Annual Report 2006

Rohwedder

Excellence in Automation

Content

*of Rohwedder Aktiengesellschaft, Bermatingen, for the Financial Year 2006

Group Management Report

Overall Economic Development

The 5.1 percent growth of international economy in 2006 was somewhat stronger than in the previous year and is still on the upswing. Despite the continued tense situation on the energy and commodity markets, a more restrictive finance policy in many industrialized countries and increasing geopolitical uncertainties, the dynamic was maintained in most regions, while in particular in the euro zone, a distinct economic momentum was noticed. North America, the Asian threshold countries, in particular China and India as well as the Middle and Eastern European Countries were again responsible for the strongest growth impulses. The economic performance of China grew by 10.6 percent and again exceeded expectations.

USA, Canada and Mexico

Growth in the USA slowed down in 2006 with higher interests having a braking effect both on private consumption and on corporate investments – as expected. In particular, the end of the boom on the real estate market had a dampening effect. However, the US economy still expanded again by 3.4 percent which was still higher than in 2005 (3.2 percent).

Canada benefited again from the high international raw materials demand and was able to increase its gross domestic product by around 3.1 percent. Growth was also supported by the considerable increase in domestic demand – with strong growth rates in private consumption expenditures as well as the investment in equipment.

In Mexico, the stable domestic demand upheld the momentum. In addition, the favorable monetary framework conditions act as growth drivers – just as the increased public spending combined with high income from the natural oil business and the investment requirement for oil production equipment.
In 2006, the gross domestic product increased by around 4.7 percent and was thus clearly above the forecasts at the beginning of the year.

Europe

The economy in the euro zone grew strongly in 2006. After an only moderate expansion until the end of 2005, economy began to boom in the first half of 2006. All in all, gross domestic product (GDP) in the euro zone increased by 2.7 percent and in the European Union by 2.9 percent after only 1.4 and 1.7 percent in 2005.

Within Europe, however, serious differences were apparent. While Ireland, Greece, Spain, Luxembourg and Slovenia achieved above-average growth rates with some of them reaching clearly more than 3.5 percent, especially Italy and Portugal clearly dropped behind with 1.7 and 1.5 percent.

The economy in the new EU member states continued to grow. Along with the Baltic states, where the GDP grew even further by 11.0 and 11.2 (Latvia and Estonia) and 8.5 percent (Lithuania), Slovakia with 6.4 percent and the Czech Republic with 6.2 percent posted the highest growth rates. Poland's economy grew in 2006 by 5.4 percent and thus significantly stronger than in 2005 (3.2 percent).

Germany

The German economy is on the upswing. Economic performance continued to grow strongly until the end of 2006. Consequently, the GDP grew by 2.7 percent in 2006. Since the German reunification only the year 2000 showed a higher growth than last year. The growth impulses in 2006 were due to domestic demand as well as exports.

Contrary to the last two years, however, domestic sales provided a much higher contribution to the GDP growth (plus 1.7 percent) than exports (plus 0.7 percent). This was mainly due to the investments that rose to a height not reached since the reunification. But not only domestic investments were higher but also consumption: After two almost stagnating years, private consumption increased by 0.6 percent, and the public sector increased its consumer spending by 1.7 percent. In addition, foreign trade continued to present itself very dynamically: The import and export growth rates almost doubled as compared with 2005.

Sectoral Development

In the reporting year, the Robotics and Automation sector was able to increase its sales stronger than expected by the German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau e. V., VDMA), i.e. by 6.0 percent to € 7.3 bn. The 2005 stagnation was thus overcome.

Subsectors

Industrial Vision Technology

Industrial vision technology continues to be on the road to success, and sales in 2006 grew above-average by 9.0 percent to around € 1.1 bn. Exports were the main growth impulses.

Assembly and Handling Technology

In the assembly and handling technology subsector, sales rose from 5.0 percent to € 4.5 bn. Of special significance is the Microassembly Technology which develops innovative solutions to master the transition from prototype building to series production in automated manufacturing of complex micromechanical products.

Robotics

Following the sales decrease for robot manufacturers in 2005 to € 1.6 bn, it was possible in the reporting year to sell 8.0 percent more robots so that turnover rose to € 1.7 bn. This development was possible despite the automotive industry's hesitancy in capital expenditure because more and more customers were gained within general industry. In particular the plastic industry, the timber and furniture industry as well as the metal-working industry significantly increased the number of installed systems.

Course of Business and Sales Trend

The Rohwedder Group's total operating performance in financial year 2006 amounted to € 99.3 million (previous year: € 139.3 million), so that our total operating performance target between € 90 million and € 100 million was achieved.

Adjusted by the total operating performance of Roth & Rau AG which was deconsolidated on May 11, 2006, the total operating performance of the Rohwedder Group in the previous financial year amounted to € 89.2 million. In 2005, the total operating performance amounted to € 98.2 million without taking into account the deconsolidated holding in the IEF Werner Group and Roth & Rau AG. The decrease by € 9.0 million in financial year 2006 is primarily due to the fact that the Radolfzell plant suffered a significant reduction in total operating performance following the insolvency of the customer BenQ Mobile GmbH & Co. OHG, Munich.

Sales revenues in the reporting year totaled € 99.2 million (previous year: € 143.2 million), with sales outside Germany with 36.6 percent remaining at previous year's level (36.4 percent). Adjusted by the sales revenues of the deconsolidated Roth & Rau AG, the turnover of the Rohwedder Group in the previous financial year amounts to € 90.4 million. In 2005, the sales revenues amounted to € 104.5 million without taking into account the deconsolidated holding in the IEF Werner Group and Roth & Rau AG.

As at December 31, 2006 the Rohwedder Group's order backlog totaled € 29.7 million (previous year: € 51.5 million); without taking Roth & Rau AG into account, the order backlog as at December 31, 2005 amounted to € 35.5 million. Especially due to the insolvency of BenQ Mobile, the order backlog in financial year 2006 sank by 16.3 percent.

Sales by Segment in € million	2006	2005	2006 Without Roth & Rau AG	2005 Without IEF-Group and Roth & Rau AG
System Solutions for Assembly and Microassembly Technology	79,2	87,3	79,2	84,0
System Solutions for Electronics Production	8,7	17,8	8,7	17,8
System Solutions for Plasma and Solar Coating Technology	8,8	33,4	0	0
Complementary Technology	2,5	4,7	2,5	2,7
Total	**99,2**	**143,2**	**90,4**	**104,5**

Earnings Position

In 2006, the Rohwedder Group's earnings before interest, taxes, depreciation and amortization (EBITDA) totaled € 10.2 million (previous year: € 7.5 million). Earnings before interest and taxes (EBIT) were € 8.4 million (previous year: € 3.6 million). Special effects of € 8.4 million are included in this EBIT. We therefore also met our EBIT forecast for the year under review of between € 7.0 million to € 8.5 million which was published on November 27, 2006 at the DVFA Analysts Conference.

Earnings before taxes (EBT) totaled € 7.3 million (previous year: € 1.9 million), and the net Rohwedder Group profit for the year before minority interests was € 6.8 million (previous year: € 1.1 million).

Segment Report

Within the System Solutions for Assembly and Microassembly Technology segment, the Bermatingen location of the Assembly Technology subsegment was able to improve its result as compared to the previous year, however, the earnings situation continued to be negative because projects remained in the design phase longer than planned due to increased need for technological clarification. Value creation in Bermatingen was significantly reduced because of these schedule delays.

Our Canadian subsidiary Rohwedder Automated Systems Inc. is also active in the Assembly Technology subsegment. In the first half of 2006, this company was able to complete products that had been taken over from the former management and that had a negative effect on the earnings situation. New orders were completed as scheduled and within cost frameworks, therefore the company ended the second half of 2006 with an operating profit. In addition, the present management of Rohwedder Automated Systems Inc. was successful in improving the location's reputation and in winning back former customers as well as employees. Sales also secured orders from new customers in the Automotive industry.

As a result of the insolvency of BenQ Mobile GmbH & Co. OHG, the contribution of the Radolfzell location to the Assembly Technology subsegment decreased considerably in comparison with the previous year with regard to sales revenues and, in particular, with regard to the result.

In the Microassembly Technology subsegment at the Bruchsal location, a clear loss was experienced in the previous year because the orders received lagged heavily behind our target figures because of postponed projects among other reasons. The implementation of an automation system which will however entail follow-up orders caused considerable additional costs.

The System Solutions for Electronics Production segment as well as the System Solutions for Assembly and Microassembly Technology segment were affected by the unexpected insolvency of BenQ Mobile GmbH & Co. OHG because our Radolfzell location was not able to do any further business with this customer as from the fourth quarter. Moreover, the BenQ Group suffered a drop in demand for its mobile telephone business in Asia so that our subsidiary in China hardly received any orders from this business partner. The segment achieved a positive EBIT in spite of these unfavorable conditions.

The System Solutions for Plasma and Solar Coating Technology segment includes the sales revenues and the result of Roth & Rau AG as at April 30, 2006.

The fourth segment, Complementary Technology, which represents Vision Technology in Markdorf, significantly improved its earnings situation as compared with the previous year and achieved an almost break-even result.

Development of Associated Companies

The Canada Holding achieved a break-even result in financial year 2006 and thus significantly improved its earnings situation as compared with the previous year.

The result of Rohwedder Pty. Ltd., Australia, deteriorated further in comparison with the previous year. The causes for the negative result were the poor order situation at the beginning of the year, the move of the location as well as exchange rate differences.

Roth & Rau AG, in which Rohwedder AG held 60 percent of the shares since July 2006, successfully started in the open market / entry standard with the Frankfurt Stock Exchange on May 11, 2006. With € 43.50, the opening price was 20.8 percent above the issue price of € 36.00. Including greenshoe, the emission was subscribed more than 10-fold.

With this initial public offering, the former majority shareholder Rohwedder AG made optimal use of the positive capital market environment for companies in the photovoltaics industry. As at Dec. 31, 2006, Rohwedder AG still held 460,100 shares of Roth & Rau AG, which is equivalent to a share of 20.00 percent of their capital stock.

The four minority holdings Ziegler GmbH Fertigungstechnik, Asic Robotics AG, Fatec Co. Ltd. and Roth & Rau AG are shown at equity in the balance sheet. Asic Robotics AG, Fatec Co. Ltd. and Roth & Rau AG made a positive contribution toward the consolidated result while the contribution of Ziegler GmbH Fertigungstechnik was negative.

Balance Sheet Structure

The Rohwedder Group's balance sheet total was at € 75.0 million € 9.1 million down on the previous year. The deconsolidation of Roth & Rau AG resulted in a reduction on the assets side by € 12.9 million and on the liabilities side by € 13.1 million. Shares in Roth & Rau AG not sold during the initial public offering were restructured without effect on results and entered in the balance sheet at equity.

On the assets side of the Rohwedder Group, fixed assets were reduced by € 2.6 million to € 31.3 million (disposal of Roth & Rau at the time of deconsolidation: € 6.4 million). Inventories decreased by € 0.6 million to € 3.5 million in the reporting year (disposal Roth & Rau: € 1.1 million). Accounts receivable and other asset items decreased from € 36.7 million in 2005 to € 24.1 million (disposal Roth & Rau: € 5.7 million). Cash and cash equivalents increased from € 3.3 million in the previous year to € 10.5 million in 2006 (disposal Roth & Rau: € 3.0 million), which is mainly due to the inflow of funds from the initial public sale of Roth & Rau AG shares.

