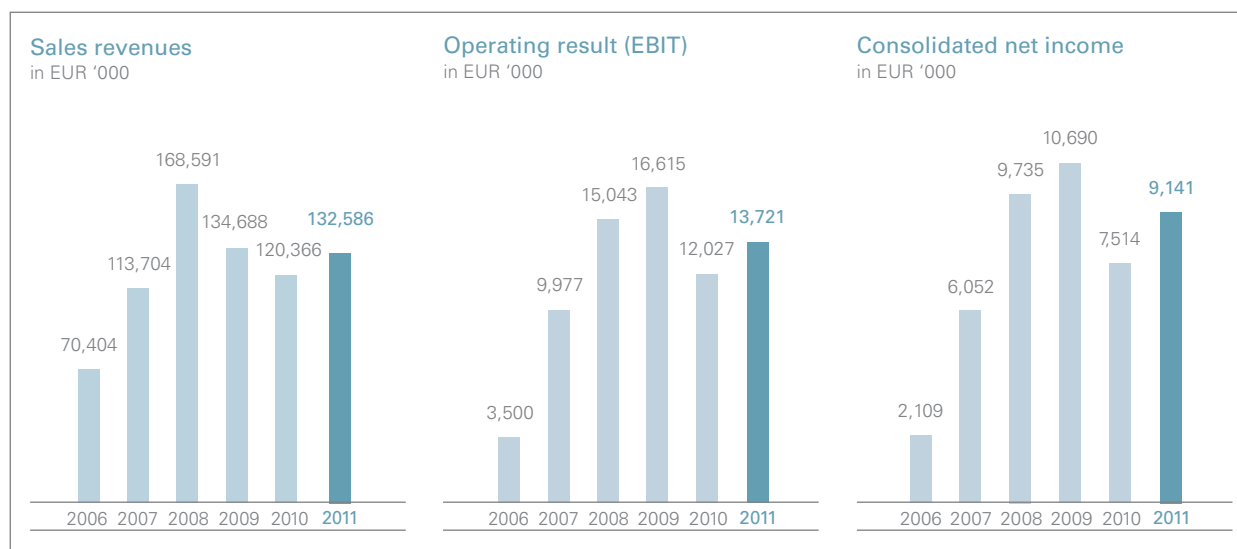


Be equipped for tomorrow's materials.

IMPORTANT CONSOLIDATED FIGURES AT A GLANCE

in EUR '000	2011	2010	2009
Sales Revenues	132,586	120,366	134,688
Industrial Systems	56,964	28,361	38,922
Semiconductor Systems	49,359	33,908	38,851
Solar Systems	26,263	58,097	56,916
Gross profit	31,125	31,228	38,861
in % sales revenues	23.5	25.9	28.9
R&D expenses	5,508	4,833	3,009
Operating result (EBIT)	13,721	12,027	16,615
in % sales revenues	10.3	10.0	12.3
Consolidated net income	9,141	7,514	10,690
in % sales revenues	6.9	6.2	7.9
Earnings per Share (EPS) in EUR ¹⁾	0.42	0.35	0.50
Capital expenditure	2,271	2,547	2,748
Total assets	129,131	121,737	127,995
Shareholders equity	60,298	54,472	51,126
Equity ratio in %	46.7	44.7	39.9
Employees as of 31.12.	509	488	501
Incoming orders	156,235	93,413	68,953
Order backlog	74,854	52,893	87,768
Book-to-bill-ratio	1.18	0.78	0.51
Cash Flow from operating activities	-8,130	11,218	29,588

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. ITS CORE COMPETENCIES ARE IN THE FIELDS OF HARD METAL SINTERING AND CRYSTAL GROWING AS WELL AS THE USE OF PLASMA SYSTEMS FOR SURFACE ACTIVATION AND ULTRA-FINE CLEANING.

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 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 4

PVA TEPLA IN FOCUS

„Wind of Change“ 6

Ultrasonic materials analysis –
an essential technique in industry
and research 14

„Menschen für Kinder“ receives
record donations 24

Highlights 2011 26

FOR OUR SHAREHOLDERS

Report from the
Supervisory Board 28
Corporate Governance 32
PVA TePla on capital markets 36

MANAGEMENT REPORT 39

GROUP FINANCIAL STATEMENTS 63

Group Notes 70
Responsibility Statement 106
Auditor's Report 107

ANNUAL FINANCIAL STATEMENTS 109

Notes 113
Responsibility Statement 128
Auditor's Report 129

SERVICE 130

Foreword by the Management Board

OF PVA TEPLA AG ON THE FISCAL YEAR 2011



f. l. t. r.
Arnd Bohle und
Dr. Arno Knebelkamp

The 2011 fiscal year was a good year for our Company. We are pleased to have met or slightly exceeded the targets we published at the end of the previous fiscal year. Sales revenues rose from EUR 120 million in 2010 to almost EUR 133 million, with our operating profit up from EUR 12.0 million to

EUR 13.7 million. This puts our EBIT margin at 10.3%, compared to 2010's figure of 10.0%. On the basis of the positive course of our business, we will once again be proposing to you, our shareholders, that we pay a dividend of EUR 0.15 per share for the 2011 fiscal year.

In contrast to our situation, the global economy did not present an equally positive image over the past year. The Eurozone debt crisis, political turmoil in the Arab states and the earthquake in Japan with the resulting nuclear disaster in Fukushima put the brakes on the global economy's development, leading to a loss in momentum. Defying this turbulent environment, we have kept PVA TePla going in the right direction. Sales revenues in the Industrial and Semiconductor Systems divisions were considerably up on the previous year's figures, with only the Solar Systems division struggling with the difficult situation and the large surplus capacities on the photovoltaics market at present. Our operating profit has also developed positively and we saw EBIT in the Industrial Systems division improve considerably from EUR 2.0 million in 2010 to EUR 4.1 million in 2011 thanks to a steep rise in sales revenues. We are especially proud of the improvement in profit seen in the Semiconductor Systems division, where EBIT climbed from EUR 2.9 million in the previous year to EUR 9.7 million. This is attributable to a high sales revenues volume and major contributions to profits from the floatzone systems, analytical systems, and plasma systems business units. The only division to register weakened EBIT was Solar Systems, where the sharp decline in business volume kept EBIT down to EUR 0.1 million as opposed to the EUR 7.1 million recorded in the previous year. Incoming orders bucked the trend of global economic slowdown in 2011 by showing positive development, with all of PVA TePla's divisions receiving higher numbers of incoming orders than those seen in the previous year and benefiting from strong demand for our systems for specific hi-tech applications.

For many years now, our Company has embodied its mission and spirit in the slogan "Be equipped for tomorrow's materials". We want our systems to constitute an important contribution to the technological development of materials and support our customers worldwide as they produce and process materials of high quality. Over the last 20 years, we have secured ourselves a position of significance on the global market for


a whole series of systems and applications – a position we intend to maintain and expand further. We have spent the past year working with the heads of our divisions and business units on a strategic project to investigate in detail how we position ourselves in the target markets of greatest relevance to us and define growth targets for individual product types. We are committed to maintaining and sustaining PVA TePla's greatest strength, a balanced structure of divisions, which ensures the Company keeps afloat even when individual markets are going through periods of weak growth. We have identified potential for additional growth for PVA TePla in individual regions and in specific enhancements to our technology portfolio.

We anticipate that Group sales revenues and profits in 2012 will be at similar levels to those seen in the fiscal year just concluded.

We would like to add the voice of the Management Board to all those from the Company thanking our colleague Mr. Peter Abel, who founded the Company in 1991 and shaped it decisively as its Chairman over a long period, for his outstanding achievements; we are delighted to be retaining his expertise as a strategic advisor to our Company.

Our business success is due first and foremost to the focused and determined personal commitment of all our employees; we would like to express our warmest thanks to them all. Our thanks likewise goes to you, our shareholders, customers and partners, for your continued trust in us and your support for our work over the last fiscal year. We hope to continue working with you in the new fiscal year and are looking forward to many fruitful discussions.

Best regards,



Dr. Arno Knebelkamp
Chief Executive Officer



Arnd Bohle
Chief Financial Officer



„Wind of Change“

THE SCORPIONS' FAMOUS ROCK ANTHEM, WRITTEN BY KLAUS MEINE AND CELEBRATING THE DRAMATIC POLITICAL TRANSFORMATION SWEEPING EUROPE, TOOK THE CHARTS BY STORM BACK IN 1989. YEARS LATER, IN 2011, THE SONG SEEMED ONCE AGAIN TO EMBODY A PIECE OF HISTORY IN THE MAKING. THIS TIME, HOWEVER, IT WAS FAR FROM BEING A MOMENT OF EUPHORIA: THE WIND OF CHANGE FELT BY THE WORLD AROSE FROM THE RUBBLE OF THE FUKUSHIMA NUCLEAR PLANT.





An AUTO WAFER system's automatized robot: notice the slots on the right for loading silicon wafers for subsequent inspection.

The lessons learned from this atomic catastrophe appear to have lent considerable momentum to the energy revolution. Many industrialized nations have enshrined the expansion of wind, hydroelectric and solar power in their political agenda. Green energy is a hotter topic than ever before. And a subsidiary of PVA TePla AG – PVA TePla Analytical Systems GmbH – is benefiting from this boom.

A TECHNOLOGICAL EDGE IN KEY MARKETS

The situation in the semiconductor industry is similarly favorable: Demand for microchips is forcing manufacturers to make ever better use of wafers. One approach to doing so, further miniaturization of the conductor paths, is already reaching

“And that is how you end up with perfectly individualized system solutions and high customer satisfaction rates.”

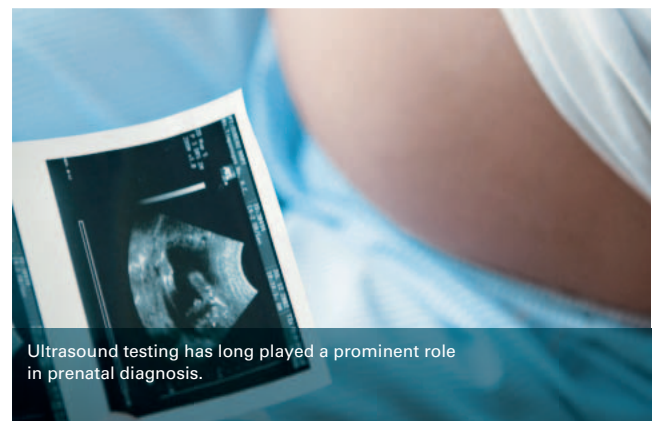
its technological limits. A second, increasing the size of the wafers from their current 200mm to 300mm, necessitates very substantial investments in new systems. For these reasons, many manufacturers have settled on a third option: stacking the wafers. Nondestructive quality investigations on these stacks can only be carried out using ultrasound or infrared and X-ray analysis. However, neither procedure comes anywhere near the level of fault detection in boundary layers achieved by ultrasound scanning microscopy.

The PVA TePla subsidiary, based in the German federal state of Baden-Württemberg, is able to provide a key technology for the quality control of components in the up-and-coming green energy market. Wind turbines and photovoltaic systems produce DC power; this means they need what are known as power inverters, which convert it into the AC power which is required for feed-in to the grid. The soldered contacts of these inverters provide the channels through which many megawatts of power are transferred. Absolute top quality is essential for such equipment. Cracks invisible to the naked eye, tiny inclusions or material impurities within the contacts have the potential to lead to a complete breakdown or even, in extreme cases, to start fires. This is where PVA TePla Analytical

Systems GmbH’s nondestructive inspection systems come in: They use ultrasound to penetrate deeply into the contacts’ soldering joints and rapidly and reliably identify any weak spots. Other nondestructive methods, such as infrared or X-ray investigation, are not or only partially suitable for inspecting these soldering joints, which contain silver. This is a weighty point in favor of ultrasound technology.

TURBO TECHNOLOGY: A RECIPE FOR SUCCESS

The strong market position held by this distinctly small PVA TePla AG subsidiary, with its 23 employees, is apparent by its recent growth, with sales revenue almost tripling within the last three years and soaring past the EUR 8 million mark in 2010 – and it’s still on the way up! As well as exploiting the advantages of its technology over other nondestructive methods discussed above, the company is also keeping ahead of its competitors in ultrasound technology by using high-resolution components and special signaling electronics, which combine to supply a superior signal-to-noise ratio. A key component of further developments in this technology is four-channel tech-



Ultrasound testing has long played a prominent role in prenatal diagnosis.

nology, another feature of PVA TePla Analytical Systems’ range; it enables inspections to proceed four times as fast as when conventional single-channel systems are used. Alongside these technological developments, the company focuses on optimizing its own software, with four engineers permanently engaged solely in integrating customer-specific tasks, special fault analysis procedures and data analysis. User interfaces can also be specifically adapted if required. In this way, the company generates flawlessly individualized system solutions – and high customer satisfaction.

TESTING WITHOUT TEARS

The principal advantage of nondestructive materials testing is self-evident: The component emerges from the inspection process intact and available for further tests. Whereas the crash tests conducted by automobile manufacturers or the German motorists' association ADAC for examining safety in frontal, side-impact or rear collisions lead to each car used being written off, nondestructive inspection methods leave no traces on the component, making them relatively inexpensive and enabling them to be conducted more or less by the by. Indeed, it is often the case that the components go on to undergo further tests, such as electrical inspection of wafers in the semiconductor industry. The inverters used in wind or photovoltaic systems even go back on sale once given a clean bill of health.



Ultrasonic scanning microscopy provides new technologies with analytical solutions that cannot be depicted through existing procedures -- especially when it comes to 3D integration, new sensors and MEMS applications.

There is a long list of nondestructive methods in existence, ranging from the simplest procedures, such as densitometry or dye penetrant and magnetic particle inspection, to expensive, elaborate instrumental processes such as X-ray technology. Over the years, a multiplicity of inspection methods have established themselves for specific applications and become preferred procedures in these fields. Ultrasound technology has the major advantage of being universally employable, suitable for almost all metals, semiconductors, plastics, lacquer coats and bones; what's more, the particular characteristics of sound waves mean it is a method that can go beyond the surface and deep into the material's interior layers.

POTENTIAL FOR CANCER RESEARCH

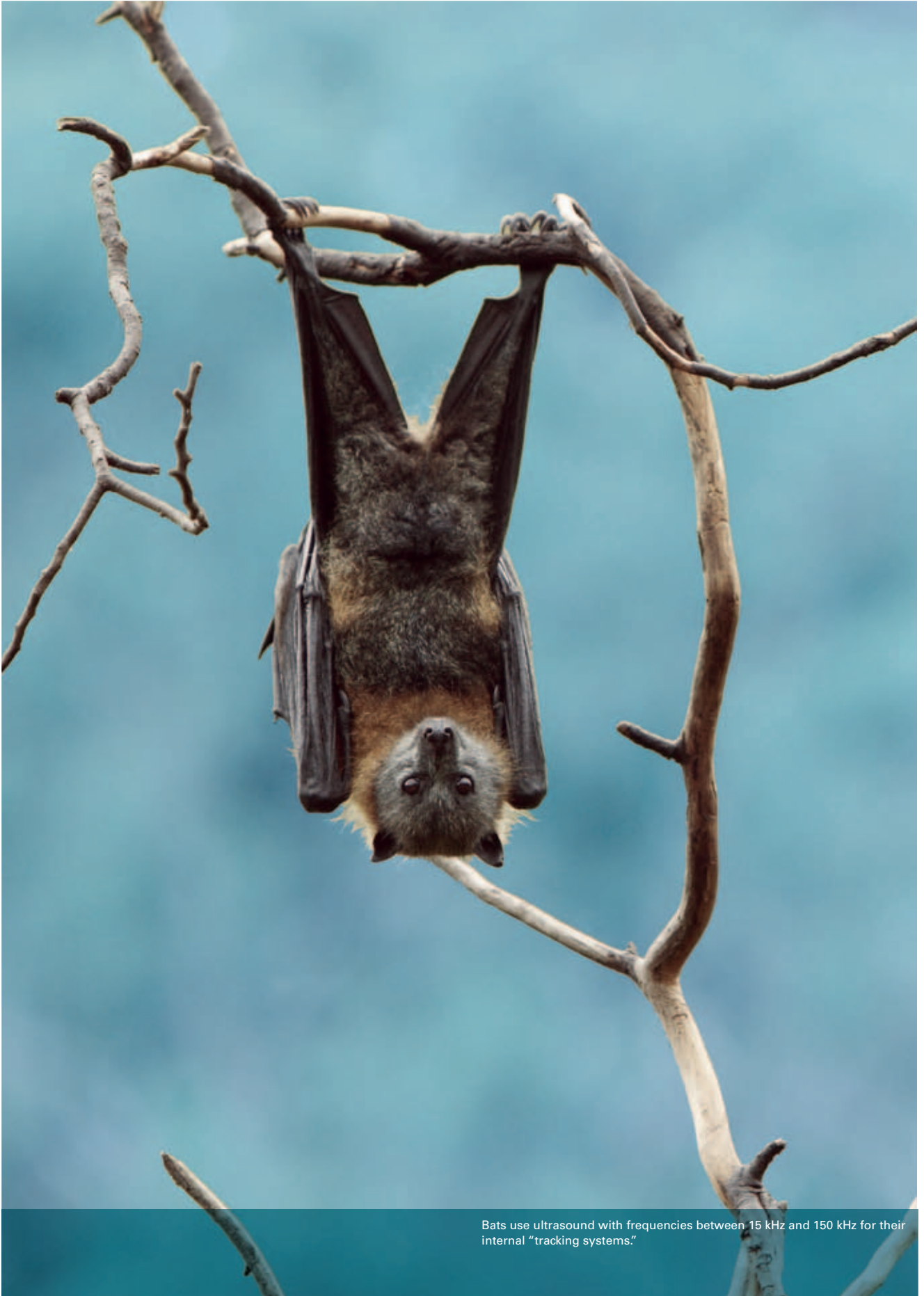
Dr. Peter Czurratis, managing director at PVA TePla Analytical Systems, is as confident for the future as he is satisfied with the present. „Ultrasound technology offers tremendous benefits in a whole range of applications. In inspection of hard metal coatings for tool production in mechanical engineering, ultrasound measurements can provide the basis for the calculation of the moduli of elasticity and rigidity. In other words, our analysis devices, combined with the corresponding analysis

“Ultrasound technology offers huge advantages in many applications.”

software, deliver key parameters for these components,” observes physicist Dr. Czurratis happily. A joint development project with the Fraunhofer Institute for Mechanics of Materials IWM in the east German city of Halle is giving rise to a highly promising prospect for the future and has brought PVA TePla Analytical Systems into immediate contact with cancer research. The project's objective is to combine ultrasound analysis systems with optical microscopes in order to distinguish healthy cells from cancer cells. It's a hi-tech field which not only holds the promise of scientific renown for the company, but also has the potential to save a great number of lives.

HEARING IS SEEING

It is undisputed that human beings are visual animals; however, as Antoine de Saint-Exupéry's story of the Little Prince has taught us, we don't see with our eyes alone. The story's author, in stating that it is only with the heart that we see clearly because what is essential is invisible to the eye, has found a resonant phrase that encapsulates the diversity of human perception. Bats, for instance, are completely dependent on their hearing, emitting sound waves and perceiving the world by means of the beams reflected back from objects. Unlike us humans with our dependency on external light sources such as the sun, candles or electric lights, they generate their “light” themselves, receiving a colorless, but perfect image of their



Bats use ultrasound with frequencies between 15 kHz and 150 kHz for their internal "tracking systems."

surroundings from the reflected beams. Whereas our hearing can perceive sound waves of up to approximately 16kHz, bats' ears are a great deal more sensitive; depending on species, they emit waves with a frequency of 15 to 150kHz. Echolocation devices work within a similar frequency band of between 100 and 200kHz. For approximately a century, echolocation has been established as a navigation and distance measurement method, primarily in shipping. Modern floating fish factories also use this technology to locate large schools of fish. „Seeing“ with ultrasound is also familiar to us from medicine, where ultrasound examination of the sinuses or the abdominal cavity is a standard

procedure, free of side effects. These devices use much higher frequencies, of between 2,500 and 15,000kHz (= 2.5–15MHz). This upper limit is where PVA Tepla Analytical Systems' product range begins: with frequencies of up to 2,000MHz, these products represent the technological apex of ultrasound technology for nondestructive inspection of materials. The hunt for ever higher frequencies makes sense: it enables users to scan ever smaller areas, with the 2,000MHz devices capable of identifying cracks, inclusions or faults measuring just 0.3µm – human hairs with circumferences of 0.05–0.1mm (50–100µm) are like thick, strong ropes in comparison.



Customer-specific solutions are developed at the new application center. There, a team of specialists analyzes the questions customers ask and provide individual solutions.

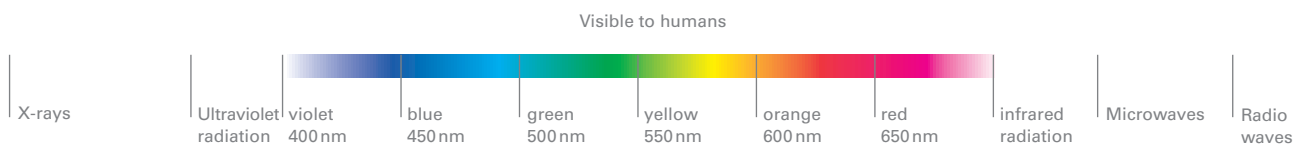
PVA TEPLA ANALYTICAL SYSTEMS IN BRIEF

PVA TePla Analytical Systems GmbH, based in Westhausen near the south German town of Aalen, has been part of PVA TePla Group since 2007. Building on the technological leadership of its predecessor companies in the development of acoustic microscopes, the company provides innovative analytical solutions for nondestructive identification of faults in hi-tech materials for the semiconductor and optoelectronic industries; applications include IC inspection and fault analysis, MEMS, LEDs, and silicon crystals of up to 300 mm in diameter. Ultrasound scanning microscopes use a frequency range of 1 MHz–2 GHz, depending on the penetrating power and the resolution required.



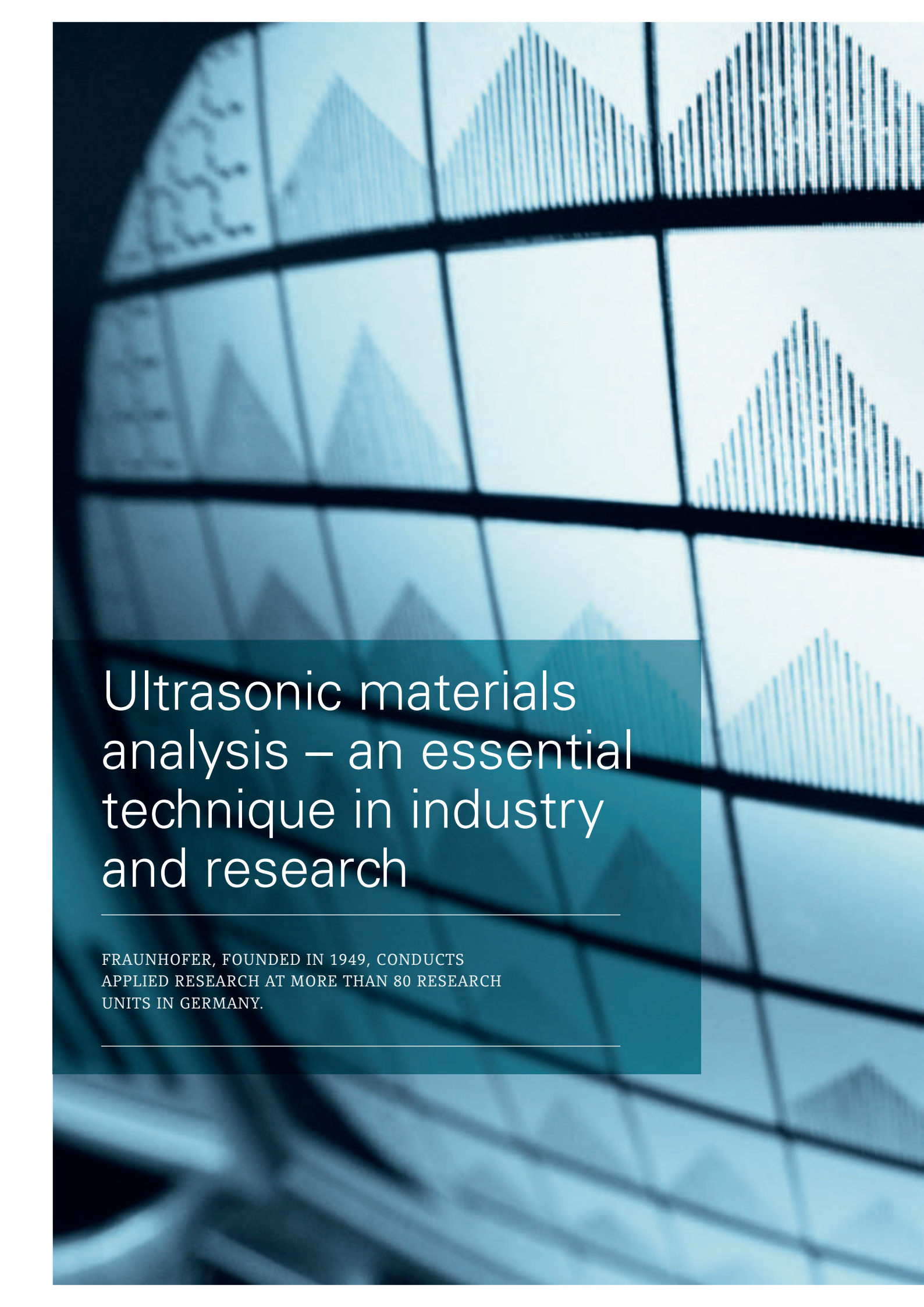
Dr. Peter Czurratis, Managing Director at PVA TePla Analytical Systems: Our master plan for developing devices is based on a platform concept involving pieces of hardware and software that can then be combined in an application-oriented way.

