Annual Report 07

Key Performance and Business Development Figures

(in accordance with IFRS)

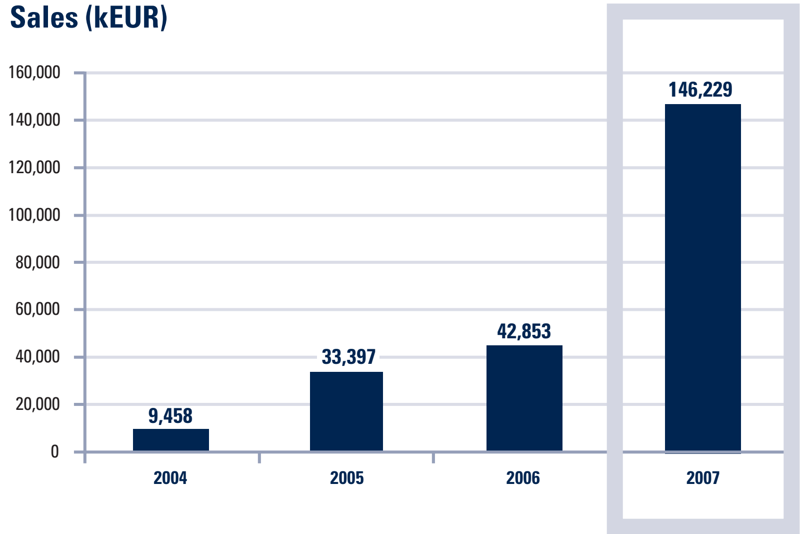
Sales and Earnings		2007	2006	Change in %
Sales	kEUR	146,229	42,853	241.2
Foreign share	%	59.0	74.9	/
Orders received	kEUR	244,627	129,073	89.5
Order backlog*	kEUR	200,583	102,185	96.3
EBITDA	kEUR	15,560	5,538	181.0
EBIT	kEUR	13,864	4,510	207.4
EBT	kEUR	15,090	4,760	217.0
Net profit for the year	kEUR	11,681	2,904	302.2
Earnings per share	Euro	4.88	1.44	238.9
Staff*		236	137	72.3

Balance Sheet		2007	2006	Change in %
Balance sheet total	kEUR	139,105	68,686	102.5
Share capital	kEUR	2,530	2,300	10.0
Equity	kEUR	82,763	35,118	135.7
Equity ratio	%	59.5	51.1	16.4
Investments	kEUR	8,902	2,032	338.1

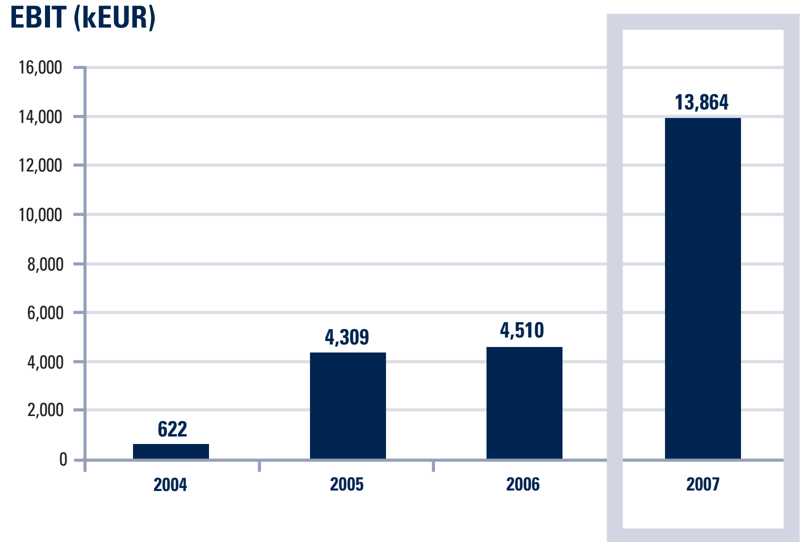
Profitability		2007	2006	Change in %
EBITDA margin	%	10.6	12.9	/
EBIT margin	%	9.5	10.5	/
EBT margin	%	10.3	11.1	/

* As at 31 December; staff includes apprentices

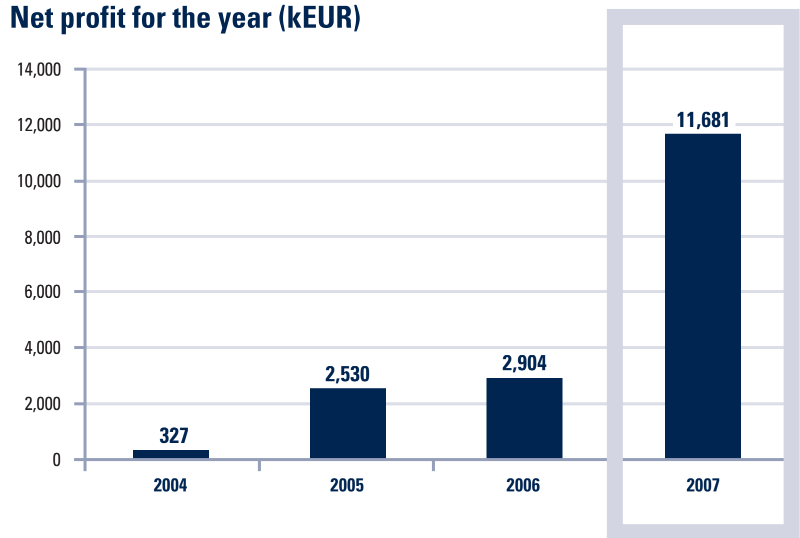
Sales (kEUR)



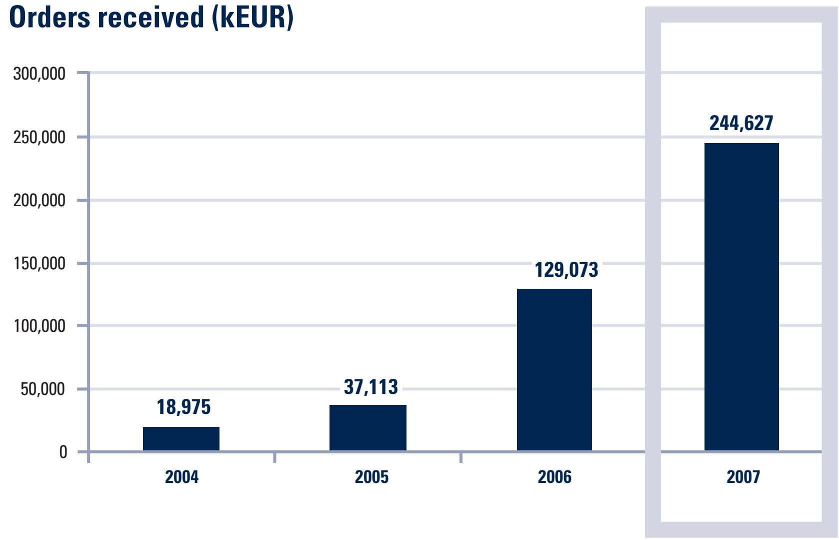
EBIT (kEUR)



