	100 %
PVA TePla Metrology Systems GmbH	Kirchheim, Germany	100 %
PlaTeG GmbH	Wettenberg, Germany	100 %
PVA TePla Singapore Pte. Ltd.	Singapore	100 %
PVA TePla Analytical Systems GmbH	Westhausen, Germany	100 %
PVA TePla (China) Ltd.	Beijing, PR China	100 %
Munich Metrology GmbH	Munich, Germany	100 %
Munich Metrology USA Inc.	Folsom / CA, USA	100 %
Munich Metrology Taiwan Ltd.	Hsinchu, Taiwan	100 %

Vakuum Anlagenbau Service GmbH, Hanau (shareholding: 100%) is not included in the consolidated financial statements. On April 25, 2003, insolvency proceedings were initiated with respect to the Company's assets. Accordingly, management control is no longer exercised by PVA TePla. The carrying amounts of the interests in the Company were written off in previous years. According to information from the liquidator on November 1, 2012, insolvency proceedings have not yet been concluded.

The subsidiary PlaTeG GmbH moved from Siegen to Wettenberg at the beginning of fiscal year 2012. The change in location was entered in the commercial register on April 17, 2012.

100% of the shares in Munich Metrology GmbH, based in Munich, and its subsidiaries Munich Metrology USA Inc., Folsom, USA, and Munich Metrology Taiwan Ltd., Hsinchu, Taiwan, were acquired effective July 6, 2012 to expand the measuring technology product portfolio. The subsidiaries are service offices, each staffed by two employees. The companies were included in PVA TePla AG's consolidation as of July 1, 2012.

The purchase price allocation of Munich Metrology Group was based on the available information and estimated market values of the acquired assets and liabilities on the day of acquisition. The purchase price allocation is as follows:

in EUR ´000	**Book values before acquisition**	**Present values at the time of acquisition**
Working capital	-35	165
Cash and cash equivalents	22	22
Property, plant and equipment	88	88
Identifiable intangible assets	38	895
Deferred taxes (net)	247	-49
Non-current liabilities	-1.126	-1.126
Goodwill	0	193
Total	**-766**	**188**
Acquired funds		22
Purchase price less acquired funds		**166**
of which cash flows in 2012		34

Goodwill resulted from expected synergy effects and the acquisition of intangible assets that do not meet the criteria for separate recognition, such as the workforce. The expected discounted purchase price of EUR 166 thousand includes a cash payment on EUR 25 thousand at the time of acquisition as well as expected future payments that depend on sales revenues and earnings development in the fiscal years up to 2017 (so-called "earn-out"). Non-discounted consideration comes to EUR 200 thousand and includes the mean value of possible scenarios with a fluctuation of EUR 115 thousand. No maximum earn-out amount has been determined. The fair value and gross amount of acquired loan receivables came to EUR 1,126 thousand on the date of acquisition.

The sales revenues generated by the company acquisition amounted to EUR 1,108 thousand and the loss contribution to EUR -646 thousand for the period from first-time consolidation to December 31, 2012. If Munich Metrology had been fully consolidated since January 1, 2012, the sales revenues contribution would have been EUR 2,202 and loss contribution EUR -1,137 thousand.

The name of Plasma Systems GmbH with its registered office in Wettenberg was changed to PVA TePla Metrology Systems GmbH. At the same time, the registered office of the subsidiary was moved to Kirchheim. These changes were recorded in the commercial register on December 14, 2012.

No further changes have occurred since the 2011 consolidated financial statements.

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) on the basis of uniform accounting and valuation principles.

Capital consolidation is performed in accordance with IFRS 3 (Business Combinations), under which the cost of acquisition of the participating interests are offset against the fair values of the assets and liabilities acquired. Any excess of cost over fair value is recognized as goodwill and subjected to impairment testing at least once a year. If there is an excess of fair value over cost, this is recognized in 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 interests are recognized in shareholders' equity at the amount of the remaining fair values, including profits and losses attributable to them.

If the percentage shareholding of the parent changes after control is acquired (step acquisition), any difference is recognized directly in equity without impact on the income statement.

3. ACCOUNTING AND VALUATION PRINCIPLES

Intangible assets
Intangible assets primarily consist of the proportion of goodwill arising in connection with company acquisitions, which represents the excess of the purchase price over the net fair value of the net assets acquired.

The treatment of company mergers before the transition date 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 amounts in accordance with the previous accounting standard, providing the recognition criteria for intangible assets and contingent liabilities were met. Goodwill is not subject to amortization but instead is tested for impairment at least once a year or whenever there are indications of impairment and, if necessary, is 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 on which they are first ready for use. Useful lives of three to eight years (for software: three to five years) are applied. 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 is carried at cost less cumulative depreciation. Depreciation is recognized on a straight-line basis over the expected useful life of the asset; in the case of tenants' fixtures or leasehold improvements, this is the duration of the lease, if shorter. Pursuant to IAS 20.24, investment subsidies and tax-free investment contributions received are deducted from the book value of the relevant assets. Borrowing costs that can be assigned directly to the acquisition, construction or production of a qualifying asset are capitalized as part of the acquisition or production cost of said asset. Expenditure for maintenance and repairs is expensed in the period in which it is incurred. The cost of an asset and the related cumulative depreciation are derecognized when assets are scrapped or disposed of, with any book gains or losses recognized in the income statement under "Other operating income" or "Other operating expenses".

Depreciation is aligned with tax regulations and is subject to the following useful lives:

	Years
Buildings	25 - 33
Plant and machinery	3 - 20
Other plant and equipment, fixtures and fittings	2 - 14

Since January 1, 2010, the Group has applied the new tax regulations on the amortization and depreciation of low valued assets: Accordingly, low valued assets with an acquisition value of no more than EUR 410 are fully depreciated in the year of acquisition. All other assets with acquisition values greater than this are capitalized and depreciated over their normal useful lives.

Low valued assets with an acquisition value over EUR 150 and less than EUR 1,000 acquired between January 1, 2008, and December 31, 2009, are collectively straight-line depreciated in a collective item over five years.

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

Impairment and write-downs of intangible assets and property, plant and equipment
Where the value of intangible assets or property, plant and equipment calculated using the principles described above is greater than the value attributed to them at the balance

sheet date, impairment losses and write-downs are recognized accordingly. The fair value to be applied is calculated on the basis of either the net proceeds of sale or the present value of the estimated future cash flows from the use of the asset – whichever is higher. Impairment losses and write-downs are reported in other operating expenses.

In accordance with IFRS 3 (Business Combinations), the carrying amount of goodwill is reviewed by way of an impairment test at least once a year. This test must be completed annually and whenever there is an indication that the value of the cash-generating unit has been impaired.

Goodwill is allocated to cash-generating units in accordance with IAS 36 (Impairment of Assets). In accordance with IAS 36.80 (b), each cash-generating unit may not be larger than a segment for the purposes of segment reporting. Goodwill is reported for the following divisions:

As in fiscal year 2011, PlaTeG GmbH is treated as a separate cash-generating unit in the Industrial Systems division.

Within the Semiconductor Systems division, impairment tests on goodwill are conducted in three cash-generating units. These include the Crystal Growing Systems business unit within PVA TePla AG, as well as the subsidiaries PVA TePla Analytical Systems GmbH with registered office in Westhausen and Munich Metrology GmbH in Munich. The companies are also controlled and managed as a whole.

This breakdown of cash-generating units also corresponds to the levels at which the related goodwill is monitored and managed.

The recoverable amount of each cash-generating unit is calculated as its value in use via the discounted cash flow method. Using this method, cash flows are 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 expected market trends. Underlying these discounted cash flow calculations are forecasts for each cash-generating unit, which are based on the financial budgets approved by management and also used for internal purposes.

Key assumptions for the purpose of determining the fair value of each cash-generating unit by management include assumptions regarding the development of incoming orders, sales revenues, margins, investments and personnel. The values of these parameters are based on past experience as well as foreseeable future developments. A growth rate of 1% was applied for the extrapolation of the budget figures when calculating the perpetual annuity for all cash-generating units.

The discount rate is based on the segment-specific weighted average cost of capital of the companies (WACC approach) and contains a reasonable risk premium. The parameters market risk and beta have the largest effect on the calculation of impairment.

Necessary write-downs are identified by comparing the carrying amounts of the cash-generating units with the recoverable amounts. If the carrying amount of a cash-generating unit exceeds the recoverable amount, the carrying amount of that cash-generating unit is written down by the difference.

Impairment losses are reversed if the reasons for their recognition no longer exist. The reversal of an impairment loss is limited to the amortized carrying amount that would have resulted if no impairment losses had been recognized in the past. Income from such reversals is reported in "Other operating income". Impairment losses on goodwill may not be reversed.

Leasing

In accordance with IAS 17.4 (Leases), all agreements under which the right to use an asset is transferred in exchange for payment are deemed to be leases. Rental agreements are therefore also treated as leases.

PVA TePla is the lessee of property, plant and equipment. In fiscal year 2012, as in the previous year, all leases of PVA TePla were treated as operating leases with lease installments expensed as incurred.

Inventories
Inventories are recognized at cost in accordance with the weighted average cost method or net realizable value, whichever is lower. In accordance with IAS 2 (Inventories), cost includes not only directly attributable costs, but also production and material overheads as well as write-downs. Fixed overheads are taken into account on the basis of the normal capacity utilization of the production facilities. The cost of idle production capacity is recognized in income under "Cost of sales." Write-downs are charged on inventories when their cost exceeds the expected net realizable value.

Coming receivables on construction contracts
As part of the partial recognition of sales revenues from customer-specific construction contracts based on the percentage of completion, any amount due from customers for contract work is reported as an asset in accordance with IAS 11.42. These items are shown separately under "Coming receivables on construction contracts".

Receivables
Receivables are carried at their nominal amount.

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

Other financial assets
Other financial assets consist of interest-bearing securities with contractual maturities and redemption at nominal value. The assets are carried at amortized cost less any write-downs if applicable.

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

Derivative financial instruments / exchange rate hedging
Some sales are concluded in foreign currencies. 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 measurement effects resulting from changes in exchange rates for assets (trade receivables) recognized in the balance sheet or open sales transactions in foreign currencies are measured at fair value while the adjustment of the carrying amount for reflecting the fair value is recognized in the income statement as a component of financial results (net finance revenue or net finance costs). In accordance with IFRS, hedging instruments are also measured at fair value. If hedging is implemented completely, the opposing effects on earnings will compensate each other.

Derivative financial instruments / interest rate hedging
Interest rate hedges were concluded to hedge interest rate risks for the financing of investments in new buildings. The positive market value of these instruments is recognized in "Other receivables". In this case, the offsetting entry is reported in equity under "Other reserves". The negative market value of these instruments is reported under other financial liabilities. The offsetting entry of the market value is reported in "Other reserves" without impact on the income statement.

As in 2011, the negative market values of all financial derivatives in fiscal year 2012 were reported under other financial liabilities.

Deferred investment grants from public funds
Some items of capital expenditure are supported by investment subsidies and tax-free investment grants. In accordance with IAS 20.24, these amounts are deducted from the carrying amount of the relevant assets.

Payables
In accordance with IAS 39, liabilities are carried at amortized cost on the balance sheet date, which generally corresponds to the amount due on settlement.

Obligations on construction contracts
As part of the partial recognition of sales revenues from customer-specific construction contracts based on the percentage of completion, any amount due to customers for contract work is reported as a liability in accordance with IAS 11.42. This results from the excess of invoiced amounts over the corresponding proportionate revenue. These items are reported separately under "Obligations on construction contracts" on the balance sheet in the same manner as "Coming receivables on construction contracts".

Only partial payments that are due on the basis of the progress of each individual system, and hence that meet the scope of progressive billing, are recognized as invoiced amounts. Payments received at the inception of the order or partial payments that do not correspond to the progress of completion are presented separately as advance payments.

Obligations from pension commitments
Obligations from direct pension commitments are calculated in accordance with IAS 19 (Employee Benefits) using the projected unit credit method while taking future salary and pension adjustments into account. Actuarial reports are obtained annually for this purpose. The service cost for pension beneficiaries is derived from the scheduled change in provisions for pension commitments. Differences between defined pension obligations and the present value of future and present pensions at year-end (actuarial gains and losses) are allocated to subsequent periods over the beneficiaries' average remaining period of service and recognized in income, providing 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 Dr. Klaus Heubeck. There are no pension obligations outside Germany.

In June 2011, the IASB announced changes to IAS 19 (Employee Benefits), which included the elimination of the corridor method. As a result, actuarial gains and losses have a direct impact on the consolidated balance sheet and are to be recognized in the future solely in other comprehensive income. PVA TePla AG will apply the amended IAS 19 effective January 1, 2013. Please refer to section 17 of the Group notes.

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

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 a third party 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 amount required to settle the obligation, discounted to the balance sheet date.

Deferred taxes
Taxes are deferred in accordance with IAS 12 (Income Taxes) for temporary differences arising between the amounts in the consolidated balance sheet and the tax base of the companies included in consolidation, as well as for consolidation adjustments and tax loss carry-forwards. Deferred tax assets and liabilities are also recognized for temporary differences arising from company acquisitions, with the exception of temporary differences on goodwill. 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.

Tax loss carry-forwards are only included in tax deferrals to the extent that taxable income sufficient to recover the deferred tax assets is expected to be generated in future. Deferred tax assets are reduced by amounts that are no longer likely to be utilized for tax purposes. Write-downs are recognized on deferred tax assets that are unlikely to be recovered.

Deferred taxes are calculated on the basis of the tax rates in force or announced in the individual countries at the realization date in accordance with the current legal situation.

Revenue recognition
Sales revenues are recognized as soon as the goods are delivered or the services are performed, the transfer of risk has taken place and no technical risks or specific opposing contractual regulations exist. All sales revenues are recognized on the date of delivery or performance, as management regards sundry services and sales arrangements, such as seminars and training, as immaterial to the serviceability of the systems. Income from services and repair work is recognized when the related projects are completed.

Income from customer-specific construction contracts is generally realized in accordance with IAS 11 (Construction Contracts) on the basis of the progress of the work (percentage of completion method), as a reliable estimate of the outcome of the contract – the products to be delivered, the terms of payment and the manner in which the

work is to progress – is 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 as the ratio of the costs incurred at the balance sheet date to the estimated total costs (cost-to-cost method). Anticipated losses from long-term construction contracts are immediately expensed in full. When specific orders fail to meet all of the criteria listed above, billing for these contracts only takes place after performance is complete.

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 linked to research into new procedures and processes and the development of new product features. Activities in these two areas always alternate in the course of a project. Accordingly, the separation of research and development activities, and hence the separation of the respective costs, does not generally offer sufficient information value. Similarly, an estimate of probable benefits is too unreliable in light of the uncertainties in future market trends.

This means that of the conditions specified in IAS 38 (Intangible Assets) for the capitalization of development costs, two important criteria are not met. Accordingly, such costs are not capitalized.

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

Income from research and development project grants is no longer netted against corresponding research and development expenses, but recognized separately under "Other operating income". Prior-year figures were adjusted accordingly.

Interest
Interest and other borrowing costs are expensed in the period in which they are incurred.

Other financial obligations
A discount rate of 4.5% (previous year: 4.5%) has been applied in determining the present value of other financial commitments.

B. NOTES ON INDIVIDUAL BALANCE SHEET ITEMS

4. INTANGIBLE ASSETS

Changes in intangible assets in the year under review and in the previous year are shown in the consolidated statements of changes in fixed assets for 2012 and 2011, which are attached as an appendix.

The carrying amounts of intangible assets are composed as follows:

in EUR ´000	Dec. 31, 2012	Dec. 31, 2011
Intangible assets		
Goodwill	7,808	7,615
Other intangible assets	1,047	761
Total	**8,855**	**8,376**

The goodwill of the Industrial Systems division resulted from the takeover of Plasma Technik Grün GmbH by PlaTeG GmbH in the year 2006 (EUR 50 thousand).