THE ELECTROMAGNETIC SPECTRUM



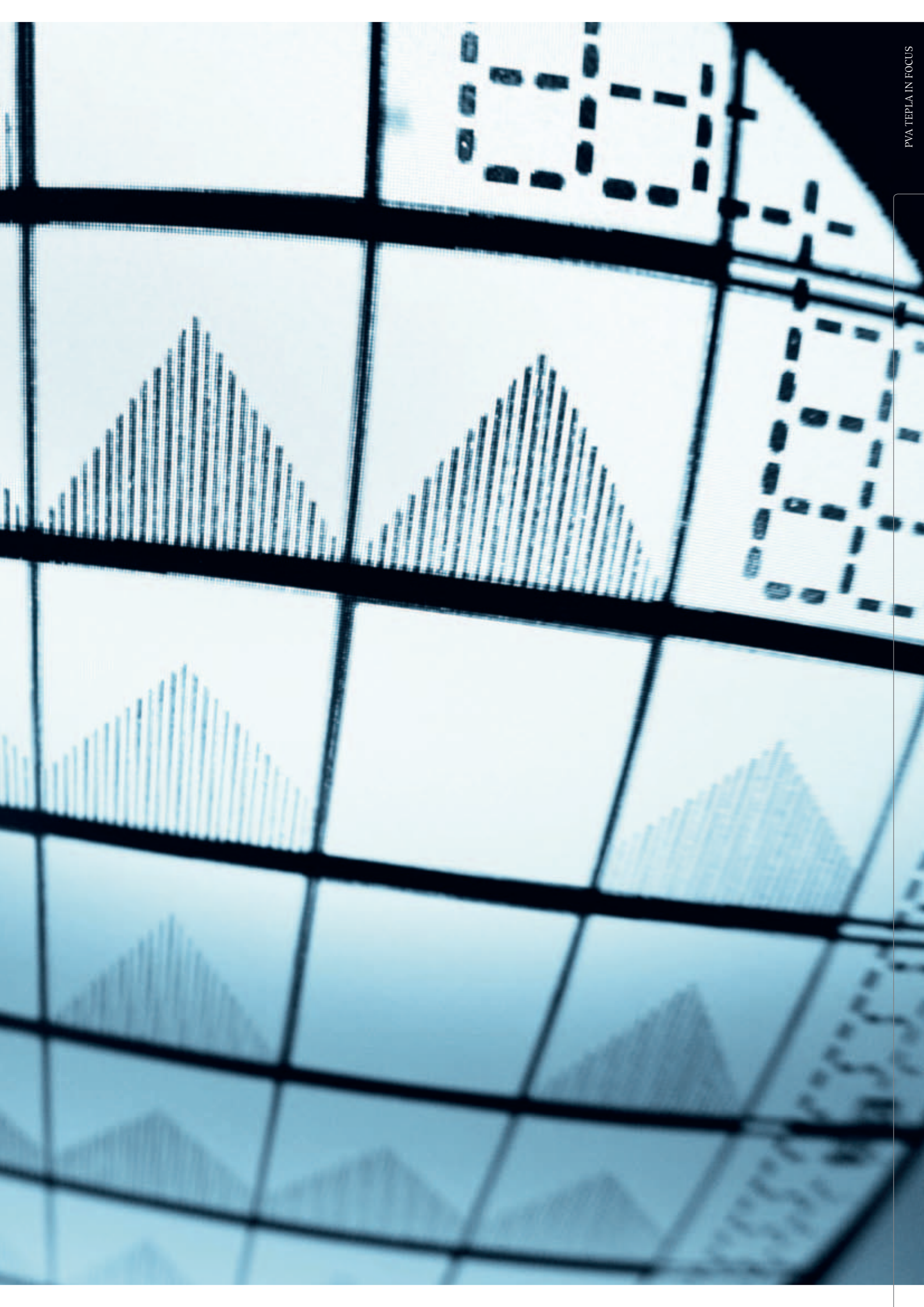
SPECTRUM OF SOUND WAVES





Ultrasonic materials analysis – an essential technique in industry and research

FRAUNHOFER, FOUNDED IN 1949, CONDUCTS APPLIED RESEARCH AT MORE THAN 80 RESEARCH UNITS IN GERMANY.





The SAM laboratory at the Fraunhofer Institute: Besides being equipped with a SAM EVOLUTION from PVA TePla Analytical Systems, the institute also has a high-resolution SAM microscope that is effective at up to 2,000 MHz and a prototype of the new modular SAM 2000, combined with an optical reflected light microscope and an inverted microscope.

Around 18,000 staff, most of them qualified scientists and engineers, are in charge of an annual research budget of around EUR 1.6 billion. More than 70 percent of Fraunhofer's research revenue is derived from contracts with industry and from publicly financed research projects. The German federal and state governments contribute almost 30 percent of Fraunhofer's budget in the form of base funding, enabling the institute to find solutions to the problems that will affect business and society five to ten years into the future.

With its focus on applied research and key technologies of the future, Fraunhofer plays a central role in German and European innovation. It supports specific innovations, enables achievement in the technological field, helps improve acceptance rates for modern technology and trains a new, desperately needed generation of scientific and technological specialists.

FRAUNHOFER'S NAME GIVER

Fraunhofer-Gesellschaft, accredited as a not-for-profit organization, takes its name from the Munich academic Joseph von Fraunhofer (1787–1826), who enjoyed equal success as a research scientist, inventor and entrepreneur.

THE FRAUNHOFER INSTITUTE FOR THE MECHANICS OF MATERIALS (IWM)

On the market, and in the world of industrial production, fulfilling increasingly high standards of quality and cost-effectiveness is a key to success. This means that the number of faults and vulnerabilities manufacturers can afford to let slip through in the production and usage of components is continuously decreasing. Science faces the challenge of providing precise, useable descriptions of the effects of mechanical, thermic, chemical or electrical strain occasioned by technology and usage and of their implications for the functional behavior of materials and components. To this end, Fraunhofer IWM investigates the behavior of materials, components and systems in different environments under the influence of external forces. Working for private- and publicsector clients, the institute finds solutions that improve the safety, reliability, lifespan and functionality of a wide range of technical components and systems in fields of application extending from transport technology, plant and manufacturing systems engineering and energy technology to microelectronics and microsystems technology. This work generates benefits in terms of cost, energy and resource efficiency which in their turn contribute to Germany's and Europe's competitiveness.

APPLIED RESEARCH INTO MICROSTRUCTURAL DIAGNOSIS

Among the specific work conducted at the IWM is research into faults and vulnerabilities in components, identifying their physical causes so that these can be avoided during the design phase or their effects managed. To this end, the IWM develops new, effective procedures for analyzing microstructures and detecting faults, as well as modeling concepts, simulation tools and testing procedures.

At its location in the east German city of Halle/Saale, Fraunhofer IWM has been focusing since 1992 on expanding its skills and competencies in the field of microstructural analysis, so as to better investigate the materials and components used in state-of-the-art semiconductor technologies. The institute's work in this area centers on the detection, analysis and avoidance of electrical, electronic and mechanical defects, faults or vulnerabilities in microelectronic components and microsystems. Working closely with partners from industry and



The Fraunhofer Institute is equipped with a wide spectrum of transducers of different makes; many of them were developed and manufactured with specific applications in mind, in cooperation with PVA TePla Analytical Systems.

scientific research, Fraunhofer IWM facilitates the introduction of new materials, technologies and techniques, the optimization of the manufacturing processes associated with these, the extension of product lifespans, increased reliability and improvements to cost efficiency and the market potential of innovative electronic systems, principally for the automotive industry.

To achieve this, the institute works with device manufacturers such as PVA TePla AG to develop innovative diagnostic and testing tools which enable better detection of faults and vulnerabilities in fault analysis and quality management.

INTERVIEW

Interview with Prof. Matthias Petzold, deputy director of Fraunhofer IWM Institute in Halle and head of the Components in Microelectronics and Microsystems Technology business unit, and Dr. Sebastian Brand, in charge of acoustics and acoustic microscopy in the working group on Characterization of Microsystems.

PVA TePla: What do you view as the major tasks of your research area at Fraunhofer?

Prof. Matthias Petzold: We cover a wide range of tasks in applied industrial research into microelectronics and microsystems technology. Working in partnership with our industrial clients, we address three major thematic clusters: materials research, fault analysis and, in this context, the development of devices and methods for diagnostics and material characterization, working with device manufacturers. We come equipped with an extensive portfolio encompassing the development and application of new analytical methods and algorithms. In addition, we serve as a point of intersection between the microelectronics industry and diagnostic device manufacturers.

PVA TePla: How far does your expertise extend in terms of quality inspection and fault diagnostics? Have you accrued experience working with other diagnostic systems besides ultrasound fault diagnostics?

Prof. Matthias Petzold: Ultrasound fault diagnostics make up a large component of the diagnostic and analytical methods available to us that we put into practice here. Due to their non-destructive nature, ultrasound-based procedures are especially suited to detecting and localizing defects from the very early stages of fault analysis – even when it comes to complex components or component groups. Our alternative nondestructive procedures use thermographic methods based on the capture of thermal images, as well as X-ray diagnosis. However, it is frequently the case that certain defects, such as interface delamination or incipient cracks, for example, can only be detected using ultrasound technology. It's not only the pictorial representation of the detected areas that is of significance, but also the interpretation of the faults that are located and then displayed in the image and the question of what impact these have on the material or component.

In most cases, the actual analysis of the cause of a fault occurs in follow-up procedures, using extremely high-resolution analytical techniques such as scanning electron microscopy (SEM) or transmission electron microscopy (TEM). Yet given the fact that these methods require prior preparation, acoustic scanning microscopy provides a valuable tool for pinpointing the region that requires analysis.

PVA TePla: You have already mentioned several other fault detection procedures. In other words, there are alternatives to quality inspection procedures deploying ultrasound technology – correct?

Prof. Matthias Petzold: There's a whole range of alternative quality inspection procedures, such as those that take the form of destructive mechanical tests on sample groups. However, nondestructive methods have a great deal of significance for standard practice – especially when it comes to safety-related components – because the methods enable 100 percent of the parts produced to be checked. Along with the various ther-

“Ultrasound systems can detect flaws that other methods are not capable of picking up.”

mographic procedures I previously mentioned, it's principally optical and X-ray procedures that can be used in this context. It would be beyond the scope of our interview to go into detail about all the systems we use – but basically, you can say that ultrasound systems can detect faults in the form of internal tears or inclusions that are not “visible” to the other methods. This is why ultrasound systems have a firm place in industrial quality management and are increasingly being accorded more significance in manufacturing.

PVA TePla: What are the particular challenges that you are confronted with in fault analysis?

Prof. Matthias Petzold: Microelectronic parts are getting increasingly complex in terms of the design and materials used, while, simultaneously, the individual components comprising them are getting smaller and smaller. Increasingly, components, such as memory, are being built three-dimensionally from individual, stacked chips. As a result, faults can occur deep inside the system's interior, and these are far more



“Ultrasound inspections can be employed in an especially beneficial way on optical, opaque materials.”



Dr. Sebastian Brand, who is responsible for the areas of acoustics and acoustic microscopy within the “microsystem characterization” workgroup. Left: Dr. Matthias Petzhold, deputy institute director at the Fraunhofer IWM Institute in Halle and head of the “Microelectronics and Microsystem Technology Components” business unit.



Adjustment of high-frequency transducers: PVA TePla Analytical Systems is working together with the Fraunhofer Institute to develop application-specific transducers designed to meet customers' exact performance requirements.

difficult to detect than damage to the surface of a chip. This leads to a situation which calls for ever higher resolution limits to the various methods, in order to be able to detect even the tiniest defects.

Detecting and characterizing defects in thin layers is always just as great a challenge, due to the fact that inhomogeneities often occur during assembly of thin layers and films. All of these challenges lend momentum to the push for new diagnostic procedures.

PVA TePla: In which areas and on which materials can ultrasound technology be used?

Dr. Sebastian Brand: Ultrasound inspection and acoustic inspection can be used highly advantageously for non-transparent materials. Along with information regarding amplitude, you also obtain runtime information, which enables you to

“The customized ultrasound miracles we perform lead to above average customer satisfaction rates.”

generate 3D imaging. Further, you can make both qualitative and quantitative statements about the properties of materials and components on the basis of the echo signals you obtain. This is information you couldn't obtain if you were to use other procedures – or at least not at the same level of quality. Appropriate analysis allows you to identify mechanical properties of the material from the acoustic signals, such as sonic velocity, thickness, internal structure and elasticity.

PVA TePla: How many years have Fraunhofer IWM in Halle and PVA TePla Analytical Systems been working together?

Prof. Matthias Petzold: The two organizations have been working closely with one another since 2009.

PVA TePla: What's the most accurate way to describe how the collaboration between your institute and PVA TePla Analytical Systems works from a technological point of view?

Dr. Sebastian Brand: The cooperative partnership between IWM Halle and PVA TePla Analytical Systems GmbH has a lot of different aspects and includes the development of methods and algorithms along with the design of components and systems for ultrasound microscopy, as well as hardware and system development. Together with PVA TePla, we are working on solutions to the problems of tomorrow and beyond. One example is the development of a new type of ultrasound transducer, for which we are dimensioning the focusing units, which are known as “calottes.” To this end, we have specifically developed a simulated environment in order to optimize the acoustic field's geometry and hence the transducer's focal properties in a way that is application-specific. What emerges from all this are calottes that are optimized geometrically, which PVA TePla then uses to manufacture what one might call made-to-measure ultrasound transducers. This is an important unique selling point, given the fact that no other manufacturer of acoustic microscopes is able to offer specially tailored microscopes, or rather to supply them cost-effectively in small batches. This is not only a boost to customer satisfaction, taking it above the average; it also opens up new fields of application to scanning acoustic microscopy. In view of the fact that the manufacture of ultrasound transducers is hardly trivial, you can assume that – in the foreseeable future – PVA TePla Analytical Systems' competitors will continue to be limited to offering standardized ultrasound transducers for the devices they manufacture.

In acoustic imaging/investigation, the interpretation of the image generated is often difficult because, during a complex test, ultrasound waves move at different speeds as they expand, which tends to produce a non-linear, distorted image. So you need experience to be able to interpret acoustic images.

It was in this context that we developed a piece of software for PVA TePla here at the institute, one that makes the results of acoustic microscopy easier to interpret, and permits analyses that extend beyond mere imaging. This requires the development of an application-specific algorithm for parametric imaging. In mathematics and mechanical CAD, you call the numbers or properties defining these relations parameters; hence, the procedure performed by the software is described as parametric.

PVA TePla: How is the market for ultrasound microscopy looking at the moment?

Dr. Sebastian Brand: Standardized devices, whose ultrasound frequencies are in the region of 10–300MHz, dominate the market. In the future, our specific development work with PVA TePla in the 2GHz region may be able to open up new fields of application in materials research, layered microelectronics systems, and the fields of life science and medicine. Our biggest advantage here is our capacity to develop one of the most important parts of an ultrasound system in-house – the transducer I spoke about before, as well as the piezo transducer. Working together with PVA TePla, this offers us the chance to develop and highlight new approaches that solve already existing problems, as well as to work on solutions to the problems that will face us in the future.

PVA TePla: Which new fields of application can you envisage for these inspection systems in the future?

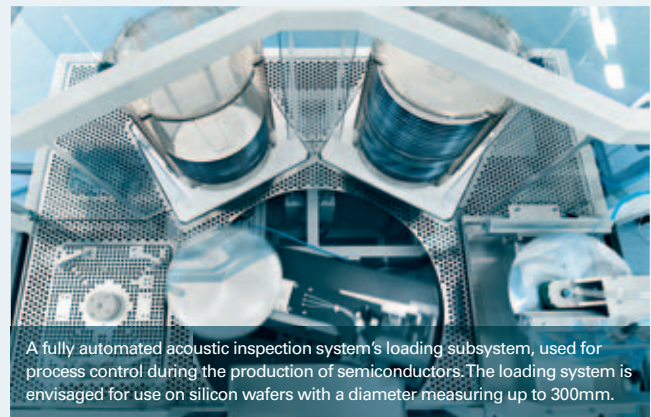
Dr. Sebastian Brand: Basically, we are currently working on two new developments. On the one hand, we're working with PVA TePla to develop a new-generation acoustic GHz microscope, including software and the corresponding analytical methods. This will have uses both in materials and in life science. In the area of material sciences, this will open up new possibilities for conducting nondestructive quantitative and qualitative investigations on thin-layered materials and films and on highly integrated microelectronic modules. Further, new horizons will

“It will be possible to use our inspection systems in many new areas.”

open up in cancer therapy thanks to the device, because it permits better observation of the course of a tumor's growth over time and quantitative determination of mechanical properties on the level of individual cells. What will be most important in ensuring the success of the system, as well as one of our greatest challenges in this context, will be our capacity to adapt the scanner so that it fits in with complementary imaging systems. A further innovation we're working on right now is a new type of measuring set-up for air-coupled ultrasound. Normally,

you work with optical microscopes in air or other gaseous substances, because sound waves are highly attenuated and reflected in air and other gases, and their range is very limited. In the markets for material science – such as the automotive industry, for example – the potential use of these kinds of ultrasound microscopes is an extremely interesting prospect; automobile manufacturing is beginning to make increasing use of composite materials which are both robust and light, essential qualities for constructing energy-efficient cars. This is because the coupling medium (water) will no longer be needed for delamination (delamination describes the removal of layers from composite materials) between materials containing inclusions of air.

So these two areas – medicine and automobile manufacturing technology – have the potential to provide ultrasound inspection with new, important fields of application.



A fully automated acoustic inspection system's loading subsystem, used for process control during the production of semiconductors. The loading system is envisaged for use on silicon wafers with a diameter measuring up to 300mm.



A high-resolution transducer is the centerpiece of any ultrasound inspection system. The transducers, which are based on sapphire lens technology, reach frequencies of 100 to 2,000 MHz and are designed for resolution values of up to 0.3 μm .

„Menschen für Kinder“ receives record donations

CYCLISTS COLLECT OVER EUR 166,000 IN AID OF CHILDREN WITH LEUKEMIA AND OTHER FORMS OF CANCER.



“The number of participants peaked at 500 drivers.”

The route covered precisely 104.1km, and the maximum number of possible participants – some 500 cyclists – joined in the tour through the Lahn-Dill district in the German state of Hesse. The event we’re talking about is this year’s benefit cycle ride held by the Menschen für Kinder charity. The organization’s goal is to provide help for children suffering from leukemia and other forms of cancer. In 2011, PVA TePla AG assumed the role of the ride’s main sponsor, not only organizing things at the event’s starting and finishing lines, but also hosting a benefit party at its company headquarters after the ride.

The starter’s gun went off at 8am on September 3. After the welcoming speech by CEO Dr. Arno Knebelkamp and some words of welcome from the organizers, the event’s participants made their way to the first donation stop at Staufenberg, led by former professional cyclist Steffen Wesemann and Tour de France participants Marcel Wüst and Kai Hundertmarck. The group included not just PVA TePla’s entire management



board, but also about 70 other cyclists from the company’s club PVA TePla Sports, as well as Michael Boddenberg, a minister from the state government of Hesse. Anyone could participate in the event: All you had to do was register in advance and donate EUR 60 to obtain a tour jersey. After Staufenberg, the cyclists went on to Lahnu, Asslar, Ehringshausen, Herborn, Mittenaar, Bischoffen and Erda, stopping at each place for 25–50 minutes to enjoy different activities that were part of the event’s program.

The cyclists drew on all of their reserves to complete the last few kilometers from Erda to Krofdorf-Gleiberg, and at about 6.30pm, the main body of participants, including Joey Kelly, once again returned to Westpark. Ready and waiting for them were their fans, with live music as entertainment.

The benefit party that followed was compered by Andreas Hieke, who works at Hesse’s regional radio and television station. Hieke also oversaw the final fund-raising event of the day: The auction of a genuine Marcel Wüst cycling jersey.

The background of the slide is a photograph of industrial machinery. In the foreground, there is a large, dark, cylindrical component, possibly a tire or a large roll of material, with a central circular opening containing a pile of small, light-colored granules. Above this, there are various mechanical parts, including a blue metal structure, white pipes, and a robotic arm with a blue and black joint. The overall scene is brightly lit, suggesting an industrial or laboratory setting.

Highlights 2011

RECORD REVENUE AND THE INDUSTRIAL SYSTEMS BUSINESS UNIT'S LARGEST NUMBER OF NEW ORDERS TO DATE DURING 2011 WERE KEY FACTORS CONTRIBUTING TO PVA TEPLA'S ENCOURAGING OPERATING RESULT.



SolarCrystallizer



Vacuum furnace



Hard metal sintering furnaces

APRIL

PVA TePla receives an order, worth over EUR 20 million, from the Asian photovoltaics industry for the delivery of systems for crystallizing silicon ingots.

The company delivers a giant ion source for research into nuclear fusion to the Max Planck Institute for Plasma Physics in Garching, near Munich. The ion source is to be used in a large-scale experiment for finding out more about the generation of large-area, energy-dense ion beams for nuclear fusion.

MAY

PVA TePla marks 25 years of vacuum system deliveries to a range of well-known companies in China. Since 1986, the company has received commissions for over 80 systems.

JUNE

Marketing commences for a new generation of the Multi-Crystallizer system type, which allows the crucible to be loaded with up to 560 kg of silicon.

JULY

The company presents a newly developed crystal growing system, based on the Czochralski process, to laboratory scale. The CGS Lab is suitable for industrial applications and basic research.

Dr. Arno Knebelkamp takes over from Peter Abel, the company's founder, as its Chief Executive Officer.

OCTOBER

PVA TePla delivers a series of crystal growing systems for producing germanium crystals to a Russian company.

DECEMBER

The Industrial Systems division records the highest ever level of incoming orders in the history of PVA TePla.

Report from the Supervisory Board

OF PVA TEPLA AG ON THE FISCAL YEAR 2011



f. l. t. r.
Prof. Dr. Günter Bräuer,
Alexander von Witzleben,
Dr. Gernot Hebestreit

The beginning of the year 2012 has been marked by continued worsening of the state debt crisis and a slowdown in the global economy, both in the developed industrial nations and in emerging countries. The current fiscal year even harbors a certain risk of recession; even if this risk is averted, we are set to see weakened economic growth across the globe. Any positive momentum for the global economy is likely to come

from emerging economies such as China, India and Brazil, whose rates of growth are substantially ahead of those in the established industrialized nations. After strong and rapid growth in GDP in 2010, amounting to 4.9%, 2011 saw growth of just 3.6%, while 2012 is forecast to experience another decline in GDP growth, limiting it to 3.2%. Despite all the negative developments currently observable in the global economy, the

forecast issued by the Company's management at the end of 2010 as to the primary key figures of the Company for 2011 proved accurate. The highly pleasing figures for the year, with consolidated sales revenues amounting to EUR 132.6 million and operating profit totaling EUR 13.7 million, with an EBIT margin of 10.3%, are once again emphatic proof that our Company's business model is a success even in a difficult economic environment. PVA TePla's other important key figures, such as liquidity and the equity ratio, also developed well, as one might expect in view of the characteristics of the project business.

Revenue in almost all product areas fulfilled and indeed exceeded the targets set in our corporate planning. The exception was our Solar Systems division, which found itself unable to achieve target revenue due to the problematic market environment in the photovoltaic industry and the surplus capacities currently characterizing the market situation. Total incoming orders for the Group came to approximately EUR 156 million, an increase of almost 70% on the previous year's figure, while order backlog as of December 31 was also notably higher than that seen in the year before. It is in the light of these figures that we reiterate our belief that the Management Board's forecast for 2012 of consolidated sales revenues amounting to between EUR 120 and 130 million, accompanied by an EBIT margin of 8 to 10%, will prove accurate.

MONITORING OF AND ADVISORY ASSISTANCE TO MANAGEMENT

In the 2011 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 2011, four regular Supervisory Board meetings took place, plus one extraordinary Supervisory Board meeting. All Supervisory Board members attended these meetings in person.

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 25, 2011, was the annual and consolidated financial statements as of December 31, 2010, 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 28, 2011, and received an overview of the status of customer projects in each division at that time. We held a thorough discussion of the difficult competitive situation in the solar market, which had been struggling with surplus capacities, and of options for action in response to the situation. 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 2011 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 state of business in the individual divisions was at the center of the Supervisory Board meeting held on June 30, 2011. We compared incoming orders and order backlog at the time to the figures budgeted for in each case, and received a report on the status and planned further course of the major projects revolving around delivery of crystal growing systems to the semiconductor and photovoltaic industries. Further, we discussed organizational changes relating to Dr. Knebelkamp's appointment to the chairmanship of the PVA TePla AG Management Board. We were given interim information on the strategic project running in the Company at that time, with the objective of generating an overview of the current strategic position taken by the divisions and their product areas in terms of markets, competitors, customers and costs. The analyses compiled in this context are to provide a basis for the drawing up and priority ranking of various potential strategic courses of action.

The Supervisory Board meeting held on September 23, 2011, concerned itself in depth with the individual product areas' business situation, market and competitive environment. Further, we discussed and approved the forecast for 2011. In addition to this, we held a discussion on the continuation of the 2012 strategy project, and in this context on the organizational adjustments to take place at the beginning of the year, with particular relevance to the Solar Systems division. A further focus of the meeting was the audit conducted by our internal audit department of our sales division, as well as the audit's results. We had not been made aware of any significant findings emerging from this audit of sales.

The extraordinary Supervisory Board meeting which took place on November 7, 2011, saw us engaging with the insights that had emerged from the strategic project carried out over the previous months. We undertook thorough discussion of the definition and priority ranking of courses of action to improve the market position in each division. The results were taken into account in budget planning for 2012 – 2014.