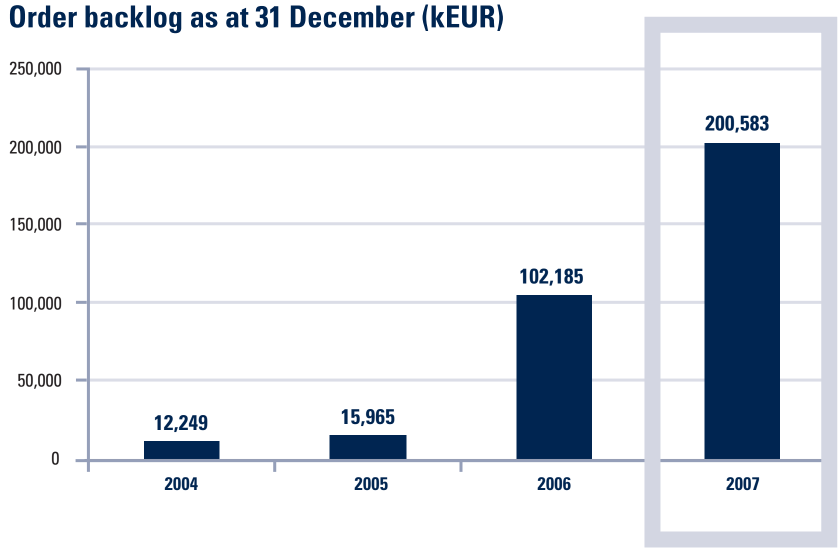
Net profit for the year (kEUR)



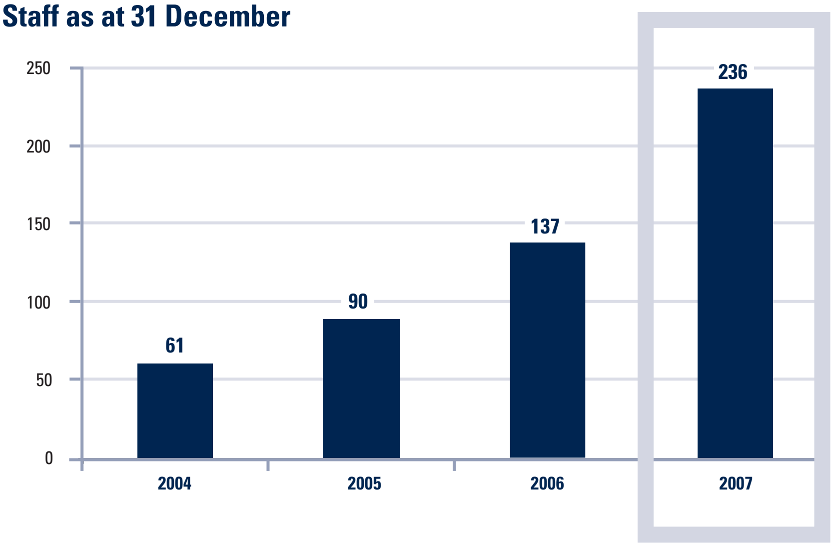
Orders received (kEUR)



Order backlog as at 31 December (kEUR)



Staff as at 31 December



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Interview with the Management Board

Dr. Roth, how satisfied are you with the financial year 2007?
Roth: More than satisfied. We can look back on the most successful financial year in our company's history so far. 2007 was marked by the growth of Roth & Rau AG: all important key figures such as sales, number of employees, new orders and production capacity have shown high growth rates.

What, in your opinion, were the key success factors?
Roth: On the one hand, we could strengthen our market position as one of the leading providers of antireflective coating equipment worldwide and thus increasingly benefit from the strong growth of the solar industry. On the other hand, we've succeeded in establishing Roth & Rau as number two in the turnkey business, the fully-automated turnkey production line business for the production of crystalline silicon solar cells. In doing so, we've achieved an important strategic target that we already announced when we went public in 2006 and we've established another important underpinning for future growth. However, the quality of our equipment is crucial for a successful business development in the long term. Our continuous research and development work ensures that we can identify the requirements in a rapidly changing industry environment at an early stage and that we are always able to provide state-of-the-art technologies.

And this has also had a positive effect on the financial key figures, Mr. Bovenschen?
Bovenschen: It certainly has. We've developed rapidly in 2007. Sales increased by 241.2 % from EUR 42,853k to EUR 146,229k. In doing so, we even exceeded our target of EUR 135,000k. Earnings before interest and taxes (EBIT) rose from EUR 4,510k in the previous year to EUR 13,864k. By doing so, we achieved record values regarding sales and earnings in 2007. We're very proud of that. However, growth also means increasing costs for the extension of our capacity and new employees which has an impact on the margin development. Despite high investment costs, we were able to achieve an EBIT margin of 9.5 % which is also above the forecast. We'll intensively work on increasing profitability in 2008 by optimising internal processes.

How do your shareholders benefit from this development? Will you pay a dividend for 2007?
Bovenschen: First of all, our shareholders benefited from the outstanding performance in the previous year. Shareholders who bought Roth & Rau shares at the beginning of the year 2007 were rewarded with a plus of over 500 % at the end of the year. Hardly any other German share could keep up with this performance. As to the dividend, we are still retaining earnings in order to finance the strong business growth.

If sales more than triple within 12 months, this certainly results in many problems, doesn't it?
Roth: As a medium-sized business with structures which have grown accordingly, we certainly were faced with the challenge of handling the volume of orders which increased by 89.5 % compared to the previous year. But of course we were pleased with the successful development and have made every effort to manage the increased business volume and position ourselves in the best possible way with a view to future growth. First of all, we had to ensure sufficient staff and an adequate production and delivery capacity. In addition, it was important to be able to deliver our equipment and our services to the production facilities of many new customers worldwide ensuring consistently high quality.

Did everything go smoothly? What do you still have to work on in the future?
Bovenschen: Yes, it worked very well. Our employees who were always highly committed to supporting our mutual success contributed a major part to it. You could clearly feel the momentum spreading to all employees. We are proud of being able to work together with such a great team, and therefore our special thanks go to our employees for their commitment in the previous year. As for the Management, the measures to extend our capacity and ensure supplier resources were the main focus of work. We were able to provide the necessary resources very quickly. At the beginning of January, we started building a new state-of-the-art site where the production for the photovoltaic field

Dr. Dietmar Roth
CEO

Carsten Bovenschen
CFO

could be started at the end of October. The attitude and internal qualification of about 100 new employees ensured that the very high volume of orders could be completed in a timely and professional manner. Especially in the field of staff, we still see a need in 2008. We want to extend our services worldwide and employ new employees, especially in the turnkey business and our research and development department.

Aren't you afraid of this growth rate slowing down considerably?

Roth: No, we expect a continuous dynamic development in 2008. Our current order trend alone proves this. In January of this year, new orders of EUR 46m exceeded our total sales volume of 2006. The following numerical example shows what this means to us: In 2007, our best financial year ever, we produced and delivered approximately 50 plants, for 2008, we already have orders for more than triple that number of plants. We are confident that we can meet this challenge with the help of the measures to extend our capacity that we implemented in 2007. Our company's performance in 2009 heavily depends on the general performance of the industry and the availability of the raw material silicon at that time. Currently, there are different expert estimates on this matter. However, we are optimistic that we can achieve high growth rates at the then higher base level. In the long term, the solar industry is still in its infancy. If you follow the current political discussion about the climate change, you will notice that renewable energies, especially solar energy, have huge potential.

Talking of politics, will the planned reduction of the public subsidies for solar power in Germany have a negative impact on your business?

Bovenschen: We as an equipment manufacturer are only indirectly affected by this change. Certainly, the industry will have to reduce the prices for solar modules. This, however, mainly affects the wafer producers, the suppliers of the primary product of the solar cell. In our estimation, the wafer currently accounts for 70 % of the total price of the solar cell, while the depreciation of our equipment only play a minor role compared to this. We contribute by continuously developing our plants looking to being able to produce an ever higher number of solar cells with ever higher efficiencies in the future. This leads to economies of scale which contribute to the reduction of production costs of our customers, the solar cell manufacturers. Besides, we expect that the trend in the photovoltaic market will increasingly become independent of the German market and its political environment. In our opinion, big markets such as China, India and the USA and their subsidy programmes will set the trend in the medium-term.

Does this mean that Roth & Rau AG will also put more focus on international business?

