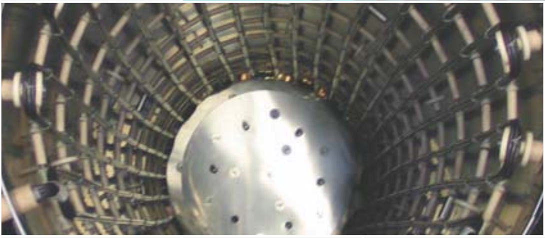
INTERMEDIATE REPORT

1 January to 31 March 2004



PVA TePla

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Foreword by the Management Board

Dear PVA TePla Shareholders,

Following a highly disappointing fourth quarter of 2003, the PVA TePla Group has had quite an encouraging start to the new business year in 2004.

The performance of the Vacuum Systems and Plasma Systems divisions was in line with expectations. These two divisions accounted for a large proportion of the € 8.3 million in Group sales and € 11.0 million in total incoming orders for the Group. In areas where anticipated business was delayed, this was offset by pulling in new business.

At the end of the quarter, the Group order backlog amounted to € 14.3 million.

The income statement for the quarter showed a substantial improvement in earnings compared to the same quarter of 2003, mainly due to the implementation of restructuring measures. As expected, earnings before interest and taxes (EBIT) were negative at € -1.5 million. We explain this figure to you in our quarterly report.

The Crystal Growing Systems division continues to be a cause for some concern because investment in these new technologies is very hesitant. The Management Board has adopted and initiated a set of measures to improve the situation; these will mostly take effect from the second half-year onwards.

In addition to organic growth of our business, the Management Board is focusing its attention on the Group's strategic orientation to new technologies, product fields and markets. By increasing our stake in PVA MIMtech LLC as planned, and in the course of projects to extend our product range and sales presence worldwide, we have made substantial progress in the first quarter.

The Management Board reiterates its forecast of a positive operating result for the 2004 financial year, based on the measures already implemented, additional measures being initiated, and the current order-book situation.

I would like to thank our shareholders and business partners, also on behalf of my fellow members of the Management Board, for the confidence they have shown in the company. We would be pleased to welcome you, our shareholders, to our Annual Shareholders' Meeting in Wetzlar on 17 June 2004, and look forward to that opportunity to explain to you in greater detail the business development and strategy of PVA TePla AG.

Peter Abel
Chairman of the Management Board

Report on Business Development / Result

Sales as of March 31, 2004	I/2004 EUR '000	I/2003 EUR '000	Change %
Vacuum Systems	4,673	3,564	+31.1
Crystal Growing Systems	146	1,489	-90.2
Plasma Systems	3,499	3,305	+5.9
Total	**8,318**	**8,358**	**0.0**
Location Germany	6,949	6,774	+2.6
Location USA	1,364	1,370	0.0
Location France	5	214	-97.6

Stabilisation of sales revenues in the first quarter

In the first quarter of 2004, the PVA TePla Group generated € 8.3 million in revenues – about the same amount as in Q1/2003 and more than in the poor fourth quarter of 2003.

The Vacuum Systems division accounted once again for the largest share of sales, at € 4.7 million (Q1/2003: € 3.6 million), ahead of the Plasma Systems division at € 3.5 million (Q1/2003: € 3.3 million). Compared to the same quarter of last year, the two divisions were able to increase their sales by 30% and 6%, respectively. Continued setbacks for market recovery meant that the Crystal Growing Systems division was unable to meet our expectations, achieving a mere € 0.1 million in revenues (Q1/2003: € 1.5 million).

The regional breakdown of revenue resembles that of last year – by far the greatest proportion of sales is generated in Germany, at € 6.9 million (83%), followed at some distance by the USA, at € 1.4 million (17%), and France, at less than € 0.1 million.

