



Be equipped for tomorrow's materials.

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.



10 Highly qualified niche supplier

06 High-tech deep underground



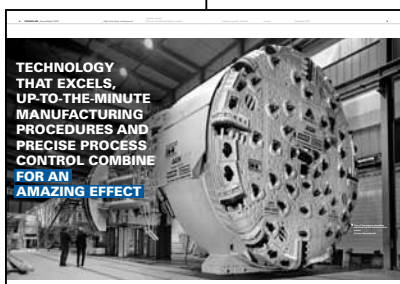
12 Highly qualified niche supplier



20 Leisure



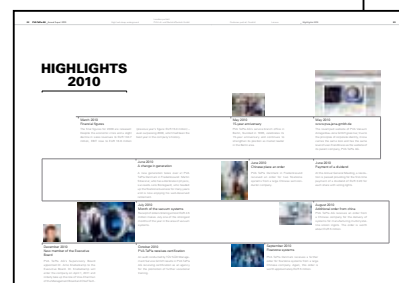
04 High tech deep underground



16 Customer portrait: Ceratizit



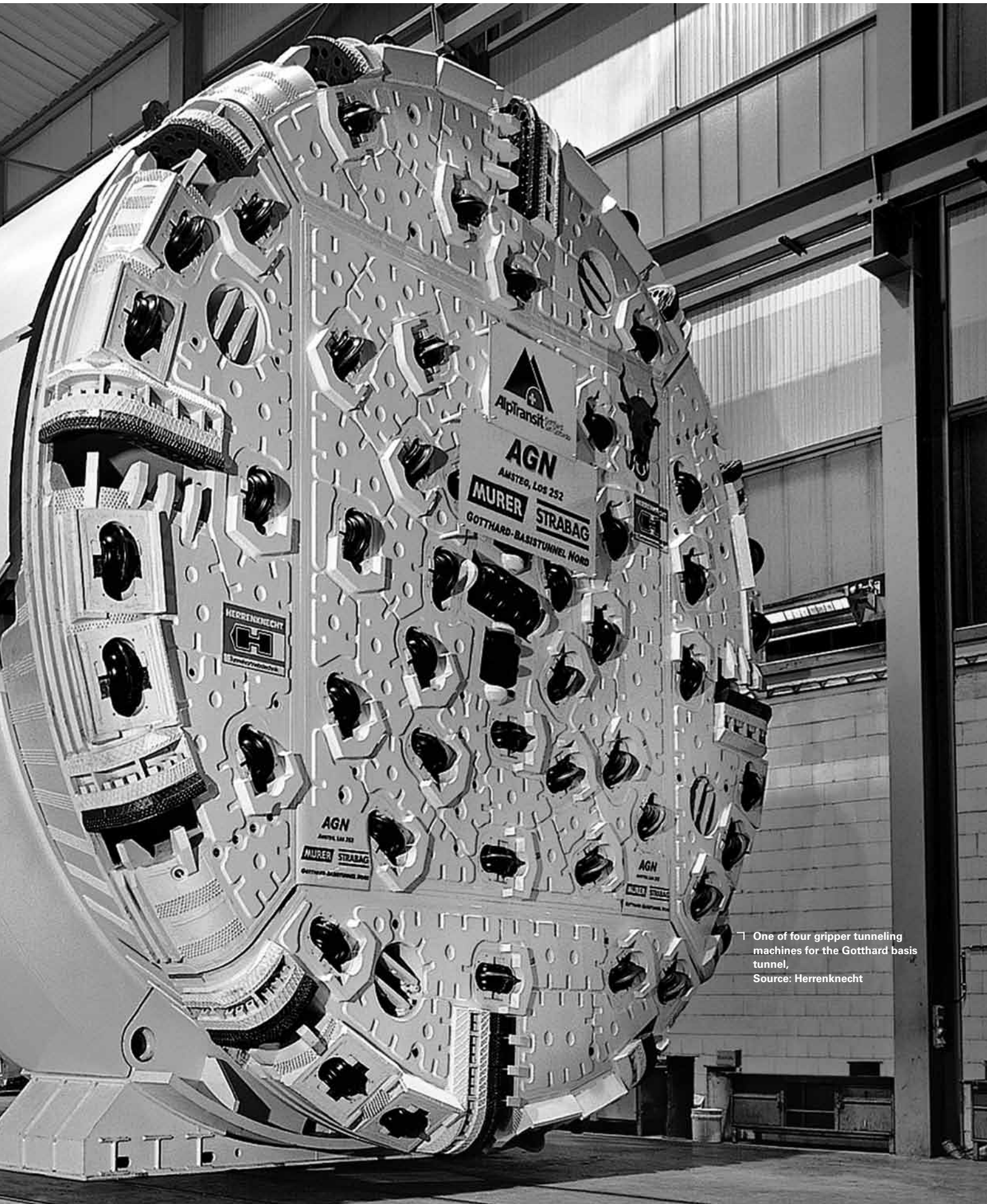
14 Parts for brazing



22 Highlights 2010



TECHNOLOGY THAT EXCELS, UP-TO-THE-MINUTE MANUFACTURING PROCEDURES AND PRECISE PROCESS CONTROL COMBINE FOR AN AMAZING EFFECT



One of four gripper tunneling machines for the Gotthard basis tunnel, Source: Herrenknecht

HIGH TECH DEEP UNDERGROUND

Typical applications for hard metal products include all areas where wear-resistant tools are required, for example the automotive and petrochemicals industries, machine engineering and the energy and transport sectors. Rock working in tunneling is a compelling case for the use of metal products.

Drilling head with cutting inserts



On October 15, 2010, the 58 roller bits of a tunnel boring machine pushed through the final centimeters of the layers of gneiss and granite of the St. Gotthard massif. Then the nine-meter cutterhead smashed through the wall to the second tunnel, whereupon, amid cheers from the journalists and mineworkers gathered there, a further milestone was reached in this record-breaking project. With only eight-centimeter horizontal and one-centimeter vertical skews, the 57-kilometer Gotthard base tunnel's two tunnels met. 24 million tons of solid rock were cleared during a construction period of over four years: a mountain drilled out of a mountain.

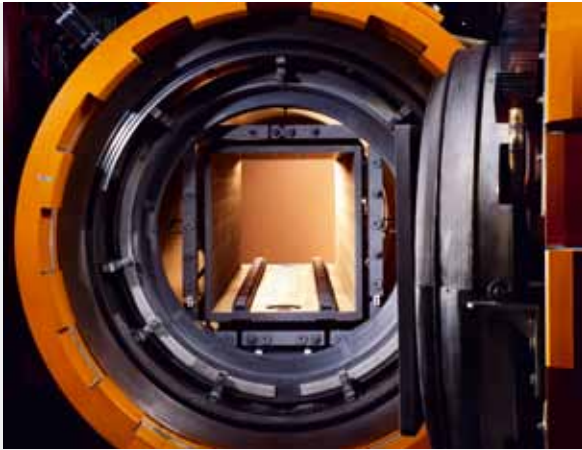
At almost the same time, a second spectacular event drew the public under its spell: the rescue of the 33 trapped mineworkers in Chile. Fascinated, the world witnessed a display of the simply unimaginable capabilities of modern technology. **A substantial role was played in both cases by PVA TePla AG and its technologies, i.e. its equipment for the manufacture of carbide metals, without which a tunneling project or life-saving drilling to reach trapped miners is unfeasible at such a speed.**

Modern tunnel boring machines like the one used by Alp Transit Gotthard AG are real monsters: around 60 meters in length, they can eat through up to 40 meters of solid rock per day! Slides are then brought in to push the vehicle with a strength of some 60 tons against the rock up ahead. For the rotating cutterhead and roller bits attached to it, extreme hardness, toughness and wear resistance are imperative. Such harsh conditions almost always call for

carbides. Due to their high melting points, carbides are not produced through melting, as it is the case for other metals or alloys. They are produced in a similar fashion to ceramics, through sintering. And that's what makes their production so complex and challenging. They combine the hardness and abrasion resistance of ceramics with the strength and toughness of steel. Another advantage is their high temperature stability. Many types can withstand continuous operating temperatures above 1,000°C (1,832°F) without being damaged.

Tough in performance, sensitive in production

Carbides are as tough in use as they are sensitive during production. The manufacturing equipment must adhere to a long list of requirements including an oxygen- and nitrogen-free reaction chamber, the maintenance of a precise temperature program and the avoidance of temperature gradients. The manufacturing process itself is complex and is carried out in several stages. The components used in this process are ground, sifted, mixed, sintered and molded. The base material tungsten carbide (WC) accounts for over 90% of carbide metal composition. Cobalt is used primarily as a so-called binder. The addition of titanium carbide, tantalum carbide or niobium carbide creates a wealth of possibilities for specifically modifying the properties of the tungsten carbide's co-base carbide. Aside from these most important types, there are also numerous varieties such as so-called cermet coating, made using titanium carbide or titanium nitride with molybdenum or aluminium alloys, and special carbides that use nickel or chrome instead of cobalt at the binder phase.



▮ A glimpse of the inside of a pressure sintering system



▮ Pressure sintering system with control box

PVA TePla offers specially-tailored industrial manufacturing equipment, no matter which variety is selected. A high degree of precision is called for because the quality of the finished product is impacted upon significantly if specifications are not adhered to. In the sintering process, the carbide is only formed when temperatures have reached 1,350 to 1,600 °C in the vacuum. Only then are the original powdery materials "baked" together. But unlike with baking a cake, which generally rises, the carbides create decrease in volume. The problems arising from this must be taken into account in the direct formative processes. If the parts shrink less strongly than intended, then rectification work must be carried out on the finished piece. But this is not inexpensive due to high wear resistance. The problems are worse still if procedural errors such as variations in the temperature program or temperature gradients occurring in the processing room increase shrinkage or cause inhomogeneities. In this case, a part that incurred high production costs can no longer be salvaged and is discarded. It is therefore crucial to have high quality sintering plants, capable of creating the extreme conditions required as quickly as possible as well as ensuring even distribution and sustaining them consistently for the required time period.

As with every high-temperature process, particular attention must of course also be paid to energy consumption. **PVA TePla AG was able to continue to stabilize its position as a market leader in the past few years, not least because of the intelligent solutions it provides with regard to this highly sensitive issue.** PVA TePla's up-to-the-minute industrial manufacturing technology is characterized by, among other things, several separately controlled heating zones, gas preheating, efficient insulation systems and

high-precision measuring and control equipment. This means that temperatures can be set precisely, to within 3°C either side, both in the vacuum and at gas pressures of almost 100 bar. This corresponds to an accuracy of 0.2%. **This insulation concept may be complex, but PVA TePla's customers reap the benefits: Loss of heat is reduced significantly and there is a concomitant decrease in cooling water consumption.** The equipment requires less electrical heat output, is processor-controlled and creates processes that can be replicated while maintaining high product quality. On the basis of these innovations, PVA TePla AG has taken an above-average slice of a globally expanding market, further consolidating its position. And despite the fact that carbides already boast a long-standing tradition, exciting developments are paving the way for continued optimism in this market's forecasts.

Carbides – an almost 90-year history

A 1923 patent application paved the way for the triumph of carbides. The starting point was when OSRAM started to manufacture lightbulb wire. Today, carbides, with their distinct hardness and temperature stability, are still indispensable in the splinter-free processing of high-strength products. But they have become key elements in many other applications across the board since. There is almost no glass bottle or meter of steel wire produced the world over without the help of carbide tools. When graphite is transformed into synthetic diamonds, hard-metal parts apply the required pressure of up to 60,000 bar. Although you can hardly see them, they are widely used, for example as points for ballpoint pens and rollerballs. Five billion of these tiny carbide balls are produced annually.

In 2008, more than fifty thousand tons of tungsten were used in carbide production. That's the equivalent of some 60% of global output. The lion's share of the turnover went on metal cutters. The rest was split between cutting applications such as drills, milling machines, or lathes, the processing of wood, rock or plastics, and reshaping using compression molds. The market ultimately owes its prosperity to how well carbides lend themselves to modification. The scope for targeted optimization has been expanded thanks to new materials and formulae, modified process conditions or granulations of the powdery base materials. Time and again, new developments are the driving force behind increased prosperity. A completely new sector emerged when researchers discovered that, by using ultra fine-grain powder smaller than $5\mu\text{m}$ – the so-called "near-nano-region" –, the carbides increase in hardness, strength and toughness. This is a novel reaction. Above this grain size threshold, hardness and strength are usually inversely proportional to toughness. This spectacular discovery



↑ Breakthrough in Switzerland on Friday for the world's longest tunnel. On October 15, 2010, at 2.17 p. m., 800 meters below ground, the tunnel drilling machine "Sissi" cut through the last remaining rock.

opened the door to a series of new applications such as nozzles for water jet cutters.

PVA TePla AG, as market leader, benefits from such developments. The thrust of development and the increasingly sophisticated applications will contribute to further increases in demand for carbides in the future.



Up until now, the Seikan Tunnel in Japan, which runs under the sea between Hokkaido and Honshu, was the world's longest tunnel. Now it has been pushed into second place by the Gotthard Tunnel, in the Swiss Alps, at the conclusion of a ten-year construction period. The plan is that the tunnel's two tubes will accommodate most goods transportation through the Alps by rail from 2017 onward.

HIGHLY QUALIFIED NICHE SUPPLIER

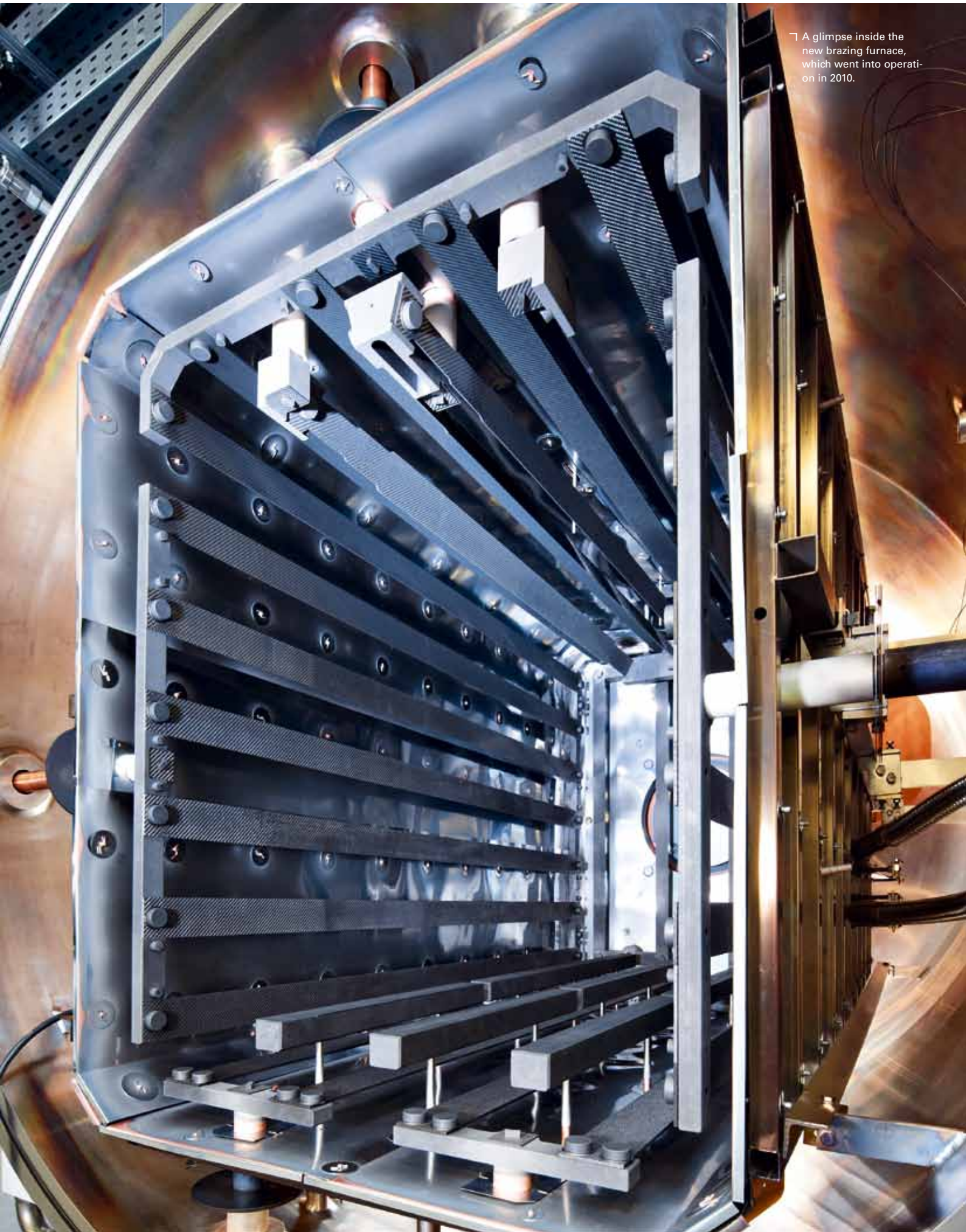
Location portrait: PVA Löt- und Werkstofftechnik GmbH

Vacuum brazing, heat-treatment, pressure sintering: PVA Löt- und Werkstofftechnik (PVA-LWT) is a specialist in these technologies and has made a name for itself among its customers as a highly qualified niche supplier. With a total of 9 high-vacuum systems and a pressure sintering system from PVA TePla, PVA-LWT meets its customers' demands with a broad range of products for vacuum brazing and heat-treatment technology, ranging from high-quality individual components to medium-batch production.

The company's principal focus is on manufacturing vacuum brazing connections, including all pre- and post-manufacturing processes, which comprise cleaning the parts, e.g. in an ultrasonic cleaning bath, subsequently drying them in an air dry chamber, brazing and assembling, and carrying out quality controls on the brazed parts.

The appropriate vacuum furnace will be selected for the vacuum brazing itself, according to component geometry or batch size and the materials used. The manufacturing facilities

at our production locations Wetttemberg and Jena boast an exceptionally high level of flexibility. We have 5 resistance heated MOV furnaces of different sizes available at our site in Wetttemberg for single-type and small-batch production using ultra high-quality materials such as titanium, molybdenum, zirconium, vanadium or ceramics. Brazing and heat-treatment of mass-produced products made from stainless steel and copper materials are carried out principally in graphite-heated COV furnaces at our Jena site.



▮ A glimpse inside the new brazing furnace, which went into operation in 2010.



Top: The new brazing furnace's CFC heating elements
Left: View of the back of the brazing furnace with its high vacuum pumping station

Front view of open furnace door



All four COV furnaces installed in Jena are equipped with an very clean, purified graphite heating element, meaning that, if necessary, they can also be used for highly sophisticated and high-quality heat-treatment processes. An example of this is the company's long-standing cooperation with the company Heraeus in the area of diffusion annealing of NbZr (niobium zirconium) alloys. As a primary product for electrodes in sodium vapor light bulbs, approximately 800kg of NbZr wire is annealed in our COV at approx. 1,200°C over several hours during processing of one batch. The aim of annealing is to eliminate microstructure inhomogenities.

In the past few years, PVA-LWT has stabilized its position as a supplier in numerous sectors thanks to the multitude of potential applications for vacuum brazing and heat-treatment technologies and its strategic orientation toward high technology applications. **Manufacturers of laser systems, heating systems and medical engineering systems are among our most important customers.** Other important markets for our vacuum metallurgical services are the automotive supply industry, mechanical engineering, measurement engineering and tool construction. The products processed (assembled) at PVA-LWT are as diverse as the sectors they come from.

One of the most significant applications are without a doubt the different types of heat exchangers. An example of this is the tube bundle heat exchanger. Heat exchangers like this one are generally composed of at least 50 thin tubes, brazed onto a perforated plate at each end so they are gas-tight. Stainless steel or highly heat-resistant nickel alloys are used as appropriate, according to the individual application. A particularly sophisticated application for such tube bundle heat

exchangers is the stirling engine that is used, for example, in solar power plants. Brazing connections in heat exchangers must adhere to extremely high requirements in applications of this kind. The brazed joints must have high mechanical durability and be able to withstand temperatures above 800°C. To fulfil the requirements of these often extreme operating conditions, the heat exchangers are brazed at a temperature of approx. 1,200°C with a high-strength, high-temperature nickel-based filler metal.

Homogenous composites and materials with completely different properties can be vacuum brazed, as for example a highly wear-resistant disposable cutting insert made from a carbide base body with cubic boron nitride (CBN) inserts soldered on. Second in hardness only to diamond, CBN can cut materials with highly abrasive properties like gray iron or glass fibre reinforced plastics at high cutting speeds, while also having a considerably greater lifespan than pure carbide tools. In manufacturing brazed joints, special so-called active brazing alloys are used; these require an absolutely pure highvacuum. For several years now, the disposable cutting inserts detailed here have been vacuum brazed onsite in Jena in quantities of approx. 20,000 pcs. per year.

In the past few years, PVA-LWT's successful, high quality work has resulted in steady growth in transaction volume. As a result, various investments have been made in vacuum furnaces and in the manufacturing infrastructure, and there has been a concomitant expansion of the workforce. PVA-LWT began life in 2002 with 3 employees and today employs a total of 15 men and women. Nine of these employees work at the Wetttemberg site, where production, sales, commercial order processing

and the management are to be found. The other 6 employees work on-site in Jena under the supervision of Mr. Albrecht.

PVA-LWT's last scheduled and successful capital-widening investment was successfully completed in August 2010 with the commissioning at the Wetttemberg site of the new vacuum system MOV 943s. PVA-LWT, with this new vacuum system that ranks among the largest metallicly heated vacuum furnaces in Europe, has considerably expanded its production capacity once again and laid the foundations for continued healthy growth in the niche market of high-quality vacuum metallurgic services.

Wetttemberg, Dr Udo Broich

PARTS FOR BRAZING

Mini-masterpieces with enormous potential



Vibration compensator 7

L Divertor





└ Cutting insert with a body made from hard metal and brazed-on cutting edges made from cubic boronitride (CBN)



└ Micro heat exchanger

CERATIZIT

A long-term customer of PVA TePla for sintering systems



There probably aren't that many people who have heard of Ceratizit. However, the company is one of the big players in the field of hard material production. With more than 400 patents and approximately 4,000 employees, the Ceratizit group

is present in more than 50 countries and counts among the world's largest manufacturers of carbide tools. Its innovative products are used in every place and situation in which durable tools are necessary: In the automotive and petrochemical industry, in machine

construction, in the energy and transport industries, and, of course, in the manufacture of tools. Chipping, protection from wear and tear, and the processing of wood and stone are the most important applications. Production takes place at the company's



PVA TePla's vacuum and pressure sintering systems create the required conditions for their achievement. The two companies' business relationship goes back to the early 1960s, when PVA TePla delivered the first inductively heated vacuum heat treatment furnaces to Plansee Tizit, a predecessor company of today's Ceratizit, for the production of hard materials. The companies' close cooperation in the field of systems technology became closer still in 1996, when a major fire destroyed large parts of Ceratizit's sintering facility in Reutte. Within an extremely short period of time, PVA delivered 20 new vacuum and pressure sintering systems. At the same time, a number of systems which had survived the fire relatively intact were overhauled. This meant that production of hard metal parts was able to continue without interruption. To date, PVA TePla has delivered approximately 50 vacuum systems and 30 pressure sintering systems to Ceratizit's various production sites around the world. The close working relationship Ceratizit maintains with its customers is also characteristic of its work with PVA TePla. Again, a profound understanding of the exacting requirements regarding process precision and reliability is key to the success of cooperation. And so PVA TePla's systems make a crucial contribution to the success Ceratizit enjoys through its production of innovative new materials.

two core sites in Mamer, Luxembourg, and Reutte, Austria, as well as at a series of other sites in the three big economic regions. One of the secrets of Ceratizit's success lies in the fact that it works closely with its customers, which is the only way of making

sure that development work at the company does justice to the diverse challenges faced in the context of processing complex materials. Almost all customers require long tool lives and high process reliability, because these two factors ensure high productivity.



