Roth & Rau 2008

Annual Report

Product Portfolio of the Roth & Rau Group

	Photovoltaics	Non-Photovoltaics
Roth & Rau AG	Antireflective coating and other plasma process equipment for crystalline silicon solar cell technologies; Turnkey production lines for crystalline silicon solar cells	Plasma and ion beam process systems for non-PV applications (e.g. semiconductor, optics)
AIS Automation Dresden GmbH	MES systems for photovoltaics productions lines	Equipment control and other software for the semiconductor industry and other branches
TECNOFIMES S.R.L.	Diffusion and firing furnace for crystalline silicon solar cell technology	
Muegge-electronic GmbH	Microwave generators for Roth & Rau antireflective coating plants	Microwave generators for plasma and non-plasma applications
SLS Solar Line Saxony GmbH	Automation components for Roth & Rau coating plants and turnkey lines	
Roth & Rau Dünnschicht GmbH	Thin film solar module production equipment (TCO, CdTe)	
Ion-Tech GmbH		Ion beam sources
CTF Solar GmbH	CdTe thin film solar module production technology	

Welcome on board!

The whiteboard is the modern version of the old school blackboard and chalk. It has a smooth surface made of white plastic or white enamelled metal and can be written on using special whiteboard marker pens. Markings on the board can be easily removed with a dry sponge. Mainly used in presentations, it highlights the key information, whether diagram or text. Our whiteboard will accompany you through this Annual Report. You will see it in some expected and unexpected places – everywhere where we have something to tell you. Welcome on board!

Roth & Rau Group
Key Figures on Business Performance

(pursuant to IFRS)

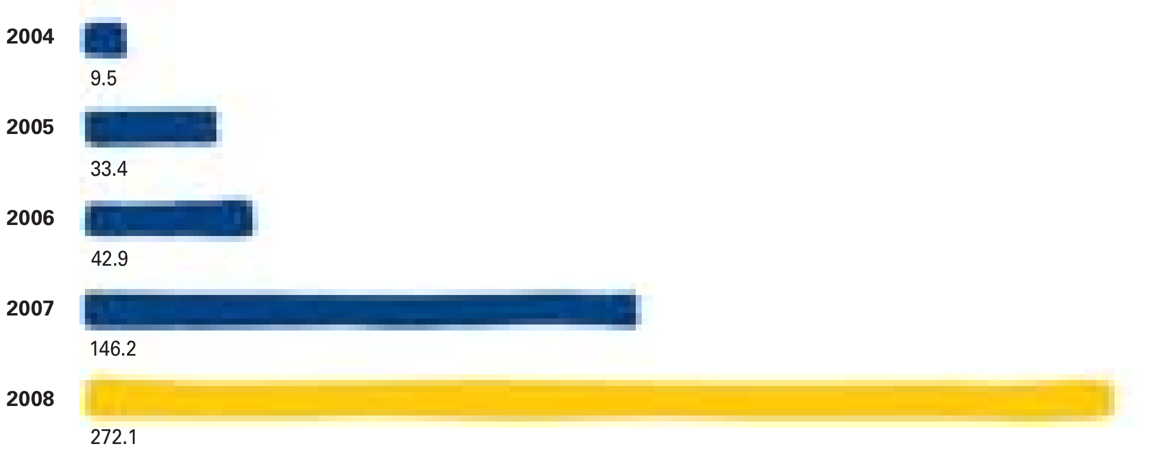
Key Operating Figures € 000s	**2008**	**2007**	**Change**
Sales	272,122	146,229	86.1 %
International share in %	86.5	59.0	27,5 PP
New orders	269,660	244,627	10.2 %
Orders on hand[1]	213,037	200,583	6.2 %
EBITDA	34,610	15,560	122.4 %
EBIT	28,548	13,864	105.9 %
EBT	31,801	15,090	110.7 %
Consolidated net income[4]	23,024	11,681	97.1 %
Earnings per share in €[2]	1.82	1.22	49.2 %
Employees[1]	606	236	156.8 %
Key Ratios in %			
EBITDA margin	12.7	10.6	2.1 PP
EBIT margin	10.5	9.5	1.0 PP
Tax rate	27.2	22.6	4.6 PP
Equity ratio	71.5	59.5	12.0 PP
Return on equity[3]	13.8	16.8	-3.0 PP
Key Balance Sheet and Cash Flow Figures € 000s			
Total assets	288,704	139,105	107.5 %
Shareholders' equity	206,456	82,763	149.5 %
Investments	51,483	8,902	478.3 %
Operating cash flow	-27,300	12,084	-325.9 %
Cash and cash equivalents	91,515	63,270	44.6 %

Roth & Rau publishes a group annual financial report for the first time for the 2008 financial year.
The previous year's figures therefore only include Roth & Rau AG.

[1] Reporting date: 31 December
[2] Including the capital increase from company funds (8 July 2008) accompanied by the issue of bonus shares. The previous year's figure has been adjusted accordingly.
[3] Return on equity: EBIT/shareholders' equity
[4] Consolidated net income: Earnings allocable to shareholders in Roth & Rau AG

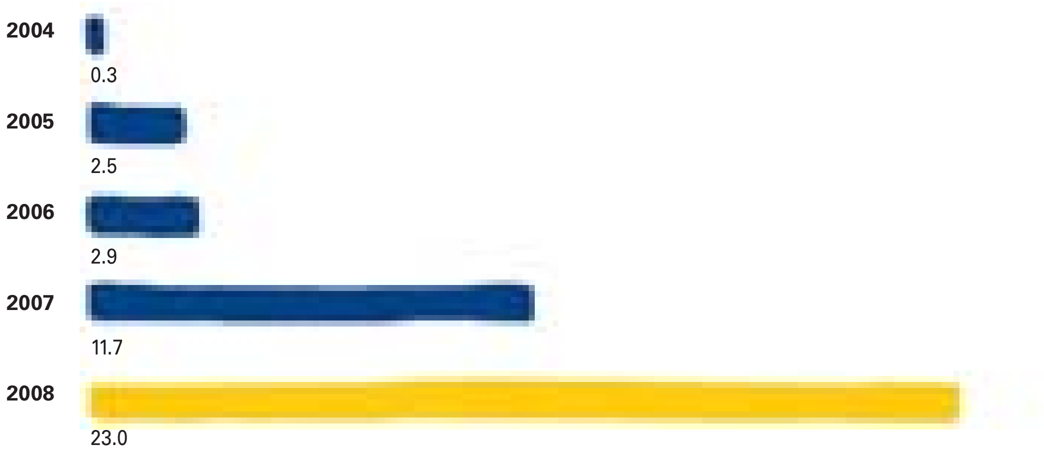
5-Year Overview of Key figures

Sales (in € million)



EBIT (in € million)

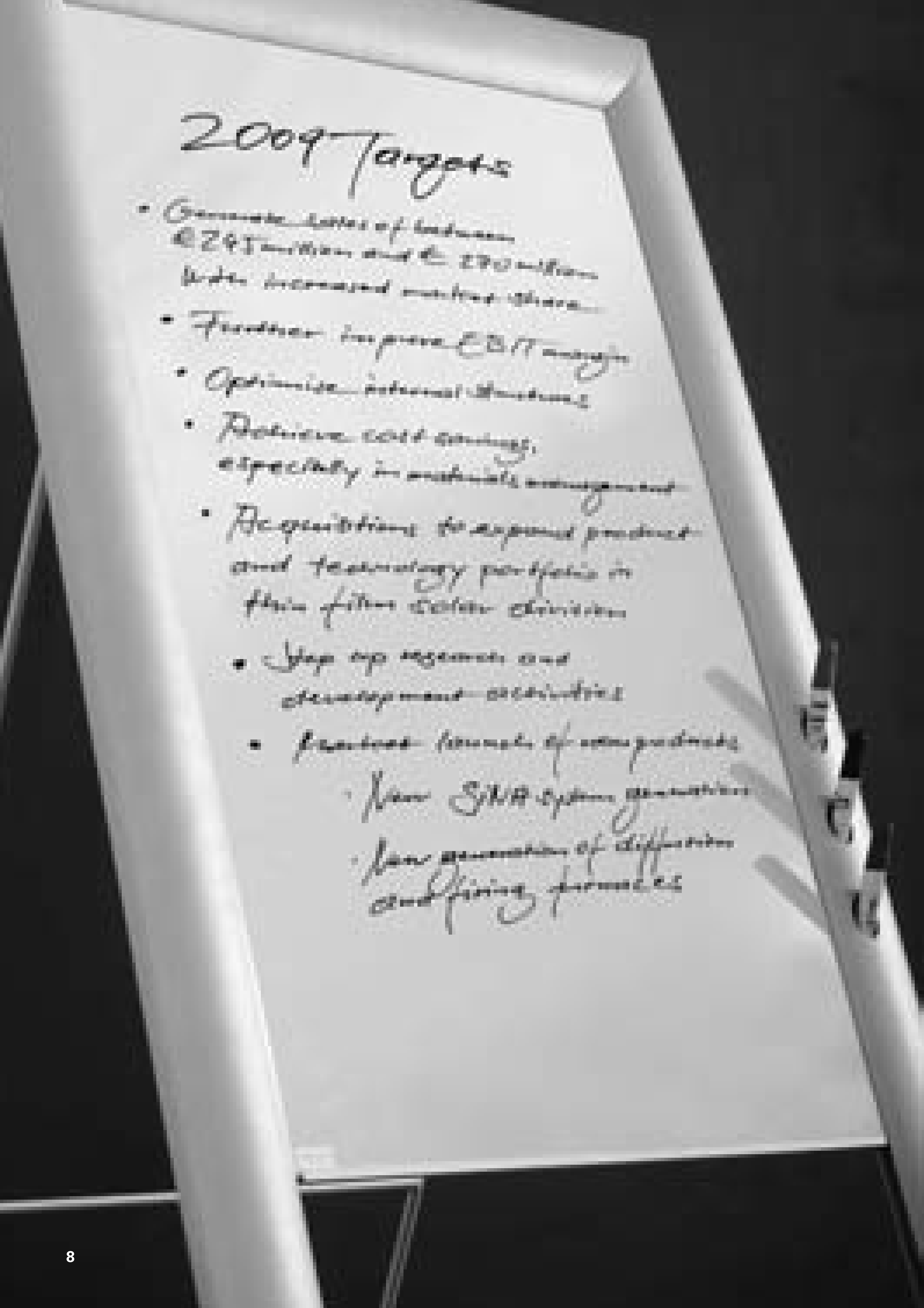
Consolidated net income (in € million)



New orders (in € million)

Orders on hand as of 31 December (in € million)

Employees as of 31 December


2009 Targets
Further improve EBIT margin
Optimise internal structures
Achieve cost savings, especially in materials management
Step up research and development activities
Further launch of new products
New SNA system generation
New generation of diffusion and firing furnaces

Targets and Results

2008 Targets	2008 Results
Generate sales of at least € 250,000k	Generate sales of at least € 250,000k At € 272,122k, sales 8.8% ahead of target.
Raise EBIT margin to at least 10%	At 10.5%, EBIT margin ahead of target.
Increase profitability	Materials quota reduced to 75.4% by improving materials usage, launching new ERP system, optimising storage and logistics, accessing alternative procurement sources and adjusting existing supplier contracts.
Expand market position for equipment and in the turnkey business	Leading market position reinforced in equipment business. Market position improved in turnkey business. Acquisition on the one hand of substantial market share in India, Southern Europe and the USA; on the other hand Roth & Rau successfully outperformed a major German competitor.
Internationalise sales and service structure	By founding subsidiaries in the USA, Singapore and Korea, as well as converting the existing representative office in China into a wholly-owned subsidiary, the international sales and service network has been considerably expanded.
Increase share of proprietary products within value chain for production of crystalline silicon solar cells	The acquisitions of AIS Automation Dresden GmbH and TECNOFIMES S.R.L, as well as the foundation of SLS Solar Line Saxony GmbH, will contribute towards raising the share of proprietary products in the turnkey production lines offered by Roth & Rau from around 45% currently to around 65% in future.
Expand capacity for further growth	Expansion of photovoltaics location by a further 3,000 m² of production and storage space and construction of a new office building for 92 employees.
Extend position of technological leadership in market	Roth & Rau has secured access to substantial technological expertise by taking over its suppliers Muegge-electronic GmbH and Ion-Tech GmbH.
Step up research and development	R&D investments rose by 91.6% to € 4,884k in 2008, while the number of R&D employees was boosted from 18 to 33. Major new cooperations were also agreed in 2008 with renowned institutes, including the Institute of Microtechnology (IMT) at the University of Neuchâtel in Switzerland and the Solar Research Institute of the University of New South Wales in Australia. The completion of a new Technology Centre with 1,500 m² of laboratory space and 40 new workplaces in the adjacent office building will provide space for further innovations.

2009 Targets

- Generate sales of between € 245 million and € 270 million with increased market share
- Further improve EBIT margin
- Optimise internal structures
- Achieve cost savings, especially in materials management
- Acquisitions to expand product and technology portfolio in thin film solar division
- Step up research and development activities
- Market launch of new products
  - New SiNA system generation
  - New generation of diffusion and firing furnaces

Contents


ROTH
& RAU

Letter to Shareholders

Dear Shareholders,

2008 was a very successful and full year for Roth & Rau AG. We not only exceeded our ambitious sales and earnings targets – by consistently implementing our growth strategy we have also laid a foundation for our successful business performance in the long term. Moving very rapidly, in 2008 we completed the evolution of the family company Roth & Rau into an international group and leading provider of production equipment and technologies for the photovoltaics industry.

The decisive milestones on the way included on the one hand the expansion of our product, technology and service portfolio. Following our takeover of AIS Automation Dresden GmbH, our investment in Solar Line Saxony GmbH and the planned takeover of TECNOFIMES S.R.L. as of 1 January 2009, we will in future be able to offer a substantially broader range of products for use in the manufacture of crystalline silicon solar cells and will be able to cover around 65% of our turnkey production lines with proprietary products and services, rather than 45% as previously. Together with Manz Automation AG, with whom we signed a cooperation agreement in January 2009, we will even be able to expand this share to 100% in the medium term. We have thus built up a crucial unique selling point and tapped sustainable growth potential in the market for turnkey production lines for use in the manufacture of crystalline silicon solar cells.

The second strategic focus involved expanding our international service and sales structure, focusing on future growth regions for the photovoltaics industry. We thus established subsidiaries in the USA and Singapore and converted our representative office in Shanghai into a wholly-owned subsidiary. One further sales and service company commenced business operations in Korea at the beginning of 2009. The Indian subsidiary is still in the process of being established and should commence business operations in the first half of the financial year. These measures make us less dependent on developments in individual regions and strengthen our ties to our international customers

Roth & Rau benefits from long-term growth potential in the photovoltaics sector
We provided our business with a broader foundation in 2008 and are thus now superbly positioned to benefit from the long-term growth potential in the photovoltaics sector. The most important task facing us in the 2009 financial year will be to satisfy the growing cost and innovation pressure from our customers with innovative and technologically leading products. With this in mind, we will be further stepping up our research and development activities. We performed the groundwork in this area as well in 2008. In cooperation with the Institute of Microtechnology at the University of Neuchâtel and with the University of New South Wales, we have started work on promising projects aimed at developing high-efficiency solar cell concepts for the future. This will form one of our focuses in 2009. In this way, we aim to further extend our superb position in the market for crystalline solar technology in the long term.

With our expertise in the manufacture of thin films using plasma technology, we also intend to develop our activities in the field of thin film solar technology. In this area, we will mainly focus on developing and marketing cadmium telluride technology products which, due to their cost benefits, we see as one of the most promising thin film technologies harbouring great growth potential. With our takeover of CTF Solar GmbH at the beginning of 2009, we have taken a decisive first step in this direction. In the current financial year we will focus on manufacturing coating systems and turnkey production lines for cadmium telluride technology, drawing on the expertise thereby acquired. Moreover, further acquisitions to expand this newly established division are also conceivable.

In both fields, crystalline and thin film solar technology, we are working at full steam on developing new systems and production methods for the next generation and the next generation but one, focusing on methods which will enhance efficiency and thus increase the effectiveness and economy of potential applications.

Carsten Bovenschen
CFO

Dr. Dietmar Roth
CEO

We were early to secure financing for these strategic investments. The execution of the capital increase and conclusion of the syndicated loan agreement in the first half of 2008 provided us with crucial financial room for manoeuvre. As far as the financing of the Roth & Rau Group is concerned, this means that we are largely independent of the debt and equity market in the current financial year. Moreover, as a reliable business partner, this means that we are also in a position to support our most important suppliers and customers by agreeing flexible payment terms. After all, it is only with strong partners at our side that we will be able to maintain our growth in the long term.

Solar industry currently in transformation

At the end of another boom year in 2008, the first implications of the international financial and economic crisis also reached the solar industry. Some investments in capacity expansion budgeted for 2009 have had to be postponed as the relevant financing could not be secured. Not only that, there has for the first time been a significant decline in demand for photovoltaics products among end consumers, which has led to an oversupply of solar modules in the market. This development will be reflected in falling prices along the entire value chain in future.

We take this development very seriously, but are by no means alarmed. On the contrary, we see this development as offering an opportunity to accelerate the urgently necessary process of achieving lower production costs and higher levels of efficiency, at the end of which solar electricity will become competitive. This is a process from which we all ultimately stand to benefit. 2009 will without doubt lead to an overall economic slowdown, one which will also leave its mark on Roth & Rau's business performance. From a long-term perspective, however, the relatively new solar sector is only at the very beginning of its enormous growth. One factor above all makes us very certain of this – climate protection is the most urgent problem and greatest challenge facing our generation. The sustainable energy supply of the future has no alternative but to focus on renewable energy forms, and photovoltaics in particular. This has been recognised by governments around the world who, turning the crisis into an opportunity, are investing part of their economic rescue packages in our future, in renewable energies. This change in thinking within society and in the political arena also formed the topic of discussion with a panel of experts at an event hosted by Roth & Rau at the beginning of the year. We have presented the results of their in-depth discussion for you on Pages 20 to 27 of this Annual Report.

2009 – a year of efficiency enhancement

In view of the ongoing economic and financial crisis, our sales and earnings forecasts for the 2009 financial year are still subject to numerous uncertainties. We nevertheless look optimistically to the future. We currently assume that we will be able to generate sales in a range of between € 245 million and € 270 million, with our declared aim being that of acquiring further market share, even if the market stagnates or declines in the short term. We aim to achieve this mainly by expanding our product and technology portfolio, as well as by accessing new markets, such as Eastern Europe and North Africa. The sales performance of the Group is crucially dependent on the willingness and ability of our customers to invest in the coming months. We will monitor this closely and fine tune the forecast we have made should new information become available.

Having said this, we will also take 2009 as an opportunity to focus intensively on enhancing the effectiveness and efficiency of the internal structures which have grown so rapidly in recent years and to maintain the course of efficiency enhancement initiated in 2008. As well as optimising our materials usage, we will also be focusing on standardising our products and services. With these measures, we intend to further improve our operating profit margins.

We would like to take this opportunity to thank our employees in particular for their magnificent achievements in the past year. With the great commitment they have shown, they have contributed decisively to the company's success. We would also like to thank our shareholders for the trust they have placed in Roth & Rau AG.

Yours faithfully,

Dr. Dietmar Roth
CEO

Carsten Bovenschen
CFO

Highlights of 2008

January

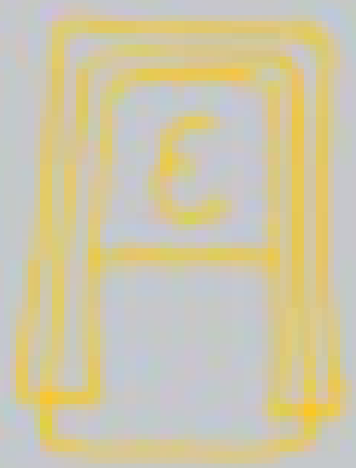
The start of the new year sees Roth & Rau holding its first Investors Day at its headquarters Hohenstein-Ernstthal. Around 50 analysts and investors take the opportunity of visiting the new production hall and informing themselves on location about the Group's business model and situation.

February

The new year begins with record order volumes. New orders of around € 46 million are received in January, including one major order worth € 33 million. In view of the positive order situation, the Management Board raises its sales target for 2008 from € 200 million to at least € 235 million.

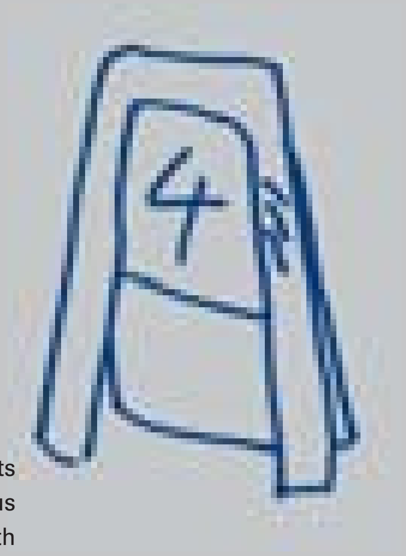
Roth & Rau founds SLS Solar Line Saxony GmbH jointly with USK Karl Utz Sondermaschinen GmbH. Roth & Rau thus secures access to automation technology for its systems and turnkey production lines.

Roth & Rau Dünnschicht Solar GmbH is founded to take account of the growing strategic importance of thin film technology. The Group's activities in its thin film business field are pooled at this wholly-owned subsidiary, thus laying a foundation for further growth in this area.



March

Expanding international sales and service capacities is one of the Group's major strategic targets for 2008. The foundation of Roth & Rau USA Inc., based in San José, California, represents an important a milestone in this respect, as does the conversion of the existing Chinese representative office in Shanghai into a wholly-owned subsidiary.



April

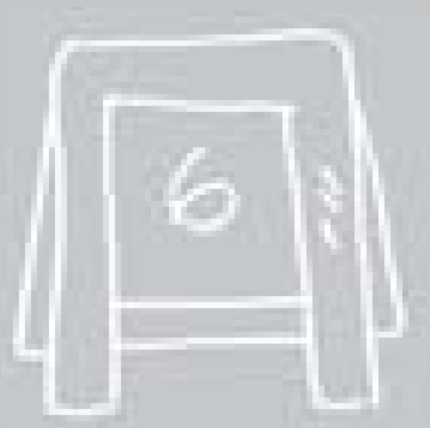
The successful placement of the capital increase with subscription rights generates gross proceeds of around € 101 million for Roth & Rau, thus securing the liquidity required to implement the company's strategic growth targets.

The signing of a syndicated loan agreement for € 160 million with a term of five years provides additional financial scope for the operating business.

Roth & Rau moves from the Entry Standard to the Prime Standard at the Frankfurt Stock Exchange, thus meeting the highest internationally recognised transparency standards.

May

Roth & Rau signs a development agreement with the University of Neuchâtel in Switzerland. Over the next three years, systems and technologies are to be developed for use in the manufacture of high-efficiency solar cells. The total investment volume amounts to around € 14 million. Roth & Rau thus secures access to key technologies enabling it to expand its market position and enter new product fields and market segments. The newly founded subsidiary Roth & Rau Switzerland AG will take over the contract research within the framework of the cooperation.



June

Roth & Rau's share is promoted to the TecDAX index of the German Stock Exchange on 5 June, less than two months after its entry into the Prime Standard. This significantly enhances the attractiveness of the share and enables the company to address new groups of potential investors.

In the middle of the year, Roth & Rau acquires 100% of the shares in the system and software provider AIS Automation Dresden GmbH, thus increasing the share of proprietary products in the value chain for the complete solar cell production line.

July

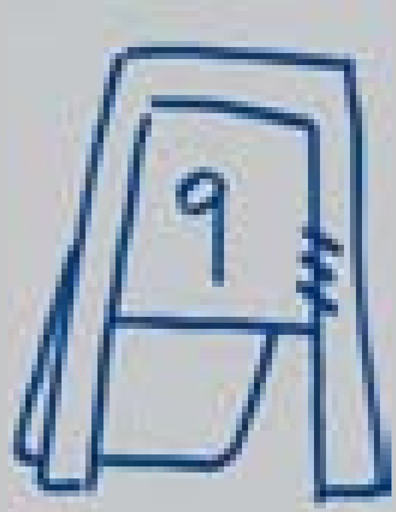
The second Annual General Meeting since the IPO is attended by about 100 shareholders representing around 38% of the share capital. Among other resolutions, they approve the execution of a capital increase from company funds.

The share capital of Roth & Rau AG increases by € 10,350,000.00 to € 13,800.000.00 in the context of a capital increase from company funds. For each individual share previously held, shareholders in Roth & Rau AG receive three bonus shares to avoid any dilution of their portion of the share capital. Due to the quadrupling in the number of shares, the share is listed at a correspondingly lower value from 21 July.

August

The half-year figures illustrate the strong growth of the Roth & Rau Group. New orders, sales and earnings rise significantly, while orders on hand point to a successful second half of the year. In view of these figures, the Management Board further raises its sales forecast for 2008 from € 235 million to at least € 250 million.

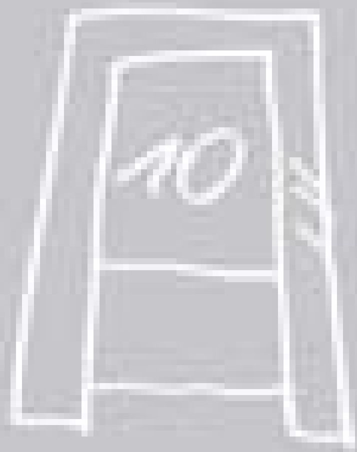
At the beginning of the new training year, Roth & Rau takes on three trainees, two students from the Vocational Training College in Glauchau and two sandwich course students from the University of Technology and Economics in Zwickau. The Group thus underlines the importance of company training and provides young people with qualified vocational training opportunities in a rapidly growing sector of the future.



September

The handover of a further 3,000 m^2 of production and storage space and a new car park takes place on 1 September.

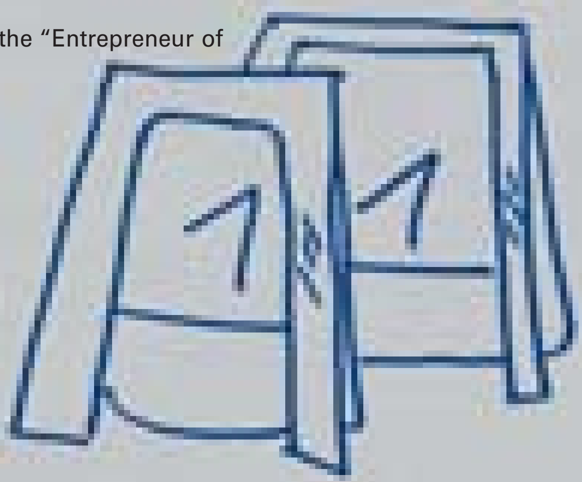
At the 23rd European Photovoltaic Solar Energy Conference and Exhibition in Valencia (Spain), Roth & Rau presents its latest product and technology developments, including the new generation of its successful SiNA series, to an interested specialist audience. The products are granted a warm reception – new orders and letters of intent worth around € 45 million in total are signed.



October

The handover of the second office building at the Hohenstein-Ernstthal location takes place on 17 October. This provides workspace for employees in the materials management department and the turnkey production line service and project management departments.

As already in 2007, Roth & Rau qualifies for the final of the "Entrepreneur of the Year 2008" competition.



November

Roth & Rau AG announces its takeover of TECNOFIMES S.R.L., Monza (Italy), as of 1 January 2009. The companies will cooperate to launch new types of in-line diffusion furnaces onto the market. Roth & Rau thus extends its range of services to include the process steps of diffusion and firing, which means that the share of proprietary products and services in the turnkey lines offered by Roth & Rau has to potential to rise to around 65%.

December

Roth & Rau takes over its longstanding partner and supplier, Muegge-electronic GmbH, in December. The acquisition contributes to the ongoing standardisation of Roth & Rau's systems and is intended to further enhance profitability.

Roth & Rau AG concludes the 2008 financial year on an extremely successful note. With sales of € 272,122k and an EBIT margin of 10.5%, the company even exceeds its targets for the year as a whole.

2008 was the fourth successive year of massive growth. This is also reflected in size of the workforce, which grew by a factor of almost ten from 61 in 2004 to 606 in 2008. As a result, Roth & Rau is now one of the largest employees in the Chemnitz region.

Energy Supply of the Future

The outlook for the global economy has deteriorated in recent months. For the first time since the end of World War Two, the financial and economic crisis has hit virtually all economies across the globe. The solar industry is also feeling the effects of the crisis, but Roth & Rau nevertheless remains confident with regard to the near and more distant future. Fossil fuel reserves are limited and climate change is an increasingly real threat. There is thus no alternative to renewable energies. Roth & Rau invited Prof. Dr. Claudia Kemfert, Director of the Energy, Transport and Environment Department at the German Institute of Economic Research (DIW Berlin) to discuss these issues with Franz Nieper, Investor Relations Manager at aleo solar AG, and Dr. Dietmar Roth, CEO of Roth & Rau, at a roundtable discussion at the beginning of 2009.

Dr. Dietmar Roth

Solar energy currently accounts for 0.5 percent of Germany's electricity generation. That is not yet such a great success ...

Roth: What do you expect from a sector which is still so new? Industrial production of photovoltaics systems only began a few years ago. At present, we are still reliant on conventional energy forms, but that will change in future.

Kemfert: We are at a turning point, as we need to find alternatives to fossil fuels such as coal and oil. Reserves of these are finite. What's more, climate change is an increasingly real threat. Solar energy will thus play a key role in the future energy mix. That will certainly take time, but I do expect renewable energies to cover all of our energy requirements by the end of this century.

Do you see any parallel between your sector and technological developments in other sectors of the economy?

Roth: The photovoltaics industry is often compared with the semiconductor industry. The level of development in our sector is currently equivalent to that in the semiconductor industry when it first discovered the transistor radio many, many years ago. Having said this, we are by no means satisfied with the status quo. We want to get away from the transistor radio and discover the "iPod" for the solar industry. And we will succeed in this. In forty years at the latest, solar energy will account for up to 20 percent of global electricity generation. What other sector can offer growth prospects on this scale? As if that were not enough, one day there may well also be global electro-mobility. Then you will drive to the fuel station with your car and, rather than petrol, receive a new battery charged with renewable energies.

Are these scenarios also realistic for countries like Germany, which are not exactly blessed with sunshine?

Kemfert: There is no need for us to rely entirely on solar energy in these climes. We must rather find a solution for the whole of Europe and exploit regional advantages, such as hydropower in the North and solar power in the South. And just imagine projects in which Africa, with its huge sun-drenched surfaces in the Sahara, could one day become Europe's energy supplier. All of these scenarios are realistic. If we can solve the technical difficulties in transporting and storing the energy, then we will be a decisive step further. We have to be optimistic and rely on scientists' powers of innovation. In future, we will have access to technologies which we do not yet know of today. Who would have thought fifty years ago that the whole world would one day be able to communicate via internet?

Nieper: Germany may not have any oil reserves, but it does have more solar potential than you might think. That has been demonstrated by a pro-

Franz Nieper

ject called Sun-Area carried out by Osnabrück Technical College. Working with aerial photographs, scientists there identified the suitability of roofs for solar facilities. The results are impressive. Around 70 percent of electricity consumption can already be covered by installing current types of solar technology onto south-facing roofs in towns such as Osnabrück or Braunschweig, neither of which is exactly a sunspot.

We will continue to depend on fossil fuels in the coming years as well. What form could the energy mix take during this transitional period?

Kemfert: Alongside renewable energy forms, the energy mix will also include nuclear energy and clean coal power plants. However, I do not see any renaissance in nuclear energy, even if countries such as Sweden plan to build new nuclear power plants. Having said this, I would be surprised if all nuclear power plants currently in the planning stage were actually to be built one day. The future lies in renewable energies. The state must therefore also promote these technologies in future to make them cheaper and thus able to compete with other energy sources.

Roth: During this transitional phase, we will certainly see this or that nuclear power plant being built. Nuclear power remains the cheapest source of energy once the facilities have been depreciated. However, specialists from the Fraunhofer Institute for Solar Energy Systems nevertheless expect solar energy to be able to cover all of our energy needs one day. But that will take time. In the coming 50 years, we will therefore still be heavily reliant on nuclear power, oil and coal.

When will solar energy become competitive in Germany?

Nieper: I expect solar electricity to be competitive for private end customers in Germany in five years' time already. After all, the Renewable Energies Act (EEG) will ensure that solar systems increasingly reduce in price in the coming years. Of course, this also depends on the development in the electricity price. The structural advantage of solar energy is that its availability correlates with demand patterns. The sun does not shine at night, but demand for electricity is also low then. When the electricity price is finally based on actual demand patterns, then the value of solar electricity will become more apparent. The great advantage of solar electricity is that generation is decentralised, i.e. the electricity can be generated where it is consumed. Decentralised structures are not only good for supply reliability and the environment; they also create large numbers of jobs for local tradesmen.

Roth: There is great demand around the world for technology "made in Germany". Roth & Rau is therefore on the lookout for engineers and highly-qualified specialists, as photovoltaics research and production take place in this country. This

Prof. Dr. Claudia Kemfert

aspect has also benefited Germany's new federal states, as the entire value chain is present in East Germany. More than a third of the world's largest solar companies are located in East Germany. Not only that, other countries are also benefiting from this emerging economic sector. In East Africa, we are currently financing the installation of solar cells on the roofs of numerous houses in Tanzania with micro-credits. This enables the local population not only to obtain electricity for their homes, but also to install and maintain the system on their own. This not only creates jobs in some of the world's poorest regions, but also means that people can study and train when it is dark in the evenings. All in all, solar energy therefore not only secures jobs and helps to protect the climate, but also makes an important contribution towards combating poverty, thus enabling us to solve several problems simultaneously. In sun-drenched regions without any electricity supply, such as parts of Africa and South America, photovoltaics systems are already competitive compared with diesel units.

Where are the future markets for the photovoltaics industry?

Nieper: Germany will remain an important market in future as well. In the longer term, it will of course be joined by all those countries where the sun shines, starting with those which have organised intelligent political subsidies, such as the Renewable Energies Act (EEG) successfully introduced in Germany. China and India still have an enormous, as yet unquenched thirst for energy, a factor whose negative effects have also been felt by the environment in these countries. There is therefore great interest in renewable energies in these emerging economies. Granted, the volume of solar energy business in India and China is still rather modest, but this will change. These two countries represent a gigantic market for the future.

Roth: We also see the USA as harbouring great potential for the future, even if the US market is still slightly behind. All hopes now rest on the US President, Barack Obama. He has filled all key climate protection posts in his administration with renowned experts. And we should not forget that there are numerous smaller solar energy companies, especially in California, who are busy researching. A great deal will happen there in the coming years. Finally, major development centres are also to be found in Japan.

The Federal Government is currently planning to reduce the guaranteed feed-in prices for solar energy by nine percent. How critical is that for the sector?

There has to be this pressure to encourage the sector to cut its costs. After all, the structure of the Renewable Energies Act foresees a gradual reduction in compensation rates to avoid the instrument becoming a permanent subsidy. Otherwise, numerous critics who see the Renewable Energies

Act as a bottomless pit for subsidies would become increasingly vociferous and possibly even receive a sympathetic hearing from politicians. Having said this, opponents of the Renewable Energies Act tend not mention that the state has subsidised nuclear energy with Euro 40 billion in the past decades, a figure which does not even include the costs still to come. Not only that, the taxpayer has so far also subsidised coal mining with a sum of Euro 128 billion.

Why should the state subsidise renewable energies at all?

Kemfert: To boost supply reliability, to gain a competitive edge in terms of technology and of course also to meet climate protection targets. Germany urgently needs to reduce its dependency on energy imports. This is an area where renewable energies play a decisive role. However, it is important to see that promoting new technologies, and renewable energies have to be viewed as such, also represents a targeted promotion of what is basically Germany's most important and only resource – its knowledge and technological advantage. Admittedly, as the "land of engineers", Germany is already a global leader in terms of developing innovative technologies, but the German business community is regrettably often very risk-averse when it comes to exploiting these technologies. This means that the world's best technologies may be researched and developed in Germany, but end up being offered and sold by competitors around the world. During the transitional period until these technologies become competitive, it makes sense for the state to offer a safety net for their development, thus reducing the risks for innovative entrepreneurs. This also creates jobs. However, this support cannot be allowed to become a permanent subsidy. In the case of the Renewable Energies Act, for example, the state is gradually cutting back its financing. As soon as the technology has become competitive, all sources of state subsidy should be cut off.

Is the photovoltaics industry feeling the effects of the financial and economic crisis?

Nieper: : Companies are currently finding it more difficult to obtain financing for large-scale projects. Smaller to medium-sized decentralised installations on German roofs, on the other hand, have no lack of financing possibilities from, among others, KfW Bank and deposit-financed banks often on hand locally. Anyone deciding to invest in a photovoltaics system of very good technical quality can secure his personal electricity supply for the future, set an upper limit on his electricity price and even receive a reasonable return on the capital committed – an asset, insurance policy, annuity and savings account all in one. It is difficult to imagine a better product at the current time.

Roth: In our business we are feeling the effects of the crisis more clearly. Banks are currently examining companies applying for loans very closely indeed. Companies in the photovoltaics industry may have posted good earnings in the past three years, but they also reinvested the cash immediately. With its immense investment quota, this industry is therefore dependent on debt capital – and that is in short supply at the moment. Having said this, we still expect to generate growth of seven to eight percent in 2009. Soon the sun will shine more strongly on us as well. We expect to see a significant revival in the market starting in the coming year already.

Kemfert: Every crisis has its winners and losers. Renewable energies will be among the winners. In future, investors will sharpen their focus on markets of the future – and the photovoltaics industry will without a shadow of a doubt be among them.

