



**Be equipped for tomorrow's materials.**

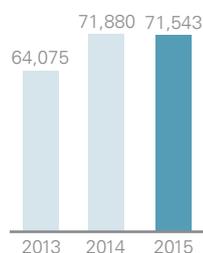
## IMPORTANT CONSOLIDATED FIGURES AT A GLANCE

EUR'000	2015	2014	2013
<b>Sales revenues</b>	<b>71,543</b>	<b>71,880</b>	<b>64,075</b>
Industrial Systems	30,789	35,572	28,712
Semiconductor Systems	40,754	36,308	35,363
<b>Gross profit</b>	<b>16,699</b>	<b>13,824</b>	<b>8,530</b>
in % sales revenues	23.3	19.2	13.3
R&D expenses	3,236	2,026	2,564
<b>Operating result (EBIT)</b>	<b>95</b>	<b>-6,305</b>	<b>-9,544</b>
in % sales revenues	0.1	-8.8	-14.9
<b>Consolidated net result</b>	<b>-1,449</b>	<b>-9,974</b>	<b>-7,408</b>
in % sales revenues	-2.0	-13.9	-11.6
<b>Earnings per Share (EPS) in EUR<sup>1)</sup></b>	<b>-0.07</b>	<b>-0.46</b>	<b>-0.35</b>
Capital expenditure	2,076	918	1,116
<b>Total assets</b>	<b>88,279</b>	<b>89,037</b>	<b>92,363</b>
<b>Shareholders' equity</b>	<b>37,941</b>	<b>38,815</b>	<b>50,307</b>
Equity ratio in %	43.0	43.6	54.5
<b>Employees as of 31.12.</b>	<b>361</b>	<b>391</b>	<b>424</b>
<b>Incoming orders</b>	<b>101,472</b>	<b>67,235</b>	<b>80,133</b>
<b>Order backlog</b>	<b>67,833</b>	<b>37,905</b>	<b>43,789</b>
Book-to-bill-ratio	1.42	0.94	1.25
<b>Cash Flow from operating activities</b>	<b>5,448</b>	<b>-4,489</b>	<b>1,765</b>

<sup>1)</sup> Circulating shares on average 21,749,988

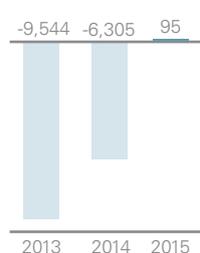
### Sales revenues

EUR'000



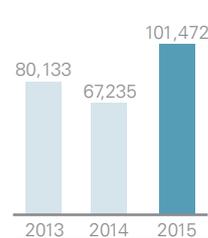
### Operating result (EBIT)

EUR'000



### Incoming orders

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 IN THE FIELDS OF HARD METAL SINTERING, CRYSTAL GROWING, THE USE OF PLASMA SYSTEMS FOR SURFACE ACTIVATION AND ULTRA-FINE CLEANING AS WELL AS SYSTEMS FOR QUALITY INSPECTION.

## INNOVATIVE DEVELOPMENTS

With its systems and services, PVA TePla enables and supports the innovative manufacturing processes and developments of its customers, primarily in the semiconductor, hard metal, electrical/electronic and optical industries – as well as in the energy, photovoltaic and environmental technologies.

## INDIVIDUAL SOLUTIONS

The company provides its customers with customized solutions from a single source. These range from technology development through tailor-made design and construction of production facilities right up to an after-sales service that covers all four corners of the globe.

## JOINTLY WITH OUR CUSTOMERS

The company will use its systems to enter the latest fields of application jointly with its customers – be they next-generation wafers for use in the semiconductor or photovoltaic industries, powdered-metal technology, new crystals for the optoelectronic industry, fiber-optics for data transmission or the development of high-tech materials and surfaces.

Foreword by the Management Board	4	<b>GROUP FINANCIAL STATEMENTS</b>	37
<b>FOR OUR SHAREHOLDERS</b>		Group Notes	44
Report from the Supervisory Board	6	Responsibility Statement	80
PVA TePla on Capital Markets	10	Auditor's Report	81
<b>GROUP MANAGEMENT REPORT</b>	13	Financial Calendar	83



# Foreword by the Management Board

DEAR SHAREHOLDERS AND BUSINESS PARTNERS OF PVA TEPLA,

## **On course!**

We, the Management Board of PVA TePla AG, the managing directors of the Group companies, and the employees around the world have achieved our targets for 2015. We have refocused our Group on our customers and markets. We have left behind the losses of previous years and we have a good order situation. We have therefore set the course for the future.

## **Reorganization: Lean structure!**

Our Group has had a more flexible and efficient organizational structure since January 1, 2015. Operations are today carried out by agile limited liability corporations with largely minimized administrative processes. PVA TePla AG performs a management and holding function. Thanks to this transformation process, we will permanently improve our competitive capability and our customer focus. Administrative costs are thus down by 18% compared to 2014 and by 29% compared to 2013.

With the relocation of the PVA Metrology & Plasma Solutions GmbH (PVA MPS) subsidiary from Kirchheim near Munich to the head office in Wettenberg in the course of this year, we will be even better at bundling resources and leveraging synergies moving ahead.

## **Result of operations: Turned around!**

The consolidation and personnel measures initiated are working. Although sales revenue was still only at the same level as the previous year at EUR 71.5 million, after two years of losses we achieved a small operating profit of EUR 0.1 million and thus an improvement of EUR 6.4 million as against the previous year. The cost savings will free up more than EUR 5.5 million in future. However, in the reporting year we increased expenditure on research and development by almost 60%, thereby investing in the future, in new products, in experts, and in cooperation with international research institutions. Our gross margin improved from 19.2% to 23.3%. For the first time, break-even sales revenue is less than EUR 75 million.

Various process optimizations in operational and administrative areas are underway to increase the gross margin and to further reduce the administrative cost ratio. With this and the relocation of PVA MPS, we have already taken the next steps to reduce break-even sales revenues to less than EUR 70 million in the future.

## **Orders: Ahead of planning!**

Incoming orders rose significantly in the past year. For the first time since 2011, we posted orders of more than EUR 100 million. Thus, incoming orders are 30% ahead of budget and up more than 50% on the previous year. The increase relates to both business units – Industrial Systems and

Semiconductor Systems. At approximately EUR 68 million, the order backlog with which we began this year is almost EUR 30 million higher than in the previous year (up 80%). These orders on hand will contribute to sales revenue in the years ahead.

We will be investing in additional global distribution capacity in the future.

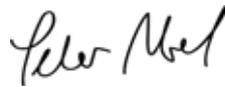
**Forecast: Growth!**

In 2016, we intend to generate consolidated sales revenue of between EUR 80 and EUR 90 million and EBIT of between EUR 2 and EUR 4 million. This target is supported by the high order backlog. We are confident that we can again fulfill this forecast.

Ladies and gentlemen, our confidence in the company is undiminished. PVA TePla has the potential to create sustainable value added again – for our customers, for you, our shareholders, and thus for our employees as well.

Please stick with us as we move ahead.

Sincerely,



Peter Abel  
Chief Executive Officer



Oliver Höfer  
Chief Operating Officer



Henning Döring  
Chief Financial Officer

# Report from the Supervisory Board

In fiscal year 2015, the Supervisory Board performed all duties required of it according to the law and the Articles of Association, and continuously monitored the work of the Management Board of PVA TePla AG in addition to advising the Management Board on a regular basis. We examined critically the proposed resolutions of the Management Board and put forward suggestions at Supervisory Board meetings on the basis of the detailed written and verbal reports of the Management Board. The Management Board regularly, promptly and comprehensively informed the Supervisory Board with regard to key economic figures of the Group and business areas, other fundamental aspects of corporate management and planning, strategy, risk management, and compliance. The Management Board informed the Supervisory Board of a variety of business transactions not requiring approval and discussed them with it. The key topics were the further development of the product portfolio, cooperation with research institutes, current developments of the Group companies, the market situation and the reorganization of the Company, which took effect at the start of fiscal year 2015. The Supervisory Board was involved in decisions of fundamental importance. The Management Board also regularly reported to the Supervisory Board on the economic development of the Company with monthly reports and risk reports. The Supervisory Board adopted the resolutions required according to the law or the Articles of Association. This was also done by circulation when necessary. In addition to the meetings and reports, my colleagues on the Supervisory Board and I as

Chairman of the Supervisory Board also regularly obtained information on the current situation in discussions with the Management Board.

## COOPERATION BETWEEN THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

The meetings of the Supervisory Board were characterized by open and intensive dialog with the Management Board. The Supervisory Board members were able to comprehensively prepare for meetings and resolutions on the basis of the documents made available by the Management Board.

The Supervisory Board met five times in 2015 for four ordinary meetings and one extraordinary meeting. All members of the Supervisory Board participated in these meetings. No committees were formed due to the size of the Supervisory Board (three members). All matters that would have been addressed by committees were addressed by the full Supervisory Board.

## CONFLICTS OF INTEREST

There were no potential conflicts of interest of Management Board and Supervisory Board members requiring immediate disclosure to the Supervisory Board and notification to the Annual General Meeting.

## FOCAL POINTS OF ADVICE

At all their Supervisory Board meetings, the Supervisory Board dealt in depth with the order, sales revenues and earnings situation of the individual subsidiaries. The market situation and competitive situation, as well as the opportunities and risks in the product areas, were discussed in detail with the Management Board and managing directors. The development of personnel, especially at management level, at the Group's subsidiaries was another topic at all ordinary meetings.

In the first meeting on February 25 – an extraordinary Supervisory Board meeting by phone – the PVA TePla Group's budget for 2015 and the budget figures for the years 2015 through 2017 were discussed in detail and approved.

The first ordinary Supervisory Board meeting on March 23, 2015 dealt in depth with the 2014 consolidated financial statements, the reorganization, the business situation and capacity utilization at the PVA TePla Group's production locations as well as with the planned syndicated loan agreement.

In addition to the business situation, the implementation of the restructuring measures and the competitive situation in the individual product areas were discussed at the Supervisory Board meeting on June 11/12, 2015. Particular attention was paid to the business situation and order processing practices in the Plasma Systems business unit.

At the Supervisory Board meeting on September 22, 2015, attendees debated in detail the development of sales revenues, the cost structure with manufacturing costs and gross margin as well as the overheads, and the consequent operating result. The holding's corporate strategy and the prospects offered by M&A activities were discussed. The declaration on the quota of women was resolved.

The focus of the Supervisory Board meeting on November 26, 2015 was corporate planning for 2016 to 2018 for the holding and the individual subsidiaries. The Management Board presented the Supervisory Board with comprehensive budget planning of all subsidiaries for the coming years, among other items. The individual budgets were approved. The risk reports were explained in detail by the Management Board. The declaration of compliance with the Corporate Governance Code was resolved.

## CORPORATE GOVERNANCE AND DECLARATION OF COMPLIANCE

At the meeting on November 26, 2015, the Management Board and Supervisory Board discussed items including the update of the declaration of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG). The updated joint declaration of compliance was made permanently available to the public on the website [www.pvatepla.com](http://www.pvatepla.com) in the "Investor Relations – Corporate Governance" section

in December 2015. Deviations from this Code were discussed intensively between the Management Board and Supervisory Board and justified. The Management Board reports on corporate governance, including for the Supervisory Board, in accordance with Item 3.10 of the Code on the Company's website at: <http://www.pvatepla.com/pva-tepla-service/investor-relations/corporate-governance>.

The election of the auditors Ebner Stolz GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft to audit the financial statements and consolidated financial statements for fiscal year 2015 was proposed to the Annual General Meeting. The Supervisory Board satisfied itself of the independence of the auditor in accordance with Section 107(3) Sentence 2 AktG, and obtained and assessed a corresponding declaration of independence. In line with a resolution by the Supervisory Board, the auditor performs no consultancy services for the Group. Following approval by the Annual General Meeting, the Supervisory Board issued the mandate to the auditor and set the audit fee. The main focal points of the audits of the annual and consolidated financial statements for 2015 were also coordinated between the Supervisory Board and the auditor.

The self-evaluation was performed on the basis of a detailed questionnaire and interviews, and the review of the efficiency of the Supervisory Board provided for in the German Corporate Governance Code was thus carried out.

## DEPENDENT COMPANY REPORT

The Management Board prepared a dependent company report for the reporting year in accordance with Section 312(3) AktG. This report was audited by Ebner Stolz GmbH

& Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft" and issued with an unqualified audit opinion with the following wording: "In accordance with our duly performed audit and assessment, we confirm that 1) the factual statements in the report are correct and that 2) the amounts paid by the Companies with respect to the legal transactions listed in the report were not unduly high." The dependent company report was submitted to the Supervisory Board, which subjected it and the legal transactions and measures listed therein to an independent review pursuant to Section 314(2) AktG. This did not give rise to any objections. At the meeting on March 18, 2016, the auditor reported on the main findings of the audit.

## ANNUAL FINANCIAL STATEMENTS

Ebner Stolz GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft audited the annual financial statements and consolidated financial statements to December 31, 2015 as well as the management report and Group management report for the fiscal year 2015 of PVA TePla AG. The auditor found that the present annual and consolidated financial statements were prepared in compliance with the German Commercial Code (HGB) and the International Financial Reporting Standards (IFRS) and gave an accurate reflection of the actual net assets, financial position, and income situation. The annual and consolidated financial statements along with the management report and Group management report received an unqualified audit opinion. The financial statements together with the management reports and the respective audit reports by the auditor were sent to each member of the Supervisory Board. The Supervisory Board assessed them and discussed them in detail at the meeting on March 18, 2016.

At this meeting, the auditor reported on the main findings of the audit. We examined the annual financial statements, the management report and the auditor's statement on the situation assessment by the Management Board as well as the recommendation for use of retained earnings, the consolidated financial statements and the Group management report. There were no objections. We therefore approve the results of the audit of the financial statements. We approve the annual financial statements and consolidated financial statements prepared by the Management Board. The annual financial statements are thus adopted in accordance with Section 172 Sentence 1 AktG. We are in agreement with the management reports and in particular the assessment of the future development of the Company. The Supervisory Board endorses the Management Board's proposal to carry over the reported unappropriated surplus to new account.

## COMPOSITION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

There were no changes to the makeup of the Supervisory Board and the Management Board in the reporting period.

## THANKS

In retrospect, the employees of the PVA TePla Group mastered a challenging year in 2015. Thanks to the more positive development of business on the whole and the comprehensive restructuring measures taken in the past, the outlook for the future is today decidedly more positive. The forecast sales revenues and earnings support this impression.

The Supervisory Board wishes to thank the management and all employees for their dedicated work in the past fiscal year.

Wettenberg, March 2016

On behalf of the Supervisory Board



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

# PVA TePla on Capital Markets

## DEVELOPMENT OF PVA TEPLA SHARES

The PVA TePla AG share trended upwards in a big way in 2015, gaining around 50% in value over the course of the year. The main reason for this positive development was the substantial improvement in incoming orders at PVA TePla's subsidiaries, which continued throughout the year, and the resulting good outlook for fiscal year 2016. All in all, stock market trading took place in a difficult political and economic environment. One worrying development for PVA TePla AG was the devaluation of the Chinese renminbi coupled with measures by the People's Bank of China and the Chinese government's massive intervention in equities trading on Chinese stock markets. The Chinese market has been extremely important to PVA TePla for many years. Despite this negative development, the Company succeeded in maintaining its market share in China and even expanded it in aviation and aerospace. The associated rise in incoming orders gave the share an additional boost. PVA TePla's majority shareholder, Peter Abel, who once again took over as Chief Executive Officer at the 2014 Annual General Meeting, has increased since then through his holding company (PA Beteiligungsgesellschaft) his stock by around 2%. The price of the share continuously posted strong gains in the reporting year and was roughly 45% higher than the Tec All Share benchmark index at year end. The closing rate was EUR 2.48 (previous year: EUR 1.62).

The average daily trading volume on German stock markets was around 18,300 shares in 2015, marking a substantially rise compared to the previous year's average of 11,000 shares.

### Shareholding structure

Free float	72.4 %
PA Beteiligungsgesellschaft	27.6 %

## COMMUNICATION WITH THE CAPITAL MARKET

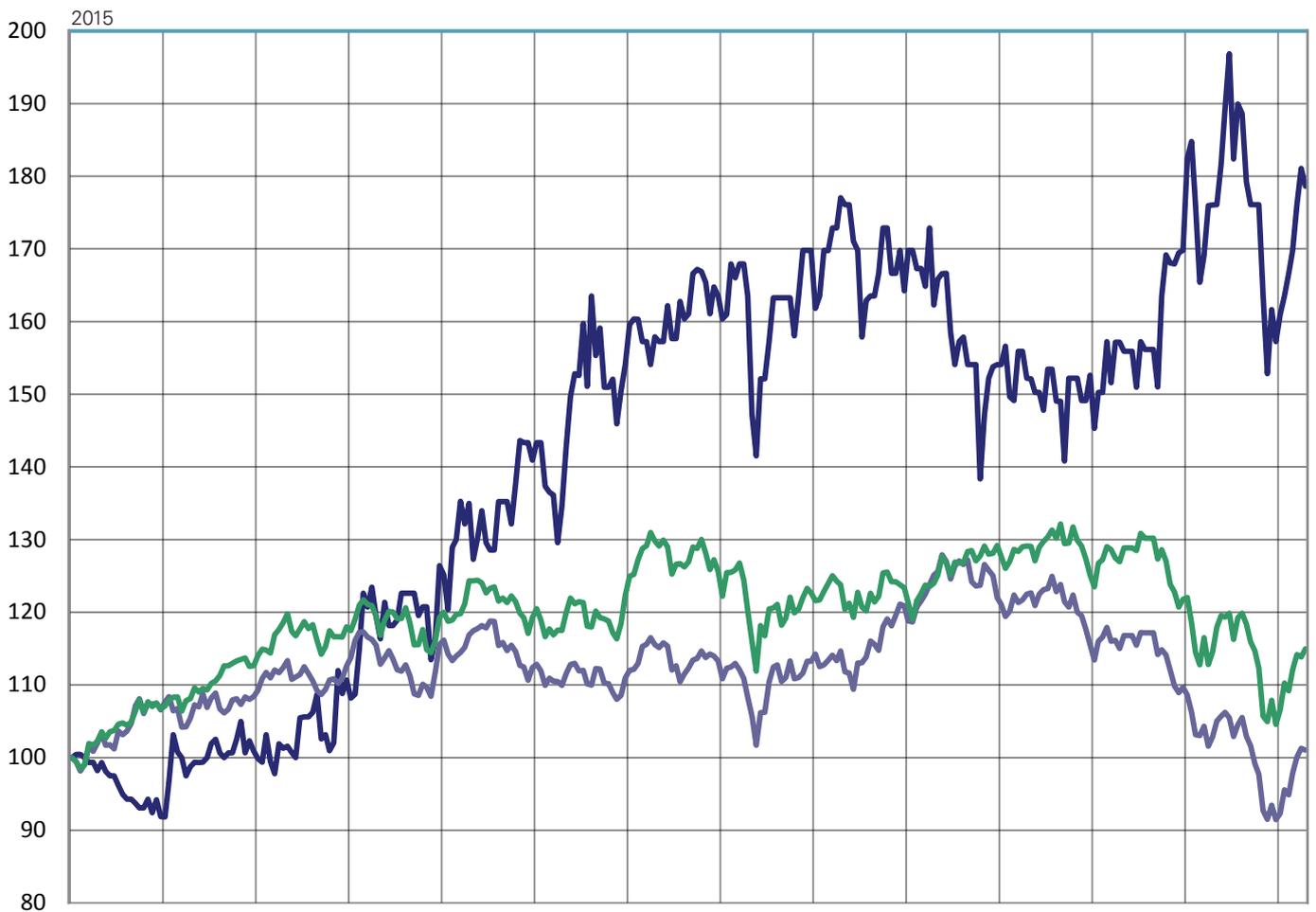
We aim to achieve high transparency of our business activity on capital markets. Key topics of discussions with private and institutional investors were the long-term prospects in the markets serviced by the PVA TePla Group, the reorganization of the corporate group, the improvement in the results of operations and the technological development of products and services.