In the Semiconductor Systems division, goodwill resulted from the increase of the shareholding in Crystal Growing Systems GmbH (CGS) in July 2002 (EUR 2,734 thousand), the takeover of the current PVA TePla Analytical Systems GmbH, Westhausen in fiscal year 2007 (EUR 4,831 thousand) and the takeover of Munich Metrology GmbH, Munich in fiscal year 2012 (EUR 193 thousand).

In the course of impairment testing, the recoverable amount for each cash-generating unit was determined based on the value in use. To determine the value in use, a segment-specific cost of capital was calculated for discounting forecasted cash flows in order to take segment-specific risks more into account. The cost of capital in the fiscal year 2012 for the Industrial Systems and Semiconductor Systems divisions is 11.33% (discount rate in the previous year: 11.51%).

There were no impairment write-downs to the lower value in use for fiscal year 2012 (previous year: EUR 0 thousand).

Information on the approach and assumptions used for impairment testing is found under note 3 of the Group notes.

Write-downs of other intangible assets amounted to EUR 731 thousand in 2012 and EUR 583 thousand in 2011 and were primarily reported in the 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 statements of changes in fixed assets for 2012 and 2011, which are attached as an appendix.

The carrying amounts of property, plant and equipment are composed as follows:

in EUR ´000	Dec. 31, 2012	Dec. 31, 2011
Property, plant and equipment		
Property, plant and equipment Land, property rights and buildings, including buildings on third party land	27,750	28,675
Plant and machinery	3,031	3,414
Other plant and equipment, fixtures and fittings	1,672	1,764
Advance payments and assets under construction	0	8
Total	**32,453**	**33,861**

The item "Land, property rights and buildings, including buildings on third-party land" mainly consists of buildings in Wettenberg and Jena owned by the Group.

Depreciation of property, plant and equipment amounted to EUR 2,324 thousand in 2012 and EUR 2,257 thousand in 2011.

In order to secure the loans advanced to PVA Vakuum Anlagenbau Jena GmbH for the financing of commercial property, land has been encumbered with a charge in the amount of EUR 4,929 thousand. The corresponding loans were measured at EUR 1,432 thousand at the balance sheet date (previous year: EUR 1,826 thousand).

Land charges in the amount of EUR 2,401 thousand have been registered to secure the corresponding loans of PVA Jena Immobilien GmbH. The corresponding loans were measured at EUR 584 thousand at the balance sheet date (previous year: EUR 703 thousand).

Land has been encumbered with a charge in the amount of EUR 18,000 thousand in order to secure the PVA TePla AG loans for the financing of new facilities in Wettenberg. The corresponding loans were measured at EUR 6,105 thousand at the balance sheet date (previous year: EUR 6,526 thousand).

In order to finance three brazing furnaces for the subsidiary PVA Löt- und Werkstofftechnik GmbH, Jena, the financed furnaces were assigned as security. The residual carrying amount of the three furnaces at the balance sheet date was EUR 596 thousand (previous year: EUR 760 thousand). The corresponding loans have a remaining unsettled amount of EUR 246 thousand (previous year: EUR 405 thousand).

The subsidiary PVA Löt- und Werkstofftechnik GmbH, Jena concluded an installment purchase contract in fiscal year 2010 to finance a new brazing furnace, for which PVA TePla AG has issued a directly enforceable guarantee. The remaining carrying value of the loan at December 31, 2012 amounted to EUR 561 thousand (previous year: EUR 643 thousand).

In order to secure PVA TePla AG's loan for the financing of the photovoltaic plant in Wettenberg, the plant was assigned as security. The carrying amount of the photovoltaic plant amounted to EUR 115 thousand as of December 31, 2012 (previous year: EUR 122 thousand). The loan was valued at EUR 94 thousand at the balance sheet date (previous year: EUR 106 thousand).

There are no other material restrictions on ownership or title 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, further internal use of the facilities in Kahla is no longer foreseeable and these facilities have already been leased out to a large extent. Accordingly, this real estate has been classified as investment property in accordance with IAS 40 since fiscal year 2007.

Investment property was measured on the basis of the cost of acquisition less depreciation. The fair value of EUR 473 thousand (previous year: EUR 474 thousand) was calculated using a best estimate of the achievable rental income

in the course of an assessment of property yields, taking into consideration land value. At December 31, 2012, the fair value was up on the carrying amount of the real estate, meaning that there were no grounds for the recognition of impairment losses.

In the past fiscal year 2012, rental income of EUR 53 thousand (previous year: EUR 53 thousand) was generated from the real estate (including the reimbursement of incidental costs). This income is offset by incidental costs and service and maintenance expenses in the amount of EUR 32 thousand (previous year: EUR 23 thousand).

The historical cost of the real estate totaled EUR 694 thousand for the land and buildings. At December 31, 2012, cumulative depreciation amounted to EUR 283 thousand (previous year: EUR 262 thousand). These figures are also presented in the consolidated statement of changes in fixed assets as of December 31, 2012.

Real estate is depreciated on a straight-line basis over a useful life of 25 years.

7. FINANCIAL ASSETS

The carrying amounts of financial assets contain other receivables of EUR 9 thousand (previous year: EUR 9 thousand).

8. INVENTORIES

Inventories are composed as follows:

in EUR ´000	Dec. 31, 2012	Dec. 31, 2011
Raw materials and operating supplies	8,061	10,975
Work in progress	9,648	8,931
Finished products and goods	3,109	3,768
Total	**20,818**	**23,674**

In 2012, inventories were subject to write-downs in the amount of EUR 5,448 thousand (previous year: EUR 5,085 thousand); inventories were not written up. Write-downs are primarily attributable to typical write-downs for non-marketability and reductions for loss-free valuation. In addition, demonstration and leasing systems are reserved in the Semiconductor Systems division. As these can always be sold at short notice, they are reported in inventories. Scheduled write-downs were recognized to simulate depreciation over a useful life of 5 years. In addition, a lower-of-cost-or-market test is performed based on net realizable sales proceeds.

Except for the retention of title by suppliers to the extent commonly accepted in the industry, there are no material claims to inventories on the balance sheet date.

9. COMING RECEIVABLES ON CONSTRUCTION CONTRACTS

Contract costs accounted for using the percentage of completion method and revenues from work in progress in the system construction business are as follows:

in EUR ´000	Dec. 31, 2012	Dec. 31, 2011
Capitalized production costs including contract profits	29,044	38,376
for which advance payments received (progress billings)	-19,025	-15,548
Total	**10,019**	**22,828**

Further advance payments received in the amount of EUR 6,490 thousand (previous year: EUR 16,651 thousand) and obligations on construction contracts in the amount of EUR 559 thousand (previous year: EUR 1,641 thousand) – on contracts where payments received according to the percentage of completion exceed the contract costs incurred plus proportionate profits – are shown under "Current liabilities". Further information can be found under note 20 and note 21.

10. RECEIVABLES

Receivables are composed as follows:

in EUR ´000	Dec. 31, 2012	Dec. 31, 2011
Trade receivables	12,943	15,570
Advance payments	446	2,352
Other receivables	1,365	2,352
Total	**14,754**	**20,274**

Other receivables also include prepaid expenses.

Trade receivables consist of the following:

in EUR ´000	Dec. 31, 2012	Dec. 31, 2011
Trade receivables	13,203	15,935
Bad debt allowances	-260	-365
Total	**12,943**	**15,570**

In the course of ordinary business, supplier credit is granted to a broad range of customers. The creditworthiness of customers is regularly reviewed. Bad debt allowances are recognized to cover potential risks.

Write-downs on trade receivables developed as follows in the fiscal year:

in EUR ´000	Dec. 31, 2012	Dec. 31, 2011
Write-downs on January 1	365	515
Currency translation differences	-3	8
Addition	195	65
Utilization	-20	0
Release	-277	-223
Write-downs on December 31	**260**	**365**

Other receivables are composed as follows:

in EUR ´000	Dec. 31, 2012	Dec. 31, 2011
Receivables from investment incentives	182	402
Value added tax due	384	1,397
Accounts payable with debit balances	32	133
Deferred prepayments	284	104
Others	483	316
Total	**1,365**	**2,352**

Derivative financial instruments are carried at market value. Due to their short-term nature, the market value of other items does not significantly deviate from the carrying amounts presented.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of EUR 10,009 thousand (previous year: EUR 14,612 thousand) primarily consist of current bank balances. The cash balance is EUR 13 thousand (previous year: EUR 5 thousand). Bank balances consist solely of cash in current accounts or term deposit accounts with short terms as of the balance sheet date.

12. OTHER FINANCIAL ASSETS

On December 31, 2012, other financial assets included a short-term bonded loan in the amount of EUR 1,001 thousand (previous year: EUR 1,001 thousand).

13. DEFERRED TAX ASSETS

For further details, please see the information under note 27 "Income taxes".

14. SHAREHOLDERS' EQUITY

Share capital
As of December 31, 2012, PVA TePla AG had issued 21,749,988 no-par value shares each with a notional interest in the share capital of EUR 1.00.

Contingent and authorized capital
There was no contingent capital as of December 31, 2012.

At the Annual General Meeting on June 13, 2012, the former authorization of the Management Board to increase the share capital of the Company effective until June 14, 2012 was revoked.

At the same time, the Annual General Meeting of PVA TePla AG authorized the Management Board to increase the Company's share capital with approval of the Supervisory Board on one or more occasions during the period to June 30, 2017 by a total of up to EUR 10,874,994 by issuing up to 10,874,994 new, no-par value bearer shares against cash and/or non-cash contributions, with shareholders' subscription rights excluded to the extent permitted by law. No capital increases from this authorized capital were resolved in 2012.

15. DEFERRED INVESTMENT GRANTS FROM PUBLIC FUNDS

PVA TePla has received financial incentives from various public authorities under government business development programs, including funding for the construction of production facilities. Pursuant to IAS 20.24, investment subsidies and tax-free investment contributions received are deducted from the book value of the relevant assets.

The investment subsidies for new buildings, machinery and other operating and office equipment at the Jena location were granted subject to the condition that a total of 48.5 permanent jobs were protected. This condition expired on December 31, 2012.

16. NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities totaled EUR 7,617 thousand (previous year: EUR 8,742 thousand) – all of which were liabilities to banks.

Non-current financial liabilities primarily relate to loans for the financing of construction measures in Wettenberg.

Non-current financial liabilities are composed as follows:

in EUR ´000	Dec. 31, 2012	Dec. 31, 2011
Non-current financial liabilities	8,741	12,892
Portion of non-current financial liabilities due in less than one year	-1,124	-4,150
Non-current financial liabilities less current portion	**7,617**	**8,742**

The average weighted interest rate for non-current financial liabilities was 4.88% (previous year: 5.13%).

Non-current financial liabilities declined to EUR 7,617 thousand (previous year: EUR 8,742 thousand) due to regularly scheduled repayments of loans.

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

in EUR ´000	2012	2011
Due		
Up to a month	17	16
Between 1 and 3 months	119	116
Between 3 and 12 months	986	4,019
Between 1 and 5 years	3,557	4,120
More than 5 years	4,061	4,621

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

Non-current financial liabilities for the financing of construction measures are all secured by charges on the land of the financed assets. In addition, the site in Jena is partially secured by the transfer of ownership of machines and facilities. The carrying amount of this collateral was EUR 29,574 thousand on December 31, 2012 (previous year: EUR 30,671 thousand). At the balance sheet date, this was higher than the total value of non-current financial lia-

bilities due to the inclusion of the request for collateral for an additional approved loan with a total volume of EUR 10 million for financing construction in Wettenberg. While this loan was approved in 2007, it was not utilized in the 2012 fiscal year.

The loan for the financing of investments in machinery for the subsidiary PVA Löt- und Werkstofftechnik GmbH, Jena is secured through the transfer of ownership of the assets to be financed. The carrying amount of this collateral was EUR 1,332 thousand on December 31, 2012 (previous year: EUR 1,564 thousand).

The financial liabilities of PVA TePla AG are carried at amortized cost. As in the previous year, our banks were unable to provide us with the corresponding information, meaning that we were only able to approximate the actual market values using the present values of the principal repayments based on the yield curve at the balance sheet date plus a risk premium of 1%. This resulted in deviations between the conditions at the conclusion date and the balance sheet date in the amount of EUR -1,181 thousand (previous year: EUR -1,012 thousand).

17. RETIREMENT PENSION PROVISIONS

Basic principles
In the area of company pension schemes, a distinction is made 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 making 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 of service and the salary of the respective employee.

Pension commitments in the form of defined benefit plans are in place for the eligible employees of PVA TePla AG and PVA Vakuum Anlagenbau Jena 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 entered into.

Obligations are calculated using the projected unit credit method, under which future obligations are measured on the basis of the proportionate benefit entitlement acquired at the balance sheet date. Measurement takes into account assumptions on trends for the relevant factors affecting the amount of benefits.

There is no external financing via a pension fund.

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

in %	Dec. 31, 2012	Dec. 31, 2011
Income trend	3.00	3.00
Pension trend	1.25	1.25
Staff turnover	1.50	1.50
Interest rate for active staff	3.60	5.10
Interest rate for pensioners	3.00	4.60

Biometric parameters have been calculated on the basis of the 2005 G mortality tables issued by Professor Klaus Heubeck. The measurement of pension obligations is supported by actuarial reports. The calculation is made using a mixed interest rate of 3.4% from the weighted average of the interest rate for active employees and pensioners.

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

in EUR ´000	Dec. 31, 2012	Dec. 31, 2011
Present value of future pensions (= financing status)	11,338	8,758
Unrealized actuarial losses (-)	-2,605	-362
Total	**8,733**	**8,396**

The following amounts are recognized in the income statement:

in EUR ´000	2012	2011
Current service expenditures for services by employees in the current fiscal year; thereof	**125**	**142**
Cost of sales	92	104
Selling and distribution expenses	15	17
General administrative expenses	12	14
Research and development expenses	0	0
Other operating expenses	6	7
Interest expense; thereof	**424**	**419**
Cost of sales	262	256
Selling and distribution expenses	50	49
General administrative expenses	43	42
Research and development expenses	7	8
Other operating expenses	62	64
Total	**549**	**561**

In the income statement, the interest portion included in pension expense is split between the functional units originating the expense.

Changes in recognized provisions for pensions are as follows:

in EUR ´000	2012	2011
Pension provisions on Jan. 1	8,396	8,069
Expenditure on retirement pensions	603	561
Pension payments	-265	-234
Pension provisions on Dec. 31	**8,733**	**8,396**

At the balance sheet date, it can be assumed that EUR 307 thousand (previous year: EUR 277 thousand) must be fulfilled within the next 12 months and that EUR 8,427 thousand (previous year: EUR 8,119 thousand) must be fulfilled at a later date (over a very long term for some portions).

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

in EUR ´000	2012	2011
Present value of future pensions on Jan. 1	8,759	8.254
Current service expense for services provided by employees in the fiscal year	125	142
Interest expense	424	419
Pension payments	-265	-234
Actuarial losses	2,296	178
Present value of future pensions on Dec. 31	**11,338**	**8.759**

Overview of the present value of pension obligations for the current year and previous years:

in EUR ´000	2012	2011	2010	2009	2008
Pension obligations	11,338	8,759	8,254	7,480	6,991
Actuarial losses	2,296	178	444	152	67

In June 2011, the IASB announced changes to IAS 19 (Employee Benefits), which included the elimination of the corridor method. As a result, actuarial gains and losses have a direct impact on the consolidated balance sheet and are to be recognized in the future solely in other comprehensive income. With a few exceptions, retrospective application of the changes to IAS 19 is mandatory for financial statements from fiscal years beginning on or after January 1, 2013.

PVA TePla AG will apply the amended IAS 19 effective January 1, 2013. Due to the mandatory retrospective application of the standard, the balance of the actuarial losses, which have been recognized until now outside the consolidated balance sheet, will be recognized directly in equity. As a result, the Group's equity will decline by EUR 2,296 thousand.