INTERVIEW WITH PETER PÖLL, TEAM LEADER IN SINTERING AT THE REUTTE SITE



Peter Pöll has been with Ceratizit for 34 years and can look back on many years of experience in the production of hard metals.

└ PVA TePla: What products are made in your sintering facility?

We mostly produce cutting inserts, rods and mold blanks. The sintering facility's job is to dewax the parts at low temperatures before sintering them in a high temperature range. To put it in layman's terms, they are more or less baked together. Sintering is a process carried out in an impurity-free vacuum atmosphere. Parts which need to meet particularly high requirements in terms of useful life and durability – such as ones destined for the machine tool industry – undergo an extended process in which they are pressure-sintered under high gas pressure.

└ PVA TePla: What sort of things are then made from these hard metal rods?

For example, drill bits or cutters, which might be used in dental applications or for producing printed circuit boards. The smallest drill bits we make have a diameter of 0.15 mm. That means we need to keep errors in the structure

of the rods to a minimum. Further processing of the sintered rods into drill bits needs to be done with diamond tools, as they are so hard.

└ PVA TePla: What are the special challenges faced by the sintering process and therefore by the systems?

The biggest challenge consists in creating the precise conditions required at every point in time. This relates to temperature, atmosphere and chemical composition, and the correct conditions need to be maintained for the whole batch and for the entire duration of the dynamic process, which is no small matter, lasting 25-30 hours. Wax is added to the metal powders for the molding process, and needs to be removed again without any trace during the rest of the process. Of course the correct chemical composition of the material has an important part to play. It's particularly crucial, for example, to get the proportion of carbon right. Too much carbon can easily make the hard metal brittle. Modern hard metals are extremely sensitive in this regard.

└ PVA TePla: What are the specific things that make your cooperation with PVA TePla particularly good?

PVA TePla's flexibility is especially important to us. A key moment was certainly the fire in our sintering facility in Reutte in 1996. In this difficult situation, PVA saved the day and constructed about 20 new systems with up-to-the-minute technology for us in the space of just two years. When you compare it to the number of systems ordered up to then, this was a huge logistical challenge. Of course, we also set a lot of store by their speed of service. PVA TePla's employees even conduct inspections of our sintering systems in shifts, so that our downtimes are kept to a minimum. Our cooperation has also proved very positive in relation to the ever more exacting requirements that emerge from our research department. Their implementation in systems technology demands interventions in complex measurement and regulation systems. We benefit hugely from these interventions being carried out successfully without disrupting these complex processes and from their extreme reliability at all times.

L PVA TePla: What have been the concrete results of developments in process technology over the past decades?

Processes are a lot more controllable overall these days. Stability of pressure and temperature during processes means a considerable increase in their profitability. We have almost eliminated rejections after sintering. Another example: Within the last 10 years, the proportion of rods that need to be corrected (i.e. straightened in a second heating process) has fallen to one-tenth.

L PVA TePla: What, in your view, are the trends in process technology in relation to hard metal sintering systems?

Our view is that in the future, the focus of hard metal sintering will remain on batch processes. The wide range of sorts in connection with the

medium batch size typically resulting from this is simply easiest to realize with this type of process. We also expect the proportion of high pressure sintering processes in the production of particularly high-quality hard metal parts to grow.

L PVA TePla: How are raw materials prices developing?

Prices for raw materials are subject to large fluctuations. This, of course, is a problem affecting everyone in this sector.

L PVA TePla: Where do you see markets for hard metal parts which have potential for growth?

Asia will continue to exhibit strong demand. Hard metals have effectively penetrated a lot of markets already. But in some markets, such as the USA, we do see general potential. These are markets where hardened steels have not yet been replaced by hard metals to the degree that we have seen in Europe.

L PVA TePla: Which particular challenges do you encounter when marketing your products?

Along with directly selling our products, we are increasingly offering system solutions. In our in-house consultation center, we work together with our customers to locate the most efficient approaches to tackling the task in hand and finding a solution. Customer-specific products will doubtless continue to increase in significance for our business in the future.



IDEAS NEED MOTION

PVA TePla at the JP Morgan Corporate Challenge 2010

Last year, PVA TePla made its debut in the JP Morgan Corporate Challenge, a running event for companies and their employees. A total of about 70,000 participants tackled the 5.6-kilometer course among the skyscrapers of Frankfurt's central district.

On the afternoon of June 9 – which also happened to be one of the hottest days of the year – 58 of our employees traveled from Wettenberg to Frankfurt. As employees from other locations were also taking part, the event was a great opportunity for colleagues who don't see one another very often to get together.

Frankfurt seemed full to bursting point: tens of thousands of runners in colorful sports kit, moving in crowds towards the starting line. First of all, there was a bit of waiting to do – and, surrounded by other runners on all sides, an encroaching feeling of claustrophobia to fight off. The runners passed the time by looking at other companies' team shirts, some of which featured very witty and creative designs. The field of participants was divided into different starting groups according to ability and this meant that the runners found themselves taking a critical look at their own fitness level, wondering which starting group to place themselves in. The length of the course, the heat, the huge number of fellow runners with very different levels of training: many a runner wondered apprehensively how they would fare in this test of endurance. Once the run had been officially started, the sheer numbers of participants meant that things only got going slowly, and even later on it wasn't always easy to find free space ahead. Despite the start having been staggered according to ability, there was a wide span of different speeds among the runners, meaning that it was necessary now and again to pass

someone else with a wide berth – or to find oneself being passed. Of course, it was no problem to take a short break, after checking that the coast was clear of colleagues.

Heat and humidity took their toll on the runners, who found themselves working up a serious sweat; a good job there were refreshment points along the course, in the shape of drinks stations and showers which provided a

pleasant, fine mist of water to run through and maybe slow down for a bit. The runners' motivation was additionally boosted by the spectators who cheered them on from the sidelines.

After crossing the finishing line, there was one last effort to undertake: the walk to the Grunenburgpark, where colleagues had set up a pavilion with seating, food and drinks. It made for a perfect end to a wonderful shared experience, which not even the impressive thunderstorm that finished off the day could spoil. The PVA TePla team fled to their bus and reached it just in time.

Tightly packed among the skyscrapers



2nd Bike-Athlon of PVA TePla

Exciting contests and a carnival atmosphere took hold on Saturday October 3, 2010 at the second Bike-Athlon organized by PVA TePla Sports e.V. and SV Tell Ehringshausen/Dillheim 1903 e.V.

At 8.30 a.m. the organizers from both clubs met up to signpost the mountain bike route for the race and to prepare the shooting stands at the start and finish lines. A skyward glance indicated perfect weather conditions for the competition. Damp underfoot, dry overhead – just what mountain bikers like.

At 10 a.m. sharp the 26 athletes competing were accredited and briefed. At 10.40 a.m., when the last fog patches had cleared up, the starting signal sounded for the women's event. Ebi, our official timekeeper, started off the first of seven starting groups. After just 15 minutes the fastest women had completed the first lap and moved on to the small caliber shooting. The first "1910 pistols" were fired and round two tackled on the mountain bikes, followed by standing shooting with airguns. Here, the best "gals" took part in a tough duel and delivered an impressive performance with just one off shot. In the third and final round the female racers once again gave their all - the first two women

crossed the finish line with a lead of 10 seconds net race time and two minutes ahead of the „competition“. It was clear that the shooting in prone position would determine the overall winner in the women's category.

The men's races were started off at 11 a.m., at fifteen-minute intervals. Once the third group had been sent on its way, it was all go on the route and in the shooting stands. Guests and onlookers were in the thick of the action. By lunchtime, temperatures had risen to above 20°C (68°F) and the bike park was transformed into a veritable beer garden as the audience got stuck into the steaks and sausages being served up at the barbecue and enjoyed a beer or two. At the request of the two organizing clubs, this year's Bike-Athlon was dedicated to supporting children suffering from cancer and leukemia. A portion of the proceeds from all food and drink sold - a total of EUR 250 – was donated to the association "Menschen für Kinder e.V. ("People for children).

The last group got underway at 12:15 p.m. In this group the racers deemed the fastest on account of their net race time came head-to-head, and in the end filled the top spots in the men's category. Determining the winner in the men's category was



a split-second decision; there were just 5 seconds of overall time in it. The official results of the Bike-Athlon 2010 were celebrated at the victory ceremony held at 3 p.m.



HIGHLIGHTS 2010

March 2010 Financial figures

The final figures for 2009 are released: Despite the economic crisis and a slight decline in sales revenues to EUR 134.7 million, EBIT rose to EUR 16.6 million

(previous year's figure: EUR 15.0 million) – even surpassing 2008, which had been the best year in the company's history.

June 2010 A change in generation

A new generation takes over at PVA TePla Danmark in Frederikssund: Martin Strassner, who has a doctorate in physics, succeeds Jens Borregaard, who headed up the floatzone business for many years and is now enjoying his well-deserved retirement.

July 2010 Month of the vacuum systems

Receipt of orders totaling almost EUR 4.5 million makes July one of the strongest months of the year in the area of vacuum systems.



December 2010 New member of the Executive Board

PVA TePla AG's Supervisory Board appointed Dr. Arno Knebelkamp to the Executive Board. Dr. Knebelkamp will enter the company on April 1, 2011 and initially take up the role of Vice-Chairman of the Management Board and Chief Technology Officer (CTO).

October 2010 PVA TePla receives certification

An audit conducted by TÜV SÜD Management Service GmbH results in PVA TePla AG receiving certification as an agency for the promotion of further vocational training.



May 2010
15-year anniversary

PVA TePla AG's service branch office in Berlin, founded in 1995, celebrates its 15-year anniversary and continues to strengthen its position as market leader in the Berlin area.



May 2010
www.pva-jena-gmbh.de

The revamped website of PVA Vakuum Anlagenbau Jena GmbH goes live; true to the principles of corporate identity, it now carries the same look and has the same level of user-friendliness as the website of its parent company, PVA TePla AG.



June 2010
Chinese place an order

PVA TePla Danmark in Frederikssund received an order for two floatzone systems from a large Chinese semiconductor company.

June 2010
Payment of a dividend

At the Annual General Meeting, a resolution is passed providing for the first-time payment of a dividend of EUR 0.20 for each share with voting rights.



August 2010
Additional order from china

PVA TePla AG receives an order from a Chinese company for the delivery of systems for manufacturing multicrystalline silicon ingots. The order is worth about EUR 5 million.

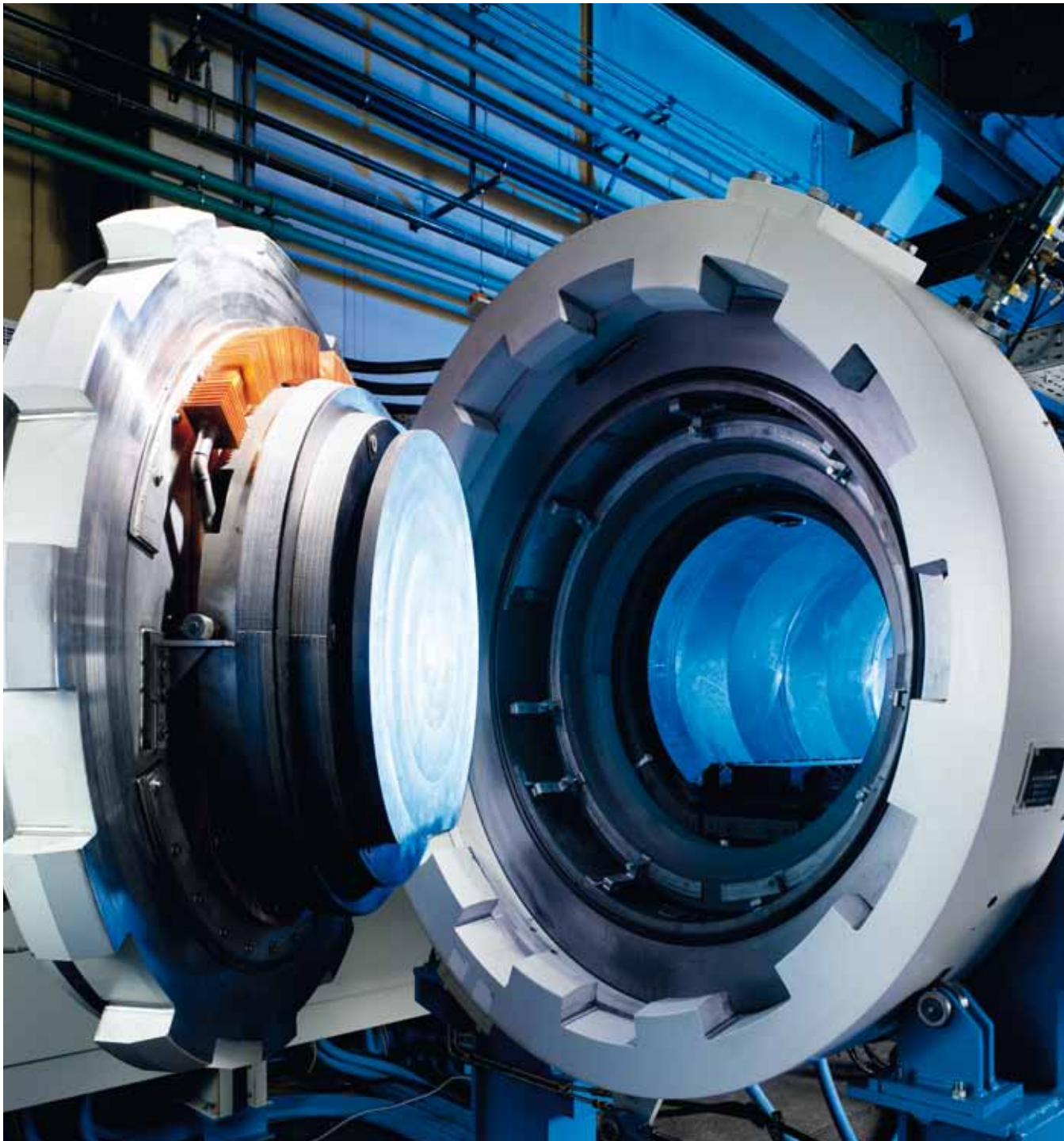


September 2010
Floatzone systems

PVA TePla Danmark receives a further order for floatzone systems from a large Chinese company. Again, this order is worth approximately EUR 5 million.

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



Be equipped for tomorrow's materials.

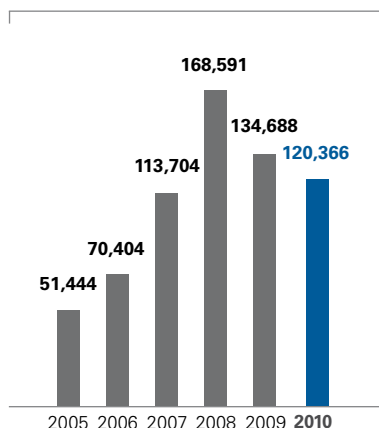
IMPORTANT CONSOLIDATED FIGURES AT A GLANCE

in EUR '000	2010	2009	2008
Sales Revenues	120,366	134,688	168,591
Industrial Systems	28,361	38,922	49,512
Semiconductor Systems	33,908	38,851	77,125
Solar Systems	58,097	56,916	41,954
Gross profit	31,228	38,861	37,735
in % sales revenues	25.9	28.9	22.4
R&D expenses	3,316	2,449	1,790
Operating result (EBIT)	12,027	16,615	15,043
in % sales revenues	10.0	12.3	8.9
Consolidated net income	7,514	10,690	9,735
in % sales revenues	6.2	7.9	5.8
Earnings per Share (EPS) in EUR¹	0.35	0.50	0.46
Capital expenditure	2,547	2,748	11,761
Total assets	121,737	127,995	122,081
Shareholders' equity	54,472	51,126	40,360
Equity ratio in %	44.7	39.9	33.1
Employees as of 31.12.	488	501	504
Incoming orders	93,413	68,953	189,940
Order backlog	52,893	87,768	151,794
Book-to-bill ratio	0.78	0.51	1.13
Cash Flow from operating activities	11,218	29,588	8,699

¹ Circulating shares on average 21,749,988

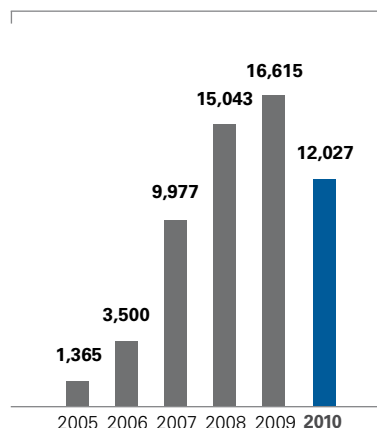
SALES REVENUES

in EUR '000



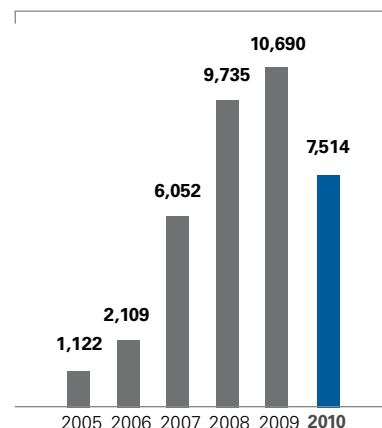
EBIT

in EUR '000



CONSOLIDATED NET INCOME

in EUR '000



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.

CONTENT

4	Foreword by the Management Board	6	Report of the Supervisory Board	10	Corporate Governance	16	The Share	19	Management Report	43	Group Financial Statements	89	Annual Financial Statements	50	Group Notes	93	Notes	86	Responsibility Statement	110	Responsibility Statement	87	Auditor's Report	111	Auditor's Report	112	Service
----------	----------------------------------	----------	---------------------------------	-----------	----------------------	-----------	-----------	-----------	-------------------	-----------	----------------------------	-----------	-----------------------------	-----------	-------------	-----------	-------	-----------	--------------------------	------------	--------------------------	-----------	------------------	------------	------------------	------------	---------

FOREWORD BY THE MANAGEMENT BOARD

OF PVA TEPLA AG ON THE FISCAL YEAR 2010

Since 2010, the economy has been back on track to growth again. The global gross domestic product increased considerably compared to 2009 in the full financial year. The main drivers behind this economic momentum were the emerging countries and Germany. As we generated 85% of our sales in revenues in these regions in 2010, we also managed to benefit greatly from this development. We recorded strong growth in almost all parts of our business. The global economic recovery is expected to continue in 2011, albeit at a somewhat slower speed. Institutes anticipate the global GDP to grow around 3.5% in 2011. As in 2010, it is to be expected that the economic momentum will once again be propelled by the developing and emerging countries. While GDP growth in the industrialized countries is forecast to be a moderate 1.4%, it is expected to increase by 6.0% in the developing and emerging countries. However, the impact of the natural disaster in the Tohoku region in Japan on the global economy is not yet foreseeable at present.

We achieved sales revenues of EUR 120 million and an operating profit of EUR 12.0 million, corresponding to an EBIT margin of 10.0%. We have therefore confirmed our published guidance and met our targets for 2010. We were able to successfully participate in the economic upturn thanks to our strategic focus. This positioning is based on our low production scope in parts manufacture and consequently high flexibility in production as well as our good positioning in our relevant markets. We will propose distributing a dividend of EUR 0.15 per share to the Annual General Meeting.

This success has been achieved thanks to the outstanding personal commitment on the part of our employees. On behalf of the Company as a whole and all Division Managers, we would like to express our deepest thanks to them for all their obligation.

The Industrial Systems division generated sales revenues of EUR 28.4 million. Order backlog had dropped considerably at the end of 2009 due to the economic crisis, and sales revenues went down correspondingly compared to previous years. Order intake in this division once again developed positively, doubling compared to 2009. Sales revenues in the Semiconductor Systems division amounted to EUR 33.9 million in 2010. The semiconductor industry has been growing again since last year, after sales revenues had been falling for more than two years. The wafer industry is raising its capacities once more, so that we can expect sales revenues to rise again in the Crystal Growing Systems division in the near future. Business at the Danish site of PVA TePla AG, which manufactures floatzone crystal growing systems, developed positively in 2010. Slim rod pullers and analysis systems were delivered to customers during the course of the past business year and contributed largely to sales revenues in this division. The subsidiary PVA TePla Analytical Systems GmbH, a supplier of systems for the non-destructive inspection and quality control of materials using ultrasound technology, supplies analysis systems to leading technology companies for the purpose of material and component inspection. This subsidiary particularly benefited from the recovery in the semiconductor industry – its sales revenues tripled in 2010, clearly exceeding expectations. Sales revenues at the site in Feldkirchen near Munich, which manufactures plasma systems, doubled in 2010 and a sustained recovery is starting to show in this business unit after several difficult years during which its operations were fundamentally restructured. Order intake in these sub-divisions also developed very positively in 2010 and at the beginning of 2011. Sales revenues in the Solar Systems division came to EUR 58.1 million in 2010, slightly up year on year. Although order intake in this division was weak in 2010, we are convinced that it will pick up again in the current financial year. Group order intake provides an even better picture of the improved economic outlook, amounting to EUR 93.4 million – a clear rise compared to EUR 68.9 million in the previous year. The rise of



┐ f.l.t.r. Arnd Bohle and Peter Abel

the Group's book-to-bill ratio from 0.5 in the previous year to 0.8 also underlines this positive development. We expect consolidated sales revenues between EUR 120 million and EUR 130 million and an EBIT margin in the range of 8% to 10% in 2011. The Company has a good liquidity situation.

One of the focuses of our research and development activities is the further development of the crystal growing process, particularly the Czochralski process for the production of monocrystalline silicon crystals. In the past decades, this development was mainly driven by the semiconductor industry. But in recent years, we started modifying this process to cater for the rapidly growing photovoltaic sector, as this area has different requirements to the microelectronics sector with regards to the quality and cost of materials. We have intensified our research and development activities in this field and our Competence Centre for Industrial Crystal Growing Systems forms an invaluable part of this research.

In April, Dr Arno Knebelkamp will join the Management Board of PVA TePla AG. He will initially assume the position of Deputy Chairman and Chief Technology Officer. The current CEO Peter Abel will leave the Board upon his own request with effect from the end of the Annual General Meeting on June 30, 2011. He will continue to provide strategic consultancy services to PVA TePla Group and support its activities with his large network of contacts to leading companies. Dr Knebelkamp will succeed Peter Abel as CEO. We are looking forward to welcoming him on the Board. He brings with him a wealth of experience from his varied previous executive positions at large companies.