Bovenschen: We already focus on international business. We have an international customer base in 17 countries. In the financial year 2007, we generated 59.0 % of sales through exports and the rising trend continues. Therefore, we'll focus on the extension of our international sales and service capacity in 2008. In addition to our branch office in Shanghai that has existed for quite some time, we already set up a subsidiary in the USA in March 2008 which we want to establish during the next months. We want to hire more employees there. Furthermore, we plan to open sales and service offices in emerging markets such as India.

When it comes to solar energy, the media increasingly talk about so-called thin-film technologies. How does Roth & Rau respond to this trend?

Roth: Thin-film technologies have been an issue in the industry for some years. This is to try to find a resource-friendly alternative to the classical crystalline silicon solar cell requiring the intensive use of raw materials. There are many different technological approaches to it with the market still being in a period of consolidation as to which technologies are most promising. In order to operate in the thin-film market from the beginning, we concluded a cooperation agreement with OC Oerlikon Balzers AG, a leading provider of production equipment in this field, in 2006. Together we manufactured equipment for the production of thin-film solar modules. All in all, we found that the thin-film market is growing much more quickly than initially assumed. Oerlikon accounted for the rising demand by extending its production capacity with the effect that our new orders are also increasing. In addition, in 2006 and 2007, we completed pilot projects with customers in the field of CIS/CIGS thin-film technologies. At the beginning of 2008, we have already received the first order following this co-operation. The thin-film technology also is an important issue in our research and development field.

You already announced when going public that you want to grow further by suitable acquisitions. What has happened in the meantime?

Roth: We've analysed the market carefully in the past few months and we've reviewed different alternatives. What matters most to us is a useful extension of our portfolio by e.g. synergy effects in the field of crystalline silicon solar cells, the integration of further process steps into the value chain or by extending our thin-film activities. As to the first-mentioned case, we have recently been successful. In February 2008, we set up SLS Solar Line Saxony GmbH, a joint venture with USK Karl Utz Sondermaschinen GmbH, an assembly technology and handling specialist, for manufacturing products in the field of automation technology for solar cell production. In doing so, we ensure our access to components that are required for the automation of our plants and turnkey lines.

Finally, let's have a look at the next year. What will you strategically focus on in 2008?

Roth: We definitely want to continue to grow in 2008. We've already provided the basis for this in 2007. Therefore, an important focus will be on the extension of our market position regarding individual plants and turnkey lines. In this context, the mentioned internationalisation of our sales and service structures is an important issue. In order to secure long-term unique selling points, we will increase our investment in research and development in 2008. One central strategic research project will, for example, address the development of a high-efficiency solar cell. Furthermore, we will work on our long-term target of increasing the Roth & Rau share of the value chain in solar cell production. In this context, further acquisitions are also possible.

What does this mean for the planning of the financial key figures?

Bovenschen: Based on the successful start in the new financial year and the existing record volume of orders, we assume that we will generate sales of at least EUR 235m in the financial year 2008. As for the results of operations, we will take a number of measures in 2008 which lead to an improvement of the cost structure and thus will have a positive effect on the results. For example, the focus will be on an increase in efficiency by optimising the production processes, reducing material costs and the consistent use of economies of scale.

Dr. Roth, Mr. Bovenschen, thank you very much for this interview.


ROTH
&RAU

1st quarter

- foundation stone for new photovoltaic site and future headquarters is laid, An der Baumschule 6-8 in Hohenstein-Ernstthal
- 100th SiNA is sold
- order for the delivery of a turnkey production line by Hyundai Heavy Industries, Korea
- signing of the declaration of intent for a thin-film solar cell technology development project in cooperation with the Fraunhofer Institute for Solar Energy Systems (ISE)
- “Chemnitz Milestone” is awarded by the Marketing Club Chemnitz

2nd quarter

- Roth & Rau at PHOTON Expo in Munich: lecture on the anti-reflex coating within the scope of the equipment conference
- Carsten Bovenschen supports the Management Board as CFO
- order for the delivery of a turnkey production line by the Pevafersa Group, Spain

Highlights of 2007

3rd quarter

- first Annual General Meeting after IPO on 6 July
- increase in annual sales forecast to EUR 135m for 2007
- successful increase in capital of 10 % from authorised capital
- order for the delivery of two turnkey production lines (60 MWp each) by XL Telecom & Energy Ltd., India
- 22nd European Photovoltaic Solar Energy Conference & Exhibition in Milan (Italy)
- opening of a branch office in San José (California/USA)
- “topping out“ ceremony at new photovoltaic site

4th quarter

- finalist in the competition “Entrepreneur of the Year”
- company award of the East German Savings Banks Association (Ostdeutscher Sparkassenverband)
- order for the delivery of a turnkey production line by Silcio S.A., Greece
- grand opening of the new photovoltaic site and headquarters
- new orders reach new record volume of EUR 221m after 11 months

Report of the Supervisory Board

Dear Shareholders,

2007 was marked by the strong growth of Roth & Rau AG. Sales increased by 241.2 %, new orders rose by 89.5 %, 99 new employees were hired and a new production site with a production space of 7,500 m^2 and an office space of 2,600 m^2 was built and production was started there. Such growth is linked to challenges which require anticipatory entrepreneurial action, effective risk management and careful control mechanisms. We are pleased that we as the Supervisory Board could support the Management Board in all its important decisions in the previous year.

The Supervisory Board carefully monitored the management of the company in the financial year 2007 and acted as an advisor to the Management Board in relation to the management of the company. For this purpose, the Supervisory Board regularly obtained information about the current business trend, the financial position and profits or loss, the staff situation, corporate planning, the strategic development and upcoming investments. In addition, the focus of work was on the topics of risk management and compliance. The comprehensive written and oral reports of the Management Board, by which we were always informed about the developments in the company in a timely manner, served as a basis for it. All reports and proposed resolutions of the Supervisory Board were discussed in the Supervisory Board meetings in an open and intensive manner. In these meetings, the Management Board especially agreed with us on the company's strategic orientation and corporate planning. The Supervisory Board discussed the company's organisation with the Management Board and verified the efficiency of the organisation, especially of compliance and risk management, and the legality and regularity of management. The chairmen of both boards also regularly exchanged information by telephone outside of the meetings. The Supervisory Board has always been directly involved in decisions of the Management Board which were of fundamental importance to the company at an early stage.

Key Aspects of the Discussion

In 2007, five Supervisory Board meetings were held on 19 March, 15 May, 9 August, 13 November and 7 December. All members attended more than half of the meetings. The company's sales and earnings development and order position were a regular part of the plenary discussion. Furthermore, we discussed the following main topics:
- construction of the new photovoltaic site and its financing
- development of the risk management system with a view to the company's strong operational growth
- change of the stock market segment from Entry Standard to Prime Standard
- establishment of the joint venture SLS Solar Line Saxony GmbH with USK Karl Utz Sondermaschinen GmbH
- strategic planning for 2008 to 2010
- possible further acquisition opportunities

With regard to all decisions requiring approval, the whole Supervisory Board took a positive vote. In the previous year, these especially related to the Annual Financial Statements 2006, the investment in the second construction stage of the new photovoltaic site, the increase in the research and development budget and the change of the stock market segment to Prime Standard. The resolutions on the approval of the increase in capital of 10 % from authorised capital and the granting of general powers of attorney (Prokura) to Dr. Bernd Rau and Ms. Ruth Domin were passed in writing.

Due to its size – the Supervisory Board had three members – in our opinion, an efficient work process was ensured so that it was not necessary to form committees.