## ANNUAL GENERAL MEETING

The Annual General Meeting of PVA TePla AG was held at the Giessen Congress Center on June 12, 2015. The discussions focused on the measures taken to reorganize the PVA TePla Group, such as site optimizations and the conversion of three divisions and business units into autonomous limited liability companies under German law (GmbHs), aimed at making the Group leaner and more flexible and allowing it to better utilize the resources at its disposal. This is intended to further strengthen the Group's focus on its customers and on the specific requirements of each division. Many of the cost-reduction measures of around EUR 5 million that were announced at the Annual General Meeting will take effect in 2016 and will make a significant contribution to a balanced operating result.

PVA TePla shares key figures		2015	2014
Earnings per share (EPS)	EUR	-0.07	-0.46
Annual high	EUR	2.81	3.30
Annual low	EUR	1.46	1.56
Closing rate as of Dec. 31	EUR	2.48	1.62
Performance of PVA TePla shares	%	+53	-36
Performance of Technology All Share	%	+8	+15
Performance of DAXSubs. Advanced Industrial Equipment	%	+9	-13
Number of shares at year-end	Mio.	21.75	21.75
Market capitalization at year-end	Mio. EUR	53.9	35.2

Performance of PVA TePla shares January 2015 – February 2016  
in % 1-day-interval



PVA TePla AG  
DAXSubs. Advanced Industrial Equipment  
Tec All Share



## GROUP MANAGEMENT REPORT

1.	BASIC PRINCIPLES OF THE GROUP	14
2.	ECONOMIC REPORT	18
3.	SUPPLEMENTARY REPORT	24
4.	RISK, OPPORTUNITIES AND FORECAST REPORT	24

This financial report comprises the Group Management Report, the consolidated financial statements and the Group Notes. Moreover, the Company Management Report Declaration and the remuneration report available at <http://www.pvatepla.com/pva-tepla-service/investor-relations/corporate-governance> form an integral part of this Management Report.

# Group Management Report

## 1. BASIC PRINCIPLES OF THE GROUP

### Business Activities

The PVA TePla Group, headquartered in Wettenberg, Germany, offers its customers systems for the production and refinement of high-quality materials, which are processed under high temperature, vacuum and under high pressure conditions and in plasma, for example.

The market for these systems is closely tied to the latest developments in materials and surface treatment technologies, such as silicon wafer technology for microelectronics, silicon carbide wafer technology for high performance electronics and wafer technology for mono or multicrystalline solar cells in the Crystal Growing Systems business unit,

in the Industrial Systems business unit, this involves technologies for structural materials for aviation and aero-space, energy technology for hard metal tools,

and in the Plasma Systems business unit production technologies for microsensors (MEMS, Micro Electromechanical Systems) and luminous light sources made from semiconductor diodes (HB LED, High Brightness Light Emitting Diodes) and ultrathin wafer production technology,

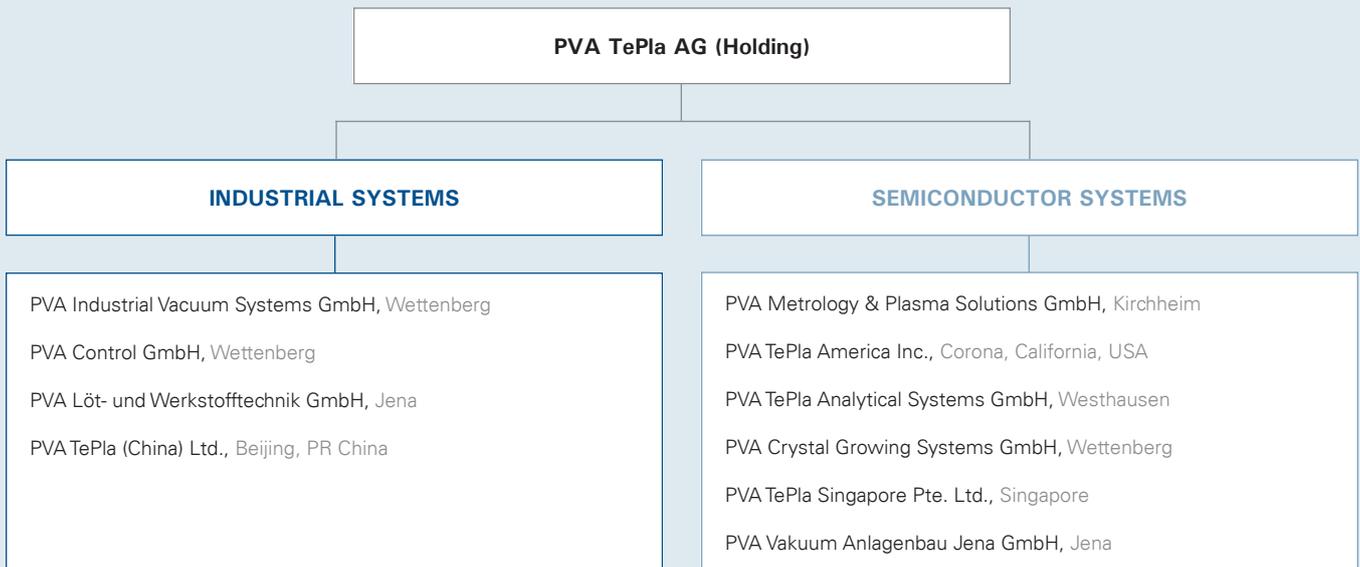
in the Coating Systems business unit, technology for hydrophobic layers on electronic components and for plastics in medical technology is used,

and the Analysis Systems business unit includes technology for nondestructive inspection of wafers using lasers and complex semiconductor components with ultrasound microscopy.

High-tech materials and their surfaces will undoubtedly depend on production processes under vacuum and high temperature conditions and in plasma in future, which means the product range and technologies of the PVA TePla Group.

### Reporting Segments

The PVA TePla Group is divided into two divisions: Industrial Systems and Semiconductor Systems. The chart provides an overview of the organizational units and how subsidiaries are allocated to the divisions:



## CHANGES TO THE REPORTING SEGMENTS

There were changes to the reporting structure compared to the consolidated financial statement as of December 31, 2014, which was reported on in detail in the last Annual Report. As part of the reorganization of the PVA TePla Group, two new subsidiaries have been added which are integrated into the divisions of PVA TePla AG.

PVA Industrial Vacuum Systems GmbH (PVA IVS) continues the Vacuum Systems and Plasma Nitriding Systems business units in the Industrial Systems division starting in January 2015. In the Semiconductor Systems division, PVA Crystal Growing Systems GmbH (PVA CGS) is continuing the Crystal Growing Systems business unit for the semiconductor and solar markets. The Plasma Systems business unit is already integrated into the existing subsidiary Metrology & Plasma Solutions GmbH (PVA MPS).

As of January 1, 2015, PlaTeG GmbH and Munich Metrology GmbH were merged with the operating units PVA IVS and PVA MPS. As a result of the reorganization, the number of subsidiaries and accounts has fallen considerably and the corporate structure has been downsized to one appropriate for a medium-sized company.

PVA TePla AG functions as the management and functional holding company as of January 1, 2015. In the current fiscal year only orders for systems in the business units Vacuum, Crystal Growing and Plasma Systems were billed by the AG which were ordered by December 31, 2014 (so-called old order backlog).

## Corporate Management

Controlling in the PVA TePla Group is based on operational performance indicators related to the income statement (consolidated sales revenues, gross result (gross margin), EBIT (EBIT margin), net profit/loss for the period and segment profit/loss), balance sheet figures such as the equity ratio and liquidity performance indicators such as liquidity position, the net financial position and liquidity reserves.

Most significant financial performance indicators for managing results of operations are consolidated sales revenues, gross result and the operating result (EBIT) and the resulting EBIT margin. These figures are calculated on a monthly basis at segment level and represent an essential internal management tool.

The order situation is determined on a monthly basis using the relevant incoming orders and order backlog figures at segment level. The resulting book-to-bill ratio shows the ratio of incoming orders to sales revenues in a given period. A book-to-bill ratio above 1 indicates that incoming orders are higher than sales revenues, meaning a future increase in sales revenues can be expected. If the book-to-bill ratio is below 1, it means a decline in sales revenues is to be expected.

In addition to the monitoring of customers' and suppliers' payment targets, liquidity and liquidity reserves in the form of credit and guarantee lines are ongoing monitored and a rolling cash flow forecast is calculated on a monthly basis in order to manage the liquidity situation. The net financial position, the balance of current and non-current financial liabilities and cash and cash equivalents, is reported on a quarterly basis. The Group-wide and segment-related weighted average cost of capital (WACC) and average cost of debt are reviewed on an annual basis.

**PVA TePla – Core Controlling Parameters**

Profitability	Orders	Liquidity
Sales revenues	Incoming orders	Net liquidity and liquidity reserves
Gross result (=sales revenue less cost of sales)	Book-to-bill ratio (ratio of incoming orders to sales revenues in a given period)	Net financial position (balance of current and noncurrent financial liabilities and cash)
Operating profit/loss (EBIT)	Order backlog	

## Research and Development

The costs for research and development (R&D) for the Group within the reporting period totaled EUR 3.2 million (previous year: EUR 2.0 million). It should be noted here that the PVA TePla Group frequently carries out the further development of products and processes as part of customer orders, so that the related expenditures are not included in the research and development costs. A selection of R&D activities in the individual divisions is described in the section below:

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. The pro-rata R&D services are 10% of the total design engineering output. A total of 90% of the design engineering output is for customer-specific system requirements. The hardware and software for control systems were further developed for the systems in the reporting year to improve communication. The development activities in hot press heat treatment systems (high vacuum diffusion welding systems for joining and forming processes) were largely geared towards optimizing pressing force and process temperatures for various applications. Another emphasis was on developing suitable new materials for dies, which are subject to extreme mechanical and thermal pressure. The suitability of high-temperature compound materials with high compressive strength and durability is being examined for the use of dies in cooperation with established material research institutions and as part of experiments with customers.

Another focus of development activities last year was the new high-temperature vacuum brazing furnace with active debinding. The growing use of soldering in paste form in mass production of stainless steel components for heat exchangers makes the development of an active debinding system necessary. These pastes are made of the actual brazing alloy fine powder form. The powder is mixed with a solvent and an organic binder to make a viscose paste. In the brazing process the organic binder turns into gas at around 450 °C and must be removed from the vacuum furnace. The PVA TePla development allows the binder to be "removed" without it condensing on the water-cooled furnace walls. This keeps the furnace clean which substantially reduces maintenance expense and ensures for enhanced process stability. This technology leads to a signifi-

cantly higher availability rate of the production facility and involves considerably lower maintenance costs. Property rights have been registered in view of the development's high market relevance.

In the Analysis Systems business unit of the **Semiconductor Systems division**, a fully automated laser measurement system was developed for wafers, which is geared towards both 300mm silicon wafers and the next generation of 450mm wafers. These analytical systems measure and analyze shear stress (shifting of crystal levels against each other) in wafers and defects in nanometers. Such a "bridge tool" is making a significant contribution towards optimizing costs in production in the semiconductor industry.

In ultrasound measurement systems, the development of a new hardware and software platform was completed which allows for fully automated analysis of defects of complete, stacked components in power electronics at several levels. In addition the development of a new high-frequency signal chain (to produce signals) for ultrasound transducers was completed and the first system was delivered to a leading semiconductor producers. This new method is especially suitable for the analysis of new, thinner silicon chips as the signal/noise ratio and the resolution of the ultrasound microscopes are improved considerably.

## Disclosures Relevant to the Right to Take Over

The required disclosures related to the right to take over pursuant to Section 289 (4) and Section 315 (4) of the German Commercial Code (HGB) are provided below.

### COMPOSITION OF SHARE CAPITAL

As of 31 December 2015, 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 the sale/transferability of shares.

#### SHAREHOLDINGS THAT EXCEED 10% OF VOTING RIGHTS

According to disclosures filed with the Company, PA Beteiligungsgesellschaft mbH, Wettenberg held a share of voting rights as of 31 December 2015, 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 established therein:

- » 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, 2015, the Management Board is authorized per Annual General Meeting resolution to issue new shares from authorized capital in the amount of EUR 10,874,994.00 through June 30, 2017. The Management Board is authorized per Annual General Meeting resolution to buy back shares amounting to 10% of authorized capital by June 18, 2018.

#### COMPANY AGREEMENTS CONTINGENT UPON A CHANGE OF CONTROL AS THE RESULT OF A TAKEOVER OFFER

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

#### CHANGE OF CONTROL PROVISION

In the event of a change of control, Executive Board members receive benefits that should not exceed 150% of the severance payment cap (value of two years' compensation including benefits).

#### Company Management Declaration (Section 289a German Commercial Code)

The Company Management Declaration pursuant to Section 289a of the German Commercial Code (HGB) and the remuneration report are permanently available as part of the Corporate Governance Report on the Website of PVA TePla AG in the section "Investor Relations – Corporate Governance" or directly under the following link: [www.pva-](http://www.pva-)

tepla.com/pva-tepla-service/investor-relations/corporate-governance. The remuneration report describes the basics of the remuneration system pursuant to Section 289 no. 5 HGB and also forms an integral part of the 2015 consolidated financial statements of PVA TePla AG.

## Dependency Report

In 2015, 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 fiscal year 2015 pursuant to Section 312 of the AktG.

The 2015 report includes the following final statement by the Management Board: "We declare that according to the information known to us at this time, our Company engaged in legal transactions with dependent companies pursuant to Section 312 of the AktG and received appropriate compensation in all cases. The Company did not take or fail to take any reportable measures."

## 2. ECONOMIC REPORT

### Macroeconomic and Sector Environment

#### MACROECONOMIC ENVIRONMENT

The momentum of the global economy remained weak in 2015. As in previous years, expectations of the global economy were not fulfilled. Forecasts were gradually lowered during the course of the year – both for the overall economy and key industries. Global economic growth (GDP – gross domestic product) declined from 3.5% in 2014 to 3.1% in 2015. Below is a brief outline of the economic development in the PVA TePla Group's key regions:

- » The **German economy** started the year 2015 on a stable footing. Economic growth increased constantly until the end of the year, with average GDP growth of 1.7% for the year in real terms. Consumption provided the strongest impetus again in 2015.
- » The economy continued to improve in the **Eurozone** during the course of 2015. Real GDP grew 1.5%. The economy benefited particularly from the increase in

private consumption. Despite historically low interest rates and a slight improvement in business sentiment, investments remained weak. Exports had some tailwind thanks to the weaker EUR exchange rate.

- » **Japan** economic output only increased by 0.7% despite the expansionary fiscal policy. Consumption remained weak and exports weighed down on the overall economic output.
- » **Asia** excluding Japan achieved GDP growth of 6.1%.
- » The weak economy in **China** remained a cause for concern. The "new normal" process pursued by the Chinese government, i.e. less exports and investment-driven growth and more growth through consumption and services, was continued but led to weaker economic growth. According to official information, the Chinese economy grew 6.9%. This is still well above the global average, but far from past growth rates, which goes hand in hand with a sharp decline in industrial output.
- » The **US economy** remained robust in 2015. Economic output grew 2.4% in real terms and was largely consumption driven. The unemployment rate sank to 5%.

#### SECTOR ENVIRONMENT

The PVA TePla Group faced a positive development in the markets relevant to the Group in the past fiscal year. The hard metal market, the largest single market for the Industrial Systems business unit so far, registered an increase in capacities in Europe and Asia. The semiconductor market saw stagnating demand for wafers, but an increase in capacities for 300mm wafers. Capacities for smaller wafer diameters are being gradually removed from the market.

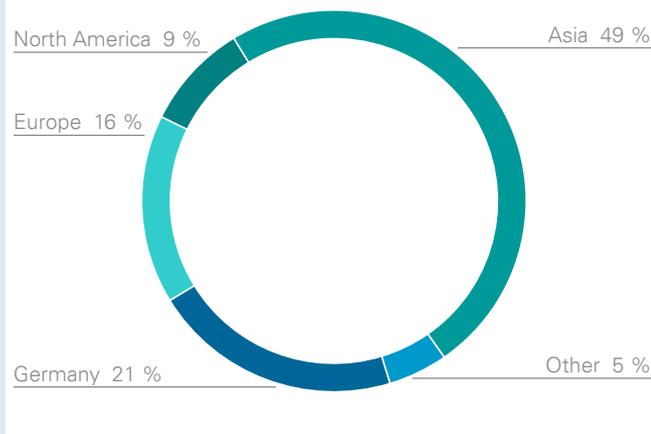
- » The year 2015 remained below expectations in the German mechanical engineering sector. As opposed to the real production growth of 2% predicted by VDMA economists in fall 2014, production only maintained its previous year's level which corresponds to the revised forecast in summer 2015.
- » Overall the semiconductor market registered a sharp decline in investments in equipment by around 4%, but a good 4% increase in the backend market which is important to PVA TePla's plasma systems for the processing of electronic components into modules.

## Business Development

### SALES REVENUES

The PVA TePla Group generated consolidated sales revenues of EUR 71.5 million (previous year: EUR 71.9 million), which is slightly lower than the previous year due to weak order backlog at the beginning of 2015. Germany accounted for 21% of consolidated sales revenues (previous year: 29%). The Asian market continues to be very important, with the region accounting for 49% of total sales revenues (previous year: 52%). 16% (previous year: 11%) of total sales revenues were generated in other European countries. North America accounted for 9% of total sales revenues (previous year: 7%). Other regions contributed 5% to revenues (previous year: 1%).

#### Consolidated Sales Revenues by Region



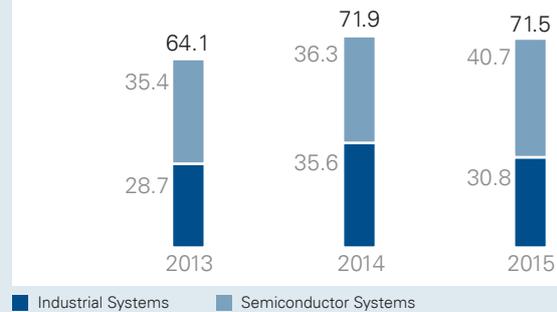
The section below provides a detailed discussion of sales revenues generated by the Industrial Systems and Semiconductor Systems division.

The **Industrial Systems division** posted sales revenues totaling EUR 30.8 million (previous year: EUR 35.6 million). It accounted for 43% of total sales revenues for the Group. Sinter systems for hard metal production accounted for more than 50% of system sales in the Vacuum Systems business unit. The sales revenues of systems for brazing materials, such as vacuum interrupters for the electrical industry, were considerably higher in 2015 and turned into the second strongest product segment in the last two

years. The sharp increase in sales revenues of plasma nitriding systems to harden steel surfaces was also good news.

Sales revenues in the **Semiconductor Systems division** totaled EUR 40.7 million in 2015 (prior year: EUR 36.3 million), contributing 57% to total sales revenues of the PVA TePla Group. The sales revenues increase was two-thirds attributable to crystal growing systems for the semiconductor industry and around one-third to the Metrology and Plasma Systems business unit.

#### Consolidated Sales Revenues by Division EUR million



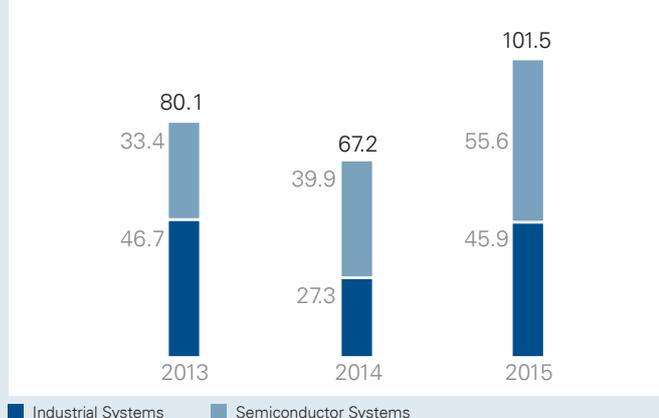
### INCOMING ORDERS

At EUR 101.5 million, total incoming orders for the Group in fiscal year 2015 were significantly higher compared to the previous year (EUR 67.2 million). The book-to-bill ratio of 1.4 at Group level (previous year: 0.9) reflects this trend. Both the Industrial Systems and Semiconductor Systems divisions registered sharply higher incoming orders.