On the liabilities side of the Rohwedder Group, equity capital increased by € 8.8 million to € 42.0 million which is equivalent to an equity ratio of 56.0 percent (previous year: 39.5 percent). Long-term debts decreased from € 12.6 million in 2005 to € 12.2 million in the reporting year (disposal Roth & Rau: € 3.5 million). Short-term debts were down from € 38.4 million in the previous year to € 20.8 million (disposal Roth & Rau: € 7.6 million).

Employees

As at December 31, 2006, the number of employees in the Group was down to 501 employees (previous year: 608). The deconsolidation of Roth & Rau AG contributed to this decline with a total of 91 employees and the number of employees at the Radolfzell location was reduced by 17. The average number of employees in the year under review was 536 (previous year: 621).

Personnel expenditure in 2006 totaled € 31.1 million (previous year: € 34.7 million), equivalent to a personnel expenses ratio of 31.3 percent (previous year: 24.9 percent). It must be taken into account that the previous year was significantly influenced by the low personnel expenses ratio of Roth & Rau AG which only amounted to 8.2 percent in financial year 2005 in their individual balance sheet.

In all, 29 apprentices and trainees were employed in commercial and industrial trades in the reporting year as in the previous year.

Investments

The volume of investment in the Rohwedder Group last financial year was € 1.4 million (previous year: € 4.3 million), of which € 0.9 million was ploughed into in-house development costs and € 0.5 million into general investments. In addition to these € 1.4 million, € 0.4 million (previous year: € 0.0 million) were invested in financial assets in 2006.

Depreciation in 2006 totaled € 1.8 million (previous year: € 3.9 million).

Research and Development

Direct investment in research and development by the Rohwedder Group in 2006 totaled € 0.9 million (previous year: € 1.6 million), of which € 0.7 million were spent by Roth & Rau AG and € 0.2 million by Rohwedder AG.

At the Micro Technologies Competence Center in Bruchsal we worked in the last financial year on the development of a second generation of the standard microassembly cell “MicRohCell” which is to be completed by the middle of 2007. On the basis of this platform, we will offer flexible and cost-efficient project solutions in the precision assembly sector.

The Vision Technology Competence Center in Markdorf started the development of a standardized vision technology software in 2006 to be able to utilize future savings potentials and synergy effects in project handling. The target is efficient integration of frequently used hardware, reusable algorithms, standard purchased tools and standard test sequences in this software platform. The modular design of the software creates highest flexibility and extendability and the customers can adapt the user interface according to their requirements.

Over and above direct R & D costs, indirect research and development costs were incurred because the development of new technologies in the Rohwedder Group is mainly done within current order projects.

In the Electronics Production Solutions division, a flexible laser depanelizing system was developed that depanelizes printed circuit boards dust-free and stress-free with maximum throughput rates.

Risk Management

Risk management in the Rohwedder Group stands for an active, deliberate management of risks and opportunities and therefore plays a fundamental role in all decisions and business processes.

The Rohwedder AG Management Board is responsible for cross-enterprise early identification of threats to the company's continued existence as a going concern and for suitable countermeasures. Operative responsibility lies with heads of department and with the management of subsidiary companies. They are required, for instance, to report at regular intervals to Financial Controlling information about risks, opportunities and development trends.

From the moment an order is accepted, possible project risks are analyzed constantly and minimized. Project managers initiate countermeasures without delay. Even so, cost overruns in individual projects as a result of misjudgment of the complexity or the time required can not always be passed on to the customer by means of supplementary claims.

Risk management as a dynamic process is subject to permanent control and thereby to continuous improvement of its efficiency so as to ensure that on balance the risks that all projects entail are constantly foreseeable.

Risks and Opportunities Inherent in Future Developments

Market and Competition

The loss of customer BenQ from the telecommunications industry means the Rohwedder Group realizes at present approximately 80 percent of its automation solutions for the automotive industry. Dependence on this sales market entails risks because price pressure and competition have intensified enormously over the last years, with a negative effect on profit margins. This intensive competition can already be seen for the automotive manufacturers who have to face increasing competition from low-cost suppliers from Eastern Europe and Asia. The OEMs (Original Equipment Manufacturers) pass on this price pressure to their suppliers who, in turn, are our customers, so that this chain reaction has a strong influence on the earning power of the Rohwedder Group.

Moreover, the automotive industry in Western Europe and in Northern America is in a consolidation phase so that production in Western Europe in 2006 decreased by 2 percent and in the USA even by 6 percent. Noteworthy offensives with respect to new car models are not planned.

Based on this situation in the two markets important for the Rohwedder Group, we only see an average growth potential in the automotive industry for us and intend focusing up to 40 percent of our projects in other industries.

We have already been successful with this strategy in the medical technology field because here the Rohwedder Group was already able to successfully carry out several projects - with the prospect of securing repeat orders. We also managed to gain another new customer from the medical sector in the past financial year. This continuously intensifies our activities in this promising market.

Outside the automotive industry we focus on general industry where manufacturers are forced to increase automation. One to two years of intensive market development will be necessary to benefit from these opportunities for our business.

Customer-Specific Project Business

Customer-specific project business in general entails potential risks inasmuch as many of our automation solutions must be regarded as one of a kind in both technology and handling. Although standardization effects partially increase, they only have limited use. The high technical complexity of products to be produced on Rohwedder equipment also makes a hundred percent exact advance performance specification problematic. Investment budgets of our customers are strictly limited so our additional claims with regard to accrued extra costs can not always be enforced in the required amount. This means that the risk of higher costs is shifted more and more to the Rohwedder Group as supplier, in particular from the automotive industry.

To complicate matters further with some projects, the products to be manufactured on our equipment are still being developed by the customer. The resulting special requirements in the realization of automation solutions are hard to plan in advance and therefore can cause additional costs as well as delays. This, in turn, has negative effects on our total operating performance and on our earnings.

Although we face these challenges by working according to simultaneous engineering principles, the problems can not be fully avoided. Restrictive contract terms such as product liability or contract penalties represent additional risks for the Rohwedder Group.

We counteract the risks by acquiring more and more repeat orders. The Rohwedder Group is thus able to make use of already realized technologies several times and, in addition, generate higher profitability. Here, we use the opportunity of increased retention of customers for whom the individually tuned automation solutions provide important extra value. In this way we build up a special know-how that sets us clearly apart from our competitors.

Procurement

As a manufacturing company in the automation technology business the Rohwedder Group is subject to procurement risks. By that we mean among others the timely availability and quality of primary and intermediate products used in the manufacture of our complex plants. The relevant procurement markets are monitored continuously to minimize these risks and at the same time make use of favorable procurement opportunities. We are already active in low-cost purchase in Eastern Europe within scheduling restrictions and see this as a special opportunity for the future.

Financial Activities

In the course of ordinary business activity we are exposed to currency, interest rate and price risks. In cases in which the Rohwedder Group proposes to make use of hedging instruments to cover these financial risks, use is made of appropriate financial instruments. We cover ourselves against foreign exchange risks, for example, by means of currency future trading. We only resort to financial derivatives if they can be used as hedge for positions, financial investments and financing that arise from operative business. We do not engage in speculative business.

We use recognized valuation procedures to assess open positions. Doing business of this kind is subject to in-house guidelines and strict controls.

Rohwedder AG provides security for the provision of finance for our subsidiaries Rohwedder Automated Systems Inc., Canada and Rohwedder Pty. Ltd., Australia.

One litigation risk exists in connection with the liquidation of Rohwedder Inc., Orlando, Florida, in 2005, but it is not at present expected to lead to any further expenses for Rohwedder AG apart from legal fees.

Legal

To deal with possible legal risks that may arise from the widest range of fiscal, competition, patent, safety and environment law regulations and legislation we take intensive legal advice before making our decisions.

Damage Risks

This risk category includes fire, product liability and environmental risks. We assume responsibility for safety, health and the environment and have communicated binding principles on these issues. In addition to taking out insurance cover against damaging events we have drawn up emergency plans that are regularly reviewed and trained in close cooperation with testing agencies and local emergency services.

At the time of writing there were no risks that posed a threat to the Rohwedder Group‘s continued existence as a going concern.

Fundamentals of the Remuneration System of Management Board and Supervisory Board

Management Board remuneration consists of fixed and variable components, of which the variable components are a percentage of the annual net surplus of Rohwedder AG and the annual net surplus of the Rohwedder Group in the year under report. In addition, pension benefit plans for the members of the Management Board exist.

The general meeting of shareholders decided on June 30, 2006 that the information demanded according to § 285 Sentence 1 No. 9 Letter a Sentence 5 to 9 as well as § 314 Paragraph 1 No. 6 Letter a Sentence 5 to 9 of the German Commercial Code (HGB) will be omitted for five years.

Remuneration of the Supervisory Board members is a fixed remuneration without profit-related share.

Statement According to Takeover Directive Implementation Act

Composition of Capital Stock

The capital stock totals € 5,000,000.00 (in words: Five million Euros). The capital stock is divided into 5,000,000 individual bearer share certificates. Each share certificate entitles to one vote. All rights and obligations result from the Stock Corporation Act, especially from §§ 12, 133 and 174.

Holdings in the Capital Stock of the Company

Original shareholders (family) with pool contract until December 31, 2009	**45.3 %**
Thereof more than 5%	
Walburga Thommel	8.60 %
Isabel Thommel	8.60 %
Joachim Rohwedder	8.42 %
Helen Rohwedder	7.27 %
Svenja Rohwedder	7.27 %
Other original shareholders	5.09 %
SüdKB Süd-Kapital-Beteiligungsgesellschaft mbH, Stuttgart (subsidiary company of LBBW)	**12.8 %**

Shareholders Agreement (Pool Contract)

The original shareholders Joachim Rohwedder, Ruth Rohwedder, Susanne Rohwedder, Ingeborg Buhmann, Walburga Thommel, Isabel Thommel and Dr. Jürgen Thommel signed a pool contract on February 19, 1999. The purpose of this agreement is the uniform exercising of the voting rights of the shares that are subject to this agreement as well as the long-term retention of the shares with restricted transferability in family possession. Shares with restricted transferability for the purposes of the pool contract are all shares in the possession of the pool members as well as all shares that will be bought in future by the pool members based on options for these shares as well as the options themselves for shares with restricted transferability.

According to the contents of the pool contract, the voting rights of the pool members will be exercised uniformly in the general meeting of the company according to a resolution of the pool meeting to be passed in advance. The voting right of the pool members in the pool meeting depends on their voting right in the general meeting of the company.

Each pool member is entitled to sell his / her shares with restricted transferability without consent of the other pool members to other pool members or persons who are related in a straight line with pool members providing the buyer declares to join this contract during the transfer. If a pool member intends to sell all or part of his/her shares to other persons than those referred to above, he/she must first offer the shares to all other pool members for acquisition. When a pool member dies, the pool contract will be continued with his/her heirs.

The contract can be changed or terminated by a resolution requiring a majority of three quarters of the votes of all pool members. Termination of the pool contract was possible for the first time on December 31, 2006 and then at the expiration of every third year after this date with a term of six months. The terminating person leaves the pool when the pool termination becomes effective. The pool will be continued with the remaining pool members. When a pool member leaves the pool by termination, the remaining pool members are entitled to take over the shares with restricted transferability of the person leaving the pool. With agreement of June 24, 2006, the pool contracted was prolonged until December 31, 2009.