The interview was moderated by Dr. Matthias Müller from the newspaper Frankfurter Allgemeine Zeitung.

Report of the Supervisory Board

Dear Shareholders,

2008 was a highly successful year for Roth & Rau AG, a year which was characterised by numerous strategically important decisions. These principally related to acquisitions and the establishment of subsidiaries in Germany and abroad, as well as to securing the company's long-term financing. The fundamental significance of these decisions for the Group's future success meant that the Supervisory Board was particularly active in the past year. The Management Board at all times involved the Supervisory Board at an early stage and directly in all major decision-making processes. On this basis, we maintained an ongoing dialogue with the Management Board and accompanied it in an advisory capacity.

The Supervisory Board performed the tasks required of it by law and the Articles of Association with great care and conscientiously fulfilled its audit and control duties. In both written and oral reports, the Management Board provided us with regular, prompt and extensive information concerning the situation of the Group, and especially its corporate planning and strategy, investment projects, the latest business performance, earnings and financial position and personnel situation. Moreover, it also informed us of the Group's risk situation, its risk and opportunities management and compliance. The Management Board agreed the company's strategic alignment with us. The Supervisory Board in turn formed its own impression of the company's situation and also maintained regular contact with the Management Board outside the framework of meetings. We examined and held extensive discussions concerning the documents, reports and draft resolutions presented to us.

Meetings and focuses of deliberations

In the 2008 financial year, the Supervisory Board addressed issues including the operating performance of the Group and its business segments, its earnings and financial position, its order situation and the implementation of its strategy at a total of 14 meetings, some of which were held by telephone (18 February 2008, 26 March 2008, 31 March 2008 (by telephone), 10 April 2008 (by telephone), 25 April 2008 (by telephone), 29 April 2008, 30 April 2008 (by telephone), 16 May 2008 (by telephone), 6 June 2008 (by telephone), 4 July 2008, 11 July 2008 (by telephone), 31 July 2008, 27 August 2008 (by telephone) and 7 November 2008). In addition, discussions also focused in particular on the following key topics:

- Annual financial statements for the 2007 financial year
- Interim financial reports for the 2008 financial year
- Establishment of the subsidiary SLS Solar Line Saxony GmbH with USK Karl Utz Sondermaschinen GmbH
- Capital increase with subscription rights at Roth & Rau AG
- Agenda for the Annual General Meeting on 4 July 2008
- Establishment of the subsidiary Roth & Rau Dünnschicht Solar GmbH
- Establishment of the international subsidiaries in the USA and Switzerland
- Conversion of the representative office in China into a wholly-owned subsidiary
- Acquisition of 100% of the shares in AIS Automation Dresden GmbH
- Acquisition of 100% of the shares in TECNOFIMES S.R.L.
- Acquisition of 100% of the shares in Ion-Tech GmbH
- Acquisition of 100% of the shares in Muegge-electronic GmbH
- Strategic planning for the years 2009-2011

Eberhard Reiche
Chairman of the
Supervisory Board

Dr. Dietmar Roth, CEO of Roth & Rau AG and simultaneously a shareholder in Ion-Tech GmbH, was subject to a temporary conflict of interest in connection with the acquisition of Ion-Tech GmbH, one which he disclosed to the Supervisory Board immediately. In view of this circumstance, the Supervisory Board addressed the acquisition of Ion-Tech GmbH by Roth & Rau AG particularly closely. Apart from this, no conflicts of interest arose on the part of members of the Management or Supervisory Boards.

Matters requiring approval were forwarded to the Supervisory Board in good time and were approved following suitable inspection. The resolutions requiring approval in the 2008 financial year chiefly related to the acquisitions, business plans, annual financial statements and capital increase. The Management Board informed us without delay, also between meetings, concerning business transactions of particular significance for the company. Where necessary, resolutions were passed in writing. These related to the approval of individual acquisitions, the establishment of SLS Solar Line Saxony GmbH and the approval of minutes.

None of the three members of the Supervisory Board took part in fewer than half of the meetings. Due to efficiency considerations, we continued to forego establishing any committees in the past financial year as well.

Corporate Governance

High-quality, responsible corporate governance is a matter of crucial importance for both the Management Board and the Supervisory Board of Roth & Rau AG. In 2008, the Supervisory Board dealt closely with the topic of corporate governance and the implementation of the relevant standards at the company, particularly in view of the company's change of segment to the Prime Standard. It discussed its findings in detail with the Management Board. We also took due account of the updated version of the Code dated 6 June 2008. On this basis, the Management and Supervisory Boards submitted their joint Declaration of Conformity with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) in March 2009 and made this permanently available to shareholders on the internet at www.roth-rau.de. According to this Declaration, Roth & Rau AG complies with the Code's recommendations with the exception of only four points. Further information can be found in the Corporate Governance Report (Page 32 et seqq.).

Audit of annual and consolidated financial statements

In line with the resolution adopted by the Annual General Meeting on 4 July 2008, we commissioned PriceWaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, to audit the annual financial statements and the management report (HGB), as well as the consolidated financial statements and the group management report (IFRS) for the 2008 financial year. The declaration obtained in advance from the auditing company setting out the extent to which it had other financial or business dealings with Roth & Rau AG gave no grounds for objection. It was agreed with the auditor that he would report on all findings and occurrences resulting from the audit that were relevant for the duties of the Supervisory Board. The auditor provided the annual and consolidated financial statements, as well as the two management reports, with an unqualified audit opinion. The risk management system at Roth & Rau AG also formed part of the audit. The auditor confirmed that the system is consistent with legal requirements.

The financial statements and audit reports compiled by the auditor were provided to all members of the Supervisory Board in good time. At our meeting on 30 March 2009, we discussed these documents in detail in the presence of the auditor. The auditor informed us of the principal findings of his audit and was available to answer questions and to provide further explanations. Following our own audit of the annual financial statements, the management report, the consolidated financial statements and the group management report, we endorsed the findings of the auditor and did not raise any objections. The Supervisory Board approved the annual financial statements and consolidated financial statements of Roth & Rau AG prepared by the Management Board. The annual financial statements are thus adopted. The proposal by the Management Board in respect of the appropriation of profit envisages allocating 50% of the net surplus calculated in accordance with German commercial law to revenue reserves, with the remaining 50% being carried forward together with retained earnings. Following our own review, we endorsed this proposal.

Changes in the Supervisory Board

The Annual General Meeting on 4 July 2008 elected Eberhard Reiche to the Supervisory Board. Eberhard Reiche had already been appointed as a member of the Supervisory Board by resolution of Chemnitz District Court in February 2008. He thus replaced the previous Chairman of the Supervisory Board, Harald Löhle, who had retired from his position on 31 January 2008.

Eberhard Reiche is a qualified lawyer and is Director of the internal audit department at envia Mitteldeutsche Energie AG, Chemnitz. He has been elected to the Supervisory Board for the remaining term of the retiring member, Harald Löhle, i.e. until the conclusion of the Annual General Meeting releasing the Supervisory Board from responsibility for the 2010 financial year. Eberhard Reiche does not hold any positions in any other statutory supervisory boards or comparable supervisory bodies at companies in Germany or abroad.

At our meeting on 18 February 2008, we elected Eberhard Reiche as the new Chairman of the Supervisory Board. This election was confirmed following the election of Eberhard Reiche as a member of the Supervisory Board by the Annual General Meeting on 4 July 2008.

We should like to thank the members of the Management Board and the employees of the Roth & Rau Group for the great commitment they showed in the past financial year. Our thanks are also due to our shareholders for the trust they have placed in our company.

Hohenstein-Ernstthal, March 2009
The Supervisory Board

Eberhard Reiche
Chairman of the Supervisory Board

Corporate Governance

The Management and Supervisory Boards of Roth & Rau AG base their entrepreneurial actions on transparent and responsible corporate governance. The management and supervision of the Group are oriented towards sustainably increasing the value of the company and are intended to enhance the trust placed in the company's management by investors, customers, employees, suppliers and the general public. Roth & Rau AG bases its actions in this respect on the recommendations and suggestions contained in the German Corporate Governance Code.

In the following pages, the Management and Supervisory Boards have provided a joint report on corporate governance at Roth & Rau pursuant to Point 3.10 of the German Corporate Governance Code.

Shareholders and Annual General Meeting

The Annual General Meeting is the central organ of Roth & Rau AG at which shareholders have the opportunity of exercising their rights, especially their voting rights. The Annual Report informs shareholders about the past financial year in advance of the AGM. The invitation, which also includes the agenda items to be addressed, as well as other relevant documents and information about the AGM, are made available to shareholders at an early date in the Investor Relations section of the company's homepage at www.roth-rau.de. Following the AGM, the presentation of the Management Board and the voting results are also published there. To assist all shareholders in having their interests represented at the AGM, the Management Board appoints a proxy bound to act in accordance with instructions, to whom shareholders may assign their voting rights. It is ensured that the voting proxy can be contacted throughout the entire duration of the AGM. The company has not complied with the suggestion to broadcast the entire AGM on the internet. The Management Board believes that the costs involved would exceed the resultant benefit to the company and its shareholders.

Cooperation between the Management and Supervisory Boards

The shared objective of the Management and Supervisory Boards is to sustainably increase the value of Roth & Rau AG. The two bodies work closely together to achieve this. The Management Board manages the company under its own responsibility. It formulates the company's strategic alignment, agrees this with the Supervisory Board and ensures its implementation. The Management Board informs the Supervisory Board regularly, promptly and extensively concerning the latest business performance, corporate planning, risk situation, opportunity and risk management and compliance. In this, it explains and substantiates any variances between the business performance and the previously compiled budgets. The Supervisory Board monitors the Management Board and accompanies it in an advisory capacity. Major business transactions require approval by the Supervisory Board.

The Management and Supervisory Boards of Roth & Rau AG have a relationship characterised by openness and mutual trust. Information of relevance to the company is also regularly shared outside the framework of meetings. This provides the Supervisory Board with an optimal informational basis to accompany the company's management with recommendations and advice. All Supervisory Board meetings in the 2008 financial year were held in the presence of the Management Board. Further information concerning the work of the Supervisory Board and the cooperation between the Management and Supervisory Boards can be found in the Report of the Supervisory Board (Page 28 et seqq.).

The Management Board of Roth & Rau AG continues to consist of its two members, namely Dr. Dietmar Roth (CEO) and Carsten Bovenschen (CFO). Dr. Dietmar Roth is responsible for the overall management of operations, strategy and planning, as well as for sales, marketing and investor relations, while Carsten Bovenschen is responsible for the finance, controlling, materials management, personnel and IT departments. In addition to his activities as CEO of Roth & Rau AG, Dr. Dietmar Roth is a member of the Supervisory Board of Silicon Sensor AG, Berlin.

Pursuant to the Articles of Association, the Supervisory Board consists of three members. There was a change in the composition of the Supervisory Board in the 2008 financial year, as the Chairman, Harald Löhle, retired from his position as of 31 January 2008. To replace him, Eberhard Reiche was appointed to the Supervisory Board by resolution of Chemnitz District Court for a period limited until the next AGM. Eberhard Reiche is a qualified lawyer and is head of the internal audit department at envia Mitteldeutsche Energie AG, Chemnitz. Eberhard Reiche was elected by the members of the Supervisory Board to be its new Chairman. With its election on 4 July 2008, the AGM confirmed Mr. Reiche as a member of the Supervisory Board. He is elected to the Supervisory Board for the remaining term of the retired member, Harald Löhle, i.e. until the conclusion of the AGM releasing the Supervisory Board from responsibility for the 2010 financial year. Following his election by the AGM, Eberhard Reiche was subsequently confirmed as Chairman by the Supervisory Board. The Supervisory Board otherwise consists of Prof. Dr. Alexander Michaelis, Director of the Fraunhofer Institute for Ceramic Technologies and Systems, and Daniel Schoch, CFO at Corestate Capital AG. The terms in office of Prof. Dr. Alexander Michaelis and Daniel Schoch also expire upon the conclusion of the AGM releasing the Supervisory Board from responsibility for the 2010 financial year. Members of the Supervisory Board are elected on an individual basis.

In their decisions, the members of the Management and Supervisory Boards are obliged solely to safeguard the interests of the Roth & Rau Group. Potential conflicts of interest have to be disclosed to the Supervisory Board immediately. The CEO, Dr. Dietmar Roth, faced a temporary conflict of interest in the 2008 financial year in connection with the takeover of Ion-Tech GmbH. More detailed information can be found in the Report of the Supervisory Board (Page 28 et seqq.).

A financial loss liability insurance policy (D&O insurance) has been concluded for members of the Management and Supervisory Boards. It was decided to forego the agreement of a deductible, as the Management and Supervisory Boards do not believe that this would enhance their sense of responsibility and motivation.

Compensation report[1)]

In the interests of transparent communication, Roth & Rau AG discloses the compensation of the Management and Supervisory Boards on an individual basis in a separate compensation report.

Compensation of the Management Board

The structure of Management Board compensation is determined by the Supervisory Board and reviewed at regular intervals to ascertain whether it is consistent with customary market practice and appropriate, as well as to account for the economic situation of the company. The compensation structure was revised in the 2008 financial year and adapted to meet the stricter requirements arising on account of the company's rapid growth. The Supervisory Board will be available at the AGM to respond to any supplementary questions.

The overall compensation of members of the Management Board consists of non-performance-related components, a performance-related component and a share-based component.

The non-performance-related component consists of an annual salary paid in equal monthly instalments and fringe benefits mainly involving the private use of company cars and the reimbursement of travel expenses in accordance with the company's Travel Expense Guidelines adopted by the Supervisory Board for members of the Management Board. Furthermore, the company also assumes the contributions to direct and accident insurance policies on behalf of members of the Management Board.

In the case of Dr. Dietmar Roth, there is also a vested pension commitment, which provides for a retirement pension from the age of 62 or an invalidity pension in the event of inability to work before the customary retirement age, as well as for a widow's and orphan's pension. In the case of Carsten Bovenschen, there is also a comparable pension commitment which is not yet vested. The commitment becomes vested for Mr. Bovenschen following 5 years of activity for Roth & Rau AG. The level of retirement pension is based on the most recently paid basic annual salary and currently amounts to 50% of a basic annual salary for Dr. Dietmar Roth and to 25% of a basic annual salary for Carsten Bovenschen. In the case of Mr. Bovenschen, this percentage of the basic annual salary increases by 1% for each year of activity following completion of the fifth year of service. The company's pension commitment towards Dr. Dietmar Roth, CEO, and Dr. Bernd Rau, a former member of the Management Board, was outsourced from the balance sheet as of 31.12.2008. A one-off payment of € 1.6 million was made for the outsourcing of the existing obligation resulting from past service already vested. The future service still to be vested for the pension commitment was assigned to a pension fund in return for ongoing contribution payments. Annual payments of € 179k will be due in future. The precise level will depend on profit participation, which reduces the gross amount, as well as on the future development of the salaries paid to the beneficiaries. There are no further implications for the balance sheet.

The performance-related component consists of a bonus, the payment of which is based on a specified share of the EBIT posted by Roth & Rau AG for the past financial year. In the case of the CFO, an individual target agreement component has been provided for, with the result that the bonus is attributable in equal shares to the EBIT posted and the achievement of individual targets. The bonus has been provided with a cap amounting to 150% of the fixed basic annual salary for the CEO and 100% of the fixed basic annual salary for the CFO. The bonus is paid following adoption of the annual financial statements by the Supervisory Board.

The share-based component involves a phantom stock programme (PSP) in the form of virtual share options, which was incepted in the 2008 financial year and is of a long-term incentive nature involving risk. The programme has a term of five years, although only the first year is contractually governed. In addition to the

1) This compensation report forms an integral component of the audited Group Management Report.

members of the Management Board, a select further group of management staff is also entitled to participate in the programme. Members of the Management Board were allocated a total of 17,000 virtual share options whose value is linked to the development in the share price of Roth & Rau AG and which may only be exercised after a lockup period of two years following allocation. The exercising of these options is dependent on the achievement of a specified exercise hurdle corresponding to a predetermined base price upon allocation plus 10% p.a. When exercising these options, members of the Management Board do not receive the full amount; following the deduction of personal income taxes, 50% of the amount must be used to acquire shares in Roth & Rau AG which are then kept in a lockup account for a further year. To manage and control the level of personnel expenses and the liquidity required for the programme, a maximum limit totalling € 1 million per tranche has been set for the entire programme, i.e. a corresponding maximum increase in price per share has been provided for. The virtual shares entitle their holders neither to any dividend payments, nor do they enjoy voting right entitlement. Furthermore, they cannot be traded and do not entitle their holders to any share subscription rights. The programme was incepted for the first time for 2008, meaning that no payments were made in the past financial year. Further details about the PSP can be found in the notes to the financial statements (Page 130). The following table shows the composition of the overall compensation of members of the Management Board. The previous year's figures are stated in brackets:

Total Compensation of the Management Board € 000s	**Non-Performance-Related Components**		**Performance-Related Components**	**Total**
	Annual Salary	**Fringe Benefits**	**Bonus**	
Dr. Dietmar Roth	197 (174)	2 (2)	330 (112)	529 (288)
Carsten Bovenschen (from 15.05.2007)	141 (85)	10 (4)	150 (66)	301 (155)
Total[1]	**338 (319)**	**12 (12)**	**480 (201)**	**830 (534)**

[1] The previous year's figures include the compensation of Dr. Bernd Rau, who retired from the Management Board as of 30 June 2007.

Phantom Stock Programme	**No. of Phantom Stocks**	**Allocation to Capital Reserve as of 31.12.2008 (€ 000s)**	**Volume of Provision as of 31.12.2008 (€ 000s)**
Dr. Dietmar Roth	10,000	4	1
Carsten Bovenschen	7,000	2	1
Total	**17,000**	**6**	**2**

Compensation of the Supervisory Board

The compensation of the Supervisory Board is governed by Section 12 of the Articles of Association and was most recently restructured by the AGM on 4 July 2008. Accordingly, the regular annual compensation was raised from € 8.0k to € 15.0k. In line with the respective corporate governance recommendation, the Chairman of the Supervisory Board receives two-and-a-half and his Deputy one-and-a-half times this amount. The increase in compensation is intended to account for the more intense supervisory activity required due to the further expansion of Roth & Rau AG. The new requirement applies retrospectively for the 2008 financial year. No performance-related compensation is envisaged for Supervisory Board members.

Fixed Compensation of the Supervisory Board € 000s	**2008**	**2007**
Harald Löhle, Chairman (until 31.01.2008)	5	16
Eberhard Reiche, Chairman (from 01.02.2008)	60	/
Dr. Alexander Michaelis, Deputy Chairman	38	12
Daniel Schoch	25	12
Total	**128**	**40**

Opportunity and Risk Management

The responsible management of opportunities and risks represents a core component of company management at Roth & Rau. The early identification and monitoring of potential opportunities and risks is ensured by means of systematic opportunity and risk management procedures. The Management Board informs the Supervisory Board regularly and promptly with regard to existing risks and the development in such risks and is responsible for adapting the monitoring system to changes in underlying conditions. Further information on opportunity and risk management can be found in the Opportunity and Risk Report (Page 81 et seqq.).

Share transactions and share ownership of board members

Section 15a of the German Securities Trading Act (WpHG) requires management staff and individuals closely related to such to disclose transactions involving shares in Roth & Rau AG when such transactions exceed a total amount of € 5,000 per calendar year. Roth & Rau publishes these disclosures on its homepage under Investor Relations/Corporate Governance/Directors' Dealings. No notifications of any such transactions were received in the 2008 financial year.

The CEO, Dr. Dietmar Roth, owned 5.76% of the shares in Roth & Rau AG as of 31 December 2008. Other than this, no member of the Management or Supervisory Boards owns any shares in Roth & Rau.

Transparency

Roth & Rau's understanding of transparent communications also involves treating all target groups equally. All relevant information is published simultaneously in German and English and made available on the company's homepage at www.roth-rau.de. As well as all press releases and ad-hoc announcements, this also includes all financial reports and company presentations. The financial calendar provides information on the publication date for regular publications and on forthcoming sector or capital market events.

Accounting and auditing

Roth & Rau prepares its consolidated financial statements and interim reports in accordance with International Financial Reporting Standards (IFRS). The separate financial statements are prepared in line with the requirements of the German Commercial Code (HGB). Half-year and quarterly financial reports are discussed by the Supervisory Board with the Management Board prior to publication.

The Annual General Meeting elected PriceWaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as auditors for the 2008 financial year. PriceWaterhouseCoopers submitted a Declaration of Autonomy prior to the circulation of the election proposal. It was agreed with the auditor that the Supervisory Board Chairman should be informed immediately of any reasons for prejudice or exclusion where such cannot be remedied without delay. Moreover, the auditor also provides immediate report on all findings and occurrences of relevance to the duties of the Supervisory Board. The auditor also informs the Supervisory Board in the event of the discovery of any facts revealing inaccuracies in the Declaration of Conformity submitted by the Management and Supervisory Boards pursuant to Section 161 of the German Stock Corporation Act (AktG).

Declaration of Conformity

The Management and Supervisory Boards submitted the following Declaration of Conformity and made it permanently available to shareholders on the company's homepage:

With this Declaration of Conformity, the Management and Supervisory Boards of Roth & Rau AG hereby submit the declaration required by Section 161 of the German Stock Corporation Act (AktG) for the first time following the listing of Roth & Rau's share in the Regulated Market of the Frankfurt Stock Exchange on 5 June 2008. This Declaration is based on the German Corporate Governance Code in the version dated 6 June 2008, whose recommendations have been and continue to be complied with the exception of those set out below.

- In Point 3.8, the German Corporate Governance Code recommends that a suitable deductible should be agreed when the company concludes a D&O insurance policy for the Management and Supervisory Boards. The D&O insurance policy concluded by Roth & Rau AG for the Management and Supervisory Boards does not provide for any deductible as the Management and Supervisory Boards do not believe that this represents either a necessary or a suitable instrument for influencing the behaviour of board members.

- In Point 5.1.2, the German Corporate Governance Code recommends setting an age limit for members of the Management Board. Roth & Rau AG believes that the setting of an age limit for members of the Management Board would limit the Supervisory Board in its selection of suitable members for the Management Board.

- Point 5.3 recommends that the Supervisory Board should form committees. The Supervisory Board of Roth & Rau AG consists of three members. In view of this circumstance, the company does not believe that forming committees would enhance the efficiency of the Supervisory Board's activities.

- According to the recommendations in Point 5.4.6 of the German Corporate Governance Code, members of the Supervisory Board should receive performance-related compensation alongside their fixed compensation. The Articles of Association of Roth & Rau AG only provide for fixed compensation of Supervisory Board members. This is intended to do justice to the independence required by the Supervisory Board to perform its supervisory function. The performance of this function should not be linked to any financial incentives.

Hohenstein-Ernstthal, March 2009

For the Management Board	For the Supervisory Board
Dr. Dietmar Roth	Eberhard Reiche

Roth & Rau's Share

Key Data for Roth & Rau's Share

ISIN	DE000A0JCZ51
WKN	A0JCZ5
Market segment	Regulated Market (Prime Standard)
Market ticker	R8R
Reuters Instrument Code	R8RG.DE
Stock exchanges	Xetra, Frankfurt, Berlin, Düsseldorf, Hamburg, Munich, Stuttgart
Indices	TecDAX, ÖkoDAX
Designated sponsors	Commerzbank AG, Landesbank Baden-Württemberg

Key Figures for Roth & Rau's Share

	2008	2007
Share capital in €	13,800,000.00	2,530,000.00
No. of shares	13,800,000	2,530,000
Annual high in €	60.63	64.28
Annual low in €	11.50	9.30
Year-end closing price in €	14.90	64.28
Average daily trading volume (no. of shares)	124,139	22,633
Average daily trading volume (in € million)	6.0	3.3
Market capitalisation as of 31.12. in € million	205.6	650.5
Earnings per share in €[1]	1.82	1.22

All share prices refer to XETRA closing prices.
[1] Including the capital increase from company funds (8 July 2008) accompanied by the issue of bonus shares. The previous year's figure has been adjusted accordingly.

Share price performance

Share prices dropped substantially on stock markets around the world in 2008. Triggered by the US real estate crisis, the situation even led to the first banks collapsing in the USA in the second half of the year. Given the global integration of financial markets, the crisis ultimately also reached the European banking sector. Governments met to hold cross-border crisis summits and introduced extensive liquidity and guarantee programmes to stabilise their financial and economic systems.

The implications of the financial crisis spilled over onto the real economy as well in the second half of the year, with all major economic regions witnessing a drastic slowdown in economic activity. Although governments have announced extensive economic recovery programmes, research institutes nevertheless expect to see a further slowdown in global economic growth in 2009 as well.

The difficult global economic framework also created great insecurity and a loss of confidence among participants on the stock markets, thus leading to high volatility and substantial downturns in share prices. The DAX lost 40.4% of its value compared with the previous year, ending the year at 4,810.20 points. The TecDAX, in which Roth & Rau's share has been listed since 5 June 2008, even fell by 47.8%.

Publicly listed solar companies, still among the fastest-growing stocks in 2007, suffered even sharper declines in their share prices. In spite of the company's successful operating performance, Roth & Rau's share was also unable to escape the effects of these negative conditions. The share reached its annual high at € 60.63 on 3 January. Emerging fears of recession and the capital increase executed in April had a sobering effect on the share price as the first half progressed. Following a period of slight recovery in early June, assisted in particular by positive quarterly figures and the unscheduled acceptance of Roth & Rau's share into the TecDAX index, profit taking and the dramatic deterioration in the capital market climate led the share price to decline further in the second half of the year. All in all, Roth & Rau's share hit its annual low at € 11.50 on 12 December and closed the year at € 14.90 on 30 December. The 76.8% reduction in the share price meant that investors had to sacrifice a large share of the substantial share price gains seen in the previous year.

Performance Comparison of Roth & Rau's Share and the TecDAX Index in 2008
Index (100 = closing price on 28.12.2007)

Successful capital increase with subscription rights

To finance the company's further growth, on 31 March 2008 the Management Board resolved with the approval of the Supervisory Board to execute a capital increase with subscription rights. Due to the issuing of 920,000 new shares, the share capital increased from € 2,530,000.00 to € 3,450,000.00. The new shares were offered for subscription by shareholders in the period from 3 to 16 April 2008 at a price of € 110.00 per share. The offering met with great interest both from existing shareholders and from new investors. Especially given the deterioration already apparent in the capital market climate, this was taken as a sign of trust in the company's strategy. The transaction generated gross issue proceeds of € 101.3 million.

Acceptance into TecDAX and capital increase from company funds

Upon the initial listing of the new shares from the capital increase on 18 April 2008, Roth & Rau simultaneously moved from the Open Market (Entry Standard) to the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange. This compliance with the highest level of transparency standards formed the precondition for the company's acceptance into the TecDAX index, which then occurred in the context of an unscheduled adjustment with effect from 5 June 2008. Acceptance into this index means that Roth & Rau has increasingly entered the field of vision of international investors. Awareness of Roth & Rau AG in the general business community has also noticeably improved. The share maintained its position in the index through to the end of the year. According to statistics compiled by the German Stock Exchange, Roth & Rau's share was ranked 19th in terms of market capitalisation in the index, which includes 30 companies in total. Average trading volumes on all German marketplaces virtually doubled from € 3.3 million to € 6.0 million.

To increase the liquidity and attractiveness of Roth & Rau's share even further, the AGM held on 4 July 2008 decided to increase the share capital from company funds by € 10,350,000.00 from € 3,450,000.00 to € 13,800,000.00. In line with this quadrupling of the share capital, shareholders received three bonus shares for each share already held. As the share price reduced correspondingly, the overall value of Roth & Rau's shares in investors' deposit accounts remained unchanged.

Investor relations

During the 2008 financial year, Roth & Rau AG consistently built up its transparent and extensive communications with capital market players. One of the main focuses of the company's investor relations activities involved extending its contacts to institutional investors and analysts. The year began with the first Investors Day at the headquarters of Roth & Rau AG in Hohenstein-Ernstthal in January 2008. Around 50 analysts and investors took the opportunity of visiting the new production halls and informing themselves on location about the Group's business model and situation. Roth & Rau AG held a two-week roadshow together with the consortium banks Commerzbank and Credit Suisse on the occasion of the capital increase with subscription rights in the first half. Throughout the roadshow, the Management Board outlined the company's development and strategy to numerous investors in the European financial centres of London, Paris, Zurich and Frankfurt. In addition, a further 20 roadshows and 14 capital market conferences took place both in Europe and in the USA. Moreover, the Management Board was also available to answer questions from institutional investors and analysts in telephone conferences held upon publication of the quarterly figures. The offer of individual talks with the management also met with a lively reception. DWS, Deka, Swisscanto, Fidelity and Sarasin are among the numerous well-known institutional investors with which the Group regularly shared information on a one-to-one basis.

For its communications with private investors, Roth & Rau mainly draws on the AGM and the Investor Relations section of the company's homepage. Extensive information about the share and the Group's strategy and financial results is available at www.roth-rau.de. In the past year as well, press releases and ad-hoc announcements informed capital market participants without delay of all important developments, such as major orders, quarterly results and acquisitions. These releases and up-to-date presentations and reports are also available for viewing and downloading on the internet. The financial calendar provides detailed information about important dates during the financial year, such as reporting dates, the AGM and upcoming capital market conferences.

Analysts' recommendations

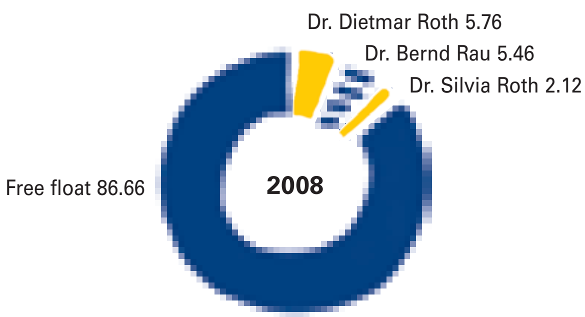
Various banks monitor and analyse the company on a regular basis. Following Roth & Rau's promotion into the TecDAX index, the number of analysts covering the company's share rose to 14. The latest recommendations are: "outperform" (Credit Suisse, 20 January 2009), "buy" (Goldman Sachs, 20 January 2009), "buy" (Bankhaus Lampe, 25 February 2009), "underperform" (Cheuvreux, 25 February 2009), "buy" (DZ-Bank, 25 February 2009), "buy" (Equinet, 25 Februar 2009), "neutral" (HSBC, 25 February 2009), "add" (Commerzbank, 25 February 2009) and "buy" (Sal. Oppenheim, 25 February 2009).

Shareholders and Annual General Meeting

The shareholder structure of Roth & Rau AG has changed slightly since the previous year. The free float rose from 82.61% to 86.66% in the course of the capital increase with subscription rights. The remaining 13.34% is owned by the company founders. The capital increase from company funds, by contrast, had no impact on the shareholder structure.

Around 100 shareholders representing 37.9% of the share capital attended the AGM in Hohenstein-Ernstthal on 4 July 2008. Following extensive comments by the Management Board concerning the situation of the Group, shareholders elected Eberhard Reiche to the Supervisory Board with a large majority. The execution of the capital increase from company funds also met with widespread approval by the AGM. However, the three-quarter majority required to create authorised capital and to issue bonds was narrowly missed. The agenda, voting results and presentation by the Management Board are available on the company's homepage. The next AGM will take place in Hohenstein-Ernstthal on 18 May 2009.

Shareholder Structure as of 31 December (in %)



Group Management Report

Company

Group Structure and Business Activities

Roth & Rau AG is one of the world's leading providers of technologies and production equipment to the photovoltaics industry. In addition, the company provides components and process systems based on plasma and ion beam technology to other industrial sectors.

Legal structure
The 2008 financial year witnessed substantial changes in the company's legal structure due to the founding of new companies and acquisitions. Roth & Rau AG, Hohenstein-Ernstthal, is the controlling company of the Roth & Rau Group, which included eleven subsidiaries as of 31 December 2008. Specifically, there were the following changes in the legal structure:

- The US subsidiaries Solar Holding Inc. and Roth & Rau USA Inc. were founded to expand and strengthen the international service and sales structure, as was Roth & Rau Singapore Pte. Ltd. Moreover, the representative office in Shanghai was converted into a wholly-owned subsidiary. The subsidiary Roth & Rau Korea Co. Ltd. was founded in December 2008 and commenced business activities at the beginning of January 2009. The Indian subsidiary is still in the process of being established.

- Roth & Rau Switzerland AG was founded in the context of a research project with the University of Neuchâtel in Switzerland. As a cooperation partner for the Institute of Technology there, this company performs research and development in the field of novel, high-efficiency solar cell concepts intended for implementation in enhanced production equipment and turnkey production lines in the medium term.

- The Group's activities in the thin film business field were pooled at Roth & Rau Dünnschicht Solar GmbH, a subsidiary founded in February 2008. This step enables Roth & Rau to account for the increasing strategic significance of thin film technology and provides a foundation for further growth in this field.

- Also in February 2008, Roth & Rau AG cooperated with USK Karl Utz Sondermaschinen GmbH to establish SLS Solar Line Saxony GmbH (SLS), a subsidiary intended to develop and manufacture automation solutions for solar cell production. Roth & Rau AG holds a 51% stake in SLS, which is included in the Group by way of full consolidation.

- Roth & Rau AG took over 100% of the shares in AIS Automation Dresden GmbH as of 1 July 2008. By integrating this established provider of system and software solutions in the field of automation and information technology, Roth & Rau secured access to key software components for its systems and turnkey production lines.

- With the takeover of Muegge-electronic GmbH in December 2008, Roth & Rau integrated one of the most important suppliers of microwave systems technology, a core component of SiNA antireflective coating systems.

- Also in December 2008, Roth & Rau AG took over 100% of the shares in Ion-Tech GmbH, which operated in the field of component production for the plasma and ion beam technology segment, and thus secured a source of important technological expertise.

Furthermore, in the fourth quarter of 2008 the company also decided on the takeover of TECNOFIMES S.R.L. as of 1 January 2009. This will enable Roth & Rau to extend its product portfolio in the fields of diffusion and firing. With its takeover of CTF Solar GmbH as of 23 February 2009, Roth & Rau laid the foundation for entering the market for thin film technology on a cadmium telluride basis. Coating systems and turnkey production lines are to be offered in this area in future. Further information can be found in the chapter "Events After the Reporting Date" (Page 80).

Bound by codes of procedure, the group companies are largely autonomous in their operations within the framework of the strategic alignment devised by the Management Board of Roth & Rau AG in liaison with the Supervisory Board. As the parent company, Roth & Rau AG currently already performs central holding functions in areas such as treasury, controlling and risk management, as well as quality management and IT. In the medium term, the Group also plans to pool its competencies in the fields of sales, procurement, marketing and customer service in order to exploit synergies and enhance the competitiveness of group companies.

International service and sales network

At the end of 2008, Roth & Rau maintained four international sales and service locations. The ongoing expansion of the sales and service structure represents a key component of the Group's growth strategy. Regional proximity to customers allows the company to offer a flexible and extensive range of services which on the one hand improve customer retention and on the other contribute to rising sales in the maintenance and replacement parts business. To this end, 2008 witnessed the opening of Roth & Rau USA Inc., the conversion of the representative office in Shanghai into a wholly-owned subsidiary and the establishment of subsidiaries in Singapore and Korea. Roth & Rau India Pvt. Ltd. is still in the process of being established. Sales in Germany and China are handled by proprietary sales staff, as well as via an agency. In other foreign countries, Roth & Rau's products are marketed by longstanding international sales partners.

Roth & Rau AG
Hohenstein-Ernstthal, Germany

Germany

- SLS Solar Line Saxony GmbH, Limbach-Oberfrohna, Germany, 51 %
- Roth & Rau Dünnschicht Solar GmbH, Hohenstein-Ernstthal, Germany, 100 %
- AIS Automation Dresden GmbH, Dresden, Germany, 100 %
- Muegge-electronic GmbH, Reichelsheim, Germany, 100 %
- Ion-Tech GmbH, Hohenstein-Ernstthal, Germany, 100 %
- CTF Solar GmbH, Kelkheim, Germany, 100 %

Europe

- Roth & Rau Switzerland AG, Neuchâtel, Switzerland, 100 %
- TECNOFIMES S.R.L., Monza, Italy, 100 %

Asia

- Roth & Rau Shanghai Trading Co., Ltd., Shanghai, China, 100 %
- Roth & Rau Singapore Pte Ltd., Singapur, Republic of Singapore, 100 %
- Roth & Rau Korea Co., Ltd., Seoul, Republic of Korea, 100 %
- Roth & Rau India Pvt. Ltd., India, 100 %

USA

- Solar Holding Inc., City of Wilmington, Delaware/USA, 100 %
- Roth & Rau USA Inc., San José, California/USA, 100 %

■ Group Company at 31.12.2008
■ Group Company from 2009

Business divisions and value creation
Business activities are mainly subdivided into the two segments of photovoltaics and plasma and ion beam technology. All activities outside the photovoltaics and plasma and ion beam technology segments will be allocated in future to the new "Other" segment. Examples of these activities include automation services for the automotive industry, environmental technology, microsystems technology and shunting technology system solutions.

The photovoltaics segment includes the group-wide range of products, technologies and services offered to the photovoltaics industry. On the one hand, the product and technology portfolio comprises equipment and technologies for the manufacture of crystalline silicon solar cells. The SiNA series antireflective coating systems constitute the main product in this area. SiNA systems enable solar cells to be coated with a layer of silicon nitride which reduces the share of light reflected by the surface and leads to a passivation of contaminations and defects in the silicon wafer. This helps to increase the efficiency of the solar cells. SiNA systems are currently offered with a variety of production capacities ranging from five to 100 MWp.