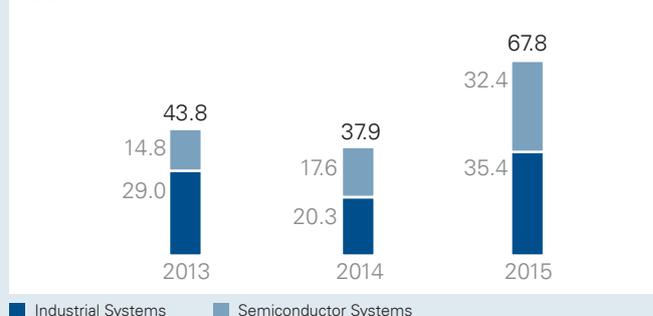
The **Industrial Systems division** generated incoming orders totaling EUR 45.9 million (previous year: EUR 27.3 million), contributing 45% to total incoming orders. Incoming orders in 2015 were considerably higher compared to 2014. Around 80% of the orders for vacuum systems came from abroad, with Asian customers in turn accounting for a good 60% of all orders. Systems for manufacturing hard metals accounted for around 45% of incoming orders in 2015. Incoming orders for brazing systems were also satisfactory. Incoming orders for plasma nitriding systems on the European market to harden steel surfaces were extremely strong.

At EUR 55.6 million, the **Semiconductor Systems division** also recorded higher incoming orders in 2015 than in the previous year (previous year: EUR 39.9 million), accounting for 55% of the PVA TePla Group's total incoming orders. Greater willingness to invest was evident in the Crystal Growing Systems business unit for the semiconductor industry, especially for wafer technology. The Crystal Growing Systems business unit therefore accounted for the lion's share of incoming orders.

### Order Income by Division EUR million



### Order Backlog by Division EUR million



## PRODUCTION

In 2015, systems production and contract processing (services) were performed in Germany at the Wetttemberg, Westhausen and Jena locations. The production location outside Germany is Corona in the USA. 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 when the level of incoming orders fluctuates. In 2015, production capacities at the Jena and Wetttemberg locations were fully utilized owing to the use of flexitime models.

## ORDER BACKLOG

The PVA TePla Group's order backlog is reported after deducting sales revenues previously recognized applying the percentage of completion method (PoC). Order backlog for the Group totaled EUR 67.8 million as of December 31, 2015 (previous year: EUR 37.9 million). The order backlog in the Industrial Systems division as of December 31, 2015 stood at EUR 35.4 million (previous year: EUR 20.3 million). The order backlog of the Semiconductor Systems division stood at EUR 32.4 million (previous year: EUR 17.6 million).

## Position

### RESULTS OF OPERATIONS

In 2015, operating profit (EBIT) amounted to EUR 0.1 million (prior year: EUR -6.3 million), thereby reaching the forecast published at the start of the year: almost balanced operating earnings. Consolidated net result for the period totaled EUR -1.4 million (prior year: EUR -10.0 million). The EBIT margin amounted to 0.1% (prior year: -8.8%). The return on sales was -2.0% (prior year: -13.9%).

Based on consolidated sales revenues of EUR 71.5 million (prior year: EUR 71.9 million), gross profit amounted to EUR 16.7 million (prior year: EUR 13.8 million) and the gross margin stood at 23.3% (prior year: 19.2%). Despite the sharp rise in incoming orders, sales revenues were more or less on par with the prior-year level due to the following reasons: Incoming orders were still very modest in the first two months of the fiscal year, particularly in the Vacuum Systems and Crystal Growing Systems business units. Secondly, most of the orders had terms of up to 18 months, meaning that only some sales revenues could be recognized in fiscal year 2015. Thirdly, the US series production business with plasma systems lagged behind expectations. The EUR 2.9 million (4.1 percentage point) rise in gross profit was largely due to the cost reduction measures initiated in the prior year in the form of personnel reductions at the Wettenberg site (approximately EUR 1.3 million), the decline in infrastructure costs resulting from the closure of the Denmark site, as well as the pro rata effects within the scope of the adjustments of the "Ruhegeldordnung" pension scheme (EUR 0.5 million) made at the end of the year. Fourthly, the gross margin in the Division Semiconductor Systems disproportionately increased by a shift and an increase in revenues.

Selling and distribution expenses were on par with the prior year at EUR 8.1 million (prior year: EUR 8.1 million). The decline in general administrative expenses to EUR 5.8 million (prior year: EUR 7.1 million) was due to cost reduction measures initiated within the scope of the closure of the Denmark site (EUR 0.5 million), the reduction in personnel capacities in the accounting and IT departments (EUR 0.3 million) as well as other reductions in material costs. R&D costs amounted to EUR 3.2 million, up EUR 1.2 million on the prior year's level (EUR 2.0 million); this was mainly due to additional development expenses for ultrasound microscopes. The net balance of other operating expenses and income came to EUR 0.6 million (prior year: EUR -2.9 million). Other operating income in the amount of EUR 2.4 million (prior year: EUR 2.7 million) mainly included income from the release of provisions (EUR 0.4 million), income

from grants in the context of R&D projects (EUR 0.3 million), income from exchange rate differences (EUR 0.4 million), income from write-ups on receivables previously written down, from statute-barred liabilities (EUR 0.3 million) as well as from the sale of an investment property (EUR 0.1 million). At EUR 1.9 million (prior year: EUR 5.6 million), other operating expenses were down considerably year on year, particularly due to expenses from exchange rate differences (EUR 0.7 million), specific valuation allowances for trade receivables, as well as prior-period expenses (each EUR 0.2 million) and insurance expenses (EUR 0.2 million). In the prior year, other operating expenses had also included write-downs on future receivables on construction contracts and trade receivables for solar orders (EUR 3.1 million).

The Industrial Systems division generated EBIT of EUR 2.6 million (prior year: EUR -0.4 million) as a result of the prior-year's cost reduction measures, the cut in the "Ruhegeldordnung" pension scheme, as well as savings resulting from holding allocations. The Semiconductor Systems division generated EBIT of EUR -0.5 million (prior year: EUR -3.6 million). "Holding costs" of EUR 2.0 million to the EBIT (prior year: EUR 2.3 million) were reported for segment reporting purposes for the first time following the start of the reorganization effective January 1, 2015. The holding costs include expenses which are not directly related to the Group's operating performance and do not involve service functions. The prior-year figure was calculated accordingly and also reported separately in the interests of comparability.

The net balance of interest income and interest expenses came to a total of EUR -0.7 million (prior year: EUR -1.1 million) due to lower throughput rates and improvements in market value for non-effective hedging transactions. The net result before tax amounted to EUR -0.6 million (prior year: EUR -7.5 million) and net result for the period amounted to EUR -1.4 million (prior year: EUR -10.0 million). Income taxes, which totaled EUR -0.9 million (prior year: EUR -2.5 million), comprised current tax expenses/tax refunds of EUR +0.2 million (prior year: EUR -0.1 million) and deferred tax expenses of EUR -1.1 million (prior year: EUR -2.4 million).

Given the market volatility and budget deviations in prior years, the period for determining the feasibility of loss carry-forwards was limited to three years in fiscal year 2014. Provided utilization of loss carry forwards appears likely for 2016 to 2018 based on the current budget, loss carry forwards were reported in deferred tax assets. Conversely, loss carry-forwards not expected to be realized until after 2018 were not or no longer recognized. Subsidiary PVA TePla America Inc. reported a correction of deferred tax assets from loss carryforwards in the past fiscal year that was expensed in the amount of EUR 0.9 million.

#### Comparison of Results of Operations with Forecast for 2015

For fiscal year 2015, the Management Board of the PVA TePla Group had expected consolidated sales revenues of between EUR 70 million and EUR 80 million and a balanced EBIT. This forecast was supported by an order backlog of EUR 37.9 million on December 31, 2014 and the assumption that anticipated incoming orders in the first half of 2015 would generate sales revenues and earnings. The forecast was modified at the end of the third quarter of 2015 so that a balance EBIT, taking into account the short-term sale of systems in stock, can be achieved in both divisions. Otherwise, moderate deterioration in earnings would be expected. Although at EUR 71.5 million sales revenues were more at the lower end of the forecasted range and the short-term sale of systems in stock could not be realized by the end of the year, EBIT was balanced, mainly as a result of measurement effects of EUR 0.6 million of the adjustment to the "Ruhegeldordnung" pension scheme that was conducted at the end of the year.

## FINANCIAL POSITION

### Capital Structure

As of the reporting date, the PVA TePla Group reported a net financial position (balance of cash and cash equivalents and current and non-current financial liabilities) of EUR -3.4 million (prior year: EUR -6.9 million). Compared to total assets, the net debt ratio is therefore 4% (prior year: 8%).

A consortium loan agreement for EUR 7.5 million mixed line (cash and guaranteed lines) and EUR 27.5 million, as well as an increase option for additional guaranteed lines of EUR 20 million with a term of 36 months was signed in August 2015. EUR 4.5 million of the cash lines and EUR 23.7 million of the guaranteed line had been utilized as of the reporting date.

The Company still also has a credit line of EUR 5.0 million secured by charges on land, which will decline by EUR 0.3 million on schedule every six months until December 2022.

### Investments

At EUR 2.1 million (prior year: EUR 0.9 million), the investment volume in 2015 was up on the prior year. These investments are mainly attributed to a hot press at EUR 1.2 million (assets under construction), equipment, fixtures and fittings and intangible assets (software and know-how).

### Liquidity

Operating cash flow was positive in 2015 at EUR 5.4 million (prior year: EUR -4.5 million). This was mainly due to three effects. The first was that EBITDA was positive for the first time since 2012 at EUR 2.4 million due to the prior-year's cost reduction measures. Secondly, the working capital ratio (working capital divided by sales revenues) declined to 28% (prior year: 33%), thereby freeing up liquidity. The third was incoming orders in the Industrial Systems division which were higher in the second half of 2015 compared to the second half of 2014, so that advance payments on projects were also higher. Operating cash flow fluctuates heavily from one reporting date to the next in the Vacuum Systems and Crystal Growing Systems business units due to the project structure of orders and methods of payment. We receive considerable advance payments at the beginning of a project, which influence net cash flow positively if there are large orders. Cash flow is negative during order processing, whereas near the delivery date, the remaining amount due is paid, except for a small residual installment.

Due to the extent of the investment measures described above, cash flow from investing activities was EUR -1.6 million (prior year: EUR -0.9 million). Cash flow from financing activities was EUR -3.3 million (prior year: EUR +4.3 million) and, in addition to the regularly scheduled repayments of long- and short-term loans, includes the early repayment of the real estate credit line at the Jena site of EUR 0.8 million. Interest payments totaled EUR 0.5 million (prior year: EUR 0.4 million). Total cash flow in fiscal year 2015 including exchange rate differences amounted to EUR +0.6 million (prior year: EUR -1.1 million).

## ASSET POSITION

Total assets amounted to EUR 88.3 million as of December 31, 2015, EUR 0.7 million lower than the prior year's figure of EUR 89.0 million as of December 31, 2014.

The value of property, plant and equipment rose to EUR 30.8 million (prior year: EUR 29.8 million) as a result of the construction of a hot press for new service business at PVA Löt- und Werkstofftechnik GmbH amounting to EUR 1.2 million, as well as the recognition of internally produced laboratory and demonstration systems (previously: finished products) amounting to EUR 1.4 million, which will be permanently used for operational purposes. Intangible assets rose by EUR 0.1 million to EUR 8.8 million (prior year: EUR 8.7 million), mainly due to the development of internally generated assets of EUR 0.2 million in the ultrasound microscope technology segment. The value of derivative goodwill remains unchanged at EUR 7.8 million, which is tested for impairment at least once a year. Deferred tax assets are on par with the prior year at EUR 4.2 million (prior year: EUR 4.3 million). Overall, non-current assets totaled EUR 43.8 million compared to EUR 43.2 million in the prior year.

Current assets fell by EUR 1.3 million to EUR 44.5 million (prior year: EUR 45.8 million). The largest change was caused by a decrease in work in progress to EUR 8.7 million (prior year: EUR 11.9 million). Following the final payment of what had previously been an order classified as irrecoverable, with a total carrying amount of EUR 3.2 million, advance payments were offset by the same amount with the stage of completion. The application of the accounting method according to IAS 11 therefore resulted in a balance sheet contraction of EUR 3.2 million. The significant improvement in the order situation was responsible for the EUR 1.3 million increase in raw materials, consumables and supplies, the EUR 0.3 million rise in future receivables on construction contracts and the EUR 1.2 million increase in trade receivables. The EUR 1.1 million drop in finished products and goods to EUR 1.5 million (prior year: EUR 2.6 million) was mainly due to the reclassification of internally produced demonstration and laboratory systems of EUR 1.4 million to property, plant and equipment.

Cash and cash equivalents rose to EUR 6.5 million because of a positive operating cash flow (prior year: EUR 5.7 million). Other current receivables fell slightly to EUR 1.4 million (prior year: EUR 1.9 million), mainly due to the reduction in VAT receivables. The tax refund claims totaled EUR 0.003 million (prior year: EUR 0.3 million).

On the liabilities side of the balance sheet, non-current liabilities (including non-current provisions) decreased slightly by a small margin to EUR 20.9 million (prior year: EUR 21.8 million). The reported value of pension provisions decreased to EUR 13.3 million (prior year: EUR 14.0 million) on the basis of an adjustment (downward) of the "Ruhegeldordnung" pension scheme. Non-current financial liabilities decreased to EUR 4.6 million (prior year: EUR 5.8 million) due to the scheduled repayment of bank loans. Deferred tax assets increased to EUR 1.9 million (prior year: EUR 1.1 million) mainly due to higher deferred taxes in connection with the accounting of long-term construction contracts pursuant to IAS 11. Other non-current provisions rose mainly as a result of planned additions to long-term remuneration components.

Current liabilities increased to EUR 29.4 million (prior year: EUR 28.4 million). Current financial assets declined by EUR 1.4 million to EUR 5.3 million (prior year: EUR 6.7 million) due to planned repayments and the early repayment of real estate loans with higher interest rates at the Jena site. Advance payments on orders fell slightly to EUR 12.7 million (prior year: EUR 12.9 million). It should be noted that only 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. Otherwise they are netted against construction contracts and reported under coming receivables on construction contracts (asset) or under obligations on construction orders (liability).

Trade payables and accrued liabilities rose to EUR 3.2 million (prior year: EUR 1.6 million) and EUR 5.0 million (prior year: EUR 4.1 million), respectively, on account of the increase in orders and the resulting rise in the order volume. Other current liabilities and tax provisions decreased slightly to EUR 1.0 million (prior year: EUR 1.3 million) and EUR 0.04 million (prior year: EUR 0.2 million), respectively.

Shareholders' equity decreased to EUR 37.9 million (prior year: EUR 38.8 million) as a result of the net loss for the period of EUR 1.4 million (prior year: net loss for the period of EUR 10.0 million) and due to minor currency translation effects of EUR 0.4 million and changes in the value of pension provisions recorded directly in shareholders' equity at EUR 0.2 million. Together with lower total assets, the equity ratio decreased from 43.6% in the prior year to 43.0%.

## EMPLOYEES

The Group had 361 employees on the balance sheet date (previous year: 391 employees). The number of employees has already dropped significantly as against December 31, 2014 due to measures implemented at the end of 2014 to reduce personnel costs and as a result of natural turnover. The number of employees in the Industrial Systems division fell from 231 (as of December 31, 2014) to 173. Compared to the number of employees as of December 31, 2014 of 160, the number of employees in the Semiconductor Systems division is unchanged at 160 (December 31, 2015). From a regional perspective, the largest share of employees by far is in Germany at 316 (previous year: 346). There were 27 employees in the USA at the end of 2015 (previous year: 26), while 18 people were employed in Asia (previous year: 19). In fiscal year 2015, the number of apprentices in the PVA TePla Group amounted to nine as in the previous year. These young men and women were being trained in commercial or industrial professions.

## SUMMARY ASSESSMENT OF THE ECONOMIC DEVELOPMENT

PVA TePla can look back on a positive fiscal year which corresponded with the original forecasts. At EUR 71.5 million, sales revenues were at the previous year's level and after two years of losses, a small operating profit of EUR 0.1 million was achieved, amounting to an improvement of EUR 6.2 million compared to the results of the previous year. Cost reductions will amount to more than EUR 5.5 million in future. The gross margin improved from 19.2% to 23.3%. Breakeven sales revenues were below EUR 75 million for the first time.

Incoming orders were sharply higher in the past year. For the first time since 2011, orders exceeded EUR 100 million. Order intake is subsequently up by more than 50% year on year. Both Industrial Systems and Semiconductor

Systems are responsible for the increase. Order backlog as of December 31, 2015 was EUR 30 million higher than the previous year at almost EUR 68 million (+ 80%). This order backlog will contribute to sales revenues in the next few years.

## 3. SUPPLEMENTARY REPORT

At the end of February, PVA TePla AG resolved and announced that it would relocate its subsidiary PVA Metrology & Plasma Solutions GmbH (PVA MPS) from Kirchheim near Munich to the headquarters in Wetztenberg in fiscal year 2016. With around 40 employees, PVA MPS develops and distributes low pressure and atmospheric systems for the modification and functionalizing of surfaces to customers worldwide. Pooling resources and the use of synergies are at the forefront of this decision. This measure would bring the breakeven sales revenues of PVA TePla Group to less than EUR 70 million in future. In 2016, expenses of approx. EUR 1.2 million are anticipated in connection with the relocation.

## 4. RISK, OPPORTUNITIES AND FORECAST REPORT

### Risk and Opportunities Report

The divisions of the PVA TePla Group are exposed to an array of risks that are inextricably linked to corporate activities. Risk is understood to be the possibility of events or activities jeopardizing the ability of the Group or one of its divisions to reach its targets. At the same time, it is also important for the PVA TePla Group to identify opportunities for the company, take advantage of these opportunities and reinforce the Group's competitive position. Risks and opportunities are not offset against one another. Risks and opportunities are presented as follows.

#### Assessment of probability of occurrence / Potential scale

Level		Probability of occurrence	
Improbable	0% <	Probability of occurrence	≤ 20%
Possible	20% <	Probability of occurrence	≤ 70%
Probable	70% <	Probability of occurrence	≤ 100%

Level		Potential scale	
Low	EUR 0 <	Scale	< EUR 500 thousand
Moderate	EUR 500 thousand ≤	Scale	< EUR 1.000 thousand
High		Scale	≥ EUR 1.000 thousand

Risks are assessed on the basis of probability of occurrence as either improbable, possible or probable, as well as in terms of the potential scale of the risk. The valuation of the potential scale refers to the operating result (EBIT) of the PVA TePla Group.

#### RISK AND OPPORTUNITIES STRATEGY

The risk and opportunity strategy is embedded in the corporate strategy and is designed to secure the continuation of the Company as a going concern and guarantee its further development. The resulting strategy assesses the risk and opportunities of business activities. In the core activities of the Company/the Group, we make a conscious decision to enter into limited and containable risks, if they make appropriate compensation likely or are inevitable. In some cases, we allocate the risks to other parties. This mainly includes concluding suitable insurance policies. This process is conducted in close cooperation with an experienced and specialized insurance broker. It is regularly reviewed for efficiency and optimized where necessary.

Other risks, which are not related to core and support processes, are avoided as far as possible. A "Risk Manual" has been made available to the members of the Management Board and employees, which includes instructions on processes and a catalog of measures to safeguard appropriate and sustainable risk management. The manual details the concrete processes involved in risk management. It aims at the completeness of all risk-related activities and measures, i.e. the identification, assessment, controlling, reporting and monitoring of risks. Based on defined risk categories, risks at divisions, operating units as well as central units are identified and assessed according to their likelihood and potential damage.