Legal Provisions and Statutory Provisions Concerning the Appointment and Dismissal of Members of the Management Board and Amendments of the Statutes

With respect to the legal provisions concerning the appointment and dismissal of members of the Management Board we refer to §§ 84, 85 German Stock Corporation Act (Aktiengesetz, AktG) and with respect to the legal provisions concerning the amendment of the statutes to §§ 133, 179 AktG.

The Statutes of Rohwedder AG stipulate the following: Resolutions of the general meeting are passed with simple majority of the votes given unless mandatory provisions of the German Stock Corporation Act stipulate anything to the contrary. As far as the German Stock Corporation Act stipulates in addition that a majority of the capital stock is represented when a resolution is passed, the simple majority of the represented capital is sufficient as far as this is legally allowed. The Supervisory Board is entitled to perform amendments of the Statutes that merely affect the wording.

Authority of the Management Board to Issue and Buy Back Shares

Approved Capital

The general meeting of June 28, 2004 entitled the Management Board until June 27, 2009, with the approval of the Supervisory Board, to increase the capital stock by up to € 2,0 million by the single or multiple issue of up to 2.0 million of new individual bearer share certificates against on-cash contributions (approved capital I).

The general meeting of June 28, 2004 entitled the Management Board until June 27, 2009, with the approval of the Supervisory Board, to increase the capital stock by up to € 500,000 by the single or multiple issue of up to 500,000 new individual bearer share certificates against cash contributions (approved capital I).

Conditional Capital

There is € 120,000 in conditional capital 2000. As at Dec. 31, 2006 there were 52,700 option rights of which 14,000 were held by a former Management Board member.

In 2000, a stock option program totaling 120,000 Rohwedder shares was launched. Options to buy Rohwedder stock were granted to Management Board members (up to 22,000) and to executive employees (up to 98,000). This program ran until 2004. As at Dec. 31, 2006 options to buy 14,000 shares were held by a former Management Board member and a total of 38,700 by executive employees.

They could not be exercised until at least three years after issue. The exercise price is the average stock market price over the 10 trading days before the issue. Options may only be exercised by company employees whose contracts have not been canceled at the time of exercise and are subject to the fulfillment of one of two conditions.

The conditions relate to the share price development compared with the SDAX index and to the company's earning trend. The day after the company's annual general meeting of shareholders counts as the date of issue. Alternatively, the option holder can be offered a cash settlement.

In addition, there exists conditional capital 2006 totaling € 1.0 million. According to the resolution of the general meeting of shareholders on June 30, 2006, the Management Board was authorized to increase with the consent of the Supervisory Board the capital stock until June 29, 2011 by issuing up to 1 million registered common shares with voting rights. The conditional capital increase serves exclusively to issue shares to the holders of warrant bonds or convertible bonds.

Authorization for Acquisition of Own Shares and for Sales with Exclusion of Subscription Rights

The general meeting passed a resolution on June 30, 2006 to authorize the company as from June 30, 2006 until November 30, 2007, to buy and sell own shares according to the following provisions.

The company is entitled to acquire shares of the company for any allowed purpose; trading with own shares is not allowed. The authorization can also be performed for group companies or at the account of the company or its group companies by third parties.

The authorization is limited to the acquisition of maximum ten percent of the capital stock available at the time of the resolution concerning the acquisition of shares. The authorization can be exercised in full or in part, once or several times. At no time may the acquired shares, together with other own shares in the possession of the company or to be attributed to it according to § 71 a ff. AktG, amount to more than 10 percent of the capital stock.

The acquisition will be performed via the stock exchange or by means of a public tender offer statement directed to all shareholders or by means of a public invitation to all shareholders to submit sales offers.

The Management Board is authorized to use shares of the company acquired on the basis of this authorization or of former authorizations with the consent of the Supervisory Board – in addition to sales via the stock exchange or by offer with option to all shareholders – as follows:

1. Offer shares to third parties during company mergers or when acquiring companies,
2. Offer shares to option holders from the stock option program,
3. Sell shares to third parties against cash,
4. Grant shares to creditors from partial debentures with conversion or option privileges or conversion obligations on shares of Rohwedder AG for fulfillment of their rights,
5. Forfeit shares without the forfeiture or its performance requiring a further resolution of the general meeting.

Transactions of Special Significance after the End of the Financial Year

New Location in Mexico

In January 2007, a new sales and service branch was opened in Querétaro, Mexico. The location is approx. 220 km north of Mexico City and reports to our Canadian subsidiary Rohwedder Automated Systems Inc.

Rohwedder AG Takes Over MIMOT GmbH

In February 2007, Rohwedder AG purchased 100 percent of the shares of MIMOT GmbH with domicile in Lörrach and further companies in France and the USA with economic effect as from January 1, 2007.

The purchase price for the business shares is € 3.2 million minus the net financial indebtedness. In addition, Rohwedder AG pays for the years 2007 and 2008 an additional purchase price (earn out) which depends on the earnings before interest and taxes (EBIT). In financial year 2006, MIMOT GmbH achieved a total operating performance of approx. € 10 million and had 65 employees at the Lörrach location.

Rohwedder AG Sells Shares of Roth & Rau AG

The Management Board of Rohwedder AG decided on February, 2007 to sell 460,000 of the 460,100 shares of Roth & Rau AG held by Rohwedder AG over the counter. The shares were sold on February 22, 2007 at a close-to-the-market price. The total proceeds amount to almost € 20 million gross and serve for further business development of the company. The earnings without operative background which result from the sale of the shares for the Rohwedder Group in the financial year 2007 amount to approx. € 8.8 million.

Outlook

Overall Economic Development

Expansion of the world economy will continue to be dynamic in 2007 but weaken somewhat temporarily. It is supported by the earnings situation of the companies which will remain promising despite somewhat higher long-term interest rates. It must be expected that development in the individual regions will even out. Monetary policy will continue to be neutral to slightly expansive. In China, the gross domestic product will expand further in 2007 and at around 10 percent will increase just somewhat weaker than 2006. Economic dynamics will remain solid in the remaining East Asian countries as well as Latin America, but could somewhat slow down.

USA, Canada and Mexico

In the United States, the gross domestic product growth will slow down in the first half year before it gains momentum again. Consumption should have a robust development despite the weakness of the real estate market. After temporary flattening, investments will expand dynamically. Growth of around 2.8 percent in 2007 and 3.1 percent in 2008 is expected.

Based on the positive labor market and the resulting stable domestic demand, Canada expects a growth of almost 3 percent this year and next year as well.

In Mexico, the interest level – as in most countries of the region – is still too low despite some corrections and contributes to further stimulation of domestic economy. However, since the light weakening of the US economy has an effect on the Mexican economy, a somewhat weaker growth of just below 4 percent is forecast for 2007 and 2008 as against the previous year.

Europe

Economic growth will also decrease somewhat in the countries of the European Union, however, without serious impact on recovery. Consumption should briskly increase because of the improved situation on the labor market and the interest level should continue to be neutral. As a result, the gross domestic product will grow in 2007 by 2.2 percent and in the following year by 2.4 percent.

Germany

In Germany, the boom will continue vigorously in the current year. At the turn of the year it was still expected that economic growth would slow down again due to the massive increase of taxes and levies. In the meantime it turned out that the overall economic production at the beginning of the year did increase somewhat slower than before but did not decrease by any means. A significant increase in production is expected already in the first half of the year. All in all, the real gross domestic product will expand in 2007 by 2.8 percent and even exceed the value of 2006. In 2008, the overall economic degree of utilization should further increase, but the economic momentum will noticeably decrease as time goes on. However, the gross domestic product should clearly increase by 2.4 percent in 2008.

Industry

The Robotics and Automation section of the German Engineering Federation VDMA (Verband Deutscher Maschinen- und Anlagenbau e. V.) forecasts an increase in sales revenues for the Robotics and Automation industry by 8.0 percent to € 7.9 billion.

The following developments are forecast for the three subsections:

Industrial Vision Technology will increase sales by 8.0 percent to € 1.2 billion. The reason for this clear increase is among others that this new technology continually opens up new fields of application with improved product quality.

For Assembly and Handling Technology, the VDMA also expects a sales increase of 8.0 percent to € 4.8 billion because it is increasingly used to meet production engineering challenges.

The Robotics subsection is expected to grow in the current financial year by 6.0 percent to € 1.8 billion because of increasing utilization in the general industry.

Group

Segments

As from January 1, 2007, segment reporting of the Rohwedder Group will be adjusted to the current company structure and reporting performed as the two segments Mechatronics Production Solutions (MPS) und Electronics Production Solutions (EPS).

In the Mechatronics Production Solutions (MPS) segment, we expect a higher total operating performance than in 2006 as well as a positive EBIT for the current financial year. This assessment is not only based on the current order backlog but also on expected projects that would involve repeat orders.

Our special emphasis is on projects to be handled through cooperation by individual locations. For example, we are conducting promising negotiations with a customer who classifies the Rohwedder Group as preferred supplier to secure an order to be handled in cooperation with the two Competence Centers in Bermatingen and Toronto. With our Canadian subsidiary Rohwedder Automated Systems Inc. we intend to grow well above the market average in the current financial year and are very confident to win more new customers since some very promising offers are in preparation for potential customers.

Here we benefit from the new Rohwedder Sales and Service Branch in Querétaro through which we have already won several contracts. In Mexico, higher growth will be generated in future than in the US American market and also the automotive customers of Rohwedder Automated Systems Inc. are moving part of their production there because of the lower wage costs. We offer semi-automatic rather than fully automatic solutions in the Mexican market to react to his situation.

The Micro Technologies Competence Center in Bruchsal expects to win new customers from the middle of the current financial year, especially with the second generation of the new "MicRohCell" standard microassembly cell. This innovative automation solution is designed to meet customer expectations exactly on flexibility in variants and retooling.

After the operative turnaround was achieved last year we also expect good business development for the Vision Technology Competence Center in Markdorf. At present, we are negotiating with existing as well as potential customers on larger vision technology applications for the Automotive, Electrics / Electronics, Medical and Foodstuffs sectors. We are therefore succeeding in widening the customer structure beyond the Automotive Industry in line with our strategic orientation.

Our objective for the complete Rohwedder Mechatronics Production Solutions Division remains to shift parts of the value chain to Eastern Europe. We will therefore look for suitable business partners there in the second half of 2007 so that we can implement the partial assembly solutions for the Rohwedder Group.

At the Radolfzell location of the Electronics Production Solutions (EPS) segment we plan a significantly reduced total operating performance for financial year 2007 as a result of the insolvency of our main customer BenQ Mobile GmbH & Co. OHG, Munich. To adapt the costs to this changed situation, the number of employees in Radolfzell was reduced by around 25 percent. In addition, we have stopped outsourcing production used earlier to handle order peaks.

We will maintain Rohwedder Automation (Suzhou) Co., Ltd. as a strategic location in the China growth market although we do not expect any further orders from the BenQ Group. The objective is, at minimum cost, to demonstrate presence which can then be extended again according to customer requirements. It is intended to fully utilize a maximum of two employees there with service orders.