Eberhard Reiche
Chairman of the Supervisory Board

Corporate Governance

The Supervisory Board dealt with the rules of the German Corporate Governance Code and continuously monitored the development of the principles in the company. During the preparations for a change of segment of Roth & Rau AG to Prime Standard, we will again have an intensive discussion with the Management Board on this topic. Based on the results of this discussion, the Management Board and the Supervisory Board will, for the first time, make a joint Declaration of Compliance according to 3.10 of the Corporate Governance Code in the financial year 2008. The majority of the recommendations and suggestions of the Corporate Governance Commission have already been implemented in the company. More detailed information on this topic can be found in the Corporate Governance Report on pages 20-22.

Annual Financial Statements and Audit

The Annual Financial Statements of Roth & Rau AG as of 31 December 2007 and the Management Report were prepared in accordance with the principles of the International Financial Reporting Standards (IFRS) and the regulations of the German Commercial Code (Handelsgesetzbuch, HGB) and were audited by Bodensee Treuhand GmbH Wirtschaftsprüfungsgesellschaft, Meersburg. The Supervisory Board commissioned the audit in accordance with the resolution of the General Meeting of 6 July 2007. It has been agreed with the auditor that he would immediately inform the Supervisory Board of any findings and incidents resulting from the audit that are vital for the functions of the Supervisory Board. The auditor gave an unqualified audit opinion, respectively.

The Annual Financial Statements according to the IFRS, the Annual Financial Statements according to the HGB, the Management Reports and the proposal of the Management Board for the use of the net profit and the audit reports of the auditors were available to all members of the Supervisory Board in due time. The Supervisory Board reviewed the documents. They were discussed in detail at the Balance Sheet Meeting of the Supervisory Board on 26 March 2008. The auditor attended the meeting, reported on the course and results of the audit, answered questions and gave additional explanations with regard to individual points. The Supervisory Board approved the audit results of the auditor after having reviewed the documents itself and had no objections. According to the final results of the review of the Supervisory Board, no objections to the Annual Financial Statements in accordance with the IFRS and the Annual Financial Statements according to the HGB are to be raised. The Supervisory Board approved and thus adopted the Annual Financial Statements in the meeting of 26 March 2008. Based on its review of the documents, the Supervisory Board noted with approval the Management Reports according to the IFRS and HGB that correspond to its own assessment. The Supervisory Board reviewed the proposal of the Management Board for the use of the net profit taking into account liquidity, financial planning and the interests of the shareholders and approved it. The risk management system of Roth & Rau AG was also reviewed by the auditor. According to this review, the system meets the legal requirements.

Changes in the Management Board

Mr. Carsten Bovenschen was appointed as a member of the Management Board by the Supervisory Board with effect from 15 May 2007. Mr. Bovenschen has been appointed until 15 May 2010 and took over the vacant position of CFO. In this position, he is responsible for Finance, Controlling, Materials Management, Human Resources and IT. Mr. Bovenschen has over ten years experience in financial management and, in his last position, worked as Head of Group Finance with Coveright Surfaces Holding GmbH, Düsseldorf. After he had graduated in business administration from RWTH Aachen University in 1994, he held executive positions in Accounting and Management Accounting mainly with groups of companies operating internationally. For example, he gained capital market experience as Finance Director with WEDECO AG, Düsseldorf. With this strategic change of the field of responsibility of the Management Board, the company accounts for the strong growth and the stock exchange listing. The appointment of Dr. Bernd Rau ended on 30 June 2007 as planned. Dr. Rau remains with the company as a founder member and an important expert. He takes over strategic functions as authorised signatory (Prokurist) and Senior Vice President R&D in the field of research and development. The Supervisory Board thanks Dr. Rau for his many years of successful work as a member of the Management Board of Roth & Rau AG.

Changes in the Supervisory Board

After the end of the reporting period, Harald Löhle, Chairman of the Supervisory Board, left the Supervisory Board of Roth & Rau AG as of 31 January 2008. He had been a member of the Supervisory Board since 2002 and, during this period, supported the company in all important projects and in implementing the growth strategy. The Supervisory Board thanks Mr. Löhle for his many years of commitment as Chairman of the Supervisory Board of Roth & Rau AG. At the request of the Management Board, the Local Court of Chemnitz (Amtsgericht Chemnitz) appointed Mr. Eberhard Reiche as a new member of the Supervisory Board. Mr. Reiche was elected new Chairman of the Supervisory Board by the members of the Supervisory Board in the meeting of 18 February 2008. The judicial appointment will end with the General Meeting on 4 July 2008. Mr. Reiche is a lawyer and has many years of experience in the power industry.

The Supervisory Board expresses its sincere thanks to the Management Board and all employees who have driven the successful business development in 2007 and successfully met the challenges of the strong growth by their committed performance.

Hohenstein-Ernstthal, 26 March 2008
The Supervisory Board

Eberhard Reiche
Chairman of the Supervisory Board

Corporate Governance

Good and responsible corporate governance has always been considered an integral part of management by Roth & Rau AG. The company meets the principles and recommendations of the German Corporate Governance Code on a voluntary basis and implements them whenever it seems sensible and feasible due to company-specific conditions and structures. The stated objective is to encourage and strengthen the confidence in the company shown by shareholders, business partners, employees and the public in the long term. The corporate governance activities in the preceding financial year, for example, focused on the development of the in-house risk management system.

Shareholders and General Meeting

The first Annual General Meeting of Roth & Rau AG after the IPO was held on 6 July 2007 in Hohenstein-Ernstthal. About 80 shareholders, representing 41.75 % of the voting rights, took part and used the opportunity to find out about the current development of the company and directly contact the Management Board. All items on the agenda, including the formal approval of the actions of the Management Board and the Supervisory Board and the authorisation to purchase own shares, were approved by a large majority of shareholders and/or proxies. The shareholders have been provided with comprehensive written information on the course of the preceding financial year and the individual items on the agenda of the upcoming General Meeting by means of the annual report and the invitation at an early stage before the General Meeting. In addition, all information relating to the General Meeting is available in the Investor Relations section of the company's website. Shareholders who could not take part in the General Meeting could request a proxy of the company bound by instructions.

Cooperation of Management Board and Supervisory Board

The Management Board and the Supervisory Board of Roth & Rau AG work closely together for the benefit of the company. For this purpose, they also regularly exchange information on the interests of the company outside of the Supervisory Board meetings.

The Management Board provides the Supervisory Board regularly with comprehensive information on all issues in relation to planning, the company's performance, the risk situation, risk management and compliance that are relevant to the company in a timely manner. In doing so, it explains in detail special features of the business trend and deviations from the specified plans and targets. Transactions of special importance require the approval of the Supervisory Board. The cooperation is characterised by an open and trusting relationship. The Management Board was present at all five Supervisory Board meetings in the previous year. Detailed information on the cooperation between the Management Board and the Supervisory Board can be found in the report of the Supervisory Board on pages 16 to 19.

Management Board

Currently, the Management Board of Roth & Rau AG consists of two members, Dr. Dietmar Roth, the founder of the company, and Carsten Bovenschen. The latter was appointed as a new member of the company's Management Board by the Supervisory Board effective 15 May 2007 and thus takes over the vacant position of CFO. While Dr. Roth as the Chairman of the Management Board takes over the overall operational responsibility for Strategy and Planning and Sales and Marketing, Mr. Bovenschen is responsible for Finance, Controlling, Materials Management, Human Resources and IT. Dr. Roth has been appointed until 31 March 2011 and Mr. Bovenschen has been appointed until 15 May 2010. Dr. Bernd Rau, whose management contract ended on 30 June 2007 as planned, remains in the company as authorised signatory (Prokurist) and Senior Vice President R&D. In the reporting year, there have not been any conflicts of interest which must be disclosed to the Supervisory Board immediately. Apart from his position as Chairman of the Management Board of Roth & Rau AG, Dr. Roth is a member of the Supervisory Board of Silicon Sensor AG, Berlin. Roth & Rau AG has taken out a pecuniary damage liability insurance policy (so-called D&O insurance) for the members of its Management Board.