Slight improvement in earnings / diminished by Crystal Growing Systems division

The cost savings resulting from last year's adjustments are now being manifested in the earnings situation. The Group budget for the current financial year, in which the operating profit will be above zero for the year as a whole, anticipates some quarter-to-quarter variation in revenues and earnings; in line with said budget, first-quarter earnings were well below zero. However, Group earnings were diminished in the first quarter by a sluggish market and by recent restructuring measures in the Crystal Growing Systems division.

With gross profit at € 1.6 million (Q1/2003: € 2.6 million), gross margin slipped to 19.1% (Q1/2003: 31.1%). This mainly resulted from the negative gross margin of the Crystal Growing Systems division, due, in turn, to production overheads remaining high. These will be reduced in the quarters ahead when the corrective measures implemented since the end of 2003 begin to take effect. The gross margins of the Vacuum and Plasma divisions were in line with expectations.

The selling expenses, at € 1.5 million, were less than in the same period of 2003 (€ 2.0 million), owing to lower sales commissions. Administration expenses were reduced substantially from € 1.5 million in Q1/2003 to € 1.0 million. Expenditure on research and development amounted to € 0.4 million (Q1/2003: € 0.7 million).

Result

The operating result for the first quarter of 2004, at € -1.5 million (Q1/2003: € -1.8 million), was below zero as expected, and reflects restructuring costs of € 0.2 million (Q1/2003: € 0.1 million) as well as the absence of gross margin in the Crystal Growing Systems division.
The Result from ordinary activities amounted to € -1.6 million (Q1/2003: € -1.9 million).

Due to capitalisation of deferred tax assets as required by US GAAP, which came to € 0.6 million (Q1/2003: € 1.1 million), and to minority interest of € 0.1 million (Q1/2003: € 0.1 million), the net loss for the quarter was € 0.8 million (Q1/2003: € 0.7 million), whereby the lower net loss in the previous year was also attributable to extraordinary income (€ 0.4 million).

Earnings per share according to US GAAP amounted to € -0.04 for the first quarter of 2004 (Q1/2003: € -0.03).

Consolidated Income Statement* (US-GAAP)	I/2004 EUR '000	I/2003 EUR '000
Revenues	**8,318**	**8,358**
Cost of goods sold	-6,727	-5,756
Gross profit	**1,591**	**2,602**
Selling expenses	-1,512	-1,993
General administrative expenses	-1,029	-1,481
Research and development expenses	-373	-704
Restructuring and other non-recurring expenses	-171	-119
Amortization of goodwill	0	0
Other operating expenses and income	-34	-125
Operating result	**-1,528**	**-1,820**
Interest income / expenses	-34	-73
Equity in earnings / Equity in losses of associated companies	6	-10
Net interest income and net income from associated companies	**-28**	**-83**
Result from ordinary activities	**-1,556**	**-1,903**
Income tax	0	-326
Deferred tax	629	1,061
Extraordinary income	0	438
Income from the change in accounting methods	0	0
Net loss for the period	-927	-730
Minority interest	90	75
Net loss for the period after minority interest	**-837**	**-655**
Earnings per share (basic)	-0.04	-0.03
Earnings per share (diluted)	-0.04	-0.03
Weighted average shares outstanding (basic)	21,449,988	21,449,988
Weighted average shares outstanding (diluted)	21,449,988	21,449,988

* unaudited

Workforce / R&D

Workforce size reduced according to plan

As at 31 March 2004, the cut-off date for the quarter, the PVA TePla Group had a total of 258 employees on its payroll, 15% less than a year before (304). Compared to 31 December 2003 (261), the number of employees fell by three. The workforce reductions in the Plasma and Crystal Growing Systems divisions, announced in the 2003 Annual Report, were initiated and will come into effect in the quarters ahead.

At the end of the first quarter, around 86% of the workforce was employed in Germany, 13% in the USA and 1% in France.

Research and development: effective at lower cost

Group expenditure on R&D totalled € 0.4 million in the first quarter of 2004 (Q1/2003: € 0.7 million). Of that total, € 114 thousand were spent in the Crystal Growing Systems division (Q1/2003: € 378 thousand), and € 247 thousand in the Plasma Systems division (Q1/2003: € 329 thousand).
In the Vacuum Systems division, development work is usually carried out in connection with customer orders and for that reason are not separately posted as R&D expense.