A positive feature is that the Rohwedder Group as a supplier of high-quality technological solutions for the Electronics Industry has won market shares over the last years and will expand them further. This will be supported by the acquisition of MIMOT GmbH with domicile in Lörrach because this expands the Rohwedder portfolio with Surface Mount Technologies. In addition, MIMOT GmbH will open up new sales channels for us, for example in the USA, France and also Eastern Europe.

All in all, with the acquisition of MIMOT GmbH, we expect to be able to maintain the total operating performance of the Electronics Production Solutions segment in 2007 at the level of the financial year 2006 and to achieve a positive EBIT.

As demonstrated already by the acquisition of the profitable MIMOT GmbH, Rohwedder AG has, by selling its shares in Roth & Rau AG ideal prerequisites to strengthen the EPS core competence by means of possible further acquisitions. Our target is to place this Rohwedder division on an even wider international basis than before.

We see the earning targets for the Rohwedder Group in the current financial year at a total operating performance from € 95 to € 105 million and an EBIT between € 2.0 million and € 3.0 million. This forecast does not include the special effect from the sale of Roth & Rau AG shares in the current financial year.

Our overall business planning for the Rohwedder Group extends to the year 2010 with continual adaptation of our "Excellence in Automation" company strategy to the current requirements of the global market. We will remain open for extending our performance spectrum with new, future-oriented technologies because only this enables the Rohwedder Group to establish itself, in the long term, as international leader in the Automation Technology sector. ■

Bermatingen, March 20, 2007
Rohwedder Aktiengesellschaft
The Management Board

Joachim Rohwedder
CEO

Harald Löhle
CFO

Disclaimer

This situation report contains future-oriented statements on expected developments. These statements are based on current assessments and by nature involve risks and uncertainties. The actual results could deviate from the assessments formulated here.

Consolidated Financial Statements

Balance Sheet

Assets in € '000	For details see Note	Dec. 31, 2006	Dec. 31, 2005
Long-term assets			
Intangible assets	D.3	8,032	15,816
Fixed assets	D.4	10,623	14,564
Financial assets	D.5	12,687	3,545
Other long-term assets		0	2
Deferred taxes	D.6	5,527	6,037
		36,869	**39,964**
Short-term assets			
Inventories	D.7	3,529	4,073
Receivables and other assets	D.8	24,125	36,745
Cash and cash equivalent	D.9	10,481	3,328
		38,135	**44,146**
Sum total of assets		**75,004**	**84,110**

Liabilities in € ’000	For details see Note	Dec. 31, 2006	Dec. 31, 2005
Equity	D.10		
Subscribed capital		5,000	5,000
Capital reserves		26,851	26,851
Treasury stock		-571	-502
Other comprehensive income		10,735	122
Equity excluding minority interests		42,015	31,471
Equity held by minority interests		0	1,707
Sum total of equity		**42,015**	**33,178**
Long-term debts			
Long-term loans	D.11	8,441	7,095
Deferred taxes	D.12	2,046	3,484
Pension provisions	D.13	1,696	1,977
Sum total of long-term debts		**12,183**	**12,556**
Short-term debts			
Liabilities	D.14	14,450	29,231
Prepayments received	D.15	2,597	2,542
Provisions	D.16	3,759	6,603
Sum total of short-term debts		**20,806**	**38,376**
Sum total of debts		**32,989**	**50,932**
Sum total of equity and debts		**75,004**	**84,110**

Income Statement

Consolidated Income Statement in € '000	For details see Note	Jan. 1 – Dec. 31, 2006	Jan. 1 – Dec. 31, 2005
Sales revenues	E.3	99,182	143,173
Change in inventories of finished and unfinished products		-1,359	-7,212
Internally produced and capitalized assets	E.4	1,483	3,376
Total operating performance		**99,306**	**139,337**
Other operating assets	E.5	1,658	2,464
Cost of materials		-58,889	-86,316
Personnel expenses	E.6	-31,093	-34,689
Depreciation of intangible and tangible fixed assets	E.7	-1,806	-3,872
Other operating expenses	E.8	-10,436	-14,048
Operating earnings before special items		**-1,260**	**2,876**
Earnings from special items	E.9	8,430	0
Operating earnings after special items		**7,170**	**2,876**
Income from associated companies		1,269	747
Other interest and similar income	E.10	198	55
Interest and similar expenses	E.11	-1,320	-1,770
Earnings before taxes		**7,317**	**1,908**
Taxes on income and profits	E.12	-803	-727
Other taxes	E.13	279	-126
Consolidated net profit for the year		**6,793**	**1,055**
Minority interests' share of earnings		181	1,019
Rohwedder AG shareholders' share of results		6,612	36
		6,793	**1,055**
IAS 33 earnings per share, undiluted, in € per share	**E.14**	**1.34**	**0.01**
IAS 33 earnings per share, diluted, in € per share	**E.14**	**1.34**	**0.01**
Proposed dividend per share, in € per share		**0.25**	**0.15**

Flow of Funds Statement

Flow of Funds Statement in € ’000	Jan. 1 – Dec. 31, 2006	Jan. 1 – Dec. 31, 2005
Net profit for the period before minority interests	6,793	1,055
Depreciation of asset items	1,806	3,872
Income / expenses with no effect on earnings	706	403
Change in deferred taxes	871	340
Change in pension provision	126	–179
Cash Flow	**10,302**	**5,491**
Increase (–) / decrease (+) in inventories	–573	1,360
Increase (–) / decrease (+) in receivables and other assets	5,728	–5,327
Increase (–) / decrease (+) in prepayments received for orders	43	–489
Decrease in business-related liabilities	–5,380	–1,814
Change in Working Capital	**–182**	**–6,270**
Result of equity valuation	–1,246	–670
Profits (–) / losses (+) from assets disposals	–10,357	367
Currency differences	353	–536
Outflow of Funds from Business Activity	**–1,130**	**–1,618**
Investments in intangible and tangible fixed assets	–1,761	–4,264
Sale of consolidated companies (less cash transferred)	12,299	3,425
Inpayments from asset disposals	94	850
Inflow of Funds from Investment Activity	**10,632**	**11**
Change in treasury stock	–69	0
Dividend paid	–739	0
Loans raised	6,668	4,894
Loans repaid	–8,209	–6,110
Outflow of Funds from Financing Activity	**–2,349**	**–1,216**
Increase / reduction in cash and cash equivalent	7,153	–2,823
Cash in hand at beginning of period	3,328	6,151
Cash in Hand at End of Period	**10,481**	**3,328**

Changes in Equity Statement

2005
in € '000

Position at Jan. 1, 2005
Net surplus for the year
Change in minority interests
Currency differences
Change in provision for cash flow hedge
Position at Dec. 31, 2005

2006
in € '000

Net surplus for the year
Increase in associated companies' equity without effect on results
Disposal of minority interests
Offset of negative minority interests
Change in treasury stock
Dividends to shareholders
Currency differences
Change in provision for cash flow hedge
Position at Dec. 31, 2006

	Equity held by shareholders in the parent company: Subscribed capital	Capital reserve	Treasury stock	Other comprehensive income	Total	Equity held by minority interests	Group equity capital: Total
	5,000	26,851	-502	0	31,349	1,565	32,914
				36	36	1,019	1,055
						-877	-877
				61	61		61
				25	25		25
	5,000	**26,851**	**-502**	**122**	**31,471**	**1,707**	**33,178**
				6,612	6,612	181	6,793
				4,709	4,709		4,709
						-1,955	-1,955
				-67	-67	67	0
			-69		-69		-69
				-739	-739		-739
				51	51		51
				47	47		47
	5,000	**26,851**	**-571**	**10,735**	**42,015**	**0**	**42,015**

Notes to the Consolidated Financial Statements

A Purpose of the Company

Rohwedder AG, domiciled in Bermatingen, is noted in the Commercial Register of the Freiburg district court (Amtsgericht) under HRB 581322. The consolidated financial statements of Rohwedder AG to December 31, 2006 drawn up in accordance with § 315 a of the German Commercial Code (Handelsgesetzbuch, HGB) and the Group management report will be published in the electronic Bundesanzeiger (Federal Gazette). The company's business activities are the manufacture of system solutions for assembly and microassembly technology, system solutions for electronics production and system solutions for plasma and solar coating technology. An integral part of these system solutions is the complementary technology that extends to vision technology.

B Accounting Principles

[1] General

Rohwedder AG's consolidated financial statements for the financial year 2006 are drawn up in accordance with International Financial Reporting Standards (IFRS). The principles of the framework and the International Accounting Standards Boards (IASB) that were in force on the balance sheet date were applied, as were the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that were in force for the financial year 2006. Any application of special IFRS standards to individual items is noted in the further course of the Notes.

The consolidated financial statements of Rohwedder AG give an overview of the Group's asset, financial and earnings situation that represents the actual circumstances.

The IASB and IFRIC adopted or modified the following accounting standards and interpretations that were accepted by the EU:

Standard	Status	To be applied since
IFRS 6	new	2006
IFRIC 4 – 6	new	2006
IFRS 1, 4	changed	2006
IAS 19, 21, 32, 39	changed	2006
IFRIC 7 – 10	new	2007
IFRS 7	new	2007
IAS 1	changed	2007

The option to apply these standards prematurely was not made use of. In our opinion, neither the brought forward application nor the initial application of the standards and interpretations referred to above have a significant effect on the asset, financial and earnings situation.

[2] Accounting and Valuation Methods

All the companies in the consolidation entity use uniform accounting and valuation methods. The consolidation methods and accounting and valuation principles used in the previous year continued in principle to be applied.

The annual financial statements of companies included in the consolidated financial statements are drawn up to the balance sheet date of the consolidated financial statements. The income statement is drawn up on the basis of the total cost method. Unless otherwise stated, all amounts shown are in thousands of euros (€ '000).

C Consolidation Principles

[1] Consolidation Entity

The consolidated financial statements include all associated companies in which Rohwedder AG directly or indirectly is a majority shareholder or in which, by virtue of other rights, group control is exercised as de-

[2] Equity Holdings

Overview

Rohwedder Canada Holding consolidated
Rohwedder Automated Systems Inc., Markham / Canada
Roth & Rau AG, Hohenstein-Ernstthal
Rohwedder Pty. Ltd., Victoria / Australia
Rohwedder Automation (Suzhou) Co., Ltd. / China
ASIC Robotics AG, Burgdorf / Switzerland
Ziegler GmbH Fertigungstechnik, Markdorf
Fatec Co. Ltd., Kwangmyung-City, Kyunggi-do / Republic of Korea

fined in IAS 27 (Consolidated and Separate Financial Statements). Initial consolidation is undertaken with effect from the day on which Rohwedder AG has directly or indirectly exercised group control over the subsidiary.

The consolidation entity consisted in financial year 2006 of one German and three non-German companies. Minority interests are listed separately in the consolidated balance sheet and income statement.

Asic Robotics AG, Burgdorf (Switzerland), Fatec Co., Ltd., Kwangmyung-City (Korea) and Ziegler GmbH Fertigungstechnik, Markdorf, were, as in the previous year, incorporated in the consolidated financial statements on the basis of the equity method.

Roth & Rau AG, Hohenstein-Ernstthal, has been listed since May 11, 2006 on the Deutsche Börse (German Stock Exchange) in the open market (Entry Standard). During the course of this initial public offering, Rohwedder AG sold half of its share for € 16.200 million and, after deduction of the cost to sell, achieved earnings of € 10.351 million. Rohwedder AG did not take part in the capital increase when the company went public. At the balance sheet date, Rohwedder AG still holds a share of 20 percent. Based on the interim report as per April 30, 2006, the holding that had been fully consolidated as at this time was deconsolidated and balanced in the following time according to the equity method.