We would like to thank our business partners and, in particular, all of our shareholders for the confidence they have shown in us and the successful cooperation we enjoyed in the year under review.

Best regards,

Peter Abel
Chief Executive Officer

Arnd Bohle
Chief Financial Officer

REPORT OF THE SUPERVISORY BOARD

OF PVA TEPLA AG ON THE FISCAL YEAR 2010



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

The world economy is continuing its recovery as of the end of 2010 and the beginning of 2011. The gross domestic product (GDP) grew strongly during the entire course of 2010, although the economic momentum clearly came from emerging markets, which were not impacted by the financial crisis as much as established industrialized countries. For 2011, economic research institutes also

expect a global GDP growth rate in the order of 3.5%. The economic performance of the European market is characterized by large differences between the individual national economies. The forecast made by the Company's management at the end of 2009 regarding the primary key figures of the Company in 2010 was accurate. Operating profit totaling EUR 12.0 million with a margin of 10.0% is an

encouraging result and proves once again that the Company is conducting its business in high-technology systems in a successful manner. PVA TePla's other important key figures such as liquidity and the equity ratio also developed well.

The business units of Vacuum, Plasma, Analytical and Float-zone Systems all achieved their ambitious targets; in some cases, these targets were even exceeded. Sales revenues from the Solar Systems division in 2010 were above the previous year's results. For 2011, we hope to achieve growing order intake in this division in light of the negotiations that are currently underway with customers. Total order intake in 2010 was approximately EUR 93 million and has developed positively in the first two months of 2011 in most business units. Given this background, we expect to achieve total consolidated sales revenues in 2011 of EUR 120 million to EUR 130 million, even though the order backlog as of December 31, 2010 was significantly below the previous year's levels.

In the 2010 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. In doing so, the Supervisory Board focused in detail on the PVA TePla strategy and planning as well as its economic and financial situation. 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 and other significant events for PVA TePla. In particular, the search for an additional member of the Management Board, who will assume the role of CTO in April 2011 and of Chief Executive Officer after the Annual General Meeting in June 2011, was a high priority for the Chairman of the Supervisory Board. Subject to acceptance by Dr Arno Knebelkamp, the Supervisory Board appointed Dr Knebelkamp on November 26, 2010, as a member of the Management Board beginning April 1, 2011, and agreed to his employment contract. We are convinced that we have now found in

Dr Knebelkamp a Chief Executive Officer who will continue the Company's business in the best interest of its shareholders. With his many years of experience in a series of large companies, most recently as Speaker of the Management Board of a company with significantly more sales than PVA TePla, Dr Knebelkamp has the right prerequisites for his new position. 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 was also in regular contact with the Management Board to be informed about the current status of the Company.

SUPERVISORY BOARD MEETINGS

In the course of the 2010 fiscal year, the Supervisory Board held a total of four ordinary meetings. All members of the Supervisory Board attended each meeting in person during the year.

The focus of the meeting on March 26, 2010, was on passing and adopting the annual financial statements as of December 31, 2009. The auditor participated in the meeting, commented in detail on the consolidated annual financial statements and answered questions from the Supervisory Board. In addition to the consolidated annual financial statements, the current business situation of the individual divisions of the Company for the new 2010 fiscal year was also discussed. It was noted that initially, order intake was slow at the start of the year; however, a recovery has already become evident in the meantime. The purchase of a parcel of land to expand the Company's location in Wettenberg was approved. Moreover, the Supervisory Board approved the 2009 annual financial statements, adopting them in accordance with Section 172 sentence 1 of the AktG (German Stock Corporation Act). The proposed resolutions for the items on the agenda for the 2010 Annual General Meeting were passed.

In the second ordinary Supervisory Board meeting of 2010 on June 21, 2010, the Supervisory Board was again informed in detail about the business situation as of May 31, 2010, and also received information on the status of selected projects and an overview of the financial situation in the individual business divisions. There was also a detailed discussion about the expansion of the Company's IT infrastructure, particularly regarding the implementation of a new financial accounting software. In addition, the adjustment to the new regulations from the VorstAG (German Act on the Appropriateness of Management Board Remuneration) and the resulting bonus regulations for Management Board members were discussed.

In the subsequent meeting on September 24, 2010, business developments at PVA TePla Group as of August 31, 2010 were discussed, and an overview of the forecast business results until December 31, 2010, was provided. Discussions on the current market situation, the status of important projects in the three business divisions as well as order intake and backlog were given detailed attention. Furthermore, the sale of the shares of PVA MIMtech LLC, USA, was approved. The activities and results of the internal audit department were another focus of this meeting. The opinion of the auditor regarding the implementation of the new financial accounting software was consulted, and the changes to the Corporate Governance Code and the associated impact on PVA TePla AG were discussed. The Management Board reports on corporate governance issues at PVA TePla, also on behalf of the Supervisory Board, in the Corporate Governance Report, which also contains specific goals for the future composition of the Supervisory Board.

In the last meeting of the year on November 26, 2010, the following topics were discussed extensively: ongoing projects, the business situation as of September 30, 2010 including order intake and backlog, the strategic development of the Company and the plans for the time period 2011 to 2013 including investment and human resource planning as well as the market potential for individual business divisions. 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

Compliance with the recommendations of the German Corporate Governance Code is considered to be a matter of special importance by the Supervisory Board. Deviations from this Code were discussed intensively and substantiated in meetings between the Management Board and the Supervisory Board. The Declaration of Compliance required pursuant to Section 161 of the AktG was jointly approved and published by the Management Board and the Supervisory Board at the meeting of the Supervisory Board in November 2010. A copy of the Declaration of Compliance is published on the website of the Company at www.pvatepla.com in the section "Investors Relations – Corporate Governance."

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

DEPENDENCY REPORT

The Management Board prepared a dependency report for the fiscal year pursuant to Section 312 (3) of the AktG. The auditing company "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.

ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS, ANNUAL FINANCIAL AUDIT AND APPROVAL OF THE DEPENDENCY REPORT

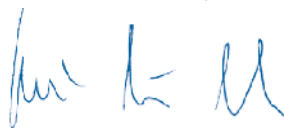
The auditing company "Ebner Stolz Mönning Bachem GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft", elected by the Annual General Meeting, audited the PVA TePla AG annual financial statements and the consolidated financial statements as of December 31, 2010, as well as the combined management report for PVA TePla AG and the Group for 2010. 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, management reports and the respective audit reports by the auditor were provided to

each member of the Supervisory Board and were discussed in detail at the meeting of the Supervisory Board on March 25, 2011. 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 consolidated financial statements including the Group management report and the Management Board's proposal for the appropriation of net profit. 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 is going to be distributed and the remaining amount carried forward to new account.

The Supervisory Board will continue to provide the Management Board with constructive support in its upcoming responsibilities in the current fiscal year. The Supervisory Board would like to thank the Company's management and all employees for their dedicated performance in the fiscal year 2010.

Wettenberg, March 2011

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 2010

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 business policies and prospects of our Company during road shows, 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 Wetzlar, 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 measured in accordance with one year's operating profit.

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 will be agreed in the future extension of Management Board contracts and when drawing up new ones.

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.

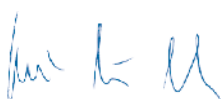
Wettenberg, November 26, 2010

On behalf of the
Management Board:



Peter Abel
Chief Executive Officer

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 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 the Management Board members consists of a non-performance related basic salary, other benefits (mainly non-cash benefits from the use of a company car and subsidized contributions to health insurance) and variable performance-related components that include both one-time and annually recurring components in the form of bonuses linked to the Company's success. The bonuses are measured as a percentage of the annual net profit of the PVA TePla Group. The details can be found in the notes to the consolidated financial statements.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of Supervisory Board members is regulated by Article 14 of the Articles of Association of the Company. In line with this provision, the remuneration of the Supervisory Board amounted to EUR 100 thousand in 2010. 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 2010.

6. SHAREHOLDINGS AND SUBSCRIPTION RIGHTS OF EXECUTIVE BODY MEMBERS

MANAGEMENT BOARD

	Shares Dec. 31, 2010	Shares Dec. 31, 2009	Subscription rights Dec. 31, 2010	Subscription rights Dec. 31, 2009
Peter Abel (incl. PA-Bet. GmbH)	5,616,275	5,616,275	0	0
Arnd Bohle	3,000	3,000	0	0

SUPERVISORY BOARD

	Shares Dec. 31, 2010	Shares Dec. 31, 2009	Subscription rights Dec. 31, 2010	Subscription rights Dec. 31, 2009
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. No transactions were conducted in the financial year 2010.

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 risk strategy is based on an assessment of risks and the involved opportunities. 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 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 risks 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 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 financial year 2010, risk management at the Company/the Group was refined 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.

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, any controls that were previously carried out manually are being 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 that the related objectives will be achieved with absolute certainty. Like all discretionary decisions, those 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. At this time, risks related to processing existing major contracts in particular are being intensively monitored as part of the risk management process.

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 2010 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 2010

DEVELOPMENT OF PVA TEPLA SHARES

The PVA TePla share developed negatively in 2010 compared to the important indices, dropping by 24% over the course of the year. The share reached its annual peak at the beginning of 2010 at EUR 5.40, dropped to its annual low at the beginning of December 2010, then managed to recover, closing the year at EUR 3.90 and coming in at EUR 4.20 on February 17, 2011.

COMMUNICATIONS WITH THE CAPITAL MARKET

Regular components of our reporting include conference calls on our quarterly reports. We maintain personal contact with analysts in our analysts' conference shortly after the publication of our annual report and in numerous conferences around the world. Institutional investors have the opportunity of discussing issues personally with the Management Board during field trips and also participate in guided tours around our plants. In addition, we introduced our Company at road shows and capital market conferences world-wide. These activities are listed on the Company website www.pvatepla.com in the Investor Relations section.

The key issue raised in conversations with both private and institutional investors last year related to the development of PVA TePla's individual divisions after the financial

and economic crisis in 2009 as well as the positioning and the further outlook of the Company in relevant markets. Analysts and investors brought into focus the solar and semiconductor markets.

In February 2010, Commerzbank started coverage of PVA TePla, that means that the bank writes analyses about our Company and publishes stock market recommendations.

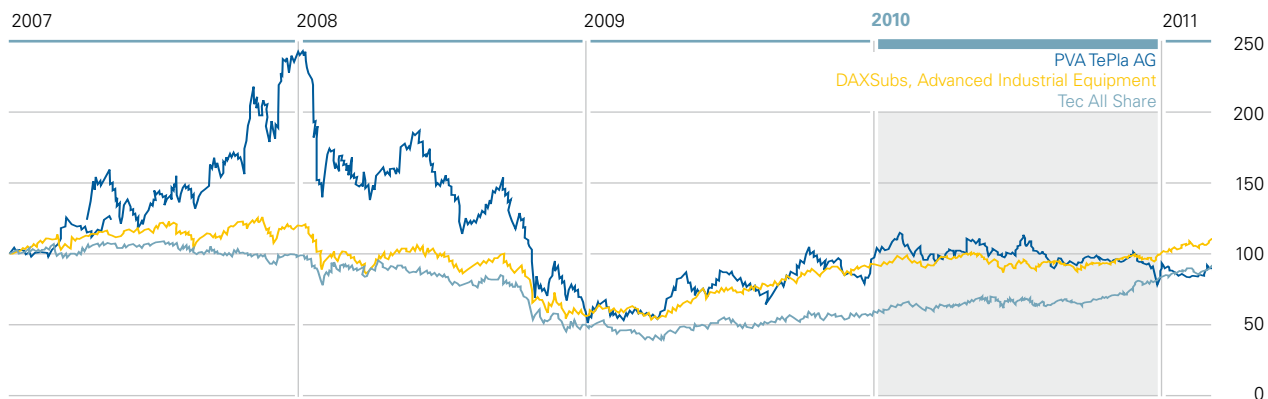
ANNUAL GENERAL MEETING

The Annual General Meeting on June 21, 2010, was held for the first time at the Congress Center Giessen. 47% 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 large majority.

DIVIDENDS

For the first time last year, the Management Board and Supervisory Board of PVA TePla proposed to the Annual General Meeting a dividend of EUR 0.20 per share on account of the very positive business performance in 2009. At the Annual General Meeting on June 30, 2011, both Boards will propose the payment of a dividend of EUR 0.15 per share for fiscal year 2010. This corresponds to a dividend yield of 3.8% calculated using the 2010 closing share price of EUR 3.90.

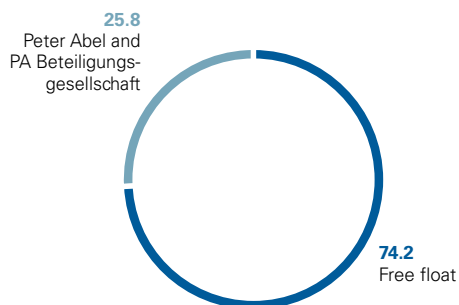
PERFORMANCE OF PVA TEPLA SHARES JANUARY 2007 – FEBRUARY 2011
in % 1-day-interval



PVA TEPLA SHARE KEY FIGURES

		2010	2009
Earnings per share (EPS)	EUR	+0.35	+0.50
Annual high	EUR	5.40	5.23
Annual low	EUR	3.55	2.31
Closing rate as of December 30	EUR	3.90	5.13
Performance of PVA TePla shares	%	-24	76
Performance of Technology All Share	%	8	71
Performance of "DAX Subs. Advanced Industrial Equipment"	%	48	80
Number of shares at year-end	million	21.75	21.75
Free float	%	74.20	74.20
Market capitalization at year-end	EUR million	84.8	111.6

SHAREHOLDING STRUCTURE
in %





2010 MANAGEMENT AND GROUP MANAGEMENT REPORT of PVA TePla AG, Wetztenberg

20 1. Introduction	21 3. Business and General Environment	28 9. Investments
20 2. Reporting Structure	24 4. Structural Changes within the PVA TePla Group	28 10. Growth in Workforce
	24 5. Sales Revenues	
	26 6. Orders	
	27 7. Production	
	27 8. Research and Development	
29 11. Net Assets and Financial Position	31 12. Results of Operations	39 17. Disclosures relevant to the Right to take over
	38 15. Risk Management	40 18. Company Management Declaration
	39 16. Internal Control System and Risk Management System related to the Accounting Process	41 19. Dependent Company Report
		41 20. Outlook
	32 13. Supplementary Report	
	32 14. Assessment of Opportunities and Risks	

2010 MANAGEMENT AND GROUP MANAGEMENT REPORT

PVA TEPLA AG, WETTENBERG

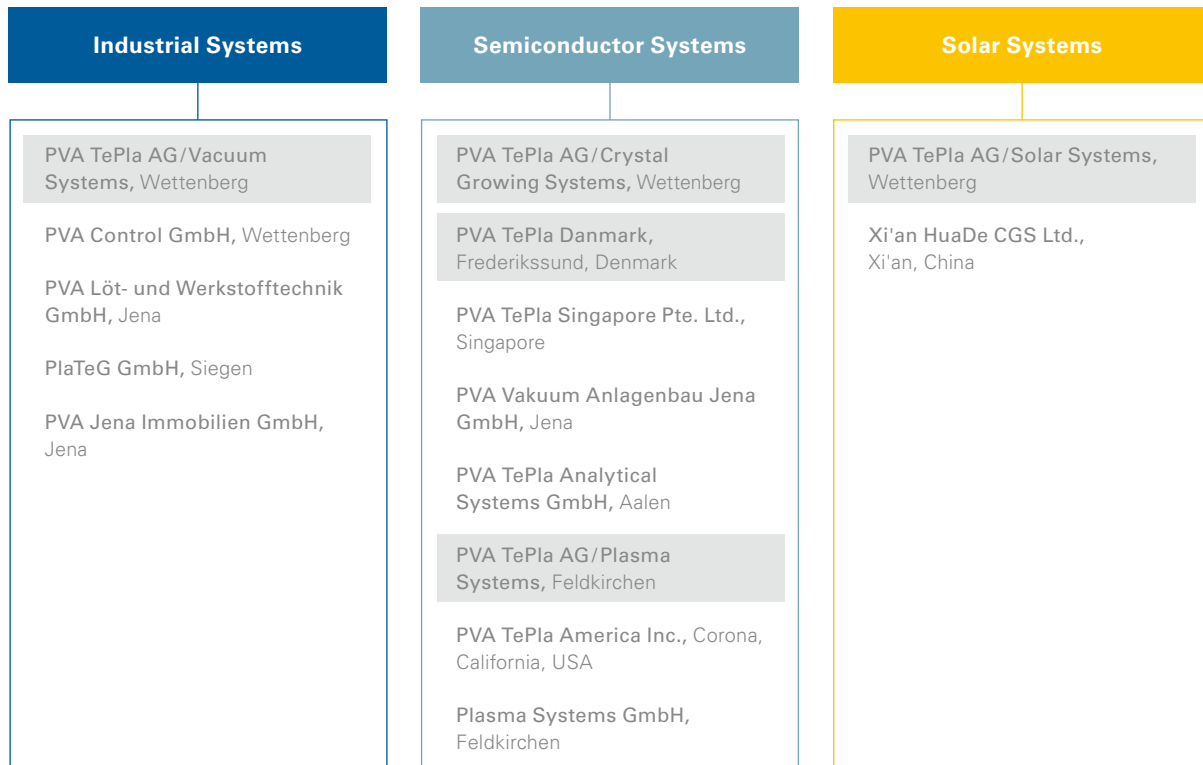
1. INTRODUCTION

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. PVA TePla supplies vacuum systems for producing and treating high-tech materials and surfaces in vacuum, high-temperature and plasma environments. The global market for these systems involves advanced state-of-the-art materials and surface treatment technologies including 300mm 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, such as for telescopes in outer 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 and steel. Non-destructive inspection and analysis 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 products are sold in technologically demanding markets, predominantly in market niches, but also in mature markets such as the photovoltaic and semiconductor sectors.

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 financial year 2010. 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 again decided to waive the preparation of a separate management report for PVA TePla AG for the present reporting year. 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) and the new statutory regulations of the Bilanzrechtsmodernisierungsgesetz (BilMoG – German Accounting Law Modernization Act). PVA TePla is organized into the Industrial Systems, Semiconductor Systems and Solar Systems divisions.



The divisions highlighted in gray were included in the AG single entity financial statements.

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. Insecurities remain in place due to the uncertainty about the development of the world economy after the global recession in 2009 and the continuing Euro crisis caused by the high debt of individual countries in the Eurozone and the unsolved problems on the real estate markets and in the banking sector.

3. BUSINESS AND GENERAL ENVIRONMENT

3.1. MACROECONOMIC ENVIRONMENT

The global economy was still on the way to recovery at the end of 2010. The gross domestic product (GDP) increased considerably in the full financial year. The GDP rose globally by 4.5% year on year, whereby it has to be taken into account that in 2009, the global economic output crashed and the global gross domestic product dropped for the first time since the Great Depression in the 1930s. And also, governments almost forced the upturn with their monetary policies, ending themselves up in serious debt. In addition, demand for goods was artificially stimulated, which is threatening to cover up the structural problems of the economy. Since mid-2010, the economic upturn has been slowing down again and the expansion was stopped at its highest point for the meantime. The economic momentum was once again driven by the emerging countries, as they had only been affected by the economic crisis to a limited extent and were able to quickly return to their growth path.

The global economic recovery is expected to continue in 2011, albeit at a somewhat slower speed. Institutes anticipate the global GDP to grow around 3.5% in 2011. The forecast for the future economic development is basically fraught with great uncertainty, as the fundamental problems of the economy such as the excessive debt of public and private bodies in some countries. As in 2010 however, it is to be expected that the economic momentum will once again be propelled by the developing and emerging countries. While GDP growth in the industrialized countries is forecast to be a moderate 1.4%, it is expected to soar by 6.0% in the developing and emerging countries.

In the summer of 2010, the upturn slowed down again in the Eurozone as well. Monetary policies are likely to be restricted and direct as well as indirect taxes increased again in the European countries. This will result in domestic demand not being able to compensate for the drop in demand from abroad in 2011. The individual economies in the Eurozone are generally developing very differently. Some countries are experiencing a severe crisis in the real estate market and are now going through a long adjustment process, while other countries have not been affected and are already on the way to recovery. But even those countries are still impacted by the crisis as demand for goods remains low within the European Union. The gross domestic product in 2011 is expected to grow by merely 1% to 1.5%. Unlike a great number of countries in the Eurozone, Germany is seeing an almost ideal upturn. Economic stimulus packages issued by governments around the world made exports soar. Whilst exports were on the up, German companies increased their investments and laid the foundations for the recovery of the labor market, which resulted in a rise in consumer spending. This development should continue in 2011, albeit with less momentum than in the previous year. The upturn will nevertheless gain in strength in Germany. The German export business has recovered much quicker from the global economic and financial crisis than originally anticipated. An important reason for this development is that German exports focus on emerging markets. Especially trade with Asian emerging countries went up considerably in the past year, with exports to China rising by 50% year on year in the first nine months of 2010.

Traditionally, the product portfolio of the German export industry concentrates on capital goods, which is of great benefit as these goods in particular are in high demand from emerging countries. However, exports will most likely lose some of their momentum in 2011 but are still expected to grow. The German economy will continue growing on account of the expected positive sales perspectives and increasing capacity utilization within the industry, and the GDP in 2011 should rise by 2%. Japan's economic situation is uncertain at present. After the economy in this country was on the way to recovery, its further development is now being hampered by current events (earthquake, tsunami, nuclear reactor incident). The US economy has not yet recovered from the financial and economic crisis. Although total economic output soared in some quarters, this development has been slowing down again since spring 2010. Industrial orders and production are still way below pre-crisis levels. Private spending will soon cease to be a traditional economic growth driver as unemployment is hitting almost 10%. The number of long-term unemployed is particularly high for US standards. High private debt and dropping real estate prices are another indication that the US economy is unlikely to recover quickly. In the opinion of investment banks and economic research organizations, the US GDP will be around 1.6% in 2011. In contrast to the established industrialized countries, the economic outlook of the so-called BRIC states (Brazil, Russia, India and China) is much more positive. China, on the other hand, is developing entirely differently, already accounting for 13.6% of global production in 2010 and still expanding at a rapid pace, with a GDP growth rate of around 10% in 2010 proving this fact. Even though research organizations are forecasting a slow-down in 2011, the targeted 9% increase in economic output is clearly higher than that of the established industrialized countries. The Indian economy is developing at a similar speed to that of the Chinese economy, but not at the same high level. Again, domestic demand is of great importance in this country. Sales of automobiles and other long-life consumer goods are increasing considerably, and the government is increasing its investments in the improvement of the infrastructure, meaning that domestic demand will be the main driver for GDP growth, which will amount to 7.5% in 2011. In Russia, total economic

production increased significantly in 2010. After the country suffered extreme losses during the economic crisis in 2009, it has not yet been able to reach pre-crisis levels again. Russia remains highly dependent on the oil price development, illustrating the far-reaching structural problems the Russian economy is faced with after the collapse of the Soviet Union. The GDP is expected to rise by 3.5% in 2011.

