

PVA TePla

Interim Report as of
September 30, 2016

Foreword by the Management Board

Dear shareholders and business partners,

The third quarter confirms that we will reach our targets for the current fiscal year.

At EUR 65.1 million, significantly higher sales revenues were generated in the first nine months of 2016 than in the first nine months of 2015 (EUR 51.6 million). Improved gross profit with a margin of nearly 22% underscores the effect of cost-cutting measures implemented over the past few years and demonstrates the improvement in capacity utilization. The operating breakeven point is currently significantly below EUR 70 million, so that as expected, we were able to generate a positive operating result (EBIT) of EUR 1.9 million and a Group net result for the period of EUR 0.7 million.

Group operations also continued to develop during the third quarter of 2016. The domicile of subsidiary PVA MPS was relocated from Kirchheim near Munich, Germany, to Wettenberg, Germany. This marked the successful end to the relocation process associated with a new organization.

The development of incoming orders in the two divisions varied during the first nine months of 2016. While incoming orders were weaker than expected in the Industrial Systems division, the Semiconductor Systems division exceeded the planned budget during the first nine months of 2016. Orders did improve in October for the Industrial Systems business unit, which posted higher incoming orders in that month alone than in the entire third quarter of 2016. Also in line with our expectations, the relevant customer-specific contracts will be realised with a time lag and the incoming orders for vacuum systems are likely to increase considerably once again by the end of the year.

As a result, we confirm our previous forecast for the fiscal year: 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.

On behalf of our managing directors and all employees, we would like to thank you, our shareholders, for your trust in and commitment toward our Company.

Peter Abel
Chief Executive Officer

Oliver Höfer
Chief Operating Officer

Henning Döring
Chief Financial Officer

IMPORTANT CONSOLIDATED FIGURES AT A GLANCE

EUR'000	Q1-Q3 / 2016	Q1-Q3 / 2015	Q1-Q3 / 2014
Sales revenues	65,083	51,589	57,939
Industrial Systems	29,238	22,451	29,377
Semiconductor Systems	35,845	29,138	28,562
Gross profit	14,213	10,833	12,117
in % sales revenues	21.8	21.0	20.9
R&D expenses	-2,008	-2,226	-1,621
Operating result (EBIT)	1,858	-1,538	-5,100
in % sales revenues	2.9	-3.0	-8.8
Consolidated net result	686	-2,073	-4,792
in % sales revenues	1.1	-4.0	-8.3
Earnings per Share (EPS) in EUR¹⁾	0.03	-0.10	-0.22
Capital expenditure	442	1,591	750
Total assets	91,702	88,279²⁾	89,037²⁾
Shareholders' equity	38,605	37,941²⁾	38,815²⁾
Equity ratio in %	42.1	43.0 ²⁾	43.6 ²⁾
Employees as of September 30	377	357	405
Incoming orders	51,915	77,797	56,075
Order backlog	53,845	64,340	41,383
Book-to-bill-ratio	0.79	1.51	0.97
Cash Flow from operating activities	-6,752	193	-8,251

¹⁾ Circulating shares on average 21,749,988

²⁾ As of December, 31

Interim Report as of September 30, 2016

SALES REVENUES

In the first nine months of 2016, the PVA TePla Group generated sales revenues of EUR 65.1 million, which is an increase of over 26% in comparison to the same period in the previous year (EUR 51.6 million). Sales revenues will also develop positively in the fourth quarter based on the ongoing good level of order backlog.

The [Industrial Systems division](#) generated sales revenues of EUR 29.2 million (prior year: EUR 22.5 million). In the [Semiconductor Systems division](#), sales revenues came to EUR 35.8 million (prior year: EUR 29.1 million).

Sales Revenues by Division EUR'000	Q1-Q3 / 2016	Q1-Q3 / 2015
Industrial Systems	29,238	22,451
Semiconductor Systems	35,845	29,138
Total	65,083	51,589

GROSS MARGIN AND EBIT

Based on consolidated sales revenues of EUR 65.1 million in the first nine months of 2016 (previous year: EUR 51.6 million), gross profit amounted to EUR 14.2 million (prior year: EUR 10.8 million) and the gross margin stood at 21.8% (prior year: 21.0%). The gross margin was higher than the same period in the prior year due to cost-cutting measures and the improvement in capacity utilization.