#### RISK MANAGEMENT

Due to the organizational structure, risk management is carried out locally in the PVA TePla AG, in the subsidiaries and business processes. The Management Board members and Managing Directors, 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 Management 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 Management Board and Supervisory Board. In addition to regular reporting, a reporting system has been installed within the Group to immediately report the occurrence of unexpected risks. The system also includes an annual risk inventory, in which all of the risks relevant to the Group are reported and their relevance and possible effects assessed. Measures to reduce identified risk are defined and their implementation monitored.

The risk management system enables the Management Board to identify material risks at an early stage and to implement countermeasures. The key features of the risk management system described above are applied throughout the Group. As far as processes in financial disclosure are concerned, this means that identified risks are reviewed and assessed for their potential impact on disclosures in the respective financial reports. The idea is to provide important information at an early stage about potential changes in the fair value of assets and liabilities, possible impairments and important information to assess the necessity of forming and reversing provisions.

The adequacy and efficiency of the risk management system is reviewed on a regular basis at Management Board level and adjusted where necessary.

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

## INTERNAL CONTROL 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 and to ensure compliance with internal rules as well as legal regulations and the Articles of Association. We assure the adequate separation of functions and have also implemented appropriate spans of control. Furthermore, we make sure that responsibilities do not overlap and that tasks, expertise and responsibilities are pooled. We have also integrated controls into the work-flows. 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. The internal audit department is responsible for reviewing the functioning and effectiveness of the internal control system. In order to conduct the audit, the internal audit department has comprehensive information and review rights.

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. The central accounting system is connected with the ERP system through numerous interfaces.

The consolidation of the financial statements is completed in cooperation with an external service provider with suitable qualifications (financial auditor). The entire process is controlled and verified by the central Group Accounting and Controlling department. Here the data is also verified with regard to form and content. All of the employees involved in the process receive training at regular intervals. The parts of the internal control system relevant to financial reporting are reviewed in terms of effectiveness by the auditor as part of a risk-oriented approach.

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

## DESCRIPTION OF RISKS AND OPPORTUNITIES

The PVA TePla Group differentiates between business opportunities and risks, operational and financial opportunities and risks. These constitute the pivotal areas for the Group. Opportunities and risks do not exist to the same extent in all subsegments.

### Business opportunities and risks

#### Market Risks

The key risk in the markets in which PVA TePla operates is the fluctuation in customers' investment activity, the global economy and political developments. Statements regarding future developments of individual markets or decisions relating to economic policy in emerging markets cannot be made with sufficient accuracy.

The semiconductor business, a key sector for the Group, is highly cyclical in nature. Although the semiconductor industry in recent decades has enjoyed average annual growth rates well above those of most so-called old economy industries, this average includes periods of both robust

growth and recession. Investment activity in the semiconductor industry fell sharply between 2011 and 2013, before recording major growth rates in 2014 and early 2015. Investments in new wafer capacities, an essential market segment for PVA TePla, almost ground to a halt in the past year, before experiencing significant recovery in the previous fiscal year in the area of 300mm technology.

The solar market has been characterized by high overcapacities in the last few years, a phenomenon which is primarily attributable to Chinese suppliers. After years of exceptional growth, the solar market and its supplier industry have been hard hit. In response, PVA TePla has closed down production capacities in Denmark in 2013 and 2014 and reduced staff numbers at all locations as a result of the market downturn. The residual carrying values of remaining solar systems on stock were depreciated to their realizable value.

In the Industrial Systems division, the focus of business is on sintering hard metals, with a high percentage in China. Considerably higher volatility has been registered in this business unit since 2012.

#### Market Opportunities

In markets such as hard metal manufacturing, the semiconductor industry and photovoltaics, PVA TePla provides process technologies that will remain a firm part of each respective value chain in the future. In the area of heat treatment furnaces, new user markets could be opened up through the development of heat treatment systems, with PVA TePla currently building the largest system in Europe. Examples of these new markets, in which this type of system could be used, include the aviation industry or the tool industry. In the semiconductor industry, for example, these process technologies could include systems for growing high-purity silicon crystals or silicon carbide crystals for high performance electronics, or analytical systems for non-destructive quality control in LED or MEMS production. Demand for plasma and analysis systems is correlated with trends in semiconductor markets (e.g. MEMS, LED, OLED/ PLED, IGBT). Further growth for these products of PVA TePla is expected due to the anticipated growth in the semiconductor market in the medium term and new applications for plasma systems in the semiconductor/life science/industrial sectors. The semiconductor market will see

stronger growth in the medium term, driven by the acceleration in connectivity of devices in industry and the private sector (i.e. "Internet of Things, Industry 4.0"). The budget for 2016 includes moderate estimates in relation to sales revenues from new and further developments with small unit sales forecast. This was due to attempts to reduce the reliance on systems with a short product lifecycle that is difficult to forecast. No opportunities from major orders in the semiconductor market were taken into consideration in the budget.

Considerable overcapacity in the solar market and significant declines in sales prices across the entire supply chain of the solar industry resulted from significant investments to expand capacity, particularly by Chinese companies. There is also a wide range of further important growth markets for the solar industry: North America, Japan, India, Australia, Morocco, the MENA region (Middle East and North Africa), as well as South Africa and South America. Opportunities also exist in markets where production capacities are set to expand because of economic policy considerations and own technologies. However, these opportunities are often accompanied with problems in financing the announced projects. It is highly likely that a system technology will prevail that guarantees maximum efficiency and optimal cost of ownership. Given that PVA TePla can provide such systems, medium to long-term market prospects are cautiously optimistic, even given the difficult photovoltaics market at present. According to independent research institutes, existing production capacities are set to align again with demand for solar modules over the course of the fiscal year. This also opens up opportunities of new, larger system orders for PVA TePla. However, as a precaution no major new orders or sales of warehousing facilities have been considered as part of the budget.

### **Economic Risks**

Analysts forecast global GDP growth of 3.3% in 2016. However, the overall economy remains highly uncertain despite this positive outlook. The debt crisis in the established industrialized countries continues to fester and may prove detrimental to the economies of the emerging markets, a key market for the PVA TePla Group. Weakening growth rates in emerging markets, particularly in China, are evidence of this problem. The Chinese market is extremely important to PVA TePla, especially in the area of vacuum systems. The slowdown of economic development in China over the past few years and of the correlation between products manufactured using PVA TePla systems and the expansion of infrastructures means that there is a chance of investment restraint. The sanctions imposed on Russia by the West concern a market that is of interest to the PVA TePla Group, not least because Russian customers have recently showed a desire to expand and widen the country's technological basis.

These market and economic risks are reduced by diversifying the range of products and services across different sectors including semiconductors, photovoltaic, tool making and hard metal technology, the production of high-quality metals and ceramics, the automotive and aerospace industries, and the electrical and electronic engineering sectors. The effects of cyclical, foreseeable fluctuations in market volume are primarily offset by increasing or decreasing outsourcing levels, although unexpectedly high demand can give rise to production bottlenecks. The strategy of maintaining a relatively low level of vertical integration allows rapid response in this regard. The PVA TePla Group also provides high-quality contract processing work such as plasma treatment, high-vacuum brazing and heat treatment of components in which greater customer demand has historically been seen in times of generally restrained capital

expenditure. In fiscal years 2013 and 2014, PVA TePla was unable to strike a balance within the scope of this diversification and synergy strategy that kept the Group profitable on account of the strong degree of parallel development in the sales markets' cycles. As a result, extensive consolidation measures were introduced affecting locations and employee numbers. A sustained shortfall in terms of expected orders, particularly those from China, and the further lack of compensatory opportunities would open up the risk of further consolidation measures becoming necessary.

### Risks from Technological Developments

The risk of losing orders due to a new, unexpected technology appearing on the market (horizontal entry) is monitored worldwide and assessed by continuous observation of the latest research and development and published studies specific to the various sectors, and by maintaining dialog with key customers and research institutes. In addition to ongoing development activities, technological product optimization is further supported by, among other things, an in-house laboratory as well as the operation of in-house service centers in which materials are processed for customers. Here, the Company's development department stays abreast of the latest material quality requirements of customers. The technical complexity of our products and rapid technological advances pose research and development-related risks. Medium and long-term success is dependent on developing marketable products and generating sufficient revenues within appropriate time frames in order to provide adequate cash flow for the Group's internal financing. The technical complexity of our products and

the standards demanded by our customers may also give rise to risks that can generate increased warranty-related expenditures.

### Opportunities from Technological Developments

As a supplier of technologies for the production and processing of materials, parts and components for high-tech industries, where vacuum and high temperature play a key role for production, new areas of application for materials produced using our systems may result in additional demand. Moreover, new requirements for materials, requiring new types of systems from our areas of expertise may arise. In view of climate change, energy savings to slow down the pace of global warming are a priority. New materials which lead to a considerable longer service life of devices and structures especially contribute to energy savings. New materials for lightweight constructions also improve energy efficiency. This will significantly improve the opportunities for our systems technology in the development and production of materials to be developed around the world.

### Risks from Trade Barriers

As an international Group with a high share of export business, PVA TePla is essentially susceptible to trade barriers or sanctions. Current geopolitical developments mean that the trend is going towards tighter sanctions. This concerns Russia in particular. PVA Tepla continually reviews the need for export licenses and, in the case of high-risk orders, hedges the political risk through capital goods credit insurances. A susceptibility to trade barriers will always remain, as contracts with insurance companies are only a limited option when political risks escalate.

Risk category	Probability of occurrence	Scale	Category of opportunity	Scale
Market risks	Possible	High	Market opportunities	High
Global economic risks	Probable	Moderate		
China economic risks	Possible	High		
Risks from technological developments	Possible	High	Opportunities from technological developments	High
Risks from trade barriers	Possible	High		

## Operating Opportunities and Risks

### Risks from Suppliers

The probability of being affected by supplier capacity bottlenecks has decreased due to economic growth forecasts. Commodity prices (such as for stainless steel and copper) are trending downward, too. The risk of delivery delays and non-delivery is countered by identifying and prescreening additional suppliers in combination with close monitoring of existing suppliers. Dependence on individual suppliers cannot be ruled out, but is largely limited by having multiple qualified suppliers for key components wherever possible, and diversifying deliveries among them. The risk of supplier failure (e.g. as a result of insolvency) is substantially reduced by considering the supplier's economic situation and the systematic selection and evaluation of alternative suppliers. Care is taken to ensure that all major suppliers have adequate quality management systems and third-party liability insurance coverage in place.

### Risks and Opportunities from Investments and M&A

Since January 1, 2015, the entire operating business of PVA TePla has been transferred to subsidiaries. Besides the considerably more flexible and market- and customer-centric structures of the subsidiaries, using synergies and pooling capacities is of paramount importance. Negative economic developments can endanger anticipated sales revenues and earnings targets at individual subsidiaries under certain circumstances. Resulting adjustments cannot always be offset by pooling and can lead to a reduction in production and personnel capacities at individual subsidiaries or locations. All subsidiaries are subject to a continuous monitoring process in order to give prompt support to these investments and to ensure that their profitability is guaranteed. The difficult market environment at the current time is causing many manufacturers of heat treatment systems to consolidate. PVA TePla will also scrutinize potential acquisition targets around the world. As a rule, acquisitions are only targeted in the case of companies that can usefully complement the PVA TePla Group either in terms of technology or in terms of market development and can contribute to the pooling of resources.

### Personnel risks

The success of the PVA TePla Group primarily depends on its employees and their expertise. However, competition for skilled employees and managers in the industries and regions in which PVA TePla operates is intense. The Group's future success therefore largely depends on its ability to hire, integrate and retain qualified personnel. Demographic developments are forcing the Company to deal with an aging workforce and securing a young generation of qualified specialists and managers. Should the personnel risk materialize, it is expected to impact the business activities and also the results of the PVA TePla Group depending on the extent of the bottlenecks in personnel.

### Risks in Connection with Information Technology

The risk of IT equipment failures and the threat posed by software viruses and other malware (such as so-called Trojans) are reduced through regular and appropriate backups, adopting suitable protective measures against external influences (e.g. constantly updated virus protection systems and firewalls) and maintaining suitable access control systems and password changes. In view of the increased threat of cybercrime and attacks by hackers, the probability of occurrence was lifted and additional precautions were implemented such as additional training for employees and mail filters. Despite all precautions, IT problems and the related negative impact on business processes cannot be completely ruled out.

### Natural Hazards and Environmental Risks

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

### Risks from Legal Disputes

PVA TePla AG and its subsidiaries are involved in two legal proceedings.

Legal action has been taken against the PVA TePla America Inc. subsidiary due to alleged deficiencies relating to a plasma system. The system was not delivered to the Turkish claimant, but to a US customer who leased it to the claimant. The compensation sum has not yet been settled. The proceedings are in an early stage, and according to the local attorneys, no statement can be made on the outcome as yet. PVA TePla assumes that there is neither case for third-party liability nor that the end customer could have sustained any major disadvantages due to property damage.

PVA TePla AG is charged by the insolvency administrator of a US polysilicon producer for repayment of the purchase price for systems paid in fiscal years 2010 and 2011 for the delivery of crystal growing systems. The crystal growing systems were ordered by an operating Group company and also delivered to this company. The purchase price was paid by the US parent company of the insolvent group responsible for the entire group financing. The claimant only represents the paying group parent company and argues that the insolvent company has not received any consideration since 2013 and that insolvency should have been recognized in 2011. Repayment claims were filed by the insolvency administrator against more than one hundred suppliers.

PVA TePla rates the likelihood of losing the lawsuit as low. Appropriate reserves have been made for the trial costs. As there is a great deal of uncertainty surrounding these proceedings, there is a limited risk that provisions formed for legal disputes prove to be insufficient once the final ruling is made. As a result, additional expenses may arise which – even if all lawsuits are lost – do not represent a risk as a going concern while utilizing existing credit lines.

Risk category	Probability of occurrence	Scale
Risks from suppliers	Possible	High
Risks from investments and M&A	Possible	High
Risks in connection with information technology	Possible	High
Natural hazards and environmental risks	Improbable	High
Legal disputes	Improbable	High
Personnel risks	Possible	High

## Financial Opportunities and Risks

### Liquidity risks and risks from failing to meet loan commitments

Due to the conclusion of a syndicated loan agreement for a mixed line of EUR 7.5 million (cash and guarantee line) and EUR 27.5 million in guarantee lines as well as an option to increase these lines by EUR 20 million with a term of 36 months, PVA TePla AG has a new and stable financing structure. PVA TePla also has a long-term credit line related to investment property of EUR 4.67 million which can be utilized for operating funds at any time. The Group has sufficient credit lines for financing operations, including the expansion of business volume, and sufficient guarantee lines for providing advance payment guarantees to customers.

The syndicated loan agreement defines financial covenants for compliance with specific financial indicators. In the event that targets are missed, there is the risk of a financial covenants breach which could lead to the extraordinary right of termination for the lender. Even though there are no indications at the current time of negative deviations from the target and potential financial covenant breaches, there remains a residual risk that, in the event of failing to meet the targets, the credit lines and guaranteed lines could be significantly reduced or completely terminated. Given that the Group has financing alternatives even in this scenario, the Management Board does not believe from today's perspective that the PVA TePla Group is at risk of short- or medium-term insolvency.

### Risks and Opportunities from Changes in Exchange Rates

Despite hedging of exchange rate risks in individual transactions, there is a risk that the EUR/USD exchange rate in particular may move unfavorably, eroding our competitive position in this currency zone and exerting pricing pressure. In principle, the risk of currency volatility is addressed by having local production and increasing the level of purchasing within the respective currency zone if required.

No hedging measures are taken in the Group in relation to changes in valuation relating to the conversion of net assets at foreign Group companies outside of the Eurozone and their income and expenses.

The tendency towards a “weaker” Euro compared to the US dollar observed over the past few months is strengthening our position against competitors in the Dollar currency zone.

#### **Risks from Tax Issues**

Because of the volume of major orders from abroad, the complexity of the related tax issues has increased. These include particular the topics transfer pricing and business between the companies of the PVA TePla Group and VAT, especially on services and tax arrangements for employees who are sent abroad. We address these issues in close cooperation with our tax advisors and have not identified any material risks in this area. There are, however, increasing expenses with respect to these consultations, the internal administration and the implementation of regulations with the associated registrations.

#### **Risk Reporting on the Use of Financial Instruments**

Financial instruments arise as part of PVA TePla’s core business activities (e.g. trade receivables and payables). Financial instruments are employed to finance business activities (e.g. loans from banks) or they arise from business activities (e.g. investment of excess current liquidity). In addition, derivative financial instruments are utilized to eliminate or limit risks from operating activities (e.g. exchange rate risks) or from financing (e.g. interest rate risks). Financial instruments are not used in isolation without connection to actual business activities. Opportunities and risks in connection with the respective relevant financial instrument categories are presented below (for further information see note 28 of the Group notes):

##### **Trade Receivables:**

Liquidity and credit risks involved in financing business operations are reduced, in the case of major orders, by means of customer/supplier financing. A contractual installment payment schedule is negotiated in most cases, starting at an average of 30% minimum due upon receipt of the order for a single system. Collateral arrangements (e.g. letters of credit) are also frequently required to protect against default on receivables, in combination with intensive receivables monitoring.

In contrast, the Group itself only has to make advance payments to a few suppliers. In addition, the Group optimizes its external cash flow requirements through rolling cash flow forecasts for Group companies and short-term intra-Group loans.

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

##### **Other Receivables:**

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

##### **Payments in Advance:**

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

##### **Financial Liabilities:**

- » This item primarily includes bank loans to finance investments.
- » These loans are all either agreed at fixed interest rates for the entire term or hedged accordingly in the case of loans with variable nominal interest rates, effectively rendering them synthetic fixed interest rate loans.
- » Effective March 3, 2014, two fixed-interest real estate loans, which were secured by charges and land, for a new building in Wettenberg for a total of EUR 5,684 thousand were terminated and combined into a new loan of EUR 6,000 thousand with a term until December 2022. The new loan has already been synchronized with existing interest hedges of EUR 6,000 thousand.
- » As market interest rates at the balance sheet date were once again lower than the interest rates underlying the aforementioned hedging transactions, a provision for other liabilities was necessary totaling EUR 790 thousand (prior year: EUR 974 thousand) in the consolidated financial statements and a provision for impending losses totaling EUR 683 thousand (prior year: EUR 780 thousand) was necessary in the single-entity financial statements of PVA TePla AG.
- » A previously unutilized long-term loan to finance the buildings at the Wettenberg location was utilized for financing short-term working capital. This loan with a variable nominal interest rate and no underlying interest rate hedge offers a low market risk from changes to corresponding market interest rates.

- » Due to the extremely low interest rates environment at the moment and a no anticipated rise in market rates in the medium term, no interest hedge has been concluded yet for this loan.

#### Trade Payables:

- » There are short-term items invoiced almost exclusively denominated in Euros. Hence there is no relevant market or credit risk.

#### Other Liabilities:

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

#### Exchange Rate Hedging:

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

#### Interest Rate Hedging:

- » Some of the loans to finance new facilities were concluded at variable nominal interest rates and the interest rate was hedged, effectively making these synthetic fixed interest rate loans.

- » For more details concerning risks arising from these financial instruments, please refer to the information above on financial liabilities.

Risk category	Probability of occurrence	Scale
Risks from changes in exchange rates	Improbable	Low
Risks from tax issues	Improbable	Low
Risks from financial liabilities	Improbable	Moderate
Risks from trade payables	Improbable	Low
Liquidity risks	Improbable	High
Risks from financial covenants breaches	Improbable	High

#### GENERAL STATEMENT BY THE MANAGEMENT BOARD

The Management Board of PVA TePla AG is responsible for the risk management of the Group and assesses the Group's risks and opportunities. Their conclusions are summarized as follows.