3.2. SECTOR DEVELOPMENTS

The majority of output in the German mechanical engineering industry – predominantly SMEs – is produced for the global market with almost three quarters of products being exported. 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. The financial and economic crisis, which hit the world in 2008, was a dramatic way of once again showing how greatly dependent the German mechanical engineering industry is on the global economy. The crisis hit its lowest point in mid-2009. Order intake were down 45% year on year and capacity utilization slumped from 92% in 2008 to around 68%. Since the second half of 2009, the trend started reversing itself and order intake rose again steeply. The emerging countries provided most of the momentum; the markets in the European Union and the German economy did little to advance this development. In 2010, this trend continued with order intake of 29% from Germany and 22% from the EU countries, while order intake from the emerging countries went up by 55%. Order intake is expected to continue growing in 2011 and production is likely to rise by 10% as a result. In the opinion of the economic research organization Gartner, 2010 was one of the best years in the history of the semiconductor industry.

Growth amounted to 31.5% year on year and the market managed to exceed the USD 300 billion mark. The business volume of storage media grew the strongest in 2010 with sales revenues rising by almost 50%. Smartphones, mobile PCs and media tablets are the applications that will drive semiconductor growth until 2014. Especially media tablets are a fast-growing product segment and of great importance for future developments. Increasing competition should make this product interesting for a large user group. Gartner expects that this market will grow from around USD 2.4 billion in 2010 to USD 17.8 billion in 2014. The PC market development is forecast to be the opposite, with sales revenues dropping by 3.2% year on year in 2011, mainly due to falling prices for DRAM. The forecast for semiconductor sales in the cell phone segment is also positive, with sales revenues expected to rise by 13.6% compared to 2010. Overall, growth in the semiconductor market is anticipated to grow by 4.6% year on year in 2011, corresponding to sales revenues of around USD 314 billion. The global LED market has grown considerably in recent years. The market research organization Databeans forecasts further two-digit growth for the future. While global sales revenues came to USD 6.9 billion in 2010, they are expected to be USD 17.4 billion in 2015, corresponding to an average annual growth rate of 37%. Other market research organizations arrive at even higher figures. The energy savings potential as well as low maintenance are the main growth drivers. LEDs have good prospects of becoming popular for use as general lighting and also for industrial applications. The photovoltaic market continued growing extremely strong in 2010. The market research organization iSupply forecasts an increase in total global solar module volume of almost 16 GW on account of the strong growth in Germany. This would mean growth of more than 100% compared to 2009. The institute also sees similar growth of around 19% for 2011. In the first half of 2011, the volume of new installations will drop temporarily and inventories will go up at the same time, creating pricing pressure for solar modules. Prices for crystalline modules will fall by an estimated 15%, which will significantly push up demand in the second half of the year. Overall, it is to be expected that the increasing competition between manufacturers will force down module prices considerably in the near future.

4. 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, 2009. PVA TePla AG's 50% share in the associated company PVA MIMtech LLC, Cedar Grove/NJ, USA, was sold in the fourth quarter of 2010.

The restructuring of the Plasma Systems division at the Feldkirchen site, which had already been explained in the Group Management Report 2009, was successfully concluded during the course of 2010, resulting in Production and Logistics being relocated to Jena. These measures helped significantly lower the fixed costs in the Plasma Systems division. This has created the foundations for generating positive results stably.

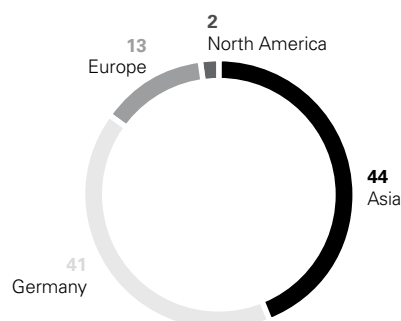
5. SALES REVENUES

PVA TePla Group generated consolidated sales revenues of EUR 120.4 million (previous year: EUR 134.7 million) in financial year 2010. Sales revenues therefore fell short of the value for the previous year. Order backlog in 2009 had dropped due to the economic and financial crisis and the related reluctance of customers to invest during the whole of the year. This drop impacted consolidated sales revenues in 2010, as it had been previously forecast. Sales revenues reached EUR 25.4 million in the fourth quarter of 2010 (QI EUR 33.0 million, QII EUR 30.8 million, QIII EUR 31.1 million). The drop in sales revenues in the second half of 2010 is related to the final delivery of crystal growing systems to a Chinese customer mid-2010. Germany accounted for 41% of consolidated sales revenues (previous year: 61%). The Asian market has grown in importance: This region accounted for 44% of sales revenues (previous year: 27%). Particularly deliveries of different types of crystal growing systems to several Chinese customers contributed to the

large amount of sales revenues in Asia. 13% of total sales revenues were generated by sales to other European countries. North America accounts for 2%. The section below provides a detailed discussion of sales revenues generated by the Industrial Systems, Semiconductor Systems and Solar Systems divisions.

SALES REVENUES BY REGIONS

in %



Industrial Systems Division

The Industrial Systems division posted lower sales revenues year on year, recording EUR 28.4 million versus EUR 38.9 million for the 2009 financial year. This accounted for 24% of total sales revenues. As described above, order backlog had dropped considerably at the end of 2009 due to the economic crisis and as expected, sales revenues went down correspondingly compared to previous years. As in previous years, the hard metal market segment was once again very important to this division. Systems for processing graphite materials and heat treatment furnaces with metallic heaters are another significant source of sales revenues. The latter are used in the electrical industry for tasks such as brazing vacuum switches. Highly purified graphite is in demand by various industries such as semiconductor and optoelectronics (LED) manufacturing or aviation. Asia, and particularly China, are the most important regions in terms of sales revenues for the systems of the Industrial Systems division. PVA Löt und Werkstofftechnik GmbH (LWT), a subsidiary of PVA TePla AG, is a service provider (contract processing) in the field of high-temperature brazing and heat treatment. The subsidiary generates its sales revenues from contract processing agreements, manufacturing complete systems according to customer specifications as well as carrying out processing work only (contract manufacture). The share of the production of complete

systems in LWT's total sales revenues is generally growing, reflecting the increasing importance of this expanded service. As for logistics reasons the close proximity between supplier and customer is particularly important for the contract processing business, LWT mainly focuses its activities on the West Europe region, with Germany being by far the largest market.

Semiconductor Systems Division

Sales revenues in the Semiconductor Systems division amounted to EUR 33.9 million in 2010 (previous year: EUR 38.9 million). The division thus contributed 28% of total sales revenues for the PVA TePla Group. The semiconductor industry has been growing again since last year, after sales revenues had been falling for more than two years. The wafer industry is also stockpiling its capacities once more, so that we can expect sales revenues to rise again in the Crystal Growing Systems division in the near future. In the financial year 2010 however, this division did not yet provide any major momentum for the Company's development. Business at the Danish site of PVA TePla AG, responsible for manufacturing floatzone crystal growing systems, developed satisfactorily in 2010. Slim rod pullers and analysis systems were delivered to customers during the course of the past financial year and contributed to sales revenues in this division. The subsidiary PVA TePla Analytical Systems GmbH, a supplier of systems for the nondestructive inspection and quality control of materials using ultrasound technology, supplies analysis systems to the entire chip manufacturing value creation chain – to leading technology companies for the purpose of material and component inspection. This subsidiary particularly benefited from the recovery in the semiconductor industry – its sales revenues tripled in 2010, clearly exceeding expectations. The positive trend for order intake is expected to

continue in the current financial year, especially on account of MEMS (micro electro mechanical systems) manufacturers and further investments from global research and development organizations. The Plasma Systems division also developed very positively. Sales revenues at the site in Feldkirchen near Munich doubled in 2010 and a sustained recovery is starting to show in this division after several difficult years during which its operations were fundamentally restructured. Sales revenues, 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.

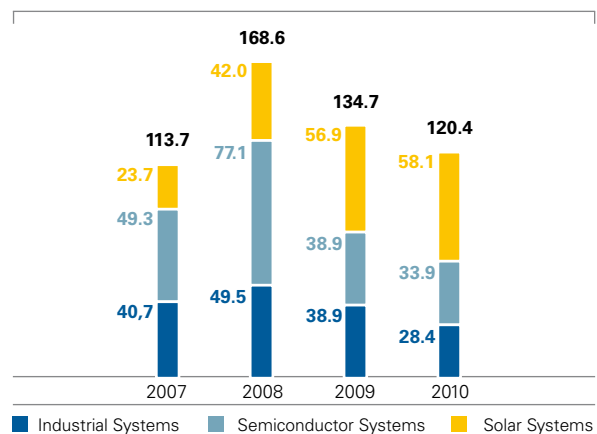
Solar Systems Division

The Solar Systems division generated sales revenues of EUR 58.1 million in the past financial year (previous year: EUR 56.9 million), thereby contributing 48% to the total sales revenues of PVA TePla Group. Sales revenues in 2010 mainly result from the orders received by Bosch Solar Energy (previously: ersol Wafers (ASi Industries GmbH)) in 2008 and two Chinese solar manufacturers for the delivery of systems for the production of mono and poly-crystalline silicon crystals, including 50 systems for the production of monocrystalline silicon ingots and a number of systems for the production of polycrystalline silicon blocks.

PVA TePla AG reported sales revenues of EUR 113.2 million (previous year: EUR 139.1 million) in its single entity financial statements. This drop is due to the low sales revenues volume generated in the Vacuum Systems division – as described above – and a drop in sales revenues in the Floatzone Systems division in Denmark.

SALES REVENUES BY DIVISIONS

EUR million



6. ORDERS

INCOMING ORDERS

At EUR 93.4 million, total incoming orders for the group in the 2010 financial year rose significantly compared to the previous year (EUR 68.9 million). The Industrial Systems and Semiconductor Systems divisions benefited from the improved global economic conditions. The rise of the Group's book-to-bill ratio from 0.5 in the previous year to 0.8 also underlines this positive development.

The **Industrial Systems division** recorded incoming orders of EUR 40.8 million (previous year: EUR 20.2 million) or 44% of total incoming orders. As in the previous year, approximately 70% of orders for vacuum systems were received from abroad. Asia contributed roughly 55% of total incoming orders. The majority of vacuum systems is still being ordered by customers in the hard metal market. Systems for the production and / or heat treatment of graphite as well as systems for materials production and brazing processes in the electrical industry constituted additional important business areas.

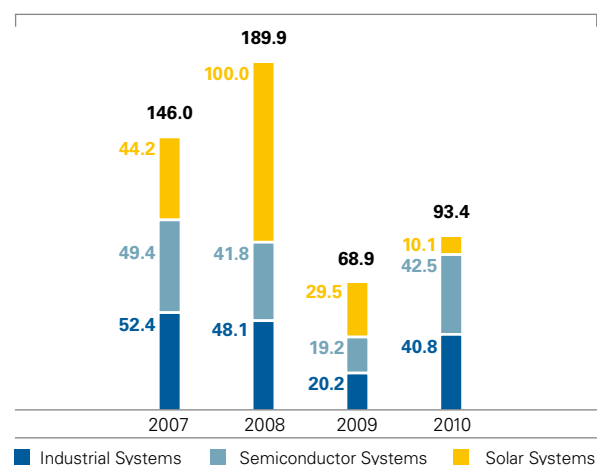
Incoming orders for the **Semiconductor Systems division** also grew in 2010, totaling EUR 42.5 million (previous year: EUR 19.2 million). The division thus achieved a share of 45% of total incoming orders. PVA TePla Danmark – a manufacturer of floatzone systems – received two large orders from China for the delivery of systems for growing high-purity monocrystalline silicon rods, predominantly for high-performance components, during the course of 2010. At EUR 12.8 million, the Plasma Systems division in Feldkirchen recorded the highest order intake in 10 years – a very positive development. Approximately 72% came from Asia, followed by Europe with 13%, Germany with 12% and North America with 3%. Taiwanese semiconductor manufacturers in the chip packaging sector and European manufacturers in the HBLEd market are the most important customers for this division. Orders for analytical systems for the non-destructive inspection of metals produced by the subsidiary PVA TePla Analytical Systems came to EUR 9.3 million and primarily originated from the European and Asian semiconductor industry.

The **Solar Systems division** recorded customer orders amounting to EUR 10.1 million (previous year: EUR 29.5 million). Consequently, this division contributed 11% to total order intake, which fell short of expectations. The Chinese customer Tianwei New Energy Wafer Co. Ltd. placed an order for the delivery of systems for the production of polycrystalline silicon ingots totaling around EUR 5 million.

When looking at **PVA TePla AG** on its own, order intake went up from EUR 61.6 million in the previous year to EUR 80.5 million. This includes orders of EUR 4.8 million from other Group companies (previous year: EUR 2.3 million). The steep rise in demand in the Vacuum Systems, Plasma Systems and Floatzone Systems divisions in particular contributed toward this positive development.

ORDER INTAKE BY DIVISIONS

EUR million



ORDER BACKLOG

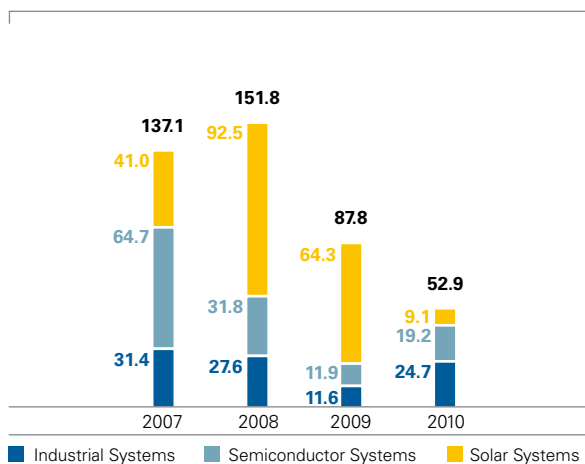
PVA TePla Group order backlog is reported after deducting sales revenues previously recognized applying the Percentage of Completion method (PoC). Order backlog for the group totaled EUR 52.9 million as of December 31, 2010 (previous year: EUR 87.8 million), therefore falling short of the previous year's figures. The main reason for this development was the steep drop in order backlog in the Solar Systems division to EUR 9.1 million (previous year: EUR 64.3 million). Order backlog was adjusted by EUR 6.7 million in this division. An order received from the European solar industry via a systems integrator in the first quarter of 2008 could not be realized. The Industrial Systems and Semiconductor Systems divisions, on the other hand, were able to increase their order backlog considerably.

The Industrial Systems division generated EUR 24.7 million (previous year: EUR 11.6 million) and the Semiconductor Systems division EUR 19.1 million (previous year: EUR 11.9 million).

Order backlog of **PVA TePla AG** – presented individually as nominal values in accordance with German accounting principles – totaled EUR 83.7 million (previous year: EUR 125.2 million). Again, the drop is primarily due to the decrease in order backlog in the Solar Systems division. Although the other divisions recorded strong growth, they were unable to compensate for the losses in the Solar Systems division.

ORDER BACKLOG BY DIVISIONS

EUR million



7. PRODUCTION

In the 2010 financial year, system production and contract processing were performed in Germany at the Wettenberg, Feldkirchen, Siegen, Aalen and Jena locations. Production at Feldkirchen was closed down and relocated to Jena in 2010 during the course of restructuring the Plasma Systems business unit. 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 in the reporting year totaled EUR 3.3 million (previous year: EUR 2.4 million). 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. R&D activity leading to innovations and to product optimization is estimated at approximately 10% of total design engineering output.

Semiconductor Systems Division

The project for the development of a shear stress measuring device for the new generation of 450mm wafers for the semiconductor industry is going according to plan. The project is part of the "European Equipment & Materials Initiative for 450mm Wafer" (EEMI 450), which brings together all leading European semiconductor systems manufacturers and materials producers. PVA TePla AG belongs to this cooperation, whose goal it is to be the first region in the world to launch 450mm technologies and systems suitable for production. In the Analytical Systems division, the successful SAM 300/400 series – analytical systems for the semiconductor industry, materials research and bio-medical research with improved medical data processing software – was developed further. The throughput and imaging quality of multi-channel systems (TWIN and QUAD series) were improved significantly. The company also focused on continuing the development of fully automated wafer inspection systems (AUTO WAFER 300) and new systems for the inspection of complete electronic modules (AUTO TRAY). In addition, the technological development of the auto ingot system – an analytical system for the detection of defects in grown silicon crystals – was advanced. Further reduced defect detection and an increased detection limit now guarantee better productivity for customers. In the Floatzone Systems division, a newly developed "blind pulling automation system" for the floatzone system FZ-14M was completed and successfully tested in 2010. This system automates the crystal growing process to a large extent, resulting in improved productivity for customers.

Solar Systems Division

A number of research projects, particularly for the further development of the Czochralski (Cz) method for growing monocrystalline silicon ingots, is being driven by the top cluster "Solarvalley Mitteldeutschland" (Solar Valley Central Germany). In the past 10 years, this development was mainly advanced by the semiconductor industry, which today produces 300 mm high-purity silicon monocrystals. But in recent years, the Company started modifying the Cz process to cater for the rapidly growing photovoltaic sector, as this area has different requirements to the microelectronics sector with regard to the quality and cost of materials. But only some of the cost reduction potential of the existing Cz technology has been tapped up to now. These could contribute significantly to achieving grid parity. The photovoltaic sector is particularly interested in further developing the Cz method because by introducing innovative approaches, the costs of the Cz crystal growing process can be significantly reduced. This applies to both systems technology and the complete growing cycle. This project primarily focuses on further developing recharging apparatus, optimized growth and cooling processes as well as measuring technology and computer simulation. Recharging apparatus makes it possible to add different types of raw materials such as large blocks or small granules to the hot melt. With the help of this device, the crucible is filled to the hilt with raw silicon, therefore maximizing the achievable weight of the crystal per growth attempt. By optimizing growth and cooling processes, silicon crystals are to be grown with a mechanical stability high enough to withstand sawing into thin wafers and processing into solar cells without significantly increasing the number of breakages. The optimization of the cooling period requires modifications to be made to the actual systems and processes and particularly process management needs to be adjusted and optimized, as up to now it has not been designed for providing flexibility during the cooling period. By further developing measuring technology and computer simulation, further knowledge about heat and materials transfer processes is to be obtained more precisely and quickly. These are the most important characteristics of a crystal. For this reason, growth conditions such as temperature, current, materials transfer and thermal stresses and their effects on the crystal growing process have to be known to be able to influence them as required.

9. INVESTMENTS

At EUR 2.5 million (previous year: EUR 2.7 million), the investment volume in 2010 dropped slightly compared to the previous year. The largest single investment was another brazing furnace for the subsidiary PVA Löt- und Werkstofftechnik GmbH, Jena. Capacities in Wetttemberg had to be expanded on account of the positive business forecasts. Other investments mainly relate to operating and office equipment as well as software licenses plus the acquisition of an additional parcel of land at the Wetttemberg site.

From the perspective of PVA TePla AG as a single entity, the value of investments at EUR 1.3 million in 2010 also decreased (previous year: EUR 1.9 million). Investments in property, plant, and equipment totaled EUR 0.9 million (previous year: EUR 1.7 million). EUR 0.4 million was invested in intangible assets (previous year: EUR 0.2 million). No financial investments were made, as in the previous year.

10. GROWTH IN WORKFORCE

The Group had 488 employees as of the balance sheet date (previous year: 501 employees). Therefore the number of employees decreased slightly compared to the end of the previous year. The number of employees in the Industrial Systems division was 253 (previous year: 245). The Semiconductor Systems division had 218 employees (previous year: 242 employees). The dropping number of employees in this division is primarily due to the restructuring measures in 2010 in the Plasma Systems division at the Feldkirchen site. 17 employees worked in the Solar Systems division (previous year: 14 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. From a regional perspective, Europe has by far the largest proportion of employees at

450 (previous year: 467). The USA had 25 employees at the end of 2010 (previous year: 21) while Asia had 13, the same as on the previous year's balance sheet date. In 2010, the number of apprentices in PVA TePla Group amounted to 16 (previous year: 19). Four young men and women were being trained in commercial professions and 12 in industrial professions.

PVA TePla AG employed a workforce of 303 at the end of 2010 (previous year: 317 employees). The dropping number of employees is due to the restructuring measures in 2010 in the Plasma Systems division in Feldkirchen. The number of employees at the Frederikssund, Denmark location was 12 (previous year: 12).

11. NET ASSETS AND FINANCIAL POSITION

PVA TEPLA GROUP

Total assets came to EUR 121.7 million on December 31, 2010, slightly down from the previous-year figure of EUR 128.0 million.

The value of property, plant and equipment went down mainly because of EUR 34.1 million in depreciation (previous year: EUR 34.5 million). Intangible assets remained at EUR 8.7 million (previous year: EUR 8.7 million). Deferred tax assets totaled EUR 2.9 million (previous year: EUR 3.3 million). Non-current assets totaled EUR 46.2 million versus EUR 47.6 million in the previous year.

Current assets were reduced to EUR 75.5 million in total (previous year: EUR 80.4 million). Current receivables saw the greatest change, dropping to EUR 17.0 million (previous year: EUR 22.9 million), especially by reducing trade receivables to EUR 13.7 million (previous year: EUR 17.2 million). Advance payments went down further to EUR 1.5 million (previous year: EUR 3.7 million) due to the lower business volume. Cash and cash equivalents went up to EUR 30.3 million (previous year: EUR 28.4 million) on account of high operating cash flow. The total value of inventories rose slightly to EUR 21.0 million (previous year: EUR 20.0 million). A drop in semi-finished and finished goods is offset by a rise in raw materials, consumables and operating supplies. Coming receivables on construction

contracts continued to fall to EUR 5.8 million (previous year: EUR 8.9 million). This was attributable to the processing of existing orders and the reduced order backlog.

Total current liabilities on the balance sheet decreased to EUR 42.5 million as of December 31, 2010 (previous year: EUR 51.7 million). Tax provisions dropped the most to EUR 2.0 million (previous year: EUR 6.4 million), primarily on account of taxes being paid. Resulting from the processing of orders as well as the low order backlog, advance payments received on orders decreased from EUR 16.4 million to EUR 13.5 million while obligations on construction contracts increased to EUR 1.7 million (previous year: EUR 0.6 million). Trade payables rose to EUR 4.3 million (previous year: EUR 3.5 million). Other current provisions of EUR 11.8 million (previous year: EUR 12.6 million) and accrued liabilities of EUR 6.8 million (previous year: EUR 7.4 million) did not change significantly. Part of the loan for the acquisition of PVA TePla Analytical Systems was due for repayment over the course of the year, resulting in the decrease in current financial liabilities to EUR 1.2 million (previous year: EUR 2.7 million).

Non-current liabilities (including non-current provisions) decreased from EUR 25.2 million in the previous year to EUR 24.8 million currently. This was due to the reduction of non-current financial liabilities to EUR 12.9 million (previous year: EUR 13.3 million). Pension provisions increased to EUR 8.1 million as scheduled (previous year: EUR 7.7 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 3.1 million (previous year: EUR 3.9 million). Equity increased to EUR 54.5 million (previous year: EUR 51.1 million) due to net profit for the year – less the dividend of EUR 4.4 million, which was paid for the first time in 2010. In view of total assets dropping, the equity ratio continued rising from 39.9% in the previous year to 44.7%.