Operating profit (EBIT) of EUR 1.9 million (September 30, 2015 [prior year]: EUR -1.5 million) was generated in the first nine months of 2016. The EBIT margin amounted to +2.9% (prior year: -3.0%). Costs related to relocating PVA MPS GmbH from the location in Kirchheim near Munich, Germany, to Wettenberg, Germany, were allocated to the functional areas and amounted to a total of EUR 0.9 million.

NET RESULT FOR THE PERIOD

The net result before tax amounted to EUR 1.2 million (prior year: EUR -2.0 million) and net result for the period amounted to EUR 0.7 million (prior year: EUR -2.1 million). Return on sales amounted to 1.1% (prior year: -4.0%). The net balance of interest income and interest expenses came to a total of EUR -0.7 million (prior year: EUR -0.4 million).

INCOMING ORDERS

Incoming orders for the PVA TePla Group came to EUR 50.8 million in the first nine months of 2016, which was down on the previous year's figure of EUR 77.8 million. Incoming orders in the Vacuum Systems business unit came in lower than expected for the year thus far. A major order in the Crystal Growing Systems business unit placed in the previous year resulted in disproportionate growth in the previous year's figures. The book-to-bill ratio stood at 0.8 (prior year: 1.5).

Incoming orders in the [Industrial Systems division](#) came to EUR 17.3 million in the first three quarters of 2016 (prior year: EUR 30.6 million), which is significantly below the figure for the same period in the previous year. Incoming orders mainly concerned heat treatment systems for the Asian market, especially the Chinese market. Incoming orders in plasma nitriding systems were particularly positive. The decline in orders for hard metal sintering systems is primarily responsible for lower incoming orders in the current fiscal year. The [Semiconductor Systems division](#) recorded incoming orders of EUR 33.5 million (prior year: EUR 47.2 million). Orders for crystal growing and plasma systems accounted for the majority of incoming orders in this division.

ORDER BACKLOG

The order backlog, consolidated and net of sales recognized according to the percentage of completion method (PoC), came to EUR 52.7 million as of September 30, 2016, which is lower than the previous year's figure for the same period (EUR 64.3 million). The order backlog in the [Industrial Systems division](#) as of September 30, 2016 stood at EUR 23.5 million (prior year: EUR 28.7 million). In the [Semiconductor Systems division](#), the order backlog was EUR 29.2 million, a decline on the prior year's figure of EUR 35.6 million.

SHAREHOLDERS' EQUITY AND TOTAL ASSETS

Shareholders' equity increased to EUR 38.6 million due to the net result for the period (December 31, 2015: EUR 37.9 million). Total assets amounted to EUR 91.7 million as of September 30, 2016 (December 31, 2015: EUR 88.3 million). The increase in total assets is largely due to the prefinancing of the high order backlog, which led in particular to an increase in future receivables from construction contracts compared to December 31, 2015.

LIQUIDITY

The increase in tied-up capital to prefinance the order backlog lifted the working capital ratio from 28% to 37%, resulting in operating cash flow of EUR -6.8 million (third quarter 2015: EUR +0.2 million). This figure fluctuates heavily in the vacuum systems and crystal growing systems business units from one reporting date to the next due to the structure of orders. 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 usually negative during order processing. The remaining amount due is paid near the delivery date, except for a small residual instalment. Cash flow from investing activities amounted to EUR -0.4 million (prior year: EUR -1.1 million). Cash flow from financing activities came to EUR +2.5 million (prior year: EUR -2.7 million).

Total cash flow in the first nine months of 2016, including exchange rate differences, amounted to EUR -4.7 million (prior year: EUR -3.7 million). The net financial position (surplus of current and non-current financial liabilities beyond cash and cash equivalents) amounted to EUR -11.0 million (December 31, 2015: EUR -3.4 million).