At the Supervisory Board meeting held on December 5, 2011, issues under discussion encompassed current projects and the Company's business situation as of October 30, 2011, including order intake and backlog; the Company's further strategic development; planning for the period 2012 to 2014, including investment and human resource planning; and the Company's strategic objectives, derived from the results of the strategic project, which met with the Supervisory Board's approval. The meeting additionally focused on questions relating to planning on preparations to draw up and audit the annual financial statements, including questions surrounding financial issues in preparation of the annual financial statements. The Supervisory Board was also in agreement with the guidance for 2012 as presented by the Management Board, and reviewed and signed the Declaration of Compliance with the German Corporate Governance Code.

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.

CORPORATE GOVERNANCE AND THE DECLARATION OF COMPLIANCE

At the meeting held on December 5, 2011, 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 December 2011 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 Board makes its report on corporate governance in a separate chapter of the 2011 Annual Report, both on its own behalf and on that of the Supervisory Board.

It was proposed to the Annual General Meeting that it elect 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 2011. The Supervisory Board satisfied itself as to the auditor's independence as defined in section 107, paragraph 3, sentence 2 of the AktG and requested, received and reviewed a corresponding statement of independence from the auditor. This independence is additionally evidenced 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 foci 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. Thereafter, the dependency report was provided 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) of the 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, elected by the Annual General Meeting, audited the PVA TePla AG annual financial statements and the consolidated financial statements as of December 31, 2011, as well as the combined management report for PVA TePla AG and the Group for 2011. 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 26, 2012. 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 of the 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, under which a dividend of EUR 0.15 per share will be distributed and the remaining amount carried forward to new account.

COMPOSITION OF THE SUPERVISORY AND MANAGEMENT BOARDS

There were no changes to the individual composition of the Supervisory Board in the reporting period. In its meeting held on November 26, 2010, the Supervisory Board of PVA TePla AG had resolved to appoint Dr. Arno Knebelkamp as a member of the Management Board for a term of three years beginning on April 1, 2011. At the conclusion of the 2011 Annual General Meeting, Dr. Knebelkamp took over the position of Chief Executive Officer from Mr. Peter Abel. In its meeting held on June 30, 2011, the Supervisory Board resolved to reappoint Mr. Arnd Bohle as CFO of PVA TePla AG and extend his contract, due to expire on May 31, 2012, for another five years until May 31, 2017. We would like to express our thanks and appreciation to Mr. Peter Abel, founder of our Company and Chief Executive Officer of PVA TePla AG over many years, for his work in decisively shaping our company over a long 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 2011.

Wettenberg, March 2012

On behalf of the Supervisory Board,



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

CORPORATE GOVERNANCE

OF PVA TEPLA AG
ON THE FINANCIAL YEAR 2011

1. SHAREHOLDERS

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

2. CAPITAL MARKET TRANSPARENCY

The Management Board and Supervisory Board of PVA TePla AG attach great importance to the transparency of corporate decisions. Timely dialog with the shareholders of the Company, the capital market and interested members of the public is to provide a comprehensive impression of our Company. All documents relevant to achieving this objective, in particular quarterly and annual reports, documents for the Annual General Meeting, ad hoc announcements, other press releases, financial calendars, disclosures in line with the Securities Trading Act and information on our divisions are published promptly and regularly and are publicly accessible on our website (www.pvatepla.com). Analysts and institutional investors are also provided with opportunities to gain extensive information about the market positioning, strategic focus, and prospects of our Company during road shows, conferences, balance sheet press conferences, analysts' conferences, regular telephone conferences, and one-on-one meetings. The corresponding presentations are also available on the PVA TePla website for those who are interested.

3. JOINT DECLARATION OF COMPLIANCE BY THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF PVA TEPLA AG IN LINE WITH SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The Management Board and Supervisory Board of PVA TePla AG, domiciled in Wetztenberg, Germany, hereby declare that the recommendations of the German Corporate

Governance Code of the Government Commission in its currently published version dated May 26, 2010, have been and are being complied with. The following are deviations from the Code regulations:

1. Items 4.1.5, 5.1.2 Paragraph 1 and 5.4.1 Paragraph 2 of the Code state that when filling managerial positions in the enterprise as well as positions on the Management Board and Supervisory Board, the Management Board shall take diversity into consideration and, in particular, aim for an appropriate consideration of women.

Until now, the subject of "diversity" has not been considered within the Company when filling managerial positions as well as positions on the Management Board and Supervisory Board.

Reason: Now and in the future, the Management Board and Supervisory Board will make the best possible selection among candidates for managerial positions according to their actual qualifications and so as to best suit the interests of the Company.

2. Item 4.2.3 Paragraph 2 of the Code provides for orienting the compensation structure of Management Board members towards sustainable growth of the enterprise. The variable compensation elements are to be based on a multi-year assessment.

At present, variable compensation elements are still measured in accordance with one year's operating profit within the scope of an old contractual regulation.

Reason: The new regulations of the Code correspond to those of VorstAG (German Act on the Appropriateness of Management Board Remuneration) dated August 5, 2009. These do not apply to existing contracts according to the explanatory memorandum. Therefore there is no intervention in the ongoing Management Board contracts. Arrangements that comply with the Code were agreed upon in the extension of Management Board contracts and when drawing up new ones. These regulations have been applied to the terms of Dr. Arno Knebelkamp's current contract. The regulations have also been applied to Arnd Bohle's contract, although they will not become effective until 2012.

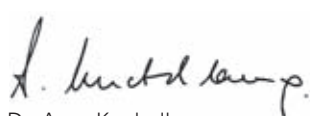
3. Item 5.3 of the Code recommends that the Supervisory Board form committees.

The Supervisory Board of PVA TePla AG does not have any separate committees.

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

Wettenberg, December 5, 2011

On behalf of the
Management Board:



Dr. Arno Knebelkamp
Chairman of the
Management Board

On behalf of the
Supervisory Board:



Alexander von Witzleben
Chairman of the
Supervisory Board

4. STATEMENT ON CORPORATE GOVERNANCE ACCORDING TO SECTION 289A HGB (GERMAN COMMERCIAL CODE)

The Statement on Corporate Governance according to Section 289a HGB (German Commercial Code) has been made permanently accessible in the Investor Relations – Corporate Governance section of the PVA TePla AG website at: www.pvatepla.com/en/pva-tepla-service/investor-relations/corporate-governance/unternehmensfuehrung

5. REMUNERATION REPORT

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

REMUNERATION OF THE MANAGEMENT BOARD

The remuneration of 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. Other regulations are still in place for the

old contracts of Peter Abel and Arnd Bohle, in which the bonus is measured entirely as a percentage of the annual net profit of the PVA TePla Group. As of fiscal year 2012, all Management Board contracts will pertain to the above-mentioned remuneration system. Details can be found in the notes to the consolidated financial statements.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of Supervisory Board members is regulated by Article 14 of the Articles of Association of the Company. In line with this provision, the remuneration of the Supervisory Board amounted to EUR 100 thousand in 2011. According to the Articles of Association, the Supervisory Board receives total annual compensation of 1% of profit from ordinary activities, capped at a maximum EUR 100 thousand.

Stock options were not granted to members of the Management Board and the Supervisory Board in fiscal year 2011.

6. SHAREHOLDINGS AND SUBSCRIPTION RIGHTS OF EXECUTIVE BODY MEMBERS

	Shares Dec. 31, 2011	Shares Dec. 31, 2010	Subscription rights Dec. 31, 2011	Subscription rights Dec. 31, 2010
Dr. Arno Knebelkamp	25,000	0	0	0
Arnd Bohle	5,000	3,000	0	0

SUPERVISORY BOARD

	Shares Dec. 31, 2011	Shares Dec. 31, 2010	Subscription rights Dec. 31, 2011	Subscription rights Dec. 31, 2010
Alexander von Witzleben	0	0	0	0
Dr. Gernot Hebestreit	0	0	0	0
Prof. Dr. Günter Bräuer	0	0	0	0

REPORTABLE TRANSACTIONS OF MEMBERS OF EXECUTIVE BODIES

According to the German Securities Trading Act (WpHG), Members of the Management Board and Supervisory Board must report the purchase or sale of shares in PVA TePla AG. The following transactions were conducted in the financial year 2011:

Name	Date and Place of Transaction	Reason for Disclosure Requirement/ Position	Description of Financial Instrument	ISIN	Type of Transaction (Purchase / Sale)	Price per Item/ Currency	Number of Items	Total Amount/ Currency
Dr. Arno Knebelkamp	April 12, 2011 XETRA	Management Board	PVA TePla shares	DE0007461006	Purchase	EUR 4.50	9,350	EUR 42,075.00
Dr. Arno Knebelkamp	April 13, 2011 XETRA	Management Board	PVA TePla shares	DE0007461006	Purchase	EUR 4.50	650	EUR 2,925.00
Arnd Bohle	August 16, 2011 TRADE-GATE	Management Board	PVA TePla shares	DE0007461006	Purchase	EUR 3.50	2,000	EUR 7,000.00
Dr. Arno Knebelkamp	September 12, 2011 TRADE-GATE Stuttgart	Management Board	PVA TePla shares	DE0007461006	Purchase	EUR 3.40	5,000	EUR 17,000.00
Dr. Arno Knebelkamp	November 18, 2011 Stuttgart	Management Board	PVA TePla shares	DE0007461006	Purchase	EUR 3.00	10,000	EUR 30,000.00

7. 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 and material associated companies 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 counter-measures. 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 2011 financial 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 Executive Board and Supervisory Board agreed on a plan for the medium term. Based on this, all divisions of PVA TePla Group are going to be subject to a systematic audit. The first areas to be audited were payments to Executive Board members and Division Managers, the subsidiary PVA TePla America Inc. and materials management at the former Asslar location. In 2010, these audits were continued, e.g. at PVA TePla Danmark and in 2011 for the sales division in Wettenberg and the subsidiary PVA TePla Analytical Systems in Westhausen.

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 and legal regulations. 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.

8. AUDITOR

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

For the 2011 fiscal year, the audit of the financial statements was conducted by Ebner Stolz Mönning Bachem GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Frankfurt am Main. The annual financial statements were granted an unqualified audit opinion.

PVA TEPLA ON CAPITAL MARKETS

FOR THE FINANCIAL YEAR 2011

DEVELOPMENT OF PVA TEPLA SHARES

The PVA TePla share experienced a relatively high degree of volatility in 2011. After marking its annual high at EUR 4.67 at mid-year, the share price declined again in the second half of the year until it reached its annual low at EUR 2.86 at year-end. Generally weak stock markets and considerable losses on all major share indices as well as a clouded economic outlook, particularly in key markets such as the semiconductor and photovoltaics industries, weakened the share price. At the beginning of 2012 however, the PVA TePla share recorded gains again, rising to EUR 3.75 on March 20, 2012.

COMMUNICATIONS 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 New York, Paris, Frankfurt and Munich to establish direct contact with institutional investors. 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. Our talks with investors mainly focused on the performance of the photovoltaics market and the related subject of the competitive situation in the global engineering sector. Further key points were order intake development in all divisions, and our estimated future

business performance in connection with the deterioration of the global economic situation. The strategy project launched last year and the options it generated for PVA TePla's individual divisions also met with a high degree of interest.

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

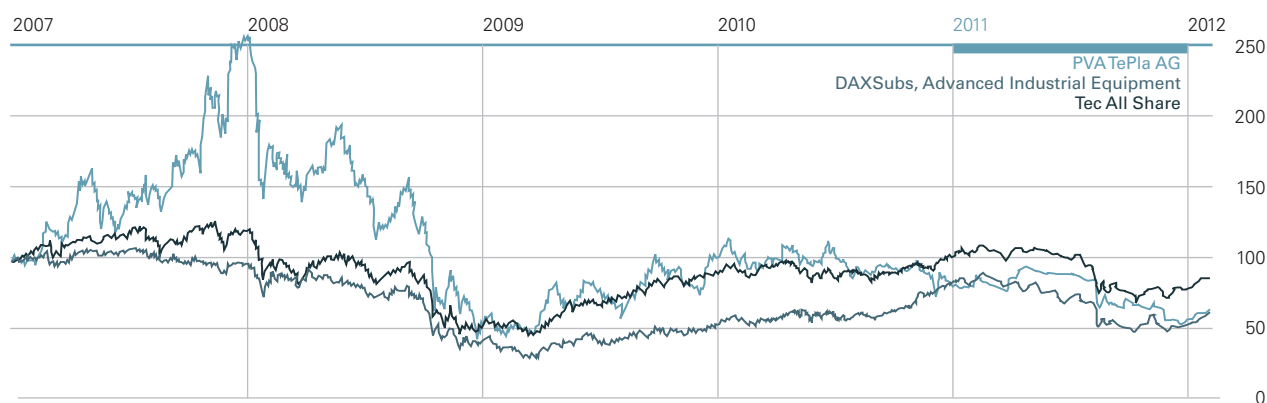
ANNUAL GENERAL MEETING

The Annual General Meeting of PVA TePla was held on June 30, 2011 at the Congress Hall Giessen. At the time of vote, 43.76% of the capital with voting rights was present at the Annual General Meeting. All agenda items proposed by the Management Board and the Supervisory Board were approved by the shareholders with a very large majority.

DIVIDENDS

The Management Board and Supervisory Board of PVA TePla proposed to the Annual General Meeting 2011 a dividend of EUR 0.15 (2010: EUR 0.20) per share on account of the earnings situation in the previous financial year. This corresponds to a dividend yield of 4.9% calculated using 2011's closing share price.

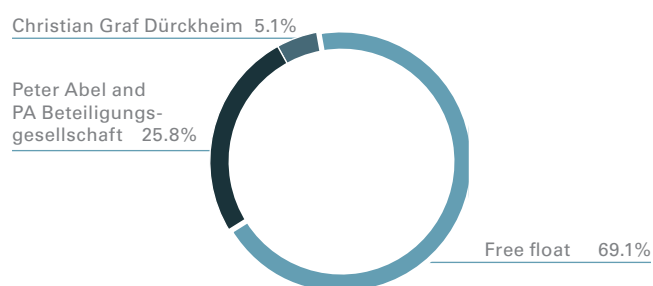
Performance of PVA TePla shares January 2007 – February 2012 in % 1-day-interval

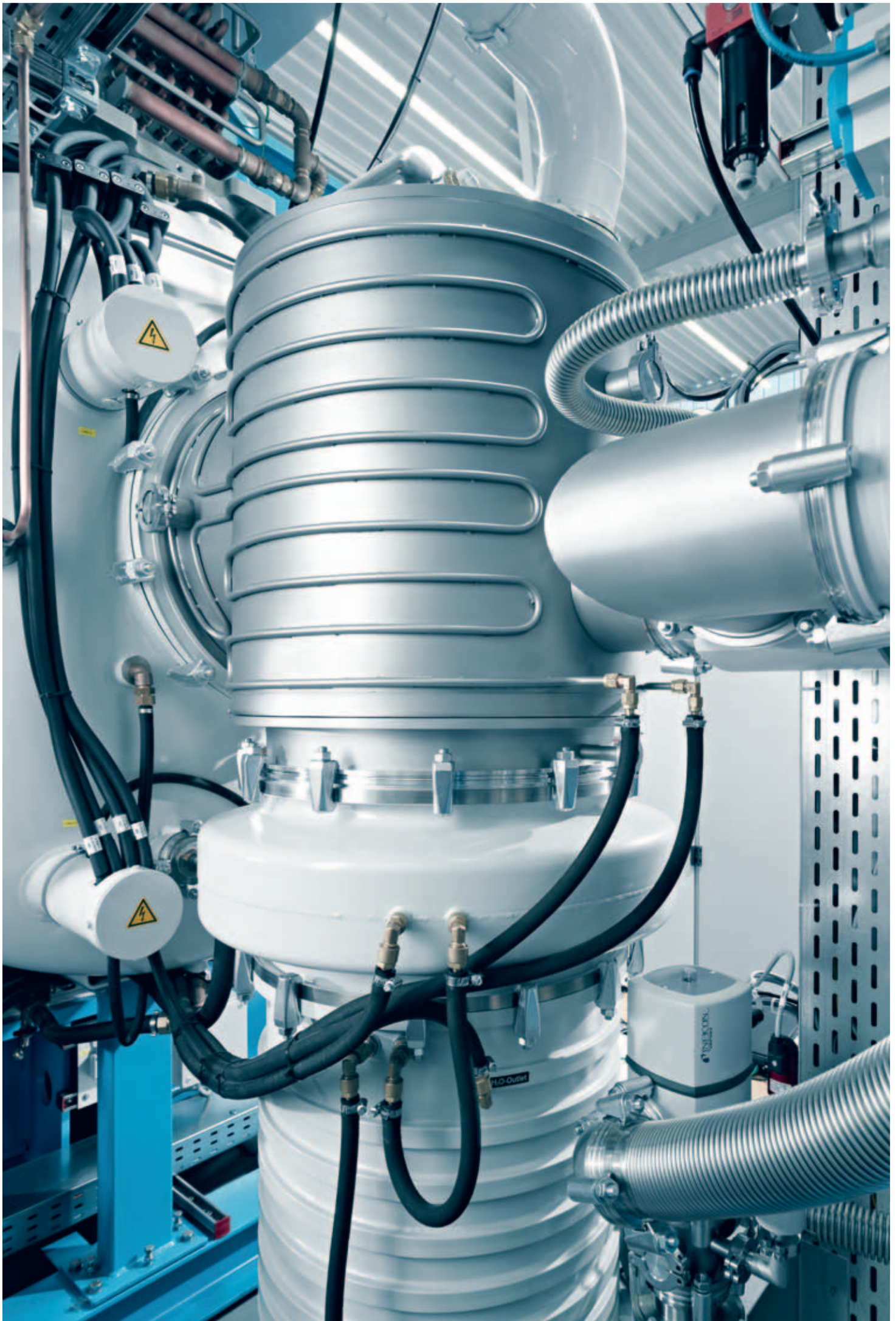


PVA TePla share key figures

		2011	2010
Earnings per share (EPS)	EUR	0.42	0.35
Annual high	EUR	4.67	5.40
Annual low	EUR	2.86	3.55
Closing rate as of December 30	EUR	3.07	3.90
Performance of PVA TePla shares	%	-21	-24
Performance of Technology All Share	%	-28	8
Performance of "DAX Subs. Advanced Industrial Equipment"	%	-23	48
Solar share index	%	-52	-
Number of shares at year-end	million	21.75	21.75
Free float	%	69.1	74.20
Market capitalization at year-end	EUR million	66.8	84.8

Shareholding structure





2011 MANAGEMENT AND GROUP MANAGEMENT REPORT

PVA TePla AG, Wetztenberg

1. INTRODUCTION	40	12. RESULTS OF OPERATIONS	52
2. REPORTING STRUCTURE	40	13. SUPPLEMENTARY REPORT	53
3. STRUCTURAL CHANGES WITHIN THE PVA TEPLA GROUP	41	14. ASSESSMENT OF OPPORTUNITIES AND RISKS	53
4. BUSINESS AND GENERAL ENVIRONMENT	41	15. RISK MANAGEMENT	58
5. SALES REVENUES	44	16. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM FOR THE GROUP FINANCIAL DISCLOSURE PROCESS	59
6. ORDERS	45	17. DISCLOSURES RELEVANT TO THE RIGHT TO TAKE OVER	59
7. PRODUCTION	47	18. COMPANY MANAGEMENT DECLARATION	60
8. RESEARCH AND DEVELOPMENT	47	19. DEPENDENCY REPORT	60
9. INVESTMENTS	48	20. OUTLOOK	61
10. GROWTH IN WORKFORCE	49		
11. NET ASSETS AND FINANCIAL POSITION	49		

2011 Management and Group Management Report

PVA TEPLA AG, WETTENBERG

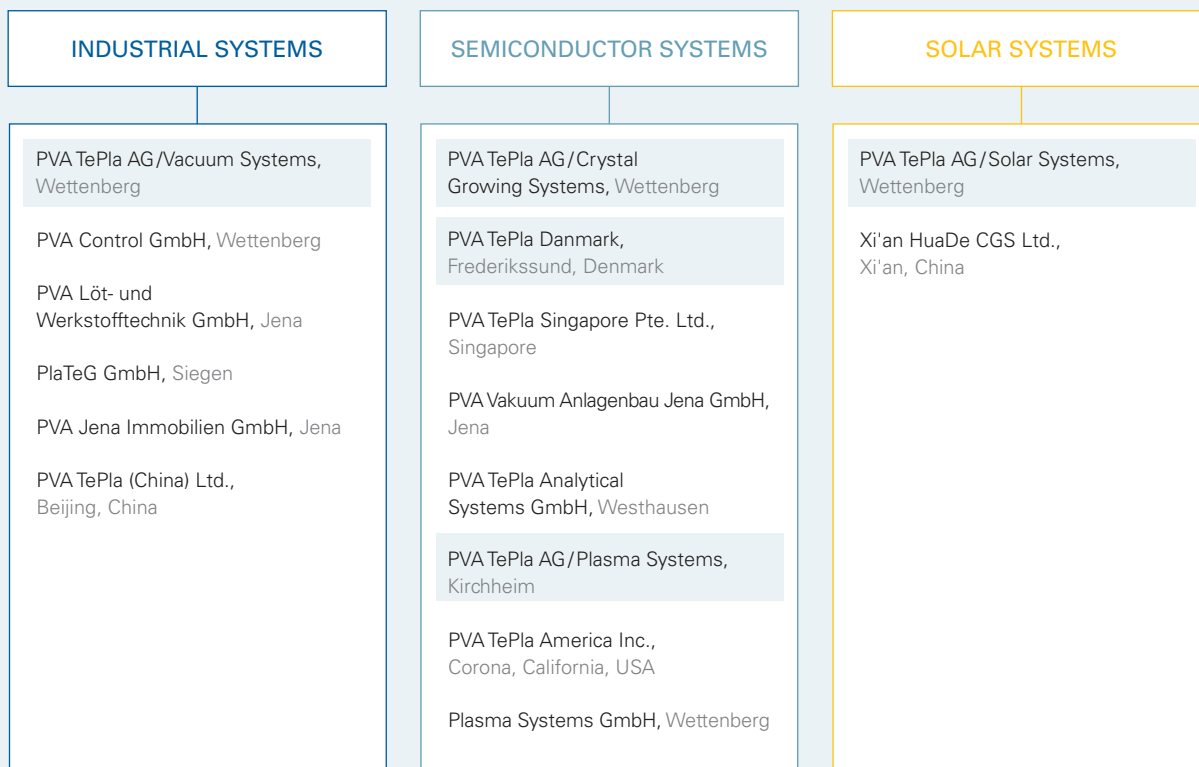
1. INTRODUCTION

The PVA TePla Group operates globally as a supplier of systems for the production, refinement and processing of high-quality materials such as hard metals, metals, semiconductors, ceramics and silicon, and for the controlled surface treatment of such materials and a large range of plastic surfaces. 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 in vacuum conditions, in inert gas atmospheres, 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 300 mm silicon (Si) wafer technology for semiconductors, high-purity (Si) wafers made from floatzone material for high-performance electronics, mono- or poly-crystalline Si wafers for photovoltaic, structural materials for aviation and space, metal powder production technologies, such as for hard metals, micro-sensor 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. Nondestructive inspection and analytical systems for the quality control of manufactured materials are another important part of the Company portfolio. Even in future, high-tech materials will most likely have to be produced under vacuum and high-temperature conditions, providing PVA TePla with plenty of sales opportunities in the global market. PVA TePla markets are characterized by high technological requirements 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 2011. 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.



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

3. STRUCTURAL CHANGES WITHIN THE PVA TEPLA GROUP

A structural change has been implemented within the subsidiaries of the PVA TePla Group since the annual financial statements dated December 31, 2010. PVA TePla's previous sales and service representative office in Beijing was converted into PVA TePla (China) Ltd., a company under Chinese law, in the second quarter of 2011. This measure was necessitated by the significant increase in orders from China in recent years. PVA TePla (China) Ltd. is a wholly-owned subsidiary of PVA TePla AG. As the Company's principle business activities focus on sales support and providing after-sales support for the Vacuum Systems business unit, it was assigned to the Industrial Systems division for organizational purposes.

PlaTeG GmbH, which is located in Siegen, will relocate to Wettenberg during the course of the first quarter of 2012. The production of PulsPlasma® systems at the main vacuum systems production site in Wettenberg is intended to create greater synergy effects in their cost structure.

4. BUSINESS AND GENERAL ENVIRONMENT

4.1. MACROECONOMIC ENVIRONMENT

Global

The recovery of the global economy that emerged in 2010 cooled during 2011. Global gross domestic product (GDP) only rose by 3.6% in 2011 following a considerable increase of 4.9% in 2010. A number of factors contributed to the restrained rise in global GDP in the first half of 2011: the sharp rise in commodity prices had a detrimental effect and the consequences of the earthquake in Japan left noticeable marks on global production. The gradual easing of these factors allowed GDP to grow strongly again in the third quarter with an annual rate of approximately 4% and the outlook for future positive global economic developments through 2012 improved. However, this positive estimate was reversed within an unusually short space of time. In recent months, the prospects for the global

economy have worsened significantly in the wake of the government debt crisis affecting numerous major industrialized countries. The pace of economic expansion in emerging countries has slowed and GDP growth in industrialized countries is weak with falling sentiment indicators. The economic risks are also reflected in the financial markets. Risk premiums for lower-rated government bonds rose significantly (not only for bonds issued by countries in the Eurozone, but also for those issued by emerging countries) and international rating agencies gradually downgraded increasing numbers of countries, including the USA. Commodity prices also dropped considerably. The forecast for 2012 is a further decline in year on year GDP growth, from 3.6% to 3.2%.