The COD systems successfully deployed in the hard metal industry were further developed by the Vacuum Systems division for the higher process temperatures necessary for technical ceramics applications.

The project being conducted by the Crystal Growing Systems division to develop a new generation of systems for 300 mm silicon crystals was successfully completed, with the new EKZ3000/450 going online at the customer’s facilities. This plant is the basis for the anticipated business growth with crystal-growing systems for 300 mm silicon wafers.

The VGF plant for InP and GaAs crystals is undergoing successful testing at our development partner. In the first quarter of 2004, we succeeded for the first time in growing a 4" indium phosphide monocrystal with a diameter of 100 mm.

In the field of solar energy projects, the Crystal Growing Systems division made improvements to the process control systems, thus achieving a further increase in the quality and yield of solar wafers made with the EFG process. A follow-up project to develop a new EFG multigeneration plant with much greater capacity and productivity is now being planned.

A project to develop a plant for growing oxide crystals (e.g. sapphire) has resulted in an order.

In the Plasma Systems division, the main focus of development work was on chip packaging. A facility for automated transport of magazines was added to the Plasma System 80, a unique microwave plasma system for treating single substrates in semiconductor chip assembly.

The Plasma System 800, the highly productive photoresist asher for 200 mm wafers, received a new generation of control and communication software.

Consolidated Balance Sheet* (US-GAAP)

Assets in EUR '000	31.03.2004	31.12.2003
Current assets		
Liquid assets	1,466	2,267
Trade accounts receivable	4,752	5,329
Amounts due to affiliated companies	0	0
Amounts due to associated companies	2	184
Other receivables	1,156	832
Inventories	11,355	9,660
Raw materials and supplies	3,349	3,241
Work in process	2,314	1,540
Costs of uncompleted contracts in excess of related billings	4,682	3,640
Finished products / goods	1,010	1,239
Other current assets	233	284
Prepaid expenses and accrued income	108	52
Deferred tax assets	31	27
Total current assets	**19,103**	**18,635**
Fixed assets		
Financial assets	301	142
Tangible assets	8,009	8,251
Intangible assets	8,269	8,402
Deferred tax assets	6,459	5,794
Total fixed assets	**23,038**	**22,589**
Total assets	**42,141**	**41,224**

* unaudited

Liabilities in EUR '000	31.03.2004	31.12.2003
Current liabilities		
Bank notes payable (current)	3,574	3,879
Trade accounts payable	1,872	1,194
Liabilities due to affiliated companies	0	0
Liabilities due to associated companies	81	51
Advance payments received on orders	1,901	782
Other liabilities	1,206	1,101
Deferred tax liabilities	740	722
Tax provision	0	0
Other accrued expenses	3,892	3,684
Deferred income	4	4
Total current liabilities	**13,270**	**11,417**
Special item relating to investment grants	**1,196**	**1,230**
Long-term liabilities		
Notes payable	2,037	2,113
Other liabilities	12	12
Pension accruals	5,210	5,096
Other accrued expenses	300	344
Total long-term liabilities	**7,559**	**7,565**
Minority interest	**191**	**281**
Shareholders' equity		
Share capital	21,450	21,450
Accumulated deficit	-1,200	-363
Other comprehensive income	-325	-356
Total shareholders' equity	19,925	20,731
Total equity and liabilities	**42,141**	**41,224**

* unaudited

Consolidated Cash Flow Statement* (US-GAAP)