Supervisory Board

In the financial year 2007, the Supervisory Board consisted of three members. Apart from the Chairman of the Supervisory Board Harald Löhle, CFO of Rohwedder AG, it was made up of Prof. Dr. Alexander Michaelis, Head of the Fraunhofer Institute for Ceramic Technologies and Systems, and Daniel Schoch, CFO of BauBeCon Holding 1 GmbH. In our opinion, the Supervisory Board had a sufficient number of independent members who ensure objective advice for and objective supervision of the Management Board. So far, the Supervisory Board has decided not to form committees due to having only three members and to discuss all issues in plenary sessions. The members of the Supervisory Board review the efficiency of their work by regular self-assessments whose results are directly implemented in order to continuously optimise the work. The General Meeting is notified of conflicts of interest in the Supervisory Board. In this reporting period, Harald Löhle, the Chairman of the Supervisory Board, had a conflict of interest relating to the planned establishment of a joint venture with USK Karl Utz Sondermaschinen GmbH which is a competitor of Rohwedder AG. This conflict of interest has been disclosed to the Supervisory Board. There were no other conflicts of interest. Roth & Rau AG has taken out a pecuniary damage liability insurance policy (so-called D&O insurance) for the members of its Supervisory Board. Detailed information on the work and main advisory activities of the Supervisory board can be found in the report of the Supervisory Board on pages 16-19.

Remuneration Report

The Remuneration Report describes the principles and structures of the remuneration systems and the individual remuneration components of the Management Board and the Supervisory Board.

Management Board

The remuneration of the Management Board is determined by the Supervisory Board, is reviewed in regular intervals in relation to the market situation and adequacy and is adapted accordingly, if necessary. The total annual remuneration of the Management Board includes a non-performance-related component consisting of the monthly fixed salary and fringe benefits such as the use of company cars for private purposes and the reimbursement of travel costs. Furthermore, the company pays the premiums of direct insurances and accident insurances for the benefit of the members of the Management Board. There is a pension agreement for Dr. Dietmar Roth and Dr. Bernd Rau which consists of a lifelong pension from the age of 65, that is based on the last gross salary, a disablement pension and a widows' and orphans' pension. The allocation to the pension provisions amounted to EUR 30k in the reporting year. Altogether, the pension provisions for Members of the Management Board amounted to EUR 302k on 31 December 2007. A performance-related component of the total remuneration is paid in the form of management bonuses that are based on the company's earnings before taxes. There are no other performance-related remuneration components having a long term incentive effect.

Remuneration		Fixed remuneration	Variable remuneration	Total
Dr. Dietmar Roth	kEUR	176	112	288
Carsten Bovenschen (since 15 May 2007)	kEUR	89	66	155
Dr. Bernd Rau (until 30 June 2007)	kEUR	68	23	91
Total 2007	**kEUR**	**333**	**201**	**534**
Total 2006	kEUR	302	123	425

Supervisory Board

The remuneration of the Supervisory Board is determined by the General Meeting and is regulated by § 12 of the Articles of Association. The remuneration is appropriate to the responsibility and scope of activities of the members of the Supervisory Board. In the preceding financial year, apart from the attendance fee of EUR 500, each member received a fixed remuneration of EUR 8k. The remuneration of Harald Löhle as Chairman of the Supervisory Board is 1.5 times higher than the remuneration of a Supervisory Board member, i.e. EUR 12k. The total remuneration of the Supervisory Board members does not include any performance-related components. Taking into account reimbursements to be additionally paid, e.g. travel costs, an appropriate provision of EUR 40k has been made.

Transparency

The open and immediate communication with its shareholders and the members of the financial community is an integral part of the management of Roth & Rau AG. A regular information transfer relating to the company's performance is always guaranteed, especially via the company's website. The website as a comprehensive source of information is available to all investors, analysts, journalists and the interested public in German and English. The financial calendar in the Investor Relations section provides information on all regular publication dates. Annual and quarterly reports and press releases can be looked at and downloaded. Comprehensive information is also provided about the share and its performance. In the Corporate Governance section of the website, directors' dealings of members of the Management Board and the Supervisory Board are published on a voluntary basis. In the preceding financial year, Roth & Rau AG received a notice. Accordingly, Dr. Roth sold the shares as shown in the table below. As at 31 December, Dr. Dietmar Roth held 7.5 % of the shares of Roth & Rau AG.

Risk Management

Good corporate governance includes dealing with risks in the company. The Management Board provides an appropriate risk management in the company that ensures that risks are identified and assessed at an early stage. The Supervisory Board is regularly informed about existing risks and their development by the Management Board. The strong growth of the company and the development of the business activity, also in relation to the rising project business in the field of the sale of turnkey production lines, required an adaptation of the risk management system. Therefore, the Management Board and the Supervisory Board focused on this issue in the financial year 2007. The principles of the risk management system of Roth und Rau and further detailed information can be found in the Risk Report starting on page 59.

Financial Reporting and Audit

The accounts are prepared in accordance with the International Financial Reporting Standards (IFRS). In 2007, Roth & Rau for the first time published comprehensive quarterly reports on a voluntary basis. The content of the reports was based on the requirements of the Prime Standard and the German Accounting Standard 16 (DRS 16) for interim reports. The quarterly and annual reports of Roth & Rau AG are published within a period of 45 days or 90 days as specified under 7.1.2 of the Corporate Governance Code.

The General Meeting appointed the Bodensee Treuhand GmbH Wirtschaftsprüfungsgesellschaft, Meersburg for auditing the Annual Financial Statements 2007. The Supervisory Board had already reviewed the independence of the auditor before the proposal had been submitted and had obtained a declaration of the personal and commercial relationship with the company by the auditor for this purpose. The Supervisory Board commissioned the audit.

Name	Date	Position	Type of transaction	Number of shares	Price (EUR)	Total volume (EUR)
Dr. Dietmar Roth	28/9/2007	CEO	Sale	20,000	209.10	4,182,094

The Share

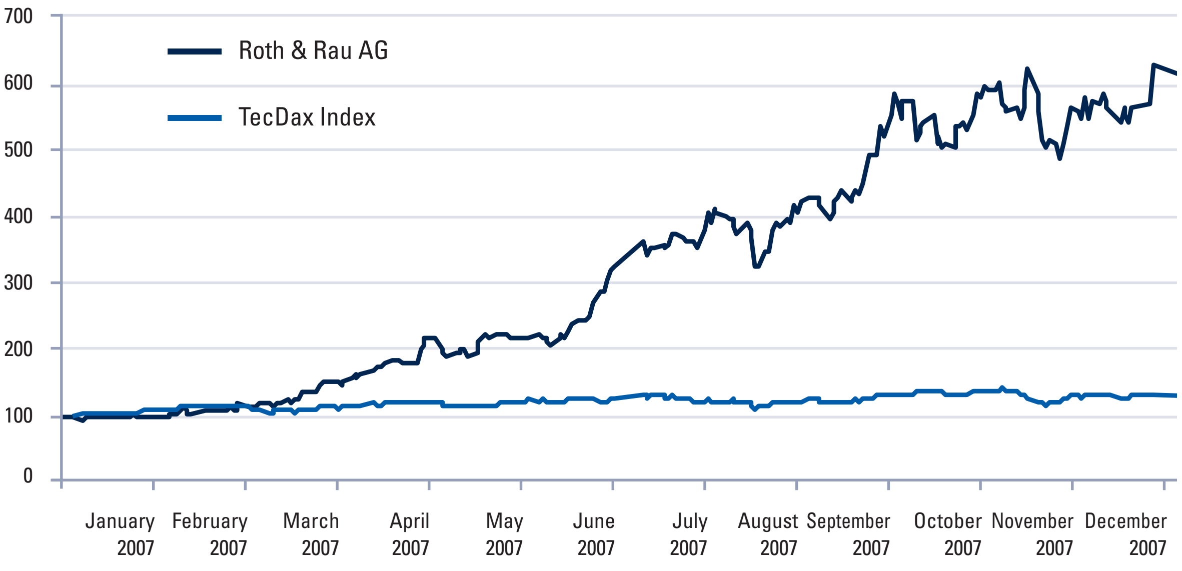
Share Price Trend

Investors in the German stock market had a successful but also volatile stock market year 2007. During the first six months, the capital market benefited from a positive overall economic environment and the optimistic forecasts for the future. At the end of February, the DAX had passed the 7,000 points mark for the first time since November 2000. The threshold of 8,000 points was also crossed in the middle of June. At the beginning of the second half-year, the effects of the US sub-prime crisis were felt in Germany, too. They had not only a negative impact on the banking sector but also on the whole domestic capital market. This led to a clear correction but the DAX could recover from it by the end of the year. It closed at 8,067 points, approximately one percent below its all-time high, and thus was 22 % above the closing price of the previous year.