Eurozone

A recession is even looming for the Eurozone as a result of the recent escalation of the government debt crisis. Tight fiscal policies in a growing number of countries and uncertainty regarding the extent and form of further measures to combat the debt crisis are severely curbing demand from industry and private consumers. Financing conditions for companies have also worsened considerably in a large number of countries as greater pressure is being put on banks, with banks reacting to this by being very careful when granting loans to companies. While the Eurozone reported modest GDP growth of 1.6% during the past year, this is likely to fall even lower – to only 0.2% – in 2012.

Germany

Germany's GDP rose by 3% last year, making it one of the best years for the country's economy since reunification. Growth rates were almost as high as in record years 2006 and 2007, which both saw growth of 3.7%. This economic output makes Germany a member of the leading group of European countries. Both foreign and domestic trade proved to be dynamic and contributed to growth. The robust labor market is one of the reasons for the positive development in domestic demand: the working population has never been as large as in the past year. A significant contribution to this was also made

by the construction industry, which continues to profit from the economic stimulus packages set up in crisis year 2009, when economic output slumped by 5.1%. However, the global economic downturn also hit the German economy toward the end of 2011; GDP dropped by approximately 0.25% in the fourth quarter. Some institutes also expect a mild recession at the beginning of 2012, but growth of around 0.8% for full-year 2012. Even though the danger posed by recession is less in Germany than in other Euro countries, the country's future economic developments depend considerably on overcoming the debt crisis in Europe. Should the debt crisis escalate, this would have significant negative effects due to the crucial importance of the Eurozone on the German export business.

Japan

Japan's gross domestic product shrank for three consecutive quarters and only overcame the recession in the third quarter of 2011, with GDP for full-year 2011 falling by 0.5%. Slight growth in the fourth quarter of 2011 was primarily driven by private spending, followed by foreign trade. In contrast, the weak investment by companies observed for some time in Japan continued. GDP growth of 2.3% is expected for the current year.

USA

Rather subdued growth is expected for the US economy in the coming years. Following slightly accelerated GDP growth of 2% in the third quarter of 2011, economic output is expected to increase by 1.8% in 2011, on par with full-year 2011. Although economic indicators brightened slightly in recent months, they are still not positive enough to assume a significant rise in output for the USA in the near future. Uncertainties regarding the government debt crisis in Europe, a global economic slowdown and latent weakness of American domestic demand resulting from the real estate crisis make a sustained economic recovery seem unlikely. There is seemingly very little scope for economic stimulus packages due to tight public sector budgets and political discord.

Brazil

Prospects for many sectors in Brazil are cautiously optimistic for 2012. Brazilian companies anticipate a high level of public-sector investment on account of the major sporting events being held in the country in 2014 and 2016. GDP is expected to rise by around 3.5%. The domestic market is projected to profit from the 14% rise in the minimum wage at the beginning of the year. The labor market will remain stable given the generally good industrial orders situation.

Russia

GDP in Russia rose by 3.9% in 2011, with 3.2% expected for 2012. The drop in economic growth is primarily due to the expected sluggish export demand for raw materials and a gradual slowing of domestic demand. Lower oil prices resulting from poor global growth may also significantly impair the scope for stimulus measures to boost the Russian economy. The major importance of income from raw material exports on the Russian budget is high-lighted by the fact that Russia's budget deficit would amount to almost 10% instead of the 1.2% in 2011 without that income. Basic preconditions remain insufficient for sustained growth in Russia, such as an improved environment for foreign investments and structure reforms.

India

Economic growth is also expected in India, Asia's third-largest economy. GDP growth for 2012 is forecast at 7.4%, after 8% in 2011. Growth is mainly driven by industrial production. Due to the global economic downturn, high export rates of the Indian economy are likely to be a thing of the past.

China

Compared to established industrialized nations, China retained extraordinary economic growth of 9% in 2011. But even China has seen growth slow since the third quarter due, among other things, to the fall in European exports. But a more restrictive interest rate policy in China and a slowing real estate market also had a dampening effect, resulting in economic data hinting at a further slowdown in economic output in 2012. GDP growth of 7.5% is therefore expected for the current year.

4.2. SECTOR DEVELOPMENTS

Mechanical Engineering Industry

The majority of output in the German mechanical engineering industry – characterized by medium-sized businesses – is produced for the global market with approximately three quarters of products being exported. This figure has been increasing since 2009. Around half of these exports go to the European Union, the other half to Eastern Europe and overseas. The mechanical engineering industry mainly produces equipment for the manufacture of industrial goods, the mining and processing of raw materials and the production of energy. Around two thirds are capital goods. Mechanical engineering production in the first eleven months of 2011 went up almost 14% as in the same period of the previous year. The VDMA (Verband Deutscher Maschinen- und Anlagenbau – German Engineering Federation) expects production to increase by 4% in 2012. The steep rise in demand in 2011 resulted in high production capacity utilization. The positive development of the German mechanical engineering industry can also be seen in sales revenues development, which rose in the period Jan. – Oct. from EUR 136.3 billion in 2010 to EUR 160.9 billion in 2011. Exports play a major role in the German mechanical engineering industry. The first ten months of 2011 saw a good 15% year on year rise in exports. China was the largest foreign market, growing by almost 29% in this period. The US and EU markets also reported high growth rates of more than 20% and good 11% respectively. Far above-average growth was recorded in Russia, with almost 35%, and Brazil, with just under 23%.

Semiconductor market

According to market research institute Gartner, the semiconductor market grew by just under 1% to USD 302 billion. Following a very strong start to the year, growth rates plummeted due to uncertainty about the further development of the world economy. Sales revenues growth of 2.2% to USD 309 billion has been forecast for the current year. Mobile communications

such as smartphones as well as tablets, portable games consoles and e-books are all key semiconductor market drivers. The LED market has grown considerably in recent years. Although significant LED market growth continues to be forecast for the future, sales revenues in 2012 are expected to be "flat". However, semiconductor market investments will fall by almost 19% in 2012 to USD 35 billion just to climb again in 2013. This is reflected in high volatility in the semiconductor market and its susceptibility to economic changes. Investments in both the "Wafer Fab" and "Packaging and Assembly Equipment" sectors will fall considerably in 2012.

Photovoltaic market

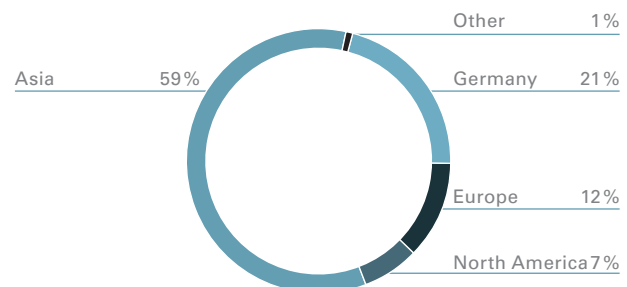
Despite contradictory forecasts, the photovoltaic market in Germany grew slightly to 7.5 GW, again achieving the high 2010 level. Germany was joined in Europe by Italy in recording very strong PV systems growth. Italy's growth was on par with growth seen in Germany. According to latest estimates, the global photovoltaic market has grown to a total of approximately 26 GW, thanks in particular to China (+2.2 GW) and the UK. Research institutes have issued cautious forecasts for the current year as there is still uncertainty about how some governments will promote solar power. In general, growth in 2012 is expected to stagnate at the level seen in 2011. A significant decline is projected in newly installed systems on the German market, due mainly to the expected and increasingly hotly discussed reduction in state aid through the Energieeinsparungsgesetz (EEG – German Renewable Energy Law). However, considerable growth is forecast for other markets such as the USA and China, as well as in Southern Europe. Since 2011, the photovoltaic market has proven to be extraordinarily competitive, which can be largely explained by high oversupplies. The forecast for the first months of 2012 is again for continued pricing pressure in module production and polysilicon manufacturing. Market research institute VLSI expects a 20% decline in global photovoltaic system manufacturing sales revenues in 2012.

5. SALES REVENUES

PVA TePla Group generated consolidated sales revenues of EUR 132.6 million (previous year: EUR 120.4 million) in fiscal year 2011. Sales revenues therefore exceeded the value for the previous year. Sales revenues reached its highest level at EUR 55.3 million in the fourth quarter of 2011 (QI

EUR 23.1 million, QII EUR 23.1 million, QIII EUR 31.1 million). The very high sales revenues growth in the fourth quarter of 2011 can be seen in the deliveries of crystal growing systems in the semiconductor and photovoltaic industries. Germany accounted for 21% of consolidated sales revenues (previous year: 41%). The Asian market continues to have grown in importance: This region accounted for 59% of sales revenues (previous year: 44%). Particularly deliveries of different types of crystal growing systems to several customers in Asia contributed to the large amount of sales revenues in this region. 12% (previous year: 13%) of total sales revenues were generated by sales to other European countries. North America accounts for 7% (previous year: 2%). This encouraging increase was due to the rise in plasma system business volumes in North America as well as floatzone system sales revenues in Denmark. Other regions account for 1%. The section below 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

Sales revenues posted by the Industrial Systems division were twice that of fiscal year 2010, recording EUR 57.0 million versus EUR 28.4 million. This accounted for 43.0% of consolidated sales revenues. Extraordinarily high sales revenues – this division's highest ever – are due to the relatively high order backlog at the end of 2010 as well as exceptionally good business performance in 2011. Sales revenues were very positive in all quarters and rose in the second half of the year. As in previous years, the hard metal segment once again made the greatest contribution to the division's business volume. Systems for processing graphite materials are another significant source of

sales revenues. Highly purified graphite is in demand by various industries such as semiconductor and optoelectronics for LED manufacturing or aviation. Particularly noteworthy in this product group is the winning of one of the world's leading major graphite manufacturers as a new PVA TePla customer. A major graphite cleaning system was delivered for this customer during the final quarter of 2011. As a product group, metallic heater systems are yet another significant source of sales revenues in the Industrial Systems division. These are used in the electrical industry for tasks such as brazing vacuum switches.

SEMICONDUCTOR SYSTEMS DIVISION

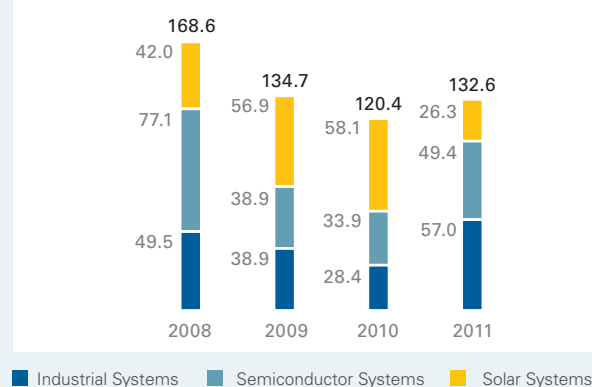
Sales revenues in the Semiconductor Systems division amounted to EUR 49.4 million in 2011 (previous year: EUR 33.9 million). The division thus contributed 37.2% of total sales revenues for the PVA TePla Group. The significant sales revenues growth in fiscal year 2011 was due, on the one hand, to the Crystal Growing Systems business unit for the semiconductor industry. Orders received in the first three quarters of 2011 from the semiconductor industry lead to significant sales revenues in the fourth quarter. A very positive development with major momentum for the division's development also came from business at the Danish site of PVA TePla AG, which is responsible for manufacturing floatzone crystal growing systems. Customer demand for slim rod pullers and analytical systems for the photovoltaic industry and crystal growing systems to manufacture high-purity silicon crystals for the semiconductor industry was very high and resulted in sales revenues more than doubling year on year. The subsidiary PVA TePla Analytical Systems GmbH, a supplier of systems for the nondestructive inspection and quality control of materials using ultrasound technology, supplies analytical systems to the entire chip manufacturing value creation chain – to leading technology companies for the purpose of material and component inspection. This subsidiary recorded high and stable sales revenues in 2011. The Plasma Systems business unit slightly increased sales revenues in 2011. Sales revenues in this area, especially in the semiconductor industry, were generated from ashing and activation processes, performance and compound semiconductors, organic LED displays (OLED), HBLEd and MEMS at the front end and from chip packaging at the back end.

SOLAR SYSTEMS DIVISION

The Solar Systems division generated sales revenues of EUR 26.3 million in the past fiscal year (previous year: EUR 58.1 million), thereby contributing 19.8% to the total sales revenues of PVA TePla Group. Sales revenues in 2011 mainly result from the order received in April 2011 for the delivery of systems for the production of mono-crystalline silicon crystals in the Asian photovoltaic industry. Market oversupplies in the production of photovoltaic modules mean that the sales outlook for crystal growing systems was very unfavorable in 2011. However, if the solar market continues to grow and if the trend for highly-efficient and high-quality solar cell continues in the medium and long term, PVA TePla will continue to play a key role in the creation of renewable energies.

PVA TePla AG reported sales revenues of EUR 105.9 million (previous year: EUR 113.2 million) in its single entity financial statements. The decline is due to lower sales revenues in the Solar Systems division.

Consolidated sales revenues by division
EUR million



6. ORDERS

6.1. INCOMING ORDERS

At EUR 156.2 million, total incoming orders for the Group in the 2011 fiscal year rose significantly compared to the previous year (EUR 93.4 million). Incoming orders for all Company divisions were up considerably year on year and profited from the improved global economic conditions and the positive development in individual markets. The rise of the Group's book-to-bill ratio from 0.8 in the previous year to 1.2 also underlines this positive development.

The Industrial Systems division recorded incoming orders of EUR 59.2 million (previous year: EUR 40.8 million) or 38% of total incoming orders – a PVA TePla record. This positive development continued throughout 2011 and did not weaken, even toward the end of the year. As in the previous year, approximately 70% of orders for vacuum systems were received from abroad, with approximately half coming from customers in Asia. The majority of vacuum systems is still being ordered by customers in the hard metal market. The product group with the second-highest level of incoming orders were systems for the production and/or heat treatment of graphite. This segment experienced a particularly big boost in incoming orders; especially satisfying is the fact that a further global graphite manufacturer was gained as new customer. Incoming orders for systems of this product group have almost doubled year on year. Systems for materials production and brazing processes in the electrical industry are another key product group that contributed to this positive development.

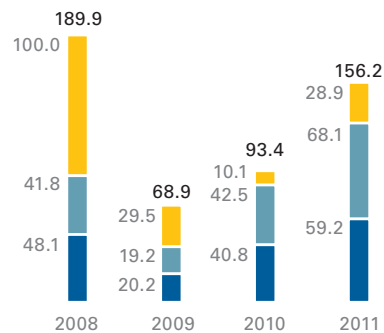
Incoming orders for the Semiconductor Systems division, which also grew remarkably in 2011 to EUR 68.1 million (previous year: EUR 42.5 million), accounted with 44% for the largest share of total incoming orders. PVA TePla Danmark – a manufacturer of floatzone systems – received a number of large orders from both the photovoltaic and semiconductor markets. Chinese customers and, encouragingly, a Japanese customer from the semiconductor industry mainly ordered crystal growing systems for manufacturing high-purity silicon crystals for high-performance electronics. Orders for analytical systems for the photovoltaic industry were obtained from Korea, Taiwan and Germany. Several orders in 2011 from the Asian semiconductor industry contributed to the very high level of incoming orders in the Crystal Growing Systems business unit. These systems are used for manufacturing silicon rods which are sawn into semiconductor wafers further down the production chain. Asia also dominates in the Analytical Systems business unit, in which systems are developed and produced for the nondestructive inspection of materials, with an incoming orders share of approximately 50%. Noteworthy in this business unit is the successful acquisition of a new customer from the European semiconductor market, which ordered three auto wafer analytical systems. The Plasma Systems business unit in Kirchheim recorded good incoming orders, especially

in front end products, which was boosted by a new product line. However, incoming orders across all product groups of this business unit were down on 2010. Asia is by far the most important plasma systems market.

The Solar Systems division recorded customer orders of EUR 28.9 million (previous year: EUR 10.1 million), at least achieving the level recorded in 2009 again, after weak figures in 2010. The division accounted for a share of 18% of total incoming orders. PVA TePla received an order worth approximately EUR 20 million for the delivery of crystal growing systems for the Asian photovoltaic industry. The difficult market environment in the global photovoltaic industry is expressed in incoming orders. Systems development, the results of which serve as a reference point for cell production and promise maximum efficiency in the later production of electricity while providing excellent cost of ownership, will put the division in a position to increase future incoming orders.

When looking at PVA TePla AG on its own, order intake went up significantly from EUR 80.5 million in the previous year to EUR 139.5 million. This includes orders of EUR 4.3 million from other Group companies (previous year: EUR 4.8 million). The steep rise in demand in the Vacuum Systems, Crystal Growing Systems (Semiconductors), Floatzone Systems and Crystal Growing Systems (Solar) business units in particular contributed toward this positive development.

Order income by division
EUR million

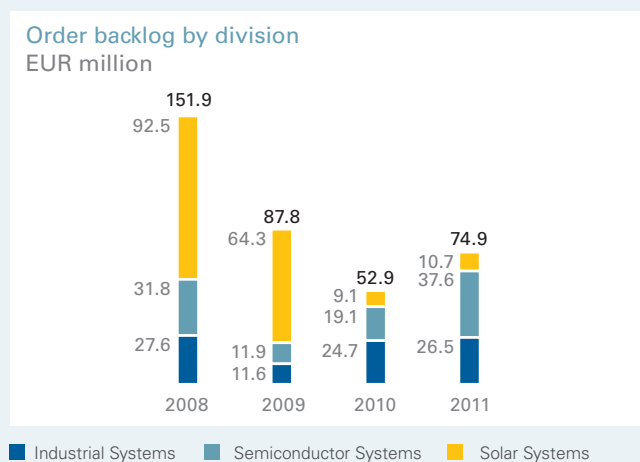


■ Industrial Systems ■ Semiconductor Systems ■ Solar Systems

6.2. ORDER BACKLOG

PVA TePla Group order backlog is reported after deducting sales revenues previously recognized applying the Percentage of Completion method (PoC). Order backlog for the Group totaled EUR 74.9 million as of December 31, 2011 (previous year: EUR 52.9 million). All divisions reported a year on year rise in order backlog, especially in the Semiconductor Systems division, which almost saw its order backlog double to EUR 37.6 million (previous year: EUR 19.1 million). Order backlog for the Industrial Systems division totaled EUR 26.5 million as of December 31, 2011 (previous year: EUR 24.7 million) and EUR 10.7 million (previous year: EUR 9.1 million) for the Solar Systems division.

Order backlog of PVA TePla AG – presented individually as nominal values in accordance with German accounting principles – totaled EUR 116.5 million (previous year: EUR 83.7 million). Almost all divisions contributed to the rise in order backlog.



7. PRODUCTION

In the 2011 fiscal year, system production and contract processing were performed in Germany at the Wettenberg, Siegen, Aalen (Westhausen) and Jena locations. For reasons of capacity, production in Aalen, where nondestructive ultrasonic inspection systems were manufactured, moved to nearby Westhausen on April 1, 2011 as part of PVA TePla Analytical

Systems GmbH's move. The Aalen site is now closed. 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 allows for rapid and flexible adjustment of production capacity as necessary to meet potential changes in demand.

8. RESEARCH AND DEVELOPMENT

The costs of research and development for the Group rose to EUR 5.5 million during the reporting period (previous year: EUR 4.8 million), reflecting increased products development. A selection of division R&D activities 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.

SEMICONDUCTOR SYSTEMS DIVISION

Analytical Systems Business Unit

Research and development in this business unit focused on further developing the successful SAM 300/400 ultrasound analytical system for the semiconductor industry, materials research and bio-medical research with improved high-frequency electronics. Higher throughput and improved imaging quality result in a significant rise in customer productivity. The control software was also optimized with the aim of increasing automated system detection reliability. Work was also carried out on the development of the new auto wafer hardware, with the aim of integrating a number of improved ADC converters (Analog-to-Digital Converters) in a system controller. These measures will increase production process system reliability. A software package was developed to process acoustical signals,

which permits key material properties to be ascertained using ultrasound analyses. This opens up further opportunities for nondestructive material analyses in research and development. Work was also carried out on developing software for the next generation of auto ingot analytical systems, which are designed to improve the accuracy of pin hole depth measurement as well as the resolution of pin hole detection.

Plasma Systems Business Unit

The engineering of a new cleaning and activation system version – GIGA 80 Plus – has been completed in the Plasma Systems business unit. This system, which cleans lead frames in the semiconductor back end, is more cost efficient as this system is loaded and unloaded on just one side and not on opposite sides as had previously been the case. The new version was presented to customers at the SEMICON Taiwan trade fair in September 2011. Work is also continuing on an inline system to clean and activate lead frames in chip packaging, which will offer a greater range of application using plasma kindled by radio frequency (RF). The new 80 Plus IoN system was delivered to a well-known packaging company for testing at the beginning of November 2011. The Plasma Systems business unit is thereby the only back-end production system manufacturer that can offer its chip packaging customers inline systems with either microwave- or radio frequency-kindled plasma, giving the business unit broader semiconductor market access. The development of the 450 M-SIRD for the next generation of 450mm wafers continued in the Wafer Metrology product group, which is being supported by the European Union's European Equipment & Materials Initiative (EEMI 450). The system measures wafer shearing stress and has much improved throughput.

Floatzone Systems Business Unit

The development of an automated floatzone process for the new FZ-35 system has been completed in the Floatzone Systems business unit. The new system aims to significantly improve productivity. This type of system is currently being installed in the Competence Center for Industrial Crystal Growing Systems (CCIC). This will significantly improve the possibilities for process optimization even for high-purity silicon crystals (including for high-performance electronics).

SOLAR SYSTEMS DIVISION

In the Solar Systems division, work was conducted at the Competence Center for Industrial Crystal Growing Systems (CCIC) in Wettenberg in 2011 on the further development of the Czochralski (Cz) method for growing monocrystalline silicon ingots, especially for the SolarCrystallizer system as part of the top cluster "Solarvalley Mitteldeutschland" (Solar Valley Central Germany). The main aim is to significantly optimize the costs and processes of Cz crystal growing in regards to both technology and the entire growing cycle. This includes, among other things, working on the crystallization process in the Czochralski process with the aid of a magnetic field. Significant conversions were carried out at the systems in the Competence Center in terms of the Magnetic Czochralski process (MCz). This research is expected to increase solar cell efficiency and thereby cut photovoltaic energy production costs. Another systems type was added to CCIC's equipment. The "CGS Lab" enabled a technologically innovative laboratory-scale crystal growing system to be developed and commissioned. The CGS Lab, which was constructed within the scope of the top cluster competition sponsored by the Federal Ministry of Education and Research, manufactures monocrystalline ingots using the Czochralski process. Due to its smaller scale, this system is particularly interesting for industrial application in the solar, semiconductor and optical industries as well as for fundamental research at institutes and universities. Other focuses in this division will be on the construction of additional crystal growing systems in CCIC. This is designed to drive developments of crystal growing systems for the photovoltaic industry that give greater weight to market and customer demand for more efficient and cost-efficient processes due to existing market oversupplies and the resulting significant increase in competitive pressure.

9. INVESTMENTS

At EUR 2.3 million (previous year: EUR 2.5 million), the investment volume in 2011 dropped slightly compared to the previous year. The largest single investment includes the installation of a floatzone system in CCIC. This crystal growing system provides for a larger systems portfolio to be presented to customers; it also allows some development projects to be accelerated. 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 at EUR 2.0 million in 2011 increased (previous year: EUR 1.3 million). Higher investments primarily relate to plants; the largest single measure was the above-mentioned construction of a floatzone system in CCIC. No financial investments were made, as in the previous year.

10. GROWTH IN WORKFORCE

The Group had 509 employees as of the balance sheet date (previous year: 488 employees). Therefore the number of employees increased slightly compared to the end of the previous year. The number of employees in the Industrial Systems division was 267 (previous year: 253). This rise was due to the division's very good orders situation. The Semiconductor Systems division had 223 employees (previous year: 218 employees). 19 employees worked in the Solar Systems division (previous year: 17 employees). Please note that this division obtains major 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 organization structure. The Solar Systems division was reorganized as of January 1, 2012 in order to make technological product development more effective and to make accessing the relevant photovoltaic markets more efficient. To achieve this, Semiconductor Systems division employees were moved to the Solar Systems division, meaning that employee figures for the Solar Systems division will increase, while those for the Semiconductor Systems division will decrease as from the current fiscal year. From a regional perspective, Europe has by far the largest proportion of employees at 466 (previous year: 450). The USA had 24 employees at the end of 2011 (previous year: 25) while Asia had 19 (previous year: 13). In 2011, the number of apprentices in PVA TePla Group amounted to 15 (previous year: 16). Five young men and women were being trained in commercial professions and 10 in industrial professions.

PVA TePla AG employed a workforce of 317 at the end of 2011 (previous year: 303 employees). 15 of these are employed at the Frederikssund, Denmark location (previous year: 12).

11. NET ASSETS AND FINANCIAL POSITION

PVATEPLA GROUP

Total assets came to EUR 129.1 million on December 31, 2011, up on the previous-year figure of EUR 121.7 million.

The value of property, plant and equipment went down slightly to EUR 33.9 million mainly because of the investments described above in connection with depreciation (previous year: EUR 34.1 million). The total value of intangible assets declined to EUR 8.4 million (previous year: EUR 8.7 million). Deferred tax assets totaled EUR 2.6 million (previous year: EUR 2.9 million). Non-current assets totaled EUR 45.3 million versus EUR 46.2 million in the previous year.