Consolidated Cash Flow Statement	01.01.2004-31.03.2004 in EUR '000	01.01.2003-31.03.2003 in EUR '000
Net loss of the period	-837	-655
+/- Depreciation / write-ups on fixed assets	436	644
+/- Increase / decrease of provisions	269	509
+/- Decrease / increase in deferred taxes	-629	-1,041
+/- Increase / decrease of the special item relating to investment grants	-33	-30
+/- Other income / expenses not impacting cash flow	-58	-542
-/+ Gains / losses from disposals of fixed assets	0	7
-/+ Earnings relating to minorities	-90	-75
-/+ Increase / decrease of inventories, trade receivables and other assets	-1,155	2,352
+/- Increase / decrease of trade payables and other liabilities	1,843	-1,571
= Cash Flow from operating activities	**-253**	**-402**
+ Proceeds from disposals of financial assets	0	4
- Purchases of investments in financial assets	-148	0
+ Net cash acquired in business combinations	0	0
+ Proceeds from disposals of intangible assets	0	7
- Purchases of tangible and intangible assets	-36	-92
= Cash Flow from investment activity	**-184**	**-81**
+ Proceeds from increase of share capital	0	0
+ Proceeds from payments into additional paid-in-capital	0	0
- Payments to shareholders (dividents, capital repayment, other payments)	0	0
+/- Proceeds / payments from/to minorities (capital increases, dividents, capital repayments, other payments)	0	0
+ Proceeds from issuance of bonds and borrowing	0	761
- Principal repayments of bonds and other financial loans	-76	-51
+/- Change of short-term financial liabilities	-305	-1,928
= Cash Flow from financing activity	**-381**	**-1,218**
Change of liquid assets	-818	-1,701
+/- Currency translation effect and other value changes of liquid assets	17	-3
+/- Changes to liquid assets resulting from consolidation	0	-2
+ Liquid assets at the start of period	2,268	7,077
= Liquid assets at the end of period	**1,466**	**5,371**

* unaudited

Development of Shareholders' Equity*

Statement of changes in shareholders' equity	Shared issues Number	EUR '000	Additional paid-in capital EUR '000	Retained earnings/ Accumu-lated deficit EUR '000	Other com-prehensive income EUR '000	Share-holders' equity EUR '000
Status 01.01.2002	14,155,598	1,534	365	11,301	3	13,203
Capital increase I	1,573,100	170	3,829			3,999
Capital increase II	1,821,290	198	3,746			3,944
Distribution				-2,556		-2,556
Acquisition TePla-Group	3,900,000	19,548	-10,227			9,321
Reclassification of retained earnings			2,487	-2,487		0
Foreign currency difference					-175	-175
Change to the scope of consolidation / participations				-31		-31
Capitalization of issue prospectus			-200			-200
Net loss of the year				-3,722		-3,722
Status 31.12.2002	**21,449,988**	**21,450**	**0**	**2,505**	**-172**	**23,783**
Status 01.01.2003	21,449,988	21,450	0	2,505	-172	23,783
Foreign currency difference					-184	-184
Net loss of the year				-2,868		-2,868
Status 31.12.2003	**21,449,988**	**21,450**	**0**	**-363**	**-356**	**20,731**
Status 01.01.2004	21,449,988	21,450	0	-363	-356	20,731
Foreign currency difference					31	31
Net loss of the period				-837		-837
Status 31.03.2004	**21,449,988**	**21,450**	**0**	**-1,200**	**-325**	**19,925**

* unaudited

Outlook

Outlook

In view of the current order-book situation, and despite the disappointing figures for the Crystal Growing Systems division in the first quarter, the Management Board reiterates its 2004 earnings forecast for the PVA TePla Group.

The first quarter saw an upswing in incoming order volume to € 11.0 million, which is around 33% higher than Group revenue in the same period, and more than the order volume in the previous quarter. The volume of new orders was € 5.7 million in the Vacuum Systems division, € 0.6 million in the Crystal Growing Systems division and € 4.7 million in the Plasma Systems division. The order-book volume for the Group as a whole – after deduction of percentage-of-completion sales – reached € 14.3 million (31 December 2003: € 11.0 million). There are signs of gradual improvement in the economic and investment climate.