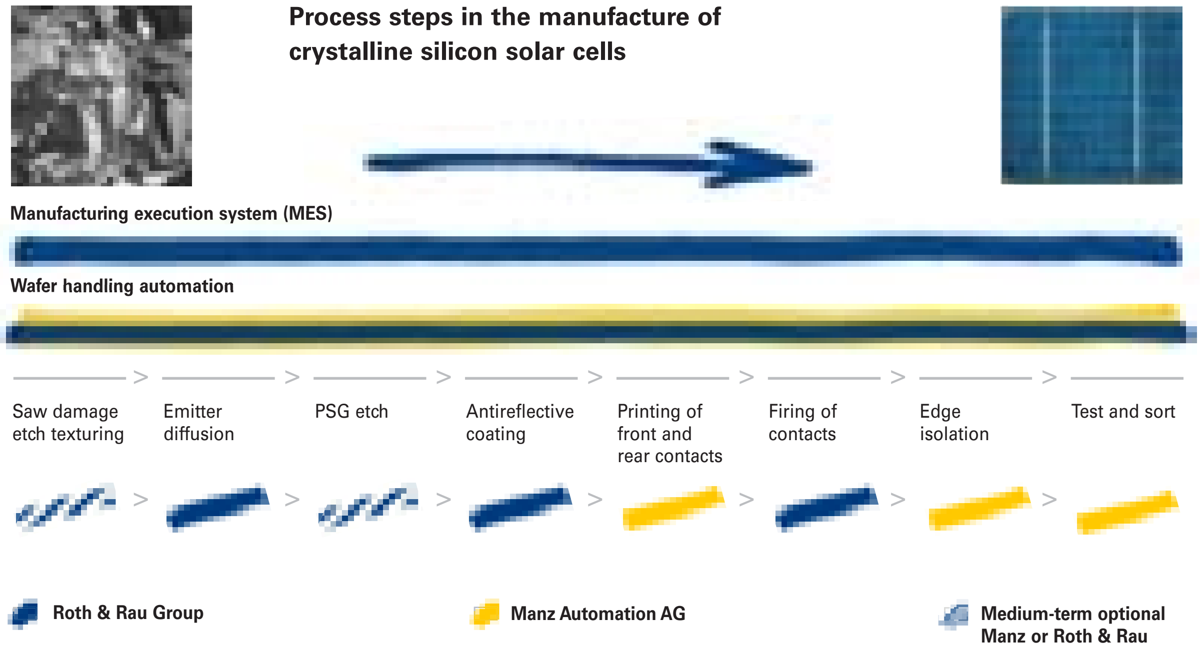
The MAiA system, an enhancement of the SiNA system, was launched onto the market in the 2007 financial year already. This modified system series is mainly characterised by its flexibility in terms of construction and areas of application. Working with a modular system, new plasma technologies, such as two-sided solar cell coating or the use of new coating materials, can be implemented separately or in combination. The first major order to supply eight MAiA systems and worth € 29.0 million in total was acquired at the end of 2008.

The acquisitions made and subsidiaries founded in the 2008 financial year have enabled Roth & Rau to considerably extend its product portfolio. These have been supplemented by the machine control software solutions and complete production lines (MES systems) offered by AIS Automation Dresden GmbH. Via its majority shareholding in Solar Line Saxony GmbH, Roth & Rau also offers components for use in the automation of wafer handling, especially in turnkey production lines. The acquisition of TECNOFIMES S.R.L. has allowed Roth & Rau to secure technological expertise in the production of process systems for in-line diffusion and firing, two further major process steps in the manufacture of crystalline silicon solar cells. These products and services will be marketed both separately and also offered in combination with the company's turnkey production lines (please see presentation of the product portfolio of the Roth & Rau Group on Page 2).

A second major pillar of the Group's activities is the range of fully automated turnkey production lines for the industrial production of crystalline silicon solar cells. The services on offer in this area include project management, ranging from planning and design, via the installation, operations launch and optimisation of the systems, through to the ramping up of the line to the agreed nominal capacity and target quality of the solar cells.

One of the Group's most important strategic aims is to significantly increase the share of proprietary products in its turnkey production lines. Including the products at its subsidiaries, Roth & Rau will in future be able to cover around 65% of its value creation with its own products and services, as against around 45% previously. A cooperation agreed with Manz Automation AG in January 2009 should further increase this share of value creation. Together, the partners in the cooperation intend to offer all of the products and services in the turnkey production line in the medium term.

As its third field of activity, Roth & Rau offers thin film solar module production systems. In this area, the company is currently focusing on systems for the application of TCO coating (transparent conductive coats), which serve to dissipate the electrical current generated in the solar module. These TCO systems are manufactured in cooperation with Oerlikon Solar AG (previously OC Oerlikon Balzers AG). In this, Roth & Rau provides SiNA series system platforms, on which the process technology developed by Oerlikon is then installed.



All in all, the photovoltaics segment contributed 94.2% of consolidated sales in 2008 (2007: 94.0%).

The plasma and ion beam technology segment is traditionally the Group's technological "germ cell". In the 2008 financial year, this segment achieved sales growth of 59.1% and contributed a total of 5.2% to consolidated sales (2007: 6.0%). Working with plasma and ion beam technology, this segment develops and markets systems and process systems for thin film and surface coating processes. The segment's international customer base includes companies operating in a wide variety of sectors, such as microelectronics, nanotechnology, optics and medical technology. The customer base also includes photovoltaics companies, especially their research and development departments, as well as universities and research institutes. In contrast to the photovoltaics segment, this segment focuses less on systems and production lines for industrial mass production than on customised system solutions and processes.

The IonScan 800 and IonScan 1200 ion beam etching systems represent a major product offering unique features. By scanning a focused ion beam, these enable extremely homogenous layers or smooth surfaces to be generated on wafers or optics components. This process is of particular importance in the manufacture of passive high-frequency filters for wireless communications in the mobile communications and automotive industries. New applications are being accessed in the manufacture of writing and reading heads for hard drives and the manufacture of high-precision optics components. Alongside Tokyo Electron, Roth & Rau is the only company in the world to offer this technology.

With its AK plasma processing system series, Roth & Rau offers the possibility of testing the coating and dry etching of solar cells on a laboratory scale. The system's compatibility with plasma sources used in industry means that the processes developed in laboratories can easily be scaled up to industrial dimensions. Moreover, this system enables additional applications to be accessed outside the field of photovoltaics, such as coating processes in the manufacture of OLEDs (organic light emitting diodes).

Further information on the business performance of the segments in the 2008 financial year can be found in the Segment Report (Page 72 et seqq.).

Main sales markets and competitive position

Roth & Rau has a diversified international customer base. Exports accounted for around 86.5% of sales in the 2008 financial year (2007: 59.0%). Alongside Germany, the most important sales markets are chiefly Asian countries such as China, Taiwan, South Korea and India. The share of sales involving exports to Asia alone amounted to 49.4% in 2008 (2007: 38.4%). A further focus involves Southern European countries, such as Spain and Greece. The USA will gain in importance as a sales market in the coming years. The election of the new US president, Barack Obama, has already impacted positively on the solar market and should provide further growth momentum in future.

The customers of the photovoltaics segment include leading solar cell manufacturers, such as the REC Group (REC Solar), Q-Cells SE, Schott Solar AG, SolarWorld AG, BP Solar, Isofoton, Baoding Tianwei Yingli New Energy Resources Co, Ltd., Canadian Solar Inc., Suntech Power Holdings Co, Ltd., Trina Solar Ltd., Conergy SolarModule GmbH & Co. KG, Delsolar Co, Ltd., JA Solar Holdings Co. Ltd. and Hyundai Heavy Industries Co. Ltd. The customers of the plasma and ion beam technology segment include Infineon Technologies AG, OSRAM Opto Semiconductors GmbH, TriQuint Semiconductor Inc., JENOPTIK Laser, Optik, Systeme GmbH, Thales Alenia Space S.p.A., Carl Zeiss SMT AG, Philips (MiPlaza) and all leading global manufacturers of acousto-electric filters (SAW, BAW).

The market climate for antireflective coating systems showed stable developments in the past financial year. Within this climate, Roth & Rau AG was able to reinforce its leading global position in the market. In 2008, Roth & Rau's market share in this field amounted to around 40%. The company's most important competitors are still centrotherm photovoltaics AG and the Shimadzu Corporation in Japan. In the medium to longer term, Roth & Rau expects new competitors to enter the market, especially in Asia, where the Chinese government in particular is actively promoting the development of domestic suppliers.

In the business with turnkey production lines, Roth & Rau was able to further expand its market position in 2008. By offering technologically leading products, the company succeeded in gaining market share, especially in India and the USA, and thus increased its head start over several major direct competitors. Based on its own assessment, Roth & Rau occupies second position in an international comparison of this business field.

There has been no change in the competitive position of the plasma and ion beam technology segment compared with the previous year.

Strategy and Corporate Management

Strategy

The Roth & Rau Group has a long-term growth strategy. Its main objectives are to expand its position in the market as a leading provider of production equipment and technologies for the photovoltaics industry and to further increase its sales and earnings.

Research & development

One of the most important pillars of Roth & Rau's strategy is to boost its research and development activities. Only by continuously enhancing its product portfolio and developing new technologies will it be possible for the company to expand its strong position in the market and exploit new growth potential. Activities in 2009 will mainly focus on developing solar cell concepts and production technologies leading to a significant reduction in the costs of manufacturing crystalline silicon solar cells or to an increase in the efficiency of the solar cells. One major milestone in this respect is the new generation of SiNA systems, which facilitate considerable cost savings due to their lower consumption of energy and gases and which also require less space. Further information can be found in the chapter "Research and Development" (Page 52 et seqq.).

Increasing profitability

The Group's further growth is intrinsically linked to its objective of further improving operating profit margins. To achieve this, a wide variety of measures are being implemented at the company. On the one hand, internal processes and production processes are subject to continuous review and optimisation. Potential to cut costs is available, particularly in terms of cost of materials, and this is to be tapped by a more conscious use of resources and by implementing procurement optimisation measures. The products are also being reviewed. The increasing standardisation of systems due to the modular design of the new SiNA generation is expected to impact positively on profitability.

The strategy in the turnkey production line division continues to focus on increasing the share of the value chain covered by the Group. By the end of 2009, the acquisitions made in 2008 will already have increased the share of constituent products attributable to Roth & Rau from around 45% to around 65%. In January 2009, Roth & Rau agreed on a cooperation with Manz Automa-tion AG which will allow the two companies to cover the entire value chain in the medium term. In 2009, the Group intends to launch the missing components onto the market, while also pressing ahead with enhancing the relevant technology involved (please see the diagram on Page 47).

Internationalisation and expansion of global maintenance and replacement parts business

Roth & Rau already serves an international customer base. As part of its long-term growth strategy, the Group intends to expand its existing customer base and access new sales markets. With this in mind, various subsidiaries were already founded in other countries in 2008. In coming years, these are to be extended, with further subsidiaries being established on a selective basis. The international locations will focus in particular on establishing and expanding the highly profitable maintenance and replacement parts business.

Expansion of technology and product portfolio

By expanding its technology and product portfolio, Roth & Rau aims to broaden its range of activities in the coming years so as to lessen its dependence on individual technologies and to tap further growth markets. In 2009, the Group will therefore focus on integrating and marketing the products of its AIS and TECNOFIMES subsidiaries and expanding its range of thin film solar technology products. Here too, it is planned to obtain the necessary expertise and key technologies by making targeted acquisitions.

Corporate Management

Value-based management

Corporate management and control at Roth & Rau accords top priority to sustainably increasing the company's value. The central budgeting ad control system is based on various value-based key figures. The most important key figures in the 2008 financial year included sales, earnings before interest and taxes (EBIT) in conjunction with the EBIT margin and cash flow from operations. Given the rise in scheduled depreciation and amortisation due to further acquisitions and the stepping up of research and development activities in the coming years, increasing reference will also be made to earnings before interest, taxes, depreciation and amortisation (EBITDA) in conjunction with the EBITDA margin as a key management figure in future. In this respect, the EBITDA figures permit enhanced comparability with previous years' figures.

New orders and orders on hand provide important indications of the future development in consolidated sales. In the interests of optimal resource planning, the latest new orders figures, also broken down by segment, are reported to the Management Board on a monthly basis. The expected volume of consolidated sales can be derived from the volume of orders on hand. Given the long terms involved in the project business, orders on hand includes customer orders generally received twelve to nine months prior to the launch of operations with the systems at Roth & Rau's customers. To provide shareholders and the capital market with an early indication of its expected sales performance, Roth & Rau also reports on its latest order position between quarterly financial report publication dates. This also underlines the fact that value-based management as practised by Roth & Rau is inextricably linked with an open, transparent and prompt communications policy.

Internal corporate management is based on detailed budgeting compiled on the basis of the aforementioned key figures, as well as on extensive controlling activities broken down by segment and project. Monthly reports provide a comparison of budget and actual figures for the various key figures. The results are presented to the Director of Group Controlling and the Management Board. Should negative variances arise to the respective targets, then detailed analyses are undertaken and corresponding countermeasures introduced.

Management Board compensation

The basis for determining the compensation of the Management and Supervisory Boards and the level and structure of such compensation is presented in detail in the Compensation Report in the Corporate Governance Report (Page 34 et seq.). This Compensation Report represents an integral component of the audited Group Management Report.

Research and Development

Research and development competence, innovative strength and the courage to think in new directions have a long tradition at Roth & Rau. Given the increasing complexity of products and the rapidly changing market environment, the key significance of research and development in securing the company's long-term success is growing. Research and development activities therefore aim on the one hand to increase the added value of existing products and services for customers. On the other hand, they are also intended to access new fields of application and industrial sectors offering long-term growth potential with new products.

Investments reinforce infrastructure and expertise

Boosting research and development represented a key pillar of the company's strategy in 2008. This involved implementing specific measures aimed at improving the infrastructure and expanding personnel capacities. All in all, the investments made in this area rose by 91.6% to € 4,884k (2007: € 2,548k). These investments were subsidised by grants of € 1,592k (2007: € 829k). As a percentage of shares, these investments thus amounted to 1.8% (2007: 1.7%).

A new Technology Centre was also built in 2008 as part of the extensions made to the photovoltaics location in Hohenstein-Ernstthal. The new building provides 1,500 m^2 of laboratory space and space for 40 employees. The whole research and development department has been based here since January 2009. A total of € 1,703k was invested in this construction stage. Roth & Rau has thus substantially improved its infrastructure and created optimal conditions for further expanding its research and development activities.

The highly qualified research and development team was expanded by 15 employees in 2008. At the end of the year, Roth & Rau had a total of 33 employees working in this area (2007: 18). The overwhelming majority are engineers and scientists, who contribute their extensive expertise and experience in a wide variety of fields, such as plasma technology, physics, photovoltaics and mechanical engineering, to the company's development. The appointment of a new Director of Research and Development and various other personnel changes are intended to further strengthen the links between process development and technology transfer to customers, especially in the turnkey business.

As well as expanding its proprietary research and development competence, in the past financial year Roth & Rau also made targeted investments in acquiring technological expertise. In particular, by acquiring Muegge-electronic GmbH and Ion-Tech GmbH, the Group has secured access to key technologies. However, the takeover of TECNOFIMES S.R.L. is also particularly significant for the Group's product development. TECNOFIMES will contribute to the Group its expertise in developing novel in-line diffusion ovens, which are to be produced at Roth & Rau and launched onto the market from the second half of 2009.

Cooperation agreements secure access to key technologies

Roth & Rau has cooperated closely with partners in the world of science for many years now. These include the Energy Research Centre of the Netherlands (ECN), the Fraunhofer Institute for Solar Energy Systems (ISE) and the Fraunhofer Institute for Material and Beam Technology (IWS). As well as intensifying its existing partnerships, in 2008 the Group also agreed cooperations with further renowned institutes.

A contract governing the development of systems and technologies for use in the manufacture of high-efficiency crystalline silicon solar cells was signed with the Institute of Microtechnology (IMT) of the University of Neuchâtel in Switzerland. This project has a term of three years, during which Roth & Rau intends to invest around € 14.0 million in total. Roth & Rau Switzerland AG acts as research partner to the Institute.

The development of high-efficiency solar cells also forms the content of a memorandum of understanding which Roth & Rau signed with the Solar Research Institute of the University of New South Wales (UNSW) in Australia in December 2008. Within this cooperation, the partners should initially transfer an enhanced solar cell technology enabling customers to produce solar cells with 0.5% to 1% greater efficiency into production. This technology can also be fitted at short notice into existing cell production lines and enables the degree of efficiency to be gradually increased to well over 20%.

Photovoltaics: cutting costs and increasing degree of efficiency

The various projects in the photovoltaics segment, on which research and development activities focused in the 2008 financial year, mainly investigated possibilities of reducing production costs in the manufacture of crystalline silicon solar cells, increasing the efficiency of the cells and developing novel cell technologies.

The existing SiNA (antireflective coating) and MAiA (further plasma technologies) product lines were subject to further development. The prototype for the new SiNA generation was completed in the fourth quarter of 2008 and put into operation for extensive trials at the new Technology Centre at the beginning of 2009. The further development of the SiNA system involved all major components being reviewed and optimised, particularly in terms of their operating costs and space requirements. In future, the systems will consist of two different standardised modules, thus enabling individual customer requirements in terms of throughput and the integration of additional process steps to be accounted for even more closely. This leads to cost savings at Roth & Rau, especially in the fields of engineering, assembly and shipment. Not only that, modular construction allows the systems to be combined with MAiA applications, such as the double-sided coating of solar cells or the use of new coating materials. Moreover, it also permits parts of the finishing work to be relocated and performed in customers' vicinities. This in turn on the one hand enables delivery times and transport expenses to be reduced. On the other hand, it also enhances customer retention, as the performance of finishing work on location means that greater account can be taken of regional circumstances and customers' specific needs. The market launch of the new SiNA generation is scheduled for the third quarter of 2009.

Furthermore, the research and development team also worked on developing new plasma processes and forward-looking solar cell technologies. One focus in this respect was the development of production facilities for the high-efficiency solar cells developed in Neuchâtel. The prototypes were completed in the second half of 2008 and put into operation in Neuchâtel in the first quarter of 2009.

Developments in the field of thin film technology on the one hand concentrated on processes for use in the manufacture of solar cells on flexible substrates, such as metal foil, investigated in cooperation with various customers (CIS thin film technology). A further focus involved developing coating systems and turnkey production lines for the manufacture of thin film solar modules on a cadmium telluride basis (CdTe solar modules). Roth & Rau AG secured extensive expertise in this field with its takeover of CTF Solar GmbH, Kelkheim, in February 2009.

An additional new product line which Roth & Rau will be offering from 2009 involves vacuum furnaces for the production of silicon ingots from which the wafers used in the manufacture of solar cells are produced. These vacuum furnaces were developed by KR Solar GmbH, Kleinostheim, Germany, with which Roth & Rau has concluded an exclusive licence agreement. These furnaces are able to produce ingots both from ultra pure silicon, as previously, as well as from the less expensive metallurgical silicon due to be used more widely in photovoltaics in future. The final design was completed in the fourth quarter of 2008. The prototype is currently under construction and will be available for customers for trials from the end of the first half of 2009. Roth & Rau is thus now also in the position to offer products for a further value creation stage in the production of solar modules.

Plasma and ion beam technology: accessing new sectors

Research in the plasma and ion beam technology segment focused on enhancing existing products and developing new products to access further sales sectors. Substantial progress was made in this respect with the application of IonScan systems technology. It was thus possible to qualify this technology for the manufacture of surface acoustic wave (SAW) filters, a step which required adaptation to piezo-electrical wafer materials in particular. Systems have been supplied to leading manufacturers of SAW filters in the current financial year already. A process has been developed for improving existing polishing technologies used in the manufacture of hard drive writing and reading heads and the relevant technical acceptance trials have been successfully completed with US manufacturers.

We see the deployment of plasma and ion beam technology in applications in the optics industry as representing a major growth segment. Processes are being developed in this field for use in the large-scale structuring and coating of optics components. A globally unique system is currently being manufactured for the coating of mirror optics for EUV lithography systems.

Employees

Substantial growth in workforce due to further expansion

The company's rapid growth is also reflected in the increase in its workforce. The Group had a total of 606 employees as of 31 December 2008, equivalent to an increase of 156.8% on the previous year (2007: 236). Since 2004, we have thus virtually increased our personnel capacity by a factor of ten.

Multiyear Overview of Employee Totals at the reporting date

The growth in personnel affected all divisions of the company, with one focus involving the strengthening of the Corporate Office, especially in the finance and controlling departments, due to the expansion of the Group. The integration of AIS Automation Dresden GmbH resulted in 112 employees being taken over who, together with other new employees, led to a total of 370 new employees at the Group. In addition to its permanent employees, Roth & Rau also employed an average of 200 temporary employees in 2008, thus allowing production to be adjusted flexibly and at short notice to fluctuations in demand.

As a result of the expansion of the international sales and service network, the number of individuals employed abroad also rose to 30 in 2008. At the end of the year, Roth & Rau had 18 employees in China, five employees at the newly founded subsidiary in Switzerland and one employee in the USA. AIS Automation Dresden GmbH also has an outlet in Taiwan, at which six individuals were employed as of 31 December 2008.

Particularly given constantly rising customer requirements in terms of innovative and technologically leading products, well-trained and highly qualified employees are crucially important for the ongoing success of the Roth & Rau Group. Employee qualification levels therefore represent a major non-financial performance indicator.

Employees by Function	2008	2007	Change
Production	269	81	232.1 %
Research and development	33	18	83.3 %
Technology/sales	211	93	126.9 %
Administration (excl. Management Board)	75	30	150.0 %
Kindergarten	2	1	100.0 %
	590	**223**	**164.6 %**
Trainees	16	13	23.1 %
Total (as of 31 December)	**606**	**236**	**156.8 %**

Increased investment in training and development

Roth & Rau maintains close relationships with universities and research institutes in the region in order to cover its growing need for specialist and management staff. In cooperation with the West Saxony College (Westsächsische Hochschule) in Zwickau, since 2008 the company has offered the microsystems technology dual study programme with the possibility of majoring in photovoltaics. Students have shown great interest in the trendsetting topic of photovoltaics, a factor which is reflected in the growing numbers of student trainees and graduands working at the company. Not only that, recruitment from among the company's own upcoming employees also plays a major role. Roth & Rau offers training posts for budding mechatronic engineers, industrial mechanics, industrial electricians for appliance and system technology, automation technology electricians and office clerks, as well as offering its production technology engineering study programme in cooperation with vocational training and technical colleges in the region. AIS works closely together with the Technical University and the University of Applied Sciences in Dresden and offers 12 positions for trainees and graduands each year. The number of trainees rose from 13 to 16 as of 31 December 2008.

In the 2008 financial year, the Management Board paid particular attention to in-company employee training within the framework of its personnel development. Regular one-to-one meetings are held with employees to determine their development requirements, with an individually tailored development programme being compiled on this basis. Depending on requirements, this individual promotion may take the form of specialist or financial support. As well as promoting and development management skills for management staff, the training programmes mainly involve training service and sales employees for new generations of systems and technologies, introductory and further training for newly hired employees, regular seminars dealing with topics such as vacuum technology, plasma technology and foreign language courses. In 2008, 300 employees already took part in the training and development programmes. All in all, there was a further increase in the investments made in training and development programmes in 2008. The Group currently invests around € 585 per employee in training and development. The management staff development programme launched in 2008 with a total investment volume of € 85k now includes 75 managers from various levels of the company.

Roth & Rau will continue in future as well to secure and expand the expertise, competence and training of its employees and managers within the framework of a strategic personnel development programme. In the interests of optimally tailoring this to market requirements and the company's specific needs, work began at the beginning of 2009 on establishing a Roth & Rau Academy.

Qualification Structure in %	**31.12.2008**	**31.12.2007**	**Change**
Engineers	28.1	33.8	-5.7 PP
Specialist workers/master technicians	71.2	64.5	6.7 PP
Support staff	0.7	1.7	-1.0 PP

Enhancement of compensation system

Alongside professional and personal development, a further factor intended to contribute towards employee satisfaction and motivation levels is a compensation system which accounts for the individual performance of the employees in the form of performance-related components. The compensation system was subject to fundamental revision in 2008 in order to create transparent, easily comprehensible and uniform criteria for employees' compensation. Apart from trainees and senior employees, all employees at Roth & Rau AG therefore receive an individual bonus in addition to their fixed compensation. The level of bonus is based on the one hand on the qualifications and allocation of the employee to various wage and salary brackets and on the other hand on the employee's individual performance or the company's overall success measured in terms of the operating earnings (EBIT) achieved.

Moreover, a share-based compensation programme (phantom stock programme) was introduced as of 1 September 2008. Alongside the Management Board, further management staff and selected employees of the Roth & Rau Group are entitled to participate. Further information can be found in the Compensation Report (Page 34 et seq.) and in the notes to the financial statements (Page 130). A further new development in 2008 involved the introduction of a comprehensive company pension scheme for employees with permanent contracts.

Personnel expenses and key figures

Following the considerable expansion in personnel capacities and due to changes in the compensation system, the Group's personnel expenses rose year-on-year by 166.4% to € 20,145k in 2008 (2007: € 7,563k). Of this total, € 16,591k involved wages and salaries (2007: € 6,426k), € 2,578k to social security contributions (2007: € 1,084k) and € 976k to pension expenses (2007: € 53k).

Further key personnel figures developed as follows:

- The workforce has a balanced age structure. In 2008, 31.4% of employees were aged 30 or below, 52.2%, and thus the largest share of employees, were aged between 30 and 50 and 16.4% were aged 50 or above.

- The average length of employment at the company amounted to three years in 2008 and thus rose slightly compared with the previous year. This comparatively low figure is due to the rapid growth in the workforce in recent years. At the end of the 2006 financial year, this figure had still amounted to 5.5 years.

- The personnel turnover rate rose from 3.0% in the previous year to 3.7%. The long distances between employees' homes and the workplace were frequently referred to as the reason for the change of professional direction in the past year.

- There were ten accidents at or on the way to work in the 2008 financial year. No comparison is possible with the previous year, as statistical records only began to be kept in the fourth quarter of 2007. Five accidents were reported in the fourth quarter of 2007. The percentage of working days lost due to sickness amounted to 1.8% in 2008.

Suppliers

Roth & Rau procures a major share of the components and modules required to produce its systems and turnkey production lines from a variety of suppliers. In view of this, we maintain long-term, trusting business relationships with our suppliers, some of which have been in place since Roth & Rau AG was established. In our development projects, we also work together with suppliers on a basis of partnership. Exchanging information at an early stage enables the respective upstream products, and thus also Roth & Rau's products, to be optimally geared to customers' needs.

Safeguarding supply reliability is crucially important, especially in periods of rapid growth. Roth & Rau drew on a variety of measures in the 2008 financial year to exploit potential for optimisation in this respect. In particular, by working more closely within the framework of cooperations or by taking over suppliers, Roth & Rau secured access to key components. One example in this respect is the takeover of Muegge-electronic GmbH in December 2008. The company has already been a reliable partner for 16 years and is a major supplier of microwave systems technology, one of the key components of SiNA antireflective coating systems. These systems, which secure the energy supply to the plasma sources in the systems, were jointly developed by Roth & Rau and Muegge and have been optimised over the years. Not only that, the integration of further process steps and products within the value chain also helps to minimise supply risks. Over and above this, we are continually extending our network of suppliers so as to gain access to suitable partners and alternative procurement sources in view of our long-term growth.

Environmental Protection

The awareness that natural resources are neither inexhaustible nor capable of indefinite exploitation is deeply rooted at the Roth & Rau Group. With its products and technologies for the photovoltaics industry, the Roth & Rau Group is making an important contribution to the further development of this still quite young sector, and is thus also meeting a responsibility towards society to work towards a regenerative energy supply and help halt climate change. Where possible and economically feasible, we also work with environmentally friendly technologies in our day-to-day business to manufacture, use and dispose of our products.

Special environmental protection measures basically involve the management of hazardous goods, which are handled exclusively by suitably trained employees and specialist firms, as well as the sparing use of raw materials, energy and water in all areas of the Group. Our heating energy, electricity and water consumption are regularly reviewed to avert or reduce their environmental impact. We also ensure that waste is consistently separated both in our production activities and in our administration departments.

When building the new photovoltaics location and during the extension in 2008, account was taken of special environmental protection guidelines in terms of soil sealing in the technical laboratory, the extraction of air from the welding shop without affecting the surrounding air and the installation of exhaust fans with integrated fume incineration systems in the production hall.

To further promote awareness of environmental protection at the company, it is planned to launch an environmental management system certified in line with DIN ISO 14001 at the Hohenstein-Ernstthal and Wüstenbrand locations in the 2009 financial year.

Social Commitment

Roth & Rau meets its responsibility towards society and regularly supports a range of welfare activities. In this, we are currently concentrating on three main areas – solar projects in Africa, education and sport.

In Africa, we are providing financial support for electrification projects at the Solar Energy Foundation in Ethiopia and the solarafrica.network in Tanzania. Both organisations aim to draw on solar energy to alleviate energy-related poverty in rural areas and thus provide a foundation for positive social and economic developments. Those responsible for the projects are also relying on the principle of self-help. Solar facilities are used, for example, to provide lighting in schools, so that teaching can continue after sunset, thus enabling the range of educational opportunities to be extended. Alongside the financing, the technical operation of the systems, including service and maintenance, also has to be ensured by the local population. Specialists are therefore being trained, a measure which in turn creates jobs. Further information about the work of the foundations can be found at www.sonne-stiften.de and www.solarafrica.net.

In its home region, the company focuses on promoting young people and educational activities. We therefore support the Foundation of the "Euro School" in Waldenburg, as well as the work of children's charities in the region and the Daetz-Centrum cultural and educational facility in Lichtenstein.

In its sports sponsorship, Roth & Rau is also committed to young people. As well as supporting the up-and-coming swimmer Juliane Reinhold, a member of the Postschwimmverein Leipzig e.V. swimming club who can already point to numerous national and international successes, we also support Lucas Rohwedder, another up-and-coming swimmer and a member of the talent squad at the Thüringen State Swimming Association. Since 2008, we have also sponsored "Racing Team Germany", a local team of talented young motorbike racers at the Sachsenring in Hohenstein-Ernstthal.

Not only that, Roth & Rau also supports internal company projects promoting employees' health and assisting them in combining their family and work commitments. On the one hand, these measures include providing an in-company day-care centre for 22 children, which offers extensive care facilities and flexible opening hours. On the other hand, our employees have access to a gym with professional support. Various sporting events, such as the annual company football tournament and participation in marathons in the region, also help to promote employees' health, foster a sense of belonging and have now become a fixed component of Roth & Rau's corporate culture.

Disclosures under takeover law, equity interests, special rights and control of voting rights

The following takeover law disclosures made pursuant to Section 315 (4) of the German Commercial Code (HGB) refer to the situation on the reporting date as of 31 December 2008.

Composition of share capital and securitised rights

The share capital of Roth & Rau AG, amounting to € 13,800,000.00, is divided into 13,800,000 individual non-par bearer shares. Each individual share has a proportionate amount of € 1.00 of the share capital and entitles its holder to one vote at the Annual General Meeting. The Articles of Association do not permit shareholders to request securitisation of their shares.

Restrictions on voting rights or the transfer of shares

The Management Board is not aware of any restrictions on voting rights or the transfer of shares.

Equity interests and control of voting rights

Direct or indirect shareholdings in the capital of Roth & Rau AG which exceed 10% of the voting rights do not exist or are not known to the Management Board. There are no shares with special rights granting powers of control. Furthermore, the Board is not aware of any control of voting rights in the event of employees holding an interest in the capital and not exercising their rights of control directly.

Appointment and dismissal of Management Board members and amendments to Articles of Association

Members of the Management Board are appointed and dismissed in accordance with Sections 84 and 85 of the German Stock Corporation Act (AktG). Pursuant to Section 6 of the Articles of Association of Roth & Rau AG, the Management Board consists of at least one person. The Supervisory Board appoints the members of the Management Board and determines their number. Moreover, the Supervisory Board may appoint one member of the Management Board as Chairman or Spokesman and other members as Deputy Chairmen or Deputy Spokesmen. Amendments to the Articles of Association are undertaken in accordance with the legal requirements set out in Sections 179 et seq. of the German Stock Corporation Act (AktG), with approval by at least three quarters of the share capital represented upon the adoption of the resolution generally being required. Pursuant to Section 11 of the Articles of Association, the Supervisory Board is entitled to adopt amendments to the Articles of Association which only affect the respective formulation.

Powers of the Management Board to issue and buy back shares

The company currently has no conditional capital, neither is it currently authorised to issue new shares, share options, convertible or warrant bonds. Pursuant to a resolution adopted by the Annual General Meeting on 4 July 2008, the Management Board is authorised until 3 January 2010 to acquire treasury stock up to a total of 10% of the share capital.

Such acquisition may also be undertaken by group companies dependent on the company or by third parties acting on behalf of the company or such group companies. The acquisition may be executed via the stock exchange or by means of a public purchase offer addressed to all shareholders. In the case of acquisition via the stock exchange, the purchase price must be within ± 10% of the average closing prices of the company's share weighted in terms of daily trading volumes on the Xetra trading system (or any successor system replacing the Xetra system) of the Stock Exchange in Frankfurt am Main on the three trading days preceding the acquisition of the shares. In the case of a public purchase offer, the price thereby offered (excluding ancillary acquisition costs) must be within ± 20% of the average closing prices of the company's share weighted in terms of daily trading volumes on the Xetra trading system (or any successor system replacing the Xetra system) of the Stock Exchange in Frankfurt am Main on the five trading days preceding publication of the purchase offer. The volume of such offer may be limited. Should the total subscription for the offer exceed this volume, then acceptance must be consistent with the ratio of shares thereby offered. Preferred acceptance of lower numbers of up to 50 shares offered by the company for acquisition per shareholder may be provided for.

The Management Board is authorised, subject to approval by the Supervisory Board, to dispose of the treasury stock acquired to the exclusion of shareholders in ways other than via the stock exchange or by means of an offer addressed to all shareholders in cases where the treasury stock acquired is sold at a price not significantly lower than the stock market price of shares in the company of the same class on the date of disposal. The reference stock market price in this respect is the average of the closing prices of the company's share weighted in terms of daily trading volumes on the Xetra trading system (or any successor system replacing the Xetra system) of the Stock Exchange in Frankfurt am Main on the three trading days preceding the disposal of the shares. This authorisation to exclude subscription rights is only valid to the extend that the shares to be disposed of do not account for a prorated amount of the existing share capital in the company of more than 10% either upon this authorisation becoming effective or upon this authorisation being exercised. This maximum amount includes the prorated amount of share capital attributable to any shares issued during the term of this authorisation to the exclusion of subscription rights by direct or analogous application of Section 186 (3) Sentence 4 of the German Stock Corporation Act (AktG).

The Management Board is further authorised to dispose of previously acquired treasury stock to the exclusion of shareholders' subscription rights in ways other than via the stock exchange or by means of an offer addressed to all shareholders in cases where such stock is sold, subject to approval by the Supervisory Board, to third parties in connection with the acquisition of companies, parts of companies or shareholdings in companies.

The Management Board is further authorised, subject to approval by the Supervisory Board, to issue the treasury stock acquired on the basis of this authorisation to employees of the company or of subordinate associated companies as defined in Sections 15 et seq. of the German Stock Corporation Act (AktG).

Shareholders' statutory subscription rights to the treasury stock are excluded pursuant to Section 71 (1) No. 8 and Section 186 (3) and (4) of the German Stock Corporation Act (AktG) to the extent that these shares are used in accordance with the aforementioned authorisations.

The Management Board is further authorised, subject to approval by the Supervisory Board, to collect treasury stock acquired on the basis of this authorisation without any further resolution by the Annual General Meeting. Such collection leads to a reduction in the share capital. The Supervisory Board is authorised to amend the formulation of the Articles of Association in line with the scope of such collection. Deviating from this provision, the Management Board may determine that the share capital should remain unchanged upon such collection and that the portion of the share capital attributable to other shares should rather increase pursuant to Section 8 (3) of the German Stock Corporation Act (AktG). In this case, the Management Board is authorised to adjust the disclosure of the number of shares in the Articles of Association.

The aforementioned authorisations to acquire, collect, resell or otherwise use treasury stock may also be exercised in part.

Together with other shares in the company already acquired by the company and still in its possession or which are allocable to the company pursuant to Sections 71d and 71e of the German Stock Corporation Act (AktG), the treasury stock acquired on the basis of this resolution may at no time exceed 10% of the company's share capital.

Roth & Rau AG did not possess any treasury stock as of 31 December 2008.

Major agreements reached by parent company subject to change of control following a takeover bid

The syndicated loan agreement concluded in April 2008 includes customary standard clauses covering the event of a takeover bid. In the case of the syndicated loan, a mandatory unscheduled repayment of the full amount has been agreed in the event of major changes in the shareholder structure.

Compensation agreements reached by parent company with members of the Management Board or employees in the event of a takeover bid

Currently, no agreements are in place with members of the Management Board or employees concerning the payment of compensation in the event of a change of control.

Business Framework

Macroeconomic Developments

The German economy showed far weaker growth in 2008 than in the two previous years. Based on preliminary calculations from the Federal Statistics Office, price-adjusted GDP growth amounted to 1.3%. This growth was solely attributable to the domestic economy, where gross capital expenditure, which rose by 6.1%, was the main economic growth driver. Companies increased their investments in machinery, equipment and vehicles in 2008 as well, albeit at a noticeably slower pace, especially towards the end of the year. According to the Federal Ministry of Economics, demand for industrial products fell year-on-year by 25.9% in the last two months (November/December), following adjustment for price and seasonal factors.