Current assets increased to a total of EUR 83.8 million (previous year: EUR 75.5 million). Cash and cash equivalents saw the greatest change, falling significantly to EUR 14.6 million (previous year: EUR 30.3 million) due to the expected negative cash flow from operating activities. The total value of inventories rose to EUR 23.7 million (previous year: EUR 21.0 million). A drop in finished goods was offset by a rise in raw materials, consumables and operating supplies as well as semi-finished goods. This increase was due to the processing of the high order backlog in the Industrial Systems division as well as the process status of the large crystal growing systems order for the Solar Systems division. The processing of these orders also led to a significant rise in coming receivables on construction contracts to EUR 22.8 million (previous year: EUR 5.8 million). Current receivables increased to EUR 20.3 million (previous year: EUR 17.0 million). This was mainly due to a rise in trade receivables to EUR 15.6 million (previous year: EUR 13.7 million) and tax repayments to EUR 1.4 million (previous year: EUR 0.4 million). Prepayments increased to EUR 2.4 million (previous year: EUR 1.5 million) and other current receivables to EUR 2.4 million (previous year: EUR 1.9 million).

Total current liabilities on the balance sheet increased to EUR 47.9 million as of December 31, 2011 (previous year: EUR 42.5 million). Part of the loan for the acquisition of PVA TePla Analytical Systems is due for repayment over the course of 2012 and was reclassified accordingly, resulting in the increase in current financial liabilities to EUR 4.2 million

(previous year: EUR 1.2 million). Trade payables rose to EUR 6.1 million (previous year: EUR 4.3 million) due to the increase in orders. Advance payments received on orders also increased from EUR 13.5 million to EUR 16.7 million. In addition in the balance sheet positions coming receivables on construction contracts and obligations on construction contracts another EUR 23.4 million (previous year: EUR 30.1 million) were offset against advance payments. In all the PVA TePla group received EUR 40.1 million (previous year: EUR 43.6 million) in advance payments. Obligations on construction contracts did not change materially in a total and came to EUR 1.6 million (previous year: EUR 1.7 million). Other current provisions fell to EUR 8.8 million (previous year: EUR 11.8 million), while accrued liabilities rose to EUR 7.4 million (previous year: EUR 6.8 million).

Non-current liabilities (including non-current provisions) decreased from EUR 24.8 million in the previous year to EUR 20.9 million currently. This was largely due to the reduction of non-current financial liabilities to EUR 8.7 million (previous year: EUR 12.9 million), which was caused by the above-mentioned reclassification and the planned repayment of other loans. Pension provisions increased to EUR 8.4 million as scheduled (previous year: EUR 8.1 million). The corresponding pension schemes were taken on from previous companies and contain only existing commitments. New pension obligations are generally no longer entered into. Deferred tax liabilities went down to EUR 2.8 million (previous year: EUR 3.1 million).

Equity increased to EUR 60.3 million (previous year: EUR 54.5 million) due to net profit of EUR 9.1 million for the year (previous year: EUR 7.5 million) – less the dividend of EUR 3.3 million paid in 2011 (previous year: EUR 4.3 million). Despite total assets rising, the equity ratio continued rising from 44.7% in the previous year to 46.7%.

The liquidity situation of PVA TePla Group remained positive again throughout the 2011 fiscal year. As of the balance sheet date on December 31, 2011, cash and cash equivalents of EUR 14.6 million (previous year: EUR 30.3 million) and current securities of EUR 1.0 million (previous year: EUR 1.0) were offset by current financial liabilities of EUR 4.2 million (previous

year: EUR 1.2 million) and noncurrent financial liabilities of EUR 8.7 million (previous year: EUR 12.9 million). The net financial position of the Group therefore amounted to EUR +2.7 million (previous year: EUR +17.2 million). This positive balance, the maturities of non-current financial liabilities, current liquidity planning – updated monthly – and credit lines with banks of EUR 17.0 million (previous year: EUR 17.0 million) plus guarantee lines of EUR 80.0 million (previous year: EUR 97.0 million) at this time appear to provide sufficient financing for PVA TePla to conduct the planned volume of business. Shortterm lines of credit and guarantee lines are available in full without collateral being provided.

Operating cash flow in 2011 was negative overall as expected at EUR -8.1 million (previous year: EUR +11.2 million). This figure fluctuates heavily for 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. During order processing cash flow is negative, whereas near the delivery date the remaining amount due is paid, except for a small residual installment. This figure was positive in the first few months but was then out-weighted by the effects from the processing of existing orders. Considerable advance payments were received for the large crystal growth systems orders. The next customer payments for these orders were received as scheduled from the beginning of 2012.

Due to the extent of the investment measures described above, cash flow from investing activities (EUR -2.0 million) was almost the same as in the previous year (EUR -2.1 million). Cash flow from financing activities was EUR -5.6 million (previous year: EUR -7.5 million) and included dividend payments of EUR 3.3 million (previous year: EUR 4.3 million). The schedules repayment of long-term loans totaled EUR 1.2 million (previous year: EUR 1.4 million). Interest payments totaled EUR 1.2 million (previous year: EUR 1.1 million). Aggregate cash flow (including changes caused by exchange rate movements) for 2011 came to EUR -15.7 million (previous

year: EUR +1.9 million). The loan of originally EUR 10.0 million granted since January 1, 2008, to finance construction in Wettenberg was not utilized as of December 31, 2011. This means another EUR 7.3 million is available as a liquidity reserve.

PVA TEPLA AG

Total assets as of December 31, 2011 remained unchanged as against the previous year at EUR 85.8 million. A rise in receivables and inventories was offset by a fall in cash and cash equivalents.

The figure for fixed assets amounts to EUR 35.0 million (previous year: EUR 34.7 million). The value of intangible assets went down to EUR 0.6 million mainly because of amortization (previous year: EUR 0.8 million). Property, plant and equipment went up slightly to EUR 25.6 million (previous year: EUR 25.2 million). The investments in a new crystal growing system in the CCIC described above are offset by scheduled depreciation and amortization. Financial assets remained practically the same at EUR 8.8 million (previous year: EUR 8.7 million).

Total inventories came to EUR 5.7 million, up on the previous-year figure of EUR 0.7 million. Finished products and goods again decreased to EUR 2.8 million (previous year: EUR 5.4 million). The value of unfinished goods rose to EUR 35.9 million (previous year: EUR 31.5 million). This was due to the processing of the high order backlog in the Vacuum Systems business unit as well as the extensive processing of the order from the Asian solar industry in the Solar Systems division. The total value of raw materials, consumables and operating supplies also went up to EUR 5.0 million (previous year: EUR 4.2 million) due to the good orders situation. The volume of deducted advance payments received on orders totaled EUR 39.2 million (previous year: EUR 41.0 million). Trade receivables rose from the value of EUR 10.0 million in the previous year to EUR 12.0 million. Receivables from affiliated companies again increased considerably to EUR 16.5 million (previous year: EUR 10.1 million). System assembly for the Crystal

Growing Systems business unit and Solar Systems divisions of PVA TePla AG is performed by PVA Vakuum Anlagenbau Jena GmbH. As orders in this division were processed further, the volume of advance payments again went up significantly. Other assets went up to EUR 3.2 million (previous year: EUR 1.6 million), mainly due to tax receivables. Cash and cash equivalents went down to EUR 12.2 million (previous year: EUR 27.2 million) as a result of the expected change in cash flow, plus current securities of EUR 1.0 million (previous year: EUR 1.0 million).

The balance sheet shows another significant decrease in liabilities to EUR 16.6 million (previous year: EUR 19.9 million). The decline in liabilities to banks to EUR 9.6 million (previous year: EUR 10.1 million) was due to the scheduled repayment of longterm loans. The rise in vacuum systems orders resulted in an increase in trade payables to EUR 3.5 million (previous year: EUR 2.8 million). After balancing inventories no advance payments remained (previous year: EUR 2.1 million). Pension provisions rose slightly to EUR 8.4 million (previous year: EUR 8.2 million). The corresponding pension schemes were taken on from previous companies and contain only existing commitments. New pension obligations are generally no longer entered into. Tax provisions dropped to EUR 0.9 million (previous year: EUR 1.4 million). Other provisions fell to EUR 11.0 million (previous year: EUR 13.5 million).

Equity continued to increase to EUR 48.8 million (previous year: EUR 42.7 million). Net profit for the year of EUR 9.4 million (previous year: EUR 5.8 million) offset the dividend payment of EUR 3.3 million in 2011 (previous year: EUR 4.3 million). The equity ratio improved further to 56.9% (previous year: 49.8%) in connection with unchanged total assets. Retained earnings also increased to EUR 24.9 million based on the favorable results (previous year: EUR 18.8 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 0.15 per share with the remaining profit being carried forward to new account.

Cash and cash equivalents of EUR 12.2 million (previous year: EUR 27.2 million) were available as of December 31, 2011, plus current securities of EUR 1.0 million (previous year: EUR 1.0 million). The current liquidity situation as well as liquidity planning which is updated monthly, credit lines of EUR 17.0 million approved by banks (previous year: EUR 17.0 million) and guarantee lines of EUR 80.0 million (previous year: EUR 97.0 million) provide sufficient financing for PVA TePla AG to conduct the planned volume of business. Short-term lines are available in full without collateral being provided.

12. RESULTS OF OPERATIONS

PVATEPLA GROUP

In the 2011 fiscal year, PVA TePla again achieved a very positive result. Given the increase in business volume, operating profit (EBIT) of EUR 13.7 million (previous year: EUR 12.0 million) and consolidated net profit of EUR 9.1 million (previous year: EUR 7.5 million) were generated. The EBIT margin of 10.3% (previous year: 10.0%) was slightly above the forecast bandwidth of 8% to 10%. The return on sales amounted to 6.9% (previous year: 6.2%). While consolidated sales revenues rose to EUR 132.6 million (previous year: EUR 120.4 million), gross profit amounted to EUR 31.1 million (previous year: EUR 31.2 million). A gross margin of 23.5% (previous year: 25.9%) was generated. Selling and distribution expenses amounted to EUR 10.4 million (previous year: EUR 9.0 million). It is relevant in which market segments orders are being processed and whether representative commissions are incurred. Administrative expenses fell from EUR 8.7 million in the previous year to EUR 8.2 million. Research and development expenses increased to EUR 5.5 million (previous year: EUR 4.8 million). The net balance of other operating expenses versus other operating income was EUR +6.7 million (previous year: EUR +3.6 million). This primarily included income from R&D project grants, income from reversing provisions as well as currency translation income and expenses.

Industrial Systems division EBIT improved significantly from EUR 2.0 million in the previous year to EUR 4.1 million due to substantial sales revenues growth. The noticeable improvement to the Semiconductor Systems division result is particularly positive. EBIT in this division was significantly increased to

EUR 9.7 million (previous year: EUR 2.9 million). This was the result of the high sales revenues volume and good earnings contribution in the Floatzone Systems, Analytical Systems and Plasma Systems business units. Given the substantial drop in business volume, Solar Systems division EBIT came to EUR 0.1 million (previous year: EUR 7.1 million).

The net interest position totaled EUR -1.1 million (previous year: EUR -0.9 million). The earnings contribution of associated companies no longer applies following the sale of shares in PVA MIMtech LLC. at the end of 2010 (previous year: EUR -0.4 million). Earnings before taxes were EUR 12.6 million (previous year: EUR 10.7 million) and consolidated net profit for the year EUR 9.1 million (previous year: EUR 7.5 million). Income tax expense of EUR -3.5 million (previous year: EUR -3.2 million) consisted of current tax expense of EUR 3.5 million (previous year: EUR 3.6 million) and expenses from deferred taxes of EUR 0.0 million (previous year income: EUR +0.3 million).

PVATEPLA AG

In the 2011 fiscal year, PVA TePla AG achieved sales revenues of EUR 105.9 million (previous year: EUR 113.2 million). Gross profit amounted to EUR 21.8 million (previous year: EUR 17.2 million) and the gross margin was 20.6% (previous year: 15.2%). Selling and distribution expenses increased to EUR 7.7 million (previous year: EUR 7.0 million). Administrative expenses came to EUR 5.6 million, down slightly on the previous year at EUR 5.9 million. Research and development expenses increased to EUR 3.4 million (previous year: EUR 2.0 million). At EUR 10.0 million, other operating income came in above the figure for the previous year (EUR 7.9 million). Other operating expenses at EUR 6.0 million were also up on the figure for the previous year (EUR 4.2 million). Income from subsidiary profit distribution amounted to EUR 2.0 million (previous year: EUR 0 million). Income transfer agreements with subsidiaries generated EUR 2.2 million (previous year: EUR 5.8 million). As in the previous year, interest expense totaled EUR 1.4 million. Interest income amounted to EUR 0.6 million (previous year: EUR 0.7 million). There were no extraordinary expenses (previous year: EUR 2.0 million). Income tax expenses totaled EUR 3.1 million (previous year: EUR 3.0 million). PVA TePla AG's total profit from ordinary business activities came to EUR 12.6 million (previous year: EUR 11.0 million) and net profit for the year to EUR 9.4 million (previous year: EUR 5.8 million). Return on sales was 8.9% (previous year: 5.1%).

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 for areas in which materials from our systems could be utilized. Increasing demand for materials such as graphite provided new sales opportunities. In markets such as photovoltaics and the semiconductor industry, PVA TePla provides technologies that will remain a firm part of each respective value added chain in the future. In the semiconductor industry, this could be systems for growing silicon crystals with a 300 mm diameter or high-purity silicon crystals for high-performance electronics or analytical systems for the nondestructive quality control in LED or MEMS production. Especially future technologies connected to renewable energies such as photovoltaics provide system suppliers such as PVA TePla Group with growth opportunities. Leading research institutes 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.

Risks in the particular niche markets served by PVA TePla relate especially to unexpected fluctuations in capital investment activity on the part of customers and within specific industries. Risk is reduced by diversifying our 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, commonly foreseeable fluctuations in market volume are primarily offset by increasing or decreasing outsourcing levels, although unexpectedly high demand can give rise to production bottle-necks. 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 – a key segment for the Group – is highly cyclical in nature, and for that reason involves major opportunities as well as risks. The semiconductor industry in recent decades has enjoyed average annual growth rates well above those of most so-called old economy industries, throughout periods of 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 2012, with a further rise to 3.6% – the level seen in 2011 – in 2013. Although the threat of a global recession is not yet acute, even given the debt crisis in the established industrialized countries, their further economic development and particularly the investment activities of many companies remain unclear. Commodity price developments are also difficult to assess at this stage given the European Union's call for a boycott of Iranian crude oil and the consequences for the economy. Economic growth in the developing and emerging countries – an extremely important market for PVA TePla Group – is also showing signs of overheating and first indications of declining growth rates. PVA TePla is following economic developments closely. Order intake in almost all divisions developed positively at the end of 2011. Demand in the markets for products from the Industrial Systems division is expected to remain high; this also applies to the Floatzone Systems and Analytical Systems business units in the Semiconductor Systems division. Despite the negative market environment, market opportunities in the Plasma Systems business unit rose thanks to portfolio expansion and what is for German companies a significant improvement in the EUR/USD exchange rate with a strong dollar. Falling semiconductor market investments mean that prospects for the Crystal Growing Systems business unit have to be regarded as limited. In recent years, the PVA TePla Group has seen high sales revenues from expanding capacity to accommodate the manufacture of 300 mm crystals. The drop in the semiconductor market and the resulting drop in systems investments caused by the slowing global economy means the sales outlook for these systems will be unfavorable in the current year. In the

Solar Systems division, it is hard to forecast the order situation in 2012 – especially considering existing oversupplies. As the market is large and growing strongly in the medium term, competitive pressure is going to increase, especially coming from China. However, award-winning technology and the continuous optimization of our systems and their cost efficiency provide the Company with opportunities. Talks with customers lead us to believe that systems prevail if their products guarantee maximum efficiency and optimal cost of ownership. As PVA TePla is working intensely to develop such systems and provide them for industrial application, medium to longterm market prospects are positive, even given the difficult photovoltaic market at present.

In view of order backlog and the project situation, we expect to meet the targets for 2012. Maintaining a low level of verticality affords a flexible structure for adjusting capacity as needed in the event of lower demand. Possible measures are increasing the assembly depth, reducing reliance on labor leasing and temporary employees, and utilizing flextime working hours models.

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. Our competitiveness is currently on the rise thanks to the significant decline in the Euro against all other major world currencies. 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 position compared to competitors from this currency zone and exerting pricing pressure. A number of forecasts from leading banks generally expect a rising Euro against the US Dollar until 2013. This risk 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. 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. Almost all of the systems built by us were 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 to influence 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 marketable products being developed and generating sufficient revenues within appropriate timeframes so as 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 expanded 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. The risk of delivery delays and non-delivery is countered by identifying and prescreening additional suppliers in combination with closer observation of existing suppliers. Dependence on individual suppliers is limited due to having multiple qualified suppliers for key components among which deliveries are diversified. The risk of suppliers defaulting (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 facilitates intensive continuing education for our staff. Employees entering retirement 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. Personnel capacity risk continues to arise primarily in connection with the recruitment and integration of skilled management and technical personnel, to the extent 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 for business growth and to the introduction of new technologies. It has become easier to recruit highly qualified personnel

in the recent past. Contacts are maintained and intensified with various training centers and universities in order to find suitable personnel. Significant workforce turnover has not been observed in recent years. Overall, the issue of personnel quality and capacities has not been a problem for the business of PVA TePla nor is it expected to become one in the future. Empty positions were filled adequately; there is no need to considerably expand the workforce at present. Should the order volume drop, individual divisions and subsidiaries may experience employee surpluses. Possible measures to adjust capacities are increasing the assembly depth, reducing reliance on labor leasing and temporary employees, utilizing flextime working hours models and adjusting capacities between the individual locations. In the Solar Systems division, a gap in capacity utilization is to be expected around the middle of the year due to existing order backlog to date and further temporary measures to reduce capacities may be necessary. However, in order to use growth opportunities in this division and to maintain the ability to process large orders it is necessary to keep existing capacities and their know-how.

All enterprises in which PVA TePla AG holds a participating interest of more than 50% (excluding PVA TePla Analytical Systems GmbH) have quality management systems certified in accordance with ISO 9001/2000. The maintaining of a quality system tailored to each specific Group company is supported and monitored by a central quality department. The concluding of appropriate insurance policies to cover various operational risks for all Group companies is also coordinated by a central department. The risk of our own machines breaking down is of subordinate importance, as relatively few machine tools are used (production primarily involving 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 mal-ware (such as so-called Trojans) are reduced through regular and appropriate backup, 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. The introduction of a new eBanking software was prepared at the end of 2011. This will serve to standardize the systems at the various locations and consolidate them into one comprehensive solution with optimal permissions and improved control and analysis option. The introduction of a new e-mail archiving system on the basis of Symantec Enterprise Vault will guarantee tamper-proof storage of all business-critical e-mails. This was implemented in compliance with existing legislation and so as to provide important information as and when required in the long term.

14.7. OPPORTUNITIES AND RISKS IN CONNECTION WITH FINANCIAL INSTRUMENTS

Financial instruments arise as part of PVA TePla's actual business activities (e.g. trade receivables and payables). Financial instruments are employed (e.g. loans from banks) or arise (e.g. investment of excess current liquidity) to finance business activities. Derivative financial instruments are employed to eliminate or limit risks from operating activities (e.g. exchange rate risks) or from financing (e.g. interest rate risks). Financial instruments are not used in isolation without 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.

The Group itself however only has to remit advance payments to a few suppliers. In addition, the Group optimizes 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 payments guarantees to customers. In this area, special project lines for large orders may additionally being negotiated with our regular banks to leave existing lines available for normal business operation and expansion.

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

Other receivables:

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

Other financial assets:

Other financial assets include a short-term bonded loan hedged by the Deposit Protection Fund.

Payments in advance:

The individual Group companies mainly make payments in advance only to suppliers for large deliveries/major components. On the purchasing side, advance payments are only ever made in return for a corresponding advance payment guarantee. Such guarantee ensures that the Group does not incur any discernible risks.

Cash and cash equivalents:

Due to the positive liquidity situation during the course of the 2011 fiscal year, the Company invested surplus cash and cash equivalents so as to generate interest income. The funds were invested in risk-free instruments (e.g. time deposits) with a term of less than one year each. Due to the current 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 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.
- » A special situation exists in that the loans granted had only been partially drawn upon as of December 31, 2011 in order to reduce interest expense in view of the favorable liquidity situation. Because market interest rates on the reporting date were lower than the underlying interest rates of the hedges, a provision for impending losses of EUR 972 thousand was recognized in the consolidated financial statements (previous year: EUR 736 thousand) and a provision for impending losses of EUR 949 thousand was recognized in the PVA TePla single-entity financial statements (previous year: EUR 712 thousand).
- » There is no credit risk since the contract parties have already fully met their obligations, except for granted loan amounts not yet been drawn upon for financing new construction.
- » In our view no significant liquidity risk exists either considering 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 current items almost exclusively invoiced in Euros. There is thus no relevant market or credit risk in evidence.
- » Given the current liquidity position in connection with liquidity planning, there is no liquidity risk.

Other liabilities:

Due to the current 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. The billing of projects is implemented predominantly 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 above-mentioned selection of suppliers from around the world, some purchases were made in foreign currencies. Via natural hedging, US Dollar inventories are used to a small extent for meeting payment obligations. Other foreign currency obligations and larger US Dollar payments are hedged with forward exchange transactions whose payment structure corresponds with the underlying transaction. 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 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.

14.8. 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 are addressing these issues in close cooperation with our tax advisors and do not perceive any material risks in this area.

14.9. 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 counter-measures. 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 2011 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 Executive Board and Supervisory Board agreed on a plan for the medium term. Based on this, all divisions of PVA TePla Group are going to be subject to a systematic audit. The first areas to be audited were payments to Executive Board members and Division Managers, the subsidiary PVA TePla America Inc. and materials management at the former Asslar location. In 2010, these audits were continued, e.g. at PVA TePla Danmark and in 2011 for the sales division in Wettenberg and the subsidiary PVA TePla Analytical Systems in Westhausen.

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, 2011, 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 Rights

According to disclosures filed with the Company, PA Beteiligungsgesellschaft mbH, Wettenberg held 25.2% of voting rights as of December 31, 2011, 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, 2011, 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 14, 2012. 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 Takeover 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 takeover offer.

Compensation Agreements between the Company and Management Board Members or Employees in case of a Takeover Offer

No compensation agreements are in place for Management Board members or for employees in case of a takeover offer.

18. COMPANY MANAGEMENT DECLARATION

The Company management declaration pursuant to Section 289a of the German Commercial Code (HGB) and the remuneration report are permanently available on the website of PVA TePla AG as part of the Corporate Governance Report (Compliance Report) under the following link: www.pvatepla.com/en/pva-tepla-service/investor-relations/corporate-governance and as part of the Corporate Governance Report in this Annual Report. The remuneration report describes the basics of the remuneration system pursuant to Section 289 no.5 of the HGB (German Commercial Code) and forms part of the management report.

19. DEPENDENCY REPORT

In 2011, 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 2011 fiscal year pursuant to Section 312 (3) of the AktG.

The 2011 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 (3) 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.

2012 sales revenues for the Industrial Systems division are forecast to be on par with the high level seen in 2011, with slight growth expected in subsequent years. Sales revenues in the Semiconductor Systems division will be up on the previous fiscal year due, among other things, to the high level of order backlog as of December 31, 2011, with slight sales revenues growth expected in the years to come. Solar Systems division sales revenues, on the other hand, are expected to be much lower year on year in 2012. The difficult market environment in the photovoltaic industry at present must be taken into account. However, significant sales growth is expected again in the coming years, backed up by the technological developments of our crystal growing systems and the trend toward greater solar module efficiency.

For the 2012 fiscal year, the Management Board of PVA TePla expects consolidated sales revenues of EUR 120 million to EUR 130 million and an EBIT margin in the range of 8% to 10%. Order backlog as of December 31, 2011, of

EUR 74.9 million and the orders received in the first quarter underline this forecast. PVA TePla Group's sales revenues are expected to rise in 2013 and profit margins are forecast to be stable. Because of the economic situation discussed above, it is impossible to provide reliable estimates beyond 2012 at this time. Due to the expectations and positive long-term forecasts regarding the future development of the markets relevant for PVA TePla Group as well as the implementation of the measures adopted within the scope of the strategy project, we expect our business volume to grow in the coming years. In this context, the Company will work on expanding its product range, especially in Vacuum Systems business unit. Various strategic options are currently being developed, including possible acquisitions as well as pushing the implementation of our own developments.

We anticipate an EBIT margin in the range of 10% to 12% for our medium-term guidance.

When looking at PVA TePla AG on its own for the 2012 fiscal year, we forecast sales revenues to be around EUR 120 million and net profit on par with 2011.