The development of Roth & Rau's share was very successful during the course of the year. With a gain of more than 500 % it was among the German shares with the highest increase. The share had its lowest level already on the first trading day at EUR 37.20. By the end of the year, it rose to its highest level of EUR 257.10. With this result it outperformed all German share indices. The most important comparison indices are the TecDax for medium-sized technology constituents which closed the year with a 30 % gain and the SDAX for smaller constituents from classic sectors which lost 7 % of its value during the year. At the beginning of 2008, the international capital markets fell dramatically due to fears of recession in America which were spread to Europe and Asia. The solar shares that performed superiorly positive during the previous months were strongly affected by the fall in prices due to profit-taking effects. In spite of everything, the share price of Roth & Rau's share amounted to EUR 161.57 on 29 February 2008 which is still 334.3 % above its value at the beginning of the year 2007.

By the end of the year, the market capitalisation of Roth & Rau AG also increased significantly to EUR 650.5m in the course of the strong increase in share prices. The average number of shares traded per day in all stock exchange centres rose to 22,633 shares per day compared to 8,640 shares in the previous year.

Performance of Roth & Rau's share compared to the TecDAX



Index (100 = closing price on 29 December 2006)

Successful Capital Increase

On 9 August 2007, Roth & Rau increased the capital from authorised capital without subscription rights in order to finance further growth. 230,000 new shares were allotted to institutional investors in Germany and abroad in the course of a private placement. The whole placement could be completed within a very short time because of the great demand. The issue price was at EUR 158.00 from which the company derived gross issue proceeds of EUR 36.34m. The issue of the new bearer shares with a proportional amount of the share capital of EUR 1.00 per share led to an increase of the share capital from EUR 2,300,000.00 to EUR 2,530,000.00.

Shareholder Structure

In the last financial year the free float portion of the share capital was significantly increased from 57.2 % to 82.6 %. At the end of February 2007, the former major shareholder Rohwedder AG sold 460,000 of its 460,100 shares of Roth & Rau AG. Furthermore, the capital increase contributed to the free float rise. New investors with long-term orientation were won for the share by the issue of the new shares. As at the balance sheet date the remaining 17.4 % of the shares were in the hands of the founding families Roth and Rau. The continuous and personal dialogue with numerous institutional investors in Germany and abroad is reflected in an increasing international investor circle.

Shareholder structure as at 31 December 2007	Change in %
Dr. Dietmar Roth	7.5
Dr. Bernd Rau	7.1
Dr. Silvia Roth	2.8
Freefloat	82.6

Share key figures	2007	2006
Share capital	EUR 2,530,000	EUR 2,300,000
Number of shares	2,530,000 bearer shares	2,300,000 bearer shares
High	EUR 257.10	EUR 42.95
Low	EUR 37.20	EUR 27.80
Year-end closing price	EUR 257.10	EUR 40.40
Average daily transactions (number of shares)	22,633	8,640
Earnings per share	EUR 4.88	EUR 1.44
Market capitalisation as at 31 December	EUR 650.5m	EUR 92.9m

All share prices indicated refer to XETRA closing prices.

General Meeting and Dividend

On 6 July 2007, Roth & Rau AG invited its shareholders to the first General Meeting in Hohenstein-Ernstthal after the initial public offering. Approximately 80 shareholders representing 41.75 % of the share capital took the opportunity to directly contact the Management Board. The shareholders passed all items on the agenda with more than 99.9 % of the votes. Among other things, the General Meeting authorised the Management Board to buy own shares. A detailed summary of the voting results and the report of the Chairman of the Management Board can be found in the Investor Relations area of the website. The General Meeting in 2008 should again take place in Hohenstein-Ernstthal on 4 July 2008. Further information on this topic will be also published on our website in time.

In 2008, we want to continue with our course for more growth. Thus, it is indispensable to invest in the development of our competitive position and in future technologies. Therefore, the Management Board and the Supervisory Board will suggest the General Meeting to carry the net profit for the financial year 2007 forward to new account. The Management Board and the Supervisory Board plan to retain the net profit of the financial year 2008, too, and to use the whole amount or a considerable part of it to secure and develop the existing market position and to implement the strategic aims. Provided that the trend of results continues to be positive, we will examine in the following years if the payment of a dividend is possible taking into account liquidity aspects and financial planning as well as shareholder interests.

Investor Relations

Transparent, extensive and prompt communication with the financial community is an essential part of our investor relations activities. In the past financial year the Management was regularly in close contact with investors, analysts and the business press. Main topics of the talks were the business model, the strategy of Roth & Rau AG and the current performance of the company. In addition to the press conference on the balance sheet and the General Meeting, the Management Board participated in ten road shows and eight investor conferences in the most important financial centres in Europe, the UK and the USA. Furthermore, it was available during numerous individual telephone calls.

According to the disclosure duties we voluntarily published extensive quarterly reports on the basis of the provisions of the Prime Standard and the German Accounting Standard 16 (DRS 16) on interim reporting for the first time in the financial year 2007. Upon the publication of the half-year report we offered institutional investors and analysts the additional opportunity to directly ask the Management Board their questions regarding the quarterly results in a telephone conference. The telephone conferences are regularly held in English to satisfy the needs of our English-speaking investors.

In order to communicate with private investors, we predominantly use the Investor Relations area on our website. Shareholders and interested persons can find all information regarding the current performance of the company, such as reports and press releases, the share and the price trend, the General Meeting, Corporate Governance as well as the most important dates in the current financial year. In the year 2008, we plan to expand this extensive offer of information also with regard to the planned change to the Prime Standard. Furthermore, we will be pleased to answer your questions on the subject of investor relations and the share by telephone.

Prime Standard Listing in 2008

The planned change to the regulated market of the Frankfurt Stock Exchange (Prime Standard) is currently a basic point of our Investor Relations activities. The preparations, such as drawing up a securities prospectus, are going according to plan. With the change of the segment we are creating the necessary requirement for the admission to a selection index of the Deutsche Börse AG, such as the TecDAX. Thus, we want to further enhance the attractiveness and the liquidity of the share in order to be able to appeal to a larger circle of potential investors.

Analysts' Recommendations

Continuous and high-quality analyst coverage is of major importance for the liquidity and attractiveness of a share. In our second year as a listed company we were already able to win new analysts of well-known institutes for the analysis of Roth & Rau's share. Analysts of the Commerzbank, Goldman Sachs and Credit Suisse started with their research in 2007. Analysts of the Landesbank Baden-Württemberg and Equinet have accompanied the company since its initial public offering in May 2006. The analyses were consistently positive. The sector experts mainly see the strong competitive position of Roth & Rau AG in a dynamically growing market environment as convincing reasons in favour of the share.