Defined contribution plans
The only defined contribution plans of relevance to PVA TePla are the employer's statutory pension insurance contributions and contributions to the pension fund. In fiscal year 2012, the corresponding expenditure amounted to EUR 2,417 thousand (previous year: EUR 2,138 thousand).

18. OTHER PROVISIONS

Other provisions amounted to EUR 2,642 thousand (previous year: EUR 9,119 thousand) and changed during the reporting period as follows:

in EUR ´000	Jan. 1, 2012	Consolidation	Utilization	Release	Addition	Dec. 31, 2012
Warranty	3,697	118	1,114	2,178	398	921
Subsequent costs	4,123	0	2,641	1,056	264	690
Archiving	279	8	0	90	0	197
Penalties	136	0	59	78	79	78
Restructuring	106	0	79	27	0	0
Others	778	2	233	314	523	756
Total	**9,119**	**128**	**4,126**	**3,743**	**1,264**	**2,642**

Provisions were recognized solely in respect of obligations to third parties where utilization is highly probable. Provisions are measured at the amount of probable utilization.

Other provisions contain long-term components in the amount of EUR 490 thousand (previous year: EUR 279 thousand). These relate primarily to provisions for archiving as well as non-current payments in connection with long-term performance-based compensation for the Management Board, and are shown separately in the balance sheet. All other provisions are short-term in nature.

19. CURRENT FINANCIAL LIABILITIES

Current financial liabilities are composed as follows:

in EUR ´000	Dec. 31, 2012	Dec. 31, 2011
Amounts owed to banks on current accounts	4	4
Current portion of non-current bank borrowings	1,124	4,150
Total	**1,128**	**4,154**

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

The decline is due to the scheduled repayment of a loan of EUR 3,000 thousand to finance the acquisition of PVA TePla Analytical Systems GmbH in the fiscal year 2007.

20. OBLIGATIONS ON CONSTRUCTION CONTRACTS

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

Obligations on construction contracts are composed as follows:

in EUR ´000	Dec. 31, 2012	Dec. 31, 2011
Advance payments received (progress billing)	13,904	7,870
less contract costs incurred (incl. share of profit)	-13,345	-6,229
Total	**559**	**1,641**

21. ADVANCE PAYMENTS RECEIVED ON ORDERS

The financing of the PVA TePla Group is largely based on the advance payments and interim payments received from customers, particularly in the case of larger contracts. The value of the advance payments received as of December 31, 2012 was EUR 6,490 thousand (previous year: EUR 16,651 thousand).

22. ACCRUALS

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

Accrued liabilities are composed as follows:

in EUR ´000	2012	2011
Obligations to employees	2,280	4,087
Obilgations to suppliers	3,168	2,887
Other commitments	274	380
Total	**5,722**	**7,354**

All of the reported amounts are short-term in nature.

23. OTHER LIABILITIES

Of the other liabilities in the amount of EUR 2,177 thousand (previous year: EUR 2,221 thousand), EUR 1,215 thousand (previous year: EUR 1,448 thousand) are current and EUR 962 thousand (previous year: EUR 773 thousand) are non-current. Other current liabilities are mainly composed of EUR 504 thousand in tax liabilities (payroll and church tax, sales tax; previous year: EUR 376 thousand).

C. NOTES ON INDIVIDUAL INCOME STATEMENT ITEMS

24. 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), as well as providing services for customers in the Company's own facilities (contract processing, mainly carried out by PVA Löt- und Werkstofftechnik GmbH and in the field of plasma treatment by PVA TePla America Inc. and PlaTeG GmbH). Sales revenues can be broken down into these categories as follows:

in EUR ´000	2012	2011
Systems	81,326	109,571
After-sales	17,692	18,283
Contract processing	3,409	3,308
Others	825	1,424
Total	**103,252**	**132,586**

In the 2012 fiscal year, 79% of sales revenues were generated by the systems business (previous year: 83%). At 17%, the share of after-sales sales revenues is up on the previous year (previous year: 14%), while the share of contract processing sales revenues remained unchanged in absolute terms compared with the previous year.

Sales revenues from customer-specific contract production amounted to EUR 67,948 thousand in the 2012 fiscal year (previous year: EUR 86,778 thousand). These orders were invoiced according to the percentage of completion method.

The following revenue from customer specific contract production resulted from the partial realization of sales revenues in accordance with the percentage of completion method for customer-specific contracts already initiated by the balance sheet date and reported as future receivables on construction contracts or obligations on construction contracts:

in EUR ´000	Dec. 31, 2012	Dec. 31, 2011
Revenue from customer specific contract production	42,388	44,605
For which contract costs incurred	-35,264	-37,921
Gains from customer-specific contract production	**7,124**	**6,684**

Revenue from customer-specific contract production reported on the balance sheet date came to EUR 42,388 thousand (previous year: EUR 44,605 thousand).

25. RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs amounted to EUR 4,707 thousand in 2012 and EUR 5,508 thousand in 2011. Income from research and development project grants of EUR 1,593 thousand in 2012 and EUR 1,816 thousand in 2011 was recognized separately under "Other operating income".

26. RESTRUCTURING COSTS

In the fiscal year 2012, as in the previous year, no restructuring costs were incurred.

27. INCOME TAXES

Taxes on income are calculated on a best estimate basis for the projected weighted average tax rate for the full fiscal year.

A tax rate of 28% is applied for domestic companies. This includes corporation tax of 15%, a solidarity surcharge of 5.5% on corporation tax, and trade tax of 12%.

Deferred taxes were measured after they had been incurred using the tax rate stated above or country-specific tax rates for companies outside of Germany.

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	2012	2011
Actual tax expense / income	-1,508	-3,475
Current tax expenses	-1,671	-3,357
Prior-period tax charges	163	-118
Deferred tax expense / income	417	-19
Credit from tax loss carry-forwards	-77	108
Change in allowances against deferred tax assets	0	0
Other deferred taxes	494	-127
Income taxes	**-1,091**	**-3,494**

Deferred taxes of EUR 16 thousand (previous year: EUR -8 thousand) were recognized directly in equity without affecting the income statement. These are attributable in full to effects recognized in equity for derivative financial instruments and currency translation differences.

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

	2012		2011	
	in EUR ´000	in %	in EUR ´000	in %
Results before taxes	5,760		12,634	
Expected tax charges	-1,613	-28	-3,538	-28
tax rate changes	0	0	0	0
Changes in tax rates for foreign companies	314	5	230	1
Proportion of tax for permanent differences and temporary differences for which deferred taxes were not recorded	-44	-1	-36	0
Prior period current income tax	163	3	-118	-1
Non recognition of tax losses	-47	-1	-6	0
Change in allowances	0	0	0	0
Other effects & adaptions	134	2	-26	0
Actual tax charges	**-1,091**	**-20**	**-3,494**	**-28**

Deferred taxes from differences in tax rates for foreign companies are due to the fact that PVA TePla Group companies outside Germany are subject to different tax rates than companies in Germany.

Deferred taxes relate to:

As of December 31, 2012, the German companies had tax loss carry forwards totaling approximately EUR 2,090 thousand (previous year: EUR 635 thousand), which related exclusively to the subsidiaries PVA TePla Metrology Systems GmbH, Kirchheim, Munich Metrology GmbH, Munich, and PlaTeG GmbH, Wettenberg. At PlaTeG GmbH, tax loss carry forwards of EUR 102 thousand were recognized as of December 31, 2012. The tax loss carry forwards are treated as recoverable due to the positive business performance in 2012. In fiscal year 2012, tax loss carryforwards of EUR 77 thousand were used.

The recognized loss carry forwards of the subsidiary Munich Metrology GmbH in the amount of EUR 1,510 thousand comprise assumed loss carry forwards from the opening balance sheet of EUR 881 thousand recognized directly in equity as well as the loss carry forwards incurred in the second half of 2012 of EUR 629 thousand when applying the so-called "hidden reserves clause" pursuant to section 8c of the Corporate Tax Act (KStG). No operational business is currently conducted at PVA TePla Metrology Systems GmbH. The likelihood that the tax loss carryforwards at these subsidiaries of EUR 478 thousand will be utilized is currently not considered to be sufficiently high for them to be recognized.

All other domestic Group companies are generating positive results for tax purposes and no longer have unused tax loss carry forwards.

	Dec. 31, 2012		Dec. 31, 2011	
in EUR ´000	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Non-current Assets	164	262	192	60
Inventories	650	555	310	327
Obligations on construction contracts	0	1,912	0	1,839
Receivables	335	263	300	273
Tax loss carry forwards	1,415	0	1,033	0
Pension provisions	403	0	401	0
Other provisions	433	166	397	256
Others	0	1	0	1
Total	**3,400**	**3,159**	**2,633**	**2,756**
Allowances for tax loss carry forwards	0	0	0	0
Total	**3,400**	**3,159**	**2,633**	**2,756**
Balance of deferred tax		**241**		**123**

The tax loss carry forwards of PVA TePla America Inc. (USD 5.6 million for federal tax; USD 2.0 million for state tax) will gradually lapse from 2021 (federal tax) and 2013 (state tax) unless utilized prior to these dates. Due to the positive developments in fiscal year 2012, the recognized deferred tax assets in the amount of EUR 959 thousand (previous year: EUR 979 thousand) are considered to be recoverable on the basis of current earnings forecasts, especially as positive results are expected due to the further development of existing systems.

28. EARNINGS PER SHARE

Consolidated net profit for the period before minority interests amounted to EUR 4,605 thousand (previous year: EUR 9,147 thousand). As in the previous year, an average of 21,749,988 no-par value shares was in circulation in fiscal year 2012.

Earnings per share are calculated by dividing consolidated net profit for the year before minority interests by the weighted average number of shares outstanding during the year.

Calculation of earnings per share for 2012 and 2011:

	2012	2011
Numerator: Consolidated net profit for the year before minority interests (in EUR ´000)	4,605	9,147
Denominator: Weighted number of shares outstanding - basic	21,749,988	21,749,988
Earnings per share (in EUR):	**0.21**	**0.42**

At the balance sheet date, no stock options were issued to employees and members of the Management and Supervisory Boards entitling them to purchase PVA TePla AG shares. As a result, there were no dilution effects in regards to earnings per share as of December 31, 2012.

29. APPROPRIATION OF NET PROFIT / RETAINED EARNINGS

The single-entity financial statements of PVA TePla AG (under HGB) show a net profit for the year of EUR 6,002 thousand (previous year: EUR 9,404 thousand) and retained earnings of EUR 27,643 thousand (previous year: EUR 24,903 thousand) as of December 31, 2012. These retained earnings represent the distributable amount in accordance with IAS 1.76 (v).

The Management Board and Supervisory Board propose to carry forward to new account EUR 25,468 thousand of the retained earnings reported in the 2012 annual financial statements totaling EUR 27,643 thousand, with the remaining EUR 2,175 thousand to be distributed as dividends (previous year: EUR 3,263 thousand). Due to the positive result, there were no withdrawals from the share premium or retained earnings.

The payment of the dividends will take place on June 20, 2013 after gaining shareholders' approval at the Annual General Meeting. The resulting dividend payout of EUR 2,175 thousand (previous year: EUR 3,263 thousand) was not reported as a liability at December 31, 2012 since it requires the shareholders' approval at the Annual General Meeting.

D. NOTES ON THE CASH FLOW STATEMENT AND ON CAPITAL MANAGEMENT

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

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

Payments for investments in intangible assets and property, plant and equipment include only cash effective acquisitions.

The primary objective of PVA TePla's capital management is to ensure the financial flexibility required to reach the defined growth and yield targets, thereby enabling growth in the Company's value. The contents of capital management cover shareholders' equity and the external borrowing necessary to finance the Company's operations. The key indicator for capital management is the equity ratio. Actual management is performed by optimizing yields and setting limits on the commitment of funds. Further objectives of capital management include ensuring the Group's liquidity by agreeing appropriate and sufficient credit lines and maintaining the current ratio of advance payments, as well as optimizing the financial result in order to improve yields.

The capital management of PVA TePla therefore includes the following:

in EUR ´000	Dec. 31, 2012	Dec. 31, 2011
Shareholders´ equity	61,741	60,298
Current and non-current financial liabilities	8,745	12,896
Advance payments received	6,490	16,651
Total amount	**76,976**	**89,845**
Total assets	**102,991**	**129,131**
Equity ratio	59.9 %	46.7 %

Shareholders' equity increased to EUR 61,741 thousand (previous year: EUR 60,298 thousand) thanks to positive business results in the 2012 fiscal year. Financial liabilities decreased to EUR 8,745 thousand (previous year: EUR 12,896 thousand) as planned. The equity ratio improved to 59.9% in 2012 (previous year: 46.7%).

E. ADDITIONAL DISCLOSURES

30. SEGMENT REPORTING

PVA TePla Group is divided into three divisions: Industrial Systems, Semiconductor Systems and Solar Systems. This segmentation is intended to enable a product focus on individual markets and enhance operational transparency for the capital markets.

PVA TePla AG evaluates profitability and makes decisions on the allocation of resources to the segments based on the three divisions. This means the segment reporting disclosures that follow are based on the Group's organizational structure which underlies the internal management reporting systems of the PVA TePla Group according to the three divisions: the Industrial Systems division, Semiconductor Systems division and Solar Systems division. Cross-segment transactions – this mainly concerns PVA Vakuum Anlagenbau Jena GmbH, which is assigned to Semiconductor Systems for organizational purposes but also works for Solar Systems – are broken down accordingly for segment reporting.

The following tables provide an overview of the operational segments of PVA TePla AG. Segment reporting in accordance with IFRS 8 also includes a reconciliation of the total result of the segments to the consolidated result for the period.

Sales revenues by divisions for the fiscal years 2012 and 2011 are as follows:

in EUR ´000	2012		2011	
	External sales revenues	Internal sales revenues	External sales revenues	Internal sales revenues
Segment revenues				
Industrial Systems	44,102	1,831	56,964	1,946
Semiconductor Systems	50,961	2,640	49,359	1,103
Solar Systems	8,189	2	26,263	28
Consolidated revenues	**103,252**	**4,473**	**132,586**	**3,077**

The operating profit by segments for the fiscal years 2012 and 2011 is as follows:

	2012		2011	
Operating profit by segment	in EUR ´000	in %	in EUR ´000	in %
Industrial Systems	2,188	5.0	4,069	7.1
Semiconductor Systems	5,826	11.4	9,652	19.6
Solar Systems	-1,432	-17.5	144	0.5
Consolidation	-10		-144	
Consolidated operating profit	**6,572**	**6.4**	**13,721**	**10.3**

The reconciliation of segment results (EBIT) to consolidated net profit for the year is as follows:

in EUR ´000	2012	2011
Total segment results	6,582	13,865
Consolidation	-10	-144
Consolidated operating profit (EBIT)	6,572	13,721
Financial result	-812	-1,087
Results before taxes	5,760	12,634
Income taxes	-1,091	-3,493
Consolidated net income	**4,669**	**9,141**

Other non-cash segment expenses were not incurred to a significant extent.

The following sales revenues by region were generated in the fiscal years 2012 and 2011:

in EUR ´000	2012	2011
Sales revenues by sales region		
Germany	27,569	28,389
Europe (excluding Germany)	12,300	15,954
North America	6,287	8,563
Asia	56,297	77,656
Others	799	2,022
Consolidation	0	2
Consolidated revenues	**103,252**	**132,586**

54% of total sales, the largest share by region, was generated in Asia during fiscal year 2012. The domestic portion was 27%, which primarily resulted from the sales revenues of the Industrial Systems division. Sales revenues in North America are slightly lower year-on-year.

In the 2012 fiscal year, around EUR 13,910 thousand or 13.5% (previous year: EUR 17,354 thousand or 13.1%) of sales revenues related to revenues from the largest customer of the Group. Sales revenues of EUR 4,052 thousand or 3.9% were generated with a further customer (previous year: EUR 6,004 thousand or 4.5%). Please refer to note 24 for a breakdown of sales revenues by product groups according to IFRS 8.

As a matter of principle, transactions involving intersegment sales and revenues are conducted at arm's length conditions.