The surveys conducted by the Ifo Institute on the business climate in Germany showed further improvement in April 2004 relative to previous months.
In a study published on 3 May, the Semiconductor Industry Association (SIA) announced that global chip sales in the first three months of 2004 were up by 34.1% compared to the same period in 2003. The SIA expects a "robust" increase in chip sales and growth in excess of 20% this year. Experience has shown that suppliers to the chip industry benefit from such trends, albeit with a certain time delay.

In the mechanical engineering and plant construction industry, and also in the machine tools industry, the VDMA and VWD associations expect growth in 2004 of 2 and 4%, respectively.

The Vacuum and Plasma divisions have already been participating in this moderate economic recovery. Key customers of the Crystal Growing Systems division intend to invest more intensively in 300 mm technology and compound semiconductor crystals, so this division should also see a boost in fortunes within the foreseeable future.

In response to continued business weakness in the Crystal Growing Systems division, the Management Board has launched a set of measures to position the division better from the cost structure aspect for the anticipated upswing.

Although the Euro has slipped somewhat against the US dollar, the absolute level of the USD/€ exchange rate continues to pose a challenge for the PVA TePla Group and its global operations.

The Management Board continues to expect a return to positive operating profits in the course of the 2004 business year.

Executive bodies

Shareholdings and stock options

	No. of shares held as of 31.03.2004	No. of shares held as of 31.12.2003	Options held as of 31.03.2004	Options held as of 31.12.2003
Management Board				
Peter Abel	6,432,185	6,432,185	0	0
Martin Gier	359,027	429,027	0	0
Volker Lang	0	0	0	0
Nina v. Wersebe	0	0	0	0
Supervisory Board				
Dr. Dietmar Kubis	0	0	0	0
Prof. Heiner Ryssel	500	500	0	0
Hartmut Böhle	2,487	2,487	0	0
Michael Daniel	2,800	2,800	0	0
Dr. Peter Friedemann	0	0	0	0
Bernhard Zeller	0	0	0	0

Notes

Additional notes pursuant to Section 63 of the Stock Exchange Regulations for the Frankfurt Stock Exchange (Section 63 (3) 5 BörsO)

Changes to accounting and valuation methods

No changes were made to the accounting and valuation methods.

Orders

Incoming orders received by the Group totalled € 11.0 million in the first quarter of 2004.
After deduction of realized sales, calculated using the percentage-of-completion method (POC), the order backlog of the Group companies amounted to € 15.5 million at the end of the first quarter of 2004; after Group consolidation, the total was € 14.3 million.

Development of costs and prices

Costs increases for procurements have been largely avoided so far. However, selling prices are facing severe competitive pressures due to persistent weakness in the economy.

Investments

Group investments amounted to € 184 thousand gross in the first three months of 2004 (Q1/2003: € 92 thousand), of which € 148 thousand were financial investments (primarily for increasing the percentage stake in PVA MIMtech LLC, Cedar Grove, NJ, USA by 25 to 50%).

R&D activities

Total group expenditure on research and development was € 373 thousand in the first quarter of 2004 (Q1/2003: € 704 thousand).

Revenue breakdown

The Company operates in one segment only. For a breakdown of revenues by division and region, see page 4.

Distributed profits, or proposed profit distribution

No dividend was paid out; a distribution of profits was not proposed.

Interim dividends

No interim dividends were paid out.

Material events since the end of the reporting period

Mr. Arnd Bohle was appointed member of the Management Board of the company with effect from 1 April 2004. He has been assigned some specific responsibilities for finances. Arnd Bohle will assume full responsibility as Chief Financial Officer after Nina von Wersebe departs the Management Board and the company for family reasons on 17 June 2004, the day of the Annual Shareholders’ Meeting.

The unaudited Interim Report was prepared in accordance with US GAAP (United States Generally Accepted Accounting Principles). The Management Board is convinced that the consolidated accounts provide a fair view of the net worth, financial position and results of the PVA TePla Group.

INTERMEDIATE REPORT

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