EMPLOYEES

The Group had 377 employees as of September 30, 2016 (September 30, 2015: 357 employees).

ASSESSMENT OF OPPORTUNITIES AND RISKS

During the first three quarters of fiscal year 2016, there were no significant changes to the opportunities and risks presented in the Annual Report 2015.

FORECAST

The PVA TePla Management Board confirms its previous forecast on business development for fiscal year 2016 and anticipates consolidated sales revenues of between EUR 80 million and EUR 90 million, as well as EBITDA of between EUR 4 million and EUR 6 million and an operating result (EBIT) of EUR 2 million to EUR 4 million.

Interim Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

as at September 30, 2016

ASSETS EUR'000	Sep. 30, 2016	Dec. 31, 2015
Non-current assets		
Intangible assets	8,772	8,812
Goodwill	7,808	7,808
Intangible assets under development	0	179
Other intangible assets	914	775
Payments in advance	50	50
Property, plant and equipment	29,127	30,802
Land, property rights and buildings, including buildings on third party land	23,853	24,716
Plant and machinery	4,206	3,558
Other plant and equipment, fixtures and fittings	923	1,201
Advance payments and assets under construction	145	1,327
Non-current investments	10	10
Deferred tax assets	4,703	4,184
Total non-current assets	42,612	43,808
Current assets		
Inventories	19,166	18,361
Raw materials and operating supplies	9,786	8,196
Work in progress	8,659	8,685
Finished products and goods	720	1,480
Coming receivables on construction contracts	15,172	7,821
Trade and other receivables	12,821	11,794
Trade receivables	8,408	8,926
Payments in advance	2,695	1,443
Other receivables	1,719	1,425
Tax repayments	17	3
Cash	1,914	6,492
Total current assets	49,090	44,471
Total	91,702	88,279

LIABILITIES AND SHAREHOLDERS' EQUITY EUR'000	Sep. 30, 2016	Dec. 31, 2015
Shareholders' equity		
Share capital	21,750	21,750
Revenue reserves	20,032	19,349
Other reserves	-3,093	-3,074
Minority interest	-84	-84
Total shareholders' equity	38,605	37,941
Non-current liabilities		
Non-current financial liabilities	3,799	4,556
Other non-current liabilities	500	812
Retirement pension provisions	13,363	13,327
Deferred tax liabilities	2,903	1,914
Other non-current provisions	366	292
Total non-current liabilities	20,932	20,901
Current liabilities		
Short-term financial liabilities	9,074	5,313
Trade payables	2,926	3,165
Obligations on construction contracts	828	516
Advance payments received on orders	9,937	12,706
Accruals	6,177	5,037
Other short-time liabilities	1,104	999
Provisions for taxes	10	35
Other short-term provisions	2,110	1,666
Total current liabilities	32,165	29,437
Total	91,702	88,279

CONSOLIDATED INCOME STATEMENT

January 1 - September 30, 2016

EUR'000	Jul. 1 - Sep. 30, 2016	Jul. 1 - Sep. 30, 2015	Jan. 1 - Sep. 30, 2016	Jan. 1 - Sep. 30, 2015
Sales revenues	26,277	18,077	65,083	51,589
Cost of sales	-21,329	-13,980	-50,870	-40,756
Gross profit	4,948	4,097	14,213	10,833
Selling and distributing expenses	-2,802	-1,256	-6,870	-5,433
General administrative expenses	-1,458	-1,487	-4,431	-4,667
Research and development expenses	-527	-823	-2,008	-2,226
Other operating income	566	766	2,095	1,824
Other operating expenses	564*	-793	-1,141	-1,869
Operating result (EBIT)	1,290	504	1,858	-1,538
Finance revenues	90	65	119	220
Finance costs	-303	-238	-803	-660
Financial result	-213	-173	-684	-440
Net result before tax	1,077	331	1,174	-1,978
Income taxes	-777	-294	-489	-95
Consolidated net result for the period	301	37	686	-2,073
of which attributable to				
Shareholders of PVA TePla AG	301	37	686	-2,073
Minority interest	0	0	0	0
Consolidated net result for the period	301	37	686	-2,073
Earnings per share				
Earnings per share (basic) in EUR	0.01	0.00	0.03	-0.10
Earnings per share (diluted) in EUR	0.01	0.00	0.03	-0.10
Average number of share in circulation (basic)	21,749,988	21,749,988	21,749,988	21,749,988
Average number of share in circulation (diluted)	21,749,988	21,749,988	21,749,988	21,749,988