Economic growth was notably inhibited by the balance of trade, which declined by 0.3 percentage points. This was due to the sharp decline in the pace of growth in exports, which rose by a mere 3.9% in 2008, and thus markedly more slowly than in previous years, while price-adjusted imports grew by 5.2%. Despite high employment totals (1.5% higher than in the previous year), private consumer spending also stagnated, a development which was attributable on the one hand to increased costs of living and on the other two high savings rates among private households.

The intensification in the financial crisis in the second half of 2008 brought the expansion in the global economy to a halt. Based on calculations by the Kiel Institute for the World Economy (IfW), global GDP grew by 3.6% overall, and thus considerably more slowly than in the previous years. The industrialised countries have also witnessed a severe downturn in economic growth since the intensification in the financial crisis. The IfW expects growth here to amount to a mere 1.0%. The decline in demand in industrialised countries and the poor constitution of financial markets have also impacted negatively on emerging markets, temporarily bringing to an end the upturn seen in those countries in recent years. The IfW has forecast growth of 9.6% for the Chinese economy in 2008, down from 11.4% in 2007, while Indian GDP is nevertheless forecast to have grown by 6.2%.

Sector Developments

The successful development of the solar industry in 2007 continued initially in the first half of 2008. In the third quarter, however, the sector was unable to escape the implications of the financial crisis. Among other factors, the falling oil price created uncertainty among market players, dampening hopes that solar energy would already achieve grid parity in some regions in the near future. Developments in the market were also negatively affected by the emerging recession in some of the world's largest economies. In the fourth quarter, the deteriorating climate was exacerbated by the first profit warnings from some companies in the sector, as well as by a marked slowdown in demand for photovoltaics products. Numerous solar cell manufacturers had to contend with limited financing possibilities in the wake of the financial crisis and were forced to postpone planned investment projects. This impacted negatively on demand for production equipment in the fourth quarter. Moreover, additional uncertainty was created by the ongoing bottlenecks in the supply of solar silicon and resultant developments in the price of solar modules.

The solar industry was also affected in 2008 by numerous amendments to public subsidy legislation. In Germany, the Federal Council adopted the Amendment to the Renewable Energies Act (EEG) on 4 July 2008. This revised subsidy legislation provides for a diminishing reduction in feed-in compensation for solar energy of 8% or 10% per year, depending on the type of facility involved, from 2010 onwards. From 2011, the compensation will reduce by a standard rate of 9% a year for all facility types. In Spain, Royal Decree 1578/2008, regulating the future promotion of solar energy, came into force on 28 September 2008. Accordingly, feed-in compensation will decline by around 30% to 34 cents/kWh for roof facilities and to 32 cents/kWh for open space facilities.

Notwithstanding the planned cuts, the legislative amendments in Germany and Spain were received positively on the market, as they proved to be more moderate than initially assumed and provided planning reliability once again. Growth in the Spanish market is nevertheless expected to slow. This will be offset in part by positive developments in other Southern European countries, such as Italy and Greece. All in all, the amendments have led to increased pressure to innovate and cut costs in the industry, requirements which equipment suppliers with innovative and technologically leading systems will be particularly well-placed to meet.

Furthermore, in October positive signals came from the USA, where the government adopted a US$ 700 billion rescue package to cushion the effects of financial crisis, which also includes measures promoting regenerative energies. Investment Tax Credits (ITC) provide for an extension by a further eight years in the tax relief of 30% granted to privately and commercially used solar facilities. The election victory of Barack Obama, who aims to push for the promotion of renewable energies, has provided additional momentum. In view of these developments, the industry expects growth in the USA to accelerate, an expectation already reflected in growing demand for production equipment.

Summary of Business Framework

The Roth & Rau Group successfully maintained its growth strategy in the 2008 financial year. By consistently pressing ahead with the internationalisation of our sales and service network, we benefited from the ongoing strong growth in the global photovoltaics market and successfully maintained our market position as a leading provider of production equipment and technologies for the photovoltaics industry and expanded this position in select areas. Alongside established products, demand was particularly high for innovative production equipment, such as the MAiA systems and software solutions which help to reduce production costs at solar cell manufacturers.

Implications of the financial crisis for the Roth & Rau Group

All in all, the financial crisis had no decisive impact on the Roth & Rau Group in the 2008 financial year, as the Group's business performance generally lags behind macroeconomic developments due to the long cycles involves in the project business. The following main developments in the past financial year were already attributable to the financial and economic crisis:

- New orders showed a marked slowdown in the fourth quarter of 2008, in which new orders of around € 48.0 million were received, compared with € 94.1 million in the fourth quarter of 2007. This development was due to customers postponing their investment projects. It is pleasing to note, however, that no orders were cancelled.

- To account for the difficult macroeconomic situation, Roth & Rau put a stop on employee hiring in production-related divisions across the Group in autumn 2008. Additional production flexibility is available due to the high share of temporary employees. It is nevertheless planned to take on further employees in the sales, service and research and development divisions.

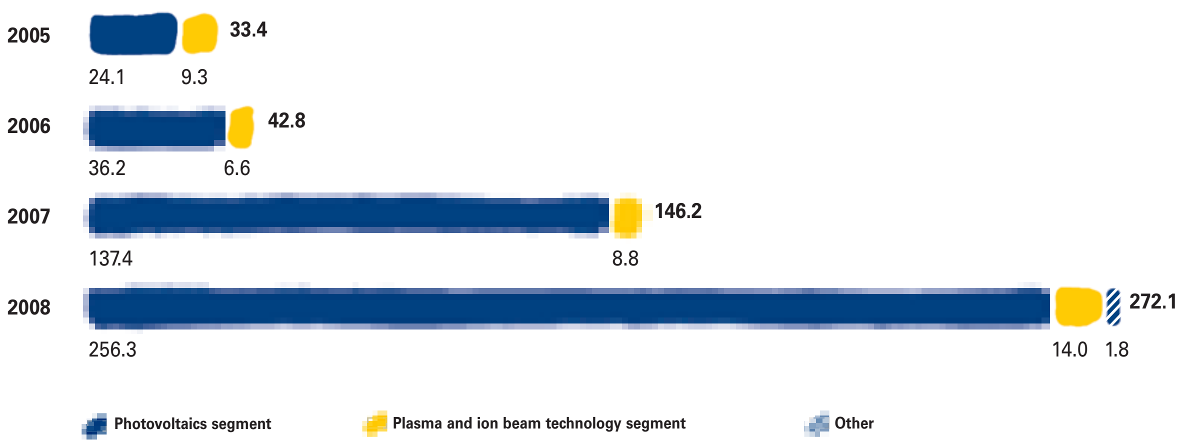
Business Performance

Sales and earnings performance

Sales target exceeded and export share increased

Increased global demand for production systems for use in the manufacture of solar cells provided the Roth & Rau Group with a further year of strong growth. This even enabled us to exceed our sales target of € 250,000k. Sales grew by € 125,893k, or 86.1 %, from € 146,229k to € 272,122k. AIS Automation Dresden GmbH, which was consolidated from 1 July 2008, contributed sales of € 8,040k. Sales in the fourth quarter amounted to € 74,643k and were thus 92.9 % higher than in the previous year (2007: € 38,701k). The multiyear overview in the diagram shows sales broken down by segment. The "Other" item includes sales generated with customers outside the photovoltaics and ion beam technology sectors. A detailed description of the sales and earnings performance of the two segments can be found in the Segment Report (Page 72 et seqq.).

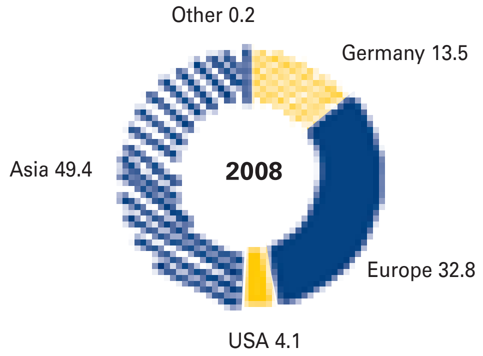
Multiyear Overview of Sales (€ million)

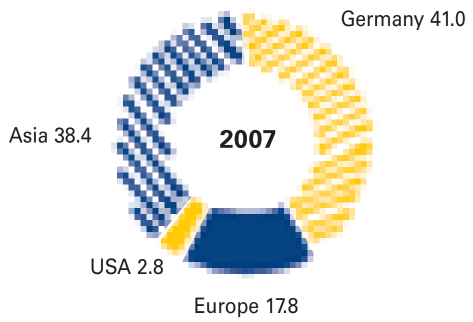


Consolidated sales include revenues of € 581k (2007: € 905k) from long-term construction contracts without any recognition of portions of gains (zero profit margin method). The portion of gains on these sales is recognised upon the percentage of completion of the underlying projects exceeding 50%.

Our stronger international presence is also reflected in our export quota, which rose from 59.0% to 86.5%. All in all, sales of € 235,472k were generated with customers abroad (2007: € 86,326k), with a focus on the Asian region, which accounted for sales of € 134,345k (2007: € 56,154k). With sales of € 89,439k, Europe was the second most important region in terms of sales (2007: € 25,996k). A revival in demand was also seen in the USA, leading sales to rise from € 4,168k to € 11,191k.

Sales by Region (in %)





Finished products and work in progress grew by € 8,024k (2007: € 1,234k). Own work capitalised amounted to € 5,456k, up from € 2,548k. Other operating income rose sharply from € 356k to € 2,537k. This development was chiefly due to exchange rate differences.

Materials quota reduced and profitability improved

One of the most important objectives in the 2008 financial year was to increase the Group's profitability. Alongside other factors, we focused in this respect on measures aimed at optimising materials management. We work with a high share of externally supplied modules, especially in the manufacture of turnkey production lines, a factor which is reflected in a correspondingly high materials quota. By consistently improving our supply chain management, we improved the share of cost of materials by 5.6 percentage points to 75.4% in the 2008 financial year (2007: 81.0%). This development benefited additionally from the year-on-year decline in the share of sales accounted for by the turnkey business. In nominal terms, the cost of materials rose due to increased business volumes by 73.4% from € 118,412k to € 205,264k.

As in the previous year, we expanded both our production capacities and our personnel capacities in 2008 as well. Overall, the number of employees as of 31 December rose from 236 to 606. This corresponds to an increase of 156.8%, a development also reflected in personnel expenses. These grew by 166.4% from € 7,563k to € 20,145k. The personnel expense ratio amounted to 7.4%, as against 5.2% in 2007. Further information about personnel expenses can be found in the "Employees" chapter (Page 55 et seqq.).

Other operating expenses increased by € 19,288k, or 218.4 %, to € 28,120k (2007: € 8,832k). One major item within this figure involved sales commissions, which rose sharply from € 1,905k to € 5,426k due to increased business volumes. Moreover, the growth in the export business led transport and travel expenses to rise by € 4,486k (169.9%) to € 7,126k (2007: € 2,640k).

As already indicated by our nine-month figures for 2008, we also succeeded in improving our profitability in line with our target for the year as a whole. Earnings before interest, taxes, depreciation and amortisation (EBITDA) surged by 122.4% from € 15,560k to € 34,610k. The EBITDA margin thus rose by 2.1 percentage points from 10.6% to 12.7%.

Depreciation and amortisation showed marked growth of € 4,366k from € 1,696k to € 6,062k. This item consisted of amortisation of € 1,134k on the preliminary purchase price allocation for AIS, write-downs of € 1,657k required for goodwill and development expenses, as well as an amount of € 3,271k in connection with other scheduled depreciation and amortisation of intangible assets and property, plant and equipment. The goodwill write-down was attributable to increased costs of capital in view of the current economic crisis.

Earnings before interest and taxes (EBIT) doubled from € 13,864k to € 28,548k. As a result, the EBIT margin improved from 9.5% to 10.5% and thus significantly exceeded the target figure of 10.0%.

Significant increase in earnings per share

Financial income grew substantially from € 1,447k to € 4,329k, a development chiefly due to the improved liquidity position. Following the deduction of financial expenses of € 1,076k, net financial expenses amounted to € 3,253k. This is equivalent to an increase of 165.3% compared with the previous year's figure of € 1,226k.

Earnings before taxes (EBT) accordingly rose by 110.7% from € 15,090k to € 31,801k. This is equivalent to an EBT margin of 11.7% (2007: 10.3%). Tax expenses amounted to € 8,639k (2007: € 3,409k). As expected, there was an increase in the tax rate from 22.6% to 27.2%. In the long term, we expect to see a tax rate of between 29.0% and 30.0%. Earnings allocable to shareholders in Roth & Rau AG totalled € 23,024k and thus improved year-on-year by 97.1% (2007: € 11,681k). Including the increase in the number of shares due to the capital increase from company funds entered in the Commercial Register on 8 July 2008, earnings per share rose by 49.2 % from € 1.22 to € 1.82 and thus also improved substantially. Further information about this can be found under 5.11. in the notes to the financial statements (Page 147).

Sales and Earnings Positions € 000s	2008	2007	Change
Sales	272,122	146,229	86.1 %
International share in %	86.5	59.0	27.5 PP
EBITDA	34,610	15,560	122.4 %
EBITDA-margin in %	12.7	10.6	2.1 PP
Depreciation and amortisation	6,062	1,696	257.4 %
EBIT	28,548	13,864	105.9 %
EBIT-margin in %	10.5	9.5	1.0 PP
Net financial expenses	3,253	1,226	165.3 %
EBT	31,801	15,090	110.7 %
EBT-margin in %	11.7	10.3	1.4 PP
Earnings allocable to shareholders in Roth & Rau AG	23,024	11,681	97.1 %
Earnings per share in € [1]	1.82	1.22	49.2 %

[1] Including the capital increase from company funds (8 July 2008) in conjunction with the issue of bonus shares. The previous year's figure has been adjusted accordingly.

Order situation

All in all, the order situation showed pleasing developments in the 2008 financial year, with substantial year-on-year growth in the first nine months in particular. The intensification in the financial crisis and the increasingly marked economic slowdown began to leave their mark on new orders in the fourth quarter. New orders of € 48,041k were received between October and December, as against with € 94,119k in the equivalent period in 2007. For the year as a whole, new orders nevertheless grew by 10.2% from € 244,627k to € 269,660k. AIS Automation Dresden GmbH contributed new orders of € 8,818k in the second half of 2008. The Group's orders on hand, including those taken over with AIS as of 1 July 2008 (€ 14,916k) totalled € 213,037k as of 31 December 2008 and were thus 6.2% ahead of the previous year's figure (2007: € 200,583k).

Multiyear Overview of Orders on Hand (€ million)

As a share of total new orders, the high share of orders received from other countries decreased slightly from 89.8% to 88.6%. At 57.1%, demand from Asia once again formed the main focus, followed by Europe with 21.8%, Germany with 11.4% and the USA with 9.7%.

Strong growth in the photovoltaics sector led to rising demand for systems and production lines for use in solar cell production in 2008 once again. New orders in the photovoltaics segment rose by 4.6% to € 252,658k (2007: € 241,442k), thus accounting for a 93.7% share of new orders as of 31 December 2008 (2007: 98.7%). The total volume of turnkey production lines sold amounted to € 76,816k and thus matched the previous year's figure of € 76,710k. This figure included a major order placed by Semiconductor India Pty., Ltd. (Hyderabad, India) for four turnkey lines with production capacity of 30 MWp each and worth € 33.4 million in total. It was also possible to acquire a major order for antireflective coating systems in the SiNA series at the beginning of the year. The Chinese solar cell manufacturer Changzhou Trina Solar Energy Co. Ltd. ordered 29 SiNA systems worth € 33.0 million in total.

New Orders by Region (in %)

The order situation in the plasma and ion beam technology segment also showed extremely satisfactory developments. New orders in this segment more than quadrupled from € 3,185k to € 15,244k. Particular worthy of mention is a strategically important follow-up order to supply four production systems for use in the manufacture of so-called CIS solar cells on foil. We have thus underlined our growing competence in the field of thin film solar technologies as well. A highly promising order was also placed by Carl Zeiss SMT AG. This company has commissioned Roth & Rau to develop and produce a new type of system for coating mirrors to be used in a new form of lithography (Extreme Ultraviolet Lithography) in the semiconductor industry, a development which will facilitate the production of even more highly integrated microelectronic components.

The remaining share of new orders, amounting to € 1,758k or 0.7%, is allocable to projects with customers outside the photovoltaics or plasma and ion beam technology sectors.

The book-to-bill ratio, which expresses the ratio of new orders to sales, fell from 1.7 to 1.0.

Order Situation € 000s	**2008**	**2007**	**Change**
New orders	269,660	244,627	10.2 %
Of which photovoltaics	252,658	241,442	4.6 %
Of which plasma and ion beam technology	15,244	3,185	378.6 %
Of which other	1,758	/	/
International share in %	88.6	89.8	-1.1 PP
Orders on hand [1]	213,037	200,583	6.2 %
Book-to-bill ratio	1.0	1.7	-41.2 %

[1] reporting date on 31 December

Segment Report

The activities of the Roth & Rau Group are subdivided into the photovoltaics, plasma and ion beam technology and other segments. A detailed description of the product and technology portfolio can be found in the chapter "Business divisions and value creation" (Page 46 et seqq.).

Operating performance of the photovoltaics segment

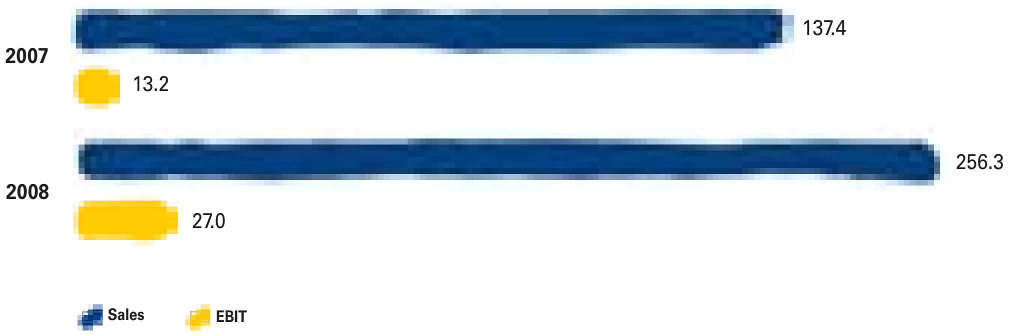
The photovoltaics segment achieved strong growth in the 2008 financial year as well. Sales rose by 86.5% from € 137,401k to € 256,292k. The segment's share of consolidated sales thus increased slightly from 94.0% in 2007 to 94.2% in the year under report. AIS Automation Dresden GmbH contributed sales of € 6,183k. As expected, the export quota rose once again in the 2008 financial year and amounted to 90.0%, or € 230,704k (2007: 58.5 %). At 51.9% or € 133,099k, the largest share related to business with customers in the Asian region.

The breakdown of sales by segments shows marked growth in the equipment and thin film divisions. Together, they accounted for a 72.9% share of segment sales, compared with around 60.0% in the previous year. Turnover with turnkey production lines also picked up significantly. Given the long project cycles involved, these orders will in some cases only be reflected in the sales figures for 2009. The share of segment sales attributable to the turnkey business fell year-on-year from around 40.0% to 27.1%. This is mainly due to the high share of sales accounted for by the major Conergy project in the 2007 financial year. The maintenance and replacement parts business currently in the process of being built up contributed sales of € 8,414k in 2008. Due to the expansion in our international locations, we expect to generate increasing sales with this business in coming years.

Distribution of Sales (in %)

Key earnings figures also developed positively. EBITDA grew by 125.2% from € 14,189k to € 31,947k, thus also rising as a proportion of sales. EBIT improved by 104.0% to € 27,024k (2007: € 13,245k). As expected, the measures implemented in the previous year to enhance profitability, especially the optimisations introduced in the turnkey project supply chain, have had a beneficial effect on margins. The EBITDA margin improved from 10.3% to 12.5%, while the EBIT margin rose from 9.6 % to 10.5 %. Moreover, this development also benefited from the year-on-year growth in the equipment business. Depreciation and amortisation rose markedly from € 944k to € 4,924k, a development chiefly attributable to scheduled amortisation in the context of the AIS takeover (€ 1,134k), the write-down of goodwill in connection with the AIS takeover (€ 1,579k) and increased amortisation of capitalised development expenses (€ 911k).

Sales and EBIT (€ million)



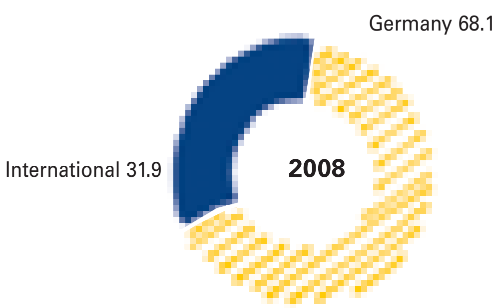
Investments totalling € 32,370k were made in the photovoltaics segment in 2008, equivalent to an increase of 283.2% compared with the previous year. This sum mainly related to the extension of the Hohenstein-Ernstthal location and to the AIS takeover. This segment thus accounted for a 62.9% share of the Group's total investments (2007: 94.9%). Within the framework of the expansion of production capacities, there was also an increase in the number of permanent employees in the photovoltaics segment. The total number employees rose by 154.3% to 468 as of 31 December 2008 (2007: 184). This development is reflected in personnel expenses, which grew by 214.1% from € 5,476k to € 17,200k.

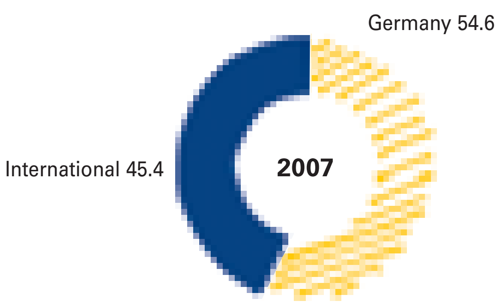
Key Figures: Photovoltaics € 000s	**2008**	**2007**	**Change**
Sales	256,292	137,401	86.5 %
Share of total sales in %	94.2	94.0	0.2 PP
International share in %	90.0	58.5	31.5 PP
EBITDA	31,947	14,189	125.2 %
EBITDA-margin in %	12.5	10.3	2.2 PP
EBIT	27,024	13,245	104.0 %
EBIT-margin in %	10.5	9.6	0.9 PP
Investments	32,370	8,448	283.2 %
Employees[1]	468	184	-154.3 %

[1] reporting date on 31 December

Operating performance of the plasma and ion beam technology segment
Segment sales grew by 59.1% from € 8,828k to € 14,041k, of which € 122k was attributable to AIS. This segment therefore accounted for 5.2% of consolidated sales, as against 6.0% in 2007. Revenues totalling € 4,472k were generated with foreign customers, equivalent to an export quota of 31.9% (2007: 45.4%). A major order placed by a German customer in the field of thin film photovoltaics was responsible for the increase in sales generated in Germany. A further major contribution to sales was attributable to a follow-up order placed by the American semiconductor company TriQuint Semiconductor Inc. for a further system of the IonScan type.

Distribution of Sales (in %)





Key earnings figures, which had still been negative in the first nine months of 2008, showed clearly positive developments for the year as a whole following the successful completion of several orders in the fourth quarter. EBITDA improved by 67.3% from € 1,331k to € 2,227k, thus also rising as a proportion of sales. This corresponds to an EBITDA margin of 15.9% (2007: 15.1%). Following the deduction of depreciation and amortisation of € 1,045k (2007: € 752k), this segment posted EBIT of € 1,181k (2007: € 579k). The EBIT margin thus also improved by 1.8 percentage points from 6.6% to 8.4%.

Sales and EBIT (€ million)

Investments in the plasma and ion beam technology segment rose by 306.8% from € 454k to € 1,847k. These mainly involved capitalised development expenses of € 1,164k, the share of intangible assets allocable to this segment from the AIS purchase price allocation, amounting to € 443k, and investments of € 240k in plant and office equipment. Moreover, investments were also made in expanding personnel capacities. A total of 60 individuals were employed in this segment at the end of the year (2007: 52), equivalent to growth of 15.4%. Personnel expenses showed a corresponding increase of 3.5% from € 2,087k to € 2,159k.

Key Figures: Plasma and Ion Beam Technology € 000s	**2008**	**2007**	**Change**
Sales	14,041	8,828	59.1 %
Share of total sales in %	5.2	6.0	-0.8 PP
International share in %	31.9	52.5	-20.6 PP
EBITDA	2,227	1,331	67.3 %
EBITDA-margin in %	15.9	15.1	0.8 PP
EBIT	1,181	579	104.0 %
EBIT-margin in %	8.4	6.6	1.8 PP
Investments	1,847	454	306.8 %
Employees [1]	60	52	15.4 %

[1] reporting date on 31 December

Operating performance of the "Other" segment

Sales in the "Other" segment amounted to € 1,789k, of which € 1,735k were attributable to AIS. This segment thus contributed 0.7% to consolidated sales. Sales totalling € 295k were generated with foreign customers, equivalent to an export quota of 16.5%. The "Other" segment contributed EBIT of € 321k to consolidated earnings. This corresponds to an EBIT margin of 17.9%. A total of 78 individuals were employed in this segment as of 31 December 2008.

Financial and Net Asset Position

Principles and objectives of financial management

The objectives of financial management at the Roth & Rau Group involve securing financial flexibility and optimising financing costs by means of a suitable capital structure. The key tasks involved include managing the Group's liquidity and controlling its interest and exchange rate risks. The operating business is largely financed by customer advances and proprietary funds. Additional financial scope is provided by unutilised credit lines, as well as by the syndicated loan agreement concluded in April 2008 with a remaining term of around 4 years.

Balance sheet reflects growth

The development in the balance sheet structure in the 2008 financial year was characterised by the Group's strong organic growth, its acquisition of AIS Automation Dresden GmbH and the capital-related measures taken. Total assets rose by 107.5% to € 288,704k (2007: € 139,105k).

Non-current assets grew by 310.8% from € 15,186k to € 62,380k. This corresponds to a 21.6% share of total assets (2007: 10.9%). One of the main reasons for this was the sharp rise in intangible assets from € 4,614k to € 27,359k. Assets totalling € 24,116k were identified at AIS Automation Dresden GmbH within the framework of the purchase price allocation. This figure includes goodwill of € 12,767k, which was written down by € 1,579k in the second half of the year. The increase in property, plant and equipment from € 9,441k to € 21,075k reflects the investments made in the expansion of the production site in Hohenstein-Ernstthal. Moreover, financial assets of € 11,006k were recognised in 2008; these consist of acquisition costs for subsidiaries not yet consolidated.

In connection with the sharp growth in order volumes, inventories rose by 133.0% to € 28,696k as of the reporting date (2007: € 12,314k), while receivables from construction contracts grew by 117.9% to € 75,801k (2007: € 34,783k). Trade receivables and other receivables amounted to € 30,312k and were thus € 16,760k higher than the previous year's figure of € 13,552k. This increase on the one hand reflects the substantial year-on-year growth in project volumes invoiced. On the other hand, payments due from individual customers as of the reporting date were postponed to the new year in view of the disruptions on international capital markets.

The liquidity situation improved substantially in the 2008 financial year due to the execution of the capital increase in return for cash contributions and the taking up of loans. Liquid funds rose by 44.6% from € 63,270k to € 91,515k, equivalent to a 31.7% share of total assets (2007: 45.5%). Liquidity dropped by € 34,097k compared with nine-month reporting date as of 30 September 2008, a development mainly due to outlay of € 12,276k for the acquisitions of Ion-Tech GmbH and Muegge-electronic GmbH. Furthermore, liquidity was also negatively affected by the increase in working capital by € 28,575k in the fourth quarter. Together with the credit lines unutilised as of 31 December 2008, which amount to € 50,500k, Roth & Rau has adequate financial scope and is thus optimally prepared for the 2009 financial year.

All in all, current assets thus showed substantial growth of 82.6% to € 226,324k (2007: € 123,919k). Due to the disproportionate rise in non-current assets, however, their share of total assets nevertheless declined from 89.1% to 78.4% (excluding cash and cash equivalents: 46.7%, as against 43.6% in the previous year).

On the liabilities side of the balance sheet, shareholders' equity grew by 149.5% from € 82,763k to € 206,456k, thus reflecting the impact of the cash capital increase undertaken in the financial year under report. The capital increase in return for cash contributions led the share capital to rise by € 920k to € 3,450k and the capital reserve to rise by € 100,362k on account of the proceeds on the emission. A capital increase from company funds was executed in July 2008. This involved funds of € 10,350k being released from the capital reserve and converted into share capital. This led overall to share capital rising from € 2,530k to € 13,800k and the capital reserve increasing by 140.2% to € 149,457k (2007: € 62,229k). The equity ratio improved from 59.5% to 71.5%. Return on equity amounted to 13.8%, compared with 16.8% in the previous year, a development mainly due to the sharp rise in equity on account of the capital increase.

Select Key Figures: Financial and Net Asset Position € 000s	31.12.2008	31.12.2007	Change
Total assets	288,704	139,105	107.5 %
Shareholders' equity	206,456	82,763	149.5 %
EBIT	28,548	13,864	105.9 %
Equity ratio in %	71.5	59.5	12.0 PP
Return on equity in %[1]	13.8	16.8	-3.0 PP

[1]return on equity: EBIT/shareholders' equity

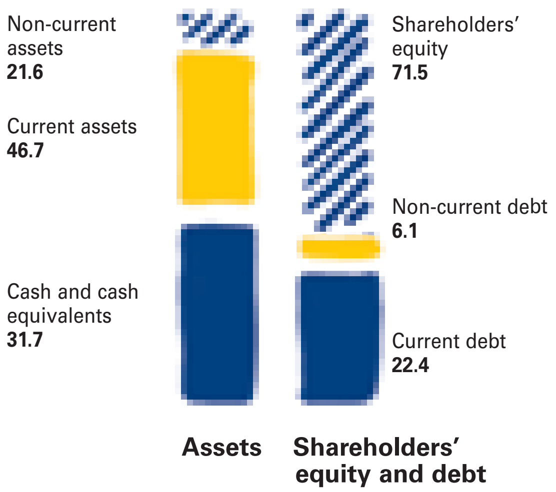
Non-current debt increased by € 9,743k to € 17,714k (2007: € 7,971k), equivalent to a 6.1% share of total shareholders' equity and liabilities (2007: 5.7%). A loan of € 2,000k was taken up to finance expansion investments. Moreover, non-current debt was also affected by the increase in deferred taxes by € 7,720k. Non-current provisions amounted to € 124k, as against € 451k in the previous year. The reduction in this item is in part also a reflection of the outsourcing of the pension obligation for Drs. Roth and Rau at Roth & Rau AG to a pension fund.

Current debt grew by € 16,163k, or 33.4%, from € 48,371k to € 64,534k. The largest share of this was attributable to trade payables, which rose by € 14,983k from € 19,911k to € 34,894k. This development primarily reflects the growth in business volumes. Other current liabilities, primarily relating to tax liabilities of € 427k and derivative financial instruments of € 459k, rose from € 196k to € 1,110k. Overall, trade payables and other liabilities thus grew to € 36,371k (2007: € 20,107k). Moreover, those prepayments received for which no directly allocable services had yet been performed increased by € 10,214k to € 10,284k (2007: € 70k). This development was countered by liabilities from construction contracts, which fell by 67.2% from € 24,946k to € 8,172k. Current provisions grew by 220.4% from € 2,379k to € 7,623k. Total current debt therefore accounted for 22.4% of total shareholders' equity and liabilities (2007: 34.8%).

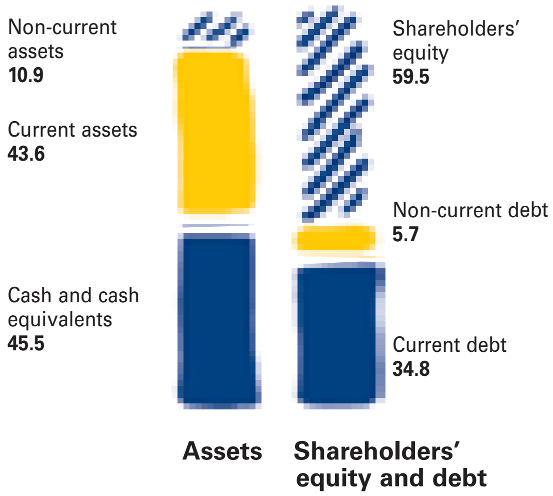
As cash and cash equivalents exceed debt, net indebtedness (debt minus cash and cash equivalents) amounts to € -9,267k (2007: € -6,928k).

Asset and Capital Structure (in %)

Total assets 2008: € 288.704k



Total assets 2007: € 139.105k



Cash flow analysis

The Roth & Rau Group posted a cash flow from operating activities of € -27,300k for the 2008 financial year (2007: € 12,084k). The positive cash flow of € 34,861k (2007: € 16,896k) mainly resulting from the net income for the period and from depreciation and amortisation, was opposed by the marked increase in working capital by € 62,161k. This figure reflects the build-up in inventories due to the growth in business volumes on the one hand and the invoices issued but not yet settled as of the reporting date on the other.

Select Key Figures Liquidity Position € 000s	2008	2007
Cash flow	34,861	16,896
Working capital	-62,161	-4,812
Cash flow from operating activities	-27,300	12,084
Cash flow from investment activities	-47,138	-8,902
Cash flow from financing activities	100,049	35,987
Change in cash and cash equivalents due to changes in exchange rates, scope of consolidation and valuation	2,634	-368
Cash and cash equivalents at beginning of period	63,270	24,469
Cash and cash equivalents at end of period	91,515	63,270

The dynamic growth in investment in 2008 is reflected in the outflow of funds for investment activities, which surged by € 38,236k from € 8,902k to € 47,138k. Alongside investments of € 9,112k in property, plant and equipment, this figure mainly consists of payments of € 21,807k made in connection with the companies acquired. Further details on this can be found in the following chapter "Investments".

The cash flow from financing activities was characterised by the injection of equity capital of € 98,492k (net) within the framework of the capital increase, as well as by the taking up of loans amounting to € 2,000k. These were countered by outgoing payments of € 443k for loan repayments.

The net balance of freely disposable cash and cash equivalents as of the reporting date improved from € 63,270k to € 91,515k.

Investments

Investments amounted to € 51,483k and thus rose sharply compared with the previous year's figure of € 8,902k. One focus of investment involved expanding the Group's research and development activities. Development expenses of € 3,292k, including public grants allocable to such, were capitalised in the 2008 financial year (2007: € 1,719k). Investments in other intangible assets amounted to € 691k, as against € 286k in 2007.

Roth & Rau also invested heavily in 2008 in expanding its production capacities and international sales and service network, as well as in extending its product portfolio. All in all, investments in property, plant and equipment amounted to € 9,112k and were thus 32.1% higher than in the previous year (€ 6,897k). The largest individual investments involved the extension building and construction of the technology centre at the Hohenstein-Ernstthal location. Moreover, the company also invested in the expansion of a production hall let at its subsidiary in Zwickau.

Roth & Rau invested a total amount of € 35,122k in its external growth. Intangible assets of € 19,222k were capitalised in the context of the preliminary purchase price allocation for AIS Automation Dresden GmbH. The investments made in the takeovers of Muegge-electronic GmbH and Ion-Tech GmbH amounted to € 11,006k.

Summary of Business Performance

The 2008 financial year was very successful. Roth & Rau managed to improve all key management and earnings figures and exceeded its annual forecasts. At € 272,122k, sales were around 8.8% higher than the forecast figure of € 250,000k. The EBIT margin exceeded the budget figure of 10.0% by 0.5 percentage points. The segments also developed on schedule.

The strong growth in the sector in the first six months led to dynamic developments in the order situation and to orders on hand of € 213,037k at the end of the year. Although demand showed its first tangible decline, especially in the fourth quarter, Roth & Rau has nevertheless successfully positioned itself for the new year. The reinforcement of the Group's leading market position in the field of antireflective coating systems and expansion of its market share in the turnkey production line business achieved in 2008 provide a superb foundation for maintaining the positive business performance. Over and above this, we will benefit from the financing measures implemented in the first half of 2008. These enabled us not only to increase our equity, but also to improve our liquidity and thus to secure financing at an early stage for the investments budgeted for 2009.

Events After the Reporting Date

Acquisition and cooperation raises share of proprietary products in solar cell production

Roth & Rau AG took over TECNOFIMES S.R.L., based in Monza/Italy, as of 1 January 2009. TECNOFIMES is a provider of production equipment for thermal processes, especially diffusion and firing, used in the manufacture of crystalline silicon solar cells. With this takeover, Roth & Rau has extended its product range and secured access to two major process steps within the solar cell production process. It is planned to produce new kinds of in-line diffusion furnaces at Roth & Rau, drawing on the development expertise contributed by TECNOFIMES, and then launch these onto the market. This will enable Roth & Rau to tap further growth potential and to expand the share of proprietary products in its turnkey lines from around 45% currently to around 65% in future.

Roth & Rau intends to achieve its long-term aim of covering the entire production process – from wafer through to cell – by means of a cooperation agreed with Manz Automation AG, Reutlingen, in January 2009. The two companies will work together, especially on turnkey projects. In terms of the technology involved, Roth & Rau will focus on front-end processes, while Manz will concentrate on back-end processes. Synergies are expected to arise from the use of the joint sales and service network, in sales and in research and development. In the medium term, it is planned to launch a new generation of turnkey production lines onto the market, a development which promises to offer further growth potential.