	Held by Rohwedder AG	Held by Canada Holding	Reporting currency	Date of initial consolidation	Date of deconsolidation
	100%	0%	CAD	23.05.00	
	0%	100%	CAD	23.05.00	
	20%	0%	EUR	01.07.02	11.05.06
	90%	0%	AUD	01.10.02	
	100%	0%	CNY	01.01.05	
	35%	0%	CHF	–	
	40%	0%	EUR	–	
	27.9%	0%	KRW	–	

[3] Currency Translation

In translating financial statements of consolidated companies that are drawn up in a foreign currency, the concept of the functional currency is used. The group companies conduct their business independently and draw up their financial statements in their national currency. The translation of annual financial statements of foreign associated companies is undertaken for the consolidated financial statements at the historic exchange rate for equity values and at the exchange rate on the balance sheet date for all other balance sheet items. Balance sheet translation differences were shown without effect on results as „balancing items resulting from currency translation". Income state items are valued at the annual average exchange rate. Net results for the year are also translated using the average rate.

Euro exchange rate	Average rate 2006	As at Dec. 31, 2006	As at Dec. 31, 2005
U.S. dollar (USD)	0.7918	0.7586	0.8457
Canadian dollar (CAD)	0.7016	0.6535	0.7273
Australian dollar (AUD)	0.5995	0.5992	0.6194
Swiss franc (CHF)	0.6342	0.6217	0.6432
Chinese yuan (CNY)	0.0995	0.0972	0.1047

Foreign currency transactions are as a matter of principle booked at the exchange rate on the transaction date. On the balance sheet date, foreign-currency financial instruments as defined in IAS 32 are translated at the annual average rate. Translation differences are taken into consideration with effect on results. Translation of the Canadian subsidiary's assets into the reporting currency was done at the exchange rate on the balance sheet date.

[4] Consolidation Methods

The consolidated financial statements are based on the annual financial statements to Dec. 31, 2006 drawn up by companies that form a part of the consolidation entity. Where the cost of acquisition of equity holdings exceeds the Group's share of the company's equity on initial consolidation, goodwill is capitalized. As a part of the ensuing consolidation, undisclosed reserves and liabilities are continued, written off or retransferred in the corresponding assets and liabilities as applicable. Capitalized goodwill is checked at least once a year for impairment.

Intra-group sales, income and expenditure were eliminated, as were all receivables and payables between consolidated companies.

D Notes on the Balance Sheet

[1] Cost of Acquisition Principle

Die Jahresrechnung basiert auf dem Anschaffungskostenprinzip. Soweit nichts anderes vermerkt ist, sind Aktiva und Passiva zum Nominalwert abzüglich notwendiger Wertberichtigungen aufgeführt.

[2] Financial instruments

Financial instruments are stated at cost of acquisition on the trading day when they are first included in the balance sheet. A strict lowest-value principle applies to their follow-on valuation according to the German Commercial Code (HGB). According to IFRS, the follow-on valuation depends on their respective classification and is either at market value or at net book value as defined in IAS 39. In this way unrealized profits and losses are stated. According to IFRS, financial derivatives must always be shown in the balance sheet at market value, either as an asset or as a liability. As a matter of principle, changes in market value have an immediate effect on results.

The Group's financial assets come in the category loans and receivables. Classification depends on the purpose pursued with the financial asset's acquisition.

A swap transaction was concluded as a hedge against interest rate risks. In accordance with IAS 39 it is shown in the balance sheet as a business transaction and the change in market value is shown without effect on results as a provision for cash flow hedges. The provision for cash flow hedges changed as following in the financial year:

Position at Dec. 31, 2005	-140
Change	74
Position at Dec. 31, 2006	**-66**

The swap transaction's market value corresponds to the cash value determined by means of the cash flows from the swap transaction discounted for the term. The market value is determined reliably by the respective book value for all other financial instruments.

In the course of ordinary business activity we are exposed to currency, interest rate and price risks. In cases in which Rohwedder AG proposes to make use of hedging instruments to cover these financial risks, use is made of appropriate financial instruments. We cover ourselves against foreign exchange risks, for example, by means of currency future trading. We only resort to financial derivatives if they can be used as hedge for positions, financial investments and financing that arise from operative business. We do not engage in speculative business.

We use recognized valuation procedures to assess open positions. Doing business of this kind is subject to in-house guidelines and strict controls.

Rohwedder AG provides security for the provision of finance for our subsidiaries Rohwedder Automated Systems Inc., Canada and Rohwedder Pty. Ltd., Australia.

[3] Intangible Assets

Intangible assets acquired are stated at cost of acquisition and incidental acquisition costs. They are reduced by scheduled straight-line depreciation over their expected service life which, as a rule, is between three and seven years. Nonscheduled depreciations are made whenever necessary, but if the reason for them ceases permanently to apply (except for goodwill amortization) they are reversed.

As a part of the impairment test according to IAS 36, nonscheduled goodwill depreciation was not undertaken in 2006. Scheduled depreciation of goodwill is no longer undertaken. Cumulative depreciation of goodwill in previous years was netted out against the cost of acquisition or manufacture.

Impairment of goodwill was ascertained by means of the use value. For this purpose, goodwill was allocated to the respective cash-generating units. The cash flow forecast for each of these units is based on detailed management planning for what, in principle, is a two to three year period. Management planning reflects past experience and expectations of future market development. Cash flows beyond the detailed planning period were extrapolated on the basis of estimated growth rates of 1 percent. To discount future cash flows, risk-adjusted interest rates before tax of 10.2 percent or 11.04 percent were applied.

Development costs for new or substantially improved products are capitalized at cost of manufacture insofar as they can be clearly allocated and both their technical feasibility and the ability and intention to market them are assured. Development work must with sufficient probability earn the company a future economic benefit. Capitalized manufacturing costs consist of costs that can directly and indirectly be allocated to the development process. Capitalized development costs are subject to scheduled straight-line depreciation over the planned product life cycle from the time when the software is usable. Development projects that have not yet been completed and capitalized are subjected to an annual impairment test. Research costs and development costs that can not be capitalized are treated with effect on results at the time they are incurred.

In the reporting year, additional costs of € 877,000 were capitalized in addition to the capitalized development costs to Dec. 31, 2005 of € 2.642 million. Within the scope of the deconsolidation of Roth & Rau AG, a disposal of development costs of € 3.100 million in total that were capitalized as residual book value was performed. Depreciations of € 24,000 were performed in 2006, so that a residual book value of € 231,000 results to Dec. 31, 2006. They concern development costs for products before the start-up of the actual production. The requirements of IAS 38.57 are fulfilled. After disposal of the development costs of Roth & Rau AG, no further public sector subsidies are included in the development costs. Capitalized development costs are depreciated in a straight line over a three year period from commencement of production.

The development of intangible assets in the reporting year can be found in the fixed-asset movement schedule.

[4] Fixed Assets

Fixed assets are stated at the cost of acquisition or manufacture in accordance with IAS 16 less scheduled straight-line depreciation. Material nonscheduled depreciation as defined in IAS 36 was not necessary. Fixed asset items are depreciated pro rata in a straight line over their service life. The service life of office and plant equipment ranges from 3 to 16 years.

The development of tangible assets in the reporting year can be found in the fixed-asset movement schedule.

[5] Financial Assets

Holdings in associated companies are stated at their net book value on the balance sheet date. The increase in equity investments shown is due mainly to the pro rata net profit for the year of ASIC Robotics AG, Burgdorf/Switzerland and of Roth & Rau AG, Hohenstein-Ernstthal/Germany. The following overview shows aggregate basic data concerning the companies included in the consolidated financial statements according to the equity method. The values do not refer to the shares held by the Rohwedder group but represent the values on the basis of a fictitious holding of 100 percent.

Associated Companies with at-equity Balancing in € '000	Dec. 31, 2006	Dec. 31, 2005
Asset items	85,059	36,740
Debts	39,236	23,194
Equity capital	45,823	13,546

Result from at-equity Balancing of Holdings in € '000	2006	2005
Sales revenues	65,492	55,856
Result	5,009	4,810

The holdings in associated companies entered in the balance sheet include goodwill of € 1.751 million from the acquisition of shares in Roth & Rau AG. The fair value of the 460,100 shares of Roth & Rau AG amounts to € 18.588 million at the balance sheet date.

The overall development of fixed assets was as follows:

Development of Fixed Assets (Composition)

in € '000

	Costs of acquisition / manufacture
Intangible Assets	
Industrial property rights and similar rights	6,471
Goodwill	11,563
Sum total	**18,034**
Fixed Assets	
Land and buildings	16,101
Technical plant and machinery	3,475
Other plant, office and plant equipment	8,056
Prepayments made and plant under construction	276
Sum total	**27,908**
Financial Assets	
Associated companies	3,113
Loans to companies with which the company is linked by virtue of participation	60
Other loans	130
Rental property	291
Sum total	**3,594**
Total	**49,536**

Currency translation difference	Addition	Disposal from change in consolidation entity	Disposal	Cumulative depreciation	Book value at Dec. 31, 2006	Book value at Dec. 31, 2005	Depreciation in financial year
0	985	3,611	2	2,317	1,526	4,253	596
-336	0	4,721	0	0	6,506	11,563	0
-336	**985**	**8,332**	**2**	**2,317**	**8,032**	**15,816**	**596**
-13	25	1,948	16	5,192	8,957	11,201	519
-17	73	1,322	23	1,806	380	1,387	171
-165	323	499	78	6,351	1,286	1,700	516
0	0	276	0	0	0	276	0
-195	**421**	**4,045**	**117**	**13,349**	**10,623**	**14,564**	**1,206**
0	9,540	0	61	0	12,592	3,113	0
0	0	0	30	0	30	60	0
0	0	0	65	0	65	130	0
0	0	291	0	0	0	242	4
0	**9,540**	**291**	**156**	**0**	**12,687**	**3,545**	**4**
-531	**10,946**	**12,668**	**275**	**15,666**	**31,342**	**33,925**	**1,806**

[6] Deferred Taxes

Taxes on income and profits are calculated from the result before tax and based on the tax rate that is applicable. Deferred taxes are stated in accordance with the „liability method" as defined in IAS 12 in relation to temporary differences between the fiscal balance sheet and the consolidated financial statements. Deferred taxes on valuation adjustments were determined at a uniform mixed tax rate of 37.0 percent across the group. An asset item for tax carryovers is only capitalized to the extent that future taxable income against which it can be offset is anticipated within a foreseeable planning period.

Deferred taxes on the assets side are as follows:

Deferred Tax Credits (Composition) in € '000	Dec. 31, 2006	Dec. 31, 2005
Provisions	273	275
Liabilities	24	52
Offsetable losses	5,037	5,285
Fixed assets	0	102
Miscellaneous	193	323
Sum total	**5,527**	**6,037**

Loss carryovers totaling € 11.7 million are not stated in the balance sheet. € 4.8 million of the loss carryovers are usable within 10 years. Value adjustments of deferred taxes on the assets side were not performed in the reporting year, however, we point out that no active deferred taxes were created for the losses of the financial year.