#### Summary

The Group's risk profile shifted in fiscal year 2015 compared to fiscal year 2014. The main risks stem from the market developments mentioned above, the related reticence of our customers to invest, technological developments, the supplier risk and risks from trade barriers. Restructuring measures have been implemented to counteract this development which in the past has been characterized by increased volatility in incoming orders in both divisions. The completed personnel reduction and site consolidation programs will lead to lower breakeven sales revenues in future. Additional steps were initiated with the resolution to relocate the operations of PVA MPS at the beginning of 2016 in order to reduce the breakeven point. The Company will also continue to work on increasing its sales activities in markets, which will become more attractive in future. Personnel risks, IT security risks, risks from legal disputes and the risks from credit covenant breaches were added to the risk profile. Risks potentially jeopardizing the

continued existence of the Company and the Group as a going concern are monitored by means of suitable countermeasures. We consider all other risks to only have low residual risks on account of their low likelihood, their low potential damage or countermeasures that have been taken. The opportunities presented in this report constitute both untapped potential for PVA TePla but also significant challenges. The fundamentally flexible production structure means that PVA TePla Group companies are well equipped to capitalize on any opportunities that may arise.

### Forecast Report

The forecast report describes the expected business development of the PVA TePla Group in fiscal year 2016. The statements in this chapter were made on the basis of the current Group portfolio and customers' portfolios and the above-mentioned assumptions on future macroeconomic and industry developments. The actual results may, as is often the case in the project business, deviate substantially from the forecast development if the underlying assumptions later prove to be incorrect.

In the Industrial Systems and Semiconductor Systems divisions, sales revenues in the region of EUR 40-45 million each are expected in financial year 2016.

Based on the development of the gross margin in 2015 and the lower breakeven sales revenues, the gross margin is expected to be around 24% in 2015.

In view of the order backlog of EUR 67.8 million as at December 31, 2015 and the fact that the orders received in the first half of 2016 may already be recognized in sales

revenues and the result, the Management Board of PVA TePla forecasts consolidated sales revenues of between EUR 80 million and EUR 90 million, EBITDA between EUR 4 million and EUR 6 million and an operating result (EBIT) of between EUR 2 million and EUR 4 million.

Wettenberg, March 18, 2016

PVA TePla AG  
Management Board



Peter Abel  
Chairman/CEO



Oliver Höfer  
Chief Operating Officer/COO



Henning Döring  
Chief Financial Officer/CFO





## GROUP FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET	38	C. Notes on individual income statement items	61
CONSOLIDATED INCOME STATEMENT	40	D. Notes on the cash flow statement and on capital management	64
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	41	E. Additional disclosures	65
CONSOLIDATED CASH FLOW STATEMENT	42	CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS	76
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	43	RESPONSIBILITY STATEMENT	80
GROUP NOTES	44	AUDITOR'S REPORT	81
A. General information and basis of presentation	44		
B. Notes on individual balance sheet items	53		

# Group Financial Statements

## CONSOLIDATED BALANCE SHEET

<b>ASSETS</b> EUR'000	Notes	<b>Dec. 31, 2015</b>	Dec. 31, 2014
<b>Non-current assets</b>			
<b>Intangible assets</b>	(4)	<b>8,812</b>	<b>8,724</b>
Goodwill		7,808	7,808
Intangible assets under development		179	0
Other intangible assets		775	886
Payments in advance		50	30
<b>Property, plant and equipment</b>	(5)	<b>30,802</b>	<b>29,756</b>
Land, property rights and buildings, including buildings on third party land		24,716	25,722
Plant and machinery		3,558	2,560
Other plant and equipment, fixtures and fittings		1,201	1,373
Advance payments and assets under construction		1,327	101
<b>Investment property</b>	(6)	<b>0</b>	<b>367</b>
<b>Non-current investments</b>	(7)	<b>10</b>	<b>9</b>
<b>Deferred tax assets</b>	(12)	<b>4,184</b>	<b>4,333</b>
<b>Total non-current assets</b>		<b>43,808</b>	<b>43,189</b>
<b>Current assets</b>			
<b>Inventories</b>	(8)	<b>18,361</b>	<b>21,370</b>
Raw materials and operating supplies		8,196	6,891
Work in progress		8,685	11,877
Finished products and goods		1,480	2,602
<b>Coming receivables on construction contracts</b>	(9)	<b>7,821</b>	<b>7,490</b>
<b>Trade and other receivables</b>	(10)	<b>11,794</b>	<b>10,977</b>
Trade receivables		8,926	7,692
Payments in advance		1,443	1,412
Other receivables		1,425	1,873
<b>Tax repayments</b>		<b>3</b>	<b>286</b>
<b>Cash</b>	(11)	<b>6,492</b>	<b>5,725</b>
<b>Total current assets</b>		<b>44,471</b>	<b>45,848</b>
<b>Total</b>		<b>88,279</b>	<b>89,037</b>

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

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> EUR'000	Notes	<b>Dec. 31, 2015</b>	Dec. 31, 2014
<b>Shareholders' equity</b>	(13)		
Share capital		21,750	21,750
Revenue reserves		19,349	20,799
Other reserves		-3,074	-3,649
Minority interest		-84	-85
<b>Total shareholders' equity</b>		<b>37,941</b>	<b>38,815</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	(15)	4,556	5,847
Other non-current liabilities		812	755
Retirement pension provisions	(16)	13,327	13,975
Deferred tax liabilities	(24)	1,914	1,067
Other non-current provisions	(17)	292	168
<b>Total non-current liabilities</b>		<b>20,901</b>	<b>21,812</b>
<b>Current liabilities</b>			
Short-term financial liabilities	(18)	5,313	6,739
Trade payables		3,165	1,563
Obligations on construction contracts	(19)	516	41
Advance payments received on orders	(20)	12,706	12,926
Accruals	(21)	5,037	4,074
Other short-time liabilities		999	1,279
Provisions for taxes		35	190
Other short-term provisions	(17)	1,666	1,598
<b>Total current liabilities</b>		<b>29,437</b>	<b>28,410</b>
<b>Total</b>		<b>88,279</b>	<b>89,037</b>

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

## CONSOLIDATED INCOME STATEMENT

EUR'000	Notes	Jan. 1 - Dec. 31, 2015	Jan. 1 - Dec. 31, 2014
<b>Sales revenues</b>	(22)	<b>71,543</b>	<b>71,880</b>
Cost of sales		-54,844	-58,056
<b>Gross profit</b>		<b>16,699</b>	<b>13,824</b>
Selling and distributing expenses		-8,101	-8,074
General administrative expenses		-5,818	-7,098
Research and development expenses	(23)	-3,236	-2,026
Other operating income		2,400	2,671
Other operating expenses		-1,849	-5,602
<b>Operating result (EBIT)</b>		<b>95</b>	<b>-6,305</b>
Finance revenues		227	3
Finance costs		-880	-1,145
<b>Financial result and share of profits from associates</b>		<b>-653</b>	<b>-1,142</b>
<b>Net result before tax</b>		<b>-558</b>	<b>-7,447</b>
Income taxes	(24)	-891	-2,527
<b>Consolidated net result for the year</b>		<b>-1,449</b>	<b>-9,974</b>
<b>of which attributable to</b>			
Shareholders of PVA TePla AG		-1,450	-9,972
Minority interest		1	-2
<b>Consolidated net result for the year</b>		<b>-1,449</b>	<b>-9,974</b>
<b>Earnings per share</b>			
Earnings per share (basic) in EUR	(25)	-0.07	-0.46
Earnings per share (diluted) in EUR		-0.07	-0.46
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

EUR'000	Jan. 1 - Dec. 31, 2015	Jan. 1 - Dec. 31, 2014
<b>Consolidated net result for the year</b>	<b>-1,449</b>	<b>-9,974</b>
of which attributable to shareholders of PVA TePla AG	-1,450	-9,972
of which attributable to minority interest	1	-2
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit or loss</b>		
Currency changes	387	258
Income taxes	-5	-72
<b>Changes recognized outside profit or loss (currency changes)</b>	<b>382</b>	<b>186</b>
Changes in fair values of derivative financial instruments	2	6
Income taxes	-1	-2
<b>Changes recognized outside profit or loss (derivative financial instruments)</b>	<b>1</b>	<b>4</b>
<b>Total of items that may be reclassified to profit or loss</b>	<b>383</b>	<b>190</b>
<b>Items that will never reclassified to profit or loss</b>		
Changes in pension provisions	270	-2,371
Income taxes	-78	663
<b>Changes recognized outside profit or loss (pension provisions)</b>	<b>192</b>	<b>-1,708</b>
<b>Total of items that will never reclassified to profit or loss</b>	<b>192</b>	<b>-1,708</b>
<b>Other comprehensive income after taxes (changes recognized outside profit or loss)</b>	<b>575</b>	<b>-1,518</b>
of which attributable to shareholders of PVA TePla AG	575	-1,518
of which attributable to minority interest	0	0
<b>Total comprehensive income</b>	<b>-874</b>	<b>-11,492</b>
of which attributable to shareholders of PVA TePla AG	-875	-11,490
of which attributable to minority interest	1	-2

## CONSOLIDATED CASH FLOW STATEMENT

EUR'000	Jan. 1 - Dec. 31, 2015	Jan. 1 - Dec. 31, 2014
Consolidated net result for the year	-1,449	-9,974
<b>Adjustments to the consolidated net result for the year for reconciliation to the cash flow operating activities:</b>		
+ Income taxes	891	2,527
- Finance revenues	-227	-3
+ Finance costs	880	1,145
<b>= Operating result</b>	<b>95</b>	<b>-6,305</b>
+/- Income tax payments	315	-319
+ Amortization and depreciation	2,346	2,242
+/- Gains/losses on disposals of non-current assets	-68	5
+/- Other non-cash expenses/income	-121	653
	<b>2,567</b>	<b>-3,724</b>
+/- Increase/decrease in inventories, trade receivables and other assets	755	-825
+/- Increase/decrease in provisions	-548	-1,121
+/- Increase/decrease in trade payables and other liabilities	2,674	1,181
<b>= Cash flow from operating activities</b>	<b>5,448</b>	<b>-4,489</b>
+ Proceeds from disposals of intangible assets and property, plant and equipment	450	32
- Payment of intangible assets and property, plant and equipment	-2,076	-918
+ Interest receipts	44	3
<b>= Cash flow from investing activities</b>	<b>-1,582</b>	<b>-883</b>
+ Proceeds from issuing bonds and the raising of loans	0	316
- Payments from redumption of debt and loans	-6,890	-1,354
+/- Change in short-term bank liabilities	4,164	5,777
- Payment of interest	-524	-441
<b>= Cash flow from financing activities</b>	<b>-3,250</b>	<b>4,298</b>
Net change in cash	616	-1,074
+/- Effect of exchange rate fluctuations on cash	151	232
+ Cash at the beginning of the period	5,725	6,566
<b>= Cash at the end of the period</b>	<b>6,492</b>	<b>5,725</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR'000	Shared issues		Revenue reserves	Other equity components	Pension provisions	Total	Minority interest	Total shareholders' interest
	Number							
As at January 1, 2014	21,749,988	21,750	30,771	-366	-1,765	50,390	-83	50,307
Total income			-9,972	188	-1,706	-11,490	-2	-11,492
Dividend			0	0	0	0	0	0
As at December 31, 2014	21,749,988	21,750	20,799	-178	-3,471	38,900	-85	38,815
As at January 1, 2015	21,749,988	21,750	20,799	-178	-3,471	38,900	-85	38,815
Total income			-1,450	383	192	-875	1	-874
Dividend			0	0	0	0	0	0
As at December 31, 2015	21,749,988	21,750	19,349	205	-3,279	38,024	-84	37,941

# Group Notes

## 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 (the "PVA TePla Group", "PVA TePla" or the "Group") offers its customers systems for the production and refinement of high-quality materials, which are processed for example under high temperature, vacuum and sometimes under high pressure and in plasma.

The market for these systems is related to the latest developments in material and surface technologies, for example the silicon wafer technology for microelectronics and silicon carbide wafer technology for high-performance electronics as well as wafer technology for monocrystalline or multicrystalline solar cells in the Crystal Growing Systems business area, structural material technologies for aviation and aerospace, energy technology and hard metal tools in the Industrial Systems business area, the production technologies for micro-electronic-mechanical systems (MEMS) and high brightness light emitting diodes (HB LED) as well as the technology for the fabrication of ultra-thin wafers in the Plasma Systems business area, the technology for hydrophobic coatings on electronic assemblies and on plastics in medical technology in the Coating Systems business area, the technology of non-destructive quality inspection of wafers using laser light and complex semiconductor components using scanning acoustic microscopy in the Analytical Systems business area.

High-tech materials and their surfaces will undoubtedly continue to depend on manufacturing processes under vacuum, high temperatures and in plasma in the future, and therefore on the product range and technologies of the PVA TePla Group.

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

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

The business activities of the Group are divided into two divisions: Industrial Systems and Semiconductor Systems. The Group's reporting is also organized according to this structure. In addition, Holding Costs are reported separately for the first time this year.

#### **General Principles and Accounting Standards**

As a capital market-oriented parent company domiciled in a member state of the EU from fiscal year 2005 onwards, PVA TePla has been obliged to prepare and publish its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and section 315a of the Handelsgesetzbuch (HGB German Commercial Code). The consolidated financial statements of PVA TePla for the fiscal year from January 1 to December 31, 2015 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) HGB. In accordance with section 315a HGB in conjunction with section 315 HGB, the consolidated financial statements under IFRS have been supplemented by a Group management report.

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

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

#### **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 European Commission have not been applied in advance by PVA TePla.

Standard/ interpretation		Mandatory application	Adoption by the EU Commission*	Effects
IAS 27	Equity method in single financial statements	January 1, 2016	Yes	Nothing significant
IFRS 9	Financial Instruments (amendment to IFRS 9 and IFRS 7 relating to the date of application and explanatory notes during transition and amendment to IFRS 9, IFRS 7 and IAS 39 relating to hedge accounting)	January 1, 2018	No	Additional note disclosures
IFRS 10 and IAS 28	Disposal or transfer of assets between an investor and an associated company or joint venture	Delayed	Delayed	None
IFRS 10, IFRS 12 and IAS 28	Investments in Associates	January 1, 2016	No	None
IFRS 11	Reporting of shares acquired from cooperations	January 1, 2016	Yes	None
IFRS 14	Regulatory deferral accounts	January 1, 2016	No	None
IAS 16 and IAS 38	Methods of depreciation and amortization	January 1, 2016	Yes	None
IAS 16 and IAS 41	Bearer plants	January 1, 2016	Yes	None
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	No	The application of IFRS 15 could shift the realization of sales revenue from production orders compared to current practices. After a preliminary review however, we believe that the period-specific realization of sales revenue will continue to be possible. Further investigations to assess the effects will be carried out in the coming months
IFRS 16	Leasing	January 1, 2019	Yes	The assessment of implications of the application of IFRS 16 for the consolidated financial statements is not complete
Annual improvements to the IFRS cycle 2012-2014	Amendments of IFRS 5, IFRS 7, IAS 19 and IAS 34	January 1, 2016	Yes	Nothing significant
Amend. IAS 1	Disclosure Initiative (amendments of IAS 1)	January 1, 2016	Yes	Examining the effects of the amendments of IAS 1 on the Group notes has not been completed. It is expected that the disclosures will become much more streamlined

\*As at March 2016

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. Evaluation in subsequent periods is performed in accordance with IAS 21.23.

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

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

EUR = 1	Average exchange rate		Exchange rate on the balance sheet date	
	2015	2014	Dec. 31, 2015	Dec. 31, 2014
USA (USD)	1.1096	1.3270	1.0887	1.2155
China (CNY)	6.9730	8.1566	7.0608	7.4683
Denmark (DKK)	7.4586	7.4571	7.4626	7.4460
Singapore (SGD)	1.5251	1.6815	1.5417	1.6085
Taiwan (TWD)	35.2212	40.3226	35.9345	38.6100
Japan (JPY)	137.3100	140.8451	131.0700	144.9275

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

### Estimates and Assumptions

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

In particular, this relates to allowances for bad debts, the degree of completion of customer-specific production orders, the amount and likelihood of utilization of other provisions, the measurement of goodwill and the recognition of deferred tax assets from tax loss carryforwards. Management bases its judgment of these assumptions and estimates on past experience, estimates from experts (e.g. lawyers, rating agencies and associations) and the results of carefully weighing up different scenarios. Changes in the economic situation that deviate from the assumptions applied and that lie beyond the control of management may result in the actual amounts differing from the original estimates. If the original basis of estimation changes, accounting for the respective balance sheet items will be adjusted with an effect on the income statement.

### Roundings

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

## 2. CONSOLIDATION

### Companies Included in Consolidation

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

The following companies are included in the consolidated financial statements as of December 31, 2015 on a fully consolidated basis:

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

Vakuum Anlagenbau Service GmbH, Hanau (shareholding: 100%) is not included in the consolidated financial statements. On April 25, 2003, insolvency proceedings were initiated with respect to the Company's assets. Accordingly, management control is no longer exercised by PVA TePla. The carrying amounts of the interests in the Company were written off in previous years. According to information from the liquidator on March 2, 2016, insolvency proceeding have not yet be concluded.

PVA Industrial Vacuum Systems GmbH commenced the "Vacuum Systems" business operations on January 1, 2015 with the beginning of the reorganization.

The same applies for PVA Crystal Growing Systems GmbH, which commenced the "Crystal Growing Systems" business operations on January 1, 2015 and for PVA Metrology & Plasma Solutions GmbH which commenced the "Plasma Systems" business operations on January 1, 2015.

In June of 2015 the company PlaTeG GmbH, Wettenberg, a wholly-owned subsidiary of PVA TePla AG was merged with PVA Industrial Vacuum Systems GmbH, Wettenberg retroactive to January 1, 2015.

Also in June of 2015, the company Munich Metrology GmbH, Kirchheim near Munich was merged with PVA Metrology & Plasma Solutions GmbH retroactive to January 1, 2015.

PVA TePla AG, which was home to the Vacuum Systems, Crystal Growing Systems, Plasma Systems and parts of the Measurement business units until the end of 2014, has purely a management and holding function effective on January 1, 2015. These business units were spun off in independent subsidiaries: PVA Industrial Systems GmbH, PVA Crystal Growing Systems GmbH and PVA Metrology & Plasma Solutions GmbH. In the current fiscal year, only orders for production systems in the vacuum, crystal growing and plasma business units placed before December 31, 2014 were billed by the AG (existing order backlog). Production systems are ordered directly from the subsidiaries since January 1.

An application was made to rename Munich Metrology Taiwan Ltd. as PVA Metrology & Plasma Solutions Taiwan Ltd.

No further changes have occurred since the 2014 consolidated financial statements.

### Principles of Consolidation

The financial statements of the companies included in the consolidated financial statements have been prepared in accordance with IFRS 10 (Consolidated Financial Statements) and IAS 27 (Consolidated and Separate Financial Statements) on the basis of uniform accounting and valuation principles.

The consolidation of investments in subsidiaries is carried out according to IAS 36, under which the cost of acquisition of the participating interests are offset against the fair values of the assets and liabilities acquired. Any excess of cost over fair value is recognized as goodwill and subjected to impairment testing at least once a year. If there is an excess of fair value over cost, this is recognized in income after the fair values of the assets and liabilities acquired have been reviewed. If less than 100% of the shares are acquired, the historical cost of the participating interest is offset against the proportionate fair values of the assets and liabilities acquired. Minority interests are recognized in shareholders' equity at the amount of the remaining fair values, including profits and losses attributable to them.

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

## 3. ACCOUNTING AND VALUATION PRINCIPLES

### Intangible Assets

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

The treatment of company mergers before the transition date was retained by invoking the exemption option under IFRS 1. In accordance with IFRS 1, goodwill amounts were transferred to the IFRS opening balance sheet at their carrying amounts in accordance with the previous accounting standard, providing the recognition criteria for intangible assets and contingent liabilities were met. Goodwill is not

subject to amortization but instead is tested for impairment at least once a year or whenever there are indications of impairment and, if necessary, is written down to its lower fair value.

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

Internally generated intangible assets are capitalized when IAS 38 criteria are met. After they are capitalized for the first time, the asset is carried at cost less cumulative depreciation and cumulative impairment. Capitalized development costs contain all directly attributable costs plus their share of overheads and are depreciated over their scheduled useful life. Internally generated intangible assets that are not yet complete are subject to an annual impairment test.