31. FINANCIAL INSTRUMENTS

This section contains a summary presentation of the Group's financial instruments and derivative financial instruments. Details of the individual categories of financial instruments are provided in the notes on the respective balance sheet and income statement items.

Principles of the risk management system

In addition to default risk and liquidity risk, 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 instruments are employed to hedge market price risks, depending on the assessment of the respective risk. Derivative financial instruments are used solely as hedging instruments, meaning 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 the implementation of the financial policy and ongoing risk management.

Categories of financial instruments
The financial instruments held by the Group are allocated to the following categories:

	Financial assets and liabilities carried at fair value through profit / loss affecting profit		Financial assets and liabilities carried at fair value through profit / loss not affecting profit		Extended loans and receivables extended		Financial liabilities		PoC receivables	
	Fair value		Fair value		Amortized cost		Amortized cost		Fair value	
in EUR ´000	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Non-current assets										
Investment property	0	0	0	0	410	432	0	0	0	0
Non-current financial assets	0	0	0	0	9	9	0	0	0	0
Current assets										
Coming receivables on construction contracts	0	0	0	0	0	0	0	0	10,019	22,828
Trade receivables	0	0	0	0	12,943	15,570	0	0	0	0
Other receivables and assets	32	0	0	0	3,042	6,135	0	0	0	0
Cash and cash equivalents	0	0	0	0	10,009	14,612	0	0	0	0
Other financial assets	0	0	0	0	1,001	1,001	0	0	0	0
Non-current liabilities										
Financial liabilities	0	0	0	0	0	0	7,617	8,742	0	0
Other liabilities	-954	-760	0	0	0	0	8	13	0	0
Current liabilities										
Financial liabilities	0	0	0	0	0	0	1,128	4,154	0	0
Trade payables	0	0	0	0	0	0	2,938	6,066	0	0
Other liabilities	-238	-189	-19	-23	0	0	13,864	28,637	0	0
Net finance cost / revenue	**-211**	**-306**	**4**	**1**	**130**	**300**	**-511**	**-830**	**0**	**0**

With the exception of financial liabilities carried at amortized cost, the carrying amounts in the other categories largely correspond to the respective market values. No separate comparison of carrying amounts and market values is provided. In accordance with IFRS 7.27a, financial instruments measured at fair value must be assigned to different levels. PVA TePla AG's financial instruments measured at fair value are allocated to "level 2", at which measurement is based on stock exchange or market prices of similar instruments or on measurement models based on input parameters observable in the market.

The fair values of both forward exchange contracts and interest hedges were determined on the basis of discounted expected future cash flows, using market interest rates applicable to the remaining terms of the financial instruments.

The net loss from the financial assets and liabilities measured at fair value of EUR 211 thousand (previous year: net loss of EUR 306 thousand) comprises changes in the market value of derivative hedging instruments.

The net gain of EUR 4 thousand (previous year: net loss of EUR 1 thousand) from the financial assets and liabilities measured at fair value without affecting profit or loss comprises changes in the market value of derivative hedging instruments.

The net gain from issued loans and receivables recognized at amortized cost of EUR 130 thousand (previous year: net loss of EUR 300 thousand) includes interest income.

The net result on financial liabilities recognized at amortized cost includes interest expense of EUR 511 thousand (previous year: EUR 830 thousand).

Credit risk
The Company is exposed to counterparty default risk as a result of its operating activities and certain financing activities.

In its operating business, accounts receivable are monitored on a decentralized, ongoing basis. Default risks are taken into account through specific valuation allowances and flat-rate specific valuation allowances.

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

Theoretically, the maximum default risk is shown by the carrying amounts of the financial assets recognized in the balance sheet. The PVA TePla Group recognized write-downs of EUR 260 thousand (previous year: EUR 365 thousand) on trade receivables to cover known risks. Risks from advance payments are avoided with advance payment bonds. There are no discernible risks from other receivables. The PVA TePla Group did not have any other material agreements which could reduce the maximum default risk as of the balance sheet date.

Liquidity risk
Revolving liquidity planning is performed in order to ensure the Company's solvency and financial flexibility at all times.

To the extent necessary, a liquidity reserve is held in the form of credit facilities and, if required, in cash.

For more information on the maturities of the individual financial liabilities, see the disclosures on the relevant balance sheet items in note 16. The maturity analysis of the derivative financial liabilities can be found in the sections "Currency risks" and "Interest hedges".

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

Currency risks
The Company's currency risk primarily results from its operating activities, financing measures and investments. Foreign currency risks with a significant impact on the Group's cash flow are hedged.

Foreign currency risks from operations primarily arise when planned transactions are settled in a currency other than the functional currency (EUR). These planned transactions relate in particular to expected future sales revenues invoiced in US dollars.

PVA TePla AG enters into forward exchange contracts to hedge its payment obligations. These derivative financial instruments have a term to maturity of less than one year and hedge payment obligations of EUR 1,432 thousand (previous year: EUR 0 thousand) as of December 31, 2012. The expected net payments from currency hedging instruments are as follows:

Expected net payments in EUR ´000	Dec. 31, 2012	**Dec. 31, 2011**
Up to 1 month	10	0
Between 1 and 3 months	11	0
Between 3 months and 1 year	11	0
Between 1 and 5 years	0	0

Currency risks due to foreign currency invoices are mainly hedged by forward exchange contracts, meaning that changes in exchange rates from foreign currency transactions have no effect on profit / loss or shareholders' equity.

For the prospective effectiveness measurement it is checked that key parameters of hedging instruments (nominal amount, term, etc.) match the hypothetical derivatives, and the cumulative dollar offset method is used for the retrospective effectiveness measurement.

Interest income and expenses from financial instruments at the German companies are recognized in the functional currency (EUR). This means that foreign currency risks can only arise from the financial instruments and assets held by the individual companies outside Germany that would be taken directly to currency reserves in equity.

For this reason, only an equity-based sensitivity analysis is performed.

If the euro had increased (decreased) by 10% against the US dollar as of December 31, 2012, other reserves in equity would have been EUR 187 thousand lower (higher) (December 31, 2011: EUR 173 thousand lower (higher)).

If the euro had increased (decreased) by 10% against the other relevant currencies for the Company as of December 31, 2012, other reserves in equity would have been EUR 26 thousand lower (higher) (December 31, 2011: EUR 14 thousand lower (higher)).

Interest hedges

The Company is mainly subject to interest rate risk in the Eurozone. 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 on interest payments, interest income and expenses, other earnings components and, where applicable, shareholders' equity.

As the Company has fixed interest rate agreements for its noncurrent primary financial instruments or variable interest rate agreements that are hedged via cash flow hedges and its financial liabilities are recognized at amortized cost, only financial derivatives have an impact on other reserves in equity. Effects on profit / loss from any changes in interest rates affecting the portion of current financial liabilities with variable interest rates totaling EUR 4 thousand (previous year: EUR 4 thousand) are negligible due to their amount and maturity.

Sensitivity analysis in accordance with IFRS 7 were performed for financial derivatives (swaps) not forming part of an effective hedge. If the market interest rate at December 31, 2012 had been 100 bp higher, earnings would have increased by EUR 329 thousand (previous year: EUR 368 thousand). Conversely, if the market interest rate at December 31, 2012 had been 100 bp lower, earnings would have decreased by EUR 357 thousand (previous year: EUR 401 thousand).

Interest rate hedges with a total original volume of EUR 11,600 thousand were entered into in order to hedge the interest rate risk for the financing of investments in new buildings at the Wettenberg and Jena sites. The outstanding balance of these hedging transactions at December 31, 2012 is EUR 7,440 thousand (previous year: EUR 8,267 thousand). The interest hedges have a term to maturity of up to 11 years. The expected net payments from interest hedging instruments are as follows:

Expected net payments in EUR ´000	Dec. 31, 2012	**Dec. 31, 2011**
Up to 1 month	-125	-94
Between 1 and 3 months	-3	-3
Between 3 months and 1 year	-121	-102
Between 1 and 5 years	-683	-664

The interest hedging instruments and underlying loans were concluded in 2005 and 2007 on the basis of the corresponding interest rates. They ensure long-term, very flexible financing for the new construction measures in Jena and Wettenberg at attractive interest rates in the long term. Due to the global financial and economic crisis, interest rates have slumped dramatically and the market values of the hedging instruments developed negatively as a result. In the long term, however, interest rates are expected to recover, resulting in an increase in the market values of the hedging instruments.

The market value of these instruments at December 31, 2012 was EUR -1,210 thousand (previous year: EUR -972 thousand) and is reported under other financial liabilities. The offsetting entry for the market value and the related deferred taxes are reported in equity under "Other reserves" for those interest derivatives that have an effective hedging relationship with a loan.

The loan underlying the interest rate hedges described above, which was obtained in the original amount of EUR 10,000 thousand for the purpose of financing the new building in Wettenberg, was not utilized as of December 31, 2012. Accordingly, there was no offsetting entry for the market value of the interest rate derivatives and the related deferred taxes under "Other reserves" The cumulative market value of these hedging instruments at December 31, 2012 is EUR -1,192 thousand (previous year: EUR -949 thousand). In fiscal year 2012, EUR -243 thousand of this amount was recognized in income under financing expenses (previous year: EUR -237 thousand).

Other price risks
As part of the description of market risks, IFRS 7 also requires disclosures on how hypothetical changes in other price risk variables would affect the prices of financial instruments. In particular, these risk variables include quoted prices and indices.

At December 31, 2012 and December 31, 2011, the Company did not hold any material financial instruments that were subject to other notable price risks.

32. LEASING

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

Rent of buildings
PVA TePla has rented premises for production and administration from third parties at its sites in Berlin, Kirchheim, Munich, Siegen, Jena, Westhausen, Frederikssund (Denmark), Corona / California (USA), Beijing (China) and Xi'an (China) as well as in Singapore. In 2012, the monthly rent was EUR 10 thousand at the Kirchheim site (previous year: EUR 10 thousand), EUR 5 thousand at the Munich site, EUR 4 thousand at the Jena site (previous year: EUR 5 thousand), EUR 11 thousand at the Siegen site (previous year: EUR 16 thousand), EUR 3 thousand at the Berlin site (previous year: EUR 3 thousand), EUR 7 thousand at the Westhausen site (previous year: EUR 7 thousand), EUR 10 thousand at the Frederikssund site (previous year: EUR 10 thousand), EUR 7 thousand at the Corona site (previous year: EUR 8 thousand), EUR 2 thousand at the Beijing site (previous year: EUR 2 thousand), EUR 13 thousand at the Singapore site (previous year: EUR 3 thousand) and EUR 1 thousand at the Xi'an site (previous year: EUR 1 thousand).

The relevant rental agreements are standard agreements for the rental of commercial premises. In 2012, a total of EUR 769 thousand was paid under these agreements (previous year: EUR 854 thousand). The minimum commitments for the coming years comprise the following amounts:

in EUR ´000	Payments	Present value
Remaining terms		
Up to one year	596	570
Between 1 and 5 years	891	798
More than 5 years	0	0

Sublease of buildings
The former service location in Berlin was terminated at the end of fiscal year 2012. The premises will be sublet until the end of the lease term. In addition, its own building in Kahla is partially subleased. These agreements gave rise to income of EUR 40 thousand in 2012 (previous year: EUR 39 thousand). Income from subleasing over the coming years can be broken down as follows:

in EUR ´000	Payments	Present value
Remaining terms		
Up to one year	45	44
Between 1 and 5 years	0	0
More than 5 years	0	0

Lease of vehicles
PVA TePla AG restricts the number of company vehicles to an absolute minimum. As a matter of principle, cars for private use are provided on a priority basis to members of the Management Board, heads of divisions and managing directors as well as individual employees with a great deal of external activities. Above and beyond this, fleet vehicles are used for business travel. Since 2004, new vehicles have been leased. In 2012, expenditures of EUR 192 thousand were incurred for such leases (previous year: EUR 146 thousand). The minimum commitments for the coming years comprise the following amounts:

in EUR ´000	Payments	Present value
Remaining terms		
Up to one year	188	180
Between 1 and 5 years	166	150
More than 5 years	0	0

Other leases
In addition to the aforementioned leases, the Company has other leases which mainly pertain to operating and office equipment. In 2012, expenditures of EUR 395 thousand were incurred for such leases (previous year: EUR 437 thousand). The minimum commitments for the coming years comprise the following amounts:

in EUR ´000	Payments	Present value
Remaining terms		
Up to one year	127	121
Between 1 and 5 years	142	124
More than 5 years	2	1

33. OTHER FINANCIAL OBLIGATIONS

Commitments from current agreements:
Commitments under rental and lease agreements are discussed above (see note 32).

Total commitments from master purchase agreements can be broken down as follows:

in EUR ´000	Payments	Present value
Remaining terms		
Up to one year	930	890
Between 1 and 5 years	295	270
More than 5 years	0	0

Total commitments from other agreements (e.g. servicing agreements, security services) can be broken down as follows:

in EUR ´000	Payments	Present value
Remaining terms		
Up to one year	686	656
Between 1 and 5 years	284	259
More than 5 years	1	1

34. COST OF MATERIALS

The cost of sales for fiscal years 2012 and 2011 contain expenditures on materials as follows:

in EUR ´000	2012	2011
Cost of raw materials, consumables and supplies and of goods purchased and held for resales	40,711	65,941
Cost of purchased services	8,647	7,871
Total cost of materials	**49,358**	**73,812**

Accordingly, the materials ratio (cost of materials to total sales revenues) amounted to 47.8% in fiscal year 2012, compared to 55.7% in the previous year.

35. PERSONNEL EXPENSES

Personnel expenses for fiscal years 2012 and 2011 consist of the following:

in EUR ´000	2012	2011
Wages and salaries	28,784	28,209
Social charges	5,431	4,718
Total personnel expenses	**34,215**	**32.927**

Total personnel expenses of EUR 34,215 thousand were higher year-on-year compared with the previous year total of EUR 32,927. This increase is primarily due to the 4.3% rise in tariffs at the German locations on May 1, 2012 and the first-time consolidation of Munich Metrology GmbH. Compared to sales revenues, personnel expenses therefore increased to 33.1% in fiscal year 2012, compared with 24.8% in the previous year. Social charges contain expenditure on retirement provisions in the amount of EUR 461 thousand (previous year: EUR 177 thousand).

The Group had a total of 514 employees at year-end (previous year: 509) and an average of 513 employees for the year as a whole (previous year: 498).

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

Number of employees by function (average for the year)	2012	2011
Administration	63	66
Sales	54	57
Engineering, research and development	112	109
Production and service	284	266
Total number of employees	**513**	**498**

The Group also employed three assistants (previous year: 14).

36. AMORTIZATION AND DEPRECIATION

Depreciation and amortization are discussed in the disclosures on non-current assets (see notes 4 and 5).

37. RISK MANAGEMENT

The current risks and opportunities and PVA TePla's risk management system are presented in detail in the management report. Please refer to section 14 and 15 of the management report for more information.