The liquidity situation of PVA TePla Group remained positive again throughout the 2010 financial year. As of the balance sheet date on December 31, 2010, cash and cash equivalents of EUR 30.3 million (previous year: EUR 28.4 million) and current securities of EUR 1.0 million (previous year: EUR 0) were offset by current financial liabilities of EUR 1.2 million (previous year: EUR 2.7 million) and non-current financial liabilities of EUR 12.9 million (previous year: EUR 13.3 million). At EUR +17.2 million, the net financial position of the Group therefore improved as well (previous year: EUR +12.4 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 97.0 million (previous year: EUR 107.0 million) at this time appear to provide sufficient financing for PVA TePla to conduct the planned volume of business. Short-term lines of credit and guarantee lines are available in full without collateral being provided.

Cash flow was once again clearly positive at EUR +11.2 million in 2010 (previous year: EUR +29.6 million). This figure fluctuates heavily for the Vacuum Systems and Crystal Growing Systems divisions 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. Due to the extent of the investment measures described above, cash flow from investing activities (EUR -2.1 million) was almost the same as in the previous year (EUR -2.2 million). Cash flow from financing activities was EUR -7.5 million (previous year: EUR -4.1 million). This change is mainly due to a dividend of EUR 4.4 million being distributed for the first time. The scheduled repayment of long-term loans totaled EUR 1.4 million (previous year: EUR 1.3 million). Current financial liabilities decreased by EUR 1.5 million (previous year: increase of EUR 1.5 million) and interest payments totaled EUR 1.1 million (previous year: EUR 1.0 million). Aggregate cash flow (including changes caused by exchange rate movements) for 2010 came to EUR +1.9 million (previous year: EUR +23.2 million). The loan of originally EUR 10.0 million granted since January 1, 2008, to finance construction in Wetttemberg was not utilized as of December 31, 2010. This means another EUR 8.0 million is available as a liquidity reserve.

PVA TEPLA AG

Total assets as of December 31, 2010 decreased from EUR 99.4 million at the end of the previous year to EUR 85.8 million. The largest change was recorded in receivables.

The figure for fixed assets amounts to EUR 34.7 million (previous year: EUR 35.0 million). The total value of intangible assets rose slightly to EUR 0.8 million (previous year: EUR 0.7 million). Property, plant and equipment went down slightly to EUR 25.2 million (previous year: EUR 25.6 million). In both classes, the investments described above are offset by scheduled depreciation and amortization. Financial assets remained the same at EUR 8.7 million (previous year: EUR 8.7 million).

Total inventories came to EUR 0.7 million on December 31, 2010, slightly down from the previous-year figure of EUR 0.9 million. Finished products and goods increased to EUR 5.4 million (previous year: EUR 2.6 million). The total value of unfinished goods dropped to EUR 31.5 million (previous year: EUR 37.8 million). The total value of raw materials, consumables and operating supplies went up to EUR 4.2 million (previous year: EUR 3.7 million). The volume of deducted advance payments received on orders totaled EUR 41.0 million (previous year: EUR 44.2 million). Trade receivables fell again from the high value of EUR 15.6 million in the previous year to EUR 10.0 million. Receivables from affiliated companies decreased considerably to EUR 10.1 million (previous year: EUR 20.6 million). System assembly for the Crystal Growing Systems and Solar Systems divisions of PVA TePla AG is performed by PVA Vakuu Anlagenbau Jena GmbH. As orders in this division were processed further, the volume of advance payments went down significantly. Cash and cash equivalents went up to EUR 27.2 million (previous year: EUR 25.3 million) as a result of the positive cash flow. Current securities of EUR 1.0 million (previous year: EUR 0 million) are to be added.

The balance sheet shows another significant decrease in liabilities to EUR 19.9 million (previous year: EUR 29.0 million). The main reason for this development was the steep drop in payables to affiliated companies to EUR 4.2 million (previous year: EUR 10.9 million). The reduction in liabilities to banks to EUR 10.1 million (previous year: EUR 12.0 million) was mainly the result of scheduled repayments of a loan granted to finance the takeover of PVA TePla Analytical Systems and the planned repayment of other loans. The volume of net advance payments received amounted to EUR 2.1 million (previous year: EUR 2.4 million). Trade payables came to EUR 2.8 million (previous year: EUR 2.3 million). Pension provisions rose to EUR 8.2 million (previous year: EUR 7.1 million). In previous years, the Company already applied parameters that are more realistic than those stipulated by tax law. In particular, the lower interest rate as opposed to the rate of 6% for tax purposes results in more realistic projected burdens. However, a one-off effect arose from the first-time application of the new statutory regulations of the Bilanzrechtsmodernisierungsgesetz (BilMoG – German Accounting Law Modernization Act), mainly due to taking into account pay and pension trends. 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 1.4 million (previous year: EUR 6.3 million) on account of tax payments in 2010. Other provisions fell to EUR 13.5 million (previous year: EUR 15.8 million).

Equity continued to increase to EUR 42.7 million (previous year: EUR 41.2 million). Net profit for the year was opposed by the first ever dividend distribution in 2010. The equity ratio improved further to 49.8% (previous year: 41.5%) in connection with the decrease in total assets. Retained earnings also increased to EUR 18.8 million based on the favorable results (previous year: EUR 17.3 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 27.2 million (previous year: EUR 25.3 million) were available as of December 31, 2010 plus current securities of EUR 1.0 million (previous year: EUR 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 97.0 million (previous year: EUR 107.0 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

PVA TEPLA GROUP

In the 2010 financial year, PVA TePla again achieved a very positive result. Despite the lower business volume, operating profit (EBIT) of EUR 12.0 million (previous year: EUR 16.6 million) and consolidated net profit of EUR 7.5 million (previous year: EUR 10.7 million) were generated. The EBIT margin of 10.0% (previous year: 12.3%) was at the upper end of the forecast bandwidth of 8% to 10%. The return on sales amounted to 6.2% (previous year: 7.9%). While consolidated sales revenues fell to EUR 120.4 million (previous year: EUR 134.7 million), gross profit amounted to EUR 31.2 million (previous year: EUR 38.9 million). A gross margin of 25.9% (previous year: 28.9%) was generated. Selling and distribution expenses amounted to EUR 9.0 million (previous year: EUR 8.0 million). It is relevant in which market segments orders are being processed and whether representative commissions are incurred. Administrative expenses rose slightly from EUR 8.4 million in the previous year to EUR 8.7 million. Research and development expenses increased to EUR 3.3 million (previous year: EUR 2.4 million). The net balance of other operating expenses versus other operating income was EUR +2.1 million (previous year: EUR -1.2 million).

Due to the lower sales revenues in the Industrial Systems division, EBIT of EUR 2.0 million was down on the positive result of EUR 5.3 million in the previous year. The marked improvement of the result in the Semiconductor Systems division is particularly positive. EBIT in this division was significantly increased to EUR 2.9 million (previous year: EUR -0.8 million). This is the result of the high sales revenues volume in the Analytical Systems, Plasma Systems and Floatzone Systems divisions. In the Solar Systems division, EBIT came to EUR 7.1 million (previous year: EUR 11.8 million).

The net interest position totaled EUR -0.9 million (previous year: EUR -1.1 million). The earnings contribution of the associated company PVA MIMtech LLC amounted to EUR -0.4 million (previous year: EUR +0.044 million), resulting primarily from one-off effects from the sale of the company's shares. Earnings before taxes were EUR 10.7 million (previous year: EUR 15.6 million) and net profit for the year EUR 7.5 million (previous year: EUR 10.7 million). Income tax expense of EUR -3.2 million (previous year: EUR -4.9 million) consisted of current tax expense of EUR 3.6 million (previous year: EUR 5.6 million) and income from deferred taxes of EUR 0.3 million (previous year: EUR 0.7 million).

PVA TEPLA AG

In the 2010 financial year, PVA TePla AG achieved sales revenues of EUR 113.2 million (previous year: EUR 139.1 million). Gross profit amounted to EUR 17.2 million (previous year: EUR 26.4 million) and the gross margin was 15.2% (previous year: 19.0%). Selling and distribution expenses increased to EUR 7.0 million (previous year: EUR 5.7 million). Administrative expenses came to EUR 5.9 million, identical to the previous year. Research and development expenses increased to EUR 2.0 million (previous year: EUR 1.5 million). At EUR 7.9 million, other operating income came in above the figure for the previous year (EUR 5.4 million). Other operating expenses at EUR 4.2 million were considerably down on the figure for the previous year (EUR 6.2 million). The subsidiaries did not distribute any profits in 2010 (previous year: EUR 1.5 million). Income transfer agreements with subsidiaries generated EUR 5.8 million (previous year: EUR 10.4 million). Interest expense totaled EUR 1.4 million (previous year: EUR 1.2 million). Interest income amounted to EUR 0.7 million (previous year: EUR 0.5 million). In view of the weak business development of PlaTeG GmbH, Siegen, a loan waiver with recovery agreement to the amount of EUR 1.1 million (previous year: 0) was issued to this subsidiary. This expense is a major part of extraordinary expenses, which came to EUR 2.0 million (previous year: EUR 2.3 million). The other main expenses reported in this item arose from the

changeover in accordance with BilMoG, especially from the increase in pension provisions. Income tax expenses totaled EUR 3.0 million (previous year: EUR 5.5 million). PVA TePla AG's total profit from ordinary business activities came to EUR 11.0 million (previous year: EUR 21.4 million) and net profit for the year to EUR 5.8 million (previous year: EUR 13.8 million). Return on sales was 5.1% (previous year: 9.9%).

13. SUPPLEMENTARY REPORT

There are no significant events to report after the end of the 2010 financial 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 vacuum systems could be utilized. 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 300mm diameter or high-purity silicon crystals for high-performance electronics or analytical systems for the non-destructive quality control in LED 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.

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 bottlenecks. The strategy of maintaining a relatively low level of vertical integration allows rapid response in this regard. The PVA TePla Group also provides high-quality contract processing work – such as plasma treatment, high-vacuum brazing and heat treatment of components – in which greater customer demand has historically been seen in times of generally restrained capital expenditure. The semiconductor business – 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 old economy industries, throughout periods of robust growth and recession. In recent years the PVA TePla Group has seen major opportunities in expanding capacity to accommodate the manufacture of 300mm crystals. The drop in the semiconductor market caused by the global financial and economic crisis means the sales outlook for these systems was unfavorable in the past two years. However, semiconductor manufacturers are having to increasingly invest again. The future condition of the general global economy is not entirely certain. After the financial and economic crisis seems to have come to an end for now, the developed industrialized countries are no longer in recession but their further economic development and particularly the investment activities of many companies remain unclear. Only the development of the developing and emerging

countries – an extremely important market for PVA TePla Group – is definitely on the up. The Company is following economic developments closely. Incoming order volume presented a mixed picture across the divisions at the beginning of 2011. Demand in the markets for products from the Industrial Systems division remains high; this also applies to areas with series productions (such as plasma systems) in the Semiconductor Systems division. In the Solar Systems division, it is hard to forecast the order situation in 2011 – also considering oversupplies that usually occur in the market at least in the first half of the year. As the market is large and growing strongly in the medium term, competitive pressure is going to increase, especially coming from China. Leading technology and the continuous optimization of plant and equipment and their cost efficiency provide the Company with opportunities.

In view of order backlog and the project situation, we expect to meet the targets for 2011. 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 compared to those of our competitors – 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. 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. This risk is addressed by having local production in the US, and increasing the level of purchasing within this currency zone. Nevertheless the possibility that exchange rates may once again move unfavorably, exerting pricing pressure on our products and eroding our position compared to competitors in the US dollar currency zone in particular, cannot be excluded.

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 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 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 increased due to the positive economic development and resulting rise in production volumes around the world. Commodity prices (such as for stainless steel and copper) are trending upward. Apart from the positive economic development, the severe floods in Australia in January 2011 will play an extremely important part in shaping steel prices as the Australian coal mines – most of them flooded in large areas – are of great importance to coke and therefore steel production. 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. After it became easier to recruit highly qualified personnel in the recent past, this is now becoming increasingly difficult again on account of the positive economic situation in Germany. 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 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 and further temporary measures to reduce capacities may be necessary. 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 malware (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, centralized storage solutions, the introduction of a new e-mail system on this basis and the expansion of our ERP and PDM system in conjunction with our CAD system. Security and protection measures for our IT infrastructure were also further improved. A major project in 2010 was the launch of the central electrical engineering tool "ePlan". The goal was the integration of electrical engineering processes with the IT infrastructure, i.e. a Group-wide implementation in the existing ERP and document management system. The increase in efficiency and transparency were at the focus of this development. The future goal is to link up all PVA TePla Group locations to this system. Another focal point in 2010 was the introduction of a new accounting system with an optimized link to the ERP system. The standardization of all major Group locations and optimized data integration aim to further reduce the risk of errors.

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.

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.

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 2010 financial 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, 2010 in order to reduce interest expense in view of the favorable liquidity situation. Because market interest rates were lower than the interest rates hedged as of the reporting date, provisions of EUR 712 thousand were recognized on the PVA TePla AG single-entity financial statements (previous year: EUR 611 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-EU countries. Otherwise, in each individual case, the hedging of currency risks is assured by means of forward exchange contracts. Since these are closed positions 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 FROM CURRENT DEVELOPMENTS IN JAPAN

The earthquake, tsunami and nuclear incident in Japan will have unforeseeable consequences for human life and will also significantly impair economic activities in this country or even bring parts of the Japanese market to a complete standstill.

PVA TePla maintains business relationships with Japan in several of its divisions. On the sales side, this includes individual plant construction projects and a limited amount of series production business (mainly plasma and analytical systems). Two large and one small vacuum system are currently being delivered. From today's perspective, it is uncertain if we will be able to deliver these systems to the customers. Both large systems will most likely be used in other group production facilities of the same customer. PVA TePla therefore does not incur any significant risks.

On the purchasing side, supplies and deliveries from Japan may be delayed or experience bottlenecks. As the purchasing volume from Japan is low however and alternative suppliers are available as usual, the business activities of PVA TePla will not be seriously impacted by such occurrences either.

14.10. RISKS JEOPARDIZING THE EXISTENCE OF THE COMPANY

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

15. RISK MANAGEMENT

The risk policy is embedded in the corporate strategy and is designed to secure the continuation of the Company as a going concern. The risk strategy is based on an assessment of risks and the involved opportunities. 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 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 risks 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 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 2010 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.

16. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM RELATED TO THE ACCOUNTING 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, any controls that were previously carried out manually are to be automated and potential for errors 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 are also verified in regards 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 that the related objectives will be achieved with absolute certainty. Like all discretionary decisions, those 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. At this time, risks related to processing existing major contracts in particular are being intensively monitored as part of the risk management process.

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, 2010, 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, 2010, 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 effected by the Supervisory Board. The same applies to the appointment of a member of the Management Board as chairman or as spokesman of the Management Board
- » Article 3: The appointment of a member of the Management Board ends in every case with the completion of his / her 65th year.

Authority of the Management Board to Issue or Repurchase Shares

As of December 31, 2010, 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 Take Over Offer

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

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

No compensation agreements are in place for Management Board members or for employees in case of a 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/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 the previous year, 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 first time for the 2010 financial year pursuant to Section 312 (3) of the AktG.

The 2010 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

For the 2011 financial year, the Management Board of PVA TePla expects consolidated sales revenue 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, 2010, of EUR 52.9 million and the orders received in the first quarter underline this forecast. Because of the economic situation discussed above, estimates beyond 2011 cannot be reliably made at this time. Especially due to the expectations and positive long-term forecasts on the future development of the markets relevant for PVA TePla Group, we expect our business volume to grow in the coming years. We anticipate an EBIT margin in the range of our objectives for the medium term, i.e. between 10% and 12%.

When looking at PVA TePla AG on its own for the 2011 financial year, we forecast sales revenues to be around EUR 100 million and net profit slightly lower than in 2010.

Wettenberg, March 18, 2011

PVA TePla AG
Management Board



Peter Abel
Chief Executive Officer



Arnd Bohle
Chief Financial Officer



GROUP FINANCIAL STATEMENTS of PVA TePla AG, Wettenberg

44 Consolidated Balance Sheet	47 Consolidated Statement of Comprehensive Income	86 Responsibility Statement
46 Consolidated Income Statement	48 Consolidated Cash Flow Statement	87 Auditor's Report
	49 Consolidated Statement of Changes in Equity	
	50 Group Notes	
	82 Consolidated Statement Changes in Fixed Assets	
	50 A. General Information and Basis of Presentation	
	58 B. Notes on individual Balance Sheet Items	
	66 C. Notes on individual Income Statement Items	
	69 D. Notes to the Cash Flow Statement and on Capital Management	
	70 E. Additional Disclosures	

PVA TEPLA AG, WETTENBERG

GROUP FINANCIAL STATEMENTS

FOR THE FISCAL YEAR 2010

CONSOLIDATED BALANCE SHEET

as at December 31, 2010

ASSETS in EUR '000	Notes	Dec. 31, 2010	Dec. 31, 2009
Non-current assets			
Intangible assets	(4)	8,705	8,726
Goodwill		7,615	7,615
Other intangible assets		1,090	1,111
Property, plant and equipment	(5)	34,104	34,477
Land, property rights and buildings, including buildings on third party land		29,504	30,044
Plant and machinery		2,639	2,102
Other plant and equipment, fixtures and fittings		1,961	2,331
Investment property	(6)	453	475
Non-current investments	(7)	18	610
Investments in associates		0	593
Other non-current receivables		18	17
Deferred tax assets	(13)	2,922	3,319
Total non-current assets		46,202	47,607
Current assets			
Inventories	(8)	20,953	20,028
Raw materials and operating supplies		9,840	7,536
Work in progress		5,198	9,223
Finished products and goods		5,915	3,269
Coming receivables on construction contracts	(9)	5,832	8,884
Trade and other receivables	(10)	17,022	22,885
Trade receivables		13,666	17,221
Payments in advance		1,471	3,708
Other receivables		1,885	1,956
Tax repayments		447	222
Other financial assets	(12)	1,001	0
Cash and cash equivalents	(11)	30,280	28,369
Total current assets		75,535	80,388
Total		121,737	127,995

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

LIABILITIES AND SHAREHOLDERS' EQUITY in EUR '000	Notes	Dec. 31, 2010	Dec. 31, 2009
Shareholders' equity	(14)		
Share capital		21,750	21,750
Revenue reserves		33,255	30,081
Other reserves		-224	-406
Minority interest		-309	-299
Total shareholders' equity		54,472	51,126
Non-current liabilities			
Non-current financial liabilities	(16)	12,890	13,308
Other non-current liabilities		486	15
Retirement pension provisions	(17)	8,069	7,739
Deferred tax liabilities	(27)	3,125	3,856
Other non-current provisions	(18)	223	301
Total non-current liabilities		24,793	25,219
Current liabilities			
Short-term financial liabilities	(19)	1,150	2,702
Trade payables		4,330	3,480
Obligations on construction contracts	(20)	1,682	613
Advance payments received on orders	(21)	13,510	16,410
Accruals	(22)	6,759	7,383
Other short-term liabilities	(23)	1,289	2,070
Provisions for taxes		1,992	6,365
Other short-term provisions	(18)	11,760	12,627
Total current liabilities		42,472	51,650
Total		121,737	127,995

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

CONSOLIDATED INCOME STATEMENT

1 January – 31 December 2010

in EUR '000	Notes	Jan. 01 – Dec. 31, 2010	Jan. 01 – Dec. 31, 2009
Sales revenues	(24)	120,366	134,688
Cost of sales		-89,138	-95,827
Gross profit		31,228	38,861
Selling and distributing expenses		-9,049	-8,009
General administrative expenses		-8,705	-8,354
Research and development expenses	(25)	-3,316	-2,449
Other operating income		5,929	6,126
Other operating expenses of which amortization on goodwill EUR 0 (2009: EUR 1,850 thousand)		-3,860	-7,292
Restructuring expenses		-200	-2,268
Operating profit (EBIT)		12,027	16,615
Share of profits from associates		-394	44
Finance revenue		224	158
Finance costs		-1,119	-1,221
Financial result and share of profits from associates		-1,289	-1,019
Net profit before tax		10,738	15,596
Income taxes	(27)	-3,224	-4,906
Consolidated net profit for the year		7,514	10,690
of which attributable to:			
Shareholders of PVA TePla AG		7,524	10,814
Minority interest		-10	-124
Consolidated net profit for the year		7,514	10,690
Earnings per share (basic / diluted)			
Earnings per share (basic) in EUR	(28)	0.35	0.50
Earnings per share (diluted) in EUR		0.35	0.50
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 2010

in EUR '000	Jan. 01 – Dec. 31, 2010	Jan. 01 – Dec. 31, 2009
Consolidated net profit for the year	7,514	10,690
of which attributable to shareholders of PVA TePla AG	7,524	10,814
of which attributable to minority interest	-10	-124
Other comprehensive income		
Currency changes	242	43
Income taxes	-76	0
Changes recognized outside profit or loss (currency changes)	166	43
Changes in fair values of derivative financial instruments	22	46
Income taxes	-6	-13
Changes recognized outside profit or loss (derivative financial instruments)	16	33
Other comprehensive income after taxes (changes recognized outside profit or loss)	182	77
of which attributable to shareholders of PVA TePla AG	182	77
of which attributable to minority interest	0	0
Total comprehensive income	7,696	10,766
of which attributable to shareholders of PVA TePla AG	7,706	10,891
of which attributable to minority interest	-10	-124

CONSOLIDATED CASH FLOW STATEMENT

1 January – 31 December 2010

in EUR '000	Jan. 01 – Dec. 31, 2010	Jan. 01 – Dec. 31, 2009
Consolidated net profit for the year	7,514	10,690
Adjustments to the consolidated net profit for the year for reconciliation to the cash flow operating activities:		
+ Income tax expense	3,224	4,906
- Finance revenue	-224	-158
+ Finance costs	1,119	1,221
= Operating profit	11,633	16,659
- Income tax payments	-8,167	-922
+ Amortization and depreciation	2,843	4,603
- Share of profits from associates	394	-44
-/+ Gains/losses on disposals of non-current assets	109	-60
+/- Other non-cash expenses (income)	-96	561
	6,716	20,797
-/+ Increase/decrease in inventories, trade receivables and other assets	7,309	14,867
+/- Increase/decrease in provisions	-600	5,646
+/- Increase/decrease in trade payables and other liabilities	-2,207	-11,722
= Cash flow from operating activities	11,218	29,588
+ Receipts from associates	245	144
+ Proceeds from disposals of intangible assets and property, plant and equipment	26	221
- Acquisition of intangible assets and property, plant and equipment	-2,547	-2,748
+ Interest receipts	224	168
= Cash flow from investing activities	-2,052	-2,215
+ Payments to shareholders (dividends, capital repayments, other payments)	-4,350	0
+ Receipts from issuance of debt and borrowing of loans	890	140
- Payments from redemption of debt and loans	-1,398	-4,786
+/- Change in short-term bank liabilities	-1,499	1,491
- Payment of interest	-1,137	-968
= Cash flow from financing activities	-7,494	-4,123
Net change in cash and cash equivalents	1,672	23,250
+/- Effect of exchange rate fluctuations on cash and cash equivalents	239	-79
+ Cash and cash equivalents at beginning of the period	28,369	5,198
= Cash and cash equivalents at the end of the period	30,280	28,369

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 January – 31 December 2010

in EUR '000	Shared issues		Revenue reserves	Other equity components	Total	Minority interest	Total Shareholders' equity
	Number						
As at January 01, 2009	21,749,988	21,750	19,267	-482	40,535	-175	40,360
Total income			10,814	76	10,890	-124	10,766
As at December 31, 2009	21,749,988	21,750	30,081	-406	51,425	-299	51,126
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

PVA TEPLA AG, WETTENBERG

GROUP NOTES

FOR THE FINANCIAL YEAR 2010

A. GENERAL INFORMATION AND BASIS OF PRESENTATION**1. GENERAL INFORMATION****Domicile and legal form of the company**

PVA TePla AG is a stock corporation in accordance with German law. The Company is entered in the Commercial Register of the 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 300mm 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 non-destructive 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 the 2005 fiscal year 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, 2010, 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 (IFRIC).