First milestone reached in planned expansion of thin film activities

On 23 February 2009, Roth & Rau AG acquired 100% of the shares in CTF Solar GmbH, Kelkheim (CTF), as well as specific assets required in CTF's business operations and owned by ASTEQ Applied Space Techniques GmbH. The parties have agreed a purchase price in a single-digit million euro range which is dependent on the achievement by 2012 of contractually specified target agreements. With this acquisition, Roth & Rau AG has taken a major strategic step towards extending its product range in the field of thin film technology and secured the expertise required to produce turnkey production lines for the manufacture of thin film solar modules on a cadmium telluride basis (CdTe solar modules). These modules involve low costs (€/W) while at the same time offering a moderate degree of efficiency, a factor which the company believes could appeal to a large number of potential customers in the market for thin film modules. Acting as a general contractor, Roth & Rau plans to offer CdTe turnkey production lines, among other products, in future and to acquire global market share in this field. The Group stands to benefit in this respect from its extensive experience with turnkey lines for crystalline solar technology. Roth & Rau will not only assume the project management, but will also produce the coating systems for the depositation of the cadmium telluride compound. These systems represent key components in the overall production process. At around 58%, they also account for the largest share of investment costs for the overall production line. Not only that, there is still no equipment supplier offering CdTe coating systems or complete turnkey solutions in this field. It is planned to launch the turnkey production lines onto the market in 2009 already.

Apart from these, there have been no other changes in the situation of the company since the beginning of the 2009 financial year which could have a material impact on the sales, earnings and net asset position of the Roth & Rau Group.

Opportunity and Risk Report

The sustainable success of a company's performance is dependent on the company having a deliberate and controlled approach towards the management of opportunities and risks. As a Group with international operations, Roth & Rau is exposed to numerous risks which have to be detected and managed at an early stage. Conversely, market environments such as the photovoltaics industry, which is still at the beginning of its development, regularly offer entrepreneurial opportunities with the potential to have a decisive impact on the further development of the Group. Together with the enhancement of the relevant systems, continuous opportunity and risk management therefore forms an integral component of corporate management at the Roth & Rau Group.

Opportunity and risk management system
The objective of the opportunity and risk management system is to detect and assess risks at an early stage and to develop suitable measures within the risk management framework. Risks are taken to include both those events which could impact negatively on the future of the Group as well as any failure to act on positive possibilities for development and opportunities, or to do so only to an inadequate extent.

The Management Board pursues a risk policy which allows the company to manage risks deliberately and in a controlled manner. Roth & Rau's risk management is firmly integrated into existing organisational, reporting and management structures. This ensures that individual risks are documented across all group divisions and regularly pooled in central risk management on group level. The risk management system was enhanced and adjusted in 2008 to account for the stricter requirements resulting both from the strong growth in operations and from the acquisitions made by the Group. The risk management system is intended to inform the Management Board of any major risks at an early stage, thus enabling it to develop and implement countermeasures aimed at avoiding, minimising and hedging risks on an ongoing basis.

Individual risks are documented in all operating divisions on a quarterly basis using predefined risk categories. Subsequent evaluation provides information concerning the risks' probability of occurrence and potential amount of loss. Particular attention is paid to those risks which could endanger the continued existence of individual companies or of the Group as a whole. The same procedure is used to analyse and evaluate long-term projects, starting as early as the acquisition stage. Over and above the predefined risk reporting structures, all employees have also been made aware of potential risks and called upon to provide reports accordingly.

The risks identified are allocated to five predefined risk classes requiring hierarchically structured reporting. Depending on the risk class, the decision concerning potential measures is taken on the operating management level or by the Management Board. The Management Board monitors and assesses the current risk situation on an ongoing basis and forwards relevant reports to the Supervisory Board. These reports are based on the quarterly overall risk reports compiled on the basis of the individual risk evaluation.

Opportunities

Opportunities from sector developments

According to sector exports, the achievement of grid parity, i.e. the point at which electricity generated from solar energy becomes competitive in terms of costs with electricity from conventional energy sources, represents the key precondition for the further long-term growth of the solar market. This will also provide Roth & Rau with opportunities to maintain its successful development. With its range of innovative product developments, Roth & Rau will draw on its very strong position in the market to make an active contribution towards the achievement of grid parity. Moreover, Roth & Rau will further extend its broad market presence and optimise its internal structures so as to be even better prepared for the expected growth in the market.
The cutting back of state subsidy programmes in some major solar markets, such as Germany and Spain, in 2008 has increased the pressure on providers of solar cells and modules to innovate and reduce costs. With its ongoing research and development, Roth & Rau is working on further enhancing its facilities and product lines to meet increased customer requirements in this respect. For Roth & Rau, this development harbours the opportunity of benefiting from rising demand for innovative, technologically leading solutions.

Positive developments in terms of subsidy policy can be seen in the USA. At the end of September, the US government approved the extension of tax subsidies for renewable energies by setting 30% tax relief on solar facilities used privately and commercially for a further eight years. Additional momentum promises to come from the assumption of office by the new US president, Barack Obama, who intends to press significantly ahead with promoting regenerative energy forms.

One ongoing trend is the entry of companies alien to the sector into the photovoltaics market. To build up their solar cell production, these companies tend to draw on turnkey solutions which supply the technological expertise and the corresponding production lines. As one of the leading providers of turnkey solutions for crystalline silicon solar cells, Roth & Rau is superbly positioned to benefit from this market growth.

Corporate strategy opportunities

The expansion of its position of technology leadership in the market will provide Roth & Rau with opportunities of acquiring new markets and customers and of achieving further growth. Roth & Rau is therefore stepping up its investments in research and development, quality assurance for its products and employee training measures.

Roth & Rau is pressing consistently ahead with the internationalisation of its service and sales network. In this way, the company aims to exploit opportunities of positioning itself at an early stage in emerging photovoltaics markets and of boosting its lucrative service and replacement parts business in existing markets by means of greater proximity to its customers.

Major opportunities which could lead to a diversification of the company's business model and thus broaden its positioning and spread its risks may result from the Group's intensive research and development activities. Roth & Rau is focusing on customised system solutions and processes, especially in its plasma and ion beam technology segment. These allow additional fields of application in other industrial sectors, such as the semiconductor industry or optics, to be accessed for the company's products and services.

Risks

Macroeconomic risks

Macroeconomic developments in Roth & Rau's most important sales markets could impact negatively on the Group's business performance. To minimize dependency on individual markets, Roth & Rau is further expanding its global presence and relying on the regional diversification of its customer base. Exports accounted for an 86.5 % share of sales in the 2008 financial year.

Triggered by the international financial crisis, the development in economies around the world will deteriorate drastically in the 2009 financial year. Some major economic players, including Germany, will be in recession, a factor which will impact negatively on large sections of the economy. Roth & Rau also faces the risk that this will negatively affect demand for its products and that for the same reason the company's performance in the 2009 financial year will be poorer than expected. By analyzing its order situation closely and maintaining an ongoing exchange of information with its customers, Roth & Rau is attempting to avert potential uncertainties as far as possible so as to obtain a basis for further specifying and firming up its sales and earnings forecast for the 2009 financial year. All in all, with its superb liquidity position, high volume of orders on hand and technologically leading products, Roth & Rau is at present optimally equipped to act successfully even in the difficult market climate expected.

Sector-specific risks

The Roth & Rau Group generated a large majority of its sales (94.2 %) with customers in the photovoltaics industry in 2008 as well. The company's business performance is therefore especially dependent on this customer group's willingness and ability to invest. The current scarcity of credit on the capital markets is negatively affecting our customers' financing possibilities in some cases. This could lead to intended purchases of our systems being postponed or scaled down. Moreover, the restrictions on the financial markets and any reduction in our customers' sales due to macroeconomic factors could impact negatively on the collection of systems already ordered and the punctual payment of outstanding invoices. Orders on hand amounted to € 213,037k as of 31 December 2008 and were thus sufficient initially to ensure capacity utilisation into the third quarter of 2009.

Changes in the regulatory environment may also influence customers' investment behaviour. In many countries, manufacturers of crystalline silicon solar cells are heavily reliant on state subsidies for the photovoltaics sector. There is no guarantee that existing subsidies will be maintained to the necessary extent in future as well. In 2008, subsidies were significantly cut in Germany and Spain, for example, a development which has led to a drastic slowdown in growth in the Spanish market. There is the risk that any further reduction in subsidies or their abolition in other countries could impact negatively on demand for Roth & Rau's products. Roth & Rau is countering this risk by diversifying its activities by means of increasing internationalisation and by offering innovative products which help its customers to optimise their production costs and thus boost their competitiveness.

The consolidation of the market currently underway also harbours risks. The competitive structure within the sector is currently changing on account of mergers, strategic alliances and acquisitions. New competitive relationships are arising, particularly as a result of company acquisitions and strategic dependencies between suppliers and competitors. There is the risk that new competitors will increasingly penetrate the market in future. Competitors in other countries could attempt to exploit more favourable cost structures at their respective locations to increase their presence on the market with aggressive pricing policies and thus to acquire additional market share. Roth & Rau counters such price advantages with the high quality of the products it manufactures, technologically sophisticated solutions, short supply times and better customer service.

One factor significantly influencing customer demand is the unavailability of sufficient volumes of the pure solar silicon required to manufacture crystalline silicon solar cells. Against all expectations, the supply shortage resulting from the rapid growth of the solar industry in recent years has not yet been fully remedied. Roth & Rau supports its customers in tackling this problem by developing new products for use in alternative technologies, such as thin film technology, in which the use of silicon is partly or entirely dispensable.

Corporate strategy risks

To enable it to benefit from the growth potential in the international photovoltaics market, Roth & Rau made substantial investments in the past in expanding its production and personnel capacities. However, the company's rapid growth also harbours risks. The newly created organisational, management and risk structures have to be continually optimised and reinforced to ensure that all key corporate management and control tasks are being performed efficiently. In view of this, Roth & Rau will further strengthen its business resources and key management positions and consistently exploit periods of slower growth in operations to optimise its internal processes.

The acquisition of companies and company shareholdings and the establishment of joint ventures represent an important component in the strategy of the Roth & Rau Group. Erroneous investment or any misjudgement of the risks involved in individual transactions and or the risks resulting from the subsequent integration of companies acquired into the Group could have considerable negative implications for the Group's net asset, financial and earnings position. Intensive reviews performed in the run-up to such acquisitions or investments are intended to minimise the risks which could arise, for example, on account of the legal, economic or specific company framework. Moreover, in the 2008 financial year the company introduced investment controlling activities to monitor the achievement of specified targets.

Furthermore, there is also the risk of rapid technological change as a result of which Roth & Rau's products may no longer satisfy market requirements. It is for this reason that research and development plays a crucial role in the Group's strategy. The company invested in 2008, for example, in the construction of a new technology centre offering an optimal working environment for the research and development team. Alongside its own highly qualified employees in this area, Roth & Rau also cooperates with leading universities and research institutes to enable it to identify and implement new trends at an early stage. To respond to risks resulting from technological progress, the company is investing a considerable share of the proceeds from its IPO and capital-related measures in developing new technologies.

The Roth & Rau Group will be maintaining its strategy of internationalisation in the coming years as well. In doing so, the company is exposed to political, macroeconomic and legal risks in the relevant target countries, which could limit the success of this expansion. Roth & Rau is therefore making every effort to acquire suitable specialist and management staff with in-depth knowledge of local market and other relevant conditions.

Performance risks

Roth & Rau procures a major share of the components and modules required for its products from suppliers. It is therefore exposed to the risk of supplier failure or supply bottlenecks. The risk of supplies being postponed due to capacity bottlenecks at upstream suppliers has currently reduced due to the weakening in demand in the wake of the financial crisis, but will return to the fore following any sudden market recovery. Falling back on other providers in such case can also have a negative impact in the form of less advantageous procurement terms or production delays. Roth & Rau partly mitigated this risk in 2008 by means of vertical integration. In the fourth quarter of 2008, the company took over Muegge-electronic GmbH and decided to acquire Ion-Tech GmbH. Roth & Rau has thus secured access to expertise and ensured supply reliability for especially critical components. In terms of turnkey production lines, the risk of supplier dependency is to be reduced, chiefly by increasing the company's proprietary share of the value chain. The acquisition of TECNOFIMES S.R.L. as of 1 January 2009 should increase Roth & Rau's own share of products and services in the turnkey solutions it offers from around 45% to around 65%. The cooperation with Manz Automation AG also launched in January 2009 should contribute towards raising this key figure to up to 100%. Further information on this can be found in the chapter "Events After the Reporting Date" (Page 80).

Furthermore, there are currently also risks resulting from market-related supply delays on the sales side. Should the completed equipment have to remain in storage for any longer period, then there is the risk that warranties granted by suppliers for components and modules thereby supplied will expire before the equipment is installed at the customer.

Potential product defects and any resultant liability claims, especially in connection with the implementation of turnkey projects in which Roth & Rau is liable as general contractor for the correct supply and functionality of the overall facility, are to be averted by means of permanent production monitoring within the quality management framework and by working with highly qualified service technicians and engineers. Moreover, systems are only handed over to customers following exhaustive inspection for potential defects.

Personnel risks

The training, motivation and long-term commitment of its employees are key success factors for the Roth & Rau Group. The main sources of risk are inadequate availability of qualified personnel, or the loss of expertise due to above-average turnover of trained personnel. The aim is therefore to attract highly qualified employees to the company, especially in the field of research and development, and to retain these in the long term. Roth & Rau creates incentives for achieving this by offering appropriate, performance-based compensation, voluntary social benefits, extensive training and development programmes and by ensuring optimal working conditions. Over and above this, acting with a long-term perspective and due circumspection, Roth & Rau will press further ahead with training and developing the next generation of staff at the Group. Moreover, the Group's personnel capacities and specialist expertise are being continuously extended and supplemented as a result of its M&A activities.

Financial risks

The Roth & Rau Group has expanded rapidly in recent years and continues to pursue a growth strategy requiring considerable investment in some areas. To finance this growth, Roth & Rau can currently draw on a high volume of liquid funds, sufficient equity and loan agreements. In the medium to longer term, however, the company will require further liquidity and debt capital, a factor which involves some risks. To counter potential liquidity, foreign currency or interest rate change risks, the company's financial management includes an extensive cash management system, long-term cooperation with providers of debt capital and forward-looking liquidity budgeting. On this basis, the Group sees itself in a position to manage its long-term financing requirements even in a changing banking environment.

Exchange rate risks only play a subordinate role at the Roth & Rau Group, as a high share of sales is invoiced in euros. Moreover, the company generally receives a not inconsiderable share of the purchase price upon contracts being signed, which means that the risk of fluctuations in exchange rates is low even for orders invoiced in foreign currencies. Where necessary, the Group enters into project-related currency hedging transactions. Interest rate risk is currently classified as low, as the Group's non-current loans only amount to € 4.5 million and loans with floating interest rates are hedged with interest swaps.

In specific individual cases, the creditworthiness of individual customers and suppliers has deteriorated drastically in the course of the financial crisis. The Group is therefore stepping up its financial security measures. There is a general default risk, especially for companies new to the turnkey business. Roth & Rau is countering the risk that customers will be late in fulfilling their payment obligations, or fail to do so entirely, by undertaking detailed customer creditworthiness checks before accepting the relevant orders and by linking payment terms to the progress made in handling the order in question.

In 2006, the company concluded a supply contract with Conergy SolarModule GmbH & Co. KG (formerly HighSi GmbH) for the supply and assembly of four cell production lines. The delivery has been completed and the first two lines were fully assembled in early 2008 already. The assembly of the third and fourth lines was suspended after instalments due for payment were not transferred in spite of numerous reminders. The terms of the contract entitle the company to suspend further services when the client is in default with payment of due instalments. Currently, one part-instalment has been due for payment since the delivery of all lines. Conergy SolarModule GmbH has refused payment of this part-instalment, referring to putative counterclaims due to defects in the lines. However, Conergy SolarModule GmbH has so far failed to substantiate these putative counterclaims, which means that it is still to be assumed that the company is merely using the counterclaims as a protective claim. To date, Conergy has not set any specific deadlines in the legally required form for substantiated defects to be remedied. Based on the assessments of our lawyers, there is currently no founded, quantifiable legal risk. The new liquidity and shareholder structure at Conergy apparent from public sources of information infer that the risk remains calculable within the framework of customary plant construction problems and that there is currently no write-down requirement.

Legal risks

Legal risks may result from any unwitting infringement of third-party intellectual property rights. Due in particular to the fact that a not inconsiderable share of Roth & Rau's expertise is not protected by proprietary patents, the risk cannot be excluded that competitors will assert claims against Roth & Rau in connection with the infringement of property rights. No such legal disputes have materialised to date. Conversely, there is also the risk that third parties will copy Roth & Rau's expertise and infringe patents or other property rights. To protect its extensive expertise, the company regularly concludes confidentiality agreements with its employees, customers and partners in research and development projects.

Since June 2008, Roth & Rau has employed a Compliance Officer who is also responsible for the communication with external lawyers. As part of this compliance function, the company has pressed consistently ahead with the introduction of various sets of guidelines and work instructions.

In an as yet unresolved legal dispute, an employee working in the USA for one of the company's customers who suffered substantial hand injuries due to a work-related accident in December 2004 in connection with the operation of a machine produced and supplied by Roth & Rau has filed a lawsuit against the company at an American court for damages and smart money. Based on an initial assessment by the US lawyers advising the company, if successful the lawsuit could lead to Roth & Rau being liable for an amount of between US$ 2.5 million and US$ 3.5 million. The company has business liability insurance which covers this third-party liability risk. However, it cannot be ruled out that Roth & Rau will be held liable in connection with this accident or other accidents in future.

Overall statement on risk position

Analysis reveals that none of the quantifiable risks identified within our risk management system represents a threat to Roth & Rau's continued existence. Even in the worst case – all of the risks cumulatively materialise within a given year – no threat to the company's continued existence is apparent.

Following the introduction of probability of occurrence categories to the risk recording procedure in the fourth quarter of 2008, namely "High Risk (>75%)", "Medium Risk (>50%)" and "Low Risk (< 25%)" it will be possible in future periods to identify and monitor the trend in the risks identified in terms of their probability and monetary risk category. According to the risk matrix we work with, "High Risks" accounted for 6% of risks at the end of the fourth quarter of 2008, while "Medium Risks" and "Low Risks" accounted for 14% and 80% of risks respectively.

In view of our risk profile and as a result of our position in the market, our power of technological innovation, our highly committed employees and our early warning risk identification processes, we are confident that we will successfully master the challenges resulting from the aforementioned risks in 2009 as well.

Outlook

Macroeconomic developments

The global economy will continue on the downward course taken in the second half of 2008 in 2009 as well. The efforts being made by governments and central banks to counter the recession with economic recovery programmes and a policy of low interest rates will, according to experts, help to cushion the spiral in production output, but will not be able to stop the economic downturn. The Kiel Institute for the World Economy (IfW) therefore expects global output to rise by 0.4% in 2009. The economic downturn in industrialised countries is expected to intensify further in the coming months. The IfW expects GDP in these countries to decline by 1.8%. Alongside the USA, the European Union has been especially hard hit and is expected to suffer the sharpest downturn in output in its history. According to the IfW, emerging economies will witness a tangible reduction in exports in 2009 due to declining demand from the industrialised economies. This situation will be exacerbated by the deterioration in financing terms and a drastic reduction in commodity prices, which in many emerging economies will lead to massive losses of export revenues. Based on the assessment by the IfW, the Chinese economy will grow at 5.8%, and thus at its lowest rate in almost 20 years. At 4.7%, the growth forecast for the Indian economy is also significantly lower than in 2008.

The German economy also faces tough macroeconomic challenges in 2009. In its latest Annual Economic Report, the Federal Government expects price-adjusted GDP to decline by 2.25%. Leading economic experts expect the German economy to start recovering at the earliest in the second half of 2009.

Sector developments

In view of the overall economic slowdown, the pace of growth in the photovoltaics sector is also set to slacken in 2009. This will also impact on demand for production equipment. Investments in expanding production capacities and in new equipment will crucially depend on capital procurement terms. Any lack of financing possibilities, or deterioration in financing terms, will lead some solar cell producers to postpone planned investments to a later date. Based on our assessment, we therefore expect the overall order situation to show subdued developments in the first six months of 2009. We only expect to see a recovery at the earliest in the second half of the year.

In the long term, the growth trend in the solar sector is still intact. If we intend to avoid energy and climate problems in future, then there is no alternative to renewable energies, and in particular solar energy. Experts therefore expect growth to pick up once again from 2010 onwards. Further significant growth potential is expected to arise upon the achievement of grid parity.

The improvement in the political framework provides a further positive indication of sustainable growth. Governments in the most important economies have committed themselves to stepping up investment in saving the climate, and thus in renewable energies. In particular, the change of direction in the US administration is providing additional growth momentum.

Strategic outlook for 2009

We will uphold our long-term growth strategy, even if the market climate is tough. In the field of crystalline solar technology, we intend to focus in 2009 on achieving organic growth and on optimising our internal structures, which have recently grown rapidly, so as to be even better prepared for the long-term growth expected and to further increase our profitability. By continuously expanding our international service and sales locations, we aim to aggressively promote the high-margin maintenance and replacement parts business. In the context of the planned extension of our technology and product portfolio, we will focus more closely on thin film technology in the coming year. We took a first decisive step in this direction by acquiring all of the assets of CTF Solar GmbH. Further targeted acquisitions are conceivable.

The expansion of research and development activities will remain a strategic focus in 2009, thus enabling us to satisfy the growing pressure for innovation and lower costs from solar cell manufacturers with technologically leading products. The investments made in strengthening our research and development activities in the past financial year form a superb basis in this respect. We will liaise closely with our new cooperation partner, Manz Automation AG, in further developing our turnkey production lines. Within this cooperation, Roth & Rau will primarily focus on optimising front-end processes, while Manz will enhance the back-end processes. A further focus involves the cooperation with the University of New South Wales. The aim is to integrate initial technology steps into the turnkey production lines in the second half of 2009 already and then to offer these as upgrades for existing production lines.

In the plasma and ion beam technology segment, the existing projects will be maintained with one exception. The PlasmaCure process for varnish hardening in the automobile industry, which has been developed in cooperation with Dürr Systems GmbH and Ciba Spezialitätenchemie AG, will be discontinued, as it currently is not possible to achieve the process cost targets in the short term. The employees will be deployed in other research and development projects, especially in the photovoltaics segment. Other than this, we will focus in the coming years on accessing new fields of application for especially large-scale plasma processes, such as those used in the optics industry.

Expected business performance and order situation

With orders on hand of € 213,037k as of 31 December 2008, we are in a comfortable position to start the new financial year. This well-stocked order book thus reaches into the third quarter of 2009. The first major order in the new year also gives us grounds to be cautiously optimistic about the order situation. In January, the Korean solar cell manufacturer Millinet Solar ordered two turnkey production lines worth € 26.0 million in total. This order demonstrates on the one hand that larger-scale investment projects can certainly be expected in 2009 and on the other hand that turnkey production lines in particular are in demand. As one of the leading providers in this area, Roth & Rau stands to benefit from this development.

The difficult financing conditions resulting from the financial and banking crisis will not have any decisive impact on financing at the Roth & Rau Group in 2009. We acted early to secure the financing for our strategic objectives with the capital increase in April 2008 and by concluding the syndicated loan agreement. With liquid funds of € 91,515k as of 31 December 2008, we are optimally prepared in financial terms for the new financial year.

Sales and earnings forecast

Based on our current volume of orders on hand and the pleasing development in new orders in the first weeks of the new year, we currently expect to generate sales of between € 245 million and € 270 million in the 2009 financial year as a whole. We are pursuing the target of acquiring additional market share. In respect of earnings, we will maintain the course of further increasing our profitability already taken in 2008 so as to further improve our EBIT margin in 2009 as well.

This conservative forecast remains subject to numerous uncertainties in connection with the current economic crisis and the difficult financing conditions arising for our customers as a result. We will continue to monitor the propensity to invest in the photovoltaics sector closely in the coming months and further specify our sales and earnings forecasts as and when further information becomes available.


ROTH
&RAU

Consolidated Financial Statements

in accordance with IFRS
as of 31 December 2008
for the Roth & Rau AG

Consolidated Financial Statements

Consolidated Financial Statements as of 31 December 2008 (IFRS)

Consolidated Balance Sheet

Assets	Note	31.12.2008 € 000s	31.12.2007 € 000s
Non-current assets			
Intangible assets	4.1.1.	27,359	4,614
Property, plant and equipment	4.1.2.	21,075	9,441
Financial assets	4.1.3.	11,006	0
Other non-current receivables	4.1.4.	2,276	11
Investment property	4.1.5.	171	184
Deferred tax assets	4.4.2.	493	936
Total non-current assets		**62,380**	**15,186**
Current assets			
Inventories	4.2.1.	28,696	12,314
Receivables from long-term construction contracts	4.2.2.	75,801	34,783
Trade receivables and other receivables	4.2.3.	30,312	13,552
Cash and cash equivalents	4.2.4.	91,515	63,270
Total current assets		**226,324**	**123,919**

Total assets		**288,704**	**139,105**

Shareholders' equity and debt	Note	31.12.2008 € 000s	31.12.2007 € 000s
Shareholders' equity			
Share capital	4.3.1.	13,800	2,530
Capital reserve	4.3.2.	149,457	62,229
Revenue reserves	4.3.3.	6,041	2,034
Other reserves	4.3.4.	245	172
Unappropriated retained earnings	4.3.5.	34,815	15,798
Minority interests	4.3.6.	2,098	0
Total shareholders' equity		**206,456**	**82,763**
Non-current debt			
Non-current loans	4.4.1.	3,750	1,400
Deferred tax liabilities	4.4.2.	13,840	6,120
Non-current provisions	4.4.3.	124	451
Total non-current debt		**17,714**	**7,971**
Current debt			
Liabilities from long-term construction contracts	4.5.1.	8,172	24,946
Trade payables and other liabilities	4.5.2.	36,371	20,107
Prepayments received	4.5.3.	10.284	70
Current loans	4.5.4.	736	409
Current tax liabilities	4.5.5.	1,348	460
Other current provisions	4.5.6.	7,623	2,379
Total current debt		**64,534**	**48,371**
Total debt		**82,248**	**56,342**

Total sharholders's equity and debt		**288,704**	**139,105**

Consolidated Income Statement

	Note	2008 € 000s	2007 € 000s
Sales	**5.1.**	**272,122**	**146,229**
Increase/decrease in stocks of finished products and work in progress	5.2.	8,024	1,234
Capitalised services rendered to own-account	5.3.	5,456	2,548
Other operating income	5.4.	2,537	356
		288,139	**150,367**
Cost of materials	5.5.	-205,264	-118,412
Personnel expenses	5.6.	-20,145	-7,563
Amortisation of intangible assets and depreciation of property, plant and equipment	5.7.	-6,062	-1,696
Other operating expenses	5.8.	-28,120	-8,832
Earnings before interest and taxes		**28,548**	**13,864**
Financial income		4,329	1,447
Financial expenses		-1,076	-221
Net financial result	**5.9.**	**3,253**	**1,226**
Earnings before taxes		**31,801**	**15,090**
Taxes on income	5.10.	-8,639	-3,409
Consolidated net income		**23,162**	**11,681**
Of which: attributable to minority interests		138	0
Of which: attributable to shareholders in Roth & Rau AG		23,024	11,681
Earnings attributable to shareholders in Roth & Rau AG		**23,024**	**11,681**
Earnings carried forward from previous year		15,798	5,577
Allocation to revenue reserves		-4,007	-1,460
Unappropriated retained earnings	**4.3.5.**	**34,815**	**15,798**
Basic earnings per share in €/share (IAS 33)	**5.11.**	**1.82**	**1.22**

Consolidated Cash Flow Statement

	Note	2008 € 000s	2007 € 000s
Consolidated net income		23,162	11,681
Depreciation / amortisation of non-current assets	4.1.1.3.; 5.7.	6,071	1,708
Losses on disposal of property, plant and equipment		2	0
Change in deferred taxes	5.10.	4,744	2,878
Changes in value of derivative financial instruments		0	160
Change in pension provisions	4.4.3.2.	-661	30
Non-cash expenses and income		1,537	439
Change in value of equity-settled phantom stock option plan	4.4.3.1.	6	0
Cash flow		**34,861**	**16,896**
Increase (-) / decrease (+) in inventories	4.2.1.	-16,367	8,179
Increase in receivables from long-term construction contracts	4.2.2.	-39,709	-23,250
Increase in receivables and other assets	4.2.3.	-17,197	-8,760
Increase (+) / decrease (-) in prepayments received on orders	4.5.3.	10,214	-464
Increase (+) / decrease (-) in liabilities from long-term construction contracts	4.5.1.	-19,187	2,771
Increase in business-related liabilities	4.5.2.	20,085	16,712
Increase in working capital		**-62,161**	**-4,812**
Cash flow from operating activities		**-27,300**	**12,084**
Investments in intangible assets	4.1.1.	-3,983	-2,005
Investments in property, plant and equipment	4.1.2.	-9,112	-6,897
Acquisition of subsidiaries, less cash acquired	4.1.1.2.	-21,807	0
Investments in financial assets	4.1.1.4.	-11,003	0
Loans to affiliated companies	4.1.4.	-1,270	0
Proceeds from disposal of property, plant and equipment		37	0
Cash flow from investing activities		**-47,138**	**-8,902**
Capital increase	4.3.1.; 4.3.2.	101,282	36,340
Costs of capital increase	4.3.2.	-2,790	-756
Taking up of loans	4.4.1.	2,000	2,000
Redemption of loans	4.4.1.	-443	-1,597
Cash flow from financing activities		**100,049**	**35,987**
Increase in cash and cash equivalents		25,611	39,169
Cash and cash equivalents at beginning of period	4.2.4.	63,270	24,469
Changes in cash and cash equivalents due to changes in exchange rates, scope of consolidation and valuation		2,634	-368
Cash and cash equivalents at end of period	**4.2.4.**	**91,515**	**63,270**

Statement of Changes in Group Equity

	Share capital € 000s	Capital reserve € 000s	Revenue reserves € 000s
1 January to 31 December 2008			
Balance at 1 January 2008	2,530	62,229	2,034
Consolidated net income	0	0	4,007
Minority interests	0	0	0
Capital increase	920	100,362	0
Capital increase from company funds	10,350	-10,350	0
Equity procurement expenses (after taxes)	0	-2,790	0
Equity-settled compensation (phantom stock option plan)	0	6	0
Measurement of derivative financial instruments and cash equivalents directly in equity	0	0	0
Equity	**13,800**	**149,457**	**6,041**
1 January to 31 December 2007			
Balance at 1 January 2007	2,300	26,655	574
Consolidated net income	0	0	0
Capital increase	230	36,110	0
Allocation to revenue reserves	0	0	1,460
Equity procurement expenses (after taxes)	0	-465	0
Correction of IPO transaction expenses (after taxes)	0	-71	0
Revenue reserves	0	0	0
Equity	**2,530**	**62,229**	**2,034**

	Other reserves € 000s	Unappropriated retained earnings € 000s	Minority interests € 000s	Total € 000s
	172	15,798	0	82,763
	0	19,017	138	23,162
	0	0	1,960	1,960
	0	0	0	101,282
	0	0	0	0
	0	0	0	-2,790
	0	0	0	6
	73	0	0	73
	245	**34,815**	**2,098**	**206,456**
	12	5,577	0	35,118
	0	11,681	0	11,681
	0	0	0	36,340
	0	-1,460	0	0
	0	0	0	-465
	0	0	0	-71
	160	0	0	160
	172	**15,798**	**0**	**82,763**

Notes to the Consolidated Financial Statements

1. Organisation and principle accounting policies

1.1. Business and company

Roth & Rau AG, the parent company based in Hohenstein-Ernstthal (ISIN DE000A0JCZ51), is a supplier of plasma processing systems to the photovoltaics industry. In addition, the company offers components and processing systems based on plasma and ion beam technology to other sectors. The systems are developed by Roth & Rau and produced and marketed worldwide by the photovoltaics and plasma and ion beam technology segments.

The company moved from the Entry Standard to the Prime Standard in the context of the capital increase with subscription rights completed in April 2008. This formed the basis for the company's admission into the select TecDAX index of the German Stock Exchange, to which Roth & Rau AG was admitted in the context of an unscheduled adjustment as of 5 June 2008.

Roth & Rau AG is entered in the Commercial Register of Chemnitz District Court under the number HRB 19213. It is a company limited in liability, founded in Germany and based in 09337 Hohenstein-Ernstthal, An der Baumschule 6-8.

The consolidated financial statements of the Roth & Rau Group ("the Group") for the financial year as of 31 December 2008 have been approved for publication by the Management Board. The Management Board of Roth & Rau AG comprises Dr. Dietmar Roth (CEO) and Carsten Bovenschen (CFO). The Supervisory Board consists of Eberhard Reiche (Supervisory Board Chairman), Prof. Dr. Alexander Michaelis (Deputy Chairman) and Daniel Schoch.

1.2. Principle accounting policies

1.2.1. Basis of preparation

In general, application has been made of the historic cost principle in the preparation of these consolidated financial statements, with the exception of derivative financial instruments and financial assets available for sale, which have been measured at fair value. The carrying amounts of recognised assets and liabilities that are hedged items in fair value hedges that would otherwise by carried at cost, are adjusted to record changes in the fair values attributable to the risks thereby hedged.

The consolidated financial statements have been compiled in euros, the Group's functional currency. Unless otherwise stated, all figures have been rounded up or down to the nearest thousand (€ 000s) in line with customary commercial practice.

In these IFRS annual financial statements and the comparative information contained therein, application has been made without exception of all International Financial Reporting Standards (IFRS/IAS) of the International Accounting Standards Board (IASB) and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) in the form requiring compulsory application in the EU as of the reporting date.

The following table presents the new or revised Standards (IAS/IFRS) and Interpretations (IFRIC) requiring compulsory application from 1 January 2008 or voluntarily applied prematurely from 1 January 2008, as well as their implications for the Group:

Standard/Interpretation	Compulsory Application from	Adopted by EU Commission	Implications
IAS 39 / IFRS 7 Reclassification of Financial Assets - Effective Date and Transition	1 June 2008 (retrospective)	15 October 2008	no implications
IFRIC 11 IFRS 2 - Group and Treasury Share Transactions	1 January 2008	1 June 2007	no implications

The following table presents the new or revised Standards (IAS/IFRS) and Interpretations (IFRIC) not yet requiring compulsory application in the 2008 financial year, as well as their implications for the Group:

Standard/Interpretation	Compulsory Application from	Adopted by EU Commission	Implications
IAS 1 Presentation of the Financial Statements	1 January 2009	17 December 2008	no material implications
IAS 23 Borrowing Costs	1 January 2009	10 December 2008	no material implications
IAS 27 Consolidated and Separate Financial Statements	1 July 2009	No	no material implications
IAS 32 Financial Instruments: Presentation (Puttable Instruments and Obligations Arising on Liquidation)	1 January 2009	21 January 2009	no material implications
IAS 39 Financial Instruments: Recognition and Measurement (Exposures Qualifying for Hedge Accounting)	1 July 2009	No	no material implications
IFRS 1 / IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009	23 January 2009	no material implications
IFRS 1 Restructuring of Standard	1 July 2009	No	no material implications
IFRS 2 Share-based Payment (Vesting Conditions and Cancellations)	1 January 2009	16 December 2008	no material
IFRS 3 Business Combinations	1 July 2009	No	no material implications
IFRS 8 Operating Segments	1 January 2009	21. November 2007	no material implications
Various Annual Improvement Projects 2008	1 January / 1 July 2009	23 January 2009	no material implications
IFRIC 12 Service Concession Arrangements	1 January 2010	No	no implications
IFRIC 13 Customer Loyalty Programmes	1 July 2008	16 December 2008	no implications
IFRIC 14 / IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2009	16 December 2008	no material implications
IFRIC 15 Agreements for the Construction of Real Estate	1 January 2009	No	no implications
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	1 October 2008	No	no material implications
IFRIC 17 Distributions of Non-cash Assets to Owners	1 July 2009	No	no implications
IFRIC 18 Transfers of Assets from Customers	1 July 2009	No	no implications

1.2.2. Consolidation principles

The consolidated financial statements include the financial statements of Roth & Rau AG and its subsidiaries as of 31 December 2008. In the case of one subsidiary, Roth & Rau AG has the possibility of directly or indirectly controlling the financial and business policy in such a way as to benefit from the activities of this company. Subsidiaries are fully consolidated from the date of acquisition, i.e. from the date on which the Group gains control. Two subsidiaries whose impact on the net asset, financial and earnings situation is of immaterial significance have not been consolidated due to materiality and cost/benefit considerations. The financial statements of the subsidiaries have been prepared using the same accounting policies and as of the same reporting date as the financial statements of the parent company.

All intragroup balances, income and expenses have been eliminated in full, as have all unrealised gains and losses on intragroup transactions.

The following subsidiaries have been included by way of full consolidation in the consolidated financial statements as of 31 December 2008:

Roth & Rau Dünnschicht Solar GmbH

Roth & Rau Dünnschicht Solar GmbH, based in Hohenstein-Ernstthal, was founded as a wholly-owned subsidiary of Roth & Rau AG by notarised agreement dated 1 February 2008. The company's object is the development of modern surface technologies for use in plant construction, especially for refining thin film surfaces in the context of solar and photovoltaics technology, the industrial manufacture and sale of these systems and of system components of this nature, as well as the performance of related services. The company's share capital amounts to € 25k. The company was already consolidated in the quarterly financial statements as of 31 March 2008.

SLS Solar Line Saxony GmbH

Based on a notarised agreement dated 11 February 2008, the subsidiary SLS Solar Line Saxony GmbH ("SLS") was jointly founded with USK Karl Utz Sondermaschinen GmbH ("USK") to develop and manufacture automation solutions for use in silicon cell production. The company's share capital amounts to € 4,000k. Roth & Rau AG holds 51% and USK 49% of the company's shares. The company was already consolidated in the quarterly financial statements as of 31 March 2008.