Wettenberg, March 19, 2012

PVA TePla AG
Management Board



Dr. Arno Knebelkamp
Chief Executive Officer



Arnd Bohle
Chief Financial Officer



GROUP FINANCIAL STATEMENTS

PVA TePla AG, Wetttenberg

CONSOLIDATED BALANCE SHEET	64	C. Notes on individual Income Statement Items	86
CONSOLIDATED INCOME STATEMENT	66	D. Notes to the Cash Flow Statement and on Capital Management	89
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	67	E. Additional Disclosures	90
CONSOLIDATED CASH FLOW STATEMENT	68	CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS	102
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	69	RESPONSIBILITY STATEMENT	106
GROUP NOTES	70	AUDITOR'S REPORT	107
A. General Information and Basis of Presentation	70		
B. Notes on individual Balance Sheet Items	78		

PVA TePla AG, Wettenberg

Group Financial Statements

FOR THE FISCAL YEAR 2011

CONSOLIDATED BALANCE SHEET

as at December 31, 2011

ASSETS in EUR '000	Notes	Dec. 31, 2011	Dec. 31, 2010
Non-current assets			
Intangible assets	(4)	8,376	8,705
Goodwill		7,615	7,615
Other intangible assets		761	1,090
Property, plant and equipment	(5)	33,861	34,104
Land, property rights and buildings, including buildings on third party land		28,675	29,504
Plant and machinery		3,414	2,639
Other plant and equipment, fixtures and fittings		1,764	1,961
Advance payments and assets under construction		8	0
Investment property	(6)	432	453
Non-current investments	(7)	9	18
Deferred tax assets	(13)	2,633	2,922
Total non-current assets		45,311	46,202
Current assets			
Inventories	(8)	23,674	20,953
Raw materials and operating supplies		10,975	9,840
Work in progress		8,931	5,198
Finished products and goods		3,768	5,915
Coming receivables on construction contracts	(9)	22,828	5,832
Trade and other receivables	(10)	20,274	17,022
Trade receivables		15,570	13,666
Payments in advance		2,352	1,471
Other receivables		2,352	1,885
Tax repayments		1,431	447
Other financial assets	(12)	1,001	1,001
Cash and cash equivalents	(11)	14,612	30,280
Total current assets		83,820	75,535
Total		129,131	121,737

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

LIABILITIES AND SHAREHOLDERS' EQUITY in EUR '000	Notes	Dec. 31, 2011	Dec. 31, 2010
Shareholders' equity	(14)		
Share capital		21,750	21,750
Revenue reserves		39,140	33,255
Other reserves		-277	-224
Minority interest		-315	-309
Total shareholders' equity		60,298	54,472
Non-current liabilities			
Non-current financial liabilities	(16)	8,742	12,890
Other non-current liabilities		773	486
Retirement pension provisions	(17)	8,396	8,069
Deferred tax liabilities	(27)	2,757	3,125
Other non-current provisions	(18)	279	223
Total non-current liabilities		20,947	24,793
Current liabilities			
Short-term financial liabilities	(19)	4,154	1,150
Trade payables		6,066	4,330
Obligations on construction contracts	(20)	1,641	1,682
Advance payments received on orders	(21)	16,651	13,510
Accruals	(22)	7,354	6,759
Other short-term liabilities	(23)	1,448	1,289
Provisions for taxes		1,732	1,992
Other short-term provisions	(18)	8,840	11,760
Total current liabilities		47,886	42,472
Total		129,131	121,737

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

CONSOLIDATED INCOME STATEMENT

1 January – 31 December 2011

in EUR '000	Notes	Jan. 01– Dec. 31, 2011	Jan. 01– Dec. 31, 2010
Sales revenues	(24)	132,586	120,366
Cost of sales		-101,461	-89,138
Gross profit		31,125	31,228
Selling and distributing expenses		-10,357	-9,049
General administrative expenses		-8,227	-8,705
Research and development expenses	(25)	-5,508	-4,833
Other operating income		9,063	7,446
Other operating expenses		-2,375	-3,860
Restructuring expenses		0	-200
Operating profit (EBIT)		13,721	12,027
Share of profits from associates		0	-394
Finance revenue		300	224
Finance costs		-1,387	-1,119
Financial result and share of profits from associates		-1,087	-1,289
Net profit before tax		12,634	10,738
Income taxes	(27)	-3,493	-3,224
Consolidated net profit for the year		9,141	7,514
of which attributable to:			
Shareholders of PVA TePla AG		9,147	7,524
Minority interest		-6	-10
Consolidated net profit for the year		9,141	7,514
Earnings per share			
Earnings per share (basic) in EUR	(28)	0.42	0.35
Earnings per share (diluted) in EUR		0.42	0.35
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

1 January – 31 December 2011

in EUR '000	Jan. 01– Dec. 31, 2011	Jan. 01– Dec. 31, 2010
Consolidated net profit for the year	9,141	7,514
of which attributable to shareholders of PVA TePla AG	9,147	7,524
of which attributable to minority interest	-6	-10
Other comprehensive income		
Currency changes	-23	242
Income taxes	-15	-76
Changes recognized outside profit or loss (currency changes)	-38	166
Changes in fair values of derivative financial instruments	-22	22
Income taxes	7	-6
Changes recognized outside profit or loss (derivative financial instruments)	-15	16
Other comprehensive income after taxes (changes recognized outside profit or loss)	-53	182
of which attributable to shareholders of PVA TePla AG	-53	182
of which attributable to minority interest	0	0
Total comprehensive income	9,088	7,696
of which attributable to shareholders of PVA TePla AG	9,094	7,706
of which attributable to minority interest	-6	-10

CONSOLIDATED CASH FLOW STATEMENT

1 January – 31 December 2011

in EUR '000	Jan. 01– Dec. 31, 2011	Jan. 01– Dec. 31, 2010
Consolidated net profit for the year	9,141	7,514
Adjustments to the consolidated net profit for the year for reconciliation to the cash flow operating activities:		
+ Income tax expense	3,493	3,224
- Finance revenue	-300	-224
+ Finance costs	1,387	1,119
= Operating profit	13,721	11,633
- Income tax payments	-4,719	-8,167
+ Amortization and depreciation	2,862	2,843
- Share of profits from associates	0	394
-/+ Gains/losses on disposals of non-current assets	4	109
+/- Other non-cash expenses (income)	-188	-96
	11,680	6,716
-/+ Increase/decrease in inventories, trade receivables and other assets	-22,749	7,309
+/- Increase/decrease in provisions	-2,775	-600
+/- Increase/decrease in trade payables and other liabilities	5,714	-2,207
= Cash flow from operating activities	-8,130	11,218
+ Receipts from associates	0	245
+ Proceeds from disposals of financial assets	9	0
+ Proceeds from disposals of intangible assets and property, plant and equipment	2	26
- Acquisition of intangible assets and property, plant and equipment	-2,271	-2,547
+ Interest receipts	300	224
= Cash flow from investing activities	-1,960	-2,052
+ Payments to shareholders (dividends, capital repayments, other payments)	-3,262	-4,350
+ Receipts from issuance of debt and borrowing of loans	0	890
- Payments from redemption of debt and loans	-1,178	-1,398
+/- Change in short-term bank liabilities	-1	-1,499
- Payment of interest	-1,150	-1,137
= Cash flow from financing activities	-5,591	-7,494
Net change in cash and cash equivalents	-15,681	1,672
+/- Effect of exchange rate fluctuations on cash and cash equivalents	13	239
+ Cash and cash equivalents at beginning of the period	30,280	28,369
= Cash and cash equivalents at the end of the period	14,612	30,280

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 January – 31 December 2011

in EUR '000	Shared issues		Revenue reserves	Other equity components	Total	Minority interest	Total Shareholders' equity
	Anzahl						
As at January 01, 2010	21,749,988	21,750	30,081	-406	51,425	-299	51,126
Total income			7,524	182	7,706	-10	7,696
Dividend			-4,350	0	-4,350	0	-4,350
As at December 31, 2010	21,749,988	21,750	33,255	-224	54,781	-309	54,472
As at January 01, 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

PVA TePla AG, Wettenberg

Group Notes

FOR FISCAL YEAR 2011

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 inspection and quality control systems using optical and ultrasonic technology.

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 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, 2011, 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 of the 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.

New statements issued by the IASB

The IASB has issued the following 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.

The following standards will have an impact on financial reporting for PVA TePla AG when adopted by the EU Commission:

IFRS 9 "Financial Instruments"

The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new rules for the classification and measurement of financial assets. Rules for the recognition of financial liabilities and the derecognition of financial assets and liabilities were adopted from IAS 39.

IFRS 9 is required to be applied for fiscal years beginning on or after January 1, 2015. Companies may elect early application of the standard. However, application is only permitted following adoption for application in Europe which is currently still pending.

Standard/ Interpretation	Applicable	From Adoption by the EU Commission*	Relevance	
IFRS 1	Hyperinflation and Removal of Fixed Dates for First-Time-Adopters	01/07/2011	No	None
IFRS 7	Amendments to IFRS 7	01/01/2013	No	Reporting changes
IFRS 9	Financial Instruments (replaces IAS 39)	01/01/2015	No	Measurement of financial assets
IFRS 10	Consolidated Financial Statements	01/01/2013	No	Replaces the existing principles of IAS 27
IFRS 11	Joint Arrangements	01/01/2013	No	Joint ventures will in future only be recognized using the equity method
IFRS 12	Disclosure of Interests in Other Entities	01/01/2013	No	Expanded disclosures
IFRS 13	Fair Value Measurement	01/01/2013	No	Expanded measurement of fair value and note disclosures
IAS 1	Amendments to the Presentation of Financial Statements	01/07/2012	No	Expanded presentation of the Consolidated Statement of Comprehensive Income
IAS 12	Deferred Taxes: Recognition of Underlying Assets	01/01/2012	No	None
IAS 19	Employee Benefits	01/01/2013	No	Accounting of and note disclosures on the financing strategy
IAS 27	Separate IFRS Financial Statements	01/01/2013	No	None
IAS 28	Investments in Associates and Joint Ventures	01/01/2013	No	None, provided there are no investments in associates
IAS 32	Financial Instruments	01/01/2014	No	Reporting changes
IFRIC 20	Stripping Costs in the Production Phase	01/01/2013	No	None

* As of: January 26, 2012

IFRS 13 “Fair Value Measurement”

The standard provides help in determining fair value, provided this has been stipulated as a benchmark by other IFRSs. It aims to harmonize the fair value concept and the methods used to determine fair value, especially in terms of the fair value measurement of resulting note disclosures.

The new standard must be applied to fiscal years beginning on or after January 1, 2013. It has not yet been endorsed by the EU.

IAS 1 “Presentation of Financial Statements”

The amendments to IAS 1 will break down the “other comprehensive income” profitability indicator to distinguish between income and expenses that are later recognized in income and that which are not.

Overall, the amendments result in a more transparent and comparable presentation of other income. The amendment IAS 1 must be applied as of July 1, 2012.

IAS 19 “Employee Benefits”

The most significant amendment to IAS 19 is that unexpected fluctuations of pension obligations and actuarial gains and losses must be recognized directly in equity (other comprehensive income) in the future. The amendment removes the previous option allowing a choice between immediate recognition in profit or loss, recognition in other comprehensive income or delayed recognition according to the corridor method.

The standard must be applied once it is endorsed into EU law on January 1, 2013.

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	
	2011	2010	Dec. 31, 2011	Dec. 31, 2010
USA (USD)	1.39101	1.32471	1.29483	1.32521
China (CNY)	8.99281	8.95576	8.23045	8.73362
Denmark (DKK)	7.45156	7.44657	7.43494	7.45156
Singapore (SGD)	1.74886	1.80447	1.68209	1.71028
Norway (NOK)	7.80031	8.00320	7.76398	7.81250

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.

Rounding

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, 2011 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%
Plasma Systems GmbH	Wettenberg, Germany	100%
PlaTeG GmbH	Siegen, 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%

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 December 12, 2011, insolvency proceedings have not yet been concluded.

PVA TePla AG's previous sales office in Beijing was converted into an independent company, PVA TePla (China) Ltd., on April 21, 2011. The company is allocated to the Industrial Systems division.

No further changes have occurred since the 2010 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.

The differences included in the carrying amounts of investments in associates are offset using the same principles, with an adjustment being made where necessary to comply with the applicable accounting and valuation principles within the Group. Consolidation is performed using the equity method set out in IAS 28 (Investments in Associates).

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

3. ACCOUNTING AND VALUATION PRINCIPLES

Intangible assets

Intangible assets primarily consist 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 applies the new tax regulations on the amortization and depreciation of low-value assets. Low-value assets costing up to EUR 410 are written off immediately, while all other assets costing more than this amount are capitalized and written down over their 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 5 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 2010, 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 two cash-generating units. These include the Crystal Growing Systems business unit within PVA TePla AG and the subsidiary PVA TePla Analytical Systems GmbH with its registered office in Westhausen. 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. Growth rates for the extrapolation of the budget figures in calculating the perpetual annuity were not applied for any of the cash-generating units.

The discount rate is based on the weighted average cost of capital of PVA TePla AG (WACC approach) and contains a reasonable risk premium.

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 2011, 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 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 2010, the negative market values of all financial derivatives in fiscal year 2011 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 Klaus Heubeck. There are no pension obligations outside Germany.

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.

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.

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 on 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 be progressed – 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 commitments

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 fiscal year under review and in the previous year are shown in the consolidated statement of changes in fixed assets for 2011 and 2010, which is attached as an appendix.

The carrying amounts of intangible assets are composed as follows:

EUR '000	Dec. 31, 2011	Dec. 31, 2010
Intangible assets		
Goodwill	7,615	7,615
Other intangible assets	761	1,090
Total	8,375	8,705

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) and the takeover of the current PVA TePla Analytical Systems GmbH, Westhausen in fiscal year 2007 (EUR 4,831 thousand).

In the course of impairment testing, the recoverable amount for each cash-generating unit was determined based on the value in use. A discount rate of 11.51% (previous year: 12.26%) was applied to discount the expected cash flow and determine the value in use for fiscal year 2011.

There were no write-downs to the lower value in use for fiscal year 2011 (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 583 thousand in 2011 and EUR 495 thousand in 2010 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 statement of changes in fixed assets for 2011 and 2010, which is attached as an appendix.

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

EUR '000	Dec. 31, 2011	Dec. 31, 2010
Property, plant and equipment		
Property, plant and equipment		
Land, property rights and buildings, including buildings on third party land	28,675	29,504
Plant and machinery	3,414	2,639
Other plant and equipment, fixtures and fittings	1,764	1,961
Advance payments and assets under construction	8	0
Total	33,861	34,104

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

Depreciation of property, plant and equipment amounted to EUR 2,257 thousand in 2011 and EUR 2,326 thousand in 2010.

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 1,826 thousand at the balance sheet date (previous year: EUR 2,220 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 703 thousand at the balance sheet date (previous year: EUR 821 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 Wetttemberg. The corresponding loans were measured at EUR 6,526 thousand at the balance sheet date (previous year: EUR 6,947 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 760 thousand (previous year: EUR 928 thousand). The corresponding loans have a remaining unsettled amount of EUR 405 thousand (previous year: EUR 558 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, 2011 amounts to EUR 643 thousand (previous year: EUR 722 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 122 thousand as of December 31, 2011 (previous year: EUR 129 thousand). The loan was valued at EUR 106 thousand at the balance sheet date (previous year: EUR 119 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 474 thousand (previous year: EUR 475 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, 2011, 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. The Company opted not to engage an external surveyor to perform a cost intensive reassessment of the real estate.

In the past fiscal year 2011, rental income of EUR 53 thousand (previous year: EUR 56 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 23 thousand (previous year: EUR 28 thousand).

The historical cost of the real estate totaled EUR 694 thousand for the land and buildings. At December 31, 2011, cumulative depreciation amounted to EUR 262 thousand (previous year: EUR 241 thousand). These figures are also presented in the consolidated statement of changes in fixed assets as of December 31, 2011.

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 18 thousand).

8. INVENTORIES

Inventories are composed as follows:

EUR '000	Dec. 31, 2011	Dec. 31, 2010
Raw materials and operating supplies	10,975	9,840
Work in progress	8,931	5,198
Finished products and goods	3,768	5,915
Total	23,674	20,953

In 2011, inventories were subject to write-downs in the amount of EUR 5,085 thousand (previous year: EUR 2,965 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. Later sales normally generate proceeds that are significantly higher than the carrying amount. In this case, the excess is recognized as a reversal of the corresponding write-down.

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 revenue from work in progress in the system construction business is as follows:

EUR '000	Dec. 31, 2011	Dec. 31, 2010
Capitalized production costs including contract profits	38,376	14,055
for which advance payments received (progress billings)	-15,548	-8,223
Total	22,828	5,832

Further advance payments received in the amount of EUR 16,651 thousand (previous year: EUR 13,510 thousand) and obligations on construction contracts in the amount of EUR 1,641 thousand (previous year: EUR 1,682 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:

EUR '000	Dec. 31, 2011	Dec. 31, 2010
Trade receivables	15,570	13,666
Advance payments	2,352	1,471
Other receivables	2,352	1,885
Total	20,274	17,022

Other receivables also include prepaid expenses.

Trade receivables consist of the following:

EUR '000	Dec. 31, 2011	Dec. 31, 2010
Trade receivables	15,935	14,181
Bad debt allowances	-365	-515
Total	15,570	13,666

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:

EUR '000	Dec. 31, 2011	Dec. 31, 2010
Write-downs on January 1	515	724
Currency translation differences	8	0
Addition	65	289
Utilization	0	-390
Release	-223	-108
Write-downs on December 31	365	515

Other receivables are composed as follows:

EUR '000	Dec. 31, 2011	Dec. 31, 2010
Derivative financial instruments	0	69
Receivables from investment incentives	402	87
Value added tax due	1,397	931
Accounts payable with debit balances	133	266
Deferred prepayments	104	99
Others	316	433
Total	2,352	1,885

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 14,612 thousand (previous year: EUR 30,280 thousand) primarily consist of current bank balances. Cash in hand amounted to EUR 5 thousand (previous year: EUR 12 thousand). Bank balances consist solely of cash in current accounts or term deposit accounts with short terms as of the balance sheet date. In order to optimize net interest income, an agreement has been made to match the interest on the credit balance of current accounts with that of corresponding term deposit investments.

12. OTHER FINANCIAL ASSETS

On December 31, 2011, other financial assets include 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, 2011, 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, 2011.

The Annual General Meeting of PVA TePla AG on June 15, 2007, 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 14, 2012, 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 2011.

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 have been granted subject to the condition that a total of 48.5 permanent jobs are secured. In light of the order situation and the expected order volume in the medium-term, this should not present a problem from a current perspective.

16. NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities totaled EUR 8,742 thousand (previous year: EUR 12,890 thousand) – all of which were liabilities towards banks.

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

Non-current financial liabilities are composed as follows:

EUR '000	Dec. 31, 2011	Dec. 31, 2010
Non-current financial liabilities	12,892	14,035
Portion of non-current financial liabilities due in less than one year	-4,150	-1,145
Non-current financial liabilities less current portion	8,742	12,890

The average weighted interest rate for non-current financial liabilities was 5.13% (previous year: 5.10%).

Non-current financial liabilities were reduced to EUR 8,742 thousand (previous year: EUR 12,890 thousand) due to scheduled long-term loan amortization as well as the reclassification of a loan from non-current to current liabilities.

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

EUR '000	2011	2010
Due:		
Up to a month	16	16
Between 1 and 3 months	116	115
Between 3 and 12 months	4,019	1,047
Between 1 and 5 years	4,120	7,510
More than 5 years	4,621	5,700

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 on December 31, 2011 was EUR 30,671 thousand (previous year: EUR 31,779 thousand). At the balance sheet date, this was higher than the total value of non-current financial liabilities 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 Wettendorf. While this loan was approved in 2007, it was not utilized in the 2011 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 on December 31, 2011 was EUR 1,564 thousand (previous year: EUR 1,801 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 -1,012 thousand (previous year: EUR -718 thousand).

17. 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, 2011	Dec. 31, 2010
Income trend	3.00	3.00
Pension trend	1.25	1.25
Staff turnover	1.50	1.50
Interest rate for active staff	5.10	5.30
Interest rate for pensioners	4.60	4.90

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.

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

EUR '000	Dec. 31, 2011	Dec. 31, 2010
Present value of future pensions (= financing status)	8,758	8,254
Unrealized actuarial gains/losses	-362	-185
Total	8,396	8,069

The following amounts are recognized in the income statement:

EUR '000	2011	2010
Current service expenditures for services by employees in the current fiscal year; thereof	142	136
Cost of sales	104	100
Selling and distribution expenses	17	16
General administrative expenses	14	13
Other operating expenses	7	7
Interest expense; thereof	419	416
Cost of sales	256	252
Selling and distribution expenses	49	49
General administrative expenses	42	42
Research and development expenses	8	8
Other operating expenses	64	65
Total	561	552

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:

EUR '000	2011	2010
Pension provisions on Jan. 1	8,069	7,739
Expenditure on retirement pensions	561	552
Pension payments	-234	-222
Pension provisions on Dec. 31	8,396	8,069

At the balance sheet date, it can be assumed that EUR 277 thousand (previous year: EUR 278 thousand) will be fulfilled within the next 12 months and EUR 8,119 thousand (previous year: EUR 7,791 thousand) will 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:

EUR '000	2011	2010
Present value of future pensions on Jan. 1	8,254	7,480
Current service expense for services provided by employees in the fiscal year	142	136
Interest expense	419	416
Pension payments	-234	-222
Actuarial gains and losses	178	444
Present value of future pensions on Dec. 31	8,759	8,254

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

EUR '000	2011	2010	2009	2008	2007
Pension obligations	8,759	8,254	7,480	6,991	6,558
Actuarial gains and losses	178	444	152	67	-950

Defined contribution plans

The only defined contribution plans of relevance to PVA TePla take the form of the employer's statutory pension insurance contributions. In fiscal year 2011, the corresponding expenditure amounted to EUR 2,138 thousand (previous year: EUR 2,157 thousand).

18. OTHER PROVISIONS

Changes in other provisions amounting to EUR 9,119 thousand (previous year: EUR 11,983 thousand) can be broken down as follows:

EUR '000	Jan. 1, 2011	Utilization	Release	Addition	Dec. 31, 2011
Warranty	4,364	565	1,833	1,731	3,697
Impending losses on rentals	90	90	0	0	0
Subsequent costs	5,077	1,826	2,341	3,213	4,123
Archiving	188	0	0	90	279
Penalties	339	165	175	137	136
Restructuring	879	597	176	0	106
Others	1,046	300	114	146	778
Total	11,983	3,543	4,639	5,317	9,119

Provisions are 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 279 thousand (previous year: EUR 223 thousand). These primarily relate to provisions for archiving.

The long-term component of provisions is 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:

EUR '000	Dec. 31, 2011	Dec. 31, 2010
Amounts owed to banks on current accounts	4	5
Current portion of non-current bank borrowings	4,150	1,145
Total	4,154	1,150

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

The increase was a result of the transfer of a long-term loan related to the acquisition of the PVA TePla Analytical Systems GmbH in fiscal year 2007 totaling EUR 3,000 thousand, which is classed as short-term loan due to the repayment due in 2012.

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:

EUR '000	Dec. 31, 2011	Dec. 31, 2010
Advance payments received (progress billing)	7,870	21,900
less contract costs incurred (incl. share of profit)	-6,229	-20,218
Total	1,641	1,682

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 at December 31, 2011 was EUR 16,651 thousand (previous year: EUR 13,510 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:

EUR '000	2011	2010
Obligations to employees	4,087	3,693
Obligations to suppliers	2,887	2,573
Other commitments	380	493
Total	7,354	6,759

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

23. OTHER LIABILITIES

Of the other liabilities in the amount of EUR 2,221 thousand (previous year: EUR 1,775 thousand), EUR 1,448 thousand (previous year: EUR 1,289 thousand) are current and EUR 773 thousand (previous year: EUR 486 thousand) are non-current. Other current liabilities are mainly composed of EUR 376 thousand in tax liabilities (payroll and church tax, sales tax; previous year: EUR 328 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:

EUR '000	2011	2010
Systems	109,571	96,828
After-sales	18,283	19,965
Contract processing	3,308	3,284
Others	1,424	289
Total	132,586	120,366

In the 2011 fiscal year, 83% of sales revenues were generated by the facilities and systems business (previous year: 80%). At 14%, the share of after-sales sales revenues are down slightly on the previous year (previous year: 17%), while the share of absolute contract processing sales revenues is on par with the previous year.

In the 2011 fiscal year, revenue from customer-specific contract production amounted to EUR 86,778 thousand (previous year: EUR 79,908 thousand). These orders were invoiced according to the percentage of completion method.

The following sales revenues 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:

EUR '000	Dec. 31, 2011	Dec. 31, 2010
Revenue from customer specific contract production	44,605	34,273
For which contract costs incurred	-37,921	-25,773
Gains from customer-specific contract production	6,684	8,500

Revenue from customer-specific contract production reported on the balance sheet date of EUR 44,605 thousand (previous year: EUR 34,273 thousand) is included in sales revenues for the Systems item (see above).

25. RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs amounted to EUR 5,508 thousand in 2011 and EUR 4,833 thousand in 2010. Income from research and development project grants of EUR 1,816 thousand in 2011 and EUR 1,517 thousand in 2010 is recognized separately under "Other operating income."

26. RESTRUCTURING COSTS

No restructuring costs were incurred in fiscal year 2011 (previous year: EUR 200 thousand).

27. INCOME TAXES

Taxes on income are calculated on a best-estimate basis applying 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 follow:

EUR '000	2011	2010
Actual tax expense/income	-3,475	-3,570
Current tax expense	-3,357	-3,577
Prior-period tax charges	-118	7
Deferred tax expense/income	-19	346
Credit from tax loss carry-forwards	108	168
Change in allowances against deferred tax assets	0	-284
Other deferred taxes	-127	462
Income taxes	-3,494	-3,224

Deferred taxes of EUR -8 thousand (previous year: EUR -82 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:

	2011		2010	
	EUR '000	in %	EUR '000	in %
Results before taxes	12,634		10,739	
Expected tax charges	-3,538	-28	-3,007	-28
Changes in tax rates for foreign companies	230	1	217	2
Proportion of tax for permanent differences and temporary differences for which deferred taxes were not recorded	-36	0	-22	0
Prior period current income tax	-118	-1	7	0
Non recognition of tax losses	-6	0	-6	0
Change in allowances	0	0	-284	-3
Other effects	-26	0	-129	-1
Actual tax charges	-3,494	-28	-3,224	-30

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:

EUR '000	Dec. 31, 2011		Dec. 31, 2010	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Non-current Assets	192	60	192	103
Inventories	310	327	831	139
Obligations on construction contracts	0	1,839	0	2,361
Receivables	300	273	301	299
Tax loss carry-forwards	1,033	0	1,155	0
Pension provisions	401	0	384	0
Other provisions	397	256	343	223
Others	0	1	0	0
Total	2,633	2,756	3,206	3,125
Allowances for tax loss carry-forwards	0	0	-284	0
Total	2,633	2,756	2,922	3,125
Balance of deferred tax		123		203

As of December 31, 2011 the German companies have unused tax loss carry-forwards totaling approximately EUR 635 thousand (previous year: EUR 450 thousand), which relate exclusively to the subsidiaries Plasma Systems GmbH, Wetztenberg and PlaTeG GmbH, Siegen. At the subsidiaries, deferred tax assets from tax loss carry-forwards were not recognized. The previous operating activities of Plasma Systems GmbH were discontinued and no new operating activities have been assumed at present. The utilization of tax loss carry-forwards of both subsidiaries is not currently considered to be sufficiently high to recognize deferred taxes.