In addition, the notes to the financial statements contain certain disclosures to meet the requirements of section 315a (1) of the HGB. In accordance with section 315a of the HGB in conjunction with section 315 of the 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.

Companies are required to apply the amended rules to fiscal years beginning on or after July 1, 2011. Adoption for application in Europe is currently still pending.

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, 2013. 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 on Disclosures	01/07/2011	No	Expansion of note disclosures
IFRS 9	Financial Instruments (replaces IAS 39)	01/01/2013	No	Measurement of financial assets
IAS 12	Deferred tax: Recovery of Underlying Assets	01/01/2012	No	None
IAS 24	Relationships to associated companies and persons	01/01/2011	Yes	None
IAS 32	Financial Instruments: Presentation	01/01/2011	Yes	None
IFRIC 14	Contributions subject to minimum financing requirements for pension plans	01/01/2011	Yes	None
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	01/07/2010	Yes	None

*As of: January 17, 2011

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

IFRS 7 “Financial Instruments: Disclosures”

In October 2010, the IASB published amendments to IFRS 7 related to transfers of financial assets. Expanded disclosure requirements are intended to allow financial statement users to understand the relationships between the transferred financial assets and the corresponding financial liabilities.

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 euro zone that are included in the consolidated financial statements are as follows:

EUR = 1	Average exchange rate		Exchange rate on the balance sheet date	
	2010	2009	Dec. 31, 2010	Dec. 31, 2009
USA (USD)	1.32471	1.39051	1.32521	1.43328
China (CNY)	8.95576	9.48497	8.73362	9.77517
Denmark (DKK)	7.44657	7.44546	7.45156	7.44048
Singapore (SGD)	1.80447	2.02274	1.71028	2.01369
Norway (NOK)	8.00320	8.72600	7.81250	8.32639

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 customerspecific 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 euro. 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 its fully consolidated subsidiaries and one associate carried at equity.

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, 2010 on a fully consolidated basis:

Name	Corporate domicile	Capital stake
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	Feldkirchen, Germany	100 %
PlaTeG GmbH	Siegen, Germany	100 %
PVA TePla Singapore Pte. Ltd.	Singapore	100 %
PVA TePla Analytical Systems GmbH	Aalen, Germany	100 %

Vakuu 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 a notification from the liquidator dated October 13, 2010, insolvency proceedings are still in progress.

The 50% stake in the associated company PVA MIMtech LLC, Cedar Grove/NJ, USA, is no longer included in the 2010 consolidated financial statements. This investment was sold in December 2010.

No further changes have occurred since the 2009 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-value assets with an acquisition cost over EUR 150 and below EUR 1,000 acquired between January 1, 2008, and December 31, 2009, are subject to straight-line depreciation via a collective item over a 5-year period.

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 2009, 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 field within PVA TePla AG and the subsidiary PVA TePla Analytical Systems GmbH with its registered office in Aalen. 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 revenue, 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 2010, 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.

In the 2010 fiscal year, the negative market values of all financial derivatives are reported under other financial liabilities – these were reported under other reserves in the previous year.

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.

Liabilities

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 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.

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 2010 and 2009, which is attached as an appendix.

The carrying amounts of intangible assets are composed as follows:

in EUR '000	Dec. 31, 2010	Dec. 31, 2009
Intangible assets		
Goodwill	7,615	7,615
Other intangible assets	1,090	1,111
Total	8,705	8,726

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, Aalen in the 2007 fiscal year (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 12.26% (previous year: 13.53%) was applied to discount the expected cash flow and determine the value in use for the 2010 fiscal year.

There were no write-downs to the lower value in use for the 2010 fiscal year (previous year: EUR 1,850 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 495 thousand in 2010 and EUR 437 thousand in 2009 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 2010 and 2009, which is attached as an appendix.

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

in EUR '000	Dec. 31, 2010	Dec. 31, 2009
Property, plant and equipment		
Land, property rights and buildings, including buildings on third party land	29,504	30,044
Plant and machinery	2,639	2,102
Other plant and equipment, fixtures and fittings	1,961	2,331
Total	34,104	34,477

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 2,326 thousand in 2010 and EUR 2,294 thousand in 2009.

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 2,220 thousand at the balance sheet date (previous year: EUR 2,614 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 821 thousand at the balance sheet date (previous year: EUR 940 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 6,947 thousand at the balance sheet date (previous year: EUR 7,368 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 928 thousand (previous year: EUR 1,091 thousand). The corresponding loans have a remaining unsettled amount of EUR 558 thousand (previous year: EUR 706 thousand).

The subsidiary PVA Löt- und Werkstofftechnik GmbH, Jena concluded an installment purchase contract in the 2010 fiscal year to finance a new brazing furnace, for which PVA TePla AG has issued a directly enforceable guarantee. The carrying amount of the loan as at December 31, 2010, was EUR 722 thousand.

In order to secure PVA TePla AG's loan for the financing of the photovoltaic plant in Wetttemberg, the plant was assigned as security. The carrying amount of the photovoltaic plant amounted to EUR 129 thousand as of December 31, 2010 (previous year: EUR 136 thousand). The loan was valued at EUR 119 thousand at the balance sheet date (previous year: EUR 130 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 475 thousand (previous year: EUR 476 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, 2010, the fair value was the same as 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 2010 fiscal year, rental income of EUR 56 thousand (previous year: EUR 53 thousand) was generated from the real estate (including the reimbursement of incidental costs). This income is offset by incidental costs and service and maintenance expenses in the amount of EUR 28 thousand (previous year: EUR 30 thousand).

The historical cost of the real estate totaled EUR 694 thousand for the land and buildings. At December 31, 2010, cumulative depreciation amounted to EUR 241 thousand

(previous year: EUR 219 thousand). These figures are also presented in the consolidated statement of changes in fixed assets as of December 31, 2010.

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

7. NON-CURRENT INVESTMENTS

The carrying amounts of non-current investments are composed as follows:

in EUR '000	Dec. 31, 2010	Dec. 31, 2009
Investments in associates	0	593
Other receivables	18	17
Total	18	610

The decrease of investments in associates is due to the sale of PVA MIM-tech LLC in December 2010.

8. INVENTORIES

Inventories are composed as follows:

in EUR '000	Dec. 31, 2010	Dec. 31, 2009
Raw materials and operating supplies	9,840	7,536
Work in progress	5,198	9,223
Finished products and goods	5,915	3,269
Total	20,953	20,028

In 2010, inventories were subject to write-downs in the amount of EUR 2,965 thousand (previous year: EUR 1,628 thousand; inventories were not written up. Write-downs are firstly attributable to typical write-downs for nonmarketability. In addition, demonstration and leasing models 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:

in EUR '000	Dec. 31, 2010	Dec. 31, 2009
Capitalized production costs including contract profits	14,055	22,431
for which advance payments received (progress billings)	-8,223	-13,547
Total	5,832	8,884

Further advance payments received in the amount of EUR 13,510 thousand (previous year: EUR 16,410 thousand) and obligations on construction contracts in the amount of EUR 1,682 thousand (previous year: EUR 613 thousand) – on contracts where payments received according to the percentage of completion exceed the contract costs incurred plus proportionate profits – are shown under "Current liabilities". Further information can be found under note 20 and note 21.

10. RECEIVABLES

Receivables are composed as follows:

in EUR '000	Dec. 31, 2010	Dec. 31, 2009
Trade receivables	13,666	17,221
Amounts owed by associates	1,471	3,708
Other receivables	1,885	1,956
Total	17,022	22,885

Other receivables also include prepaid expenses.

Trade receivables consist of the following:

in EUR '000	Dec. 31, 2010	Dec. 31, 2009
Trade receivables	14,181	17,945
Bad debt allowances	-515	-724
Total	13,666	17,221

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

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

in EUR '000	2010	2009
Write-downs on January 1	724	87
Addition	289	716
Utilization	-390	-26
Release	-108	-53
Write-downs on December 31	515	724

Other receivables are composed as follows:

in EUR '000	Dec. 31, 2010	Dec. 31, 2009
Derivative financial instruments	69	9
Receivables from investment incentives	87	0
Value added tax due	931	226
Accounts payable with debit balances	266	113
Deferred prepayments	99	60
Others	433	1,548
Total	1,885	1,956

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 30,280 thousand (previous year: EUR 28,369 thousand) primarily consist of current bank balances. Cash in hand amounted to EUR 12 thousand (previous year: EUR 11 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, 2010, other financial assets include a short-term bonded loan in the amount of EUR 1,001 thousand (previous year: EUR 0 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, 2010, 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, 2010.

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 2010.

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 39 permanent jobs are secured and 9.5 new permanent jobs are created. 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 12,890 thousand (previous year: EUR 13,308 thousand) – all of which were liabilities towards banks.

Non-current financial liabilities primarily relate to loans for the financing of construction measures in Wettenberg and the acquisition of PVA TePla Analytical Systems GmbH in fiscal year 2007.

Non-current financial liabilities are composed as follows:

in EUR '000	Dec. 31, 2010	Dec. 31, 2009
Non-current financial liabilities	14,035	16,008
Portion of non-current financial liabilities due in less than one year	-1,145	-2,700
Non-current financial liabilities less current portion	12,890	13,308

The average weighted interest rate for non-current financial liabilities was 5.10% (previous year: 5.16%).

Non-current financial liabilities were reduced to EUR 12,890 thousand (previous year: EUR 13,308 thousand) due to scheduled long-term loan amortization.

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

in EUR '000	2010	2009
Due:		
Up to a month	16	21
Between 1 and 3 months	115	126
Between 3 and 12 months	1,047	2,583
Between 1 and 5 years	7,510	7,285
More than 5 years	5,700	6,380

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, 2010 was EUR 31,779 thousand (previous year: EUR 32,382 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 Wettenberg. While this loan was approved in 2007, it was not utilized in the 2010 fiscal year.

The loan for the financing of investments in machinery for the subsidiaries 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, 2010 was EUR 1,801 thousand (previous year: EUR 1,343 thousand). This increase in the carrying amounts is due to the purchase of a new brazing furnace in the 2010 fiscal year.

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 -718 thousand (previous year: EUR -637 thousand).

17. RETIREMENT PENSION PROVISIONS

Basic principles

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

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

Defined benefit plans

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

Pension commitments in the form of defined benefit plans are in place for the eligible employees of PVA TePla AG and PVA Vakuum Anlagenbau Jena GmbH. The relevant pension plans were taken over from previous companies in each case and only consist of previous benefit obligations. New pension obligations are generally no longer entered into.

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

There is no external financing via a pension fund.

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

in %	Dec. 31, 2010	Dec. 31, 2009
Income trend	3.00	3.00
Pension trend	1.25	1.25
Staff turnover	1.50	2.50
Interest rate for active staff	5.30	5.75
Interest rate for pensioners	4.90	5.50

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:

in EUR '000	Dec. 31, 2010	Dec. 31, 2009
Present value of future pensions (= financing status)	8,254	7,480
Unrealized actuarial gains/losses	-185	259
Total	8,069	7,739

The following amounts are recognized in the income statement:

in EUR '000	2010	2009
Current official service expenditures for services by employees in the current fiscal year; thereof	136	131
Cost of sales	100	92
Selling and distributing expenses	16	16
General administrative expenses	13	13
Research and development expenses	0	0
Other operating expenses	7	10
Interest expense; thereof	416	388
Cost of sales	252	232
Selling and distributing expenses	49	46
General administrative expenses	42	39
Research and development expenses	8	8
Other operating expenses	65	63
Actuarial gains / losses; thereof	444	152
Cost of sales	284	107
Selling and distributing expenses	53	18
General administrative expenses	44	15
Research and development expenses	6	1
Other operating expenses	57	12
Total	996	671

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

Changes in recognized provisions for pensions are as follows:

in EUR '000	2010	2009
Pension provisions on Jan. 1	7,739	7,403
Expenditure on retirement pensions	552	519
Pension payments	-222	-183
Pension provisions on Dec. 31	8,069	7,739

At the balance sheet date, it can be assumed that EUR 278 thousand (previous year: EUR 267 thousand) will be fulfilled within the next 12 months and EUR 7,791 thousand (previous year: EUR 7,472 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:

in EUR '000	2010	2009
Present value of future pensions on Jan. 1	7,480	6,991
Current service expense for services provided by employees in the fiscal year	136	131
Interest expense	416	389
Pension payments	-222	-183
Actuarial gains and losses	444	152
Present value of future pensions on Dec. 31	8,254	7,480

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 2010, the corresponding expenditure amounted to EUR 2,157 thousand (previous year: EUR 2,106 thousand).

18. OTHER PROVISIONS

Changes in other provisions amounting to EUR 11,983 thousand (previous year: EUR 12,928 thousand) can be broken down as follows:

in EUR '000	Jan. 1, 2010	Utilization	Release	Addition	Netted against assets / reclassification	Dec. 31, 2010
Warranty	4,407	1,369	334	1,660	0	4,364
Impending losses on rentals	373	299	0	5	-11	90
Subsequent costs	1,703	971	328	4,673	0	5,077
Archiving	184	0	0	4	0	188
Penalties	709	0	592	222	0	339
Restructuring	1,928	1,149	100	200	0	879
Others	3,624	1,923	515	595	735	1,046
Total	12,928	5,712	1,869	7,359	724	11,983

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 223 thousand (previous year: EUR 301 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. SHORT-TERM FINANCIAL LIABILITIES

Current financial liabilities are composed as follows:

in EUR '000	Dec. 31, 2010	Dec. 31, 2009
Amounts owed to banks on current accounts	5	2
Current portion of non-current bank borrowings	1,145	2,700
Total	1,150	2,702

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

20. OBLIGATIONS ON CONSTRUCTION CONTRACTS

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

Obligations on construction contracts are composed as follows:

in EUR '000	Dec. 31, 2010	Dec. 31, 2009
Advance payments received (progress billing)	21,900	17,528
less contract costs incurred (incl. share of profit)	-20,218	-16,915
Total	1,682	613

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, 2010 was EUR 13,510 thousand (previous year: EUR 16,410 thousand).

22. ACCRUALS

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

Accrued liabilities are composed as follows:

in EUR '000	2010	2009
Obligations to employees	3,693	2,929
Obligations to suppliers	2,573	2,773
Other commitments	493	1,681
Total	6,759	7,383

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

23. OTHER LIABILITIES

Of the other liabilities in the amount of EUR 1,775 thousand (previous year: EUR 2,085 thousand), EUR 1,289 thousand (previous year: EUR 2,070 thousand) are current and EUR 486 thousand (previous year: EUR 15 thousand) are non-current. Other current liabilities are mainly composed of EUR 328 thousand in tax liabilities (payroll and church tax, sales tax; previous year: EUR 1,466 thousand).

C. NOTES ON INDIVIDUAL INCOME STATEMENT ITEMS

24. REVENUE

PVA TePla principally generates its sales revenues through the sale of systems. Additional sales revenues are generated from services and by supplying spare parts (referred to collectively as after-sales service), as well as providing services for customers in the Company's own facilities (contract processing, mainly carried out by PVA Löt- und Werkstofftechnik GmbH and in the field of plasma treatment by

PVA TePla America Inc. and PlaTeG GmbH). Sales revenues can be broken down into these categories as follows:

in EUR '000	2010	2009
Systems	96,828	117,473
After-sales	19,965	14,291
Contract processing	3,284	2,112
Others	289	812
Total	120,366	134,688

In the 2010 fiscal year, 80% of sales revenues were generated by the facilities and systems business (previous year: 87%). Furthermore after-sales revenue growth was encouraging, while sales revenues from contract processing were slightly above the level of the previous year.

In the 2010 fiscal year, revenue from customer-specific contract production amounted to EUR 79,908 thousand (previous year: EUR 101,206 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:

in EUR '000	Dec. 31, 2010	Dec. 31, 2009
Revenue from customer specific contract production	34,273	39,346
For which contract costs incurred	-25,773	-28,829
Gains from customer-specific contract production	8,500	10,517

Revenue from customer-specific contract production reported on the balance sheet date of EUR 34,273 thousand (previous year: EUR 39,346 thousand) is included in sales revenue for the Systems item (see above).

25. RESEARCH AND DEVELOPMENT EXPENSES

In calculating the research and development expenses reported in the income statement amounting to EUR 3,316 thousand for 2010 and EUR 2,449 thousand for 2009, government grants of EUR 1,517 thousand and EUR 576 thousand respectively were deducted.

26. RESTRUCTURING COSTS

In the 2009 fiscal year, restructuring expenses amounting to EUR 2,268 thousand were incurred in Plasma Systems (Feldkirchen) within the Semiconductor Systems division; most of these restructuring costs apply to settlements with employees. EUR 200 thousand of expenses were incurred in the 2010 fiscal year.

27. INCOME TAXES

Taxes on income are calculated on a bestestimate 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 follows:

in EUR '000	2010	2009
Actual tax expense/income	-3,570	-5,623
Current tax expense	-3,577	-6,077
Prior-period tax charges	7	454
Deferred tax expense/income	346	717
Credit from tax loss carry-forwards	168	292
Change in allowances against deferred tax assets	-284	-397
Other deferred taxes	462	822
Income taxes	-3,224	-4,906

Deferred taxes of EUR -6 thousand (previous year: EUR -13 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.

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

	2010		2009	
	in EUR '000	in %	in EUR '000	in %
Net profit before tax	10,739		15,596	
Expected tax charges	-3,007	-28	-4,367	-28
Changes in tax rates	217	2	57	0
Proportion of tax for permanent differences and temporary differences for which deferred taxes were not recorded	-22	0	-506	-3
Prior period current income tax	7	0	454	3
Non recognition of tax losses	-6	0	-9	0
Change in allowances	-284	-3	-397	-3
Other effects	-129	-1	-138	-1
Actual tax charges	-3,224	-30	-4,906	-32

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:

in EUR '000	Dec. 31, 2010		Dec. 31, 2009	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Fixed assets	192	103	148	139
Inventories	831	139	1,366	312
Obligations on construction contracts	0	2,361	0	2,936
Receivables	301	299	0	218
Tax loss carry-forwards	1,155	0	1,384	0
Pension provisions	384	0	346	0
Other provisions	343	223	471	250
Others	0	0	0	0
Total	3,206	3,125	3,716	3,856
Allowances for tax loss carry-forwards	-284	0	-397	0
Total	-2,922	3,125	3,319	3,856
Balance of deferred tax		-203		537

As of December 31, 2010 the German companies have unused tax loss carry-forwards totaling approximately EUR 450 thousand (previous year: EUR 600 thousand), which relate exclusively to the subsidiary Plasma Systems GmbH, Feldkirchen. At the subsidiary Plasma Systems GmbH, deferred tax assets from tax loss carry-forwards were not recognized as the previous operating activities of this company were discontinued and no new operating activities have been assumed at present. As such, the realizability of these deferred tax assets is not currently considered to be sufficiently high to justify their capitalization.

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 6.3 million for federal tax; USD 3.8 million for state tax) will gradually lapse from 2021 (federal tax) and 2011 (state tax) unless utilized prior to this date. Despite developments in fiscal years 2005 to 2010, the recognized deferred tax assets in the amount of EUR 871 thousand (previous year: EUR 804 thousand) are considered to be recoverable on the basis of current earnings forecasts. 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 7,524 thousand (previous year: EUR 10,814 thousand). As in the previous year, an average of 21,749,988 no-par value shares was in circulation in fiscal year 2010.

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 2010 and 2009:

	2010	2009
Numerator:		
Consolidated net profit for the year before minority interests (EUR thousand)	7,524	10,814
Denominator:		
Weighted number of shares outstanding – basic	21,749,988	21,749,988
Earnings per share (in EUR):	0.35	0.50

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, 2010.

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 5,811 thousand (previous year: EUR 13,767 thousand) and retained earnings of EUR 18,761 thousand (previous year: EUR 17,301 thousand) as of December 31, 2010. These retained earnings represent the distributable amount in accordance with IAS 1.76(v).

The Management Board and Supervisory Board propose that EUR 15,498 of the retained earnings reported in the 2010 annual financial statements amounting to EUR 18,761 thousand be carried forward to a new account with the remaining EUR 3,263 thousand distributed as dividends (previous year: EUR 4,350 thousand). Due to the positive result, there were no with-drawals from the share premium or retained earnings.

The payment of the dividends will take place on July 1, 2011 after gaining shareholders approval at the Annual General Meeting. The resulting dividend payout of EUR 3,263 thousand (previous year: EUR 4,350 thousand) was not reported as a liability as of the reporting date on December 31, 2010 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.

in EUR '000	Dec. 31, 2010	Dec. 31, 2009
Shareholders' equity	54,472	51,126
Current and non-current financial liabilities	14,040	16,010
Advance payments received	13,510	16,410
Total amount	82,022	83,546
Total assets	121,737	127,995
Equity ratio	44.7 %	39.9 %

Shareholders' equity increased to EUR 54,472 thousand thanks to positive business developments in the 2010 fiscal year. Financial liabilities decreased to EUR 14,040 thousand as planned. Even though total assets decreased, the equity ratio increased to 44.7% in 2010 (previous year: 39.9%).

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 MultiCrystallizer 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 2010 and 2009 are as follows:

in EUR '000	2010		2009	
	External sales revenues	Internal sales revenues	External sales revenues	Internal sales revenues
Segment revenues				
Industrial Systems	28,361	2,205	38,922	896
Semiconductor Systems	33,908	896	38,851	71
Solar Systems	58,097	47	56,916	0
Consolidated revenues	120,366	3,148	134,688	967

The operating profit by segments for the fiscal years 2009 and 2010 is as follows:

in EUR '000	2010		2009	
Operating profit by segment		in %		in %
Industrial Systems	1,988	7.0%	5,311	13.6%
Semiconductor Systems	2,893	8.5%	-781	-2.0%
Solar Systems	7,059	12.2%	11,755	20.7%
Consolidation	87		331	
Consolidated operating profit	12,027	10.0%	16,615	12.3%

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

in EUR '000	2010	2009
Total segment results	11,940	16,285
Consolidation	87	331
Consolidated operating profit (EBIT)	12,027	16,615
Financial result	-895	-1,063
Share of profits from associates	-394	44
Results before taxes	10,738	15,596
Income taxes	-3,224	-4,906
Consolidated net income	7,514	10,690

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

The following sales revenues by region were generated in the fiscal years 2009 and 2010:

in EUR '000	2010	2009
Sales revenues by sales regions		
Germany	48,678	81,230
Europe (excluding Germany)	15,276	14,395
North America	3,212	1,775
Asia	52,931	36,831
Others	271	366
Consolidation	-2	91
Consolidated revenues	120,366	134,688

The most rapid growth was achieved in Asia, mainly in the Solar Systems division. 44.0% of total sales in the 2010 fiscal year were generated in Asia. In addition, the domestic portion of business for the Industrial Systems and Solar Systems divisions was high (40.4%). Sales revenue in North America nearly doubled while minor increases in sales revenue were achieved in Europe. 12.7% of total sales revenues were generated by exports within Europe.