AIS Automation Dresden GmbH

AIS Automation Dresden GmbH operates as a system and software provider in the field of automation and information technology for the photovoltaics and semiconductor industries. By notarised purchase agreement dated 9 June 2008, Roth & Rau AG signed the share purchase and transfer agreements for 100% of the shares in AIS Automation Dresden GmbH, Dresden. Change of control took place on 1 July 2008. AIS Automation Dresden GmbH was included in the consolidated financial statements for the first time as of 30 September 2008. The capital consolidation for AIS Automation Dresden GmbH was undertaken using the purchase method as set out in IFRS 3 by offsetting the cost of acquisition of the shares against prorated revalued equity.

Roth & Rau (Shanghai) Trading Co. Ltd.

Roth & Rau AG is the sole shareholder of Roth & Rau (Shanghai) Trading Co., Ltd., which was founded in March 2008 to manage sales, installation and customer service in the Chinese market. Individuals previously employed at the representative office in Shanghai were taken over by the subsidiary in May 2008. The subsidiary's share capital amounts to € 500k. Roth & Rau (Shanghai) Trading Co., Ltd. was consolidated for the first time as of 30 June 2008.

Roth & Rau Switzerland AG

Roth & Rau Switzerland AG was established as a wholly-owned subsidiary of Roth & Rau AG by notarised agreement dated 8 April 2008. The company's object is the performance of development work in cooperation with the University of Neuchâtel – Institute of Microtechnology in the field of heterojunction technology (HJT). Its share capital amounts to CHF 100,000. Roth & Rau Switzerland AG was consolidated for the first time as of 30 June 2008.

Solar Holding Inc.

Solar Holding Inc. was founded in Delaware by notarised agreement dated 3 March 2008. The subsidiary is intended to serve as a subholding of Roth & Rau AG for its US subsidiaries. The share capital amounts to USD 100. The company was consolidated for the first time in the interim financial statements as of 30 September 2008.

Roth & Rau USA Inc.

Solar Holding Inc. established the subsidiary Roth & Rau USA Inc. by notarised agreement dated 10 March 2008. The business activities of Roth & Rau USA Inc. should primarily involve sales and service in the US market. Its share capital amounts to USD 100. The company was consolidated for the first time in the interim financial statements as of 30 September 2008.

Roth & Rau Singapore Pte. Ltd.

Roth & Rau AG founded its subsidiary Roth & Rau Singapore Pte. Ltd. on 18 August 2008. Its share capital amounts to SGD 10,000. Roth & Rau Singapore Pte. Ltd, acts as a service and sales company in Asia. The company was consolidated for the first time as of 31 December 2008.

In the case of the following subsidiaries, the change of control occurred in 2008 already. As the implications for the net asset, financial and earnings situation of the Group were nevertheless of immaterial significance in the period under report (0.1% share of consolidated sales), it was decided due to cost/benefit considerations to forego full consolidation of the two companies as of 31 December 2008.

Muegge-electronic GmbH

Roth & Rau AG acquired 100% of the shares in Muegge-electronic GmbH on the basis of a share purchase and transfer agreement dated 21 November 2008. The contract came into force on 5 December 2008. As the implications for the net asset, financial and earnings situation of the Group were of immaterial significance (0.1% share of consolidated sales, 2.9% share of total assets), it was decided due to cost/benefit considerations to forego full consolidation as of 31 December 2008. The operations of Muegge-electronic GmbH involve the development, manufacture and sale of electro-technical appliances and systems for use in microwave technology and industrial electronics applications. The company supplies Roth & Rau with microwave systems technology, one of the core components of the SiNA antireflective coating systems.

Ion-Tech GmbH

Roth & Rau AG acquired 100% of the shares in Ion-Tech GmbH (closely related company) on the basis of a share purchase and transfer agreement dated 15 December 2008. As the company's impact on the Group's net asset, financial and earnings situation were of immaterial significance in the period under report (0.0% share of consolidated sales, 0.2% share of total assets), it was decided on grounds of cost/benefit to forego full consolidation as of 31 December 2008. The takeover of this closely related company is intended to create a clearer group structure and to contribute towards restructuring the plasma and ion beam technology (PIB) segment. Ion-Tech operates in the field of component production for the PIB business segment.

Furthermore, the following companies were in the process of being established or have been taken over in 2009.

TECNOFIMES S.R.L.

Roth & Rau AG took over TECNOFIMES S.R.L., based in Monza/Italy, as of 1 January 2009. TECNOFIMES is a provider of production equipment for thermal processes, such as diffusion and firing, used in the manufacture of crystalline silicon solar cells. In future, new types of in-line diffusion furnaces are to be developed jointly and produced at Roth & Rau. With the fields of diffusion and firing, Roth & Rau is integrating two further process steps which, alongside antireflective coating, have a major influence on the degree of efficiency of crystalline silicon solar cells.

CTF Solar GmbH

On the basis of a share purchase and transfer agreement dated 23 February 2009, Roth & Rau AG acquired all of the shares in CTF Solar GmbH, Kelkheim, from the management and the investment company Murphy & Spitz Green Capital AG. A purchase price of € 1,440k was agreed. Furthermore, the former shareholders will receive a performance-related component of € 700k dependent on the achievement of contractually stipulated target agreements by 2012.

CTF Solar GmbH has the expertise required to manufacture turnkey production lines for use in the manufacture of thin film solar modules on a cadmium telluride basis (CdTe solar modules). Roth & Rau plans to offer CdTe turnkey production lines as a general contractor in future, drawing in the process on its extensive experience with turnkey lines for crystalline solar technology. Roth & Rau will not only be responsible for project management, but will also produce the coating systems for the depositation of the cadmium telluride. These represent one of the key components in the overall production process and also account for 58%, and thus the major share of the investment costs for the entire production line.

Roth & Rau Korea Co. Ltd.

Roth & Rau AG founded its subsidiary Roth & Rau Korea Co. Ltd. in December 2008. The share capital of € 30k was paid in on 7 January 2009. The business activities of Roth & Rau Korea Co. Ltd. should chiefly involve sales and services in the South Korean market.

Roth & Rau India Pvt. Ltd.

The Indian subsidiary is still in the process of being established. No share capital has been paid in as yet. The business activities of Roth & Rau India Pvt. Ltd. should mainly involve sales and services in the Indian market.

1.3. Foreign currency translation

The consolidated financial statements are presented in euros, which is the Group's functional currency. That is the currency of the primary economic environment in which the Roth & Rau Group operates. Each company within the Group determines its own functional currency. The euro was the functional currency of the subsidiaries in the year under report. The items included in the financial statements of the respective companies have been measured using this functional currency.

Foreign currency transactions are initially translated into the Group's functional currency at the exchange rate valid on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the spot rate of exchange on the reporting date. All currency differences are recognised through profit or loss. Income and expenses are translated at the rate valid on the date of the respective transaction.

	Exchange Rate 1 € =	Rate on Reporting Date 31.12.2008	Rate on Reporting Date 31.12.2007
Swiss francs	CHF	1.4881	1.65771
Chinese remimbis	CNY	9.6061	10.73582
Canadian dollars	CAD	1.7225	1.4439
US dollars	USD	1.4094	1.47185
Singapore dollars	SGD	2.0334	2.12785

1.4. Changes in accounting policies

The accounting policies applied are consistent with those applied in the previous year. The financial statements of the companies included in the consolidated financial statements have in principle been based on consistent, uniform accounting policies. The presentation of shareholders' equity has been amended compared with the previous year. An item depicting earnings carried forward was reported in the previous year; in the financial statements as of 31 December 2008 this item has been subsumed within unappropriated retained earnings.

1.5. Summary of principle accounting policies

1.5.1. Recognition of earnings and expenses

Sales, interest and commission income from financial services and other operating income are only recognised once the respective services have been performed or when the respective goods and products have been supplied, i.e. once the relevant risks have passed to the customer. Sales involving products (delivery of plant) are generally only recognised upon acceptance by the customer.

In view of the long-term construction contracts based on fixed-price contracts in the "Plant construction" division, contract revenues and contract costs are recognised as "Sales from long-term construction contracts" in line with their percentage of completion as of the reporting date. The Group meets the conditions governing the application of the percentage of completion method laid down in IAS 11. This method is applied to construction contracts whose earnings can be reliably estimated and which have a percentage of completion of more than 50%. In cases where the percentage of completion falls short of 50%, the percentage of completion method is applied such that no prorated profit contributions are recognised.

Operating expenses are recognised in the income statement upon the supply or service being claimed or at the date on which they are incurred.

Interest income is recognised pro rata temporis. Interest expenses incurred by the Group are recognised in part using the effective interest method and in part on a prorated basis depending on the relevant contractual obligations.

Provisions for warranties are stated upon recognition of the corresponding sales.

1.5.2. Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs are interest and other expenses incurred by a company in connection with the taking up of debt capital. The Group has foregone any prospective application of IAS 23 (revised version).

1.5.3. Taxes on income

Taxes on annual earnings comprise current and deferred taxes. Taxes on income are recognised in the income statement with the exception of taxes relating to items recognised directly in equity, in which case the respective taxes are also recognised in equity.

Actual tax refund claims and tax liabilities for current and prior periods are measured at the amount at which the refund from or payment to the tax authorities is expected. The calculation of the amount is based on the tax rates and legislation in force at the reporting date.

Deferred tax assets may only be recognised as assets to the extent that it is probable that future taxable income will be available to realise the respective claim. Deferred taxes are stated for all temporary differences between the tax base for the assets/liabilities and their carrying amounts in the IFRS financial statements (so-called liability method). However, the tax deferral is omitted both upon initial recognition and subsequently if an asset or a liability arises in the context of a transaction which is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor the taxable profit or loss.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period in which the asset is realised or the liability settled. These are based on the tax rates (and tax laws) valid at the reporting date. Account is taken of future changes in tax rates to the extent that substantive conditions precedent have been met within the legislative procedure as of the reporting date. Application has been made of a tax rate of 29.2% for German group companies. As well as the standard corporate income tax rate and solidarity surcharge, this also includes the average trade tax rate.

Deferred tax assets have been netted against deferred tax liabilities in cases where they refer to income taxes due to the same tax authority and if a legally enforceable right exists to offset actual tax refund claims against actual tax liabilities. No distinction has been made between current and non-current in the case of the deferred tax assets and liabilities recognised in the consolidated balance sheet.

1.5.4. Earnings per share

Basic earnings per share have been calculated by dividing the share of earnings attributable to shareholders in Roth & Rau AG by the average number of shares in circulation.

1.5.5. Business combinations and goodwill

Business combinations are accounted for using the purchase method laid down in IFRS 3. The cost of a company acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the company acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value on the date of acquisition. Goodwill is initially measured at cost, being the excess of the cost of the business combination over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the company acquired. After initial recognition, the goodwill is measured at cost less any accumulated impairment losses. For the purpose of the impairment test, the goodwill acquired in a business combination is allocated from the date of acquisition to each of the Group's cash generating units expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the company acquired are assigned to these cash generating units.

1.5.6. Impairment of non-financial assets

The Group assesses at each reporting date whether there are any indications of impairment of non-financial assets. If any indications exist or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The recoverable amount of an asset is the higher of the fair value of the asset or cash generating unit (CGU) less disposal costs or its value in use. For assets excluding goodwill, an assessment is made at each reporting date as to whether there are any indications that previously recognised impairment losses no longer apply or have decreased. There were no such indications in the financial year under report.

1.5.7. Intangible assets

Intangible assets not acquired in a business combination are measured at cost on initial recognition. The costs of intangible assets acquired in a business combination correspond to their fair value on the date of acquisition. In subsequent periods, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding development expenses eligible for capitalisation, are not capitalised, but are rather recognised as expenses in the income statement in the period in which they are incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over their useful economic lives and assessed for impairment should there be any indications that the intangible asset might be impaired. The period and method of amortisation for assets with finite useful lives are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are tested for impairment at least annually either individually or on the level of the cash generating unit. These intangible assets are not subject to scheduled amortisation. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised through profit or loss in the period in which the asset is derecognised.

Research and development expenses

Pursuant to IAS 38, research expenses are recognised as expenses in the period in which they are incurred. Development expenditure on individual projects is only recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for internal use or sale
- its intention to complete and its ability to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to measure reliably the expenditure during development.

At Roth & Rau, this relates to a series of development projects partly subsidised with grants from various federal and state ministries and from the European Union, as well as projects with private cooperation partners which are in the development stage, or already in the pilot stage. In particular, development expenses include direct costs and overhead shares of personnel and material expenses for proprietary and third-party application technology, engineering technology and other departments, provided that these perform corres-ponding services, costs of test facilities and pilot plant stations used in research and development. Financing expenses are not capitalised.

Public subsidies are in principle deducted from the costs of acquisition or manufacture. Following initial recognition, development expenses are measured using the cost model, which requires the asset to be carried at cost less any accumulated amortisation (estimated useful life of 3 years) and any accumulated impairment losses. Amortisation begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually. An impairment loss is recognised through profit or loss as soon as the asset's carrying amount exceeds its recoverable amount. Such impairment losses amounted to € 78k in the financial year under report.

Licences

The licence acquired for the use of intellectual property is subject to scheduled amortisation over a period of 3 years in line with the term of the cooperation and licence agreement.

Brand, customer relationships and orders on hand

The Roth & Rau Group has identified and determined the fair values of the "AIS" brand, customer relationships and orders on hand required by IFRS 3 "Business Combinations". Reference is made to 4.1.1.2.

Goodwill

Should the reassessment of the assets acquired and liabilities assumed in a business combination result in any positive remaining difference between the cost of the company acquisition and the prorated net assets thereby acquired, then this difference is recognised as goodwill. In subsequent periods, goodwill is carried at cost less any accumulated impairment losses. No reversals of impairment losses may be recognised in subsequent periods. Goodwill is not subject to scheduled amortisation but is rather tested for impairment annually, or more frequently should any specific indications of impairment arise. The cash generating unit (CGU) used for the goodwill impairment test has been based on the legal entity AIS Automation Dresden GmbH.

1.5.8. Property, plant and equipment

Property, plant and equipment is stated at cost, net of any accumulated depreciation and/or any accumulated impairment losses. Repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

- Buildings: 25 to 57 years
- Technical equipment, plant and office equipment: 5 to 15 years.

An item of property, plant and equipment is derecognised either upon disposal or when no economic benefits are expected from its further use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised through profit or loss in the period in which the asset is derecognised. The residual values, useful lives and method of depreciation methods of the assets are reviewed at the end of each financial year and adjusted prospectively if appropriate.

1.5.9. Investment property
Investment property is measured initially at cost, including transaction costs. The carrying amount does not include the costs of day to day servicing. Subsequent to initial recognition, properties held as financial investments are measured at amortised cost, net of scheduled depreciation and any impairment losses. Land and buildings held to generate rental income (investment property) are recognised at amortised cost separately from other items of property, plant and equipment, although the useful lives on which depreciation is based correspond to those for internally used property, plant and equipment.

1.5.10. Government grants
Government grants received in connection with investments in non-current assets are deducted from costs on the asset side pursuant to IAS 20.24.

Government grants are recognised when there is reasonable assurance that the company will comply with the conditions attached to the grants and that the grants will be received.

Grants relating to expense items are recognised as income over the period necessary to match the grant to the costs that it is intended to compensate.

1.5.11. Leases
The determination of whether an arrangement contains a lease is based on the economic substance of the arrangement at inception date and requires an estimation of whether the fulfilment of the contractual arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The Group has no leasing contracts which could be deemed to represent finance leases.

1.5.12. Inventories
Raw materials and supplies, work in progress and finished products are recognised as inventories. Current prepayments made for inventory items are recognised at face value.

Raw materials and supplies are measured at the lower of average cost (average cost method) and net realisable value. Costs of inventories are determined using the average cost method and include costs of acquisition and those costs incurred in bringing the inventories to their present location and condition.

Work in progress and finished products are recognised at cost. Specifically, as well as directly allocable costs, production costs also include production-related material and manufacturing overheads, including production-related depreciation and a commensurate share of necessary overhead costs. Borrowing costs are not capitalised as part of production costs.

Where necessary, inventories have been stated at their lower net realisable value. The net realisable value is equivalent to the expected selling price less costs necessary to make the sale. No write-ups were necessary in the period under report.

1.5.13. Construction contracts

Future receivables from long-term construction contracts are recognised using the percentage of completion (POC) method laid down in IAS 11 to the extent that a customer-specific construction contract exists. This involves the prorated portion of profit being recognised in line with the percentage of completion, provided that it is possible to determine the percentage of completion and the total costs and total revenues of the respective contracts in a way permitted by IAS 11. The percentage of completion of individual contracts is calculated using the cost-to-cost method. Where the percentage of completion is lower than 50%, no portions of profits are recognised. In these cases, the prorated share of contract revenues is stated pursuant to the zero profit margin method at the level of contract costs incurred.

Contract costs include directly attributable costs and a share of overheads. Borrowing costs are recognised as expenses.

Prepayments received for the individual order are deducted from the prorated contract revenues calculated in this way. The resultant net balance is stated as appropriate as a receivable or liability from long-term construction contracts.

1.5.14. Trade and other receivables

Receivables and other assets are measured at face value. Foreign currency receivables are translated at the spot rate on the date of the transaction pursuant to IAS 21.21 and subsequently at the rate on the reporting date pursuant to IAS 21.23.

1.5.15. Cash and cash equivalents

This balance sheet item includes cash holdings, credit balances at banks and short-term deposits with an original term of less than three months. Cash and cash equivalents are recognised at face value. The development in funds constituting cash and cash equivalents pursuant to IAS 7 is presented in the cash flow statement. Moreover, this item also includes securities relating to investments in money market funds which are available on a daily basis. These securities have been assigned without exception to the "available-for-sale" category and are measured at fair value. Changes in value are recognised directly in equity through to disposal. Purchases and sales are recognised at the transaction date.

1.5.16. Share capital

Ordinary shares are classified as shareholders' equity. Additional costs directly attributable to the issue of ordinary shares are deducted from shareholders' equity following deduction of tax effects.

1.5.17. Share-based payment

To promote the achievement of its economic targets, Roth & Rau has introduced a share-based compensation programme (phantom stock programme or PSP) entitling managers to subscribe phantom stock as a long-term compensation instrument of an incentive nature and, in the case of the Management Board, also involving risk. As of 1 September 2008, the company allowed a select group of employees, managers and the members of the Management Board of the Roth & Rau Group to participate for the first time in an equity-settled compensation programme (PSP). The development in the value of the phantom stocks is linked to the development in the price of Roth & Rau's share. The phantom stocks thus allocated may be exercised following a lockup period of two years from allocation and subject to the achievement of the exercise hurdle (specified base price upon allocation + 10% p.a.). The phantom stocks may not be traded and do not entitle their holders to share subscription rights.

The calculation of the fair value accounts for all market conditions linked to the exercising of virtual options. The exercise terms are factored into the calculation of the estimated number of exercisable options. The relevant personnel expenses are recognised as provisions over the vesting period, taking due account of the prorated work performed as of the reporting date. Pursuant to IFRS 2, share options are recognised at fair value on the basis of option price models and taking due account of the terms of the commitment and personnel turnover rates.

Of the 72,000 phantom stock options, 57,000 have been allocated. No options were yet eligible to be exercised as of 31 December 2008. A total of 17,000 options are available to members of the Management Board. A provision of € 8k (cash-settled share) was recognised as of the reporting date. Maximum compensation from the PSP for all participants is € 1,000k (PSP cap). A calculation of the provision by external experts was available for the annual financial statements as of 31 December 2008.

1.5.18. Financial debt

Following initial recognition, financial debt is recognised at amortised cost (repayment amount). Financial debt with a term of more than 12 months is reported as non-current financial debt.

1.5.19. Non-current provisions

This item includes pension provisions and the cash-settled share of the phantom stock option plan – c.f. 4.4.3. These items have been recognised at present value.

1.5.20. Pensions and other post-employment benefits

The Group has assumed defined benefit pension plans as a result of its acquisition of subsidiaries. Pension provisions are recognised as non-current provisions using the projected unit credit method pursuant to IAS 19. Future obligations are measured on the basis of actuarial surveys and take due account of the fair values of external plan assets. Company pensions are generally based on pension commitments (old-age, inability to work and surviving dependants' pensions). These are generally dependent on the respective salary. The Group has reinsurance policies pledged on behalf of the beneficiaries. As the requirements governing recognition as plan assets are met, the asset values are netted against the obligation. The calculation takes account not only of the vested rights known of at the reporting date, but also of expected future salary and pension trends and the inflation rate. Pursuant to IAS, the discount factor is based on long-term investment rates. The underlying discount factor reflects the interest rates paid at the reporting date for blue-chip fixed-income securities with congruent terms. The calculative interest rate for 2008 amounts to 5.25%. Application has been made of the corridor method. The calculation has also referred to the biometric probability figures included in the 2005G mortality tables compiled by Prof. Klaus Heubeck.

1.5.21. Current provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision it has recognised to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a financial expense.

1.5.22. Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts and interest swaps, to hedge against interest and exchange rate risks respectively. These derivative financial instruments are recognised at fair value upon the conclusion of the respective contract and are subsequently remeasured at fair value. Derivative financial instruments are carried as financial assets when their fair values are positive and as financial liabilities when their fair values are negative. Gains or losses arising from changes in the fair value of derivative financial instruments during the financial year that do not qualify for hedge accounting are recognised directly through profit or loss, as is the ineffective portion of an effective hedge. The fair value of forward currency contracts is the difference between the forward exchange rate and the contractually agreed rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest swap contracts is determined by reference to valuation models based solely on empirical market data.

Hedging instruments are classified as follows for the purpose of hedge accounting:

- as fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk)
- as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship and its risk management objectives and strategies for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. Hedges meeting the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised through profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying amount of the hedged item and is also recognised in the income statement. For fair value hedges relating to items carried at amortised cost, the adjustment to the carrying amount is amortised through the income statement over the remaining term to maturity. Amortisation may begin as soon as an adjustment exists, and at the latest when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the income statement. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement. Amounts recognised in equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability. If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain as a separate item in equity until the forecast transaction or firm commitment occurs. The Group uses forward exchange contracts as hedges of its exposure to foreign currency risk in firm commitments and forecast transactions.

1.5.23. Non-derivative financial instruments

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or not classified in any other of the categories presented. They are assigned to non-current assets unless the management has the intention of selling them within twelve months of the reporting date.

Regular purchases and sales of financial assets are recognised on the trading day, i.e. on the day on which the Group commits itself to purchase or sell the asset in question. Financial assets not belonging to the "measured at fair value through profit or loss" category" are initially recognised at fair value plus transaction costs. Financial assets belonging to this category are initially recognised at fair value, with the related transaction costs being recognised through profit or loss. Financial assets are derecognised when the rights to payments from the financial assets have expired or been transferred and the Group has transferred all major risks and opportunities involved in ownership. Available-for-sale financial assets and assets in the "at fair value through profit or loss" category are measured at fair value following initial recognition.

Loans and receivables are non-derivative assets with fixed or determinable payments that are not quoted on an active market. Following initial recognition, loans and receivables are carried at amortised cost, accounting where necessary for allowances and discounts (effective interest method). Allowances are stated for loans and receivables when there are objective indications that the amount is no longer collectible in full. Such allowances are chiefly recorded in allowance accounts. Loans and receivables are derecognised upon classification as highly unlikely to be collectible.

Changes in the fair values of monetary and non-monetary securities classified as available-for-sale are recognised directly in equity. Where securities classified as available-for-sale are sold or impaired, the cumulative changes in the fair value previously recognised in equity must be recognised under "Other income" in the income statement as "Gains/(losses) on securities". Interest income resulting from application of the effective interest method for securities in the "available-for-sale" category is recognised in the income statement under "Other income".

The fair values of quoted shares are measured on the basis of current bid prices. The fair values of financial assets for which there is no active market or which are unlisted are measured using suitable valuation methods. These include reference to recent transactions between independent business partners, the use of current market prices of other assets which are basically the same as the asset in question, discount cash flow (DCF) methods and option models based as far as possible on market data and as little as possible on company-specific data.

The Group assesses at each reporting date whether there are any indications of impairment for each financial asset or group of financial assets.

2. Key accounting judgements, estimates and assumptions

The preparation of the annual financial statements requires assumptions and estimates to be made to a certain extent. These have affected the amounts recognised for assets and liabilities, as well as for income and expenses. The assumptions and estimates principally involve assessing the ongoing value of intangible assets, the determination of uniform useful lives for property, plant and equipment and assets let, the collectibility of receivables and the recognition and measurement of provisions. These assumptions and estimates are based in each case on the information currently available. In particular, the expected future business performance has been based on the circumstances prevalent upon the preparation of the annual financial statements and on future developments in the global and sector-specific environment which are assumed to be realistic. Should the developments in the underlying framework lying outside the control of the management deviate from these assumptions, the amounts actually arising may differ from those originally expected. Should actual developments deviate from those expected, the assumptions and, if necessary, the carrying amounts of the assets and liabilities thereby affected will be adjusted accordingly. Upon the preparation of the annual financial statements, the underlying assumptions and estimates were not subject to any significant risks. Based on the information currently available, no substantial adjustment is therefore to be expected in the carrying amounts of the assets and liabilities stated in the balance sheet in the following financial year.

3. Segment report

Operating segments represent the primary segment reporting format of the Group, as its risks and its return on equity are primarily affected by differences in the products manufactured and services offered. Geographical segments represent the secondary reporting format. The business divisions are organised and managed separately in line with the nature of the products and services offered. Each segment thus represents a strategic business division whose range of products and markets are distinct from those of other segments. Segment information has in principle been based on the same methods of recognition and measurement as those applied in the annual financial statements.

The following segment report subdivides the company's business activities in line with the requirements of IAS 14 into three main business divisions (primary reporting format), namely system solutions for photovoltaics and components (PV), process systems for plasma and ion beam technology (PIB) and "Other".

3.1. Primary segment report by business field

	Photovoltaics		**Plasma and ion beam technology**		**Other**		**Unallocated**		**Total**	
€ 000s	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Sales	**256,292**	**137,401**	**14,041**	**8,828**	**1,789**	**0**	**0**	**0**	**272,122**	**146,229**
Of which sales between segments	0	0	0	0	0	0	0	0	0	0
Of which sales with external third parties	256,292	137,401	14,041	8,828	1,789	0	0	0	272,122	146,229
EBITDA	**31,947**	**14,189**	**2,227**	**1,331**	**414**	**0**	**22**	**40**	**34,610**	**15,560**
Personnel expenses	**17,200**	**5,476**	**2,159**	**2,087**	**786**	**0**	**0**	**0**	**20,145**	**7,563**
Write-down of cap. R&D development	1,136	225	682	630	60	0	0	0	1,878	855
Depreciation and amortisation	3,788	719	363	122	33	0	0	0	4,184	841
Operating earnings (EBIT)	**27,024**	**13,245**	**1,181**	**579**	**321**	**0**	**22**	**40**	**28,548**	**13,864**
Net financial result	0	0	0	0	0	0	0	0	3,253	1,226
Earnings before taxes	0	0	0	0	0	0	0	0	31,801	15,090
Taxes on income	0	0	0	0	0	0	0	0	8,639	3,409
Consolidated net income	0	0	0	0	0	0	0	0	23,162	11,681
Segment assets	**164,242**	**66,371**	**11,252**	**8,344**	**6,398**	**0**	**106,812**	**64,390**	**288,704**	**139,105**
Segment liabilities	**63,343**	**47,741**	**2,714**	**2,480**	**1,003**	**0**	**15,188**	**6,120**	**82,248**	**56,341**
Investments	**32,370**	**8,448**	**1,847**	**454**	**6,263**	**0**	**11,003**	**0**	**51,483**	**8,902**

Unallocated assets include liquid funds of € 91,515k (previous year: € 63,270k), income tax receivables of € 2,357k (previous year: € 0k), investment property of € 171k (previous year: € 184k), deferred taxes of € 493k (previous year: € 936k), loans of € 1,270k (previous year: € 0k) and financial assets of € 11,006k (previous year: € 0k). The unallocated liabilities consist of deferred taxes of € 13,840k (previous year: € 6,120k) and income tax liabilities of € 1,348k (previous year: € 0k). Depreciation and amortisation refer to non-current assets in the segment. The goodwill write-down (€ 1,579k) has been allocated in full to the photovoltaics segment. The write-down of research and development expenses (€ 78k) has also been allocated to the photovoltaics segment.

3.2. Secondary segment report by region

The secondary reporting format is based on geographical considerations and shows the distribution of sales by customer location. Roth & Rau AG manages its activities by reference to the results of its business fields, rather than to regional earnings contributions. As virtually all of the company's assets (€ 288,704k) are located in Germany, all other disclosures concerning segment assets, segment liabilities and investments (€ 51,483k) have been allocated to the Germany segment. No further segmentation is therefore required.

Sales in 2008 € 000s	**Plasma and ion beam technology**	**Photovoltaics**	**Other**	**Total**
Germany	**9,569**	**25,588**	**1,493**	**36,650**
International				
Europe	1,264	88,049	126	89,439
Asia	1,128	133,099	118	134,345
USA	1,659	9,480	52	11,191
Other	421	76	0	497
Total	**14,041**	**256,292**	**1,789**	**272,122**

Sales by region € 000s	**31.12.2008**	**%**	**31.12.2007**	**%**
Germany	**36,650**	**13.5**	**59,903**	**41.0**
International	**235,472**	**86.5**	**86,326**	**59.0**
Europe	89,439	32.8	25,996	17.8
Asia	134,345	49.4	56,154	38.4
USA	11,191	4.1	4,168	2.8
Other	497	0.2	8	0.0
Total	**272,122**	**100.0**	**146,229**	**100.0**

4. Disclosures on individual items in the balance sheet

4.1. Non-current assets

Foreign exchange items relating to non-current assets denominated in foreign currencies were of immaterial significance as of 31 December 2008.

4.1.1. Intangible assets

Intangible assets include acquired software and development expenses. The development in intangible assets has been presented in the non-current asset schedule. Reference is made to Page 118/119 of the notes.

4.1.1.1. Development expenses

Development expenses of € 4,884k were capitalised in line with IAS 38 for new products and production processes in the period under report (previous year: € 2,548k). Following the deduction of grants of € 1,592k requested or received for these projects (previous year: € 829k), a net amount of € 3,292k was recognised as an addition to development expenses (previous year: € 1,719k). Development expenses of € 449k not eligible for capitalisation were recognised as expenses (previous year: € 41k). Write-downs of € 78k were charged to earnings in the financial year under report in connection with development expenses previously capitalised. These related to a project which has been discontinued.

Development expenses were mainly capitalised in connection with the following projects in the 2008 financial year:

In the photovoltaics segment:

- Development of a proprietary in-line technology for the complete production of crystalline solar cells
- Passivation of reverse of solar cells using silicon compounds
- Design of a fully integrated in-line production process for silicon-based thin film solar cells
- Optimisation of contacts of thin film solar cells and compilation of corresponding technical system concepts
- Development work in connection with the industrialisation of a high-efficiency solar cell in cooperation with the University of Neuchâtel
- Development and optimisation of inexpensive, environmentally-compatible thick film contacting processes for silicon solar cells
- Development and optimisation of plasma-based coating and cauterisation processes to enhance the efficiency of crystalline silicon solar cells
- Development of an automatic test system to safeguard quality and optimisation of production processes following sawing and cleaning of the wafers and prior to intake into texturing machine
- Product-specific development of an automation solution for 30 MW cells based on the cell concept for the 60 MW lines

In the plasma and ion beam technology segment:

- Further development of the IonScan system type
- Creation of a development head start in the field of EUVL masks.

In other divisions, expenses for the further development of Product Service Pack 6 for VAC Version 4.2 were capitalised as development expenses at AIS Automation Dresden GmbH.

Development in non-current assets

Historic Cost

€ 000s	Balance at 01.01.	Acquisitions	Additions	Disposals	Reclassifi- cations	Balance at 31.12.
Development in Intangible Assets						
2007						
Industrial property rights and similar rights and values	75	0	286	0	0	361
Development expenses	4,370	0	1,719	0	0	6,089
	4,445	**0**	**2,005**	**0**	**0**	**6,450**
2008						
Industrial property rights and similar rights and values	361	454	691	131	0	1,375
Brand	0	1,240	0	0	0	1,240
Customer relationships	0	3,367	0	0	0	3,367
Orders on hand	0	1,848	0	0	0	1,848
Goodwill	0	12,767	0	0	0	12,767
Development expenses	6,089	4,302	3,292	305	0	13,378
	6,450	**23,978**	**3,983**	**436**	**0**	**33,975**
Development in Property, Plant and Equipment						
2007						
Property	106	0	0	0	0	106
Buildings	1,962	0	4,627	0	15	6,604
Technical equipment and machinery	1,726	0	955	0	0	2,681
Other equipment, office and plant equipment	1,088	0	1,290	0	0	2,378
Prepayments made and assets under construction	15	0	25	0	-15	25
	4,897	**0**	**6,897**	**0**	**0**	**11,794**
2008						
Property	106	457	14	0	0	577
Buildings	6,604	3,492	4,759	0	0	14,855
Technical equipment and machinery	2,681	0	1,585	0	0	4,266
Other equipment, office and plant equipment	2,378	661	2,041	146	25	4,959
Prepayments made and assets under construction	25	0	713	0	-25	713
	11,794	**4,610**	**9,112**	**146**	**0**	**25,370**
Development in Financial Assets						
2008						
Shares in non-consolidated subsidiaries	**0**	**0**	**11,006**	**0**	**0**	**11,006**
Development in Investment Property						
2007	338	0	0	0	0	338
2008	**338**	**0**	**-3**	**0**	**0**	**335**

Depreciation and Amortisation						Carrying Amounts	
Balance at 01.01.	Acquisitions	Additions	Impairment	Disposals	Balance at 31.12.	Balance at 31.12.	Balance at 01.01.
42	0	57	0	0	99	262	33
882	0	855	0	0	1,737	4,352	3,488
924	**0**	**912**	**0**	**0**	**1,836**	**4,614**	**3,521**
99	348	120	0	130	437	938	262
0	0	41	0	0	41	1,199	0
0	0	169	0	0	169	3,198	0
0	0	924	0	0	924	924	0
0	0	0	1,579	0	1,579	11,188	0
1,737	0	1,956	78	305	3,466	9,912	4,352
1,836	**348**	**3,210**	**1,657**	**435**	**6,616**	**27,359**	**4,614**
0	0	0	0	0	0	106	106
272	0	77	0	0	349	6,255	1,690
762	0	234	0	0	996	1,685	964
535	0	473	0	0	1,008	1,370	553
0	0	0	0	0	0	25	15
1,569	**0**	**784**	**0**	**0**	**2,353**	**9,441**	**3,328**
0	0	1	0	0	1	576	106
349	480	285	0	0	1,114	13,741	6,255
996	0	366	0	0	1,362	2,904	1,685
1,008	374	543	0	107	1,818	3,141	1,370
0	0	0	0	0	0	713	25
2,353	**854**	**1,195**	**0**	**107**	**4,295**	**21,075**	**9,441**
0	**0**	**0**	**0**	**0**	**0**	**11,006**	**0**
143	0	11	0	0	154	184	195
154	**0**	**10**	**0**	**0**	**164**	**171**	**184**

4.1.1.2. Purchase price allocation

AIS Automation Dresden GmbH

The purchase price allocation was performed on the basis of the information available at and immediately after the date of acquisition and is therefore of a provisional nature pursuant to IFRS 3.62. Accordingly, the fair values provisionally determined for the purchase price allocation may be adjusted within one year of the takeover date. The goodwill remaining following allocation of the purchase price is the result of various factors.

The goodwill represents the surplus balance at the date of acquisition of the costs of the company acquisition over the share of the fair value of the identifiable assets and liabilities recognised at the Group. The goodwill arising from the acquisition of AIS Automation Dresden GmbH has been recognised under intangible assets.

The intangible assets and useful lives determined in the context of the preliminary purchase price allocation are structured as follows:

AIS brand	€ 1,240k	Useful life	15 years
Customer relationships	€ 3,367k	Useful life	10 years
Orders on hand	€ 1,848k	Useful life	1 year
Goodwill	€ 12,767k		

The purchase price was paid in full from liquid funds. Moreover, the total purchase price of € 24,116k also includes directly allocable acquisition expenses of € 116k.

The goodwill is chiefly attributable to the human capital represented by the workforce at AIS Automation Dresden GmbH, a factor not eligible for capitalisation, as well as to the synergy effects the transaction is expected to generate.

Since the date of acquisition, AIS Automation Dresden GmbH has contributed an amount of € 1,017k to the earnings of the Roth & Rau Group for the period. Cash and cash equivalents amounting to € 2,309k were taken over upon acquisition. Had AIS Automation Dresden GmbH formed part of the Group from the beginning of the reporting period already, then consolidated sales would have amounted to € 278,369k. As AIS Automation Dresden GmbH only converted to IFRS as of 1 July 2008, it is not possible without further complication to disclose the volume of consolidated earnings for the scenario that AIS had formed part of the Group from the beginning of the reporting period already.