Basic data of the share

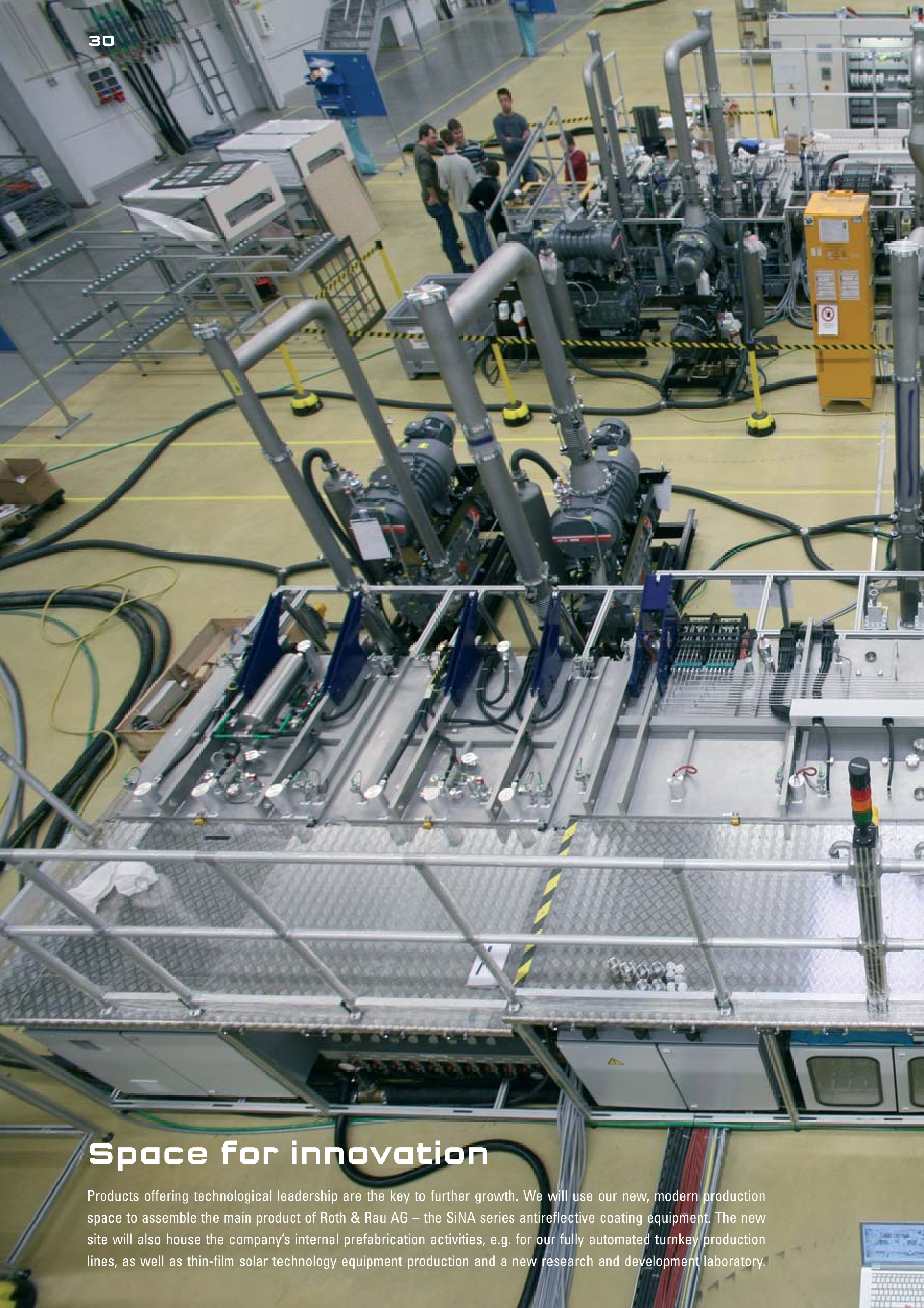
ISIN	DE000A0JCZ51
WKN	A0JCZ5
Stock exchange segment	Entry Standard (Open Market)
Stock exchange abbreviation	R8R
Stock exchange centres	Frankfurt, Berlin-Bremen, Stuttgart, Munich, Düsseldorf
Indices	Entry All Share, Entry Standard Index

Space for growth

On 16 November 2007, we officially opened our new production site and company headquarters. Extra office space of 2,600 m² and a further three production halls with a total area of 7,500 m² now offer optimal conditions for manufacturing high-tech equipment and processing systems for the photovoltaic industry. We plan to expand our location by a further 4,000 m² to 5,000 m² in 2008.

We would like to thank Villa Lohberg Entwicklungsgesellschaft mbH for the planning and turnkey construction of our new building complex.

www.villa-lohberg.de



Space for innovation

Products offering technological leadership are the key to further growth. We will use our new, modern production space to assemble the main product of Roth & Rau AG – the SiNA series antireflective coating equipment. The new site will also house the company's internal prefabrication activities, e.g. for our fully automated turnkey production lines, as well as thin-film solar technology equipment production and a new research and development laboratory.

Space to be together

Qualified employees are crucial to sustaining our success. Having said this, our employees' satisfaction and health are just as important to us as their qualifications. The company canteen at Roth & Rau will play an important role in this respect. As well as offering an extensive selection of menus, it also allows our employees to interact away from the workplace.

Space for sunny children

Family is important to us! We aim to help our employees in combining their family and work commitments with maximum ease. Sunnyland, the in-company childcare facility offered by Roth & Rau AG, has flexible opening hours and an innovative approach towards childcare. At Sunnyland, which offers both kindergarten and crèche facilities, the children are looked after in mixed age groups.

Management Report

Management Report

Business and Economic Conditions

Company Structure and Business Activity

Roth & Rau is one of the world's leading suppliers of plasma process systems for the photovoltaics industry by market share. In addition, the company offers components and process systems based on plasma and ion beam technology for other sectors. Plants are developed by Roth & Rau, and they are produced and sold world-wide in the business segments of photovoltaics and plasma & ion beam technology.

In the photovoltaic business segment, production plants for the anti-reflection coating of crystalline silicon solar cells are a core product of Roth & Rau. The company has a market leadership position in this area, with a global market share of approx. 40 %. Additionally, Roth & Rau designs and installs fully automated production lines for the industrial manufacture of crystalline silicon solar cells (business area of turnkey production lines) as a prime contractor in cooperation with research and industry partners. The company is among the world's leading suppliers in this area as well. Another focus of activities is the manufacture of plants for the coating of thin-film solar panels with transparent conductive oxide (TCO) layers. This is done in cooperation with OC Oerlikon Balzers AG, a Swiss company. The share of sales of the photovoltaic business segment was 94.0 % in the financial year 2007. In the plasma & ion beam technology segment, which contributed a share of 6.0 % to sales in 2007, Roth & Rau produces plasma and ion sources as well as process systems for plasma and ion beam supported thin-film and surface treatment processes. Customers in this business segment particularly include companies operating in the semiconductor industry and in automotive engineering, research and development departments in various other industries, including photovoltaics, as well as research institutes and universities. For detailed information on the two business segments and their respective products please refer to the Segment Report on pp. 49-51.

Roth & Rau supplies its products to a diversified domestic and international clientele. In addition to the domestic market of Germany, the company's principal markets are China, Taiwan, South Korea, India, Switzerland, the Netherlands, Spain, Greece and the United States. Exports accounted for approx. 59.0 % of sales in the financial year 2007. In the photovoltaic business segment, Roth & Rau's customers include leading manufacturers of solar cells such as REC Group (REC Solar), Q-Cells AG, Schott Solar GmbH, 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, Delsolar Co., Ltd. and JA Solar Holdings Co., Ltd. In the plasma & ion beam technology segment, customers include Infineon Technologies AG, OSRAM Opto Semiconductors GmbH, TriQuint Semiconductor Inc., JENOPTIK Laser, Optik, Systeme GmbH, Thales Alenia Space S.p.A. and Sagem SA.