In the 2010 fiscal year, around EUR 27,845 thousand or 23.1% (previous year: EUR 24,440 thousand or 18.1%) of sales revenues related to revenues from the largest customer of the Group. Sales revenues of EUR 20,803 thousand or 17.3% was generated with the second-largest customer. 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:

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.

in EUR '000	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	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Non-current assets										
Investment property	0	0	0	0	453	475	0	0	0	0
Non-current financial assets	0	0	0	0	18	610	0	0	0	0
Current assets										
Coming receivables on construction contracts	0	0	0	0	0	0	0	0	5,823	8,884
Trade receivables	0	0	0	0	13,666	17,221	0	0	0	0
Other receivables and assets	69	9	0	0	3,734	5,877	0	0	0	0
Cash and cash equivalents	0	0	0	0	30,280	28,369	0	0	0	0
Other financial assets	0	0	0	0	1,001	0	0	0	0	0
Non-current liabilities										
Financial liabilities	0	0	0	0	0	0	12,890	13,308	0	0
Current liabilities										
Financial liabilities	0	0	0	0	0	0	1,150	2,702	0	0
Trade payables	0	0	0	0	0	0	4,330	3,480	0	0
Other liabilities	-712	-634	-24	-22	0	0	25,232	32,841	0	0
Net finance cost/revenue	-18	-499	-2	-19	-170	202	-831	-902	0	0

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 18 thousand (previous year: net loss of EUR 499 thousand) comprises changes in the market value of derivative hedging instruments.

The net loss of EUR 2 thousand (previous year: net loss of EUR 19 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 loss from financial liabilities recognized at amortized cost of EUR -170 thousand (previous year: net gain of EUR 202 thousand) includes interest income and expenses from participating interests.

The net result on financial liabilities recognized at amortized cost includes interest expense of EUR 831 thousand (previous year: EUR 902 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 flatrate 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 515 thousand (previous year: EUR 724 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 has entered 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 2,554 thousand (previous year: EUR 3,189 thousand). The expected net payments from currency hedging instruments are as follows:

Expected net payments in EUR '000	Dec. 31, 2010	Dec. 31, 2009
Up to 1 month	0	-25
Between 1 and 3 months	20	-11
Between 3 months and 1 years	49	0
Between 1 and 5 years	0	0

A forward exchange contract with an open volume of EUR 933 thousand or USD 1,185 thousand has been entered into in order to hedge the US dollar payments on a delivery in the Industrial Systems division. The maturity of this forward exchange contract was fixed to correspond to the timing of the expected payment. The contract was concluded at an average forward rate of 1.2699 USD/EUR.

The forward exchange contract is measured at market value on the basis of the forward rate at the balance sheet date for the remaining term of the contract. Based on an exchange rate of 1.32521 USD/EUR on December 31, 2010 the forward exchange contracts have a total fair value of EUR 46 thousand.

Forward exchange contracts with an open volume of EUR 1,620 thousand or USD 2,134 thousand have been entered into in order to hedge the US dollar payments on deliveries in the Semiconductor Systems division. The maturity of these forward exchange contracts was fixed to correspond to the timing of the expected payments. The transactions were concluded at an average exchange rate of 1.31688 USD/EUR.

These forward exchange contracts are also measured at market value on the basis of the forward rate at the balance sheet date for the remaining term of the contracts. Based on an exchange rate of 1.32521 USD/EUR at December 31, 2010 the forward exchange contracts have a total fair value of EUR 23 thousand.

Accordingly, 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, 2010, other reserves in equity would have been EUR 158 thousand lower (higher) (December 31, 2009: EUR 83 thousand lower (higher)).

If the euro had increased (decreased) by 10% against the other relevant currencies for the Company as of December 31, 2010, other reserves in equity would have been EUR 3 thousand lower (higher) (December 31, 2009: EUR 5 thousand lower (higher)).

Interest hedges

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

In accordance with IFRS 7, interest rate risks are presented using sensitivity 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 5 thousand (previous year: EUR 2 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, 2010 had been 100 bp higher, earnings would have increased by EUR 404 thousand (previous year: EUR 457 thousand). Conversely, if the market interest rate at December 31, 2010 had been 100 bp lower, earnings would have decreased by EUR 443 thousand (previous year: EUR 500 thousand).

Interest rate hedges with a total original volume of EUR 11,600 thousand were entered into in order to hedge the interest rate risk for the financing of investments in new buildings at the Wettenberg and Jena sites. The out-standing balance of these hedging transactions on the balance sheet date of December 31, 2010 is EUR 9,093 thousand (previous year: EUR 9,920 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 in EUR '000	Dec. 31, 2010	Dec. 31, 2009
Up to 1 month	-135	-133
Between 1 and 3 months	-4	-5
Between 3 months and 1 years	-126	-146
Between 1 and 5 years	-583	-561

The interest hedging instruments and underlying loans were concluded in 2005 and 2007 on the basis of the corresponding interest rates. They ensure long-term, very flexible financing for the new construction measures in Jena and Wettenberg, 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, 2010, the market value of these instruments was EUR -736 thousand (previous year: EUR -633 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 Wettenberg in the original amount of EUR 10,000 thousand, was not utilized as of the balance sheet date of December 31, 2010. 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, 2010 is EUR -712 thousand (previous year: EUR -611 thousand). In the fiscal year 2010, EUR -111 thousand of this amount was recognized in income under financing expenses (previous year: EUR -349 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, 2010 and December 31, 2009, 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, Siegen, Jena, Aalen, Frederikssund (Denmark), Corona/California (USA), Beijing (China) and Xi'an (China) as well as Singapore. In 2010, the monthly rent was EUR 51 thousand at the Feldkirchen site (previous year: EUR 48 thousand), EUR 1 thousand at the Jena site (previous year: EUR 18 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 1 thousand at the Aalen site (previous year: EUR 2 thousand), EUR 6 thousand at the Frederikssund site (previous year: EUR 6 thousand), EUR 8 thousand at the Corona site (previous year: EUR 11 thousand), EUR 1 thousand at the Beijing site (previous year: EUR 1 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 2010, a total of EUR 1,253 thousand was paid under these agreements (previous year: EUR 1,465 thousand). The minimum commitments for the coming years comprise the following amounts:

in EUR '000	Payments	Present value
Remaining terms		
Up to one year	794	760
Between 1 and 5 years	771	666
More than 5 years	36	27

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 170 thousand in 2010 (previous year: EUR 160 thousand). Income from subleasing over the coming years can be broken down as follows:

in EUR '000	Payments	Present value
Remaining terms		
Up to one year	35	34
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 2010, expenditures of EUR 145 thousand were incurred for such leases (previous year: EUR 168 thousand). The minimum commitments for the coming years comprise the following amounts:

in EUR '000	Payments	Present value
Remaining terms		
Up to one year	113	108
Between 1 and 5 years	107	95
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 2010, expenditures of EUR 407 thousand were incurred for such leases (previous year: EUR 370 thousand). The minimum commitments for the coming years comprise the following amounts:

in EUR '000	Payments	Present value
Remaining terms		
Up to one year	356	341
Between 1 and 5 years	249	227
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:

in EUR '000	Payments	Present value
Remaining terms		
Up to one year	949	908
Between 1 and 5 years	9	8
More than 5 years	0	0

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

in EUR '000	Payments	Present value
Remaining terms		
Up to one year	659	631
Between 1 and 5 years	144	131
More than 5 years	0	0

34. COST OF MATERIALS

The cost of sales for fiscal years 2010 and 2009 contain expenditures on materials as follows:

in EUR '000	2010	2009
Cost of raw materials, consumables and supplies and of goods purchased and held for resale	50,176	67,810
Cost of purchased services	6,534	6,984
Total cost of materials	56,710	74,794

Accordingly the materials ratio (cost of materials to total sales revenues) amounted to 47.1% in fiscal year 2010, compared to 55.5% in the previous year.

35. PERSONNEL EXPENSES

Personnel expenses for fiscal years 2009 and 2010 are composed as follows:

in EUR '000	2010	2009
Wages and salaries	27,125	27,301
Social charges	4,831	4,563
Expenditure on retirement pensions	216	263
Total personnel expenses	32,172	32,127

Total personnel expenses of EUR 32,172 thousand were nearly unchanged compared to the previous year (EUR 32,127 thousand). Compared to sales revenue,

personnel expenses therefore went up to 26.7% in fiscal year 2010 as a result of declining revenues, compared with 23.9% in the previous year.

The Group had a total of 488 employees at year-end (previous year: 501) and an average of 500 employees for the year as a whole (previous year: 501).

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)	2010	2009
Administration	69	68
Sales	54	53
Engineering, research and development	103	100
Production and service	274	280
Total number of employees	500	501

The Group also employed 11 assistants (previous year: 12).

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 2010, the Management Board of PVA TePla AG consisted of the following persons:

Peter Abel, Wettenberg
(Chairman of the Management Board/CEO)
Engineer

Managing Director of the following Group companies:

- » PVA Jena Immobilien GmbH, Jena
- » Plasma Systems GmbH, Feldkirchen
- » PVA TePla Analytical Systems GmbH, Aalen

and the following non-associated companies:

- » PA Beteiligungsgesellschaft mbH, Wettenberg

Membership of supervisory bodies:

- » PVA TePla America Inc., Corona, USA (Director)
- » Xi'an HuaDe CGS Ltd., Xi'an, China
(Chairman of the Supervisory Board)
- » ScheBo Biotech AG, Giessen
(Chairman of the Supervisory Board)
- » OptoTec GmbH, Wettenberg
(Chairman of the Advisory Board)
- » 3D PräzisionsTechnik AG, Aßlar
(Chairman of the Supervisory Board)

Arnd Bohle, Bochum (Director of Finance/CFO)
Business graduate

Managing Director of the following Group companies:

- » PlaTeG GmbH, Siegen (until December 20, 2010)

No membership of supervisory bodies.

The total remuneration paid to the members of the Management Board in fiscal year 2010 was EUR 743 thousand (previous year: EUR 871 thousand). The remuneration of Management Board members consists of a basic salary, other benefits (primarily monetary benefit from the use of a company car and subsidies for health insurance premiums) and a performance-based bonus. The bonus is measured as a percentage of the net profit of the PVA TePla Group. On this basis, members of the executive board received the following remuneration in the fiscal year 2010:

in EUR '000	Salary	Other benefits	Bonus	Total 2010	Total 2009
Peter Abel	240	9	190	439	519
Arnd Bohle	180	10	114	304	352

The bonuses presented above contain amounts paid in 2010 for fiscal year 2009, less the amounts recognized and reported as provisions in fiscal year 2009, plus the provisions recognized in 2010 for fiscal year 2010.

All of the remuneration listed above is payable to members of the Management Board over the short-term. Employer contributions to pension insurance are not paid. Long-term benefits only exist in relation to the pension entitlements for Mr. 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, 2010 was EUR 482 thousand (previous year: EUR 425 thousand).

No share options were granted to members of the Management Board in fiscal year 2010. 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 968 thousand (previous year: EUR 909 thousand). In 2010, pensions of EUR 62 thousand (previous year: EUR 61 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 2010, 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 AG, Zörbig
(Chairman of the Supervisory Board)
- » Caverion GmbH, Stuttgart
(Chairman of the Supervisory Board until September 1, 2010)
- » Kaefer Isoliertechnik GmbH & Co. KG, Bremen
(Member of the Advisory Board)

Dr Gernot Hebestreit, Leverkusen

(Deputy Chairman)

- » Global Leader Business Development and Client Service, Grant Thornton International Limited, London/England

Member of the following other supervisory bodies:

- » Comvis AG, Essen (Deputy Chairperson of the Supervisory Board)
- » Association for Corporate Growth Rhein-Ruhr e.V., Köln (Advisory Board Member until September 1, 2010)

Prof Dr Günter Bräuer, Cremlingen

- » Manager 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 Photonics 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 2010 (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.

in EUR '000	Fixed remunera- tion 2010	Variable remunera- tion 2010	Fixed remu- neration 2009	Variable remu- neration 2009
Alexander von Witz- leben (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 2010, a premium of EUR 17 thousand (previous year: EUR 17 thousand) was paid for this insurance.

39. RELATED PARTIES

Two categories of business transactions with related parties are relevant for the PVA TePla Group: Transactions with companies in which executive officers of PVA TePla AG have significant shareholdings or over which they exercise significant influence, and relationships with the associated company PVA MIMtech LLC, Cedar Grove/NJ, USA, which was sold in December 2010.

Relationships with executive officers

The ordinary business activities of the PVA TePla Group involve the exchange of services with companies in which the Chief Executive Officer of PVA TePla AG holds shares or over which he exercises significant influence. All transactions are conducted at arm's length conditions.

In fiscal year 2010, the value of purchases from these companies totaled EUR 842 thousand (previous year: EUR 572 thousand) and the value of sales was EUR 31 thousand (previous year: EUR 4 thousand). The balance of outstanding receivables and liabilities at the balance sheet date was EUR 0 thousand (previous year: EUR 0 thousand) and EUR 39 thousand (previous year: EUR 50 thousand) respectively.

Relationships with associated companies

There was no exchange of services between PVA TePla AG and the associated company PVA MIMtech LLC, Cedar Grove / NJ, USA. The relationship with PVA MIMtech LLC as an associated company ended with the sale of the shares in December 2010.

40. AUDIT FEES (ARTICLE 314 HGB)

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

in EUR '000	2010	2009
Audit of annual financial statements	315	211
Other assurance or valuation services	0	0
Tax consulting services	0	0
Other services	0	0

The audit fee also includes prior-period charges of EUR 40 thousand.

41. DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH ARTICLE 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

Mr. 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.

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

As of December 31, 2010, PA Beteiligungsgesellschaft mbH based in Wettengel and belonging to Mr. 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 18, 2011, the Management Board of PVA TePla AG authorized the present consolidated financial statements for fiscal year 2010 to be released to the Supervisory Board. This represents the authorization for publication described in IAS 10.6.

45. SIGNIFICANT POST-BALANCE SHEET DATE EVENTS

Since the start of fiscal year 2011, 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.

Wettengel, March 18, 2011

PVA TePla AG



Peter Abel
Chief Executive Officer



Arnd Bohle
Chief Financial Officer

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 and fittings	4,917	0	437	2	52	6	5,310
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	
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	

CONSOLIDATED STATEMENT CHANGES IN FIXED ASSETS

for the years ended December 31, 2009

in EUR '000	Acquisition and manufacturing costs						Balance Dec. 31, 2009
	Jan. 01, 2009	Acquisitions 2009	Additions 2009	Transfers 2009	Disposals 2009	Exchange differences	
Intangible assets							
1. Goodwill	12,465	0	0	0	0	0	12,465
2. Other intangible assets	4,324	0	239	0	10	0	4,553
Total	16,789	0	239	0	10	0	17,018
Property, plant and equipment							
1. Land, property rights and buildings, including buildings on third party land	32,167	0	1,209	74	2	-8	33,440
2. Plant and machinery	5,072	0	196	0	441	-14	4,812
3. Other plant and equipment, fixtures and fittings	4,131	0	1,105	0	318	-1	4,917
4. Advance payments and assets under construction	74	0	0	-74	0	0	0
Total	41,444	0	2,509	0	761	-23	43,169
Investment property	694	0	0	0	0	0	694
Total	58,927	0	2,748	0	771	-23	60,881

Accumulated amortization and depreciation							Residual carrying values		
Balance Jan. 01, 2009	Additions 2009	Transfers 2009	Disposals 2009	Write-ups 2009	Exchange differences	Balance Dec. 31, 2009	Dec. 31, 2009	Dec. 31, 2008	
3,000	1,850	0	0	0	0	4,850	7,615	9,465	
3,012	437	0	7	0	0	3,442	1,111	1,312	
6,012	2,287	0	7	0	0	8,292	8,726	10,777	
2,322	1,081	0	1	0	-6	3,396	30,044	29,845	
2,646	451	0	374	0	-13	2,710	2,102	2,426	
2,049	761	0	224	0	-1	2,586	2,331	2,082	
0	0	0	0	0	0	0	0	74	
7,017	2,294	0	599	0	-21	8,692	34,477	34,427	
197	22	0	0	0	0	219	475	497	
13,226	4,603	0	606	0	-21	17,203	43,678	45,701	

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 18, 2011



Peter Abel
Chief Executive Officer



Arnd Bohle
Chief Financial Officer

AUDITOR'S REPORT

We have audited the consolidated financial statements of PVA TePla AG, Wetztenberg – 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, 2010. 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 18, 2011

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



Marcus Grzanna
Auditor



Thomas Klemm
Auditor



ANNUAL FINANCIAL STATEMENTS 2010

PVA TePla AG, Wettenberg

90

Balance Sheet

92

Income Statement

110Responsibility
Statement**106**

Assets analysis

111

Auditor's Report

93

Notes

93

A. General Information and Explanatory Notes

95B. Information and Explanatory Notes on Items in the
Balance Sheet and Income Statement**98**

C. Supplementary Information

PVA TEPLA AG, WETTENBERG

ANNUAL FINANCIAL STATEMENTS

FOR THE FISCAL YEAR 2010

BALANCE SHEET as at December 31, 2010

ASSETS in EUR	Dec. 31, 2010	Dec. 31, 2009
A. Non-current assets		
I. Intangible assets	768,150.25	680,190.78
Concessions, industrial property rights, similar rights and assets, and licenses to such rights and assets	768,150.25	680,190.78
II. Property, plant and equipment	25,187,796.74	25,602,944.47
1. Land, property rights and buildings, including buildings on third party land	23,763,356.29	23,942,098.13
2. Plant and machinery	212,839.47	245,605.79
3. Other plant and equipment, fixtures and fittings	1,211,600.98	1,415,240.55
III. Financial assets	8,732,143.61	8,732,143.61
Shares in affiliated companies	8,732,143.61	8,732,143.61
Total non-current assets	34,688,090.60	35,015,278.86
B. Current assets		
I. Inventories	691,958.88	922,104.57
1. Raw materials and operating supplies	4,165,922.86	3,725,178.62
2. Work in progress	31,505,947.28	37,849,198.09
3. Finished products and goods	5,350,463.00	2,644,930.87
4. Advance payments	691,958.88	922,104.57
less advance payments received on orders	-41,022,333.14	-44,219,307.58
II. Receivables and other assets	21,726,212.73	37,902,977.93
1. Trade receivables	9,967,548.68	15,593,225.23
2. Receivables from affiliated companies	10,146,527.92	20,619,877.15
3. Other assets	1,612,136.13	1,689,875.55
III. Other financial assets	1,001,000.00	0.00
IV. Cash and cash equivalents	27,231,255.76	25,293,106.60
Total current assets	50,650,427.37	64,118,189.10
C. Prepaid expenses	297,302.12	308,544.17
D. Active difference from asset allocation	123,268.39	0.00
Total	85,759,088.48	99,442,012.13

LIABILITIES AND SHAREHOLDERS' EQUITY in EUR	Dec. 31, 2010	Dec. 31, 2009
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	0.00
IV. Accumulated profit	18,761,464.37	17,300,826.29
Total shareholders' equity	42,708,651.17	41,225,813.09
B. Non-current liabilities		
1. Provisions for pensions and similar obligations	8,202,985.00	7,128,042.00
2. Provisions for taxes	1,426,349.01	6,326,096.99
3. Other provisions	13,477,217.60	15,767,082.37
Total non-current liabilities	23,106,551.61	29,221,221.36
C. Current liabilities		
1. Bank loans and overdrafts	10,065,832.70	11,999,550.59
2. Advance payments received on orders	2,140,496.33	2,433,685.49
3. Trade payables	2,837,568.22	2,253,261.68
4. Payables to affiliated companies	4,234,740.34	10,936,259.73
5. Other liabilities	665,248.11	1,372,220.19
Total current liabilities	19,943,885.70	28,994,977.68
Total	85,759,088.48	99,442,012.13

INCOME STATEMENT

January 1 – December 31, 2010

in EUR	Jan. 01 – Dec. 31, 2010	Jan. 01 – Dec. 31, 2009
1. Revenue	113,171,834.86	139,056,768.29
2. Cost of sales	-95,990,662.20	-112,705,873.91
3. Gross profit	17,181,172.66	26,350,894.38
4. Selling and distribution expenses	-6,987,277.75	-5,709,155.10
5. General administrative expenses	-5,919,433.42	-5,937,017.70
6. Research and development expenses	-2,032,661.36	-1,505,281.71
7. Other operating income	7,901,348.26	5,379,120.22
8. Other operating expenses	-4,214,290.44	-6,232,485.66
9. Income from participating interests – of which from affiliated companies EUR 0 (previous year EUR 1,460,290.48)	0.00	1,460,290.48
10. Income from profit and loss transfer agreement	5,805,032.26	10,589,616.95
11. Other interest and similar income – of which from affiliated companies EUR 504,154.85 (previous year EUR 366,687.83)	682,409.89	516,997.80
12. Depreciation of financial assets	0.00	-2,145,078.31
13. Expenses from profit and loss transfer agreement	-7,829.25	-203,904.10
14. Interest and similar expenses – of which from affiliated companies EUR -96,827.04 (previous year EUR -444,598.37)	-1,402,081.91	-1,184,076.77
15. Net profit before tax	11,006,388.94	21,379,920.48
16. Extraordinary income	10,881.40	397,347.02
17. Extraordinary expenses	-2,040,218.00	-2,268,469.35
18. Extraordinary result	-2,029,336.60	-1,871,122.33
19. Income taxes	-2,966,221.80	-5,516,954.47
20. Other taxes	-200,194.86	-224,972.68
21. Net profit for the year	5,810,635.68	13,766,871.00
22. Prior period unappropriated retained earnings brought forward	12,950,828.69	3,533,955.29
23. Accumulated profit	18,761,464.37	17,300,826.29

PVA TEPLA AG, WETTENBERG

NOTES

FOR THE FISCAL YEAR 2010

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. of the HGB). In particular, compliance with the supplementary regulations for corporations (Sections 264 et seq. of the HGB) was required. Moreover, the provisions of the German Corporation Code (AktG) and the mandatory regulations found in the German Accounting Law Modernization Act (BilMoG) are to be complied with. Pursuant to the option provided in § 67(8) sentence 2 of the German Introductory Act to the Commercial Code (EGHGB), prior year figures were not adjusted.

BilMoG resulted in changes to the valuation of pension accruals as well as the creation of accounting groups for individual-related accruals.

The cost of sales method was used for the income statement pursuant to § 275(3) HGB.

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

2. REPORTING CHANGES

Other than the mandatory regulations found in the German Accounting Law Modernization Act (BilMoG) there are no reporting changes from the prior year.

3. 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 Euro 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 5 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) of the 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 § 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.