[7] Inventories

Inventories (Composition) in € '000	Dec. 31, 2006	Dec. 31, 2005
Raw materials and supplies	1,469	1,552
Unfinished products	948	929
Finished goods and products	104	172
Prepayments made	1,008	1,634
	3,529	**4,287**
Prepayments received	0	-214
Sum total	**3,529**	**4,073**

Inventories are stated in the balance sheet at either the cost of acquisition or manufacture or the net sales price that could be achieved on the balance sheet date if that is lower. The principle of loss-free valuation was observed. € 277,000 in value adjustments on inventories was made (previous year: € 194,000).

[8] Receivables and Other Asset Items

Short-term Receivables (Composition)
in € '000

	Dec. 31, 2006	Dec. 31, 2005
Trade receiveables	10,859	20,472
Work in process	11,985	14,212
Other receivables and financial assets	1,281	2,061
Sum total	**24,125**	**36,745**

Trade receivables are stated at their nominal value. Default risks were taken into consideration by means of itemized allowances for bad debts totaling € 272,000 (previous year: € 209,000). Lump-sum value adjustments were not undertaken. Receivables in foreign currency are as a matter of principle translated at the exchange rate on the transaction date and later, in accordance with IAS 21, valued at the exchange rate on the balance sheet date. Differences are offset with effect on results.

Product sales revenues are realized with the transfer of ownership and risk to the customer. If a handover to the customer is planned, the sales revenues are not booked until handover is complete. For long-term production orders, sales are realized by the percentage of completion method based on the ratio of costs already incurred to the estimated total contract cost volume. The ratio between already accrued costs and the estimated total cost volume of the contract serves as calculation basis.

The following table shows the amounts of partial sales, the corresponding costs, the partial profit and the prepayments received.

Production Orders in Process
in € '000

	Dec. 31, 2006	Dec. 31, 2005
Realized partial sales	24,829	37,208
Costs	23,758	34,192
Prepayments received	12,844	22,996

Customer receivables from partial profit realization less prepayments received totaled € 11.985 million (previous year: € 14.212 million).

Other Receivables and Financial Assets (Composition)
in € '000

	Dec. 31, 2006	Dec. 31, 2005
Tax refund entitlements	293	275
Suppliers with debit balances	19	83
Travel expense advances	81	126
Delimited expense allowances	0	718
Accruals and deferrals	408	310
Other	480	549
Sum total	**1,281**	**2,061**

[9] Cash and Cash Equivalent

The development of cash and cash equivalent, which constitute the cash flow as per IAS 7, is shown in the flow of funds statement. Cash and cash equivalent consist of cash with banks and cash in hand. As at Dec. 31, 2006, cash and cash equivalent totaled € 10.481 million (previous year: € 3.328 million).

[10] Equity Capital

Subscribed Capital

The capital stock amounted to € 5,000,000.00 on Dec. 31, 2006 (previous year: € 5,000,000.00) and is divided into 5,000,000 individual bearer share certificates.

Approved Capital

There is an Approved Capital I totaling € 2,000,000.00 until June 27, 2009 (previous year: € 2,000,000.00). There is an Approved Capital II totaling € 500,000.00 until June 27, 2009 (previous year: € 500,000.00).

Conditional Capital

There is € 120,000.00 in conditional capital (previous year: € 120,000.00).

As at Dec. 31, 2006 there were 52,700 option rights (previous year: 73,500) of which 14,000 were held by a former Management Board member.

In 2000 a stock option program totaling 120,000 Rohwedder shares was launched. Options to buy Rohwedder stock were granted to Management Board members (up to 22,000) and to executive employees (up to 98,000). The program ran until 2004. As at Dec. 31, 2006 options to buy 14,000 shares were held by a former Management Board member and a total of 38,700 by executive employees. They could not be exercised until at least three years after issue. The day after the company's annual general meeting of shareholders counts as the date of issue. The exercise price is the average stock market price over the 10 trading days before the issue. Options may only be exercised by company employees whose contracts have not been canceled at the time of exercise and are subject to the fulfillment of one of two conditions:

- The price development of the share of the company since the granting of the respective option (basic value) up to the day before the respective option is exercised (reference value) exceeds the respective development of the SDAX performance index by at least 10 percent.
- The earnings before interest and taxes (EBIT) of the Rohwedder group have grown since the financial year that precedes the financial year in which the issue date of the option occurred up to the financial year that precedes the financial year in which the option was exercised by an annual average of 27 percent minimum as compared with the previous year.

Alternatively, the option holder can be offered a cash settlement.

In addition, there is € 1,000,000.00 in conditional capital in 2006 (previous year € 0.00). According to the resolution of the general meeting of shareholders on June 30, 2006, the Management Board was authorized, with the consent of the Supervisory Board, to increase the capital stock until June 29, 2011 by issuing up to 1 million of registered common shares with voting rights. The conditional capital increase serves to issue shares to the holders of warrant bonds or convertible bonds.

Development of Stock Options	2006		2005	
	Number of Options	Average Exercise Price €	Number of Options	Average Exercise Price €
Position Jan. 1	**73,500**	**12.3**	**90,500**	**12.65**
Acceptance	0	–	0	–
Cancellation	-3,000	8.22	-12,400	13.81
Exercise	0	–	0	–
Discharge	-17,800	17.8	-4,600	15
Position Dec. 31	**52,700**	**10.68**	**73,500**	**12.3**
Exercisable at end of year	0	–	0	

The options pending as per Dec. 31, 2006 had exercise prices between € 6.04 and € 14.70. The average remaining term was 1.47 years.

Capital Reserve

The capital reserve consists mainly of the amount exceeding the nominal price realized by the company on issuing shares.

Treasury Stock

In addition to the stock of 67,575 shares (nominal value € 67,525) held at Dec. 31, 2005, 2,500 shares (nominal value € 2,500.00) were bought in September 2006 at the total price of € 16,625.00 and 2,500 shares (nominal value € 2,500.00) at the total price of € 17,675. In December 2006, another 5,000 shares (nominal value € 5,000.00) were bought at the total price of € 34,420.00. The acquisition of the shares was entered in the balance sheet at the price on the trading day.

The company thus holds 77,575 shares at the balance sheet date. These 77,575 shares represent 1.55 percent of the capital stock. This stock is held for stock option programs and for the acquisition of possible equity holdings.

For the development of equity capital see the equity capital movement schedule.

Minority Interests

Minority interests of minus 67 exist within the Group at the balance sheet date which concern Rohwedder Pty. Ltd. They were offset with the equity capital of the parent company. The minority interests in Roth & Rau AG were stated as disposal after ceasing to form a part of the consolidation entity.

[11] Long-term Loans

Due Dates of Long-term Loans (Composition) in € '000	Dec. 31, 2006	Dec. 31, 2005
Total	8,441	7,095
Of which due in:		
Between 1 and 5 years	6,438	3,641
More than 5 years	2,003	3,454

Liabilities are secured by land charges and assignments.

[12] Deferred Tax Liabilities

The differences in amounts stated and valuations arising from adjustments of the fiscal balance sheet on consolidated companies to IFRS led to deferred taxes on the liabilities side for the following items:

Deferred Tax Liabilities (Composition) in € '000	Dec. 31, 2006	Dec. 31, 2005
Fixed assets	705	1,508
Receivables	780	1,171
Provisions	170	362
Other	391	443
Sum total	**2,046**	**3,484**

A uniform mix tax rate of 37.0 percent across the group was used to determine the deferred tax liability. Deferred tax credits were not offset against deferred tax liabilities.

[13] Pension Reserves

Occupation pensions are based as a matter of principle on pension commitments (old age, invalidity and next-of-kin pensions). They depend as a rule on salary and length of service. Reinsurance obligations are pledged to the beneficiaries. As far as the preconditions for stating them as plan assets are fulfilled, the asset values are netted out against the provision. In addition, asset values of € 187,000 exist that did not have to be qualified as plan assets and that therefore were included on the assets side under Other Asset Items.

Pension provisions are created as per IAS 19 according to the projected unit cost method with future obligations being calculated on the basis of pro rata entitlements earned by the balance sheet date. Trend assumptions (salary and pension trends) are taken into consideration in the valuation. The corridor method is used.

Underlying Assumptions
in percent

Interest rate	4.5
Salary trend	0 – 2.5
Pension trend	2
Fluctuation rate	0 – 2
Expected earnings from plan assets	4.5

The calculations were also based on the biometric probability values in the 2005 G tables compiled by Prof. Klaus Heubeck.

Pensions Level

	DBO	Plan Assets	Profits / Losses (not yet considered)	Net obligations
Results Dec. 31, 2005	4,641	-1,487	-1,177	1,977
Current length of service expenditure	129			129
Interest expenditure	189			189
Expected earnings from plan assets		-64		-64
Amortisation of profits / losses			89	89
Pensions paid / single payments	-64	0		-64
Net contributions		-220		-220
Asset transfer		-54		-54
Disposals	-487	165	36	-286
Expected results Dec. 31, 2006	**4,408**	**-1,660**	**-1,052**	**1,696**
Profits / losses of financial year	362	1	-363	0
Results Dec. 31, 2006	**4,770**	**-1,659**	**-1,415**	**1,696**

Thereof € 42,000 are due in 2007. There exists no additional length of service expenditure to be offset. All items are shown under the operating result in the income statement.

[14] Liabilities

Short-term liabilities break down as follows:

Liabilities in € '000	Dec. 31, 2006	Dec. 31, 2005
Due to banks	5,862	10,922
Trade accounts payable	6,033	10,654
Due to companies with which the company is linked by virtue of participation	252	0
Other liabilities	2,303	7,655
Sum total	**14,450**	**29,231**

Other Short-term Liabilities in € '000	Dec. 31, 2006	Dec. 31, 2005
Due to minority interests (bearing interest)	0	1,080
Tax liabilities	418	2,236
Social security liabilities	57	746
Customers with credit balances	85	43
Recycling of tools and fixtures	0	597
Personnel liabilities	1,417	2,118
Accruals and deferrals	0	49
Interest rate swap	66	140
Other	260	646
Sum total	**2,303**	**7,655**

Short-term Provisions in € '000
Provisions for tax
Other provisions
Personnel
Invoices / services outstanding
Warranty
Other
Sum total

Liabilities are as a matter of principle stated at the redemption amount.

Trade accounts payable are due solely to other companies and payable within a year. Title to ownership of the articles supplied is retained as is usual in the industry. Money owed to banks is due within a year and is in some cases secured by land charges and assignments.

[15] Prepayments Received

Prepayments received for production orders are netted out on the assets side against receivables to the extent to which production has commenced and are otherwise shown as outstanding on the liabilities side.

Other Short-term Liabilities
in € '000

	Dec. 31, 2006	Dec. 31, 2005
Total, of which	15,441	25,752
due within 1 year	15,441	25,752
secured by bank guarantees	11,911	11,915
netted out against inventories	0	214
netted out against receivables	12,844	22,996
shown as outstanding on the liabilities side	2,597	2,542

[16] Short-term Provisions

Provisions are stated at their nominal value. Other provisions cover all known obligations toward third parties as per IAS 37. They are stated at the likeliest amount.