38. EXECUTIVE BODIES OF THE COMPANY

Management Board
In fiscal year 2012, the Management Board of PVA TePla AG consisted of the following persons:

Dr. Arno Knebelkamp, Mülheim
(Chairman / CEO) Graduate chemist

Managing Director of the following Group companies:
» PVA TePla Analytical Systems GmbH, Westhausen

Membership of supervisory bodies:
» PVA TePla America Inc., Corona, USA (Director)
» Vestolit GmbH & Co. KG, Marl
(Member of the Advisory Board until April 30, 2012)
» Profine GmbH, Troisdorf (Deputy Chairman of the Supervisory Board since August 1, 2012)

Arnd Bohle, Bochum
(Chief Financial Officer / CFO) Business graduate

Membership of supervisory bodies:
» PVA TePla (China) Ltd. (Supervisor (supervisory body))

The total remuneration paid to the members of the Management Board in fiscal year 2012 was EUR 688 thousand (previous year: EUR 915 thousand). The remuneration of Management Board members consists of a non-performance related basic salary, other benefits (primarily monetary benefit from the use of a company car, subsidies for health insurance premiums, as well as contributions to a pension fund), and performance-based, variable compensation in the form of bonus payments. The smaller share of the bonus payment is measured as a percentage of the annual net profit of the PVA TePla Group that exceeds a minimum of EUR 5 million. This bonus may be no more than half of the respective basic salary. The greater portion is paid out in the form of a long-term bonus. The reference amount is converted into notional shares using a current reference and is then calculated three years later using the reference exchange rate valid on that date. The long-term bonus may be no more than twice the fixed annual salary. This rule applies equally to all members of the Management Board from June 2012. For the first five months of the fiscal year 2012, the performance-based component for Arnd Bohle was calculated using a rule under which the bonus is fully calculated 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 2012:

in EUR ´000	Salary	Other benefits	Performance-related components	Total 2012	Total 2011
Dr. Arno Knebelkamp	240	68	98	406	369
Arnd Bohle	192	10	80	282	321
Peter Abel	0	0	0	0	225

The performance-related components presented above contain amounts paid in 2012 for fiscal year 2011, as well as a deduction of the amounts recognized and reported as provisions in fiscal year 2011. A provision established in the year 2012 for fiscal year 2012 is also included. The performance-related component for the Management Board in 2012 contains a long-term, performance-related component of EUR 145 thousand. This share-based remuneration component comes within the scope of IFRS 2 and was calculated on the basis of an option pricing model.

Non-current payments are due in connection with the long-term performance-based compensation mentioned above. All other remuneration listed above is payable over the short term. Employer contributions to pension insurance are not paid. There are likewise no pension commitments for active members of the Management Board.

No share options were granted to members of the Management Board in fiscal year 2012. There are no financial commitments to members of the Management Board in the event of the termination of their employment or a change in the constitution of the shareholder majority.

The Company has pension commitments to former members of the Management Board with present values of EUR 1,724 thousand (previous year: EUR 1,427 thousand). In 2012, pensions of EUR 64 thousand (previous year: EUR 63 thousand) were paid to former members of the Management Board.

There were no payments for termination of employment or share-based payments.

Supervisory Board
In fiscal year 2012, the Supervisory Board of PVA TePla AG consisted of:

Alexander von Witzleben, Weimar (Chairman)
» Feintool International Holding AG, Lyss (President of the Administration Board)

Member of the following other supervisory bodies:
» VERBIO Vereinigte BioEnergie AG, Leipzig (Chairman of the Supervisory Board)
» Siegwerk Druckfarben AG & Co. KGaA, Siegburg (Member of the Supervisory Board)
» KAEFER Isoliertechnik GmbH & Co. KG, Bremen (Member of the Advisory Board)

Dr. Gernot Hebestreit, Leverkusen
(Deputy Chairman)
» Global Leader Business Development and Markets, Grant Thornton International Limited, London/England

Member of the following other supervisory bodies:
» Comvis AG, Essen (Deputy Chairman of the Supervisory Board)

Prof. Dr. Günter Bräuer, Cremlingen
» Director of the Fraunhofer Institute for Laminate and Surface Engineering (IST), Braunschweig, and Managing Director of the Institute for Surface Engineering (IOT) of Braunschweig Technical University

Member of the following other supervisory bodies:
» AMG Coating Technologies GmbH, Hanau (Member of the Advisory Board)
» Institut für Solarenergieforschung GmbH, Emmerthal (Member of the Scientific Advisory Board)

In accordance with the Articles of Association, the members of the Supervisory Board receive remuneration of 1% of the Company's profit before tax of the PVA TePla Group up to a maximum of EUR 100,000.00. On this basis, the remuneration of the Supervisory Board in fiscal year 2012 amounted to EUR 58 thousand (previous year: EUR 100 thousand).

in EUR ´000	Fixed remuneration 2012	Variable remuneration 2012	Fixed remuneration 2011	Variable remuneration 2011
Alexander von Witzleben (Chairman)	10	19	10	40
Prof. Dr. Günter Bräuer	5	9	5	20
Dr. Gernot Hebestreit	5	9	5	20
Total	**20**	**38**	**20**	**80**

This total remuneration is divided between the members of the Supervisory Board in such a way that the Chairman of the Supervisory Board receives double the amount paid to each regular member of the Supervisory Board. The Chairman of the Supervisory Board receives minimum annual remuneration of EUR 10 thousand, while each regular member of the Supervisory Board receives minimum annual remuneration of EUR 5 thousand. Members who leave the Supervisory Board during the fiscal year receive pro rata remuneration for their period of service.

D&O insurance has been taken out to cover the liability of the members of executive bodies under civil law. In fiscal year 2012, a premium of EUR 14 thousand (previous year: EUR 17 thousand) was paid for this insurance.

39. RELATED PARTIES

Business transactions with related parties are on the one hand transactions with companies in which executive officers of PVA TePla AG have significant shareholdings or over which they exercise significant influence. On the other hand, these are business transactions with companies controlled by parties that may exercise significant influence on PVA TePla (particularly via participating interests in the Company).

In the reporting period, only the relationship to the majority shareholder Peter Abel is relevant in this context. PVA TePla AG's relevant transactions with related parties principally encompass purchases from IT companies. In fiscal year 2012, the value of purchases from these companies has so far totaled EUR 1,007 thousand (previous year: EUR 1,011 thousand) and the value of sales was EUR 35 thousand (previous year: EUR 5 thousand). The balance of outstanding receivables and liabilities at the balance sheet date on December 31, 2012 was EUR 0 thousand (previous year: EUR 0 thousand) and EUR 54 thousand (previous year: EUR 35 thousand), respectively. All transactions are conducted at arm's length conditions.

40. AUDIT FEES (SECTION 314 HGB)

The auditors' fees recognized as expenses for PVA TePla AG and the other companies of the PVA TePla Group amounted to:

in EUR ´000	2012	2011
Audit of annual financial statements	254	303
Other assurance or valuation services	0	0
Tax consulting services	0	0
Other services	0	0

41. DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH SECTION 161 AKTG

The declaration of compliance with the German Corporate Governance Code as required by Section 161 of the German Stock Corporation Act (AktG) was again submitted by the Management Board and the Supervisory Board in the course of the fiscal year.

This declaration forms part of the separate corporate governance report and is permanently accessible to shareholders on the Company's website (www.pvatepla.com) along with the declarations for previous fiscal years.

42. DISCLOSURES UNDER SECTION 160 (1) NO. 8 AKTG

Peter Abel, Wettenberg has notified us under Section 21 (1) and Section 22 (1) sentence 1 no. 1 and 2 of the German Securities Trade Act (WpHG) that his share of the voting rights in our Company exceeded the threshold of 25% on November 5, 2002, and now amounts to 29.99%. Of that, 29.32% of the voting rights under Section 22 (1) no. 1 and 2 of the German Securities Trade Act (WpHG) are allocated to him.

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

Christian Graf Dürckheim, Switzerland, notified us on October 28, 2011 under Section 21 (1) sentence 1 of the German Securities Trading Act (WpHG) that his share of the voting rights in PVA TePla AG, Wettenberg, Germany, exceeded the threshold of 3% on October 19, 2011 and that his total share of the voting rights in that company on that day amounted to 4.22%, corresponding to 917,958 of a total of 21,749,988 voting rights.

Christian Graf Dürckheim, Switzerland, notified us on November 11, 2011 under Section 21 (1) sentence 1 of the German Securities Trading Act (WpHG) that his share of the voting rights in PVA TePla AG, Wettenberg, Germany, exceeded the threshold of 5% on November 11, 2011 and that his total share of the voting rights in that company on that day amounted to 5.10%, corresponding to 1,109,092 of a total of 21,749,988 voting rights.

Wilhelm Hofmann, Germany, notified us on December 20, 2011 under Section 21 (1) sentence 1 of the German Securities Trading Act (WpHG) that his share of the voting rights in PVA TePla AG, Wettenberg, Germany, fell below the threshold of 3% on December 19, 2011 and that his total share of the voting rights in that company on that day amounted to 2.84%, corresponding to 618,431 of a total of 21,749,988 voting rights.

ARGOS FUNDS Sicav Luxembourg, Luxembourg, notified us on December 13, 2012 under Section 21 (1) sentence 1 WpHG that its share of the voting rights in PVA TePla AG, Wettenberg, Germany, exceeded the threshold of 3% on December 5, 2012 and that its total share of the voting rights in that company on that day amounted to 3.46%, corresponding to 752,890 of a total of 21,749,988 voting rights.

In addition, ARGOS INVESTMENT MANAGERS SA, Meyrin, Switzerland, notified us on December 13, 2012 under Section 21 (1) sentence 1 of the German Securities Trading Act (WpHG) that its share of the voting rights in PVA TePla AG, Wettenberg, Germany, exceeded the threshold of 3% on December 5, 2012 and that its total share of the voting rights in that company on that day amounted to 3.46%, corresponding to 752,890 of a total of 21,749,988 voting rights. In accordance with Section 22 (1) sentence 1 no. 6 WpHG, this 3.46% share (corresponding to 752,890 of a total of 21,749,988 voting rights) of ARGOS FUNDS Sicav is attributed to ARGOS INVESTMENT MANAGERS SA.

As of December 31, 2012, PA Beteiligungsgesellschaft, based in Wettenberg and belonging to Peter Abel, held a participating interest in the Company of more than 25%.

43. ADDITIONAL DISCLOSURES

The following companies included in the consolidated financial statements of PVA TePla AG have utilized the exemption pursuant to Section 264 (3) HGB:

» PVA Jena Immobilien GmbH
» PVA Löt- und Werkstofftechnik GmbH
» PVA Control GmbH

44. AUTHORIZATION OF THE FINANCIAL STATEMENTS FOR PUBLICATION

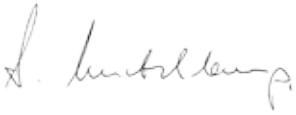
On March 14, 2013, the Management Board of PVA TePla AG authorized the present consolidated financial statements for fiscal year 2012 to be released to the Supervisory Board. This represents the authorization for publication described in IAS 10.6.

45. SIGNIFICANT POST-BALANCE SHEET DATE EVENTS

Since the start of fiscal year 2013, there have been no significant changes in the Company's situation or the industry in which it operates. No major changes are planned in the structure, administration or legal form of the Group or its personnel.

Wettenberg, March 14, 2013

PVA TePla AG



Dr. Arno Knebelkamp
Chief Executive Officer

Arnd Bohle
Chief Financial Officer

CONSOLIDATED STATEMENT CHANGES IN FIXED ASSETS
as at December 31, 2012

	Acquisition and manufacturing costs						
in EUR ´000	Jan. 01, 2012	Acquisitions 2012	Additions 2012	Transfers 2012	Disposals 2012	Exchange differences	Balance Dec. 31, 2012
Intangible assets							
1. Goodwill	12,465	193	0	0	0	0	12,658
2. Other intangible assets	5,277	895	122	0	1	0	6,294
Total	**17,742**	**1,088**	**122**	**0**	**1**	**0**	**18,952**
Property, plant and equipment							
1. Land, property rights and buildings, including buildings on third party land	33,264	0	81	8	2	-2	33,349
2. Plant and machinery	7,103	0	156	0	650	-25	6,585
3. Other plant and equipment, fixtures and fittings	5,754	288	496	0	223	-2	6,314
4. Advance payments and assets under construction	8	0	0	-8	0	0	0
Total	**46,130**	**288**	**733**	**0**	**875**	**-28**	**46,248**
Investment property	694	0	0	0	0	0	694
Total	**64,565**	**1,377**	**855**	**0**	**876**	**-28**	**65,894**

	Accumulated amortization and depreciation							Residual carrying values	
	Balance Jan. 01, 2012	Additions 2012	Transfers 2012	Disposals 2012	Write-ups 2012	Exchange differences	Balance Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2011
	4,850	0	0	0	0	0	4,850	7,808	7,615
	4,516	731	0	1	0	0	5,247	1,047	761
	9,366	**731**	**0**	**1**	**0**	**0**	**10,097**	**8,855**	**8,376**
	4,589	1,014	0	2	0	-1	5,599	27,750	28,675
	3,689	481	0	593	0	-22	3,554	3,031	3,414
	3,991	829	0	176	0	-2	4,642	1,672	1,764
	0	0	0	0	0	0	0	0	8
	12,269	**2,324**	**0**	**772**	**0**	**-25**	**13,795**	**32,453**	**33,861**
	262	22	0	0	0	0	283	410	432
	21,897	**3,077**	**0**	**773**	**0**	**-25**	**24,176**	**41,718**	**42,668**

CONSOLIDATED STATEMENT CHANGES IN FIXED ASSETS
as at December 31, 2011

	Acquisition and manufacturing costs						
in EUR ´000	Jan. 01, 2011	Acquisitions 2011	Additions 2011	Transfers 2011	Disposals 2011	Exchange differences	Balance Dec. 31, 2011
Intangible assets							
1. Goodwill	12,465	0	0	0	0	0	12,465
2. Other intangible assets	5,027	0	254	0	4	0	5,277
Total	17,492	0	254	0	4	0	17,742
Property, plant and equipment							
1. Land, property rights and buildings, including buildings on third party land	33,699	0	182	0	619	2	33,264
2. Plant and machinery	5,843	0	1,233	0	2	30	7,103
3. Other plant and equipment, fixtures and fittings	5,310	0	594	0	151	2	5,754
4. Advance payments and assets under construction	0	0	8	0	0	0	8
Total	44,852	0	2,017	0	772	33	46,130
Investment property	694	0	0	0	0	0	694
Total	**63,038**	**0**	**2,271**	**0**	**776**	**33**	**64,565**

	Accumulated amortization and depreciation							Residual carrying values	
	Balance Jan. 01, 2011	Additions 2011	Transfers 2011	Disposals 2011	Write-ups 2011	Exchange differences	Balance Dec. 31, 2011	Dec. 31, 2011	Dec. 31, 2010
	4,850	0	0	0	0	0	4,850	7,615	7,615
	3,937	583	0	3	0	0	4,516	761	1,090
	8,787	**583**	**0**	**3**	**0**	0	9,366	**8,376**	**8,705**
	4,195	1,012	0	619	0	2	4,589	28,675	29,504
	3,205	457	0	0	0	27	3,689	3,414	2,639
	3,348	788	0	146	0	1	3,991	1,764	1,961
	0	0	0	0	0	0	0	8	0
	10,748	**2,257**	**0**	**766**	**0**	**30**	12,269	33,861	**34,104**
	241	**22**	**0**	**0**	**0**	**0**	**262**	**432**	**453**
	19,776	**2,862**	**0**	**769**	**0**	**30**	21,897	42,668	**43,262**

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."

PVA TePla AG

Wettenberg, March 14, 2013

Dr. Arno Knebelkamp
Chief Executive Officer

Arnd Bohle
Chief Financial Officer

Auditor's Report

We have audited the consolidated financial statements of PVA TePla AG, Wettenberg – comprising the balance sheet, the statement of comprehensive income, the income statement, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements as well as the combined management and group management report for the fiscal year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and the combined management and group management report in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (HGB) is the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the combined management and group management report based on our audit.

We conducted our audit of the consolidated financial statements according to Section 317 of the German Commercial Code (HGB) and the audit principles established by the Institut der Wirtschaftsprüfer (IDW) (Institute of Auditors in Germany). 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. Audit procedures are established based on our knowledge of the company's business activities, the economic and legal environment in which the group operates, and expectations regarding possible errors. 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 the legal representatives, as well as evaluating the overall presentation of the annual financial statements and the combined management and group management report. In our opinion, our audit provides a sufficiently secure basis to issue an opinion.