### 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, if appropriate, in accordance with the shorter duration of the lease. 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 conducted according to the following economic useful lives:

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

Accordingly, low-value assets with an acquisition value of less than EUR 410 are fully depreciated in the year of acquisition. All other assets with acquisition values greater than this are capitalized and depreciated over their normal useful lives.

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 IAS 36, 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, unchanged from previous year:

<b>Cash Generating Units (CGU)</b>	<b>Goodwill EUR'000</b>
PVA Industrial Vacuum Systems GmbH	50
PVA TePla Analytical Systems GmbH	4,831
PVA Crystal Growing Systems GmbH	2,734
PVA Metrology & Plasma Solutions GmbH	193
<b>Total</b>	<b>7,808</b>

PVA Industrial Vacuum Systems GmbH is treated as an independent cash-generating unit in the Industrial Systems division. The goodwill of PlaTeG GmbH was transferred to this company after its merger in the 2015 fiscal year.

Within the Semiconductor Systems division, impairment tests on goodwill are conducted in three cash-generating units. As in the previous year, this affects the subsidiary PVA TePla Analytical Systems GmbH. PVA Crystal Growing Systems GmbH is also treated as an independent cash-generating unit since 2015. The goodwill of PVA TePla AG was transferred to this company after leasing the business operations. PVA Metrology & Plasma Solutions GmbH is also treated as an independent cash-generating unit since 2015. The goodwill of Munich Metrology GmbH was transferred to this company after the merger in the 2015 fiscal year.

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

The recoverable amount of each cash-generating unit is calculated as its value in use via the discounted cash flow method. Using this method, cash flows are discounted on the basis of the adopted medium-term business plan with a planning horizon of three years and an extrapolation of this plan in line with expected market trends. Underlying these discounted cash flow calculations are forecasts for each cash-generating unit, which are based on the financial budgets approved by management and also used for internal purposes.

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

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

Necessary write-downs are identified by comparing the carrying amounts of the cash-generating units with the recoverable amounts. If the carrying amount of a cash-generating unit exceeds the recoverable amount, the carrying amount of that cash-generating unit is written down by the difference. The impairment loss will be allocated to goodwill and higher amounts will be distributed proportionately between the assets of the cash-generating unit.

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

All agreements under which the right to use an asset for a fixed period of time is transferred in exchange for payment are deemed to be leases. This also applies to agreements where the transfer of such a right is not expressly stated. Based on the risks and opportunities of leased item, an assessment is made whether the lessee (so-called finance leases) or the lessor (so-called operating leases) has the economic ownership of the leased item.

PVA TePla AG is the lessee of property, plant and equipment and lessor in connection with the leasing of its own buildings. In fiscal year 2015, 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. The net realizable value is the expected disposal proceeds less any costs which are incurred until the sale.

### 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. This item is shown separately under "Coming receivables on construction contracts."

### Receivables

Receivables are carried at their nominal amount.

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

### Cash

Cash comprises 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 other operating expenses or income. 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. If the hedge relationship is effective, the positive market value of these instruments is recognized under "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.

For ineffective hedge relationships, changes in market value are recognized in the income statement in the financial result (net finance revenue or net finance costs).

As in 2014, the negative market values of all financial derivatives in fiscal year 2015 were reported as expenses in net finance costs under other financial liabilities.

#### **Deferred Investment Grants from Public Funds**

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

#### **Presentation of Equity**

With the publication of amendments to IAS 1, new regulations regarding the presentation of other comprehensive income were introduced, which are applicable for fiscal years beginning on or after July 1, 2012.

PVA TePla AG will keep the separate presentation of income statement and the statement of comprehensive income. The presentation of other comprehensive income was changed so that individual subtotals can be shown for those that can be reused and those that cannot.

#### **Payables**

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

#### **Obligations on Construction Contracts**

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

Only partial payments that are due on the basis of the progress of each individual system, and hence that meet the scope of progress 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.

Pension obligations in Germany are calculated on the basis of the biometric 2005 G mortality tables issued by Professor Dr. Klaus Heubeck. There are no pension obligations outside Germany. Actuarial gains and losses have a direct impact on the consolidated balance sheet and are recognized in other comprehensive income.

**Accruals**

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

**Other Provisions**

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

**Deferred Taxes**

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

Due to volatility in the market environment and repeated budget deviations in the past years, the time period for determining whether loss carry-forwards can be realized was limited to three years. Provided utilization of loss carry forwards appears likely for 2016 to 2018 based on the current budget, loss carry forwards were reported in deferred tax assets. Conversely, loss carry-forwards not expected to be realized until after 2018 were not or no longer recognized. Given the limited forecast period, only loss carry forwards of EUR 6,264 thousand were regarded as recoverable and relevant write-downs were carried out. The recoverability assumption is based on a detailed three-year budget, a high level of confidence regarding sales revenues for the 2016 fiscal year due to the order backlog and the documented reduction of break-even sales revenues to less than EUR 75 million by reaching the turnaround in 2015.

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 other services and sales arrangements, such as seminars and training, as immaterial to the serviceability of the systems. Income from services and repair work is recognized when the related projects are completed.

Income from customer-specific construction contracts is generally realized in accordance with IAS 11 (Construction Contracts) on the basis of the progress of the work (percentage of completion method), as a reliable estimate of the outcome of the contract the products to be delivered, the terms of payment and the manner in which the work is to progress is clearly defined in the contracts and the fulfillment of the contractual arrangements by both the purchaser and the seller is considered to be probable. The degree of completion is determined as the ratio of the costs incurred at the balance sheet date to the estimated total costs (cost-to-cost method). Anticipated losses from long-term construction contracts are immediately expensed in full. If not all of the criteria mentioned above are met for individual orders, what is known as the zero profit margin method is applied. Accordingly income is only realized in the amount of costs that have already been incurred and are likely to be covered by corresponding proceeds. During the production period, sales revenues are only realized in the amount of the order costs and therefore without a profit component. Billing for contracts that are not for job-order manufacturing 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 partially 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 usually expensed in the period in which they are incurred.

Renowned research and development institutions work with PVA TePla to a minor extent under cooperation agreements (service contracts). Provided adequate indication as to the usability of the development results is available and the other IAS 38 conditions are met, internally generated intangible assets are capitalized.

#### Interest

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

#### Other Financial Obligations

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

## B. NOTES ON INDIVIDUAL BALANCE SHEET ITEMS

### 4. INTANGIBLE ASSETS

Changes in intangible assets in the year under review and in the previous year are shown in the consolidated statements of changes in fixed assets for 2015 and 2014, which are attached as an appendix.

The carrying amounts of intangible assets are composed as follows:

EUR'000	Dec. 31, 2015	Dec. 31, 2014
<b>Intangible assets</b>		
Goodwill	7,808	7,808
Intangible assets under development	179	0
Other intangible assets	775	886
Payments in advance	50	30
<b>Total</b>	<b>8,812</b>	<b>8,724</b>

Goodwill is allocated to cash-generating units as follows:

Cash Generating Units (CGU)	Goodwill EUR'000
PVA Industrial Vacuum Systems GmbH	50
PVA TePla Analytical Systems GmbH	4,831
PVA Crystal Growing Systems GmbH	2,734
PVA Metrology & Plasma Solutions GmbH	193
<b>Total</b>	<b>7,808</b>

In the course of impairment testing, the recoverable amount for each cash-generating unit was determined based on the value in use. A segment-specific cost of capital was calculated to discount the expected cash flows in determining the value in use. The cost of capital in the 2015 fiscal year is 10.43% and 11.66% for the Industrial Systems and Semiconductor Systems divisions (discount rate in the previous year 10.44% and 11.01%).

The underlying assumptions of key planning indicators (such as sales revenue growth, cash flows, discount rates) reflect past experience and are set according to external information sources. Planning is based on a financial planning horizon of three years. For an impairment test, growth of 1 % has been set for cash flow for the following period. The underlying USD/EUR exchange rate is 1.15. The cash flow is discounted according to cost of capital approach while taking into account specific tax effects of the divisions.

For cash generating units with significant goodwill we have made the following assumptions:

For the Analytical Systems business unit, we expect average geometric sales revenue growth (CAGR determination) of 4% (previous year: 10%) in the next three years due to a new wave of investments in the semiconductor industry and the further effects of sales activities. We expect sales revenue to remain nearly constant for 2016 through 2018 in the Crystal Growing Systems business unit. Sales revenue for 2016 is already assured to a significant extent by the order backlog.

There were no impairment write-downs to the lower value in use for fiscal year 2015 (previous year: EUR 0 thousand).

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

Amortization of other intangible assets amounted to EUR 241 thousand in 2015 and EUR 271 thousand in 2014, and were primarily reported in the cost of sales.

## 5. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment in the year under review and in the previous year are shown in the consolidated statements of changes in fixed assets for 2015 and 2014, which are attached as an appendix.

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

EUR'000	Dec. 31, 2015	Dec. 31, 2014
<b>Property, plant and equipment</b>		
Property, plant and equipment		
Land, property rights and buildings, including buildings on third party land	24,716	25,722
Plant and machinery	3,558	2,560
Other plant and equipment, fixtures and fittings	1,201	1,373
Advance payments and assets under construction	1,327	101
<b>Total</b>	<b>30,802</b>	<b>29,756</b>

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

Amortization of other property, plant, and equipment amounted to EUR 2,089 thousand in 2015 and EUR 1,949 thousand in 2014.

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. One of these loans is valued at EUR 5,000 thousand (previous year: EUR 5,667 thousand) on the balance sheet date and has a remaining term until January of 2023. The second loan has not been drawn at the reporting date, has a limit of EUR 4,667 thousand (previous year: EUR 5,333 thousand) and can be used at any time as working capital.

For the land charges mentioned above, an agreement to assign the restitution claim and a non-recurring loan undertaking were concluded between the affected banks within the scope of the syndicated loan contract concluded in August of 2015. Therefore the land charges serve as front-ranking collateral under the contractual relationship mentioned above and only second-ranking collateral under the syndicated loan contract. With the conclusion of the syndicated loan contract, an additional land charge of EUR 7.3 million was registered for the Jena location.

Subsidiary PVA Löt- und Werkstofftechnik GmbH, Jena concluded an installment purchase contract in fiscal year 2010 to finance an brazing furnace, for which PVA TePla AG has issued a directly enforceable guarantee and an extended retention of title to the leasing company consists. On December 31, 2015 the book value of the furnace was EUR 531 thousand (previous year: EUR 599 thousand). The carrying amount of the loan on the other hand was EUR 288 thousand at year-end (previous year: EUR 383 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 book value of the photovoltaic plant was EUR 92 thousand on December 31, 2015 (previous

year: EUR 100 thousand), and the loan valued at EUR 51 thousand (previous year: EUR 66 thousand) has a remaining term until December 2018.

There are no other material restrictions on ownership or title in respect of the property, plant and equipment reported.

## 6. INVESTMENT PROPERTY

Investment properties held in the 2014 fiscal year was sold in the 2015 fiscal year. A book gain of EUR 100 thousand (net book value EUR 350 thousand) was recorded.

## 7. NON-CURRENT INVESTMENTS

The book values of the financial assets include other receivables in the amount of EUR 10 thousand (previous year: EUR 9 thousand).

## 8. INVENTORIES

Inventories are composed as follows:

EUR'000	Dec. 31, 2015	Dec. 31, 2014
Raw materials and operating supplies	8,196	6,891
Work in progress	8,685	11,877
Finished products and goods	1,480	2,602
<b>Total</b>	<b>18,361</b>	<b>21,370</b>

Inventories in 2015 include write-downs of EUR 7,788 thousand (previous year: EUR 9,711 thousand). Write-downs are primarily attributable to typical write-downs for non-marketability and reductions for loss-free valuation. Systems are kept in inventory in the Semiconductor Systems division. As these can 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.

The significant inventories of the Group companies were transferred by way of security under a syndicated loan contract. This includes the inventories of PVA TePla AG, PVA Vakuum Anlagenbau Jena GmbH, PVA TePla Analytical Systems GmbH and PVA Industrial Systems GmbH. Retention of title by suppliers to the extent customary in the industry applies as well.

## 9. COMING RECEIVABLES ON CONSTRUCTION CONTRACTS

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

EUR'000	Dec. 31, 2015	Dec. 31, 2014
Capitalized production costs including contract profits	18,969	11,069
for which advance payments received (progress billings)	-11,148	-3,579
<b>Total</b>	<b>7,821</b>	<b>7,490</b>

Additional advance payments received for PoC orders in the amount of EUR 10,458 thousand (previous year: EUR 7,410 thousand) are included in the advance payments of EUR 12,706 thousand (previous year: EUR 12,926 thousand) reported under current liabilities. Obligations on construction contracts in the amount of EUR 516 thousand (previous year: EUR 41 thousand) – on contracts where payments received according to the percentage of completion exceed the contract costs incurred plus proportionate profits – are also shown under current liabilities. Further information can be found under notes 19 and 20.

## 10. RECEIVABLES

Receivables are composed as follows:

EUR'000	Dec. 31, 2015	Dec. 31, 2014
Trade receivables	8,926	7,692
Advance payments	1,443	1,412
Other receivables	1,425	1,873
<b>Total</b>	<b>11,794</b>	<b>10,977</b>

Other receivables include prepaid expenses.

Trade receivables consist of the following:

EUR'000	Dec. 31, 2015	Dec. 31, 2014
Trade receivables	9,451	8,285
Bad debt allowances	-524	-593
<b>Total</b>	<b>8,926</b>	<b>7,692</b>

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

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

EUR'000	Dec. 31, 2015	Dec. 31, 2014
<b>Write-downs on January 1</b>	<b>593</b>	<b>285</b>
Currency translation differences	1	1
Addition	68	372
Utilization	0	0
Release	-138	-65
<b>Write-downs on December 31</b>	<b>524</b>	<b>593</b>

The trade receivables of the Group companies were ceded under a syndicated loan contract. These include the trade receivables of PVA TePla AG, PVA Vakuum Anlagenbau Jena GmbH, PVA TePla Analytical Systems GmbH, PVA Crystal Growing Systems GmbH, PVA Metrology & Plasma Solutions GmbH and PVA Industrial Vacuum Systems GmbH.

Other receivables are composed as follows:

EUR'000	Dec. 31, 2015	Dec. 31, 2014
Receivables from investment incentives	90	138
Value added tax due	227	569
Accounts payable with debit balances	28	170
Deferred prepayments	365	352
Others	715	644
<b>Total</b>	<b>1,425</b>	<b>1,873</b>

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

Cash of EUR 6,492 thousand (previous year: EUR 5,725 thousand) primarily consists of current bank balances. Cash in hand amounted to EUR 8 thousand (previous year: EUR 7 thousand).

## 12. DEFERRED TAX ASSETS

For further details, please refer to note 24 "Income taxes".

## 13. SHAREHOLDERS' EQUITY

### Share Capital

As of December 31, 2015, 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, 2015.

At the same time, the Annual General Meeting of PVA TePla AG authorized the Management Board to increase the Company's share capital with approval of the Supervisory Board on one or more occasions during the period until June 30, 2017 by a total of up to EUR 10,874,994 by issuing 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 2015.

### 14. 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.

### 15. NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities totaled EUR 4,556 thousand (previous year: EUR 5,847 thousand) – all of this were liabilities to banks.

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

Non-current financial liabilities are composed as follows:

EUR'000	Dec. 31, 2015	Dec. 31, 2014
Non-current financial liabilities	5,339	12,476
Portion of non-current financial liabilities due in less than one year	-783	-6,629
<b>Non-current financial liabilities less current portion</b>	<b>4,556</b>	<b>5,847</b>

The average weighted interest rate for non-current financial liabilities was 1.14% (previous year: 2.15%). Non-current financial liabilities were reduced to EUR 4,556 thousand (previous year: EUR 5,847 thousand) due to scheduled loan amortization.

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

EUR'000	2015	2014
<b>Due</b>		
Up to 1 month	343	348
Between 1 and 3 months	19	84
Between 3 and 1 year	421	6,198
Between 1 and 5 years	2,890	3,459
More than 5 years	1,667	2,389

The loan for the financing of investments in machinery for the subsidiary PVA Löt- und Werkstofftechnik GmbH, Jena is secured through the transfer of ownership of the assets to be financed. The carrying amount of this collateral on December 31, 2015 was EUR 531 thousand (previous year: EUR 797 thousand).

The financial liabilities of PVA TePla AG are carried at amortized cost. As in the previous year, our banks were unable to provide us with the corresponding information, meaning that we were only able to approximate the actual market values using the present values of the principal repayments based on the yield curve at the balance sheet date plus a risk premium of 2.5%. This resulted in deviations between the conditions at the conclusion date and the balance sheet date in the amount of EUR -5 thousand (previous year: EUR -57 thousand).

## 16. 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 existed until December 31, 2014 exclusively for the eligible employees of PVA TePla AG and PVA Jena Anlagenbau GmbH. In the course of restructuring at the start of the year, parts of the existing pension obligations were transferred to PVA Industrial Vacuum Systems GmbH and PVA Crystal Growing Systems GmbH. The relevant pension plans were taken over from previous companies in each case and only consist of previous benefit obligations. New pension obligations are generally no longer entered into.

On December 11, 2015 the existing pension regulations were adapted to the current jurisprudence of the Federal Labor Court. The age limit was clarified, the retirement age was adapted to the Employer Contribution Equalization Act (AAG) and the determination of pensionable income was finalized in this context.

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. The resulting residual risks from accounting of pension obligations are related to risks from the change in actuarial param-

eters, which are shown in the table below. The largest risk is the interest rate, where we refer to the separate sensitivity analysis.

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

in %	Dec. 31, 2015	Dec. 31, 2014
Income trend	3.00	3.00
Pension trend	1.25	1.25
Staff turnover	1.50	1.50
Interest rate for active staff	2.40	2.40
Interest rate for pensioners	1.90	1.90

Biometric parameters have been calculated on the basis of the 2005 G mortality tables issued by Professor Klaus Heubeck. The measurement of pension obligations is supported by actuarial reports. The calculation is made using a mixed interest rate of 2.25% (previous year 2.25%) from the weighted average of the interest rate for active employees covered by the plan and pensioners.

Since fiscal year 2013, the interest portion included in pension expenses is reported under net interest income.

Changes in recognized provisions for pensions are as follows:

EUR'000	2015	2014	2013
Pension provisions on Jan. 1	13,975	11,377	11,338
Expenditure on retirement pensions	-291	2,926	348
Pension payments	-357	-328	-309
<b>Pension provisions on Dec. 31</b>	<b>13,327</b>	<b>13,975</b>	<b>11,377</b>

At the balance sheet date, it can be assumed that EUR 396 thousand (previous year: EUR 373 thousand) will be fulfilled within the next twelve months and EUR 12,931 thousand

(previous year: EUR 13,602 thousand) will be fulfilled at a later date (over a very long term for some portions).

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

EUR'000	2015	2014
Present value of future pensions on Jan. 1	13,975	11,377
Current service expense for services provided by employees in the fiscal year	176	165
Subsequent service expense	-574	0
Interest expense	310	390
Pension payments	-357	-328
Actuarial gains (-) and losses (+)	-203	2,370
<b>Present value of future pensions on Dec. 31</b>	<b>13,327</b>	<b>13,975</b>

Current official service expenditures and the positive subsequent official service expenditures due to an amendment to the pension regulations are included primarily in manufacturing costs and administrative expenses.

#### Sensitivity Analysis

When keeping to the other assumptions, the changes reasonably assumed possible on the balance sheet date would have influenced the defined pension plans as follows, based on actuarial gains and losses:

Effect in EUR'000 on Dec. 31, 2015	Increase	Reduction
Discount rate (0.25% change)	-496	526
Future pension increases (0.25% change)	407	-390

On December 31, 2015 the weighted average term of defined pension plans was 15.0 years.