The following overview contains details of the composition and development of this item:

	As at Jan. 1, 2006	Currency differences	Disposal from deconsolidation	Consumption	Resolution	Addition	As at Dec. 31, 2006
	371	**-2**	**343**	**26**	**0**	**0**	**0**
	1,426	-1	207	786	47	1,524	1,909
	2,696	0	1,404	703	388	535	736
	723	0	170	544	9	595	595
	1,387	-107	31	1,145	15	430	519
	6,232	**-108**	**1,812**	**3,178**	**459**	**3,084**	**3,759**
	6,603	**-110**	**2,155**	**3,204**	**459**	**3,084**	**3,759**

E Notes on the Income Statement

[1] Income Statement

The income statement is drawn up on the basis of the total costs method.

[2] Comparison

To ensure a comparable representation of the income statement, the income statements of the years 2006 and 2005 have been adjusted by income and expenditure of Roth & Rau AG and of the IEF Werner group. The results from the sale of Roth & Rau AG in 2006 and of the IEF Werner group in the previous year as well as the actual at-equity valuations are included in this statement.

Composition in € '000	Dec. 31, 2006 without Roth & Rau AG	Dec. 31, 2005 without IEF+ Roth & Rau
Sales revenues	90,420	104,463
Change in inventories of finished and unfinished products	-1,413	-6,367
Internally produced and capitalized assets	228	108
Total operating performance	**89,235**	**98,204**
Other operating assets	1,507	1,844
Cost of materials	-52,142	-59,182
Personnel expenses	-29,983	-30,106
Depreciation of intangible and fixed assets	-1,529	-2,437
Other operating expenses	-9,293	-10,180
Result before interest and taxes before special items	**-2,205**	**-1,857**
Result from special items	8,430	0
Result before interest and taxes after special items	**6,225**	**-1,857**
Income from associated companies	1,269	747
Other interest and similar income	186	46
Interest and similar expenses	-1,238	-1,512
Earnings before taxes	**6,442**	**-2,576**
Taxes on income and profits	-450	803
Other taxes	281	-112
Consolidated net profit / net loss for the year	**6,273**	**-1,885**

[3] Sales Revenues

The Rohwedder Group records sales in accordance with IAS 18. Product sales revenues are realized with the transfer of ownership and risk to the customer if the payment is stated in or can be determined from the terms of a contract and fulfillment of the claim is probable. The amount of the revenues can be determined reliably. It is sufficiently likely that the Rohwedder Group will receive the economic benefit from the sale and that costs incurred or due to incur in connection with the sale can be determined reliably. If a handover to the customer is planned, the sales revenues are not booked until handover is complete. Subsequent credits are deducted.

For long-term production orders in accordance with IAS 11, sales are realized by the percentage of completion method based on the ratio of costs already incurred to the estimated total contract cost volume. The ratio between already accrued costs and the estimated total cost volume of the contract serves as calculation basis. For make-to-order production of which less than 50 percent has been completed, the zero profit margin method is applied and no partial profit realization is undertaken.

Sales revenues are broken down by segment and shown in the segment reports. The sales revenues stated result from ordinary business activity.

[4] Internally Produced and Capitalized Assets

Internally produced and capitalized assets consist mainly of capitalized development spending in the plasma and solar coating technology segment.

[5] Other Operating Income

Other Operating Income in € ’000	2006	2005
Income from exchange rate differences	130	152
Income from insurance compensation	35	18
Income from reinsurance	200	0
Income from retransfer of provisions	459	325
Income from asset disposals	2	198
Income from periods unrelated to the accounting period	36	49
Rental income	92	336
Income from recycling of tools and fixtures	0	680
Other income	704	706
Sum total	**1,658**	**2,464**

[6] Personnel Expenses

Personnel expenses totaled € 26.291 million (previous year € 29.298 million) for wages and salaries and € 4.594 million (previous year: € 5.111 million) for social insurance contributions. Expenditure on occupational pensions was € 208,000 (previous year: € 280,000). The annual average number of employees was 536 (previous year: 621).

[7] Depreciation of Intangible Assets and Fixed Assets

The composition of depreciation is evident from the development of fixed assets and is shown in the fixed-asset movement schedule. The depreciations include depreciation on financial assets of € 4,000.

[8] Other Operating Expenses

The largest individual items booked as Other Operating Expenses are shown in the following table.

Other Operating Expenses (Composition) in € '000	2006	2005
Office, workshop and maintenance costs	278	409
Insurance	929	876
Gas, electricity, water and heating oil	86	153
Rent and leasing payments	1,373	1,370
Incoming and outgoing freight costs	328	1,253
Travel expenses	1,806	2,368
Sales costs	980	1,767
Expenditure from asset disposal	19	1
Other*	4,637	5,851
Sum total	**10,436**	**14,048**

*For the composition, see the following table

Other in € '000	2006	2005
Office and communication expenses	203	312
Advertising costs	31	217
Consulting costs	102	757
Vehicle costs	90	321
Expenses in periods unrelated to the accounting period	56	219
Incidental personnel costs	493	521
Maintenance of data processing equipment	583	578
Fees and contributions	999	629
Exchange rate differences	415	286
Neutral expenses	748	316
Postage	268	286
Ongoing stock exchange costs	231	248
Deconsolidation of IEF Werner, IEF HPA, GbR	0	564
Other	418	597
Sum total	**4,637**	**5,851**

The Neutral expenses comprise essentially the expenses resulting from value adjustments and depreciation of accounts receivable.

[9] Result from Special Items

The amount comprises three special items in financial year 2006. In the reporting year, the fully consolidated subsidiary Roth & Rau AG, Hohenstein-Ernstthal, was deconsolidated when the initial public offering was performed. This resulted in earnings of € 11.259 million as compared to expenses of € 908,000. The disposal was performed from the plasma and solar coating technology segment. This item also includes expenditures totaling € 812,000 from an out-of-court settlement in the USA as well as expenditures of € 1.109 million incurred in connection with the bankruptcy of customer BenQ Mobile GmbH & Co. OHG.

[10] Other Interest and Similar Income

This is interest earned on cash with banks.

[11] Interest and Similar Expenditure

Interest expenditure is incurred in connection with use of credit lines and guarantees of bills outstanding.

[12] Taxes on Income

Taxes on Income (Composition) in € '000	2006	2005
Current tax expenditure	-365	-207
Deferred taxes	-736	-520
Corporation tax credit from previous years	298	0
Sum total	**-803**	**-727**

Deferred Tax Liabilities / Credits (Composition) in € '000	2006	2005
Deferred taxes on the assets side	**-212**	**745**
Creditable losses	-224	903
Liabilities	0	-15
Guarantee reserve	0	0
Other reserves	57	56
Miscellaneous	-44	-194
Elimination of intercompany profit	-1	0
Fixed assets	0	-5
Deferred taxes on the liability side	**-524**	**-1,265**
Fixed assets	-347	-335
Receivables	-135	-500
Provisions	68	-158
Miscellaneous	-110	-272
Sum total	**-736**	**-520**

The difference between actual tax expenditure and calculated tax expenditure based on a tax rate of 37.0 percent is made up of the following:

Taxes on Income in € '000	2006	2005
Group result before taxes on income	7,317	1,782
Calculated tax expenditure	-2,707	-659
Fiscally unconsidered losses and loss carryovers	-1,977	-65
Result of deconsolidation	3,605	-209
Elimination of participation earnings or statement of earnings from equity accounting	461	276
Goodwill depreciation from consolidation	0	-238
Miscellaneous	-185	168
Reported tax expenditure	**-803**	**-727**

[13] Other Taxes

Other taxes are mainly vehicle taxes and property taxes as well as a turnover tax reimbursement when Rohwedder AG went public in 2000.

[14] Group Earnings per Share

The annual average number of shares in 2006 after deduction of Treasury stock was 4,930,890 (previous year: 4,932,425). The net profit for the year after minority interests was € 6.612 million (previous year: € 36,000). That makes earnings per share € 1.34 (previous year: 0.01).

The diluted result is equivalent to the undiluted result per share since the exercise hurdles referred to in the stock option program were not fulfilled at Dec. 31, 2006 or the price of the shares as at the balance sheet date was lower than the exercise price specified in the stock option program. In the previous year, the diluted result per share was € 0.01.

F Notes on the Flow of Funds Statement

The flow of funds statement shows how funds have changed in the course of the reporting year through inflows and outflows of funds. In accordance with IAS 7 a distinction is made between cash flows from operating, investment and financing activity. The effects of deconsolidation are eliminated (cf. Section G).

Inflow and outflow of funds from operating activity is sales activity by which cash flow is generated. Cash flow in the financial year included € 1.320 million (previous year: € 1.770 million) in interest paid and € 198,000 (previous year: € 55,000) in interest received. It also included € 67,000 (previous year: € 206,000) in income taxes paid and nil (previous year: nil) in income taxes refunded.

Nonpayment-effective expenses are value adjustments on trade receivables and inventories as well income from reversal of provisions. Last year also includes deconsolidation proceeds totaling € 564,000.

Inflow and outflow of funds from financing activity consist mainly of funding raised from and repaid to banks.

Financial resources correspond to the financial resources shown in the balance sheet on the balance sheet date (cf. D.9).

The influences of the deconsolidation of Roth & Rau AG on the flow of funds statement are shown in the following balance sheet representation:

Balance Sheet in € '000	Dec. 31, 2006 Group	Dec. 31, 2005 Group	April 30, 2006 Roth & Rau	Difference adjusted
Assets				
Long-term assets				
Intangible assets	8,032	15,816	3,115	-4,669
Fixed assets	10,623	14,564	3,109	-832
Financial assets	12,687	3,545	239	9,381
Other long-term assets	0	2	0	-2
Deferred tax liabilities	5,527	6,037	162	-348
Short-term assets				
Inventories	3,529	4,073	1,161	617
Receivables and other asset items	24,125	36,745	5,661	-6,959
Cash and cash equivalent	10,481	3,328	2,992	10,145
Total Assets	**75,004**	**84,110**	**16,439**	**7,333**
Liabilities				
Equity capital				
Equity capital without minority interests	42,015	31,471	5,257	15,801
Minority interest R&R	0	1,745	0	-1,745
Minority interest Australia	0	-38	0	38
Long-term debts				
Long-term loans	8,441	7,095	1,175	2,521
Deferred tax liabilities	2,046	3,484	1,961	523
Pension reserves	1,696	1,977	408	127
Short-term debts				
Liabilities	14,450	29,231	5,423	-9,358
Prepayments received	2,597	2,542	107	162
Provisions	3,759	6,603	2,108	-736
Total Liabilities	**75,004**	**84,110**	**16,439**	**7,333**

G Supplementary Notes on Changes in the Consolidation Entity

The Roth & Rau AG, retired from the consolidation entity as a result of disposal, was shown in the balance sheet to Dec. 31, 2005 with fixed assets of € 6.060 million, current assets of € 12.036 million, active deferred taxes of € 158,000, provisions of € 2.559 million, liabilities of € 5.461 million and passive deferred taxes of € 1.970 million. The cash available amounted to € 2.561 million, the money owed to banks to € 3.200 million. The share in the group's equity capital was € 4.821 million.

H Notes on the Segment Report

The breakdown of segments according to IAS 14 (revised in 1997) is shown in the following overview. The segment report shows in primary segments the breakdown by Assembly and Microassembly Technology, Electronics Production, Plasma and Solar Coating Technology and Complementary Technologies divisions. It is based on individual financial statements to IAS and on consolidation measures. In a secondary segmentation, the figures are broken down by region.