Our audit did not result in any objections.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (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 understanding of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 14, 2013

Ebner Stolz Mönning Bachem GmbH & Co. KG
Audit Firm / Tax Consulting Firm

Marcus Grzanna
Auditor

Thomas Klemm
Auditor


PVA TePla

ANNUAL FINANCIAL STATEMENTS

PVA TePla AG

Annual Financial Statements

OF PVA TEPLA AG FOR THE FISCAL YEAR 2012

BALANCE SHEET

as at December 31, 2012

	ASSETS in EUR	Dec. 31, 2012	Dec. 31, 2011
A.	Non-current assets		
I.	**Intangible assets**	**293,557.69**	**586,265.96**
	Concessions, industrial property rights, similar rights and assets, and licenses to such rights and assets	293,557.69	586,265.96
II.	**Property, plant and equipment**	**24,625,277.95**	**25,556,251.33**
1.	Land, property rights and buildings, including buildings on third party land	22,552,720.50	23,206,321.76
2.	Plant and machinery	1,209,912.85	1,263,636.03
3.	Other plant and equipment, fixtures and fittings	862,644.60	1,078,250.47
4.	Advance payments and assets under construction	0.00	8,043.07
III.	**Financial assets**	**8,841,713.61**	**8,841,713.61**
	Shares in affiliated companies	8,841,713.61	8,841,713.61
	Total non-current assets	33,760,549.25	**34,984,230.90**
B.	Current assets		
I.	**Inventories**	**4,719,200.80**	**5,685,312.52**
1.	Raw materials and operating supplies	4,169,907.30	5,032,054.81
2.	Work in progress	36,891,045.88	35,868,628.80
3.	Finished products and goods	1,957,174.93	2,830,605.65
4.	Advance payments	218,657.64	1,190,272.92
	less advance payments received on orders	-38,517,584.95	-39,236,249.66
II.	**Receivables and other assets**	**30,568,507.54**	**31,620,078.44**
1.	Trade receivables	9,579,703.42	11,955,573.60
2.	Receivables from affiliated companies	19,216,427.61	16,490,276.09
3.	Other assets	1,772,376.51	3,174,228.75
III.	**Other financial assets**	**1,001,000.00**	**1,001,000.00**
IV.	**Cash and cash equivalents**	**7,310,893.89**	**12,216,248.56**
	Total current assets	43,599,602.23	**50,522,639.52**
C.	Prepaid expenses	449,074.61	**295,222.01**
D.	Active difference from asset allocation	0.00	**30,525.10**
	Total	77,809,226.09	**85,832,617.53**

	LIABILITIES AND SHAREHOLDERS´ EQUITY in EUR	Dec. 31, 2012	Dec. 31, 2011
A.	Shareholders´ equity		
I.	Share capital	21,749,988.00	21,749,988.00
II.	Capital reserves	2,174,998.80	2,174,998.80
III.	Retained Earnings	22,200.00	22,200.00
IV.	Accumulated profit	27,642,593.09	24,902,616.70
	Total shareholders´ equity	51,589,779.89	**48,849,803.50**
B.	Non-current liabilities		
1.	Provisions for pensions and similar obligations	8,868,894.00	8,410,653.00
2.	Provisions for taxes	0.00	924,143.66
3.	Other provisions	7,290,476.69	11,042,661.94
	Total non-current liabilities	16,159,370.69	**20,377,458.60**
C.	Current liabilities		
1.	Bank loans and overdrafts	6,198,876.90	9,632,688.48
2.	Trade payables	1,604,425.68	3,546,850.20
3.	Payables to affiliated companies	1,839,242.37	2,762,461.54
4.	Other liabilities	417,530.56	663,355.21
	Total current liabilities	10,060,075.51	**16,605,355.43**
	Total	77,809,226.09	**85,832,617.53**

INCOME STATEMENT

January 1 – December 31, 2012

in EUR		Jan. 01 - Dec. 31,2012	Jan. 01 - Dec. 31, 2011
1.	**Revenue**	**91,015,048.21**	**105,915,480.29**
2.	Cost of sales	-75,872,192.73	-84,118,971.24
3.	**Gross profit**	**15,142,855.48**	**21,796,509.05**
4.	Selling and distribution expenses	-7,606,099.96	-7,729,862.66
5.	General administrative expenses	-5,407,485.43	-5,619,133.09
6.	Research and development expenses	-3,250,730.86	-3,419,910.53
7.	Other operating income	7,495,604.09	10,039,963.05
8.	Other operating expenses	-5,158,971.29	-5,955,220.10
9.	Income from participating interests - of which from affiliated companies EUR 1,715,008.21 (previous year EUR 1,989,648.46)	1,715,008.21	1,989,648.46
10.	Income from profit and loss transfer agreement	5,013,564.61	2,247,334.62
11.	Other interest and similar income - of which from affiliated companies EUR 488,022.43 (previous year EUR 371,378.62)	617,553.71	649,475.33
12.	Interest and similar expenses - of which from affiliated companies EUR -33,789.92 (previous year EUR -37,102.11) - of which expenses from compounding EUR -430,074.43 (previous year EUR -349,655.00)	-992,379.63	-1,412,081.65
13.	**Net profit before tax**	**7,568,918.93**	**12,586,722.48**
14.	Income taxes	-1,413,447.70	-3,088,025.71
15.	Other taxes	-152,996.64	-95,046.24
16.	**Net profit for the year**	**6,002,474.59**	**9,403,650.53**
17.	Prior period unappropriated retained earnings brought forward	21,640,118.50	15,498,966.17
18.	**Accumulated profit**	**27,642,593.09**	**24,902,616.70**

Notes

OF PVA TEPLA AG FOR THE FISCAL YEAR 2012

A. GENERAL INFORMATION AND EXPLANATIONS

1. GENERAL INFORMATION

The annual financial statements of PVA TePla AG are prepared in accordance with the accounting requirements of the German Commercial Code (hereinafter "HGB") and the supplementary regulations for corporations. The cost of sales method was used for the income statement pursuant to Section 275 (3) HGB.

PVA TePla AG as a publically listed company is regarded as a large corporate entity pursuant to Section 267 (3) sentence 2 HGB.

2. ACCOUNTING AND VALUATION METHODS

Intangible fixed assets and property, plant and equipment are recognized at acquisition and manufacturing costs less normal straight-line depreciation and amortization. The capitalization option for internally generated intangible assets is not utilized. Research and development costs are expensed in the period in which they are incurred. The useful life of intangible assets, plant and machinery and fixtures and fittings is 3 to 15 years. The useful life of buildings is recognized at 25 to 33 years. Leasehold improvements are depreciated over the shorter lease term, if applicable.

Low valued assets valued at no more than EUR 410 are completely depreciated in the year of acquisition. All other assets with acquisition values greater than this are capitalized and depreciated over their normal useful lives.

Low valued assets with an acquisition value over EUR 150 and less than EUR 1,000 acquired between January 1, 2008, and December 31, 2009, continue to be depreciated in a straight line over five years in one collective item.

In the event of permanent impairment, intangible fixed assets and property, plant and equipment are subject to special write-downs at the lower of cost or market value.

Shares in affiliated companies are capitalized at acquisition cost. In the case of participating interests that are likely to generate a permanent capital loss, the lower of cost or market value is recognized. In the reporting year there were no write-downs of shares in affiliated companies to the lower market value at the balance sheet date.

Inventories are recognized at acquisition or manufacturing costs, unless a lower value is required according to Section 253 (3) HGB.

Raw materials and operating supplies are valued using the principle of lower of cost or market value at weighted average cost prices. The carrying amount of finished products and work in progress contains the cost of materials at acquisition cost, the direct labor incurred, special direct costs of production and appropriate portions of material and production overheads.

For all inventories, inventory risks arising from storage duration, reduced usability, lower reproduction costs, decreased replacement costs or non cost-covering selling prices must be appropriately taken into account by means of itemized deductions.

Advance payments made are shown exclusive of value added tax. Advance payments received on orders are carried at the principal amount.

Receivables, other assets, cash and cash equivalents and prepaid expenses are recognized at the principal amount.

Discounts shown in prepaid expenses are written down on a straight-line basis over the fixed-interest period of the corresponding loans.

Appropriate specific and global valuation allowances against trade receivables are set up to cover possible risks of default.

Provisions have been set aside in accordance with Section 253 (1) HGB in the amount required for their satisfaction according to reasonable business judgment. Future price and cost increases were taken into account inasmuch as reasonably and objectively possible.

Pursuant to the regulations of the German Accounting Law Modernization Act (hereinafter "BilMoG"), provisions with a remaining period of more than a year must be discounted over the remaining term corresponding to the average market rate of interest from the last seven business years as determined and published by the German Federal Reserve Bank. A non-recurring effect resulting from the first time application of the BilMoG led to a reduction of EUR 22,200.00 on January 1, 2010, which was reported in retained earnings.

Pension provisions are reported in the financial balance sheet using the "Projected Unit Credit Method" pursuant to the provisions of BilMoG dated May 25, 2009. Pension provisions are assessed based on actuarial calculations taking into account a discount interest rate of 5.04% as well as the 2005 G mortality tables from Prof. Dr. Klaus Heubeck.

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

in %	Dec. 31, 2012	Dec. 31, 2011
Income trend	3.00	3.00
Pension trend	1.25	1.25
Staff turnover	1.50	1.50
Interest rate for active staff	5.04	5.14
Interest rate for pensioners	5.04	5.14

Provisions for anniversaries are valued actuarially at net present value on the basis of an interest rate of 5.04%. 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 set up in respect of individual contractual arrangements. As in previous years, no provision is made for potential future qualifiers.

Pursuant to Section 254 HGB, derivative financial transactions are summarized as a valuation unit together with the underlying transaction as long as a direct hedging relationship exists between the hedging and underlying transaction. Financial transactions for which no valuation unit was established are measured individually at market prices. Any resulting unrealized losses are recognized in income.

Liabilities are measured at the repayment amount.

Receivables and liabilities in a foreign currency with a remaining term of up to one year are recognized at the balance sheet date at the mean spot exchange rate. During the fiscal year, receivables and liabilities were entered in foreign currency at the respective official middle rate of the transaction date. These annual financial statements therefore contain unrealized gains from currency translation. Receivables and liabilities with a remaining term of more than one year are translated at the exchange rate on the date they were incurred. For changes in exchange rates up to the balance sheet date, the valuation for assets is based on the exchange rate prevailing at the balance sheet date using the principle of lower of cost or market value, while the principle of higher of cost or market value is used for liabilities.

B. INFORMATION AND EXPLANATIONS REGARDING THE BALANCE SHEET AND INCOME STATEMENT

1. DETAILS ON ITEMS IN THE BALANCE SHEET

Non-current assets
The development of the individual non-current asset items is set forth in the fixed assets schedule (cf. attachment to the notes to the financial statements).

Current assets
The remaining terms of receivables and other assets amounts to less than one year.

Receivables from affiliated companies for prepayments on inventory amounted to EUR 5,667,352.40 (previous year: EUR 10,860,300.00); trade receivables totaled EUR 877,189.66 (previous year: EUR 595,473.48), and receivables for other assets amounted to EUR 12,671,885.55 (previous year: EUR 5,034,502.61).

Prepaid expenses include discounts of EUR 232,000.00 (previous year: EUR 251,300.00).

Retained earnings resulted from fiscal year 2010, in which, through the first time application of the provisions of BilMoG, there was a reduction of EUR 22,200.00 in connection with the long-term storage provisions that was reported as retained earnings.

The ordinary share capital is divided into 21,749,988 no-par value bearer shares, with each share representing EUR 1.00 of the ordinary share capital. All stock in the corporation has been fully paid up.

There was no contingent capital as of December 31, 2012.

At the Annual General Meeting on June 13, 2012, the former authorization of the Management Board to increase the share capital of the Company effective until June 14, 2012 was revoked.

At the same time, the Annual General Meeting of PVA TePla AG authorized the Management Board to increase the Company's share capital with approval of the Supervisory Board on one or more occasions during the period to June 30, 2017 by a total of up to EUR 10,874,994 by issuing up to 10,874,994 new, no-par value bearer shares against cash and/or non-cash contributions, with shareholders' subscription rights excluded to the extent permitted by law. No capital increases from this authorized capital were resolved in 2012.

Equity

in EUR	Jan. 01, 2012	Net profit	Profit distribution dividend	Addition to reserves	Transfer from reserves	Dec. 31, 2012
Share capital	21,749,988.00					21,749,988.00
Capital reserves	2,174,998.80					2,174,998.80
Retained earnings	22,200.00					22,200.00
Accumulated profit	24,902,616.70	6,002,474.59	-3,262,498.20			27,642,593.09
Total	**48,849,803.50**	**6,002,474.59**	**-3,262,498.20**	**0.00**	**0.00**	**51,589,779.89**

Provisions
Provisions are mainly comprised of other order-related provisions (EUR 1,171,201.89), personnel-related provisions (EUR 1,546,148.31), provisions for derivative financial instruments (EUR 1,191,751.34), other outstanding invoices (EUR 977,429.68) and warranties (EUR 899,525.99).

Payables
The remaining terms to maturity and security of the liabilities can be taken from the following liability table:

	Remaining Term				
in EUR	up to 1 year	1 – 5 years	over 5 years	Total	Secured by
1. Liabilities to banks	434,836.00	1,747,102.00	4,016,938.90	6,198,876.90	see below
2. Advance payments received on orders	38,517,584.95	0	0	38,517,584.95	
3. Trade payables	1,604,425.68	0	0	1,604,425.68	generally reservation
4. Payables to affiliated companies	1,839,242.37	0	0	1,839,242.37	
5. Other liabilities	417,530.54	0	0	417,530.54	
Total	**42,813,619.54**	**1,747,102.00**	**4,016,938.90**	**48,577,660.44**	

Capitalized customer advance payments on orders deducted from inventories amounting to EUR 38,517,584.95 (previous year: EUR 39,236,249.66) have a residual maturity of up to one year.

Liabilities to banks are secured by charges on land to the amount of EUR 18,000,000.00. This collateral also includes the additionally agreed loan for the new construction in Wettenberg with an available credit line of EUR 6,666,660.00 (previous year: EUR 7,333,331.34), which has not been drawn against as of December 31, 2012.

Liabilities to affiliated companies consist of trade payables totaling EUR 1,139,910.99 (previous year: 1,926,450.95) and other liabilities amounting to EUR 699,331.38 (previous year: EUR 836,640.59).

Other liabilities include tax liabilities totaling EUR 289,511.70 (previous year: EUR 266,857.61), liabilities within the scope of social security in the amount of EUR 4,366.35 (previous year: EUR 3,822.19) as well as other sundry liabilities in the amount of EUR 123,652.49 (previous year: EUR 392,675.41).

2. INFORMATION ON INCOME STATEMENT ITEMS

The revenue breakdown by individual region and segment is as follows:

Region	in EUR
Germany	19,971,514
Europe (excluding Germany)	11,040,823
North America	2,562,538
Asia	56,218,849
Others	1,221,324
Total	**91,015,048**

Division	in EUR
Industrial Systems	41,293,443
Semiconductor Systems	29,534,411
Solar Systems	20,187,194
Total	**91,015,048**

Cost of materials in EUR	2012	2011
Cost of raw materials, operating supplies and goods	50,677,404.02	61,351,944.61
Cost of purchased services	6,419,857.81	5,850,240.59

Personnel expenses in EUR	2012	2011
a) Wages and salaries	19,744,368.09	19,587,670.97
b) Social security, pensions and other benefits	3,853,292.85	3,292,138.19
of which relating to pensions	389,832.82	116,180.22

Other operating income and expenses
In fiscal year 2012, there are currency exchange rate gains in the amount of EUR 297,918.61 contained in other operating income. There are currency exchange rate losses totaling EUR 239,217.23 in other operating expenses.

Income and expense accrued in other accounting periods
In the reporting year, other operating income included EUR 2,325 thousand in prior-period income. These primarily relate to reversing provisions.

Prior-period expenses in the amount of EUR 252 thousand are contained in other operating expenses.

Prior-period expenses and income resulting from previous years' tax payments, totaling EUR 59 thousand and EUR 235 thousand respectively, were recorded in income taxes.

Accumulation and discounting of interests for provisions
Interest and similar expenses amounting to EUR 430,074.43 thousand relate to expenses associated with the discounting of provisions.

Extraordinary income and expenses
There were no extraordinary income and expenses in fiscal year 2012.