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

The tax loss carry-forwards of PVA TePla America Inc. (USD 6.2 million for federal tax; USD 3.7 million for state tax) will gradually lapse from 2021 (federal tax) and 2012 (state tax) unless utilized prior to this date. Due to the positive developments in fiscal year 2011, the recognized deferred tax assets in the amount of EUR 979 thousand (previous year: EUR 871 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 year before minority interests amounted to EUR 9,147 thousand (previous year: EUR 7,524 thousand). As in the previous year, an average of 21,749,988 no-par value shares was in circulation in fiscal year 2011.

The earnings per share figure is 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 2011 and 2010:

	2011	2010
Numerator:		
Consolidated net profit for the year before minority interests (EUR thousand)	9,147	7,524
Denominator:		
Weighted number of shares outstanding – basic	21,749,988	21,749,988
Earnings per share (in EUR):	0.42	0.35

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 are no dilution effects in regards to earnings per share as of December 31, 2011.

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 9,404 thousand (previous year: EUR 5,811 thousand) and retained earnings of EUR 24,903 thousand (previous year: EUR 18,761 thousand) as of December 31, 2011. These retained earnings represent the distributable amount in accordance with IAS 1.76 (v).

The Management Board and Supervisory Board propose that EUR 21,640 of the retained earnings reported in the 2011 annual financial statements amounting to EUR 24,903 thousand be carried forward to a new account with the remaining EUR 3,263 thousand 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 14, 2012 after gaining shareholders' approval at the Annual General Meeting. The resulting dividend payout of EUR 3,263 thousand (previous year: EUR 3,263 thousand) was not reported as a liability as of the reporting date on December 31, 2011 since it requires the shareholders' approval at the Annual General Meeting.

D. NOTES TO 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 were all made from cash and cash equivalents.

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.

EUR '000	Dec. 31, 2011	Dec. 31, 2010
Shareholders' equity	60,298	54,472
Current and non-current financial liabilities	12,896	14,040
Advance payments received	16,651	13,510
Total amount	89,845	82,022
Total assets	129,131	121,737
Equity ratio	46.7 %	44.7 %

Shareholders' equity increased to EUR 60,298 thousand (previous year: EUR 54,472 thousand) thanks to positive business developments in the 2011 fiscal year. Financial liabilities decreased to EUR 12,896 thousand (previous year: EUR 14,040 thousand) as planned. Even though total assets increased, the equity ratio increased to 46.7% in 2011 (previous year: 44.7%).

E. ADDITIONAL DISCLOSURES

30. SEGMENT REPORTING

Since January 2009, the PVA TePla Group is divided into three divisions: Industrial Systems, Semiconductor Systems and Solar Systems. This move was intended to afford a sharper product focus in individual markets and enhance operational transparency for the capital markets.

The Industrial Systems division incorporates the activities of the former Vacuum Systems division as well as the business of the subsidiary PlaTeG GmbH, Siegen.

With three product lines, the Semiconductor Systems division encompasses all activities of the PVA TePla Group in the semiconductor industry. The focus is on crystal growing systems based on the Czochralski and float zone processes, front-end and back-end plasma systems for the semiconductor industry as well as quality control and analysis systems for the non-destructive inspection of materials. These in turn are divided into optical metrology systems and analysis systems based on ultrasound technology.

The Solar Systems division includes all products of the PVA TePla Group for the photovoltaics industry. The focus in this field is on various systems for all industrially viable methods for the production of high-grade silicon (Si) blocks and crystals. As its unique selling proposition, the PVA TePla Group offers a broad portfolio with systems for the production of monocrystalline Si ingots using the Czochralski method, the MultiCrystalizer for the production of high-grade multicrystalline Si ingots and systems using the EFG method (Edge Defined Film Fed Growth) for the fabrication of thin-walled multicrystalline Si tubes. The portfolio offered by this division is supplemented by feeder and crusher systems as well as plasma systems, for example to etch the edges of solar cells.

The required segment information is based on IFRS 8 "Operating Segments," which defines the requirements for reporting the financial results of a company's operating segments. IFRS 8 replaced the IAS 14 "Segment Reporting" standard effective

January 1, 2009 and follows the so-called management approach, which requires consistency between the segment information that is used internally and published externally. For this purpose, the management of PVA TePla AG is presented with accounting figures calculated on the basis of IFRS.

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 structures which underlie 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 activities – in particular the activities of PVA Vakuum Anlagenbau Jena GmbH, which is part of the Semiconductor Systems division in the organization structure but also works for the Solar Systems division at the operational level – are allocated accordingly for the purpose of segment reporting.

Please see the following tables for an overview of the operating 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 2011 and 2010 are as follows:

EUR '000	2011		2010	
	External sales revenues	Internal sales revenues	External sales revenues	Internal sales revenues
Segment revenues				
Industrial Systems	56,964	1,946	28,361	2,205
Semiconductor Systems	49,359	1,103	33,908	896
Solar Systems	26,263	28	58,097	47
Consolidated revenues	132,586	3,077	120,366	3,148

The operating profit by segments for the fiscal years 2011 and 2010 is as follows:

EUR '000	2011		2010	
Operating profit by segment		in %		in %
Industrial Systems	4,069	7.1 %	1,988	7.0 %
Semiconductor Systems	9,652	19.6 %	2,893	8.5 %
Solar Systems	144	0.5 %	7,059	12.2 %
Consolidation	-144		87	
Consolidated operating profit	13,721	10.3 %	12,027	10.0 %

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

EUR '000	2011	2010
Total segment results	13,865	11,940
Consolidation	-144	87
Consolidated operating profit (EBIT)	13,721	12,027
Financial result	-1,087	-895
Share of profits from associates	0	-394
Results before taxes	12,634	10,738
Income taxes	-3,493	-3,224
Consolidated net income	9,141	7,514

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

The following sales revenues by region were generated in the fiscal years 2011 and 2010:

EUR '000	2011	2010
Sales revenues by sales regions		
Germany	28,389	48,678
Europe (excluding Germany)	15,954	15,276
North America	8,563	3,212
Asia	77,656	52,931
Others	2,022	271
Consolidation	2	-2
Consolidated revenues	132,586	120,366

The most rapid growth was achieved in Asia. 58.6% of total sales in fiscal year 2011 were generated in Asia. Added to this is the domestic portion of 21.4% resulting primarily from the sales revenues of the Industrial Systems division. Sales revenue in North America more than doubled while minor increases in sales revenue were achieved in Europe. 12.0% of total sales revenues were generated by exports within Europe.

In the 2011 fiscal year, around EUR 17,354 thousand or 13.1% (previous year: EUR 27,845 thousand or 23.1%) of sales revenues related to revenues from the largest customer of the Group. Sales revenues of EUR 6,004 thousand or 4.5% were generated with a further customer (previous year: EUR 20,803 thousand or 17.3%). Please refer to note 24 for a breakdown of sales revenue 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	
EUR '000	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Non-current assets										
Investment property	0	0	0	0	432	453	0	0	0	0
Non-current financial assets	0	0	0	0	9	18	0	0	0	0
Current assets										
Coming receivables on construction contracts	0	0	0	0	0	0	0	0	22,828	5,832
Trade receivables	0	0	0	0	15,570	13,666	0	0	0	0
Other receivables and assets	0	69	0	0	6,135	3,734	0	0	0	0
Cash and cash equivalents	0	0	0	0	14,612	30,280	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	8,742	12,890	0	0
Other liabilities	-760	-464	0	0	0	0	13	22	0	0
Current liabilities										
Financial liabilities	0	0	0	0	0	0	4,154	1,150	0	0
Trade payables	0	0	0	0	0	0	6,066	4,330	0	0
Other liabilities	-189	-248	-23	-24	0	0	28,637	25,232	0	0
Net finance cost / revenue	-306	-18	1	-2	300	-170	-830	-831	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 306 thousand (previous year: net loss of EUR 18 thousand) comprises changes in the market value of derivative hedging instruments.

The net gain of EUR 1 thousand (previous year: net loss of EUR 2 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 300 thousand (previous year: net loss of EUR 170 thousand) includes interest income and expenses from participating interests as in the previous year.

The net result on financial liabilities recognized at amortized cost includes interest expense of EUR 830 thousand (previous year: EUR 831 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 365 thousand (previous year: EUR 515 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 risk, interest rate risk 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 0 thousand (previous year: EUR 2,554 thousand) as of December 31, 2011. The expected net payments from currency hedging instruments are as follows:

Expected net payments EUR '000	Dec. 31, 2011	Dec. 31, 2010
Up to 1 month	0	0
Between 1 and 3 months	0	20
Between 3 months and 1 year	0	49
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.

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, 2011, other reserves in equity would have been EUR 173 thousand lower (higher) (December 31, 2010: EUR 158 thousand lower (higher)).

If the euro had increased (decreased) by 10% against the other relevant currencies for the Company as of December 31, 2011, other reserves in equity would have been EUR 14 thousand lower (higher) (December 31, 2010: EUR 3 thousand lower (higher)).

Interest rate hedge

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 analysis. These represent the effects of changes in market interest rates for interest payments, interest income and expenses, other earnings components and, where applicable, shareholders' equity.

As the Company has fixed interest rate agreements for its non-current 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 5 thousand) are negligible in terms of their amount and maturity.

Sensitivity analyses 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, 2011 had been 100 bp higher, earnings would have increased by EUR 368 thousand (previous year: EUR 404 thousand). Conversely, if the market interest rate at December 31, 2011 had been 100 bp lower, earnings would have decreased by EUR 401 thousand (previous year: EUR 443 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 Wetttemberg and Jena sites. The outstanding balance of these hedging transactions on the balance sheet date of December 31, 2011 is EUR 8,267 thousand (previous

year: EUR 9,093 thousand). The interest hedges have a term to maturity of up to 12 years. The expected net payments from interest hedging instruments are as follows:

Expected net payments EUR '000	Dec. 31, 2011	Dec. 31, 2010
Up to 1 month	-94	-135
Between 1 and 3 months	-3	-4
Between 3 months and 1 year	-102	-126
Between 1 and 5 years	-664	-583

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 Wetttemberg, and in the long term, attractive interest rates. Due to the global financial and economic crisis, short-term interest has slumped dramatically and the market values of the hedging instruments developed negatively as a result. In the long term however, current interest rates are expected to recover and the market values of the hedging instruments to rise again.

At December 31, 2011, the market value of these instruments was EUR -972 thousand (previous year: EUR -736 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, for the purpose of financing the new building in Wetttemberg in the original amount of EUR 10,000 thousand, was not utilized as of the balance sheet date of December 31, 2011. Accordingly there was no offsetting entry for the market value of the interest rate derivatives and the related deferred taxes in other provisions. The cumulative market value of these hedging instruments at December 31, 2011 is EUR -949 thousand (previous year: EUR -712 thousand). In fiscal year 2011, EUR -237 thousand of this amount was recognized in income under financing expenses (previous year: EUR -111 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, 2011 and December 31, 2010, the Company did not hold any 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, Feldkirchen and Kirchheim, Siegen, Jena, Aalen and Westhausen, Frederikssund (Denmark), Corona/California (USA), Beijing (China) and Xi'an (China) as well as Singapore. In 2011, the monthly rent was EUR 57 thousand at the Feldkirchen site (previous year: EUR 51 thousand) and EUR 10 thousand following the relocation to Kirchheim, EUR 5 thousand at the Jena site (previous year: EUR 1 thousand), EUR 16 thousand at the Siegen site (previous year: EUR 16 thousand), EUR 3 thousand at the Berlin site (previous year: EUR 3 thousand), EUR 2 thousand at the Aalen site (previous year: EUR 1 thousand), and EUR 7 thousand following the move to Westhausen, EUR 10 thousand at the Frederikssund site (previous year: EUR 6 thousand), EUR 8 thousand at the Corona site (previous year: EUR 8 thousand), EUR 2 thousand at the Beijing site (previous year: EUR 1 thousand), EUR 3 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 2011, a total of EUR 854 thousand was paid under these agreements (previous year: EUR 1,253 thousand). The minimum commitments for the coming years comprise the following amounts:

EUR '000	Payments	Present value
Remaining terms		
Up to one year	536	513
Between 1 and 5 years	637	557
More than 5 years	0	0

Sublease of buildings

PVA TePla had subleased part of its rented space at the site in Corona, California until January 15, 2011. In addition, its own building in Kahla is partially subleased. These agreements gave rise to revenue of EUR 39 thousand in 2011 (previous year: EUR 170 thousand). Income from subleasing over the coming years can be broken down as follows:

EUR '000	Payments	Present value
Remaining terms		
Up to one year	29	28
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 2011, expenditures of EUR 146 thousand were incurred for such leases (previous year: EUR 145 thousand). The minimum commitments for the coming years comprise the following amounts:

EUR '000	Payments	Present value
Remaining terms		
Up to one year	157	150
Between 1 and 5 years	268	240
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 2011, expenditures of EUR 437 thousand were incurred for such leases (previous year: EUR 407 thousand). The minimum commitments for the coming years comprise the following amounts:

EUR '000	Payments	Present value
Remaining terms		
Up to one year	313	300
Between 1 and 5 years	83	73
More than 5 years	2	1

Most of the expenditures incurred for leases apply to office equipment for the new administrative building in Wetttemberg.

33. OTHER FINANCIAL COMMITMENTS

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:

EUR '000	Payments	Present value
Remaining terms		
Up to one year	1,129	1,081
Between 1 and 5 years	0	0
More than 5 years	0	0

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

EUR '000	Payments	Present value
Remaining terms		
Up to one year	906	867
Between 1 and 5 years	35	32
More than 5 years	0	0

34. COST OF MATERIALS

The cost of sales for fiscal years 2011 and 2010 contain expenditures on materials as follows:

EUR '000	2011	2010
Cost of raw materials, consumables and supplies and of goods purchased and held for resale	65,941	50,176
Cost of purchased services	7,871	6,534
Total cost of materials	73,812	56,710

Accordingly the materials ratio (cost of materials to total sales revenues) amounted to 55.7% in fiscal year 2011, compared to 47.1% in the previous year. The increase is mainly due to the rise in work in progress.

35. PERSONNEL EXPENSES

Personnel expenses for fiscal years 2011 and 2010 are composed as follows:

EUR '000	2011	2010
Wages and salaries	28,209	27,125
Social charges	4,718	5,047
Total personnel expenses	32,927	32,172

Total personnel expenses of EUR 32,927 thousand were up against the previous year at EUR 32,172 thousand. Compared to sales revenue, personnel expenses therefore went down to 24.8% in fiscal year 2011, compared with 26.7% in the previous year. Social charges contain expenditure on retirement provisions in the amount of EUR 177 thousand (previous year: EUR 216 thousand).

The Group had a total of 509 employees at year-end (previous year: 488) and an average of 498 employees for the year as a whole (previous year: 500).

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)	2011	2010
Administration	66	69
Sales	57	54
Engineering, research and development	109	103
Production and service	266	274
Total number of employees	498	500

The Group also employed 14 assistants (previous year: 11).

36. DEPRECIATION AND AMORTIZATION

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 2011, the Management Board of PVA TePla AG consisted of the following persons:

Peter Abel, Wettenberg (Chairman of the Management Board/CEO) until June 30, 2011
Engineer

Managing Director of the following Group companies:

- » PVA Jena Immobilien GmbH, Jena (until July 18, 2011)
- » Plasma Systems GmbH, Wettenberg (until May 10, 2011)
- » PVA TePla Analytical Systems GmbH, Westhausen (until July 18, 2011)

and the following non-associated companies:

- » PA Beteiligungsgesellschaft mbH, Wettenberg

Membership of supervisory bodies:

- » PVA TePla America Inc., Corona, USA (Director) (until August 2, 2011)
- » Xi'an HuaDe CGS Ltd., Xi'an, PR China (Chairman of the Supervisory Board)
- » ScheBo Biotech AG, Giessen (Chairman of the Supervisory Board)
- » OptoTech Optikmaschinen GmbH, Jena (Chairman of the Advisory Board)
- » 3D PräzisionsTechnik AG, Asslar (Chairman of the Supervisory Board)

Arnd Bohle, Bochum (Chief Financial Officer/CFO)

Business graduate

Membership of supervisory bodies:

- » PVA TePla (China) Ltd. (Supervisor (supervisory body) since April 21, 2011)

Dr. Arno Knebelkamp, Mülheim

(Chairman of the Management Board/CEO) since July 1, 2011

(Deputy Chairman/CTO April 1 to June 30, 2011)

Chemist

Managing Director of the following Group companies:

- » PVA TePla Analytical Systems GmbH, Westhausen (since July 18, 2011)

Membership of supervisory bodies:

- » PVA TePla America Inc., Corona, USA (Director) (since August 2, 2011)
- » Vestolit GmbH & Co. KG, Marl (Member of the Advisory Board)

Dr. Arno Knebelkamp entered PVA TePla AG on April 1, 2011 and until June 30, 2011 held the position of Deputy Chairman of the Management Board and Chief Technology Officer (CTO).

The previous CEO Peter Abel left the Board of PVA TePla AG on June 30, 2011.

Dr. Arno Knebelkamp succeeded Peter Abel as CEO as of July 1, 2011.

The total remuneration paid to the members of the Management Board in fiscal year 2011 was EUR 915 thousand (previous year: EUR 743 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. Other regulations are still in place for the old contracts of Peter Abel and Arnd Bohle, in which the bonus is measured entirely 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 2011:

EUR '000	Salary	Other benefits	Performance-related components	Total 2011	Total 2010
Peter Abel (until June 30, 2011)	120	6	99	225	439
Dr. Arno Knebelkamp (since April 1, 2011)	180	54	135	369	0
Arnd Bohle	180	12	129	321	304

The performance-related components presented above contain amounts paid in 2011 for fiscal year 2010 less the amounts recognized and reported as provisions in fiscal year 2010. A provision established in the year 2011 for fiscal year 2011 is also included. The performance-related components for Arno Knebelkamp in 2011 contain a long-term, performance-related component of EUR 90 thousand. These share-based remuneration components come within the scope of IFRS 2 and were calculated on the basis of an option pricing model.

Long-term benefits together with the above-mentioned long-term performance-related components only exist in relation to the pension entitlements for Peter Abel from the time prior to the formation of PVA TePla AG. These have been taken into account in the measurement of pension provisions. The present value of these entitlements at December 31, 2011 was EUR 441 thousand (previous year: EUR 482 thousand). All other remuneration listed above is payable over the short term. Employer contributions to pension insurance are not paid.

No share options were granted to members of the Management Board in fiscal year 2011. 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 986 thousand (previous year: EUR 968 thousand). In 2011, pensions of EUR 63 thousand (previous year: EUR 62 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 2011, 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, Zörbig (Chairman of the Supervisory Board)
- » Siegwerk Druckfarben AG & Co. KGaA, Siegburg (Member of the Supervisory Board since April 1, 2011)
- » 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:

- » PEP Photonos European Photovoltaics AG, Mainz (member of the Supervisory Board)
- » AMG Coating Technologies GmbH, Hanau (Member of the Advisory Board)
- » Institut für Solarenergieforschung GmbH, Emmerthal (Member of the Scientific Advisory Board)

The remuneration of the members of the Supervisory Board amounted to EUR 100 thousand in fiscal year 2011 (previous year: EUR 100 thousand). In accordance with the Articles of Association, the members of the Supervisory Board receive remuneration of 1% of the Company's profit from ordinary activities up to a maximum of EUR 100 thousand.

EUR '000	Fixed remuneration 2011	Variable remuneration 2011	Fixed remuneration 2010	Variable remuneration 2010
Alexander von Witzleben (Chairman)	10	40	10	40
Prof. Dr. Günter Bräuer	5	20	5	20
Dr. Gernot Hebestreit	5	20	5	20
Total	20	80	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 2011, a premium of EUR 17 thousand (previous year: EUR 17 thousand) was paid for this insurance.

39. 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.

In fiscal year 2011, the value of purchases from these companies totaled EUR 1,011 thousand (previous year: EUR 842 thousand) and the value of sales was EUR 5 thousand (previous year: EUR 31 thousand). The balance of outstanding receivables and liabilities at the balance sheet date was EUR 0 thousand (previous year: EUR 0 thousand) and EUR 35 thousand (previous year: EUR 39 thousand) respectively.

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:

EUR '000	2011	2010
Audit of annual financial statements	303	315
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 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 on November 5, 2002 exceeded the threshold of 25% 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.

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

Christian Graf Dürkheim, Switzerland, notified us on October 28, 2011 under Section 21 (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 Dürkheim, Switzerland, notified us on November 11, 2011 under Section 21 (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) 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.

As of December 31, 2011, 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

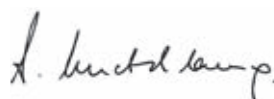
On March 19, 2012, the Management Board of PVA TePla AG authorized the present consolidated financial statements for fiscal year 2011 to be released to the Supervisory Board. This represents the authorization for publication described in IAS 10.6.

44. SIGNIFICANT POST-BALANCE SHEET DATE EVENTS

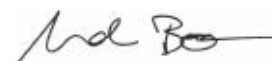
Since the start of fiscal year 2012, there have been no significant changes in the Company's situation or the industry in which it operates. No major changes are planned in the structure, administration or legal form of the Group or its personnel.

Wettenberg, March 19, 2012

PVA TePla AG



Dr. Arno Knebelkamp
Chief Executive Officer



Arnd Bohle
Chief Financial Officer

CONSOLIDATED STATEMENT CHANGES IN FIXED ASSETS

for the years ended December 31, 2011

in EUR '000	Acquisition and manufacturing costs						Balance Dec. 31, 2011
	Jan. 01, 2011	Acquisitions 2011	Additions 2011	Transfers 2011	Disposals 2011	Exchange differences	
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 und 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						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					262	432	453	
19,776	2,862	0	769	0	30	21,897	42,668	43,262	

CONSOLIDATED STATEMENT CHANGES IN FIXED ASSETS

for the years ended December 31, 2010

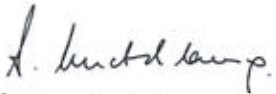
in EUR '000	Acquisition and manufacturing costs						Balance Dec. 31, 2010
	Jan. 01, 2010	Acquisitions 2010	Additions 2010	Transfers 2010	Disposals 2010	Exchange differences	
Intangible assets							
1. Goodwill	12,465	0	0	0	0	0	12,465
2. Other intangible assets	4,553	0	475	0	1	0	5,027
Total	17,018	0	475	0	1	0	17,492
Property, plant and equipment							
1. Land, property rights and buildings, including buildings on third party land	33,440	0	608	0	383	34	33,699
2. Plant and machinery	4,812	0	1,027	-2	76	83	5,843
3. Other plant and equipment, fixtures und fittings	4,917	0	437	2	52	6	5,310
4. Advance payments and assets under construction	0		0	0	0	0	0
Total	43,169	0	2,072	0	511	123	44,852
Investment property	694	0	0	0	0	0	694
Total	60,881	0	2,547	0	512	123	63,038

Accumulated amortization and depreciation							Residual carrying values		
Balance Jan. 01, 2010	Additions 2010	Transfers 2010	Disposals 2010	Write-ups 2010	Exchange differences	Balance Dec. 31, 2010	Dec. 31, 2010	Dec. 31, 2009	
4,850	0	0	0	0	0	4,850	7,615	7,615	
3,442	495	0	0	0	0	3,937	1,090	1,111	
8,292	495	0	0	0	0	8,787	8,705	8,726	
3,396	1,072	0	298	0	26	4,195	29,504	30,044	
2,710	458	0	40	0	77	3,205	2,639	2,102	
2,586	797	0	41	0	6	3,348	1,961	2,331	
0	0	0	0	0	0	0	0	0	
8,692	2,326	0	379	0	109	10,748	34,104	34,477	
219	22	0	0	0	0	241	453	475	
17,203	2,843	0	379	0	109	19,776	43,262	43,678	

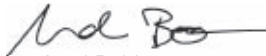
Responsibility Statement

“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.”