The performance of individual Group companies is distributed among several segments. Their share of subsegments varies strongly from year to year with the result that a meaningful comparability with previous years' figures is not possible. That is why no breakdown of debts and assets by segment is provided.

Segments by Division in 2006

in € '000	Assembly and Microassembly Technology	Electronics Production	Plasma and Solar Coating Technology	Complementary Technology	Total
Sales revenues	79,626	8,805	8,762	2,440	99,633
Less intercompany sales	-386	-65	0	0	-451
Group sales revenues	**79,240**	**8,740**	**8,762**	**2,440**	**99,182**
EBIT before result of participations	-3,089	913	945	-29	-1,260
Result of participations	1,269	0	0	0	1,269
Group EBIT after result of participations	**-1,820**	**913**	**945**	**-29**	**9**
Result from special items	-912	-196	9,538	0	8,430
Group EBIT after special items	**-2,732**	**717**	**10,483**	**-29**	**8,439**
Current investments	566	4	680	156	1,406
Depreciation	1,357	143	277	29	1,806

Segments by Division in 2005

in € '000	Assembly and Microassembly Technology	Electronics Production	Plasma and Solar Coating Technology	Complementary Technologies	Total
Sales revenues	88,319	18,211	33,397	4,846	144,773
Less intercompany sales	-1,032	-425	0	-143	-1,600
Group sales revenues	**87,287**	**17,786**	**33,397**	**4,703**	**143,173**
EBIT before goodwill depreciation	-2,798	2,256	4,310	-247	3,521
Result of participations	747	0	0	0	747
Less goodwill depreciation	-500	-145	0	0	-645
Group EBIT after result of participations	**-2,551**	**2,111**	**4,310**	**-247**	**3,623**
Current investments	1,199	250	2,807	8	4,264
Depreciation	1,604	236	1,312	75	3,227
Goodwill depreciation	500	145	0	0	645
Sum total of depreciations	**2,104**	**381**	**1,312**	**75**	**3,872**

Sales Revenues by Region in € '000	2006	2005
Germany	**62,888**	**91,093**
Other Countries		
EU	8,715	10,479
USA	3,585	11,287
Canada	13,054	4,673
Asia	7,574	20,279
Australia	1,170	1,339
Other	2,196	4,023
	36,294	**52,080**
Sum total	**99,182**	**143,173**

Three companies accounted for more than 10% of sales revenues.

Segment Assets in € '000	2006	2005
Germany	**63,464**	**77,999**
Other Countries		
Canada	8,071	6,770
Asia	314	505
Australia	440	439
	8,825	**7,714**
Consolidations	-2,812	-7,640
Sum total	**69,477**	**78,073**

Investments in € '000	2006	2005
Germany	**1,332**	**4,080**
Other Countries		
Canada	70	23
Asia	2	121
Australia	2	40
	74	**184**
Sum total	**1,406**	**4,264**

I Other Notes

[1] Other Financial Obligations

Other financial obligations have the following times to maturity:

Other Financial Obligations in € '000	Due in 2007	Due in 2008 – 2011	Total
Rent	340	2,942	3,282
Leasing	287	344	631
Service contracts	79	218	297
Other	27	67	94
Sum total	**733**	**3,571**	**4,304**

[2] Auditors' Fees

Fees paid to the auditors in financial year 2006 totaled € 166,000 and comprised the following:

Audit of accounts	98
Tax advice	9
Other services	59

[3] Related Parties

Business Relations with Related Parties

Material business relations with related parties are stated in the following table. All transactions were at market rates.

Material Business Relations with Related Parties in € '000	2006	2005
Purchases of goods and services	**341**	**465**
Rohwedder AG from Ziegler GmbH	340	464
Rohwedder AG from Roth & Rau AG	1	1
Rohwedder AG from Asic Robotics AG	0	1
Sales of goods and services	**0**	**30**
IEF Werner GmbH to Asic Robotics AG	0	30

Events after the Balance Sheet Date

With notarized contract dated February 14, 2007, Rohwedder AG acquired MIMOT GmbH, Lörrach, and thereby further extended its Electronics Production Solutions division.

On February 22, 2007, Rohwedder AG sold the at equity holding Roth & Rau AG, Hohenstein-Ernstthal and sold 460,000 shares over the counter. Roth und Rau AG was stated in the Plasma and Solar Coating Technology segment. At the date of this statement, Rohwedder AG only holds 100 shares of Roth & Rau AG.

Management Board

Joachim Rohwedder BOARD CHAIRMAN, MARKETING, SALES, TECHNOLOGY, STRATEGY, INVESTOR RELATIONS

- Supervisory Board member Roth & Rau AG, Hohenstein-Ernstthal (until April 10, 2006)
- Advisory Council chairman Rohwedder Automated Systems Inc., Markham/Canada
- Advisory Council chairman Rohwedder Pty. Ltd., Victoria/Australia
- Advisory Council chairman, Elgo-Elektrik GmbH, Singen
- Board chairman, Robotics and Automation Section, VDMA, Frankfurt (until Oct. 16, 2006)
- Member of the board, Robotics and Automation Section, VDMA, Frankfurt (since Oct. 07, 2006)
- and a member of the main board of the VDMA

Harald Löhle CHIEF FINANCIAL OFFICER, CONTROLLING, HUMAN RESOURCES, MATERIALS MANAGEMENT, IT

- Supervisory Board chairman, Roth & Rau AG, Hohenstein-Ernstthal
- Administrative Board member, ASIC Robotics AG, Burgdorf/Switzerland

Management Board remuneration totaled € 954,000 (previous year: € 534,000).

The Management Board length of service expenditure shown in the income statement in connection with pension obligations is € 111,000 (previous year: € 84,000).

Management Board remuneration consists of fixed and variable components, of which the variable components are a percentage of the annual net surplus of Rohwedder AG and the Rohwedder Group in the previous financial year.

According to the resolution of the general meeting of shareholders on June 30, 2006 the information required according to § 285 Sentence 1 No. 9 Letter a Sentence 5 to 9 German Commercial Code (HGB) will be omitted for five years.

Members of the Management Board directly or indirectly held the following Rohwedder AG stock or stock options at Dec. 31, 2006:

Members of the Management Board	Stock	Options
Joachim Rohwedder	420.900	0
Harald Löhle	100.000	0

Supervisory Board

Prof. Dr. Wilfried Sihn (Dipl.-Wirtschaftsingenieur) SUPERVISORY BOARD CHAIRMAN
- Professor at the Department of Management Science, Technical University, Vienna
- Head of the Fraunhofer project group for production management and logistics, Vienna
- Supervisory Board member, Bertrandt AG, Ehningen
- Supervisory Board vice-chairman, Wittenstein AG, Harthausen
- Supervisory Board vice-chairman, flexis AG, Stuttgart

Dr. Siegfried Goll (Dipl.-Ing.) SUPERVISORY BOARD VICE-CHAIRMAN
- Management Board chairman, ZF Friedrichshafen AG (until Dec. 31, 2006)
- Supervisory Board chairman, ZF Sachs AG, Schweinfurt (until Dec. 31, 2006)
- Supervisory Board chairman, ZF Lemförder Metallwaren AG (until Dec. 31, 2006)
- Supervisory Board chairman, ZF Lemförder GmbH (until Dec. 31, 2006)
- Supervisory Board chairman, ZF Getriebe GmbH, Saarbrücken (until Dec. 31, 2006)
- Supervisory Board chairman, ZF Passau GmbH (until Dec. 31, 2006)
- Supervisory Board chairman, ZF Lenksysteme GmbH (until Dec. 31, 2006)
- Supervisory Board member, Flughafen Friedrichshafen GmbH (until Dec. 31, 2006)
- Supervisory Board member, Witzenmann GmbH, Pforzheim
- Advisory Board member, Zeppelin Luftschifftechnik GmbH, Friedrichshafen (until Dec. 31, 2006)
- Advisory Board member, fka Forschungsgesellschaft Kraftfahrwesen mbH, Aachen (until Dec. 31, 2006)
- Member of the Board of ZF Group North America Operations, Inc., Northville, USA (until Dec. 31, 2006)

Dr. Peter A. Kaemmerer SUPERVISORY BOARD MEMBER
- Executive Vice President Landesbank Baden-Württemberg, New York (until April 30, 2006)
- Member of the Board, Landesbank Baden-Württemberg, Mannheim (since May 01, 2006)

Supervisory Board remuneration totaled € 45,000 (previous year: € 45,000).

Members of the Rohwedder AG Supervisory Board held the following shares in the company as at Dec. 31, 2006:

Supervisory Board members	Stock
Prof. Dr. Wilfried Sihn	100

Submission of Declarations on the German Corporate Governance Code as per § 161 of the German Stock Corporation Act (Aktiengesetz, AktG)

The Management Board and Supervisory Board have submitted the declaration of compliance as per § 161 AktG and made it permanently available to shareholders on the company's website. ■

Bermatingen, March 17, 2007
Rohwedder Aktiengesellschaft
The Management Board

Joachim Rohwedder
CEO

Harald Löhle
CFO

Audit Certificate

We have audited the consolidated financial statements of Rohwedder Aktiengesellschaft, Bermatingen, comprising the balance sheet, income statement, equity capital movement schedule, flow of funds statement and notes – and the consolidated management report for the financial year Jan. 1 to Dec. 31, 2006. Drawing up the consolidated financial statements and group management report to IFRS as applied in the European Union, to the commercial law regulation of § 315 a Section 1 HGB and to the supplementary provisions of the Articles of Incorporation is the responsibility of the company's legal representatives. Our task is to pass judgment, on the basis of our audit, on the consolidated financial statements and the group management report.

We conducted our audit of the financial statements drawn up in accordance with § 317 of the German Commercial Code (HGB) with due regard for the German principles of proper auditing laid down by the Institute of Auditors (IDW). These state that the audit is to be planned and executed in such a way as to be able to identify with a sufficient degree of certainty inaccuracies and infringements that have a material effect on the picture of the asset, financial and earnings position conveyed by the consolidated financial statements. In determining audit activities, knowledge about the company's business activities and economic and legal environment is taken into account, as are expectations of potential errors. As a part of the audit, the effectiveness of the accounting-related internal audit system and the evidence provided for the information given in the consolidated financial statements and the group management report are assessed mainly on the basis of random checks. The audit consisted of assessing the annual financial statements of companies included in the consolidated financial statements, delimiting the consolidation entity, assessing the accounting and consolidation principles applied, the material assessments made by the legal representatives and an appraisal of the overall picture presented in the consolidated financial statements and the group management report. We are of the opinion that our audit forms a sufficiently sound basis for our judgment.

Our audit led to no objections.

In our opinion, based on what we learned in the course of the audit, the consolidated financial statements comply with the IFRS as applied in the European Union, with the commercial law regulations of § 315 a Section 1 HGB and with the supplementary provisions of the Articles of Incorporation and convey a picture of the Group's asset, financial and earnings situation that accords with the actual circumstances. The group management report tallies with the financial statements, generally conveys an accurate picture of the Group's situation and accurately describes the opportunities and risks of future development.

Stuttgart, March 23, 2007
Dr. Ebner, Dr. Stolz und Partner GmbH
Auditors and Tax Consultants

Dr. Wolfgang Russ
AUDITOR

Dr. Volker Hecht
AUDITOR

Masthead

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Rohwedder

Excellence in Automation