C. SUPPLEMENTARY INFORMATION

1. EQUITY INVESTMENTS

As at the balance sheet date, the Company had an equity investment of at least 20% in the following enterprises:

Name	Corporate domicile	Ownership interest		Shareholders´ equity Dec. 31, 2012 in EUR´000	Results 2012 in EUR ´000	
PVA TePla America Inc.	Corona / CA, USA	100 %		776	6	
PVA Jena Immobilien GmbH	Jena, Germany	100 %		2,593	0	*
Xi'an HuaDe CGS Ltd.	Xi'an, PR China	51 %		-301	-125	
PVA Löt- und Werkstofftechnik GmbH	Jena, Germany	100 %		26	0	*
PVA Control GmbH	Wettenberg, Germany	100 %		100	0	*
Vakuum Anlagenbau Service GmbH	Hanau, Germany	100 %		see	below	
PVA Vakuum Anlagenbau Jena GmbH	Jena, Germany	100 %	**	235	0	*
PVA TePla Metrology Systems GmbH	Kirchheim, Germany	100 %		-454	-22	
PlaTeG GmbH	Wettenberg, Germany	100 %		131	91	
PVA TePla Singapore Pte. Ltd.	Singapore	100 %		741	566	
PVA TePla Analytical Systems GmbH	Westhausen, Germany	100 %		31	0	*
PVA TePla (China) Ltd.	Beijing, PR China	100 %		127	11	
Munich Metrology GmbH	Munich, Germany	100 %	**	-1,464	-1,415	
Munich Metrology USA Inc.	Folsom / CA, USA	100 %	**	-167	-116	
Munich Metrology Taiwan Ltd.	Hsinchu, Taiwan	100 %	**	-12	57	

*) On the basis of a profit transfer agreement

**) Indirect equity investment via subsidiaries

The equity interest in Vakuum Anlagenbau Service GmbH (100%, after deduction of treasury shares) was fully written off in 2002. Due to impending insolvency and over indebtedness, insolvency proceedings were initiated for the assets of the Company on April 25, 2003. Shareholders' equity in the Company amounted to EUR -448 thousand at December 31, 2002, results for fiscal year 2002 amounted to EUR -630 thousand. According to information from the liquidator on November 1, 2012, insolvency proceeding have not yet be concluded.

The subsidiary PlaTeG GmbH moved from Siegen to Wettenberg at the beginning of fiscal year 2012. The change in location was entered in the commercial register on April 17, 2012.

Effective July 6, 2012, the subsidiary Plasma Systems GmbH acquired 100% of the shares in Munich Metrology GmbH with its registered office in Munich as well as its subsidiaries Munich Metrology USA Inc., Folsom, USA, and Munich Metrology Taiwan Ltd., Hsinchu, Taiwan. The subsidiaries are service offices, each staffed by two employees.

The name of Plasma Systems GmbH with its registered office in Wettenberg was changed to PVA TePla Metrology Systems GmbH. At the same time, the registered office of the subsidiary was moved to Kirchheim. These changes were recorded in the commercial register on December 14, 2012.

No further changes have occurred since the 2011 annual financial statements.

2. PERSONNEL

The Company had a total of 326 employees at year end (previous year: 317). The average number of employees for the year was 329 (previous year: 312). The average number of employees by function has changed compared to the previous year as follows:

Number of employees by function (average for the year)	2012	2011
Administration	39	40
Sales	34	40
Engineering, research and development	91	81
Production and service	165	151
Total number of employees	**329**	**312**

The increase in the number of employees is primarily attributable to the Wettenberg site as a result of the processing of existing orders.

In addition, PVA TePla AG employed three assistants (previous year: 14).

3. OFF-BALANCE-SHEET TRANSACTIONS

As of December 31, 2012, off-balance sheet transactions pursuant to Section 285 no. 3 HGB include only leasing agreements for vehicles, machinery and office equipment (operating leases), which carry future liabilities of EUR 387 thousand (nominal value). The typical risks related to leasing agreements particularly include uncertainties about the costs incurred should the lease object be returned. Opportunities mainly include the fact that leasing puts less strain on liquidity and that it offers a secure basis for calculating future expenses.

Remaining terms	Nominal value in EUR ´000
Up to one year	191
Between 1 and 5 years	195
More than 5 years	1

4. CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

Contingent liabilities

As part of the financing of the construction of an assembly area of the subsidiary PVA Vakuum Anlagenbau Jena GmbH at the Jena location, PVA TePla AG has assumed joint and several liability for the loan of EUR 1,600 thousand taken out to finance this investment. The loan must be repaid over 10 years in equal quarterly installments and is also secured by charges on land. The carrying amount of the loan as at December 31, 2012 was EUR 440 thousand.

As part of the financing of further construction of an assembly area of the subsidiary PVA Vakuum Anlagenbau Jena GmbH at the Jena location, PVA TePla AG has assumed joint and several liability for the loan of EUR 2,000 thousand taken out to finance this investment. The loan must be repaid over 10 years in equal half-yearly installments and is also secured by charges on land. The carrying amount of the loan as at December 31, 2012 was EUR 800 thousand.

The subsidiary PVA Jena Immobilien GmbH has taken out an investment loan of EUR 332 thousand. The loan must be repaid by December 2022 and is partly secured by a land charge. PVA TePla AG has submitted a letter of comfort to the bank for this loan. The carrying amount of the loan as at December 31, 2012 was EUR 184 thousand.

As part of the financing of the construction of an assembly area of PVA Jena Immobilien GmbH at the Jena location, PVA TePla AG has assumed joint and several liability for the loan of EUR 1,000 thousand taken out to finance this investment. The loan must be repaid over 10 years in equal half-yearly installments and is also secured by charges on land. The carrying amount of the loan as at December 31, 2012 was EUR 400 thousand.

The subsidiary PVA Löt- und Werkstofftechnik GmbH (LWT), Jena, has taken out various loans, each one to finance a brazing furnace. This initially involves an investment loan of EUR 429 thousand that is repayable by March 2013. The loan is partly secured by the transfer of ownership of the invested equipment and by charges on land. PVA TePla AG has submitted letters of comfort to the bank for this loan and has entered into a repurchase obligation for the equipment financed by this loan. The carrying amount of the loan as at December 31, 2012 was EUR 27 thousand.

Furthermore, LWT has taken out an investment loan of EUR 509 thousand that is repayable by July 2013 as well as another investment loan of EUR 640 thousand that is repayable by October 2015. These two loans are secured by absolute guarantees of PVA TePla AG. The carrying amount of both loans as at December 31, 2012 totaled EUR 220 thousand.

In order to finance an additional brazing furnace, LWT executed a lease-purchase agreement in fiscal year 2010 for which PVA TePla AG assumed an absolute surety. The remaining carrying value of the loan at December 31, 2012 amounted to EUR 561 thousand.

Munich Metrology GmbH, Munich, has agreed a payment plan with a supplier of module components that extends until February 25, 2013. PVA TePla AG has assumed an absolute surety for the last two payments with a combined total value of EUR 74 thousand.

The scope of PVA TePla Group's liquidity management credit facilities are as a rule agreed to for the whole group on the basis of uniform credit rating. The loan commitment is then made to PVA TePla AG with the additional possibility of utilization for subsidiaries on a case-by-case basis. In these cases, assumption of joint and several liability by PVA TePla AG is generally required for utilization by the subsidiaries.

In the context of this procedure, PVA TePla AG assumed the following liability as at December 31, 2012:

» Joint and several liability for utilization of a guarantee facility by PVA Vakuum Anlagenbau Jena GmbH, Jena, PVA Löt- und Werkstofftechnik GmbH, Jena, PVA Control GmbH, Wettenberg, PVA Jena Immobilien GmbH, Jena, PVA TePla Analytical Systems GmbH, Westhausen, and PlaTeG GmbH, Wettenberg, with a maximum amount of EUR 15,000 thousand plus joint and several liability for utilization of a guarantee facility by PVA TePla Analytical Systems GmbH with a maximum amount of EUR 1,000 thousand. The actual utilization of these facilities by PVA Vakuum Anlagenbau Jena GmbH, PVA TePla Analytical Systems GmbH, and PlaTeG GmbH as of December 31, 2012 totaled EUR 32 thousand.

All debtors for whom liability has been assumed have met their payment obligations up until now without limitation. They are provided a letter of comfort plus surety and are entitled to a take-back obligation. We are unaware of any information and risk that would change this. The risk from a claim from the above-mentioned joint liability is considered low.

As at the balance sheet date, there were control and profit transfer agreements in place in relation to the equity holdings PVA Löt- und Werkstofftechnik GmbH, Jena, PVA Control GmbH, Wettenberg, PVA TePla Analytical Systems GmbH, Westhausen and PVA Jena Immobilien GmbH, Jena.

Other financial obligations to third parties

The Company had other financial liabilities to third parties within the meaning of Section 285 no. 3a HGB of EUR 1,349 thousand as at December 31, 2012. They include financial liabilities from rental or lease agreements and more long-term agreements in procurement, excluding the lease obligations stated in section C.3., and break down as follows:

Remaining terms	Nominal value in EUR ´000
Up to one year	894
Between 1 and 5 years	454
More than 5 years	1

5. DERIVATIVE FINANCIAL INSTRUMENTS

Exchange rate hedging

In some cases, sales of assets are concluded in foreign currency. As a rule, forward exchange contracts are entered into to hedge exchange rate risks in these cases. The net risk position of a group of underlying transactions (receivables and future receivables from pending sales transactions in foreign currency as well as foreign currency liabilities and liabilities from pending transactions and purchases in foreign currency) is hedged by one or several hedging instruments to eliminate risks (macro hedge).

As at December 31, 2012, seven forward exchange contracts for customer orders were outstanding with a total nominal value of EUR 1,432 thousand. These are offset by underlying transactions in the same amount. All forward exchange contracts have a term of less than one year. During this period, the changes in values and payment flows of the included underlying and hedging transactions fully balance each other.

The fair value of the forward exchange contracts totaled EUR 31 thousand and results from the difference between the valuation of these transactions at the forward exchange rate prevailing on the balance sheet date for the respective maturity of the contract and the contracted forward exchange rate. The so-called "gross hedge presentation method" is used to account for these transactions. According to this method, the underlying and hedging transactions are recognized in the balance sheet at their fair value. Netting takes place in the income statement, i.e., income or expense from the hedging transaction is recorded in the same item in which the offsetting expense or income from the foreign currency remeasurement of the underlying transaction is recognized.

For the prospective effectiveness measurement it is checked that key parameters of hedging instruments (nominal amount, term, etc.) match the hypothetical derivatives. The cumulative dollar offset method is used for the retrospective effectiveness measurement.

Interest hedges
To hedge the interest risk for the financing of the investment in new buildings at the Wettenberg location, two interest hedges with an original volume of EUR 10,000,000 were concluded. The outstanding balance of these hedging transactions at December 31, 2012 was EUR 7,000,000.02 (previous year: EUR 7,666,666.68).

The fair value of both hedging transactions as at December 31, 2012 was: EUR -1,191,751.34 (previous year: EUR -949,099.10). This value was calculated on the basis of a fair value measurement. Due to the global financial and economic crisis, interest rates have fallen dramatically, with the fair value of the hedging instruments developing negatively as a result. In the long term, however, we expect interest rates to rise, which will in turn increase the fair value of the hedging instruments. As the loan underlying the interest hedges was not utilized as of December 31, 2012, the provision for impending losses was increased by EUR 242,652.24 to EUR 1,191,751.34 (status of the provision in the previous year: EUR 949,099.10).

At December 31, 2012, derivative financial instruments were composed as follows:

in EUR	Nominal Value Dec. 31, 2012	Market Values Dec. 31, 2012
Currency exchange forwards	1,431,667.57	31,466.03
Interest rate hedges	7,000,000.02	-1,191,751.34

6. DEFERRED TAXES

Deferred taxes are calculated for the temporary differences between the financial and tax carrying values for assets, liabilities and prepaid expenses. In addition to the temporary balance sheet differences, taxable loss carry-forwards are taken into account.

As in the previous year, the assessment of the temporary differences and the chargeable tax loss carry-forwards within the next five years is accounted for using the applicable tax rate for corporation and trade taxes in the fiscal year at 28%.

in EUR	Deferred tax assets		Deferred tax liabilities	
	2012	2011	2012	2011
Non-current assets	1,705	0	2,467	0
Receivables	1,080,989	1,046,360	1,570	11,194
Provisions	870,701	792,958	6,156	6,156
Total Deferred Tax	**1,953,395**	**1,839,318**	**10,193**	**17,350**
Balance	-10,193	-17,350		
Excess tax assets	1,943,202	1,821,967		

Altogether a tax charge would be reported in the balance sheet as a deferred tax liability. In 2012 there was a EUR 1,943,202 excess in deferred tax assets (previous year: EUR 1,821,967). This was not capitalized according to the option provided for in Section 274 (1) sentence 2 HGB. The previous year's figures were adjusted.

7. EXECUTIVE BODIES

The Management Board consists of:

Dr. Arno Knebelkamp, Mülheim
(Chairman/CEO) Graduate chemist

Managing Director of the following Group companies:
» PVA TePla Analytical Systems GmbH, Westhausen

Membership of supervisory bodies:
» PVA TePla America Inc., Corona, USA (Director)
» Vestolit GmbH & Co. KG, Marl
(Member of the Advisory Board until April 30, 2012)
» Profine GmbH, Troisdorf (Deputy Chairman
of the Supervisory Board since August 1, 2012)

Arnd Bohle, Bochum
(Chief Financial Officer/CFO) Business graduate

Membership of supervisory bodies:
» PVA TePla (China) Ltd. (Membership of supervisory body)

Total remuneration of members of the Management Board in fiscal year 2012 amounted to EUR 687,452.78. This remuneration consists of a non-performance related basic salary; other benefits (primarily non-cash benefits from the use of a company car, subsidies for health insurance premiums, as well as contributions to a pension fund); and performance-based, variable compensation in the form of bonus payments. The smaller share of the bonus payment is measured as a percentage of the annual net profit of the PVA TePla Group that exceeds a minimum of EUR 5 million. This bonus may be no more than half of the respective basic salary. The greater portion is paid out in the form of a long-term bonus. The reference amount is converted into notional shares using a current reference and is then calculated three years later using the reference exchange rate valid on that date. The long-term bonus may be no more than twice the fixed annual salary. This rule applies equally to all members of the Management Board from June 2012. For the first five months of the fiscal year 2012, the performance-based component for Arnd Bohle was calculated using a rule under which the bonus is fully calculated 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 2012:

Remuneration in 2012 in EUR	Salary	Other benefits	Performance-related components	Total 2012	Total 2011
Dr. Arno Knebelkamp	240,000.00	68,156.16	97,773.00	405,929.16	368,815.28
Arnd Bohle	191,666.69	9,783.93	80,073.00	281,523.62	321,171.63
Peter Abel	0	0	0	0	224,845.60

The performance-related component presented above contains amounts paid in 2012 for fiscal year 2011, as well as a deduction of the amounts recognized and reported as provisions in fiscal year 2011. A provision established in the year 2012 for fiscal year 2012 is also included. The performance-related component for the Management Board in 2012 contains a long-term, performance-related component of EUR 144,831.00.

No share options were granted to members of the Management Board in fiscal year 2012. There are no benefits in the event of a change in the constitution of the shareholder majority.

EUR 63,756.60 was paid to former members of the Management Board as pensions in 2012. As at the balance sheet date, there was a provision of EUR 1,408,093.00 for these pension obligations.