Wettenberg, March 19, 2012



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, 2011. 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 19, 2012

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



Marcus Grzanna
Auditor



Thomas Klemm
Auditor



ANNUAL FINANCIAL STATEMENTS

PVA TePla AG, Wettenberg

BALANCE SHEET	110	ASSETS ANALYSIS	124
INCOME STATEMENT	112	RESPONSIBILITY STATEMENT	128
NOTES	113	AUDITOR'S REPORT	129
A. General Information and Explanations	113		
B. Information and Explanations regarding Balance Sheet and Income Statement	114		
C. Supplementary Information	117		

PVA TePla AG, Wettenberg

Annual Financial Statements

FOR THE FISCAL YEAR 2011

BALANCE SHEET

as at December 31, 2011

ASSETS in EUR	Dec. 31, 2011	Dec. 31, 2010
A. Non-current assets		
I. Intangible assets	586,265.96	768,150.25
Concessions, industrial property rights, similar rights and assets, and licenses to such rights and assets	586,265.96	768,150.25
II. Property, plant and equipment	25,556,251.33	25,187,796.74
1. Land, property rights and buildings, including buildings on third party land	23,206,321.76	23,763,356.29
2. Plant and machinery	1,263,636.03	212,839.47
3. Other plant and equipment, fixtures and fittings	1,078,250.47	1,211,600.98
4. Advance payments and assets under construction	8,043.07	0.00
III. Financial assets	8,841,713.61	8,732,143.61
Shares in affiliated companies	8,841,713.61	8,732,143.61
Total non-current assets	34,984,230.90	34,688,090.60
B. Current assets		
I. Inventories	5,685,312.52	691,958.88
1. Raw materials and operating supplies	5,032,054.81	4,165,922.86
2. Work in progress	35,868,628.80	31,505,947.28
3. Finished products and goods	2,830,605.65	5,350,463.00
4. Advance payments	1,190,272.92	691,958.88
less advance payments received on orders	-39,236,249.66	-41,022,333.14
II. Receivables and other assets	31,620,078.44	21,726,212.73
1. Trade receivables	11,955,573.60	9,967,548.68
2. Receivables from affiliated companies	16,490,276.09	10,146,527.92
3. Other assets	3,174,228.75	1,612,136.13
III. Other financial assets	1,001,000.00	1,001,000.00
IV. Cash and cash equivalents	12,216,248.56	27,231,255.76
Total current assets	50,522,639.52	50,650,427.37
C. Prepaid expenses	295,222.01	297,302.12
D. Active difference from asset allocation	30,525.10	123,268.39
Total	85,832,617.53	85,759,088.48

LIABILITIES AND SHAREHOLDERS' EQUITY in EUR		Dec. 31, 2011	Dec. 31, 2010
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	24,902,616.70	18,761,464.37
Total shareholders' equity		48,849,803.50	42,708,651.17
B. Non-current liabilities			
1.	Provisions for pensions and similar obligations	8,410,653.00	8,202,985.00
2.	Provisions for taxes	924,143.66	1,426,349.01
3.	Other provisions	11,042,661.94	13,477,217.60
Total non-current liabilities		20,377,458.60	23,106,551.61
C. Current liabilities			
1.	Bank loans and overdrafts	9,632,688.48	10,065,832.70
2.	Advance payments received on orders	0.00	2,140,496.33
3.	Trade payables	3,546,850.20	2,837,568.22
4.	Payables to affiliated companies	2,762,461.54	4,234,740.34
5.	Other liabilities	663,355.21	665,248.11
Total current liabilities		16,605,355.43	19,943,885.70
Total		85,832,617.53	85,759,088.48

INCOME STATEMENT

1 January – 31 December 2011

in EUR	Jan. 01– Dec. 31, 2011	Jan. 01– Dec. 31, 2010
1. Revenue	105,915,480.29	113,171,834.86
2. Cost of sales	-84,118,971.24	-95,990,662.20
3. Gross profit	21,796,509.05	17,181,172.66
4. Selling and distribution expenses	-7,729,862.66	-6,987,277.75
5. General administrative expenses	-5,619,133.09	-5,919,433.42
6. Research and development expenses	-3,419,910.53	-2,032,661.36
7. Other operating income	10,039,963.05	7,901,348.26
8. Other operating expenses	-5,955,220.10	-4,214,290.44
9. Income from participating interests – of which from affiliated companies EUR 1,989,648.46 (previous year EUR 0)	1,989,648.46	0.00
10. Income from profit and loss transfer agreement	2,247,334.62	5,805,032.26
11. Other interest and similar income – of which from affiliated companies EUR 371,378.62 (previous year EUR 504,154.85)	649,475.33	682,409.89
12. Depreciation of financial assets	0.00	0.00
13. Expenses from profit and loss transfer agreement	0.00	-7,829.25
14. Interest and similar expenses – of which from affiliated companies EUR -37,102.11 (previous year EUR -96,827.04)	-1,412,081.65	-1,402,081.91
15. Net profit before tax	12,586,722.48	11,006,388.94
16. Extraordinary income	0.00	10,881.40
17. Extraordinary expenses	0.00	-2,040,218.00
18. Extraordinary result	0.00	-2,029,336.60
19. Income taxes	-3,088,025.71	-2,966,221.80
20. Other taxes	-95,046.24	-200,194.86
21. Net profit for the year	9,403,650.53	5,810,635.68
22. Prior period unappropriated retained earnings brought forward	15,498,966.17	12,950,828.69
23. Accumulated profit	24,902,616.70	18,761,464.37

PVA TePla AG, Wettenberg

Notes

FOR FISCAL YEAR 2011

A. GENERAL INFORMATION AND EXPLANATIONS

1. GENERAL INFORMATION

The annual financial statements of PVA TePla AG were prepared according to the regulations of the 3rd Book of the Handelsgesetzbuch (HGB – German Commercial Code, Sections 238 et seq). In particular, compliance with the supplementary regulations for corporations (Sections 264 et seq. HGB) was required. Moreover, the provisions of the German Corporation Code (AktG) are to be complied with.

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 useful life of intangible assets, plant and machinery and fixtures and fittings is 3–15 years. The useful life of buildings is recognized at 25–33 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, are collectively straight-line depreciated in a collective item over five years.

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.

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

Pursuant to the regulations of BilMoG accruals 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 one-off effect resulting from the first time application of the BilMoG occurred led to a reduction of EUR 22,200.00 at January 1, 2010, which was reported in retained earnings.

Pension accruals are reported in the financial balance sheet using the "Projected Unit Credit Method" pursuant to the provisions of the German Accounting Law Modernization Act (BilMoG) dated May 25, 2009. Pension accruals are assessed based on actuarial calculations taking into account a discount interest rate of 5.14% 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, 2011
Income trend	3.00
Pension trend	1.25
Staff turnover	1.50
Interest rate for active staff	5.14
Interest rate for pensioners	5.14

Provisions for anniversaries are valued actuarially at net present value on the basis of an interest rate of 5.14%. 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.

Hedges used for partial retirement obligations have been reported as part of the micro-hedge unit for the first time in the course of adjustments made in line with the provisions of BilMoG in fiscal year 2010.

PVA TePla AG has coverage capital at December 31, 2011, for partial retirement. The asset value of partial retirement is netted against accruals and the difference is reported as an asset value in the balance sheet.

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. With a remaining term of more than one year, the annual financial statements are translated at the exchange rate on the date of accrual. 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 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 amounted to less than one year.

Receivables from affiliated companies amounted to EUR 10,860,300.00 (previous year: EUR 3,158,686.00) for prepayments on inventory, trade receivables amounted to EUR 595,473.48 (previous year: EUR 3,586,711.96), and other assets amounted to EUR 5,034,502.61 (previous year: EUR 3,401,129.96).

Prepaid expenses include discounts of EUR 251,300.00 (previous year: EUR 270,900.00).

Equity

in EUR	Jan. 1, 2011	Net profit	Profit distribution dividend	Addition to reserves	Transfer from reserves	Dec. 31, 2011
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	18,761,464.37	9,403,650.53	3,262,498.20			24,902,616.70
Total	42,708,651.17	9,403,650.53	3,262,498.20	0.00	0.00	48,849,803.50

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 accruals that were reported as retained earnings.

The ordinary share capital is divided into 21,749,988 no-par value bearer shares, 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, 2011.

The annual general shareholders' meeting of PVA TePla AG authorized the Management Board to increase the Company's stated capital upon approval of the Supervisory Board in one or more tranches by June 14, 2012 by up to EUR 10,874,994 through the issuance of up to 10,874,994 new no-par value

bearer shares against cash and/or noncash contributions and excluding shareholder preemption rights to the extent permitted by law. No capital increases from this authorized capital were resolved in 2011.

Provisions

Provisions are mainly comprised of other order-related provisions (EUR 2,797,300.14), personnel-related provisions (EUR 2,891,893.90) and warranties (EUR 2,056,864.75).

There is still a balance at an insurance group from an earlier obligation to cover partial retirement obligations. The asset value of partial retirement provisions is netted against accruals at EUR 30,525.10 in the balance sheet (previous year: EUR 123,268.39).

Payables

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

in EUR	up to 1 yr.	Remaining Term 1 – 5 yrs.	over 5 yrs.	Total	Secured by
1. Liabilities to banks	3,433,869.00	1,759,280.00	4,439,540.48	9,632,689.48	see below
2. Advance payments received on orders	3,546,850.20	0	0	3,546,850.20	generally reservation
3. Trade payables	2,762,461.54	0	0	2,762,461.54	
4. Other liabilities	663,355.21	0	0	663,355.21	
Total	10,406,535.95	1,759,280.00	4,439,540.48	16,605,356.43	

Capitalized customer advance payments deducted from inventories amounting to EUR 39,236,249.66 (previous year: EUR 41,022,333.14) 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 is used to secure the additional agreed to loan for new construction in Wettenberg with an available credit line of EUR 7,333,331.34 (previous year: EUR 8,000,000.00), which as of December 31, 2011 has not been drawn against.

EUR 1,926,450.95 (previous year: EUR 2,113,690.43) of the payables to affiliated companies result from trade payables, EUR 0.00 (previous year: 735,148.51) from advances, and EUR 836,640.59 (previous year: EUR 1,385,901.40) result from other liabilities.

Other liabilities include tax liabilities in the amount of EUR 266,857.61 (previous year: EUR 259,131.28), liabilities within the scope of social security in the amount of EUR 3,822.19 (previous year: EUR 2,979.10) as well as other sundry liabilities in the amount of EUR 392,675.41 (previous year: EUR 403,137.73).

2. INFORMATION ON INCOME STATEMENT ITEMS

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

Region	in EUR
Germany	34,596,047.44
Europe (excluding Germany)	12,139,790.83
North America	5,012,527.05
Asia	53,242,682.34
Others	924,432.63
Total	105,915,480.29

Division	in EUR
Industrial Systems	46,580,492.51
Semiconductor Systems	32,828,169.01
Solar Systems	26,506,818.77
Total	105,915,480.29

Cost of materials in EUR	2011	2010
Cost of raw materials, operating supplies and goods	61,351,944.61	68,099,848.22
Cost of purchased services	5,850,240.59	4,276,362.82

Personnel expenses in EUR	2011	2010
a) Wages and salaries	19,587,670.97	19,165,625.44
b) Social security, pensions and other benefits	3,292,138.19	3,443,032.62
of which relating to pensions	116,180.22	155,301.97

Other operating income and expenses

In fiscal year 2011 there are currency exchange rate gains in the amount of EUR 509,328.89 contained in other operating income. There are currency exchange rate losses in the amount of EUR 466,312.60 contained in other operating expenses.

Income and expense accrued in other accounting periods

In the reporting year, other operating income included EUR 4,065 thousand in prior-period income. These primarily relate to reversing provisions.

In fiscal year 2011 there are prior-period expenses in the amount of EUR 166 thousand contained in other operating expenses.

Prior-period expenses resulting from previous years' tax payments totaling EUR 139 thousand (previous year: EUR 154 thousand) were recorded in the "Income taxes" item.

Accumulation and discounting of interests for provisions

Interest and similar expenses amounting to EUR 349,655.00 relate to expenses associated with the accumulation of interests for provisions.

Extraordinary income and expenses

There were no extraordinary income and expenses in fiscal year 2011.

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 December 31, 2011 in EUR '000	Results 2011 in EUR '000
PVA TePla America Inc.	Corona/CA, USA	100 %	786	-94
PVA Jena Immobilien GmbH	Jena, Germany	100 %	2,593	0 *
Xi'an HuaDe CGS Ltd.	Xi'an, PR China	51 %	-182	-18
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 *
Plasma Systems GmbH	Wettenberg, Germany	100 %	-432	-21
PlaTeG GmbH	Siegen, Germany	100 %	41	-200
PVA TePla Singapore Pte. Ltd.	Singapore	100 %	766	391
PVA TePla Analytical Systems GmbH	Westhausen, Germany	100 %	974	1,115
PVA TePla (China) Ltd.	Beijing, PR China	100 %	118	-4

*) On the basis of a profit transfer agreement

**) Indirect equity investment via PVA Jena Immobilien GmbH

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 December 12, 2011, insolvency proceeding have not yet be concluded.

The following changes have taken place compared with the 2010 annual financial statements:

PVA TePla AG's previous sales office in Beijing was converted into an independent company, PVA TePla (China) Ltd., on April 21, 2011. The company is allocated to the Industrial Systems division.

2. PERSONNEL

PVA TePla AG had a total of 317 employees at year-end (previous year: 303) and on average for the year the Company had 312 employees (previous year: 313). 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)	2011	2010
Administration	40	43
Sales	40	41
Engineering, research and development	81	82
Production and service	151	147
Total number of employees	312	313

The rise in employees is mainly due to the Wettenberg site, resulting from the rise in business volume.

PVA TePla AG also employed 14 assistants (previous year: 11).

3. OFF-BALANCE-SHEET TRANSACTIONS

As of December 31, 2011, 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 540 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 that fact that leasing puts less strain on liquidity and that it offers a secure basis for calculating future expenses.

Remaining terms	Nominal value EUR '000
Up to one year	362
Between 1 and 5 years	175
More than 5 years	3

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, 2011 was EUR 600 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, 2011 was EUR 1,000 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, 2011 was EUR 203 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, 2011 was EUR 500 thousand.

The subsidiary PVA Löt- und Werkstofftechnik GmbH (LWT) 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 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, 2011 was EUR 80 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, 2011 totaled EUR 324 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, 2011 amounts to EUR 643 thousand.

Within 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, 2011:

- » 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, Siegen, with a maximum amount of EUR 16,000 thousand. The actual utilization of this facility by PVA Vakuum Anlagenbau Jena, PVA TePla Analytical Systems, and PlaTeG as of December 31, 2011 totaled EUR 394 thousand.

All debtors for whom liability has been assumed, a repurchase obligation is available, and a parent company guarantee plus surety have been given, have met their payment obligations up until now without limitation. 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, 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 1,473 thousand as at December 31, 2011. 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:

	Nominal value
Remaining terms	EUR '000
Up to one year	999
Between 1 and 5 years	474
More than 5 years	0

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.

No forward exchange contracts had been entered into as of December 31, 2011.

Interest rate hedge

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 on the balance sheet date of December 31, 2011 is EUR 7,666,666.68 (previous year: EUR 8,333,337.36).

The fair value of both hedging transactions as at December 31, 2011, was EUR -949,099.10 (previous year: EUR -712,223.72). This value was calculated on the basis of a fair value measurement. A provision for impending losses was set aside to the amount of the market value (EUR 949,099.10) as the loan underlying the hedges had not been utilized as at December 31, 2011.

At December 31, 2011, derivative financial instruments were composed as follows:

in EUR	Nominal Value Dec. 31, 2011	Market Values Dec. 31, 2011
Currency exchange forwards	0	0
Interest rate hedges	7,666,666.68	-949,099.10

6. DEFERRED TAXES

Generally deferred taxes are calculated for the temporary differences between financial and tax carrying values for intangible assets created, property, plant and equipment, inventories, pension accruals and other accruals. 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	
	2011	2010	2011	2010
Receivables	746,760	746,760	11,194	11,348
Payables	0	0	0	0
Provisions	736,958	669,979	6,156	6,156
Total Deferred Tax	1,483,718	1,416,739	17,350	17,504
Balance	-17,350	-17,504		
Excess tax assets	1,466,367	1,399,235		

Altogether a tax charge would be reported in the balance sheet as a deferred tax liability. In 2011 there was a EUR 1,466,367 excess in deferred tax assets (previous year: EUR 1,399,235). This was not capitalized according to the option provided for in Section 274 (1) sentence 2 HGB.

7. EXECUTIVE BODIES

The Management Board consists of:

Peter Abel, Wettenberg (Chairman/CEO) until June 30, 2011
Engineer

Managing Director of the following Group companies:

- » PVA Jena Immobilien GmbH, Jena (until July 18, 2011)
- » Plasma Systems GmbH, Wettenberg (until May 10, 2011)
- » PVA TePla Analytical Systems GmbH, Westhausen (until July 18, 2011)

and the following non-associated companies:

- » PA Beteiligungsgesellschaft mbH, Wettenberg

Membership of supervisory bodies:

- » PVA TePla America Inc., Corona, USA (Director) (until August 2, 2011)
- » Xi'an HuaDe CGS Ltd., Xi'an, PR China (Chairman of the Supervisory Board)
- » ScheBo Biotech AG, Giessen (Chairman of the Supervisory Board)
- » OptoTech Optikmaschinen GmbH, Jena (Chairman of the Advisory Board)
- » 3D PräzisionsTechnik AG, Asslar (Chairman of the Supervisory Board)

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

Membership of supervisory bodies:

- » PVA TePla (China) Ltd. (Supervisor (supervisory body) since April 21, 2011)

Dr. Arno Knebelkamp, Mülheim (Chairman/CEO) since July 1, 2011
(Deputy Chairman/CTO April 1 to June 30, 2011)
Chemist

Managing Director of the following Group companies:

- » PVA TePla Analytical Systems GmbH, Westhausen (since July 18, 2011)

Membership of supervisory bodies:

- » PVA TePla America Inc., Corona, USA (Director) (since August 2, 2011)
- » Vestolit GmbH & Co. KG, Marl (Member of the Advisory Board)

Dr. Arno Knebelkamp entered PVA TePla AG on April 1, 2011 and until June 30, 2011 held the position of Deputy Chairman of the Management Board and Chief Technology Officer (CTO).

The previous CEO Peter Abel left the Board of PVA TePla AG on June 30, 2011.

Dr. Arno Knebelkamp succeeded Peter Abel as CEO as of July 1, 2011.

The total remuneration of members of the Management Board in fiscal year 2011 amounted to EUR 914,832.51. 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. Other regulations are still in place for the old contracts of Peter Abel and Arnd Bohle, in which the bonus is measured entirely 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 2011:

Remuneration in 2011				Total
in EUR	Salary	Other benefits	Performance-related components	
Peter Abel (until June 30, 2011)	120,000.00	5,745.60	99,100.00	224,845.60
Dr. Arno Knebelkamp (since April 1, 2011)	180,000.00	53,815.28	135,000.00	368,815.28
Arnd Bohle	180,000.00	12,296.63	128,875.00	321,171.63

The performance-related components presented above contain amounts paid in 2011 for fiscal year 2010, as well as a deduction of the amounts recognized and reported as provisions in fiscal year 2010. A provision established in the year 2011 for fiscal year 2011 is also included. The performance-related components for Arno Knebelkamp in 2011 contain a long-term, performance-related component of EUR 90,000.00.

In addition, a pension commitment to Peter Abel exists in connection with his former activity at the Company. As at December 31, 2011, there was a provision of EUR 414,779.00 for this.

No share options were granted to members of the Management Board in fiscal year 2011. There are no benefits in the event of a change in the constitution of the shareholder majority.

EUR 62,500.20 was paid to former members of the management board as pensions in 2011. As at the balance sheet date, there was a provision of EUR 951,087.00 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, Zörbig
(Chairman of the Supervisory Board)
- » Siegwerk Druckfarben AG & Co. KGaA, Siegburg
(Member of the Supervisory Board since April 1, 2011)
- » 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:

- » PEP Photonos European Photovoltaics AG, Mainz
(Member of the Supervisory Board)
- » 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 Company's profit from ordinary activities 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 100,000.00 in 2011 (2010: EUR 100,000.00), broken down as follows:

in EUR	Fixed	Variable
	remuneration Jan. 1, – Dec. 31, 2011	remuneration Jan. 1, – Dec. 31, 2011
Alexander von Witzleben (Chairman)	10,000.00	40,000.00
Prof. Dr. Günter Bräuer	5,000.00	20,000.00
Dr. Gernot Hebestreit	5,000.00	20,000.00
Total	20,000.00	80,000.00

D&O insurance has been taken out to cover the liability of the members of executive bodies under civil law. In fiscal year 2011, a premium of EUR 16,660.00 (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	259,206.30
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 on November 5, 2002, exceeded the threshold of 25% 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, 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) 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) 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) 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.

As of December 31, 2011, 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 Parliaments 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 9,403,650.53 as at December 31, 2011. The amount of EUR 24,902,616.70 results after offsetting against the profit brought forward from the previous year.

in EUR	
Profit brought forward after 2011	15,498,966.17
Net profit	9,403,650.53
Retained earnings before distribution	24,902,616.70
Distribution of a dividend EUR on each qualifying no par value share for fiscal year 2011	-3,262,498.20
Carryforwards	21,640,118.50

The Management Board and Supervisory Board propose that EUR 3,262,498.20 of the retained earnings reported in the annual financial statements amounting to EUR 24,902,616.70 be distributed as dividends, with the remaining EUR 21,640,118.50 carried forward to a new account.

The dividend is going to be distributed on June 14, 2012.

Wettenberg, March 19, 2012

PVA TePla AG



Dr. Arno Knebelkamp
Chief Executive Officer



Arnd Bohle
Chief Financial Officer

ASSETS ANALYSIS for the year 2011

in EUR	Acquisition and manufacturing costs				Balance Dec. 31, 2011
	Jan. 01, 2011	Additions 2011	Transfers 2011	Disposals 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

ASSETS ANALYSIS for the year 2010

in EUR	Acquisition and manufacturing costs				Balance Dec. 31, 2010
	Jan. 01, 2010	Additions 2010	Transfers 2010	Disposals 2010	
I. Intangible assets					
Concessions, industrial property rights, similar rights and assets, and licenses in such rights and assets	2,375,119.63	425,098.74	0.00	0.00	2,800,218.37
Total	2,375,119.63	425,098.74	0.00	0.00	2,800,218.37
II. Property, plant and equipment					
1. Land, property rights and buildings, including buildings on third party land	25,644,643.70	595,572.09	0.00	0.00	26,240,215.79
2. Plant and machinery	1,292,531.01	13,104.54	0.00	0.00	1,305,635.55
3. Other plant and equipment, fixtures and fittings	3,865,353.50	284,832.13	0.00	10,321.38	4,139,864.25
4. Advance payments and assets under construction	0.00	0.00	0.00	0.00	0.00
Total	30,802,528.21	893,508.76	0.00	10,321.38	31,685,715.59
III. Financial assets					
Shares in affiliated companies	21,635,721.92	0.00	0.00	0.00	21,635,721.92
Total	21,635,721.92	0.00	0.00	0.00	21,635,721.92

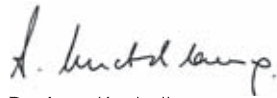
Accumulated amortization and depreciation				Residual carrying values	
Balance Jan. 01, 2010	Additions 2010	Disposals 2010	Balance Dec. 31, 2010	Dec. 31, 2010	Dec. 31, 2009
1,694,928.85	337,139.26	0.00	2,032,068.11	768,150.25	680,190.78
1,694,928.85	337,139.26	0.00	2,032,068.11	768,150.25	680,190.78
1,702,545.57	774,313.93	0.00	2,476,859.50	23,763,356.29	23,942,098.13
1,046,925.22	45,870.84	0.00	1,092,796.06	212,839.47	245,605.79
2,450,112.95	485,148.70	6,998.38	2,928,263.27	1,211,600.98	1,415,240.55
0.00	0.00	0.00	0.00	0.00	0.00
5,199,583.74	1,305,333.47	6,998.38	6,497,918.83	25,187,796.74	25,602,944.47
12,903,578.31	0.00	0.00	12,903,578.31	8,732,143.61	8,732,143.61
12,903,578.31	0.00	0.00	12,903,578.31	8,732,143.61	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, 2011 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 19, 2012



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, 2011. 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 19, 2012

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



Marcus Grzanna
Auditor



Thomas Klemm
Auditor

Service

GLOSSARY

TECHNICAL TERMS

ALGORITHM/ALGORITHMS

Precise sequence of actions or procedures that help solve a problem in a series of pre-defined steps.

BACK END

Process sequence for further processing of the semiconductor chips structured on the front of wafers in front end processing following wafer dicing in pre-assembly (cf.) and includes electrical testing, attachment of brackets, -soldering of connections and the fitting of components into a casing.

CHIP PACKAGING

Packing of semiconductor boards.

DRAM

Dynamic Random Access Memory, used as main memory in computers.

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.

HBLLED

"High Brightness LED".

INTERFACE DELAMINATION

The separation of composite materials layers between two physical phases.

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.

SCANNING ELECTRON MICROSCOPE (SEM)

An electron microscope that moves a beam of electrons in a regular pattern over the object to be enlarged (raster scan pattern).

SINTERING

Hardening powdered mass under pressure, vacuum and high temperature conditions to create, for example, -tungsten tools.

SLIM ROD PULLER

Crystal growing system to produce slim silicon rods.

TRANSMISSION ELECTRON MICROSCOPY (TEM)

An electron microscope that moves a beam of electrons focused on a specific small surface in order to enlarge it.

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.

DEFINITION 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	
11. May 2012	Publication of the Q1 Report	
13. June 2012	Annual Shareholders' Meeting	Congress Center Giessen
15. August 2012	Publication of the Q2 Report	
9. November 2012	Publication of the Q3 Report	
12.– 14. November 2012	German Equity Forum	Frankfurt

IMPRINT

PVA TePla AG

Im Westpark 10 – 12
35435 Wettenberg
Germany

Phone +49 (0) 641 / 68690-0
Fax +49 (0) 641 / 68690-800
e-mail info@pvatepla.com
Internet www.pvatepla.com

Investor Relations

Dr. Gert Fisahn
Phone +49 (0) 641 / 68690-400
e-mail gert.fisahn@pvatepla.com

Published by

PVA TePla AG

Text PVA TePla AG

Languages German/English

Layout

Whitepark GmbH & Co., Hamburg
www.whitepark.de

Print

Zertani GmbH & Co. Die Druckerei KG, Bremen
www.zertani.de

This report is available for download in English and German on the Internet at www.pvatepla.com under Investor Relations/Reports. In case of doubt the German version shall be authoritative.

PVA TePla AG
Im Westpark 10–12
35435 Wettenberg
Germany

Phone +49 (0) 641 / 68690-0
Fax +49 (0) 641 / 68690-800
e-mail info@pvatepla.com
Home www.pvatepla.com