€ 000s	Historic carrying amount	Adjustments to fair value	Fair value upon acquisition
Non-current assets			
Intangible assets	106	4,302	4,408
Property, plant and equipment	2,593	1,163	3,756
Deferred tax assets	0	460	460
Non-current receivables	19	0	19
Total non-current assets	**2,718**	**5,925**	**8,643**
Current assets			
Inventories	14	0	14
Receivables from long-term construction contracts	242	1,067	1,309
Trade receivables	1,658	0	1,658
Other current receivables	174	269	443
Cash and cash equivalents	2,309	0	2,309
Total current assets	**4,397**	**1,336**	**5,733**
Total assets	**7,115**	**7,261**	**14,376**
Non-current debt			
Provisions for pensions	30	110	140
Non-current interest-bearing loans	1,120	0	1,120
Deferred tax liabilities	0	1,813	1,813
Total non-current debt	**1,150**	**1,923**	**3,073**
Current debt			
Other current provisions	1,379	-3	1,376
Tax liabilities	88	0	88
Liabilities from long-term construction contracts	0	2,413	2,413
Trade payables	187	0	187
Other current liabilities	305	0	305
Total current debt	**1,959**	**2,410**	**4,369**
Total shareholder's equity and debt	**3,109**	**4,333**	**7,442**
Net assets			6,934
Brand			1,240
Customer relationships			3,367
Orders on hand			1,848
Goodwill			12,767
Deferred tax liabilities			-2,040
Total purchase price			**24,116**
Of which incidental acquisition expenses			116

4.1.1.3. Impairment test

Goodwill does not undergo scheduled amortisation, but is rather subject to an annual impairment test pursuant to IAS 36. Goodwill amounting to € 12,767k has been allocated to the "AIS" cash generating unit (CGU). The recoverable amount of the "AIS" CGU has been determined as its fair value less disposal costs, calculated using a discounted cash flow method. The fair value was determined on the basis of an operating budget approved by the Management Board for the period up to and including 2013. The detailed budget phase was extrapolated in perpetuity. The detailed operating budget is based on detailed assumptions concerning key earnings and value drivers derived from past experience and future expectations. Consequently, with its automation products AIS mainly operates in above-average growth markets. Additional sales should also be generated by accessing international markets. AIS also benefits in this respect from its unique selling proposition in terms of software development for use in photovoltaics. The cost of capital (WACC) determined on the basis of market data for the specific risk structure of the "AIS" CGU and used to determine the fair value amounts to 10.8% after taxes. In respect of the cost of capital in perpetuity, a discount of 1.5% has been assumed due to the assumed growth. The 2008 impairment test led to the identification of a write-down requirement for the goodwill allocated.

The Roth & Rau Group recognised an impairment loss of € 1,579k on the goodwill of the "AIS" CGU. In view of the current economic crisis, this impairment loss was attributable to increasing volatilities and thus to rising costs of capital. This impairment loss is allocated to the photovoltaics segment.

4.1.1.4. Other business combinations

The Group acquired 100% of the shares in Muegge-electronic GmbH and Ion-Tech GmbH in December 2008. Reference is made to 1.2.2. The purchase prices for the two company acquisitions, amounting to € 10,700k in total, were paid in full from liquid funds. Moreover, the total purchase price of € 10,841k also includes directly allocable acquisition expenses of € 141k.

The Group acquired 100% of the shares in TECNOFIMES S.R.L. and CTF Solar GmbH after the reporting date. Reference is made to 1.2.2. The Group incurred directly allocable acquisition expenses of € 155k prior to the reporting date in connection with the acquisition of TECNOFIMES S.R.L. These have been recognised under financial assets.

No further disclosures under IFRS 3.67 are possible at this point, as the financial statements underlying the purchase price allocation are still in the process of being prepared.

4.1.2. Property, plant and equipment

The development in property, plant and equipment is presented on Page 118/119 of the notes.

Unlike in the previous year, assets costing between € 150 and € 1,000 upon acquisition have been collected in a pool and depreciated over five years. Assets costing less than € 150 have been recognised in full as expenses in the year of addition. The "traditional" rules of depreciation over a specified useful life have only been applied for assets whose costs of acquisition or manufacture exceed € 1,000. This approach is consistent with German tax law. The application of this rule refers to assets acquired or manufactured later than 31 December 2007. Depreciation was € 233k lower as a result of the application of this rule.

Additions to property, plant and equipment consist of investments of € 9,112k made in the customary course of business and additions (mainly land and buildings) of € 4,610k resulting from the AIS acquisition. The additions are mainly attributable to the second and third stages of construction at "Am Sachsenring II" in Hohenstein-Ernstthal. The extension to the production halls, a further office building, a technology centre and technical fittings in the buildings have been recognised under business premises. Additions to fixtures and fittings mainly involve machine connection points, cooling facilities and compressed air, machine exhaust and nitrogen systems. Plant and office equipment includes the office furniture and workshop equipment. Furthermore, the extension of a production hall let by the subsidiary in Zwickau has also been recognised at € 710k.

Additions due to acquisitions relate to the initial consolidation of AIS Automation Dresden GmbH, which is mainly reflected in additions to land and buildings.

4.1.3. Financial assets

The development in financial assets is presented in the development in non-current assets table on Page 118/119 of the notes.

Financial assets involve financial instruments in the "available for sale" category. The items reported under financial assets mainly relate to the shares in unconsolidated subsidiaries. These have been measured at cost, as their fair values cannot be reliably determined. The amounts stated result on the one hand from purchase prices already paid and on the other from capitalised transaction expenses.

4.1.4. Other non-current receivables

Other non-current receivables include the investment commission and arrangement commission of € 966k incurred in connection with the conclusion of the consortium agreement, as well as deposits of € 19k paid on rental agreements entered into (previous year: € 11k) and employee loans of € 21k (previous year: € 0k). Fixed-interest loans of € 1,270k were also transferred to Roth & Rau AG upon the acquisition of shares in Muegge-electronic GmbH.

4.1.5. Investment property

The development in investment property is presented in the development in non-current assets table on Page 118/119 of the notes.

This item relates to the land and building at "Gewerbering 10, Hohenstein-Ernstthal, Wüstenbrand District". This property is subject to a non-terminable letting agreement running 1 November 2004 to 31 October 2009 which also grants of extension to the lessee. The rental income amounted to € 43k in 2008 (previous year: € 43k). The maintenance expenses incurred in the year under report were immaterial.

Due to the lack of market or comparative data, the property has been measured at amortised cost. The buildings are subject to straight-line depreciation of 4% p.a. No costs directly allocable to the financial investments were incurred in 2008. The current value amounts to € 296k.

4.2. Current assets

4.2.1. Inventories

€ 000s	31.12.2008	31.12.2007
Raw materials and supplies	3,908	1,441
Work in progress	8,288	1,461
Finished products and goods	1,304	90
Prepayments made	15,196	9,322
Total	**28,696**	**12,314**

Of the prepayments made, an amount of € 4,365k is secured by bank guarantees (previous year: € 723k). Expenses of € 191,930k were recognised as cost of materials (raw materials and supplies) in the year under report. We expect finished products to be realised after a period of more than 12 months.

4.2.2. Receivables from long-term construction contracts

This item is structured as follows:

€ 000s	31.12.2008	31.12.2007
Assets		
Receivables	197,998	87,155
Less prepayments received	-122,197	-52,372
Total	**75,801**	**34,783**
Liabilities		
Receivables	75,636	39,688
Less prepayments received	-83,808	-64,634
Total	**-8,172**	**-24,946**

The respective orders are reported under "receivables from long-term construction contracts" on the asset side and under "liabilities from long-term construction contracts" on the liabilities side. In cases where the prepayments exceed the cumulative work performed, the excess balance is reported as a liability under liabilities from long-term construction contracts or under prepayments received.

4.2.3. Trade and other receivables

€ 000s	31.12.2008	31.12.2007
Trade receivables	22,444	5,517
Receivables from affiliated companies	16	0
Other receivables and financial assets	7,852	8,035
Total	**30,312**	**13,552**

Trade receivables have terms of under one year. There are allowances of € 1,998k (previous year: € 82k). Individual allowances are recognised based on the assessment of the Management Board. Reference is made to criteria such as the number of days overdue and creditworthiness checks obtained from external institutions. Write-downs on trade receivables developed as follows:

€ 000s	Balance at 01.01.	Additions due to acquisition	Utilised	Reversed	Added	Balance at 31.12.
Individual allowance	171	0	113	0	1,815	1,873
General portfolio allowance	24	15	0	0	86	125
Total	**195**	**15**	**113**	**0**	**1,901**	**1,998**

The Group reported actual defaults on receivables (due to uncollectibility) amounting to € 205k in the year under report (previous year: € 117k). The Group had foreign currency receivables of € 105k at the reporting date (previous year: € 143k), which were written up by € 12k to the exchange rate on the reporting date. Receivables due from affiliated companies relate to the interest charged on the loan to Muegge-electronic GmbH, which was consolidated from 2009.

Other receivables and financial assets are structured as follows:

€ 000s	31.12.2008	31.12.2007
Commission payments	160	2,771
Suppliers with debit balances	213	0
Deferred expense grants (Research and Development)	1,211	300
Deferred interest claims	441	231
Deferred bonuses	247	118
Derivative financial instruments	361	0
Claims against insurance companies	239	0
Tax refund claims	4,442	4,494
Deferred expenses and accrued income	415	89
Miscellaneous	123	32
Total	**7,852**	**8,035**

Other assets mainly involve tax refund claims for VAT and corporate income tax, as well as commission payments and claims to public subsidies in connection with research and development projects.

Reference is made to 1.5.22. et seq. and to 4.6. in respect of derivative and other financial instruments.

4.2.4. Cash and cash equivalents

€ 000s	31.12.2008	31.12.2007
Cash holdings	6	0
Credit balances at banks	70,690	53,034
Marketable securities	20,819	10,236
Total	**91,515**	**63,270**

Cash and cash equivalents are recognised at face value.

In addition to cash holdings and short-term bank deposits with terms of less than three months, this item also includes time and overnight deposits as well as securities which are available on a daily basis and thus classified as cash equivalents. The securities belong without exception to the "available for sale" category and are measured at fair value. Changes in their value are recognised in equity until disposal. Purchase and sales are recognised as of the performance date. Reference is also made to 4.6.

4.3. Shareholders' equity

Reference is made to the Statement of Changes in Group Equity for further information on changes in shareholders' equity at the Roth & Rau Group in the 2007 and 2008 financial years.

4.3.1. Share capital

Share capital amounted to € 13,800k as of 31 December 2008 (31 December 2007: € 2,530k) and was divided into 13,800,000 individual non-par bearer shares. All individual shares are paid up in full.

On 18 April 2008, Roth & Rau AG successfully completed the capital increase resolved on 31 March 2008. Due to the issue of 920,000 new shares, the share capital increased from € 2,530k to € 3,450k. The gross emission proceeds on the transaction amounted to € 101,282k.

The Annual General Meeting of Roth & Rau AG held on 4 July 2008 resolved to increase the company's share capital by € 10,350k from € 3,450k to € 13,800k from company funds by issuing 10,350,000 new individual bearer shares. The capital increase was executed by converting a portion amounting to € 10,350k of the capital reserve recognised in the company's annual balance sheet as of 31 December 2007 into share capital. The new shares enjoyed profit entitlement from 1 January 2008. The Annual General Meeting of Roth & Rau AG on 4 July 2008 further resolved to amend Section 5 (1) and (2) of the company's Articles of Association accordingly. Shareholders in the company were entitled by law to new shares at a ratio of 1 : 3 to their holdings of existing shares, meaning that three additional new shares (bonus shares) were allocated for each existing share.

The Group did not own any treasury stock at the reporting date, neither did it have any conditional capital or share options. To promote the achievement of its financial targets, Roth & Rau has introduced an equity-settled compensation programme (phantom stock programme or PSP) entitling managers and selected employees to subscribe phantom stocks.

4.3.2. Capital reserve

The increase in the capital reserve by € 2,790k (31 December 2007: € 465k) relates to agios of € 3,940k on the issue of shares, net of issue expenses, less the allocable income tax benefit of € 1,150k. Furthermore, the capital reserve also includes the equity-settled share of the phantom stock options.

4.3.3. Revenue reserves

At the proposal of the Management Board, 50% of the annual net surplus pursuant to German commercial law, amounting to € 4,007k in total (31 December 2007: € 1,460k), was allocated to revenue reserves in the 2008 financial year. The revenue reserves item also includes differential amounts resulting from the initial conversion to IFRS.

4.3.4. Other reserves

Other reserves contain changes in the value of available-for-sale securities, including allocable deferred taxes, recognised directly in equity. They also include the effective portions of cash flow hedges and allocable taxes.

Measured in equity € 000s	**Cash flow hedge**	**Available for sale**	**Total**
Balance at 01.01.2008	0	172	172
Additions	-354	679	325
Withdrawals	0	-225	-225
Changes in deferred taxes	104	-131	-27
Balance at 31.12.2008	**-250**	**494**	**245**

Measured in equity € 000s	**Cash flow hedge**	**Available for sale**	**Total**
Balance at 01.01.2007	-14	25	11
Additions	0	176	176
Withdrawals	22	0	22
Changes in deferred taxes	-8	-29	-37
Balance at 31.12.2007	**0**	**172**	**172**

4.3.5. Unappropriated retained earnings

Unappropriated retained earnings developed as follows:

€ 000s	2008	2007
Earnings carried forward as of 01.01.	15,798	5,577
Consolidated net income attributable to shareholders in Roth & Rau AG	23,024	11,681
Allocation to revenue reserves	-4,007	-1,460
Unappropriated retained earnings as of 31.12.	**34,815**	**15,798**

The Management Board proposes not paying any dividend to shareholders for the past financial year.

4.3.6. Minority interests

The subsidiary SLS Solar Line Saxony GmbH ("SLS") was jointly established with USK Karl Utz Sondermaschinen GmbH ("USK") by notarised agreement dated 11 February 2008. The company's share capital amounts to € 4,000k. Roth & Rau AG holds 51% (€ 2,040k) and USK 49% (€ 1,960k) of the company's share capital.

Of the consolidated net income of € 23,162k, USK is entitled to earnings of € 138k.

4.4. Non-current debt

4.4.1. Non-current loans

€ 000s	31.12.2008	31.12.2007	Repayment	Maturity
Sparkasse loan	700	900	quarterly	30.06.2012
BW Bank loan	700	900	quarterly	30.06.2012
BW Bank loan	2,000	0	quarterly	28.06.2013
Dresdner Bank loan	586	0	half-yearly	30.09.2016
Dresdner Bank loan ERP	500	0	half-yearly	30.09.2016
	4,486	1,800		
Less current portion	-736	-400		
Total	**3,750**	**1,400**		

The loans from Sparkasse Chemnitz and Baden-Württembergische Bank (BW Bank) were concluded in June 2007 at a nominal value of € 1,000k each. They have fixed interest rates of 5.15% and require quarterly repayments of € 50k in each case. The repayment amounts due in 2009 have therefore been recognised as the current portion.

Roth & Rau AG took up a loan of € 2,000k with a floating interest rate from BW Bank to finance the second stage of construction in Hohenstein-Ernstthal. The floating interest rate is hedged with an interest swap. The liabilities reported towards Sparkasse Chemnitz and BW Bank are secured by land charges.

The loans from Dresdner Bank involve fixed-interest loans at AIS Automation Dresden GmbH, a company acquired in 2008. The loans are redeemed with total annual repayments of € 136k.

Financial debt is recognised at amortised cost using the effective interest method.

4.4.2. Deferred tax assets and liabilities

Deferred taxes have been calculated using a tax rate of 29.2% (previous year: 29.2%). The calculation of deferred taxes has been based on a corporate income tax rate of 15%. Moreover, account has also been taken of a solidarity surcharge of 5.5% and an average trade tax multiplier of 382%.

Temporary recognition and measurement differences for individual balance sheet items resulted in statement of the following taxes:

€ 000s	**31.12.2008**		**31.12.2007**	
	Liabilities	**Assets**	**Liabilities**	**Assets**
Non-current assets	1,015	4,847	676	1,336
Receivables	1,547	10,586	215	3,890
Provisions	31	23	45	67
Miscellaneous	0	1,146	0	756
Liabilities	598	2	0	0
Derivative financial instruments	104	203	0	71
Loss carryovers	165	0	0	0
Total before netting	**3,460**	**16,807**	**936**	**6,120**
Netting	-2,967	-2,967	-936	-936
Balance sheet statement (2007: unnetted)	**493**	**13,840**	**0**	**5,184**

Of the deferred tax assets of € 3,460k (previous year: € 936k), € 1,489k (previous year: € 655k) are to be classified as non-current and € 1,971k (previous year: € 281k) as current.

Of the deferred tax liabilities of € 16,807k (previous year: € 6,120k), € 5,335k (previous year: € 1,681k) are to be classified as non-current and € 11,472k (previous year: € 4,439k) as current.

Deferred tax liabilities have not been recognised on outside basis differences of € 1,582k due to the control exercised by the parent company over distribution behaviour and the time of reversal. A permanent difference within the control of the parent company has therefore been assumed.

4.4.3. Non-current provisions

This item includes the pension provisions of AIS Automation Dresden GmbH (€ 116k) and the cash-settled share of the measurement of the phantom stock option programme (€ 8k).

4.4.3.1. Phantom stock programme

To promote the achievement of its financial targets, Roth & Rau has introduced an equity-settled compensation programme (phantom stock programme or PSP) as a long-term compensation instrument entitling managers and selected employees to subscribe phantom stock. The virtual options are divided into up to five tranches and are allocated twelve months following allocation of the previous respective tranche. Each tranche may be exercised following expiry of a lockup period of two years. This corresponds to the vesting period. When the virtual options are exercised, Roth & Rau AG is obliged to pay the difference in value corresponding to the difference between the reference price specified at the beginning of the option programme (€ 32.69) and the average, unweighted closing price of the share on the sixty trading days preceding the exercising of phantom stocks in the given tranche (exercise price). Phantom stocks allocated within a given tranche are deemed to have been exercised as of the first trading day on Frankfurt Stock Exchange following expiry of the respective lockup period, provided that the exercise hurdle has been achieved. Phantom stocks may only be exercised when the exercise price has risen by 10% p.a. on the reference price since allocation of the respective tranche (exercise hurdle). This has been accounted for in the measurement of the phantom stocks.

The aggregate total of gross PSP gains for all participants in the first tranche may not exceed € 1,000k; otherwise, the respective amounts are to be reduced proportionately per participant.

Members of the Management Board receive 50% of the option gain in cash. The remaining 50% of the net PSP gain must be used to acquire shares in Roth & Rau AG at the current market price (equity-based share). The participant may dispose freely over these Roth & Rau shares after the expiry of one year following acquisition.

The following table presents the change in phantom stock options outstanding from the first tranche.

	Number
Granted in 2008	57,000
Forfeited	0
Exercised	0
Lapsed	0
Balance at 31.12.2008	**57,000**

Of the 57,000 phantom stock options outstanding, none was yet exercisable as of 31 December 2008.

The options outstanding at the end of the reporting period are due on 1 September 2010.

The fair values of the phantom stock options have been calculated using a simulation programme (Monte Carlo model) specially adapted to the agreed strategy. Geometric Brownian motion was assumed for movements in the share price. The calculation has been based on the following valuation parameters:

Risk-free interest rate in percent p.a.	1.83
Expected volatility of Roth & Rau's share in percent p.a.	74.65
Expected dividends	0
Share price upon allocation	34.31 €
Share price on reporting date	14.90 €

The risk-free interest rate was taken from the time series WT3213: yield curve (Svensson method/listed federal bonds/2.0 years remaining term/daily values of the German Bundesbank upon the valuation date.

Cash-settled portion	Number at 31.12.2008	Intrinsic value per option in € = payment amount	Current value per option in €	Payment obligation	Provision as of 31.12.2008 € 000s
2008 tranche	48,500	0	0.994	0	8

Equity-settled portion	Number at 31.12.2008	Intrinsic value per option in € = payment amount	Current value per option in €	Payment obligation	Allocation to capital reserve € 000s
2008 tranche	8,500	0	4.204	0	6

A total expense of € 14k was recognised for the option programme in the year under report (previous year: € 0k). This has been reported under personnel expenses.

The cash-settled portion (48,500 options) has been recognised under non-current provisions. The equity-settled portion (8,500 options) has been recognised in the capital reserve within shareholders' equity in the balance sheet.

4.4.3.2. Pension obligation

At its meeting on 7 November 2008, the Supervisory Board approved the outsourcing of all existing pension provisions at Roth & Rau AG. These involved the pension commitment made to Drs. Roth and Rau. The outsourcing of the pension commitment was executed by assignment to Deutscher Pensionsfonds pursuant to Section 3 (66) of the German Income Tax Act (EStG) and to the ZDHUK pension fund pursuant to Section 4d of the German Income Tax Act (EStG). This was financed by payment of a one-off amount (€ 1,601k; of which € 1,385k for Dr. Roth and € 216k for Dr. Rau). The Supervisory Board further resolved to grant a pension commitment to Carsten Bovenschen. This was also outsourced to Deutscher Pensionsfonds. These pension obligations have therefore no longer been reported in the commercial or tax balance sheets.

The following table presents the actuarial assumptions underlining the pension obligations recognised.

%	2008	2007
Interest rate	5.25	5.25
Pension trend (2005G mortality tables by Klaus Heubeck)	2.0	2.0
Personnel turnover	0.0	0.0
Return expected on plan assets	5.0	/
Salary trend	0.0	/

The discount factors for German pension plans are determined annually as of 31 December by reference to blue-chip, fixed-income corporate bonds with maturities and values congruent with the pension payments. The pension obligations reported for Roth & Rau AG in the previous year were outsourced in the current financial year, as a result of which only the pension obligations at AIS Automation Dresden GmbH have been recognised as of 31 December 2008. It is also planned to outsource pension obligations at AIS Automation Dresden GmbH to a pension fund in 2009.

Composition of pension provision € 000s	31.12.2008	31.12.2007
Defined benefit obligation at end of year	783	629
Unrecognised actuarial gains/losses	0	16
Less fair value of plan assets	-667	-194
Amount of provision	**116**	**451**

The development in the present value of pension obligations is presented in the following table:

€ 000s	31.12.2008	31.12.2007
Balance at 01.01.	629	575
Past service cost (amended commitment)	662	0
Current service cost	62	42
Interest expense	52	28
Actuarial gains	16	-16
Business combinations	742	0
Plan settlements	-1,380	0
Balance at 31.12.	**783**	**629**

The additional service cost relates to the change in the pension commitment to the CEO (retirement age, increase in compensation).

The following table presents the calculation of the annual expense for the provision recognised as of 31 December.

€ 000s	31.12.2008	31.12.2007
Current service cost	62	42
Interest expense	52	28
Less expected return on plan assets	-66	-41
Past service cost	662	0
One-off payment for outsourcing of Roth & Rau AG pension obligation	1,601	0
Reversal of provision for Roth & Rau AG pension obligation	-1,380	0
Total	**931**	**29**

In the income statement, current service cost has been recognised under pension expenses, the interest expense in the net financial result and the return on plan assets under other operating income.

The Group has plan assets with a fair value of € 667k (31 December 2007: € 194k). The development in their fair value is presented in the following table:

€ 000s	2008	2007
Balance at 01.01.	194	153
Business combinations	602	0
Expected return on plan assets	66	41
Disposals due to outsourcing	-195	0
Balance at 31.12.	**667**	**194**

The following amounts were recognised for defined benefit plans for the current and previous reporting periods:

€ 000s	2008	2007	2006	2005	2004
Present value of obligation	783	629	575	512	455
Fair value of plan assets	667	194	153	112	75
Plan surplus / (deficit)	116	435	422	400	380
Experience adjustments to plan liabilities	0	0	0	0	0
Experience adjustments to plan assets	0	0	0	0	0

The Group expects to make payments of € 179k to defined contribution pension plans in 2009.

4.5. Current debt

4.5.1. Liabilities from long-term construction contracts

Reference is made to 1.5.1., 1.5.13. and 4.2.2. in respect of liabilities from long-term construction contracts.

4.5.2. Trade payables and other liabilities

€ 000s	31.12.2008	31.12.2007
Trade payables	34,894	19,911
Liabilities to affiliated companies	367	0
Other liabilities	1,110	196
Total	**36,371**	**20,107**

Trade payables all have remaining terms of under one year.

The Group had foreign currency liabilities of € 210k at the reporting date. Foreign currency liabilities were measured at the reporting date rate; all other liabilities were measured at their respective repayment amounts. They include a large number of individual items. There are no material variances between carrying amounts and fair values.

Other liabilities € 000s	31.12.2008	31.12.2007
Financial instruments		
Customer credit balances	58	0
Derivative financial instruments	459	0
Miscellaneous	1	38
	518	38
Other		
Tax liabilities (VAT, payroll tax)	427	95
Deferred income and accrued expenses	0	8
Personnel liabilities	165	55
	592	158
Total	**1,110**	**196**

Other liabilities all have remaining terms of under one year.

4.5.3. Prepayments received

€ 000s	31.12.2008	31.12.2007
Total	**216,289**	**117,076**
Of which due within one year	216,289	117,076
Of which secured by bank guarantees	0	38,371
Of which netted with inventories	0	0
Of which netted with receivables	122,197	52,372
Of which netted with liabilities	83,808	64,634
Of which recognised as liabilities	**10,284**	**70**

4.5.4. Current loans

Current loans consist of the repayment amounts for non-current loans due in 2009 (€ 736k). Reference is made to 4.4.1.

4.5.5. Current tax liabilities

This item includes the retrospective payment of trade tax, corporate income tax and solidarity surcharge obligations expected for 2008, amounting to € 1,348k (previous year: € 460k).

4.5.6. Current provisions

€ 000s	Balance at 01.01.2008	Addition due to acquisition	Utilisation	Reversal	Addition	Balance at 31.12.2008
Other provisions						
Personnel	957	836	1,561	15	2,622	2,839
Outstanding invoices/services	876	0	745	52	2,422	2,501
Guarantee	438	269	513	0	1,568	1,762
Miscellaneous	108	271	242	17	401	521
Total	**2,379**	**1,376**	**3,061**	**84**	**7,013**	**7,623**

Current provisions for personnel mainly involve overtime, bonuses, the employers' liability insurance association and vacation.

Outstanding invoices and services chiefly relate to sales commissions and invoices still outstanding for materials and third-party services.

The provision for warranties has been calculated on the basis of historic warranty expenses and estimates of future costs. The level of provision accounts both for guarantee expenses actually incurred in the past and for technical information concerning product weaknesses discovered in the construction or trial stages or upon installation of the product.

The outflow of the amounts stated as provisions is expected to occur within one year.

4.6. Other disclosures on financial instruments

Financial instruments comprise primary and derivative financial instruments.

On the asset side, primary financial instruments primarily consist of receivables, other financial assets and cash and cash equivalents. On the liabilities side, primary financial instruments chiefly involve liabilities measured at amortised cost.

Holdings of primary and derivative financial instruments are reported in the balance sheet. Any default risks identified for financial assets are recognised immediately in the form of write-downs.

Furthermore, the company generally also makes use of derivative financial instruments, which are deployed to hedge foreign currency risk. The forward exchange transactions entered into by the Group are intended to hedge significant cash flows denominated in foreign currencies from the operating business. These are treated as cash flow hedges. Depending on the significance of the transaction in the individual case, Roth & Rau concludes forward exchange transactions to hedge purchases of materials or sales of its systems in foreign currencies. To hedge interest rate risk, the Group concludes interest swaps in which the Group agrees to exchange with the counterparty, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. The underlying obligation is hedged with these interest swaps.

Financial instruments are initially measured at cost. Securities and publicly listed other investments held on a fair value basis are categorised and recognised at fair value pursuant to IAS 39. Changes in their value are recognised in the net financial result.

Other marketable securities are classified as "available for sale" and also measured at fair value. Changes in their value are recognised directly in equity, to the extent that their market value can be reliably determined. The Group has no financial assets allocable to the "held to maturity" category. Like all other financial assets, long-term lendings are categorised as "loans and receivables" and recognised at amortised cost.

Financial liabilities with fixed terms are measured at amortised cost using the effective interest method. Financial liabilities for which a hedge has been concluded are only recognised using hedge accounting in cases meeting the requirements underlying a hedging relationship defined in IAS 39. These requirements were not met in the past financial year.

All derivative financial instruments entered into by the Group are initially recognised in the balance sheet at cost and subsequently measured at fair value at the reporting date. Gains and losses resulting from changes in the fair value are recognised in accordance with whether they meet the requirements governing recognition as hedges (hedge accounting) as defined by IAS 39. When hedge accounting is applied, derivative financial instruments are generally qualified as hedging future payment obligations (cash flow hedges). Changes in the fair value of cash flow hedges are recognised directly in equity, taking due account of their tax implications, to the extent that they are effective. Ineffective portions are recognised through profit or loss. The amounts recognised directly in equity are charged or credited to earnings in the period in which the hedged transaction is transferred to the income statement. In the year under report, the Group concluded cash flow hedges and retired items from equity through profit or loss, taking due account of deferred taxes.

The fair values of forward exchange transactions are determined on the basis of current reference prices from the European Central Bank, taking due account of forward premiums and discounts. Currency options are measured on the basis of market listings or recognised option price calculation models. The fair values of interest hedges are determined on the basis of discounted expected future cash flows.

Depending on their fair values at the reporting date, derivative financial instruments are recognised as other financial assets (if their fair value is positive) or as financial liabilities (if their fair value is negative).

Derivative financial instruments	**Face value**		**Positive fair value**		**Negative fair value**	
€ 000s	**31.12.08**	**31.12.07**	**31.12.08**	**31.12.07**	**31.12.08**	**31.12.07**
Forward exchange contracts and currency options (term < 1 year)	16,691	0	361	0	354	0
Of which designated as hedge accounting	11,939	0	0	0	354	0
Interest swaps	2,000	0	0	0	105	0
Of which designated as hedge accounting	0	0	0	0	0	0
Total	**18,691**	**0**	**361**	**0**	**459**	**0**

Forward exchange contracts and currency options were concluded for the sole purpose of hedging future cash flows in US dollars.

4.6.1. Carrying amounts and fair values of financial instruments

The carrying amounts and fair values of the Group's financial instruments are presented in the following table. The fair value of a financial instrument is the price at which a party would acquire the rights and/or obligations resulting from such financial instrument from an independent third party.

31.12.2008 € 000s	Carrying amounts						Fair value
Category	Held for trading	Available for sale		Loans and receivables	Derivatives in cash flow hedges	Total	
Measurement standard	Fair value through profit or loss	At cost	Fair value in equity	At cost	Fair value in equity		
Class							
Assets							
Shares in unconsolidated affiliated companies	0	11,006	0	0	0	11,006	0
Receivables from financing measures	0	0	0	1,270	0	1,270	1,270
Deposits	0	0	0	39	0	39	39
Receivables from long-term construction contracts	0	0	0	75,801	0	75,801	75,801
Trade receivables	0	0	0	22,460	0	22,460	22,460
Securities	39	0	0	0	0	39	39
Other receivables	0	0	0	2,797	0	2,797	2,797
Currency-related derivatives - non-hedge	361	0	0	0	0	361	361
Cash and cash equivalents	0	0	20,819	70,696	0	91,515	91,515

31.12.2008 € 000s	Carrying amounts				Fair value
Category	Held for trading, including non-hedge derivatives	Other liabilities	Derivatives in cash flow hedges	Total	
Measurement standard	Fair value through profit or loss	At amortised cost	Fair value in equity		
Class					
Shareholder' equity and liabilities					
Non-current interest-bearing loans	0	3,750	0	3,750	3,988
Current interest-bearing loans	0	736	0	736	736
Liabilities from long-term construction contracts	0	8,172	0	8,172	8,172
Trade payables	0	35,261	0	35,261	35,261
Miscellaneous other liabilities	0	651	0	651	651
Interest-related derivatives - non-hedge	105	0	0	105	105
Currency-related derivatives - hedging	0	0	354	354	354

In the previous year, financial instruments were structured as follows:

31.12.2007 € 000s	**Carrying amounts**						**Fair value**
Category	**Held for trading**	**Available for sale**		**Loans and receivables**	**Derivatives in cash flow hedges**	**Total**	
Measurement standard	**Fair value through profit or loss**	**At cost**	**Fair value in equity**	**At cost**	**Fair value in equity**		
Class							
Assets							
Deposits	0	0	0	11	0	11	11
Receivables from long-term construction contracts	0	0	0	34,783	0	34,783	34,783
Trade receivables	0	0	0	5,518	0	5,518	5,518
Other receivables	0	0	0	681	0	681	681
Cash and cash equivalents	0	0	10,236	53,034	0	63,270	63,270

31.12.2007 € 000s	**Carrying amounts**				**Fair value**
Category	**Held for trading, including non-hedge derivatives**	**Other liabilities**	**Derivatives in cash flow hedges**	**Total**	
Measurement standard	**Fair value through profit or loss**	**At amortised cost**	**Fair value in equity**		
Class					
Shareholder' equity and liabilities					
Non-current interest-bearing loans	0	1,400	0	1,400	1.328
Current interest-bearing loans	0	409	0	409	409
Liabilities from long-term construction contracts	0	24,946	0	24,946	24,946
Trade payables	0	19,911	0	19,911	19,911
Miscellaneous other liabilities	0	93	0	93	93

The fair values of the financial instruments have been determined on the basis of the market information available at the reporting date and of the methods and assumptions presented below.

Specified financial instruments € 000s	2008	2007
Securities	20,858	10,236
At fair value through profit or loss	39	0
At fair value in equity	20,819	10,236
Long-term loans		
At fair value through profit or loss	0	0
At amortised cost	1,270	0
Total	**22,089**	**10,236**

Receivables from long-term construction contracts, trade receivables and cash and cash equivalents
Given the short maturities of these financial instruments, it is assumed that their fair values correspond to their carrying amounts.

Other financial assets
Financial assets available for sale include:

- Equity components measured at fair value
  The portions of equity measured at fair value were based on stock market prices on 31 December.

- Equity components measured at cost
  No fair values could be determined for equity components measured at cost, as no stock market or other market values were available. This item involves shares in unlisted companies for which there were no indications of permanent impairment at the reporting date and for which the discounting of expected cash flows was foregone due to the impossibility of determining cash flows reliably.

Financial assets measured at fair value through profit or loss include:

- Derivative financial instruments not covered by hedge accounting
- Securities held for trading
  Securities held for trading and measured at fair value were valued on the basis of stock market prices as of 31 December.

Other receivables and assets
These financial instruments are recognised at cost. Given the short maturities of these financial instruments, it is assumed that their fair values correspond to their carrying amounts.

Financial liabilities
Loans are recognised at their respective repayment amounts. The fair values of loans are determined as the present value of expected future cash flows. They are discounted by reference to customary market interest rates based on corresponding maturities.

Liabilities from long-term construction contracts and trade payables
Given the short maturities involved, it is assumed that the fair values correspond to the carrying amounts.

Other financial liabilities
Financial liabilities measured at fair value through profit or loss include derivative financial instruments not covered by hedge accounting. The fair values of interest hedges (interest swaps) were determined on the basis of their discounted expected future cash flows. Reference was made to the market interest rates applicable for the remaining terms of the financial instruments.

The derivative financial instruments included in cash flow hedge accounting involve derivative currency hedging contracts. The fair values of forward exchange transactions were determined on the basis of their discounted expected future cash flows. Reference was made to the market interest rates applicable for the remaining terms of the financial instruments. Currency options were measured using market listings or option price models.

In the case of miscellaneous other financial liabilities, it was assumed given the short maturities of these financial instruments that their fair values correspond to their carrying amounts.

4.6.2. Net gains or losses

€ 000s	2008	2007
Financial assets and financial liabilities measured at fair value through profit or loss	-914	0
Financial assets available for sale	1,085	65
Loans and receivables	1,113	757
Financial liabilities measured at cost	1	13

Net gains or losses on financial assets and liabilities measured at “fair value through profit or loss” include the results of changes in fair values.

Net gains or losses on “available for sale” financial assets mainly consist of interest income and the profit realised on the sale of these financial instruments.

Net gains or losses on “loans and receivables” mainly consist of the results of write-downs and write-ups, as well as interest expenses and interest income on these financial instruments.

4.6.3. Total interest income and expenses

Total interest income and expenses from continuing operations for financial assets and financial liabilities not measured at fair value through profit or loss was structured as follows:

€ 000s	2008	2007
Total interest income	4,071	1,382
Total interest expenses	147	51

4.6.4. Disclosures on derivative financial instruments

Deployment of derivatives

The Group uses interest swaps for the exclusive purpose of hedging interest rate risks. Foreign currency risks are primarily hedged by forward exchange transactions and options.

Cash flow hedges

The Group designates cash flow hedges primarily in connection with the hedging of foreign currency risks. The maturities of the financial instruments correspond to those of the underlying transactions thereby hedged. In the 2008 financial year, the measurement of derivatives (before taxes) resulted in net unrealised losses of € 354k being recognised directly in equity (previous year: € 0k).

Non-hedge derivatives

In the context of interest and value hedging, interest rate risks are limited by interest derivatives in the form of interest swaps. One interest swap has been concluded to hedge existing interest rate risk in connection with a floating-rate loan. The Roth & Rau Group does not recognise this derivative as a cash flow hedge pursuant to IAS 39, as the criteria governing presentation of hedges set out in IAS 39 have not been met. The interest swap was recognised in the balance sheet at fair value. Changes in fair value are recognised through profit or loss in the net financial result. The nominal amount is € 2,000k, while the fair value of the interest derivative amounts to € 105k. Consolidated earnings for the 2008 financial year include net gains (before taxes) of € 361k from the measurement of derivative financial instruments not effective for hedging purposes (previous year: € 0k).

5. Disclosures on individual items in the income statement

The income statement has been prepared using the total cost method.

5.1. Sales

The company recognises sales in accordance with IAS 18. Sales increased by 86.1% compared with the previous year (previous year: 241.2%). The rise in global demand for production systems for use in the manufacture of solar cells provided the Roth & Rau Group with a further year of strong growth. AIS Automation Dresden GmbH, which was consolidated from 1 July 2008, contributed sales of € 8,040k. A breakdown of sales by products and regions has been presented in Note 3.