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

EUR'000	2015	2014	2013	2012	2011
Pension obligations	13,327	13,975	11,377	11,338	8,759
Actuarial gains (-) / losses (+)	-203	2,370	-206	2,296	178

Actuarial gains and losses have a direct impact on the consolidated balance sheet and are only recognized in other comprehensive income.

#### Defined Contribution Plans

Defined contribution plans of relevance to PVA TePla take the form of the employer's statutory pension insurance contributions, pension fund contributions and direct insurance contributions. In fiscal year 2015, the corresponding expenditure amounted to EUR 1,905 thousand (previous year: EUR 1,953 thousand).

#### 17. OTHER PROVISIONS

Other provisions amounted to EUR 1,958 thousand (previous year: EUR 1,765 thousand) and changed during the reporting period as follows:

EUR'000	Jan. 1, 2015	Utilization	Release	Addition	Dec. 31, 2015
Warranty	701	317	7	565	942
Subsequent costs	660	359	101	198	398
Archiving	101	0	21	4	84
Penalties	33	33	0	68	68
Others	270	70	22	288	466
<b>Total</b>	<b>1,765</b>	<b>779</b>	<b>151</b>	<b>1,123</b>	<b>1,958</b>

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

Other provisions contain long-term components in the amount of EUR 292 thousand (previous year: EUR 168 thousand). These relate primarily to provisions for archiving as well as non-current payments in connection with long-term performance-based compensation for the Management Board, and are shown separately in the balance sheet. All other provisions are short-term in nature.

## 18. CURRENT FINANCIAL LIABILITIES

PVA TePla AG concluded a new loan agreement with a banking consortium under leadership of Commerzbank AG, Frankfurt am Main in fiscal year 2015. The loan agreement has a term of 36 months and ends in August of 2018. Financing includes a bank credit line of EUR 7.5 million, a guaranteed credit line of EUR 27.5 million and an increase option for another EUR 20 million. Interest is according to EURIBOR with a graduated margin based on the debt ratio. The bank credit line was utilized at EUR 4.5 million and the guaranteed credit line at EUR 23.7 million on the reporting date. The syndicated loan agreement defines financial covenants for meeting common financial ratios.

## 19. OBLIGATIONS ON CONSTRUCTION CONTRACTS

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

Obligations on construction contracts are composed as follows:

EUR'000	Dec. 31, 2015	Dec. 31, 2014
Advance payments received (progress billing)	2,083	684
less contract costs incurred (incl. share of profit)	-1,567	-643
<b>Total</b>	<b>516</b>	<b>41</b>

## 20. ADVANCE PAYMENTS RECEIVED ON ORDERS

The financing of the PVA TePla Group is largely based on the advance payments and interim payments received from customers, particularly in the case of larger contracts. The value of the advance payments received as of December 31, 2015 was EUR 12,706 thousand (previous year: EUR 12,926 thousand). Advance payments received on production orders according to IAS 11 are offset against the corresponding asset items according to the percentage of completion and are not included here.

Following the final payment for an order previously classified as uncollectible with a total carrying amount of EUR 3.2 million, advance payments received in the same amount were offset based on the percentage of completion according to IAS 11. This resulted in a balance sheet contraction of EUR 3.2 million.

## 21. ACCRUALS

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

Accrued liabilities are composed as follows:

EUR'000	2015	2014
Obligations to employees	1,731	2,154
Obligations to suppliers	3,005	1,595
Other commitments	301	325
<b>Total</b>	<b>5,037</b>	<b>4,074</b>

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

## C. NOTES ON INDIVIDUAL INCOME STATEMENT ITEMS

### 22. SALES REVENUES

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

EUR'000	2015	in %	2014	in %
Systems	53,923	75	53,659	75
After-sales	13,171	18	13,557	19
Contract processing	3,636	5	3,025	4
Others	813	2	1,639	2
<b>Total</b>	<b>71,543</b>	<b>100</b>	<b>71,880</b>	<b>100</b>

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

EUR'000	Dec. 31, 2015	Dec. 31, 2014
Revenue from customer-specific contract production	17,458	11,712
For which contract costs incurred	-13,880	-9,812
<b>Gains from customer-specific contract production</b>	<b>3,578</b>	<b>1,899</b>

### 23. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses reported on the income statement amounted to EUR 3,236 thousand in 2015 and EUR 2,026 thousand in 2014. Income from research and development project grants of EUR 317 thousand in 2015 and EUR 376 thousand in 2014 was recognized separately under "Other operating income."

### 24. INCOME TAXES

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

A tax rate of 28% was applied for the domestic companies in previous years. Since fiscal year 2015 a tax rate of 29% is applied for these companies. This includes corporation tax of 15%, a solidarity surcharge of 5.5% on corporation tax, and trade tax of 13.4%.

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.

Income taxes are broken down as follows:

EUR'000	2015	2014
Actual tax expense	186	-95
Current tax expenses	-32	-65
Prior-period tax charges (-) / income	218	-30
Deferred tax expense (-) / income	-1,077	-2,432
Credit from tax loss carry-forwards	1,155	2,239
Write-downs on deferred tax assets	-1,285	-4,322
Other deferred taxes	-947	-350
<b>Income taxes</b>	<b>-891</b>	<b>-2,527</b>

Deferred taxes of EUR -58 thousand (previous year: EUR 590 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, pension provisions and currency translation differences.

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

	2015		2014	
	EUR'000	in %	EUR'000	in %
Results before taxes	-558		-7,447	
Expected tax charges (-) / income	162	-29	2,085	-28
Tax rate changes	48	-9	0	0
Changes in tax rates for foreign companies	45	-8	184	-2
Proportion of tax for permanent differences and temporary differences for which deferred taxes were not recorded	-18	3	-230	-3
Prior-period current income tax	219	-39	-30	0
Change in allowances	-1,285	230	-4,322	-58
Other effects & adaptations	-61	11	-214	-3
<b>Actual tax charges (-) / income</b>	<b>-891</b>	<b>160</b>	<b>-2,527</b>	<b>-34</b>

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

Deferred taxes relate to:

EUR'000	Dec. 31, 2015		Dec. 31, 2014	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Non-current Assets	175	201	128	182
Inventories	157	0	28	32
Obligations on construction contracts	0	1,155	0	481
Receivables	2	231	48	219
Tax loss carry-forwards	7,541	0	6,386	0
Pension provisions	1,638	0	1,717	0
Other provisions / accruals	278	277	349	151
Others	0	50	0	2
<b>Total</b>	<b>9,791</b>	<b>1,914</b>	<b>8,655</b>	<b>1,067</b>
Allowances for tax loss carry-forwards	-5,607	0	-4,322	0
<b>Total</b>	<b>4,184</b>	<b>1,914</b>	<b>4,333</b>	<b>1,067</b>
<b>Balance of deferred tax</b>		<b>2,270</b>		<b>3,266</b>

On December 31, 2015 the German companies have tax loss carry-forwards of EUR 22,495 thousand (previous year: EUR 19,024 thousand) that apply solely to the subsidiaries PVA Metrology & Plasma Solutions GmbH, Kirchheim and PVA TePla AG, Wetztenberg.

Due to volatility in the market environment and repeated budget deviations in the past years, the time period for determining whether loss carry-forwards can be realized was limited to three years. Provided utilization of loss carry forwards appears likely for 2016 to 2018 based on the current budget, loss carry forwards were reported in deferred tax assets. Conversely, loss carry-forwards not expected to be

realized until after 2018 were not or no longer recognized. Given the limited forecast period, only loss carry forwards of EUR 6,264 thousand were regarded as recoverable and relevant write-downs were carried out.

The tax loss carry forwards of PVA TePla America Inc. (USD 5.0 million for federal tax; USD 1.4 million for state tax) will gradually lapse from 2022 (federal tax) and 2016 (state tax) unless utilized prior to these dates and have been used only partially based on current budget. Deferred tax assets on loss carry-forwards were adjusted to EUR 130 thousand because of budget deviations.

## 25. EARNINGS PER SHARE

Consolidated net profit for the year before minority interests amounted to EUR -1,450 thousand (previous year: EUR -9,972 thousand). As in the previous year, an average of 21,749,988 no-par value shares was in circulation in fiscal year 2015.

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

Calculation of earnings per share for 2015 and 2014:

	2015	2014
Numerator:		
Consolidated net result for the year before minority interests (EUR'000)	-1.450	-9.972
Denominator:		
Weighted number of shares outstanding - basic	21,749,988	21,749,988
<b>Earnings per share (EUR)</b>	<b>-0.07</b>	<b>-0.46</b>

At the balance sheet date, no stock options were issued to employees and members of the Management and Supervisory Boards entitling them to purchase PVA TePla AG shares. As a result, there were no dilution effects in regards to earnings per share as of December 31, 2015.

## 26. APPROPRIATION OF NET PROFIT/ RETAINED EARNINGS

The separate financial statements of PVA TePla AG (according to commercial law regulations) as at December 31, 2015 report a net loss for the year of EUR -5,826 thousand (previous year: EUR -5,624 thousand) and overall reduced retained earnings of EUR 6,667 thousand (previous year: EUR 12,493 thousand). These retained earnings represent the distributable amount in accordance with IAS 1.76(v).

In view of the net loss, the Management Board and Supervisory Board propose that the retained earnings reported in the 2015 annual financial statements amounting to EUR 6,667 thousand be carried forward to a new account at the same amount. There were no withdrawals from the share premium or retained earnings.

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

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

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

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

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

The capital management of PVA TePla therefore includes the following:

EUR'000	Dec. 31, 2015	Dec. 31, 2014
Shareholders' equity	37,941	38,815
Current and non-current financial liabilities	9,869	12,586
Advance payments received	12,706	12,926
<b>Total amount</b>	<b>60,516</b>	<b>64,327</b>
<b>Total assets</b>	<b>88,279</b>	<b>89,037</b>
Equity ratio	43.0%	43.6%

Equity fell to EUR 37,941 thousand in the 2015 fiscal year (previous year: EUR 38,815 thousand). A credit line of EUR 5,000 thousand used for working capital was repaid at the end of 2015 and money market loans of EUR 4,500 thousand were taken out instead. Together with other planned redemptions, the financial liabilities were therefore reduced to EUR 9,869 thousand (previous year: EUR 12,586 thousand). The equity ratio fell to 43.0% in 2015 (previous year: EUR 43.6%).

## E. ADDITIONAL DISCLOSURES

### 27. SEGMENT REPORTING

Since January 1, 2015 the PVA TePla Group has been organized with the Industrial Systems and Semiconductor Systems divisions as well as Holding Costs. Performance is assessed and decisions regarding the assignment of resources to the segments are made on the basis of PVA TePla AG's two divisions. The following segment reporting therefore follows the Group's organizational structures on PVA TePla's Group internal management system.

"Holding Costs" were first included in segment reporting when the reorganization began on January 1, 2015 and contributed EUR -2.0 million to EBIT in the 2015 fiscal year. They include expenditures not directly related to the business operations of the Group and not encompassing service functions (known as shareholder costs), and were allocated to the divisions in the past. To establish comparability these were also calculated and disclosed for the prior-year period.

The following tables provide a general overview of the operating segments of the PVA TePla Group. Segment reporting in accordance with IFRS 8 also includes a reconciliation of the total result of the segments to the consolidated result for the year.

Sales revenues by divisions for fiscal years 2015 and 2014 are as follows:

EUR'000	2015		2014	
	External sales revenues	Internal sales revenues	External sales revenues	Internal sales revenues
<b>Segment revenues</b>				
Industrial Systems	30,789	2,788	35,572	921
Semiconductor Systems	40,754	388	36,308	362
<b>Consolidated revenues</b>	<b>71,543</b>	<b>3,176</b>	<b>71,880</b>	<b>1,283</b>

The types of revenues shown in section 22 are accrued in both divisions.

The operating profit by segments for fiscal years 2015 and 2014 is as follows:

Operating profit by segment	2015		2014	
	EUR'000	in %	EUR'000	in %
Industrial Systems	2,618	8.5	-426	-0.6
Semiconductor Systems	-479	-1.2	-3,626	-10.0
Holding Costs	-1,991		-2,266	
Consolidation	-53		13	
<b>Consolidated operating result</b>	<b>95</b>	<b>0.1</b>	<b>-6,305</b>	<b>-8.8</b>

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

EUR'000	2015	2014
Total segment results	148	-6,318
Consolidation	-53	13
Consolidated operating profit (EBIT)	95	-6,305
Financial result	-653	-1,142
Results before taxes	-558	-7,447
Income taxes	-891	-2,527
<b>Consolidated net result</b>	<b>-1,449</b>	<b>-9,974</b>

Other significant non cash-effective segment expenses were not incurred.

The following sales revenues by region were generated in fiscal years 2015 and 2014:

EUR'000	2015		2014	
	in %		in %	
<b>Sales revenues by sales region</b>				
Asia	35,041	49	37,242	52
Germany	15,354	21	20,979	29
Europe (excluding Germany)	11,484	16	7,970	11
North America	6,508	9	4,655	7
Others	3,156	5	1,033	1
<b>Consolidated revenues</b>	<b>71,543</b>	<b>100</b>	<b>71,880</b>	<b>100</b>

Of the revenues approximately EUR 9.9 million or 13.9% were generated with the largest customer of the Group in the financial year, 2015.

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

## 28. 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 Management Board 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 assigned to the following categories:

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		Financial liabilities		PoC receivables	
	Fair value	2014	Fair value	2014	Amortized cost	2014	Amortized cost	2014	Amortized cost	2014
	2015		2015		2015		2015		2015	
<b>Non-current assets</b>										
Investment property	0	0	0	0	0	367	0	0	0	0
Non-current financial assets	0	0	0	0	10	9	0	0	0	0
<b>Current assets</b>										
Coming receivables on construction contracts	0	0	0	0	0	0	0	0	7,821	7,490
Trade receivables	0	0	0	0	8,926	7,689	0	0	0	0
Other receivables and assets	15	0	0	0	2,871	3,582	0	0	0	0
Cash	0	0	0	0	6,492	5,725	0	0	0	0
Other financial assets	0	0	0	0	0	0	0	0	0	0
<b>Non-current liabilities</b>										
Financial liabilities	0	0	0	0	0	0	4,556	5,847	0	0
Other liabilities	586	754	0	0	0	0	226	1	0	0
<b>Current liabilities</b>										
Financial liabilities	0	0	0	0	0	0	5,313	6,739	0	0
Trade payables	0	0	0	0	0	0	3,165	1,563	0	0
Other liabilities	314	249	0	-2	0	0	18,977	18,292	0	0
<b>Net finance result</b>	<b>-88</b>	<b>-118</b>	<b>2</b>	<b>6</b>	<b>1</b>	<b>2</b>	<b>-354</b>	<b>-510</b>	<b>0</b>	<b>0</b>

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

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

The net loss of EUR 88 thousand (previous year: EUR 118 thousand) from the financial assets and liabilities measured at fair value through profit or loss comprises changes in the market value of derivative hedging instruments.

The net gain of EUR 2 thousand (previous year: EUR 6 thousand) from the financial assets and liabilities measured at fair value without affecting profit or loss comprises changes in the market value of derivative hedging instruments.

The net gain of EUR 1 thousand (previous year: EUR 2 thousand) from issued loans and receivables recognized at amortized cost includes interest income as well as income from participating interests.

The net gain on financial liabilities recognized at amortized cost includes interest expense of EUR 354 thousand (previous year: EUR 510 thousand).

### **Credit Risk**

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

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

For the breakdown of receivables and valuation allowances, see Note 10. Valuation allowances were recognized for expected bad debts.

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 valuation allowances of EUR 524 thousand (previous year: EUR 593 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 15. The maturity analysis of the derivative financial liabilities can be found in the sections "Currency risks" and "Interest hedges".

### **Market Risk**

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

### **Currency Risks**

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

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

PVA TePla AG enters into forward exchange contracts to hedge its payment obligations. These derivative financial instruments have a term to maturity of up to two years and hedge payment obligations of EUR 4,562 thousand (pre-

vious year: EUR 854 thousand) as at December 31, 2015. The expected net payments from currency hedging instruments are as follows:

Expected net payments EUR'000	Dec. 31, 2015	Dec. 31, 2014
Up to 1 month	-31	-5
Between 1 and 3 months	-18	-11
Between 3 months and 1 year	-25	-15
Between 1 and 5 years	-22	0

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

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

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

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

If the value of the euro had been 10% higher (lower) compared to the US dollar on December 31, 2015 the other reserves in equity would have been EUR 242 thousand higher (EUR 183 thousand lower) (December 31, 2014: EUR 66 thousand higher (EUR 54 thousand lower)).

If the value of the euro had been 10% higher (lower) compared to the other currencies relevant to the Group on December 31, 2015 the other reserves in equity would have been EUR 16 thousand higher (EUR 7 thousand lower) (December 31, 2014: EUR 51 thousand higher (EUR 42 thousand lower)).

### Interest Hedges

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

In accordance with IFRS 7 interest rate risks are presented using sensitivity analyses. These represent the effects of changes in market interest rates on interest payments, interest income and expenses, other earnings components and, where applicable, shareholders' equity.

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, 2015 had been 100 bp higher, earnings would have increased by EUR 174 thousand (previous year: EUR 216 thousand). Conversely, if the market interest rate at December 31, 2015 had been 100 bp lower, earnings would have decreased by EUR 164 thousand (previous year: EUR 232 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 site (previous year: Wettenberg and Jena). The outstanding balance of these hedging transactions on the reporting date of December 31, 2015 is EUR 5,000 thousand (previous year: EUR 5,787 thousand). The interest hedges have a term to maturity of up to seven years. The expected net payments from interest hedging instruments are as follows:

Expected net payments EUR'000	Dec. 31, 2015	Dec. 31, 2014
Up to 1 month	-106	-113
Between 1 and 3 months	0	-1
Between 3 months and 1 year	-97	-106
Between 1 and 5 years	-512	-588
More than 5 years	-75	-166

The remaining interest hedging instruments and underlying loans were concluded in 2007 on the basis of the corresponding interest rates. They hedge long-term, flexible financing for new construction at the Wettenberg location.

Effective on March 3, 2014 PVA TePla AG canceled two fixed-interest, mortgaged real estate loans for new construction in Wettenberg totaling EUR 5,684 thousand and combined them into a new loan for EUR 6,000 thousand with a term until December of 2022. The new loan was synchronized with existing interest hedging transactions for a total of EUR 6,000 thousand. However, effectiveness between the new underlying transactions and existing hedging transactions could not be achieved on the reporting date according to IFRS. The negative fair value of these hedging transactions was EUR -790 on December 31, 2015 (previous year: EUR -974 thousand); fair value changes of EUR 184 thousand were recorded in financial income through profit or loss in the fiscal year (previous year: EUR 87 thousand in financial expenses).

The corresponding contra-entry of the fair values of the interest derivatives as well as the applicable deferred taxes is made in other current and non-current financial liabilities as well as deferred tax assets or liabilities depending on changes in fair value.

#### 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, 2015 and December 31, 2014 the Company did not hold any financial instruments that were subject to other notable price risks.

## 29. LEASING

PVA TePla is the lessee of property, plant and equipment and lessor in connection with the leasing of its own buildings. 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 Kirchheim, Jena, Westhausen, Corona /California (USA) and Beijing (China)

as well as in Singapore. In 2015, the monthly rent was EUR 16 thousand at the Kirchheim site (previous year: EUR 16 thousand), EUR 4 thousand at the Jena site (previous year: EUR 4 thousand), EUR 15 thousand at the Westhausen site (previous year: EUR 7 thousand), EUR 9 thousand at the Corona site (previous year: EUR 7 thousand), EUR 2 thousand at the Beijing site (previous year: EUR 2 thousand) and EUR 9 thousand at the Singapore site (previous year: EUR 9 thousand).