An adjustment was also made for discounting long-term storage accruals. 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 leading to a reduction of EUR 22 thousand 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 5.15% as well as the 2005 mortality tables from Prof. Dr. Klaus Heubeck.

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

in %	Dec. 31, 2010
Income trend	3.00
Pension trend	1.25
Staff turnover	1.50
Interest rate for active staff	5.15
Interest rate for pensioners	5.15

Provisions for anniversaries are valued actuarially at net present value on the basis of an interest rate of 5.5%. 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.

The impact on income because of the adjustment to pension accruals pursuant to BilMoG at January 1, 2010, is reported in the position Extraordinary Income/Expenses.

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 financial year 2010.

PVA TePla AG has coverage capital at December 31, 2010, 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 have been recognized at the exchange rate on the date of the transaction or at less favorable selling or bid rates at the balance sheet date. During the financial year, receivables and liabilities were entered in foreign currency at the respective official middle rate of the transaction date.

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 3,159 thousand (prior year: EUR 9,820 thousand) for prepayments on inventory, trade receivables amounted to EUR 3,587 thousand (prior year: EUR 8,868 thousand), and other assets amounted to EUR 3,401 thousand (prior year: EUR 1,931 thousand).

Prepaid expenses include discounts of EUR 271 thousand (prior year: EUR 293 thousand).

Equity

in EUR '000	Jan. 1, 2010	Net Profit 2010	Profit distribution dividend	Addition to reserves	Transfer from reserves	Dec. 31, 2010
Share capital	21,750					21,750
Capital reserves	2,175					2,175
Retained earnings	0			22		22
Accumulated profit	17,301	5,810	4,350			18,761
Total	41,226	5,810	4,350	22	0	42,708

Through the first time application of the provisions of BilMoG there was a reduction of EUR 22 thousand at January 1, 2010 in connection with the long-term storage accruals that were reported in retained earnings.

In financial year 2010 there was a loan waiver with recovery agreement in the amount of EUR 1,070 thousand.

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, 2010.

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 Euro 10,874,994 through the issuance of up to 10,874,994 new no-par value bearer shares against cash and/or non-cash contributions and excluding shareholder preemption rights to the extent permitted by law. No capital increases from this authorized capital were resolved in 2010.

Provisions

Provisions are mainly comprised of other order-related provisions (EUR 6,904 thousand), personnel-related provisions (EUR 2,604 thousand) and warranties (EUR 1,151 thousand).

Other provisions include accruals in the amount of EUR 40 thousand (prior year: EUR 51 thousand) for the part-time pre-retirement agreement signed with one employee, remuneration for the Supervisory Board (EUR 100 thousand, prior year: EUR 100 thousand) as well as inventor bonuses (EUR 60 thousand, prior year: EUR 160 thousand).

There are assets totaling EUR 164 thousand that have been earmarked to cover partial retirement obligations versus the EUR 40 thousand accrual for partial-retirement. The asset value of partial retirement is netted against accruals and the difference is reported as an asset valued at EUR 123 thousand in the balance sheet.

Accounts Payable

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

in EUR '000	up to 1 yr.	Remaining Term 1 – 5 yrs.	over 5 yrs.	Total	Secured by
1. Liabilities to banks	433	4,740	4,893	10,066	infra
2. Advance payments received on orders	2,140	0	0	2,140	
3. Trade payables	2,838	0	0	2,838	generally reservation
4. Payables to affiliated companies	4,235	0	0	4,235	
5. Other liabilities	665	0	0	665	
Total	10,311	4,740	4,893	19,944	

Capitalized customer advance payments deducted from inventories amounting to EUR 41,022 thousand (prior year: EUR 44,219 thousand) 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 thousand. This collateral also is used to secure the additional agreed to loan for new construction in Wettenberg with an available credit line of EUR 8,000 thousand (prior year: EUR 8,667 thousand), which as of December 31, 2010 has not been drawn against.

EUR 2,114 thousand (prior year: EUR 8,721 thousand) of the payables to affiliated companies result from trade payables, EUR 735 thousand from advances, and EUR 1,386 thousand (prior year: EUR 2,215 thousand) result from other liabilities.

Other liabilities include tax liabilities in the amount of EUR 259 thousand (prior year: EUR 908 thousand), liabilities within the scope of social security in the amount of EUR 2 thousand (prior year: EUR 2 thousand) as well as other sundry liabilities in the amount of EUR 403 thousand (prior year: EUR 462 thousand).

2. INFORMATION ON INCOME STATEMENT ITEMS

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

Region	in EUR '000
Germany	59,678
Europe (excluding Germany)	19,689
North America	435
Asia	33,111
Others	259
Total	113,172

Division	in EUR '000
Industrial Systems	22,469
Semiconductor Systems	22,424
Solar Systems	68,279
Total	113,172

Cost of materials

	in EUR '000
a) Cost of raw materials, operating supplies and goods	68,100
b) Cost of purchased services	4,276

Personnel expenses

	in EUR '000
a) Wages and salaries	19,166
b) Social security, pensions and other benefits of which relating to pensions EUR 155 thousand (previous year: EUR 213 thousand)	3,443

Other operating income and expenses

In fiscal year 2010 there are currency exchange rate gains in the amount of EUR 369 thousand contained in other operating income. There are currency exchange rate losses in the amount of EUR 765 thousand contained in other operating expenses.

Income and expense accrued in other accounting periods.

In the reporting year, other operating income included EUR 1,790 thousand in prior-period income. These are mainly made up of income from reversing provisions and specific valuation allowances for liabilities.

Other operating expenses did not include prior-period expenses.

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

Accumulation and discounting of interests for provisions

Interest and similar expenses amounting to EUR 340 thousand relate to expenses associated with the accumulation of interests for provisions.

Extraordinary expenses

Extraordinary expenses totaling EUR 2,040 thousand in fiscal year 2010 result primarily from a loan waiver (EUR 1,070 thousand) against the wholly-owned subsidiary PlaTeG GmbH as well as adjustment stemming from the German Accounting Law Modernization Act (EUR 770 thousand). Extraordinary expenses in financial year 2009 totaling EUR 2,268 thousand were the result of the accrual of provisions and other expenses for restructuring measures at the Feldkirchen site.

Extraordinary income

Extraordinary income totaling EUR 11 thousand results from the adjustment based on the German Accounting Law Modernization Act.

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, 2010 in EUR '000	Results 2010 in EUR '000
PVA TePla America Inc.	Corona/CA, USA	100%	867	-685
PVA Jena Immobilien GmbH	Jena, Germany	100%	2,593	0 *
Xi'an HuaDe CGS Ltd.	Xi'an, PR China	51%	-152	-14
PVA Löt- und Werkstofftechnik GmbH	Jena, Germany	100%	26	0 *
PVA Control GmbH	Wettenberg, Germany	100%	100	0 *
Vakuu Anlagenbau Service GmbH	Hanau, Germany	100%	see	below
PVA Vakuu Anlagenbau Jena GmbH	Jena, Germany	100% **	235	0 *
Plasma Systems GmbH	Feldkirchen, Germany	100%	-411	-22
PlaTeG GmbH	Siegen, Germany	100%	241	619
PVA TePla Singapore Pte. Ltd.	Singapore	100%	705	66
PVA TePla Analytical Systems GmbH	Aalen, Germany	100%	1,790	1,649

*) On the basis of a profit transfer agreement

**) Indirect equity investment via PVA Jena Immobilien GmbH

The equity interest in Vakuu Anlagenbau Service GmbH (100 %, after deduction of treasury shares) was fully written off in 2002. Due to impending insolvency and overindebtedness, 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 financial year 2002 amounted to EUR -630 thousand. According to information from the liquidator on October 13, 2010, insolvency proceeding have not yet be concluded.

The following changes have taken place compared with the 2009 annual financial statements:

The participatory interest in PVA MIMtech LLC, Cedar Grove/NJ; USA, indirectly held by PVA TePla America Inc. was sold in December 2010.

2. PERSONNEL

PVA TePla AG had a total of 303 employees at year-end (prior year: 317) and on average for the year the company had 313 employees (prior year: 315). 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)	2010	2009
Administration	43	40
Sales	41	41
Engineering, research and development	82	84
Production and service	147	150
Total number of employees	313	315

The reduction of employees is mainly due to restructuring measures at the Feldkirchen site.

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

3. OFF BALANCE SHEET TRANSACTIONS

As of December 31, 2010, off-balance sheet transactions pursuant to Section 285 no. 3 of the HGB include only leasing agreements for vehicles, machinery and office equipment (operating leases), which carry future liabilities of EUR 661 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 in EUR '000
Up to one year	371
Between 1 and 5 years	288
More than 5 years	2

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, 2010 was EUR 760 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 halfyearly installments and is also secured by charges on land. The carrying amount of the loan as at December 31, 2010 was EUR 1,200 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, 2010 was EUR 221 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, 2010 was EUR 600 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, 2010 was EUR 134 thousand.

Furthermore, LWT has taken out a 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, 2010 totaled EUR 424 thousand.

In order to finance an additional brazing furnace LWT executed a lease-purchase agreement in financial year 2010 for which PVA TePla AG assumed an absolute surety. The remaining carrying value of the loan at December 31, 2010 amounts to EUR 722 thousand.

All debtors for which liability has been assumed, a parent company guarantee given and surety given have met their payment obligations up until now without limitation. We are unaware of any information and risk that would change this.

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, 2010:

- » 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, Wetttemberg, PVA Jena Immobilien GmbH, Jena and PlaTeG GmbH, Siegen, with a maximum amount of EUR 15,000 thousand. The actual utilization of this facility by PVA Vakuum Anlagenbau Jena and PlaTeG as at December 31, 2010 totaled EUR 50 thousand.

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, Wetttemberg, 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 of the HGB of EUR 1,213 thousand as at December 31, 2010. They include financial liabilities from rental or lease agreements and more long-term agreements in procurement, excluding the lease obligations stated in section C.3., and break down as follows:

Remaining terms	Nominal value
	in EUR '000
Up to one year	1,072
Between 1 and 5 years	142
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.

As at December 31, 2010, 4 forward exchange contracts for 2 customer orders with a total value of EUR 2,554 were open. The terms coincide with the payment schedules of the underlying transactions.

The fair value of the forward exchange contracts amounts to EUR 69 thousand and arises from the difference in the valuation of these contracts at the forward currency rate on the balance sheet date for the respective remaining term of the contract compared with the concluded forward currency rate. The underlying and hedging transactions have not been recorded in the balance sheet, as the transactions are in a hedging relationship and form a micro hedge.

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 thousand were concluded. The outstanding balance of these hedging transactions on the balance sheet date of December 31, 2010 is EUR 8,333 thousand (previous year: EUR 9,000 thousand).

The fair value of both hedging transactions as at December 31, 2010, was EUR -712 thousand (prior year: EUR -611 thousand). 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 712 thousand) as the loan underlying the hedges had not been utilized as at December 31, 2010.

At December 31, 2010, derivative financial instruments were composed as follows:

in EUR '000	Nominal Value Dec. 31, 2010	Market Value Dec. 31, 2009
Currency exchange forwards	2,554	69
Interest rate hedges	8,333	-712

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.

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 financial year at 28%.

in EUR	Deferred tax assets	Deferred tax liabilities
Receivables	746,760	11,348
Payables	0	0
Provisions	669,979	6,156
Total Deferred Tax	1,416,739	17,504
Balance	- 17,504	
Excess tax assets	1,399,235	

Altogether a tax charge would be reported in the balance sheet as a deferred tax liability. In 2010 there was EUR 1,399 thousand excess in deferred tax assets. This was not capitalized according to the option provided for in § 274(1) sentence 2 of the German Commercial Code (HGB).

7. EXECUTIVE BODIES

The Executive Board consists of:

Peter Abel, Wettenberg (Chairman/CEO)
Engineer

Managing Director of the following Group companies:

- » PVA Jena Immobilien GmbH, Jena
- » Plasma Systems GmbH, Feldkirchen
- » PVA TePla Analytical Systems GmbH, Aalen

and the following non-associated companies:

- » PA Beteiligungsgesellschaft mbH, Wettenberg

Membership of supervisory bodies:

- » PVA TePla America Inc., Corona, USA (Director)
- » Xi'an HuaDe CGS Ltd., Xi'an, China
(Chairman of the Supervisory Board)
- » ScheBo Biotech AG, Giessen
(Chairman of the Supervisory Board)
- » OptoTec GmbH, Wettenberg
(Chairman of the Advisory Board)
- » 3D PräzisionsTechnik AG, Aßlar
(Chairman of the Supervisory Board)

Arnd Bohle, Bochum (CFO)
Business graduate

Managing Director of the following Group companies:

- » PlaTeG GmbH, Siegen (until December 20, 2010)

No membership of supervisory bodies.

The total remuneration of members of the Management Board in the 2010 fiscal year amounted to EUR 743 thousand. The remuneration of Management Board members

consists of a basic salary, other benefits (primarily monetary benefit from the use of a company car and subsidies for health insurance premiums) and a performance-based bonus. The bonus is measured as a percentage of the net profit of the PVA TePla Group. On this basis, members of the executive board received the following remuneration in the fiscal year 2010:

Remuneration in 2010

in EUR '000	Salary	Other remuneration	Bonus	Total
Peter Abel	240	9	190	439
Arnd Bohle	180	10	114	304

The bonuses presented above contain amounts paid in 2010 for fiscal year 2009 less the amounts recognized and reported as provisions in fiscal year 2009. A provision established in the year 2010 for the 2010 fiscal year is also included.

In addition, a pension commitment to Peter Abel exists in connection with his former activity at the Company. As at December 31, 2010, there was a provision of EUR 493 thousand for this.

No share options were granted to members of the Management Board in the 2010 fiscal year. There are no benefits in the event of a change in the constitution of the shareholder majority.

EUR 62 thousand was paid to former members of the management board as pensions in 2010. As at the balance sheet date, there was a provision of EUR 948 thousand 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 AG, Zörbig
(Chairman of the Supervisory Board)
- » Caverion GmbH, Stuttgart (Chairman of the Supervisory Board until September 1, 2010)
- » Kaefer Isoliertechnik GmbH & Co. KG, Bremen
(Member of the Advisory Board)

Dr Gernot Hebestreit, Leverkusen (Deputy Chairman)

- » Global Leader Business Development and Client Service,
Grant Thornton International Limited, London/England

Member of the following other supervisory bodies:

- » Comvis AG, Essen (Deputy Chairman of the Supervisory Board)
- » Association for Corporate Growth Rhein-Ruhr e.V., Köln (Advisory Board Member until September 1, 2010)

Prof Dr Günter Bräuer, Cremlingen

- » Director of the Fraunhofer Institute for Laminate and Surface Engineering, Braunschweig, and Managing Director of the Institute for Surface Engineering (IOT) at the Technical University of Braunschweig

Member of the following other supervisory bodies:

- » PEP Photonics 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 thousand. 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.

On this basis, the Supervisory Board received remuneration of EUR 100 thousand in 2010 (2009: EUR 100 thousand), broken down as follows:

in EUR '000	Fixed remuneration	Variable remuneration
	Jan. 1, 2010 – Dec. 31, 2010	Jan. 1, 2010 – Dec. 31, 2010
Alexander von Witzleben (Chairman)	10	40
Prof Dr Günter Bräuer	5	20
Dr Gernot Hebestreit	5	20
Total	20	80

D&O insurance has been taken out to cover the liability of the members of executive bodies under civil law. In fiscal year 2010, a premium of EUR 17 thousand (previous year: EUR 17 thousand) was paid for this insurance.

8. RELATED PARTIES

Two categories of business transactions with related parties are relevant for PVA TePla AG: Transactions with companies in which executive officers of PVA TePla AG have significant shareholdings or over which they exercise significant influence, and relationships with the associated company PVA MIMtech LLC, Cedar Grove/NJ, USA, which was sold in the meantime.

Relationships with executive officers

The ordinary business activities of the PVA TePla AG involve the exchange of services with companies in which the Chief Executive Officer of PVA TePla AG holds shares or over which he exercises significant influence. All transactions are conducted at arm's length conditions.

Relationships with associated companies

There was no exchange of services between PVA TePla AG and the associated company PVA MIMtech LLC, Cedar Grove/NJ, USA. The relationship with PVA MIMtech LLC as an associated company ended with the sale of the shares in December 2010.

9. AUDIT FEES

Audit fees recognized in the financial year amounted to
in EUR '000

a) Audit of the financial statements	269
b) Other certification and valuations	0
c) Tax advisory services	0
d) Other services	0

The audit fee also includes prior-period charges of EUR 40 thousand.

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 OF THE AKTG

Mr. 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.

Mr. Wilhelm Hofmann, Germany, notified us on October 29, 2007 under Section 21 (1) of the German Securities Trading Act (WpHG) that his share of the voting rights in PVA TePla AG, Asslar, Germany fell below the threshold of 5% of the voting rights on October 23, 2007 and now holds a 4.64% share of the voting rights. This is equivalent to 1,010,086 voting rights.

As of December 31, 2010, PA Beteiligungsgesellschaft, based in Wettengel and belonging to Mr. Abel, held a participating interest in the Company of more than 25%.

There were no changes according Section 160 (1) no. 8 of the German Stock Corporation Act (AktG) in the 2010 fiscal year.

12. CONSOLIDATED FINANCIAL STATEMENTS

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

13. APPROPRIATION OF NET PROFIT / RETAINED EARNINGS

The annual financial statements of PVA TePla AG show a net profit for the year of EUR 5,810,635.68 thousand as at December 31, 2010. The amount of EUR 18,761,464.37 results after offsetting against the profit brought forward from the previous year.

The Management Board and Supervisory Board recommend utilizing the accumulated profit of EUR 18,761,464.37 as follows:

in EUR	
Distribution of a dividend EUR 0.15 on each qualifying no par value share for the Financial Year 2010	3,262,498.20
Carryforward	15,498,966.17
Accumulated profit	18,761,464.37

The dividend is going to be distributed on July 1, 2011.

Wettengel, March 18, 2011
PVA TePla AG



Peter Abel
Chief Executive Officer



Arnd Bohle
Chief Financial Officer

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
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	768,150.26	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
5,199,583.74	1,305,333.47	6,998.38	6,497,918.83	25,187,796.76	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

ASSETS ANALYSIS for the year 2009

in EUR	Acquisition and manufacturing costs					Balance Dec. 31, 2009
	Jan. 01, 2009	Merger 2009	Additions 2009	Transfers 2009	Disposals 2009	
I. Intangible assets						
Concessions, industrial property rights, similar rights and assets, and licenses in such rights and assets	2,889,338.85	260,114.00	236,052.78	0.00	1,010,386.00	2,375,119.63
Total	2,889,338.85	260,114.00	236,052.78	0.00	1,010,386.00	2,375,119.63
II. Property, plant and equipment						
1. Land, property rights and buildings, including buildings on third party land	24,454,412.27	0.00	1,115,831.43	74,400.00	0.00	25,644,643.70
2. Plant and machinery	1,366,746.84	1,764.00	25,758.38	0.00	101,738.21	1,292,531.01
3. Other plant and equipment, fixtures and fittings	3,354,100.40	103,648.00	570,089.33	0.00	162,484.23	3,865,353.50
4. Advance payments and assets under construction	74,400.00	0.00	0.00	-74,400.00	0.00	0.00
Total	29,249,659.51	105,412.00	1,711,679.14	0.00	264,222.44	30,802,528.21
III. Financial assets						
Shares in affiliated companies	22,870,721.92	-1,235,000.00	0.00	0.00	0.00	21,635,721.92
Total	22,870,721.92	-1,235,000.00	0.00	0.00	0.00	21,635,721.92

Accumulated amortization and depreciation				Residual carrying values	
Balance Jan. 01, 2009	Additions 2009	Disposals 2009	Balance Dec. 31, 2009	Dec. 31, 2009	Dec. 31, 2008
1,826,264.93	275,504.92	406,841.00	1,694,928.85	680,190.78	1,063,073.92
1,826,264.93	275,504.92	406,841.00	1,694,928.85	680,190.78	1,063,073.92
926,070.38	776,475.19	0.00	1,702,545.57	23,942,098.13	23,528,341.89
1,098,491.08	48,429.35	99,995.21	1,046,925.22	245,605.79	268,255.76
2,121,409.93	457,404.75	128,701.73	2,450,112.95	1,415,240.55	1,232,690.47
0.00	0.00	0.00	0.00	0.00	74,400.00
4,145,971.39	1,282,309.29	228,696.94	5,199,583.74	25,602,944.47	25,103,688.12
10,758,500.00	2,145,078.31	0.00	12,903,578.31	8,732,143.61	12,112,221.92
10,758,500.00	2,145,078.31	0.00	12,903,578.31	8,732,143.61	12,112,221.92

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, 2010 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 18, 2011



Peter Abel
Chief Executive Officer



Arnd Bohle
Chief Financial Officer

AUDITOR'S REPORT

We have audited the annual financial statements prepared by PVA TePla AG, Wettengel, 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, 2010. 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 18, 2011

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



Marcus Grzanna
Auditor



Thomas Klemm
Auditor

SERVICE

GLOSSARY

TECHNICAL TERMS

Active brazing alloys

A group of special alloys that react with oxygen during the brazing.

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

CAD-Systems

CAD (Computer Aided Design) software is used to develop blue prints for the construction

Chip packaging

Packing of semiconductor boards

DRAM

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

ERP-Systems

ERP (Enterprise Resource Planning) software supports the resource planning of a company

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"

HBLED

"High Brightness LED"

Joining

Permanently combining at least two components

MEMS

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

OLED

"Organic light emitting diode"

Old-Economy-Branches

So called economic sector that includes for example steel industry and engineering.

PDM-Systems

These systems are used to support the productmanagement by saving and managing product specific data and documents

Plasma

Plasma is described as the fourth aggregation state of material and is a partially ionized gas. Phenomena such as lightening, a comet's trail or polar lights are examples of plasmas that occur in nature. Technically, plasma is created by exciting gases using electrical fields. Plasma is extremely interesting on account of its physical and chemical properties as highly excited particles and radicals are generated. These can trigger chemical reactions that are not possible under normal conditions

R&D institutes

Institutes for research and development

Sintering

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

Slim Rod Puller

Crystal growing system to produce slim silicon rods

Tungsten carbide

Metal powder, normally consisting of tungsten (90 – 94%) and cobalt (6 – 10%) as a binding agent, which is sintered under pressure, vacuum and high temperature conditions to produce high-strength, low-wearing and dense materials

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**BiMoG**

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

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

SERVICE

FINANCIAL CALENDAR

Date		Location
1. April 2011	Analysts' meeting	Frankfurt/Hotel MARITIM
13. May 2011	Publication of the Q1 Report	
30. June 2011	Annual Shareholders' Meeting	Congress Center Gießen
12. August 2011	Publication of the Q2 Report	
11. November 2011	Publication of the Q3 Report	
21. – 23. November 2011	German Equity Forum	Frankfurt

IMPRINT

PVA TePla AG

Im Westpark 10 – 12
D-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

Text PVA TePla AG

Languages German/English

Layout/Print

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

Photos

Jürgen Jeibmann Photographik
Naumburger Strasse 28
04229 Leipzig
Germany

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.

Published by

PVA TePla AG

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