5.2. Increase/decrease in stocks of finished products and work in progress

The change in stocks of finished products and work in progress by € 8,024k (previous year: € 1,234k) mainly involves SiNA systems produced in advance to ensure short delivery times.

5.3. Capitalised services rendered to own account

In addition to the costs of manufacturing proprietary systems and machines, capitalised services rendered to own account chiefly involve capitalised manufacturing costs for development work. The manufacturing costs include shares of direct and indirect costs.

€ 000s	2008	2007
Capitalised services rendered to own account for publicly subsidised research and development projects	4,840	2,548
Capitalised services rendered to own account for internally used equipment	616	0
Total	**5,456**	**2,548**

In the case of capitalised development expenses subsidised by government grants, grants amounting to € 1,592k (previous year: € 829k) have been deducted from capitalised development expenses under non-current assets.

5.4. Other operating income

Other operating income is structured as follows:

€ 000s	2008	2007
Income from real estate letting (investment property)	43	43
Income from reinsurance	110	41
Income from reversal of provisions	84	35
Income from exchange rate differences	1,622	35
Income from insurance compensation	42	1
Reduction in individual allowances	113	0
Miscellaneous	523	201
Total	**2,537**	**356**

The total amount of miscellaneous operating income consists of numerous items which are immaterial on an individual basis.

5.5. Cost of materials

€ 000s	2008	2007
Cost of raw materials, supplies and purchased goods	191,930	112,354
Cost of purchased services	13,334	6,058
Total	**205,264**	**118,412**

The materials quota amounted to 75.4% as a percentage of sales (previous year: 81.0%). The expenses for purchased services mainly include the costs of contract staff, amounting to € 5,989k (previous year: € 2,558k). The expenses for raw materials and supplies and purchased goods include both system construction components and components for the turnkey business.

5.6. Personnel expenses

The composition of personnel expenses is presented in the following table.

€ 000s	2008	2007
Wages and salaries	16,591	6,426
Social security contributions	2,578	1,084
Pension expenses	976	53
Total	**20,145**	**7,563**

At its meeting on 7 November 2008, the Supervisory Board approved the outsourcing of the existing pension provisions of Roth & Rau AG. The outsourcing of the pension commitment was executed by assignment to Deutscher Pensionsfond pursuant to Section 3 (66) of the German Income Tax Act (EStG) and to the ZDHUK pension fund pursuant to Section 4d of the German Income Tax Act (EStG). This was financed by payment of a one-off sum of € 1,601k, following which pension obligations have no longer been reported in the commercial and tax balance sheets.

The average number of employees amounted to 515 during the 2008 financial year. The 606 employees at the reporting date were deployed as follows:

€ 000s	2008	2007
Production	269	81
Research and development	33	18
Technology and sales	211	93
Administration	75	30
Other	2	1
Subtotal	**590**	**223**
Trainees	16	13
Total	**606**	**236**

5.7. Depreciation and amortisation

€ 000s	2008	2007
Scheduled depreciation and amortisation		
Intangible assets	3,210	912
Property, plant and equipment	1,195	784
Subtotal	**4,405**	**1,696**
Impairments		
Development expenses	78	0
Goodwill	1,579	0
Total	**6,062**	**1,696**

The composition of depreciation and amortisation is presented in the non-current asset schedule.

5.8. Other operating expenses

Other operating expenses mainly consist of merchandise distribution and sales-related expenses. The largest individual items within other operating expenses are presented in the following table.

€ 000s	2008	2007
Premise expenses	912	376
Insurances, contributions and fees	374	140
Maintenance and repairs	295	17
Vehicle expenses	519	249
Advertising and travel expenses	3,838	1,592
Merchandise distribution expenses	12,695	3,878
Impairment losses on current assets	2,105	559
Legal and advisory expenses	2,418	439
Foreign exchange differences	896	381
Miscellaneous operating expenses	4,068	1,201
Total	**28,120**	**8,832**

The total amount of miscellaneous operating expenses consists of numerous items which are immaterial on an individual basis.

5.9. Net financial result

€ 000s	2008	2007
Gains on fixed-income securities	258	65
Interest income	4,071	1,382
Subtotal	**4,329**	**1,447**
Interest expenses for banks	147	51
Interest expenses for shareholders	0	28
Interest expenses for pension provision	52	28
Other interest expenses	0	102
Guarantee fee	737	0
Write-downs of marketable securities	130	0
Write-downs of investment property	10	12
Subtotal	**1,076**	**221**
Total	**3,253**	**1,226**

Interest income mainly includes interest on short-term money investments.

Unlike in the previous year, guarantee fees of € 737k were allocated to the net financial result in the period under report (previous year: € 276k). The previous year's figure was not reclassified for reasons of materiality and of comparability with previous years' reports.

5.10. Taxes on income

€ 000s	2008	2007
Current tax expenses	2,750	567
Deferred tax expenses	5,889	2,842
Total	**8,639**	**3,409**

The following reconciliation account presents the differences between the income tax expenses actually recognised and the income tax expenses expected. The expected income tax expenses correspond to earnings before taxes on income multiplied by the expected tax rate. The expected tax rate includes German corporate income tax, the solidarity surcharge and trade tax and was set at 29.2% for the year under report (previous year: 38.5%).

Due to the corporate tax reform introduced in 2007, a corporate income tax rate of 15% was used to calculate current taxes on income at group companies in the 2008 financial year (previous year: 25%). Moreover, the tax rate accounts for a solidarity surcharge of 5.5% on corporate income tax and a trade tax rate of 3.5% (previous year: 5.0%). As in the previous year, deferred taxes for the German group companies were calculated using an average tax rate of 29.2% in the previous year. This accounts for corporate income tax, including the solidarity surcharge, and trade tax. Application has been made of an average trade tax multiplier of 382%.

€ 000s	2008	2007
Earnings before taxes	31,801	15,090
Expected tax rate of 29.2 % (previous year: 38.5 %)	9,286	5,810
Change in expected tax rate		
Reduction in taxes for previous year	-156	0
Tax impact of goodwill amortisation	423	0
Tax reductions due to change in tax rate for previous periods	-155	0
Tax impact of change in tax rate	0	-1,722
Tax impact of tax-exempt income	-902	-814
Tax impact of business expenses not deductible	121	98
Other tax items	22	37
Actual tax expenses	**8,639**	**3,409**

5.11. Earnings per share

Earnings per share are calculated as the quotient of the earnings attributable to shareholders and the weighted average number of shares in circulation during the financial year. The Annual General Meeting of Roth & Rau AG on 4 July 2008 resolved to reformulate Section 5 (1) and (2) of the company's Articles of Association correspondingly. Based on their holdings of existing shares, shareholders in the company are entitled by law to new shares at a ratio of 1 : 3, meaning that three additional new shares (bonus shares) are allocable to each existing share.

€ 000s	01.01.- 31.12.2008	01.01.- 31.12.2007 previous year adjusted	01.01.- 31.12.2007
Net income for the period	23,162,043.11	11,680,961.55	11,680,961.55
Earnings attributable to minority interests	137,697.27	0.00	0.00
Consolidated earnings	**23,024,345.84**	**11,680,961.55**	**11,680,961.55**
Average number of shares	12,683,934	9,565,480	2,391,370
Earnings per share (EUR/share)	**1.82**	**1.22**	**4.88**

Consolidated net income amounted to € 23,024,345.84 as of 31 December 2008 (31 December 2007: € 11,680,961.55). Accordingly, basic earnings per share pursuant to IAS 33 amount to € 1.82 (31 December 2007: € 1.22). As the number of shares outstanding has changed due to the bonus shares, these figures had to be amended accordingly. The average number of shares in the 2008 financial year amounted to 12,683,934 (adjusted previous year's figure: 9,565,480).

There were no shares outstanding as of 31 December 2008 or 31 December 2007 which could have diluted earnings per share.

6. Disclosures on the cash flow statement

The cash flow statement has been presented separately. The financial funds presented encompass the cash and cash equivalents reported in the balance sheet.

Following the deduction of government grants of € 4,498k (previous year: € 2,738k), the investments of € 17,593k (previous year: € 11,640k) have been reported at € 13,095k (previous year: € 8,902k). Furthermore, a total amount of € 35,122k was invested in the acquisition of subsidiaries. This is countered by cash and cash equivalents of € 2,309k thereby acquired. A retrospective grant of € 3k was issued for the investment property in the financial year under report.

€ 000s	
Total AIS purchase price	24,116
Financial assets	11,006
Subtotal	**35,122**
Less cash acquired (AIS)	-2,309
Investment property	-3
Total	**32,810**

The cash flows for the financial year under report include interest paid amounting to € 165k (previous year: € 263k) and interest received of € 3,896k (previous year: € 1,212k). The cash flows also include income taxes paid amounting to € 4,205k (previous year: € 1,137k) and income taxes refunded of € 1,030k (previous year: € 0k).

The inflow and outflow of funds for financing activities include proceeds from the taking up of bank loans and from the capital increase (less costs), as well as outgoing payments for the redemption of bank loans and an outgoing payment for the issuing of a loan.

7. Other disclosures

7.1. Objective and methods of financial risk management

7.1.1. Risk management

The Management Board has established a risk management system which enables risks to be handled deliberately and in a controlled manner and which is firmly integrated into existing organisational, reporting and management structures. The risk management system was substantially enhanced in 2008 and adjusted to meet the stricter requirements arising on account of the strong growth in the company's operations.

Apart from derivative financial instruments, the Group's principal financial liabilities involve interest-bearing loans, trade payables and other liabilities. The main purpose of these financial liabilities is to finance the Group's business activities. The Group has receivables resulting from loans issued, trade receivables and other receivables, cash and cash equivalents and short-term deposits, all of which directly result from its business activities. Furthermore, the Group also has financial assets available for sale and enters into derivative financial transactions.

The Group is exposed to credit, liquidity and market risks.

Managing these risks is the responsibility of the Group's management. Roth & Rau's risk management system is based on firmly specified organisational processes and approval procedures. These are based on the "Risk Management Handbook", a set of work instructions binding for all employees and forming an integral component of quality management. The Group's quality management is in turn certified under ISO 9001:2000. All operating departments identify their individual risks on a quarterly basis, referring to specified risk categories, and evaluate these risks in terms of their probability of occurrence and potential damages. Project risks are already analysed and evaluated along the same lines from the acquisition stage already. Risk management provides for five risk classes requiring tiered reporting. Depending on the risk class involved, decisions concerning the relevant measures are taken on the level of operating management or directly by the Management Board. All employees have been made aware of potential risks and called upon to provide reports accordingly. Based on these individual assessments, quarterly overall risk reports are compiled, enabling the Management Board to monitor and evaluate the current risk situation. In line with these evaluations, the Management Board also informs the Supervisory Board on an ongoing basis.

The Group has thus ensured that its activities which involve financial risks are performed in accordance with the relevant guidelines and procedures and that financial risks are identified, evaluated and managed in accordance with these guidelines, taking due account of the Group's risk propensity. In line with the Group's internal guidelines, no trading of derivatives takes place for speculative purposes.

The guidelines covering the management of the risks presented below have been inspected and adopted by the company's management.

7.1.2. Credit risk

Credit risk involves the risk of a business partner failing to meet its obligations in the context of a financial instrument or a customer master agreement and of this leading to a financial loss. The Group is exposed to default risks within the framework of its operating business activities (trade receivables in particular involve risks), as well as to risks within the framework of its financing activities, including deposits and banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk from receivables

In individual cases, a drastic deterioration has been seen in the creditworthiness of customers and suppliers in the course of the financial crisis. The Group is therefore stepping up its security measures. The Group faces general default risk in particular for new entrants to the sector in the turnkey business. Roth & Rau counters the risk of customers meeting their payment obligations late or not at all by performing detailed customer creditworthiness checks (internal and external financial information) before accepting any orders and by means of payment terms which link payment to progress made in processing the order. Credit risk involving receivables from customers is managed by the relevant business units on the basis of the Group's customer credit risk management guidelines, procedures and checks.

Outstanding receivables from customers are monitored regularly, with deliveries to major customers (export business) generally being covered by credit orders.

Based on total receivables of € 24,422k before impairment (previous year: € 5,712k), impairment losses of € 1,962k have been recognised (€ 195k).

Receivables which are overdue but not impaired have been presented in the following schedule, broken down in terms of the period by which payment is overdue.

Maturity structure of unimpaired receivables and financial assets € 000s	Total receivables excluding impairments	Neither overdue nor impaired	Overdue but not impaired (in days)			
			to 90	90 to 180	180 to 360	over 360
As of 31.12.2008						
Trade receivables	20,463	4,992	10,816	3,789	639	227
Other receivables and financial assets	7,813	7,813	0	0	0	0
As of 31.12.2007						
Trade receivables	5,325	2,928	992	444	499	462
Other receivables and financial assets	7,736	7,736	0	0	0	0

Credit risk from financial instruments and deposits

The credit risk relating to credit balances at banks and financial institutions is managed in accordance with the Group's guidelines. The capital resulting from issue proceeds is only invested at financial institutions of high creditworthiness. These funds are invested in financial assets which are not subject to any fluctuations in value, or only to a minor extent. They are invested in financial assets available at short notice so as to cover financing and liquidity requirements for planned investments and advance financing requirements for the operating business. Prepayments to suppliers are also required in the context of procurement measures. These can give rise to default risks. Prepayments made are covered in some cases by prepayment bonds/credit orders.

7.1.3. Liquidity risk

Roth & Rau AG signed a syndicated loan agreement for € 160,000k in April 2008. The syndicated loan consists of a working capital line of € 50,000k and a guarantee facility of € 110,000k and has a five-year term. In the difficult current banking climate, this agreement secures attractive terms for the next five years. Together with the capital increase executed in April 2008, the Roth & Rau Group is thus highly creditworthy.

The Group constantly monitors the risk of any liquidity bottleneck using a liquidity planning tool. In doing so, it aims to maintain a balance between consistently covering its funding requirements and ensuring flexibility by drawing on overdraft facilities and bank loans. No liquidity bottlenecks have been identified based on our current planning.

As of 31 December 2008, 45.0% of the carrying amount of debt capital recognised in the consolidated financial statements was due to mature within one year.

As of 31 December 2008, the Group's financial liabilities had the maturity structure presented below. The disclosures are based on contractually agreed, undiscounted payments.

€ 000s	2009		2010 - 2012		2013 - 2016	
	Interest	Repayment	Interest	Repayment	Interest	Repayment
Primary financial liabilities						
Loans	207	736	339	2,608	51	1,142
Trade payables	0	35,261	0	0	0	0
Other/miscellaneous liabilities	0	651	0	0	0	0
Derivative financial liabilities						
Currency derivatives in connection with cash flow hedges	0	354	0	0	0	0
Interest derivatives (non-hedge)	0	21	0	84	0	0
Total	**207**	**37,023**	**339**	**2,692**	**51**	**1,142**

7.1.4. Market risk

Market risk involves the risk of fluctuations in the fair value or future cash flows of a financial instrument due to changes in market prices. Market risk also includes the following types of risk – interest rate risk, currency risk and price risk – and is monitored using sensitivity analyses.

7.1.4.1. Interest rate risk

Interest rate risk involves the risk of fluctuations in the fair value or future cash flows of a financial instrument due to changes in market interest rates. The risk of fluctuations in market interest rates to which the Group is exposed primarily relates to non-current loans with floating interest rates.

To hedge interest rate risk, the Group concludes interest swaps in which the Group agrees to exchange with the counterparty, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. These interest swaps hedge the underlying obligation.

Changes in the market interest rates of primary financial instruments with fixed interest rates only impact on earnings in cases where they are recognised at fair value. As a result, none of the financial instruments with fixed interest rates recognised at amortised cost are subject to changes in the interest rate as defined in IFRS 7.

Interest rate risk is currently classified as low, as the Group only has non-current loans of € 4,500k, of which one loan of € 2,000k with a floating interest rate is hedged by an interest swap. The remaining loans have been agreed with fixed interest rates.

As the existing financial liabilities with floating interest rates were fully hedged by interest swaps at the reporting date, a hypothetical increase/reduction in market interest rates by 100 base points as of the reporting date would have no material impact on earnings after taxes, assuming all other variables remain unchanged; the other components of equity would remain unchanged. Were the interest or discount curve to change upwards (downwards) by 100 base points, then this would impact on earnings to the tune of € 48k (€ -50k).

7.1.4.2. Foreign currency risk

Foreign currency risk involves the risk of fluctuations in the fair value or future cash flow of a financial instrument due to exchange rate movements. The objective of currency hedging is to fix prices based on hedging rates to protect against unfavourable future fluctuations in exchange rates.

Exchange rate risks play a subordinate role at the Roth & Rau Group, as the Group invoices a high share of its sales in euros. Moreover, the company generally receives a not inconsiderable share of the purchase price upon conclusion of the contract, so that the risk of foreign currency fluctuations is low even for orders invoiced in foreign currencies. The Group generally concludes project-related forward cover transactions.
The foreign currency risk resulting from remaining unhedged financial instruments in foreign currencies for which currency fluctuations would impact on earnings is therefore classified as low.

The following table presents the sensitivity of the Group's consolidated earnings before taxes (due to changes in the fair values of monetary assets and liabilities) and equity to any reasonable movements in the US dollar exchange rate. All other variables have remained unchanged.

Foreign currency risk USD	Change in EUR/USD exchange rate	Impact on earnings before taxes (€ 000s)
2008	9 %	2
	-9 %	-1
2007	10 %	-17
	-10 %	21

Any hypothetical appreciation (depreciation) in the euro by 9% compared with the US dollar as of 31 December 2008 would have led earnings before taxes to be € 2k higher (€ 1k lower), assuming all other variables remained unchanged.

The change in earnings is attributable to monetary assets and liabilities denominated in US dollars, to the extent that the company's functional currency is not the US dollar.

7.1.4.3. Price risks

The publicly listed equities held by the Group are exposed to market price risks resulting from the uncertainty surrounding the future development in the value of these securities. The Group faces price risks for the shares it holds in investment / money market funds for the purposes of liquidity management. Had the securities price been 10% lower (higher) at the reporting date, then equity would have been € 1,685k lower (€ 1,685k higher).

Price risk	Price performance	Impact on shareholders' equity in € 000s
2008	10 %	1,685
	-10 %	-1,685
2007	10 %	423
	-10 %	-423

7.2. Contingent liabilities

Contingent liabilities on the one hand include potential obligations whose actual materialisation is dependent on one or several uncertain future events which cannot be fully influenced actually occurring. On the other hand, they are also deemed to include existing obligations which will probably not lead to any outflow of resources. Pursuant to IAS 37, contingent liabilities are not recognised in the balance sheet.

In respect of non-current assets subsidised by investment grants whose conditions for retention had not yet been met as of the reporting date, the company's tax consultants have issued written confirmation that no forms of utilisation detrimental to the respective grants (sale to a business operation not entitled to such grant) had been identified.

Due to a take-back obligation received in 2008 in respect of the sale of a coating system to a leasing company, the residual capital value as of 31 December 2008, corresponding to the buyback value upon extraordinary termination of the leasing contract by the leasing company, has been quantified as a financial obligation of € 264k (previous year: € 188k).

As of 31 December 2008, the company had a guarantee facility of € 113,300k, of which € 50,983k was utilised (previous year: € 42,455k).

Legal risks

Legal risk may result from any unwitting infringement of third-party intellectual property rights. Due in particular to the fact that a not inconsiderable share of Roth & Rau's expertise is not protected by proprietary patents, the risk cannot be excluded that competitors will assert claims against Roth & Rau in connection with the infringement of property rights. No such legal disputes have materialised to date. Conversely, there is also the risk that third parties will copy Roth & Rau's expertise and infringe patents or other property rights. To protect its extensive expertise, the company regularly concludes confidentiality agreements with its employees, customers and partners in research and development projects.

Since June 2008, Roth & Rau has employed a Compliance Officer who is also responsible for communications with external lawyers. As part of this compliance function, the company has pressed consistently ahead with the introduction of various sets of guidelines and work instructions.

In an as yet unresolved legal dispute, an employee working in the USA for one of the company's customers who suffered substantial hand injuries due to a work-related accident in December 2004 in connection with the operation of a machine produced and supplied by Roth & Rau has filed a lawsuit against the company at an American court for damages and smart money. Based on an initial assessment by the US lawyers advising the company, if successful the lawsuit could lead to Roth & Rau being liable for an amount of between US$ 2,500k and US$ 3,500k. The company has a business liability insurance which covers this third-party liability risk. The sum insured amounts to € 5,000k, with a deductible of € 25k. A provision of € 25k has been recognised for the deductible. However, it cannot be ruled out that Roth & Rau will be held liable in connection with this or other accidents in future.

7.3. Other financial obligations

Operating leases

The Group has concluded finance lease agreements and hire purchase agreements for various items of technical equipment and plant and office equipment. Its other financial obligations in connection with lease, rental and service agreements amount to € 414k for 2009 (previous year: € 111k) and to € 466k for 2010 to 2013 (previous year: € 167k).

Cooperation and licence agreement with the University of Neuchâtel, Institute of Microtechnology

A cooperation and licence agreement was concluded with the Institute of Microtechnology (IMT) at the University of Neuchâtel in the 2008 financial year. This agreement governs a cooperation in the development of the expertise required to implement a highly efficient cell using heterojunction technology (HJT). The three-year fixed term for the research and development work begins on 15 April 2008 and ends on 15 April 2011. IMT receives an annual fee of € 180k over the three-year term as consideration for all work, supplies and obligations of relevance to this research and development work. An annual fee of € 120k is paid in return for the transfer of expertise and the granting of rights of use for this expertise and the patent.

Licence agreement

In 2000, Roth & Rau AG acquired a technology licence for a period of 10 years. The licence fee payable is dependent on the net sales generated for the licensed system. As outlined above, Roth & Rau AG has entered into a further licence obligation with the Institute of Microtechnology (IMT) at the University of Neuchâtel (now EPFL École Polytechnique Federale de Lausanne). Roth & Rau AG undertakes therein to pay compensation amounting to 1% of the new sales of HJT lines. This compensation is limited to a maximum of € 300k p.a. for the term of the cooperation agreement (until 15 April 2011). The licence fee obligation remains effective for five years following termination of the contract, but the € 300k threshold then no longer applies.

Ground rent

Roth & Rau AG is the beneficiary of heritable building rights with a term of 75 years. The company pays ground rent of 6% p.a. for these heritable building rights. Accordingly, the other financial obligation amounts to € 42k for 2009 (previous year: € 33k) and to € 169k for 2010 to 2013 (previous year: € 130k) and to € 2,919k by the end of the term (previous year: € 2,246k).

7.4. Related party disclosures

Related parties of Roth & Rau AG are: members of the Management Board and Supervisory Board, including their family relatives, and companies over which Roth & Rau AG, members of the Management and Supervisory Boards and their close family relations can exercise significant influence.

Management Board

The Management Board comprised the following individuals in the 2008 financial year:
Dr. Dietmar Roth (Chairman)
Carsten Bovenschen

Dr. Dietmar Roth
Chief Executive Officer, Overall Operations Management,
Strategy, Planning, Sales and Marketing, Investor Relations

Member of the Supervisory Board of Silicon Sensor AG, Berlin
Member of the Plasma Technology Expert Committee at the Federal Ministry of Education and Research
Member of the Expert Committee of the "Otto von Guericke" Industrial Research Associations Working Group, Cologne

Carsten Bovenschen
Finance, Controlling, Materials Management, Personnel and IT

Management Board compensation
The compensation of the Management Board for the 2008 financial year is as follows:

€ 000s	Fixed compensation	Variable compensation	Total
Management Board			
Dr. Dietmar Roth	199	330	529
Carsten Bovenschen	151	150	301
Total 2008	**350**	**480**	**830**
Total 2007	265	178	443

Expenses of € 955k have been recognised in the income statement for the Management Board in connection with pension provisions (previous year: € 29k). No compensation was paid in connection with the phantom stock options plan in 2008.

The members of the Management Board held the following direct or indirect shareholdings in Roth & Rau AG as of 31 December 2008:

Dr. Dietmar Roth	794,796 shares	5.76 %
Carsten Bovenschen	0 shares	0.00 %

Supervisory Board
The Supervisory Board comprised the following individuals in the 2008 financial year:

Harald Löhle (Chairman until 31 January 2008)
Eberhard Reiche (Chairman from 1 February 2008)
Prof. Dr. Alexander Michaelis (Deputy Chairman)
Daniel Schoch

Harald Löhle stepped down from his position as Chairman as of 31 January 2008. Eberhard Reiche, initially appointed as a member of the Supervisory Board by Chemnitz District Court, was elected as a member of the Supervisory Board by the Annual General Meeting on 4 July 2008 for the remaining term in office of Harald Löhle. At its subsequent meeting, the Supervisory Board elected Eberhard Reiche to be its Chairman.

Harald Löhle (until 31 January 2008)
Chairman of the Supervisory Board

Member of the Management Board of Rohwedder AG, Bermatingen (until 31 December 2008)
Member of the Administrative Board of ASIC Robotics AG, Burgdorf/Switzerland (until 27 August 2008)

No supply or service relationships have been in place between Rohwedder AG and Roth & Rau AG since the deconsolidation.

Eberhard Reiche (from 1 February 2008)
Chairman of the Supervisory Board

Director of the Internal Audit Department at envia Mitteldeutsche Energie AG

Prof. Dr. Alexander Michaelis
Deputy Chairman of the Supervisory Board

Director of the Fraunhofer Institute of Ceramic Technologies and Systems, Dresden
Professor at Technische Universität Dresden, Professor of Inorganic Non-Metallic Materials at the Institute of Materials Science

Daniel Schoch
Member of the Supervisory Board

Director/Chief Financial Officer, Corestate Capital AG, Zug Switzerland (since May 2008)
Member of the Management (CFO) of BauBeCon Holding 1 GmbH, Hanover (until April 2008)

Chairman of the Supervisory Board of Alta Fides AG, Stuttgart (since October 2008)
Chairman of the Supervisory Board of Campus Real Estate AG, Stuttgart (since December 2008)

Member of the Supervisory Board of Wärme Service GmbH, Hanover (until April 2008)
Member of the Supervisory Board of VBV Versicherungsmakler, Hamburg (until April 2008)

The members of the Supervisory Board of Roth & Rau AG did not hold any shares in the company as of 31 December 2008.

The compensation of the Supervisory Board of Roth & Rau AG for the 2008 financial year is as follows:

€ 000s	2008 Fixed compensation	2007 Fixed compensation
Harald Löhle (until 31 January 2008)	5	16
Prof. Dr. Alexander Michaelis	38	12
Daniel Schoch	25	12
Eberhard Reiche	60	0
Total	**128**	**40**

No agreements providing for compensation payments or other benefits for Supervisory Board members upon the conclusion of their membership of the Board have been reached between members of the Supervisory Board and the company. There are currently no conflicts of interest between their obligations towards the company and their private interests or other commitments.

No agreements governing the provision of pensions have been reached between members of the Supervisory Board and the company.

Individuals in Key Positions

In addition to the members of the Management and Supervisory Boards listed above, individuals in key positions also include the following individuals with direct or indirect responsibility for planning, managing and supervising business activities, all of whom have been granted joint powers of representation.

Dr. Bernd Rau
Senior Vice President Research and Development
Dr. Rau held 752,964 shares, or 5.46%, of Roth & Rau AG as of 31 December 2008 (previous year: 7.11%).

Dr. Silvia Roth
Vice President Sales & Marketing
Wife of Dr. Dietmar Roth

Dr. Silvia Roth held 292,360 shares, or 2.12%, of Roth & Rau AG as of 31 December 2008 (previous year: 2.76%).

Dr. Michael Zeuner
Vice President Plasma and Ion Beam Technology

Thomas Hengst
Vice President Photovoltaics
Member of the Supervisory Board of AIS Automation Dresden GmbH (23 September 2008)

Ruth Domin
Vice President Finance

Wolfram Stoll (until 15 March 2009)
Vice President ASCM

Lutz Eismann
Vice President Operations & SiNA Department

Compensation totalling € 667k was paid to the aforementioned individuals in key positions in the 2008 financial year (previous year: € 476k). Moreover, provisions totalling € 233k were also recognised in favour of these individuals at the reporting date (previous year: € 123k).

Close family relatives
The individuals listed below are close family relatives of Dr. Dietmar Roth, member of the Management Board, or of Dr. Bernd Rau and Dr. Silvia Roth, individuals in key positions. These family relatives work as employees of Roth & Rau AG and hold the following positions:

Kristin Roth-Lüdemann (daughter of Dr. Silvia Roth)	Sales Manager PV
Sascha Roth (son of Dr. Dietmar Roth)	Controlling
Ulrike Uhlig (daughter of Dr. Dietmar Roth)	Head of Accounts Department
Andrea Rau (wife of Dr. Bernd Rau)	Personnel and Administration

Compensation totalling € 192k was paid to these individuals in the 2008 financial year (previous year: € 147k). Furthermore, the company had also recognised provisions totalling € 40k at the reporting date in connection with the employment relationships of these close family relatives (previous year: € 15k).

Services provided by a company closely related to a member of the Management Board, individual in key position or close family relative

Ion-Tech GmbH
On the basis of a share purchase and transfer agreement dated 15 December 2008, Roth & Rau AG acquired 100 % of the shares in Ion-Tech GmbH. Ion-Tech GmbH was a closely related company of Roth & Rau AG in the 2008 financial year. Its shareholder structure upon the takeover was as follows:

Dr. Dietmar Roth	16.8 %
Dr. Silvia Roth	16.6 %
Dr. Bernd Rau	16.6 %
Dr. Michael Zeuner	50.0 %

The takeover of the closely related company is intended to create a clearer group structure and to contribute towards restructuring the plasma and ion beam technology segment (PIB). Ion-Tech operates in the field of component production for the PIB segment. An amount of € 700k was agreed as the purchase price.

The company’s share capital amounts to € 25k.

Ion-Tech GmbH operates on behalf of Roth & Rau AG in the field of component production for the ion beam technology division. The volume of business with Ion-Tech GmbH in the 2008 financial year amounted to € 763k (previous year: € 561k).

There were liabilities/provisions totalling € 352k in connection with this business relationship at the reporting date (31 December 2007: € 0k).

Roth & Müller GbR

Roth & Müller GbR is a closely related company of Roth & Rau AG, as its shareholder Stefan Roth is the brother of the CEO, Dr. Dietmar Roth. Roth & Müller GbR is responsible for varnishing the switchboxes of the coating systems.

The volume of business with Roth & Müller GbR amounted to € 61k in the 2008 financial year (previous year: € 27k).

There were liabilities/provisions totalling € 29k in connection with this business relationship at the reporting date (31 December 2007: € 5k).

RC Engineering GmbH

RC Engineering GmbH is an indirect customer of Roth & Rau AG. This indirect relationship is due to the fact that RC Engineering GmbH is the lessee of a PIB coating system acquired by the lessor, Disko Leasing GmbH, from Roth & Rau AG in 2007. Roth & Rau AG concluded an agreement with the leasing company governing the repurchase of the system at its residual value in the event of the insolvency of the lessee.

Sascha Roth, a close family relative, has consistently held a 49% stake in RC Engineering GmbH since March 2006.

There were no receivables in connection with this business relationship at the reporting date (31 December 2007: € 82k). No write-downs on receivables were necessary.

Advisory services

Roth & Rau AG receives tax advice from Dicks-Domin Steuerberatungsgesellschaft mbH, Hohenstein-Ernstthal. The tax advisor Jürgen Dicks-Domin, 48% shareholder in Dicks-Domin Steuerberatungsgesellschaft mbH, is married to Ruth Domin, who works as Director of Financial Accounting and Controlling at Roth & Rau AG. Expenses of € 41k were incurred towards Dicks-Domin Steuerberatungsgesellschaft in the 2008 financial year for tax advisory and ongoing bookkeeping services (previous year: € 7k). As of 31 December 2008, the company had liabilities/provisions of € 5k towards the tax advisory company (31 December 2007: € 6k). The contractual terms correspond to those agreed with independent third parties.

No further expenses were required or incurred for impaired or uncollectible receivables from closely related individuals or companies.

7.5. Auditor's fee

The fee recognised as expenses for the auditor, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, amounted to € 105k for auditing services (previous year: Bodensee Treuhand GmbH: € 52k). Fees of € 28k were paid for advisory services.

7.6. Events after the reporting date

On the basis of a share purchase and transfer agreement dated 23 February 2009, Roth & Rau AG acquired all of the shares in CTF Solar GmbH, Kelkheim, from the management and the investment company Murphy&Spitz Green Capital AG. A purchase price of € 1,440k was agreed. Moreover, the previous shareholders receive a performance-related component of € 700k which is dependent on the achievement of contractually stipulated target agreements by 2012.

Further disclosures pursuant to IFRS 3.67 are currently not possible, as the financial statements underlying the purchase price allocation have not yet been prepared.

7.7. Approval for publication

The Management Board of Roth & Rau AG approved these IFRS consolidated financial statements for publication in March 2009.

7.8. Declaration pursuant to section 161 of the German Stock Corporation Act (AktG)

The Declaration required in respect of the German Corporate Governance Code has been submitted for Roth & Rau AG and made available to shareholders.

Hohenstein-Ernstthal, March 2009

Dr. Dietmar Roth	Carsten Bovenschen
CEO	Member of the Management Board

Responsibility Statement

We hereby affirm that, to the best of our knowledge, the consolidated financial statements provide a true and fair picture of the net asset, financial and earnings position of the Group in accordance with the accounting principles applicable and that the business performance, including the business results and situation of the Group, are depicted in the group management report so as to provide a true and fair picture of actual circumstances, as well as of the principal opportunities and risks involved in the expected development of the Group.

Hohenstein-Ernstthal, March 2009
Roth & Rau AG
The Management Board

Dr. Dietmar Roth　　　　Carsten Bovenschen

Audit Opinion

Audit opinion

We have audited the consolidated financial statements of Roth & Rau AG, Hohenstein-Ernstthal, consisting of the balance sheet, income statement, equity schedule, cash flow statement and notes, as well as the group management report for the financial year from 1 January to 31 December 2008. The preparation of the consolidated financial statements and the group man-agement report in accordance with IFRS as adopted by the EU and with the requirements of German commercial law requiring supplementary application pursuant to Section 315a (1) of the German Commercial Code (HGB) is the responsibility of the Management Board of the company. Our responsibility involves providing an assessment of the consolidated financial statements and of the group management report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB), taking due account of the principles of proper auditing promulgated by the German Institute of Auditors (IDW). These require the audit to be planned and executed in such a way that any inaccuracies and infringements which could have a material impact on the presentation of the net asset, financial and earnings situation of the company pro-vided by the consolidated financial statements, taking due account of the applicable accounting requirements, and by the group management report, may be identified with reasonable certainty. Knowledge of the business activities of the Group and of its economic and legal environment, as well as any expectations as to possible misstatements, are taken into account when determining the audit measures. The effectiveness of the internal accounting controlling system and documentary evidence supporting the statements made in the consolidated financial statements and in the group management report are assessed, mainly on the basis of trial samples, within the framework of the audit. The audit includes an assessment of the annual financial statements of the companies included in the consolidated financial statements, the determination of the entities to be included in consolidation, the accounting and consolidation principles applied and the princi-pal estimates made by the Management Board, as well as an appraisal of the overall presentation of the consolidated financial statements and of the group management report. We believe that our audit provides a sufficiently secure basis for our assessment.

Our audit has not led to any qualifications.

On the basis of the findings of our audit, it is our opinion that the consolidated financial state-ments comply with the requirements of IFRS as adopted by the EU as well as with the provisions of German commercial law requiring supplementary application pursuant to Section 315a (1) of the German Commercial Code (HGB) and that they provide a true and fair picture of the net as-set, financial and earnings position of the Group. The group management report is consistent with the consolidated financial statements, provides a suitable overall depiction of the situation of the company and the Group and adequately portrays the opportunities and risks involved in their future development.

Dresden, 24 March 2009

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Klaus Dornaus	ppa. Frank Eichelmann
Wirtschaftsprüfer	Wirtschaftsprüfer
(CPA)	(CPA)

Further information

Financial Calendar 2009

Annual Results Press and Analysts' Conference, Frankfurt am Main	30 March
3-Month Report	14 May
Annual General Meeting, Hohenstein-Ernstthal	18 May
6-Month Report	13 August
German Equity Forum (Eigenkapitalforum), Frankfurt	9-11 November
9-Month Report	November

Forward-looking statements

This annual report contains certain forward-looking statements referring in particular to the business, financial performance and earnings of Roth & Rau, to the economic and regulatory framework, to the business fields in which the Group operates and other factors. Forward-looking statements relate to future facts, events or other circumstances which do not represent historical facts. Such statements can be identified by their use of words such as "expect", "intend", "plan", "assume" or "probably". Such statements merely reflect the current expectations of Roth & Rau AG and are subject to a series of risks and uncertainties.

These forward-looking statements are based on current estimates and assumptions made by the company to the best of its knowledge. Although Roth & Rau AG believes that they are appropriate at the present time, they may prove to be erroneous. Numerous factors may result in the actual performance of the company, including the development in the net asset, financial and earnings position of the Group, significantly deviating from the developments explicitly or implicitly assumed in the forward-looking statements. Should one or several of these changes or uncertainties materialise, or should the assumptions made by Roth & Rau AG prove to be inaccurate, then the possibility cannot be excluded that actual events will deviate materially from those described in this report as being assumed, estimated or expected. The Group may thus be prevented from achieving its financial and strategic targets. Roth & Rau AG has no intention of updating the forward-looking statements and sector and customer information presented in this annual report over and above its legal obligation to do so.

Imprint

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Both versions are available for downloading at the company's website at www.roth-rau.de under "Investor Relations/Publications/Annual Reports".
In case of doubt, the German text is authoritative.

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