The relevant rental agreements are standard agreements for the rental of commercial premises. In 2015, a total of EUR 540 thousand was paid under these agreements (previous year: EUR 621 thousand). Over the next few years, the minimum commitments can be broken down as follows:

EUR'000	Payments	Present value
<b>Remaining terms</b>		
Up to 1 year	414	396
Between 1 and 5 years	648	574
More than 5 years	60	46

#### Sublease of Buildings

Lease proceeds of EUR 50 thousand (previous year: EUR 82 thousand) were collected in 2015. Income from leasing over the coming years can be broken down as follows:

EUR'000	Payments	Present value
<b>Remaining terms</b>		
Up to 1 year	50	48
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 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 2015, expenditures of EUR 146 thousand were incurred for

such leases (previous year: EUR 181 thousand). Over the next few years, the minimum commitments can be broken down as follows:

EUR'000	Payments	Present value
<b>Remaining terms</b>		
Up to 1 year	123	118
Between 1 and 5 years	283	245
More than 5 years	61	47

#### Other Leases

In addition to the aforementioned leases, the Company has other leases which mainly pertain to operating and office equipment. In 2015, expenditures of EUR 75 thousand were incurred for such leases (previous year: EUR 70 thousand). Over the next few years, the minimum commitments can be broken down as follows:

EUR'000	Payments	Present value
<b>Remaining terms</b>		
Up to 1 year	70	67
Between 1 and 5 years	71	63
More than 5 years	0	0

### 30. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

#### Commitments from Current Agreements

Commitments under rental and lease agreements are discussed above (see note 29).

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

EUR'000	Payments	Present value
<b>Remaining terms</b>		
Up to 1 year	101	97
Between 1 and 5 years	0	0
More than 5 years	0	0

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

EUR'000	Payments	Present value
<b>Remaining terms</b>		
Up to 1 year	1,275	1,120
Between 1 and 5 years	479	435
More than 5 years	11	8

Furthermore, the following contingent liabilities exist at December 31, 2015:

Legal action has been taken against the subsidiary PVA TePla America Inc. because of alleged defects in a plasma system. This system was not delivered to the Turkish claimant but to an American customer leasing it to the claimant. A compensation amount has not been specified to date. The case is in an early phase and no statements whatsoever can be made about the outcome according to the local lawyers. PVA TePla believes that third-party liability does not apply nor that the end customer could have suffered significant losses due to material defects.

PVA TePla AG is being taken to court by the liquidator of an American manufacturer of polysilicon for repayment of the purchase price paid in fiscal years 2010 and 2011 for the delivery of crystal growing systems. The crystal growing systems were ordered by an operating company of the group and also delivered to that company. On the other hand, the purchase price was paid by the American parent company of the insolvent group, which was responsible for all group financing. The plaintiff represents only the group's parent company that made the payment and argues that the company, which has been insolvent since 2013, did not receive any consideration or delivery of goods and that the insolvency should already have been recognized in 2011. Far over one hundred suppliers have been taken to court for repayment by the liquidator. PVA TePla believes the likelihood of losing the case is low. Adequate provisions were recognized for the expected legal expenses.

These contingent liabilities are disputed on their merits and, in particular, cannot be estimated with any reliability

### 31. COST OF MATERIALS

The cost of sales for fiscal years 2015 and 2014 contains expenditures on materials as follows:

EUR'000	2015	2014
Cost of raw materials, consumables and supplies and of goods purchased and held for resales	31,682	34,037
Cost of purchased services	1,999	3,577
<b>Total cost of materials</b>	<b>33,681</b>	<b>37,614</b>

The materials ratio (cost of materials to total sales revenues) amounted to 47.1% in fiscal year 2015, compared to 52.3% in the previous year.

### 32. PERSONNEL EXPENSES

Personnel expenses for fiscal years 2015 and 2014 are composed as follows:

EUR'000	2015	2014
Wages and salaries	23,123	27,195
Social charges	3,550	5,132
<b>Total personnel expenses</b>	<b>26,673</b>	<b>32,327</b>

The personnel costs include severance and release from employment in the amount of EUR 223 thousand (previous year: EUR 778 thousand). As a proportion of sales, personnel costs fell to 37.3% in the 2015 fiscal year compared to 45.0% in the previous year. The percentage decrease is largely due to cost reduction measures. Social security contributions in fiscal year 2015 include pension expenses of EUR 526 thousand (previous year: EUR 631 thousand).

The average number of employees for the year was 358 (previous year: EUR 407).

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)	2015	2014
Administration	46	59
Sales	52	49
Engineering, research and development	79	88
Production and service	181	211
<b>Total number of employees</b>	<b>358</b>	<b>407</b>

The number of employees includes 11 assistants (previous year: 7).

### 33. AMORTIZATION AND DEPRECIATION

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

### 34. 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 4 of the management report for more information.

### 35. EXECUTIVE BODIES OF THE COMPANY

#### Management Board

In fiscal year 2015, the Management Board of PVA TePla AG consisted of the following persons:

[Peter Abel](#), Wettenberg (Chief Executive Officer)

Managing Director of the following Group companies:

- » PVA Crystal Growing Systems GmbH, Wettenberg
- » PVA TePla America Inc., Corona, USA (Director)

and the following non-associated companies:

- » PA Beteiligungsgesellschaft mbH, Wettenberg

Membership in supervisory bodies:

- » Xian Huade CGS Corp., Xian, China (Chairman of the Supervisory Board)
- » 3D Präzisionstechnik AG, Asslar (Chairman of the Supervisory Board)

### Oliver Höfer, Jena (Chief Operating Officer/COO)

Managing Director of the following Group companies:

- » PVA Vakuum Anlagenbau Jena GmbH
- » PVA Crystal Growing Systems GmbH, Wetttenberg
- » PVA TePla Analytical Systems GmbH, Westhausen
- » PVA TePla Singapore Pte. Ltd., Singapore

### Henning Döring, Giessen (Chief Financial Officer)

Managing Director of the following Group companies:

- » PVA TePla America Inc., Corona, USA (Director)
- » PVA Metrology & Plasma Solutions GmbH, Kirchheim
- » Munich Metrology Taiwan Ltd., Taiwan

The total remuneration of members of the Management Board in the 2015 fiscal year amounted to EUR 599 thousand. The remuneration of the Management Board members consists of a basic salary not based on performance, other benefits (mainly non-cash benefits from the use of a company car, subsidized contributions to health insurance and contributions to a pension fund) and performance-based, variable remuneration components in the form of bonus payments. The performance-based, variable remuneration component is different for each Management Board member.

There is no variable, performance-based or other bonus remuneration for the CEO Peter Abel.

The following bonus provision applies for the COO Oliver Höfer: The smaller portion of the bonus payment is calculated as a percentage of the net income for the year for the PVA TePla Group that exceeds a minimum of EUR 5 million. In principle this bonus is limited to half the respective base salary; there was no bonus claim in fiscal year 2015 because the net result for the Group was negative. The greater portion is paid out in the form of a long-term bonus. The reference amount is converted into notional shares using a current reference and is then calculated three years later using the reference exchange rate valid on that date. The long-term bonus may be no more than twice the fixed annual salary.

The bonus provision for the CFO Henning Döring for fiscal year 2015 called for a fixed bonus in case the net profit/loss of the Group was at least EUR 0. There was no bonus

claim because the net result for the Group was negative. Mr. Döring received a subsequent appreciation bonus of EUR 20 thousand in May of 2015 for special performance in the 2014 fiscal year.

On this basis, members of the Management Board received the following remuneration in fiscal year 2015:

EUR'000	Salary	Other benefits	Performance-related components	Total 2015	Total 2014
Peter Abel	120	0	0	120	90
Oliver Höfer	180	10	131 <sup>*)</sup>	321	259
Henning K. G. Döring	131	7	20	158	122
Dr. Arno Knebelkamp	-	-	-	-	250
<b>Total</b>	<b>431</b>	<b>17</b>	<b>151</b>	<b>599</b>	<b>721</b>

<sup>\*)</sup> Payment of long-term compensation is made after a period of commitment of three years, taking into account the then share price relevant.

The values presented above for the performance-based component include amounts granted in 2015 for fiscal year 2014 less the amounts recognized and reported as provisions in fiscal year 2014. Provisions established in 2015 for fiscal year 2015 are also included.

The performance-based component for the Management Board includes a long-term, performance based component of EUR 131 thousand in fiscal year 2015. This share-based remuneration component was calculated based on an option price model.

Non-current payments are due in connection with the long-term performance-based compensation mentioned above. All other remuneration listed above is payable over the short term. Employer contributions to pension insurance are not paid. Pension commitments exist solely based on the past, for the CEO Peter Abel in the amount of EUR 673 thousand (previous year: EUR 514 thousand). Since his reentry into the Management Board, no other pension obligations have been agreed. There are no pension obligations for the other members of the Management Board.

No share options were granted to members of the Management Board in fiscal year 2015. The contracts for the members of the Management Board foresees settlement payments in the event of the premature termination of activities as member of the Management Board, the amount of which depending on contract of employment is limited up to two years' salary (settlement cap). In the event of change of control and a subsequent premature termination of Management Board activities, the members receive remuneration which should not exceed 150% of the settlement cap.

EUR 66 thousand was paid to former members of the Management Board as pensions in 2015. As at the balance sheet date, there was a provision of EUR 824 thousand for these pension obligations.

### Supervisory Board

In fiscal year 2015, the Supervisory Board of PVA TePla AG consisted of:

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

- » Feintool International Holding AG, Lyss  
(President of the Administration Board)

Member of the following other supervisory bodies:

- » VERBIO Vereinigte BioEnergie AG, Leipzig  
(Chairman of the Supervisory Board)
- » Siegwerk Druckfarben AG & Co. KGaA, Siegburg  
(Member of the Supervisory Board)
- » KAEFER Isoliertechnik GmbH & Co. KG, Bremen  
(Member of the Advisory Board)
- » AFG Arbonia-Forster-Holding AG, Arbon/Switzerland  
(President of the Advisory Board and CEO a.i.)
- » Artemis Holding AG, Aarburg/Switzerland  
(Member of the Advisory Board)

**Dr. Gernot Hebestreit**, Leverkusen (Deputy Chairman)

- » Global Leader Business Development and Markets,  
Grant Thornton International Limited, London/UK

Member of the following other supervisory bodies:

- » Comvis AG, Essen (Deputy Chairman  
of the Supervisory Board)

**Prof. Dr. Markus H. Thoma**, Schöffengrund

- » Professor of Plasma and Astronautics  
at the University of Giessen

The Supervisory Board now receives a fixed total remuneration of EUR 100 thousand for its activities per fiscal year.

EUR'000	Fixed remuneration 2015	Variable remuneration 2015	Fixed remuneration 2014	Variable remuneration 2014
Alexander von Witzleben (chairman)	50.0	0	50.0	0
Prof. Dr. Günter Bräuer	0.0	0	11.3	0
Dr. Gernot Hebestreit	25.0	0	25.0	0
Prof. Dr. Markus H. Thoma	25.0	0	13.7	0
<b>Total</b>	<b>100.0</b>	<b>0</b>	<b>100.0</b>	<b>0</b>

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. 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 2015, a premium of EUR 5 thousand (previous year: EUR 11 thousand) was paid for this insurance.

## 36. RELATED PARTIES

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

In the reporting period, only the relationship to the majority shareholder Peter Abel is relevant in this context. PVA TePla AG's relevant transactions with related parties principally encompass purchases from IT companies. In fiscal year 2015, the value of purchases from these companies totaled EUR 465 thousand (previous year: EUR 732 thousand) and

the value of sales was EUR 38 thousand (previous year: EUR 33 thousand). The balance of outstanding receivables and liabilities on the reporting date of December 31, 2015 was EUR 0 thousand (previous year: EUR 0 thousand) and EUR 57 thousand (previous year: EUR 162 thousand) respectively. All transactions are conducted at arm's length conditions.

### 37. AUDIT FEES (SECTION 314 HGB)

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

EUR'000	2015	2014
Audit of annual financial statements	232	221
Other assurance or valuation services	0	0
Tax consulting services	0	0
Other services	0	9

### 38. DECLARATION OF COMPLIANCE WITH SECTION 161 AKTG

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

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

### 39. 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 Löt- und Werkstofftechnik GmbH
- » PVA Control GmbH
- » PVA TePla Analytical Systems GmbH
- » PVA Vakuum Anlagenbau Jena GmbH
- » PVA Industrial Vacuum Systems GmbH
- » PVA Crystal Growing Systems GmbH
- » PVA Metrology & Plasma Solutions GmbH

### 40. AUTHORIZATION OF THE FINANCIAL STATEMENTS FOR PUBLICATION

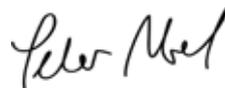
On March 18, 2016, the Management Board of PVA TePla AG authorized the present consolidated financial statements for fiscal year 2015 to be released to the Supervisory Board. This represents the authorization for publication described in IAS 10.6.

### 41. SIGNIFICANT POST-BALANCE SHEET DATE EVENTS

At the end of February, PVA TePla AG decided and announced that its subsidiary PVA Metrology & Plasma Solutions GmbH (PVA MPS), is being relocated from Kirchheim near Munich to the headquarters in Wettengel in fiscal year 2016. PVA MPS with around 40 employees develops and distributes low-pressure and atmospheric pressure process systems for the modification and functionalization of surfaces worldwide. Bundling resources and utilizing synergies are the focal points of this decision. This step makes it possible to bring the break-even sales revenues of the PVA TePla Group below EUR 70 million in the future.

Wettengel, March 18, 2016

PVA TePla AG



Peter Abel  
Vorsitzender des Vorstands



Oliver Höfer  
Vorstand Produktion und Technologie



Henning Döring  
Vorstand Finanzen

## CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS

as at December 31, 2015

EUR'000	Acquisition and manufacturing costs						Balance Dec. 31, 2015
	Jan. 1, 2015	Acquisitions 2015	Additions 2015	Transfers 2015	Disposals 2015	Exchange differences	
<b>Intangible assets</b>							
1. Goodwill	12,658	0	0	0	0	0	12,658
2. Intangible assets under development	0	0	179	0	0	0	179
3. Other intangible assets	6,469	0	128	0	1,564	2	5,035
4. Payments in advance	30	0	20	0	0	0	50
<b>Total</b>	<b>19,157</b>	<b>0</b>	<b>328</b>	<b>0</b>	<b>1,564</b>	<b>2</b>	<b>17,922</b>
<b>Property, plant and equipment</b>							
1. Land, property rights and buildings, including buildings on third party land	33,359	0	7	1	0	10	33,377
2. Plant and machinery	7,018	0	1,642	30	869	157	7,977
3. Other plant and equipment, fixtures and fittings	5,815	0	231	15	2,050	10	4,021
4. Advance payments and assets under construction	101	0	1,271	-45	0	0	1,327
<b>Total</b>	<b>46,294</b>	<b>0</b>	<b>3,152</b>	<b>0</b>	<b>2,919</b>	<b>177</b>	<b>46,703</b>
<b>Investment property</b>	<b>694</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>390</b>	<b>0</b>	<b>303</b>
<b>Total</b>	<b>66,144</b>	<b>0</b>	<b>3,479</b>	<b>0</b>	<b>4,874</b>	<b>179</b>	<b>64,929</b>

Accumulated amortization and depreciation							Residual carrying values		
Balance Jan. 1, 2015	Additions 2015	Transfers 2015	Disposals 2015	Write-ups 2015	Exchange differences	Balance Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2014	
4,850	0	0	0	0	0	4,850	7,808	7,808	
0	0	0	0	0	0	0	179	0	
5,584	241	0	1,564	0	0	4,261	775	886	
0	0	0	0	0	0	0	50	30	
<b>10,434</b>	<b>241</b>	<b>0</b>	<b>1,564</b>	<b>0</b>	<b>0</b>	<b>9,111</b>	<b>8,812</b>	<b>8,724</b>	
7,638	1,008	0	-5	0	10	8,661	24,716	25,722	
4,458	669	0	850	0	143	4,420	3,558	2,560	
4,441	412	0	2,043	0	10	2,820	1,201	1,373	
0	0	0	0	0	0	0	1,327	101	
<b>16,537</b>	<b>2,089</b>	<b>0</b>	<b>2,888</b>	<b>0</b>	<b>163</b>	<b>15,901</b>	<b>30,801</b>	<b>29,756</b>	
327	16	0	40	0	0	303	0	367	
<b>27,298</b>	<b>2,346</b>	<b>0</b>	<b>4,492</b>	<b>0</b>	<b>163</b>	<b>25,315</b>	<b>39,613</b>	<b>38,847</b>	

## CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS

as at December 31, 2014

EUR'000	Acquisition and manufacturing costs						Balance Dec. 31, 2014
	Jan. 1, 2014	Acquisitions 2014	Additions 2014	Transfers 2014	Disposals 2014	Exchange differences	
<b>Intangible assets</b>							
1. Goodwill	12,658	0	0	0	0	0	12,658
2. Other intangible assets	6,495	0	216	40	283	1	6,469
3. Payments in advance	40	0	30	-40	0	0	30
<b>Total</b>	<b>19,193</b>	<b>0</b>	<b>246</b>	<b>0</b>	<b>283</b>	<b>1</b>	<b>19,157</b>
<b>Property, plant and equipment</b>							
1. Land, property rights and buildings, including buildings on third party land	33,344	0	8	0	3	10	33,359
2. Plant and machinery	6,686	0	241	0	65	156	7,018
3. Other plant and equipment, fixtures and fittings	6,461	0	322	36	1,015	11	5,815
4. Advance payments and assets under construction	37	0	100	-36	0	0	101
<b>Total</b>	<b>46,528</b>	<b>0</b>	<b>672</b>	<b>0</b>	<b>1,083</b>	<b>177</b>	<b>46,294</b>
<b>Investment property</b>	<b>694</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>694</b>
<b>Total</b>	<b>66,414</b>	<b>0</b>	<b>918</b>	<b>0</b>	<b>1,366</b>	<b>178</b>	<b>66,144</b>

Accumulated amortization and depreciation							Residual carrying values		
Balance Jan. 1, 2014	Additions 2014	Transfers 2014	Disposals 2014	Write-ups 2014	Exchange differences	Balance Dec. 31, 2014	Dec. 31, 2014	Dec. 31, 2013	
4,850	0	0	0	0	0	4,850	7,808	7,808	
5,577	271	0	265	0	0	5,583	886	918	
0	0	0	0	0	0	0	30	40	
<b>10,472</b>	<b>271</b>	<b>0</b>	<b>265</b>	<b>0</b>	<b>0</b>	<b>10,433</b>	<b>8,724</b>	<b>8,766</b>	
6,612	1,017	0	0	0	10	7,638	25,722	26,732	
3,911	470	0	65	0	142	4,458	2,560	2,775	
4,967	462	0	999	0	10	4,441	1,373	1,494	
0	0	0	0	0	0	0	101	37	
<b>15,490</b>	<b>1,949</b>	<b>0</b>	<b>1,063</b>	<b>0</b>	<b>162</b>	<b>16,537</b>	<b>29,756</b>	<b>31,038</b>	
305	22	0	0	0	0	327	367	388	
<b>26,222</b>	<b>2,242</b>	<b>0</b>	<b>1,328</b>	<b>0</b>	<b>162</b>	<b>27,298</b>	<b>38,847</b>	<b>40,192</b>	

# 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, 2016



Peter Abel  
Chief Executive Officer



Oliver Höfer  
Chief Operating Officer



Henning Döring  
Chief Financial Officer

# Auditor's Report

We have audited the consolidated financial statements of PVA TePla AG, Wettenberg – comprising the balance sheet, the statement of comprehensive income, the income statement, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements as well as the group management report for the fiscal year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the 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 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 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 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 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 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/Main, March 18, 2016

Ebner Stolz GmbH & Co. KG  
Audit Firm Tax Consulting Firm

Christian Fuchs  
Auditor

Carl-Markus Groß  
Auditor



## FINANCIAL CALENDAR

<b>Date</b>	<b>Advise</b>	
May 13, 2016	Interim Announcement to the first quarter	
June 14, 2016	Annual Shareholders Meeting	Congress Center Giessen
August 12, 2015	Half-Year Report	
November 11, 2015	Interim Announcement to the third quarter	
November 21-23, 2016	German Equity Forum	Frankfurt

## IMPRINT

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**Published by**  
PVA TePla AG

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