The members of the Supervisory Board are:

Alexander von Witzleben, Weimar (Chairman)
Feintool International Holding AG, Lyss
(President of the Administration Board)

Member of the following other supervisory bodies:
» VERBIO Vereinigte BioEnergie AG, Leipzig (Chairman of the Supervisory Board)
» Siegwerk Druckfarben AG & Co. KGaA, Siegburg (Member of the Supervisory Board)
» KAEFER Isoliertechnik GmbH & Co. KG, Bremen (Member of the Advisory Board)

Dr. Gernot Hebestreit, Leverkusen
(Deputy Chairman)
Global Leader Business Development and Markets, Grant Thornton International Limited, London/England

Member of the following other supervisory bodies:
» Comvis AG, Essen (Deputy Chairman of the Supervisory Board)

Prof. Dr. Günter Bräuer, Cremlingen
Director of the Fraunhofer Institute for Laminate and Surface Engineering (IST), Braunschweig, and Managing Director of the Institute for Surface Engineering (IOT) of Braunschweig Technical University

Member of the following other supervisory bodies:
» AMG Coating Technologies GmbH, Hanau (Member of the Advisory Board)
» Institut für Solarenergieforschung GmbH, Emmerthal (Member of the Scientific Advisory Board)

Remuneration of the Supervisory Board
In accordance with the Articles of Association, the members of the Supervisory Board receive remuneration of 1% of the Group's net profit before taxes up to a maximum of EUR 100,000.00. This total remuneration is divided between the members of the Supervisory Board in such a way that the Chairman of the Supervisory Board receives double the amount paid to each regular member of the Supervisory Board. The Chairman of the Supervisory Board receives minimum annual remuneration of EUR 10,000.00, while each regular member of the Supervisory Board receives minimum annual remuneration of EUR 5,000.00. Members who leave the Supervisory Board during the fiscal year receive pro rata remuneration for their period of service.

On this basis, the Supervisory Board received remuneration of EUR 57,600.00 in 2012 (previous year: EUR 100,000.00), broken down as follows:

in EUR	Fixed remuneration Jan. 1 - Dec. 31, 2012	Variable remuneration Jan. 1 - Dec. 31, 2012
Alexander von Witzleben (Chairman)	10,000.00	18,800.00
Prof. Dr. Günter Bräuer	5,000.00	9,400.00
Dr. Gernot Hebestreit	5,000.00	9,400.00
Total	**20,000.00**	**37,600.00**

D&O insurance has been taken out to cover the liability of the members of executive bodies under civil law. In fiscal year 2012, a premium of EUR 13,744.50 (previous year: EUR 16,660.00) was paid for this insurance.

8. RELATED PARTIES

Business transactions with related parties are relevant for the PVA TePla Group as follows: Transactions with companies in which executive officers of PVA TePla AG have significant shareholdings or over which they exercise significant influence. All transactions are conducted at arm's length conditions.

9. AUDIT FEES

Audit fees recognized in the fiscal year amounted to

in EUR	
a) Audit of the financial statements	189,839.59
b) Other assurance or valuation services	0
c) Tax advisory services	0
d) Other services	0

10. DECLARATION OF COMPLIANCE

The declaration on corporate governance in accordance with Section 161 of the German Stock Corporation Act (AktG) and Section 285 (16) of the German Commercial Code (HGB) was submitted by the Management Board and the Supervisory Board. It is permanently available to shareholders at www.pvatepla.com in the Investor Relations section.

11. DISCLOSURES UNDER SECTION 160 (1) NO. 8 AKTG

Peter Abel, Wettenberg has notified us under Section 21 (1) and Section 22 (1) sentence 1 no. 1 and 2 of the German Securities Trade Act (WpHG) that his share of the voting rights in our Company exceeded the threshold of 25% on November 5, 2002, and now amounts to 29.99%. Of that, 29.32% of the voting rights under Section 22 (1) no. 1 and 2 of the German Securities Trade Act (WpHG) are allocated to him.

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

Christian Graf Dürckheim, Switzerland, notified us on October 28, 2011 under Section 21 (1) sentence 1 of the German Securities Trading Act (WpHG) that his share of the voting rights in PVA TePla AG, Wettenberg, Germany, exceeded the threshold of 3% on October 19, 2011, and that his total share of the voting rights in that company on that day amounted to 4.22%, corresponding to 917,958 of a total of 21,749,988 voting rights.

Christian Graf Dürckheim, Switzerland, notified us on November 11, 2011 under Section 21 (1) sentence 1 of the German Securities Trading Act (WpHG) that his share of the voting rights in PVA TePla AG, Wettenberg, Germany, exceeded the threshold of 5% on November 10, 2011, and that his total share of the voting rights in that company on that day amounted to 5.10%, corresponding to 1,109,092 of a total of 21,749,988 voting rights.

Wilhelm Hofmann, Germany, notified us on December 20, 2011 under Section 21 (1) sentence 1 of the German Securities Trading Act (WpHG) that his share of the voting rights in PVA TePla AG, Wettenberg, Germany, fell below the threshold of 3% on December 19, 2011, and that his total share of the voting rights in that company on that day amounted to 2.84%, corresponding to 618,431 of a total of 21,749,988 voting rights.

ARGOS FUNDS Sicav Luxembourg, Luxembourg, notified us on December 13, 2012 under Section 21 (1) sentence 1 WpHG that its share of the voting rights in PVA TePla AG, Wettenberg, Germany, exceeded the threshold of 3% on December 5, 2012 and that its total share of the voting rights in that company on that day amounted to 3.46%, corresponding to 752.890 of a total of 21,749,988 voting rights.

In addition, ARGOS INVESTMENT MANAGERS SA, Meyrin, Switzerland, notified us on December 13, 2012 under Section 21 (1) WpHG that its share of the voting rights in PVA TePla AG, Wettenberg, Germany, exceeded the threshold of 3% on December 5, 2012 and that its total share of the voting rights in that company on that day amounted to 3.46%, corresponding to 752.890 of a total of 21,749,988 voting rights. In accordance with Section 22 (1) sentence 1 no. 6 WpHG, this 3.46% (corresponding to 752.890 of a total of 21.749.988 voting rights) of ARGOS FUNDS Sicav is attributed to ARGOS INVESTMENT MANAGERS SA.

As of December 31, 2012, PA Beteiligungsgesellschaft, based in Wettenberg and belonging to Peter Abel, held a participating interest in the Company of more than 25%.

12. CONSOLIDATED FINANCIAL STATEMENTS

PVA TePla AG prepares consolidated financial statements in accordance with IFRS as per Article 4 of Regulation (EC) no. 1606 / 2002 of the European Parliament and of the Council dated July 19, 2002 on the application of international accounting standards (OJ EC no. L 243 p. 1) in conjunction with Section 315a (1) of the German Commercial Code (HGB), in which the equity investments mentioned in Section C.1. are included. The consolidated financial statements are published in the electronic version of the German Federal Gazette:

13. APPROPRIATION OF NET PROFIT / RETAINED EARNINGS

The annual financial statements of PVA TePla AG show a net profit for the year of EUR 6,002,474.59 as at December 31, 2012. After offsetting against the profit brought forward from the previous year, this results in retained earnings of EUR 27,642,593.09.

in EUR	
Profit brought forward after 2012	21,640,118.50
Net profit	6,002,474.59
Retained earnings before distribution	27,642,593.09
Distribution of a dividend EUR 0.10 on each qualifying no par value share for fiscal year 2012	-2,174,998.80
Carry forwards	25,467,594.29

The Management Board and Supervisory Board propose that EUR 2,174,998.80 of the retained earnings reported in the annual financial statements amounting to EUR 27,642,593.09 be distributed as dividends, with the remaining EUR 25,467,594.29 carried forward to a new account.

The dividend is going to be distributed on June 20, 2013.

Wettenberg, March 14, 2013

PVA TePla AG

Dr. Arno Knebelkamp
Chief Executive Officer

Arnd Bohle
Chief Financial Officer

ASSETS ANALYSIS
for the fiscal year 2012

	Acquisition and manufacturing costs				
in EUR	Jan. 01, 2012	Additions 2012	Transfers 2012	Disposals 2012	Balance Dec. 31, 2012
I. Intangible assets					
Concessions, industrial property rights, similar rights and assets, and licenses in such rights and assets	3,033,079.33	75,500.51	0.00	65.20	3,108,514.64
Total	**3,033,079.33**	**75,500.51**	**0.00**	**65.20**	**3,108,514.64**
II. Property, plant and equipment					
1. Land, property rights and buildings, including buildings on third party land	25,799,329.28	72,875.47	8,043.07	0.00	25,880,247.82
2. Plant and machinery	2,427,162.98	116,329.19	0.00	95,354.31	2,448,137.86
3. Other plant and equipment, fixtures and fittings	4,355,779.10	382,687.22	0.00	34,009.20	4,704,457.12
4. Advance payments and assets under construction	8,043.07	0.00	-8,043.07	0.00	0.00
Total	**32,590,314.43**	**571,891.88**	**0.00**	**129,363.51**	**33,032,842.80**
III. Financial assets					
Shares in affiliated companies	21,745,291.92	0.00	0.00	0.00	21,745,291.92
Total	**21,745,291.92**	**0.00**	**0.00**	**0.00**	**21,745,291.92**

	Accumulated amortization and depreciation				Residual carrying values	
	Balance Jan. 01, 2012	Additions 2012	Disposals 2012	Balance Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2011
	2,446,813.37	368,143.58	0.00	2,814,956.95	293,557.69	586,265.96
	2,446,813.37	**368,143.58**	**0.00**	**2,814,956.95**	**293,557.69**	**586,265.96**
	2,593,007.52	734,519.80	0.00	3,327,527.32	22,552,720.50	23,206,321.76
	1,163,526.93	165,112.64	90,414.56	1,238,225.01	1,209,912.85	1,263,636.05
	3,277,528.62	595,877.18	31,593.28	3,841,812.52	862,644.60	1,078,250.48
	0.00	0.00	0.00	0.00	0.00	8,043.07
	7,034,063.07	**1,495,509.62**	**122,007.84**	**8,407,564.85**	**24,625,277.95**	**25,556,251.36**
	12,903,578.31	0.00	0.00	12,903,578.31	8,841,713.61	8,841,713.61
	12,903,578.31	**0.00**	**0.00**	**12,903,578.31**	**8,841,713.61**	**8,841,713.61**

ASSETS ANALYSIS
for the fiscal year 2011

	Acquisition and manufacturing costs				
in EUR	Jan. 01, 2011	Additions 2011	Transfers 2011	Disposals 2011	Balance Dec. 31, 2011
I. Intangible assets					
Concessions, industrial property rights, similar rights and assets, and licenses in such rights and assets	2,800,218.37	238,664.69	0.00	5,803.73	3,033.079.33
Total	**2,800,218.37**	**238,664.69**	**0.00**	**5,803.73**	3,033,079.33
II. Property, plant and equipment					
1. Land, property rights and buildings, including buildings on third party land	26,240,215.79	178,706.58	0.00	619,593.09	25,799,329.28
2. Plant and machinery	1,305,635.55	1,121,527.43	0.00	0.00	2,427,162.98
3. Other plant and equipment, fixtures and fittings	4,139,864.25	358,304.08	0.00	142,389.23	4,355,779.10
4. Advance payments and assets under construction	0.00	8,043.07	0.00	0.00	8,043.07
Total	**31,685,715.59**	**1,666,581.16**	**0.00**	**761,982.32**	32,590,314.43
III. Financial assets					
Shares in affiliated companies	21,635,721.92	109,570.00	0.00	0.00	21,745,291.92
Total	**21,635,721.92**	**109,570.00**	**0.00**	**0.00**	21,745,291.92

	Accumulated amortization and depreciation				Residual carrying values	
	Balance Jan. 01, 2011	Additions 2011	Disposals 2011	Balance Dec. 31, 2011	Dec. 31, 2011	Dec. 31, 2010
	2,032,068.11	420,548.99	5,803.73	2,446,813.37	586,265.96	768,150.25
	2,032,068.11	**420,548.99**	**5,803.73**	2,446,813.37	586,265.96	**768,150.25**
	2,476,859.50	735,600.11	619,452.09	2,593,007.52	23,206,321.76	23,763,356.29
	1,092,796.06	70,730.87	0.00	1,163,526.93	1,263,636.05	212,839.47
	2,928,263.27	487,927.58	138,662.23	3,277,528.62	1,078,250.48	1,211,600.98
	0.00	0.00	0.00	0.00	8,043.07	0.00
	6,497,918.83	**1,294,258.56**	**758,114.32**	7,034,063.07	25,556,251.36	**25,187,796.74**
	12,903,578.31	0.00	0.00	12,903,578.31	8,841,713.61	8,732,143.61
	12,903,578.31	**0.00**	**0.00**	12,903,578.31	8,841,713.61	**8,732,143.61**

Responsibility Statement

„To the best of our knowledge we assure that in accordance with the applicable reporting principles the financial accounts for year ended December 31, 2012 give a true and fair view of the net assets, financial position and profit or loss of the company, and the combined Management Report and the consolidated Management Report give a true and fair view of the development and performance together with a description of the principle opportunities and risks associated with the expected development of the group."

PVA TePla AG

Wettenberg, March 14, 2013

Dr. Arno Knebelkamp
Chief Executive Officer

Arnd Bohle
Chief Financial Officer

Auditor's Report

We have audited the annual financial statements prepared by PVA TePla AG, Wettenberg, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the combined management and group management report for the fiscal year from January 1 to December 31, 2012. The maintenance of the books and records and the preparation of the annual financial statements and the combined management and group management report in accordance with the German Commercial Code (HGB) and the supplementary requirements of the Articles of Association are the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the combined management and group management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 of the German Commercial Code (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 annual financial statements in accordance with German principles of proper accounting 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 Company 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 bookkeeping system, the annual 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 the verification of the accounting principles used and significant estimates made by the legal representatives, as well as the evaluation of the overall presentation of the annual financial statements and the combined management and group management report. In our opinion, our audit provides a sufficiently secure basis to issue an opinion.

Our audit did not result in any objections.

In our opinion, based on the findings of our audit, the annual financial statements are consistent with the statutory provisions and the supplementary requirements of the Articles of Association and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The combined management and group management report is consistent with the annual financial statements and, as a whole, provides a suitable understanding of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 14, 2013

Ebner Stolz Mönning Bachem GmbH & Co. KG
Audit Firm / Tax Consulting Firm

Marcus Grzanna
Auditor

Thomas Klemm
Auditor

Service

GLOSSARY

TECHNICAL TERMS

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 and includes electrical testing, attachment of brackets, -soldering of connections and the fitting of components into a casing.

CHIP PACKAGING
Packing of semiconductor boards.

FLOATZONE
Method for growing very pure crystals.

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.

GW
„Gigawatt".

HART METAL
Metal powders, usually tungsten carbide (90-94%) and cobalt as a binder (6-10%), sintered under pressure, vacuum and high temperature and providing high-strength, low-wearing and dense materials.

HBLED
„High Brightness LED".

MEMS
Micro-electro-mechanical systems are a combination of mechanical parts, such as sensors, and electronic circuits on a substrate or chip.

OLED
"Organic light emitting diode".

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.

R&D-INSTITUTES
Institutes for research and development.

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 discs and used as the substrate for integrated circuits.

DEFINITIONEN OF FINANCIAL TERMS AND KEY FIGURES

BilMoG
German Accounting Law Modernisation Act.

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.

CHANGES IN FAIR VALUE
Fair value is a potential market price for e.g. goods or services.

COST OF OWNERSHIP
An accounting technique used to determine an investment's total operating costs.

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.

FINANCIAL COVENANTS
Special conditions in a loan agreement.

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.

IFRS
„International Financial Reporting Standards" in accounting.

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 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 recognized according to the Percentage of Completion (PoC) method.

POC METHOD
With the Percentage-of-Completion method profits from contract manufacturing are realized on basis of the degree of completion.

RETURN ON SALES
Consolidated net income expressed as a percentage of sales revenue in a period.

VORSTAG
German Act on the Appropriateness of Management Board Remuneration.

Service

FINANCIAL CALENDAR

Date		advise
May 8, 2013	Publication of the Q1 Report	
June 19, 2013	Annual Sharehol-ders Meeting	Congress Center Giessen
August 15, 2013	Publication of the Q2 Report	
November 8, 2013	Publication of the Q3 Report	
November 11-13, 2013	German Equity Forum	Frankfurt

IMPRINT

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