*Expenses from the relocation process of PVA MPS were reported in Other operating expenses in the previous quarters. Since Q3-2016, these expenses are reclassified into the functional parts.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January 1 - September 30, 2016

EUR'000	Jan. 1 - Sep. 30, 2016	Jan. 1 - Sep. 30, 2015
Consolidated net result for the period	686	-2,073
of which attributable to shareholders of PVA TePla AG	686	-2,073
of which attributable to minority interest	0	0
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency changes	22	303
Income taxes	0	-85
Changes recognized outside profit or loss (currency changes)	22	218
Changes in fair values of derivative financial instruments	0	2
Income taxes	0	-1
Changes recognized outside profit or loss (derivative financial instruments)	0	1
Total of items that may be reclassified to profit or loss	22	219
Other comprehensive income after taxes (changes recognized outside profit or loss)	22	219
of which attributable to shareholders of PVA TePla AG	22	219
of which attributable to minority interest	0	0
Total comprehensive income	708	-1,854
of which attributable to shareholders of PVA TePla AG	708	-1,854
of which attributable to minority interest	0	0

CONSOLIDATED CASH FLOW STATEMENT

January 1 - September 30, 2016

EUR'000	Jan. 1 - Sep. 30, 2016	Jan. 1 - Sep. 30, 2015
Consolidated net result for the period	686	-2,073
Adjustments to the consolidated net result for the period for reconciliation to the cash flow operating activities:		
+ Income taxes	488	95
- Finance revenues	-119	-220
+ Finance costs	803	660
= Operating result	1,858	-1,538
- Income tax payments	-32	9
+ Amortization and depreciation	2,241	1,749
-/+ Gains/losses on disposals of non-current assets	4	-88
+/- Other non-cash expenses / income	-63	-6
	4,008	126
-/+ Increase/decrease in inventories, trade receivables and other assets	-9,355	-6,156
+/- Increase/decrease in provisions	219	312
+/- Increase/decrease in trade payables and other liabilities	-1,625	5,911
= Cash flow from operating activities	-6,752	193
+ Proceeds from disposals of intangible assets and property, plant and equipment	16	450
- Payment of intangible assets and property, plant and equipment	-442	-1,591
+ Interest receipts	1	23
= Cash flow from investing activities	-425	-1,118
- Payments from redumption of debt and loans	-757	-1,270
+/- Change in short-term bank liabilities	3,761	-957
- Payment of interest	-470	-436
= Cash flow from financing activities	2,534	-2,663
Net change in cash	-4,643	-3,588
+/- Effect of exchange rate fluctuations on cash	65	151
+ Cash at the beginning of the period	6,492	5,725
= Cash at the end of the period	1,914	2,288

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

January 1 - September 30, 2016

EUR'000	Shared issues		Revenue reserves	Other equity components	Pension provisions	Total	Minority interest	Total shareholders' interest
	Number							
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
As at December 31, 2015	21,749,988	21,750	19,349	205	-3,279	38,024	-84	37,941
As at January 1, 2015	21,749,988	21,750	20,799	-178	-3,471	38,900	-85	38,815
Total income			-2,073	220	0	-1,853	0	-1,853
As at September 30, 2015	21,749,988	21,750	18,726	42	-3,471	37,045	-85	36,962
As at January 1, 2016	21,749,988	21,750	19,349	205	-3,279	38,024	-84	37,941
Total income			686	-22	0	664	0	664
As at September 30, 2016	21,749,988	21,750	20,035	183	-3,279	38,688	-84	38,605