Sales of the company's products in Germany and China are carried out by in-house sales staff. In the People's Republic of China, the company has a sales office in Shanghai with a sales staff of six at the moment. Sales in German-speaking countries are additionally carried out by an agency. Sales in other foreign markets are decentralised and carried out via a sales and customer service network maintained by Roth & Rau and its distributors. In the photovoltaic business segment, the sales structure is based on key account management principles as a general rule, whereas the regional principle is used in the plasma & ion beam technology segment.

In order to develop the technologies used, the company maintains an in-house development and application lab and conducts research and development projects in cooperation with several renowned domestic and foreign research institutes and universities.

Control System

The Management Board uses detailed budgetary accounting to control the company. Essential figures used as a basis are sales, EBIT and cash flow. Management and control are performed for each business segment and project. This involves comparing budgeted and actual costs and reviewing the progress of projects on a monthly basis. Reports are made to the Head of Finance and to the Management Board. The forecast of orders received is a control variable that is given special importance due to the company's strong growth. Current orders received are reported to the Chairman of the Management Board, also for each business segment, at least on a quarterly basis for optimal resource planning.

Strategy

Roth & Rau pursues a sales- and profit-oriented growth strategy aimed at reinforcing and continuing to extend its international leadership as a supplier of plasma process systems for photovoltaics and its market position as a supplier of plasma and ion beam technology components for other industries. To this end, the company intends to implement the following measures:

Strengthen research and development, and develop technology and products of the company further, particularly in photovoltaics

Roth & Rau focuses on developing new products and technologies because this is regarded as being essential for developing the company's market position further and opening up new product and market segments. Therefore, Roth & Rau intends to develop its existing cooperation with renowned universities and research facilities further both on a domestic and an international level and to establish new ties for cooperation in research and development. Furthermore, the company considers making sure that it will have access to key technologies of the future by making acquisitions and attracting know-how. In this regard, it focuses on research and development projects to increase the efficiency of crystalline silicon solar cells further and improve the technologies used for manufacturing them because the company believes that this market promises to have the greatest future potential. In addition, efforts are also made to continue extending the company's technological capabilities in the production of process equipment for thin-film solar cells. In the plasma & ion beam technology segment, research and development activities focus on developing ion beam technologies further. In this regard, special attention is given to opening up new applications for the ion beam trimming process. New applications arise mainly in the semiconductor industry and in medical engineering. The process development for these applications takes place in cooperation with the customers concerned. By reinforcing its in-house research and development capabilities, Roth & Rau strives to strengthen its perception in the market as a technology leader in photovoltaics and thus to maintain and improve customer loyalty. Roth & Rau hopes that the development of its cooperation with internationally renowned universities and research facilities will also make the company more attractive in the competition for highly skilled staff. These measures as a whole are intended to build and maintain a sustainable competitive edge for the company.

Expand production capacity

In view of current order backlog and forecast market growth, the company intends to meet the anticipated increase in demand for Roth & Rau products by expanding production capacity significantly. In particular, Roth & Rau intends to enlarge the existing production site in Hohenstein-Ernstthal by between 4,000 and 5,000 m^2. Moreover, Roth & Rau is currently considering takeovers of businesses, business assets and their staff to provide additional production capacity. Thanks to its competitive position, Roth & Rau believes it is in a good condition to make use of growth opportunities and reap benefits from purchasing individual businesses or business assets. Furthermore, Roth & Rau intends to relocate parts of final production to locations near large customers, particularly to the high-growth region of Asia as well as North America and Southern Europe, in the medium term. In addition to reducing lead times and transport costs as well as minimising exchange rate risk, the company expects this step to improve customer loyalty because on-the-spot final production will enable it to respond better to regional circumstances and specific customer needs. By doing so, the company wants to extend its leading position in the production of process plants and the installation of turnkey production lines in photovoltaics further.

Improve operating profit margins

Roth & Rau intends to achieve a sustainable increase in its profitability in the manufacture of process plants and the installation of turnkey production lines for solar cells by constantly improving the production workflows used to make products in this area. In particular, this is to be achieved by a higher degree of standardisation of production through the implementation of a modular system. For example, plants of the SiNA series are to consist of one base module and a number of expansion modules in the future, making it possible to create plants whose production capacity varies depending on the number of standardised modules put together. In addition, Roth & Rau strives to increase the share of its own products and services used to install fully automated production lines for the industrial manufacture of crystalline silicon solar cells further by targeted acquisitions and joint ventures as well as new products and technologies arising from internal research and development activities. The company assumes that the planned increase in value created by internal activities will have a positive effect on profit development.

Develop and extend the global sales and customer service organisation to strengthen the customer base and the high-margin maintenance and spares business

Extending its customer base and developing its markets continuously is an essential part of Roth & Rau's growth strategy. Therefore, the company intends to boost its local presence near customers. To this end, in addition to the subsidiaries founded or being established in Shanghai (China) and the USA, other subsidiaries are to be established and developed selectively in Asia's large growth markets, particularly India and South-East Asia, as well as in Southern Europe and the North American market. The company plans to entrust local staff with installing plants, starting up and optimising built production lines and rendering other on-the-spot services. As a result, Roth & Rau expects to be perceived by its customers as a fast responding and flexible partner, thus ensuring lasting customer loyalty. In addition, the company intends to generate additional sales in the maintenance and spare parts business by extending its customer service business.

Macroeconomic Development

The German economy grew strongly again in 2007. The country's gross domestic product (GDP) was 2.5 % higher than in the previous year, the German Federal Statistical Office said, in spite of impeding factors such as a higher VAT rate and lower private consumption spending. The balance of trade, which rose compared to the previous year, contributed strongly (1.4 percentage points) to growth, but at 8.3 % the growth in exports lagged behind the previous year's rate of 12.5 %. However, the growth in imports was also lower, at 5.7 %, than in the previous year (6.2 % in 2006). Active investments made by businesses in machines, equipment and vehicles as well as government spending on consumption were the main drivers leading to positive growth effects in the area of domestic use. Private consumption was comparatively modest due to a weak development of net wages, together with the increase in VAT and higher food and energy prices. All in all, domestic use accounted for one percentage point. All sectors of the economy contributed to GDP growth, but the manufacturing industry recorded an especially strong 5.2 % increase. Another positive effect came from a conveniently high number of gainfully employed persons. That number rose by 1.7 % compared to the previous year, reaching its highest level since the German reunification.

The global economy grew by 5.1 %, at a rate similar to the previous year. And despite a tougher economic climate at the end of the year due to the U.S. housing crisis, it was the increase in the overall output of the U.S. economy that was especially strong. This was also true for the Eurozone, where GDP increased by 2.6 % according to the Economic Research Institute IFO.

In Japan, where a less dynamic development of the economy became apparent, GDP grew at a mere 1.1 %. Thus, it was slightly below the growth rate of the production potential. According to the Foreign Office, China, the region's key economy besides Japan, is experiencing downright explosive economic growth. The Chinese economy grew by 11.4 % in 2007, its strongest increase in 14 years.

Industry Development

In the opinion of the company, the photovoltaic industry developed within the scope of forecast growth rates in the past financial year. Growth was influenced by rising commodity prices in the field of traditional energy supply and by the increasing importance of climate change in the global political debate. High investments in solar factories made by solar cell manufacturers to expand capacity had a positive effect on the business of equipment manufacturers. Driven by the necessity to cut the costs of solar panels in the coming years, suppliers relied on high volume. A trend towards larger solar cell factories and higher production capacity was clearly perceptible in the past year. In addition, the demand for all-in solutions for the production of crystalline silicon solar cells increased strongly, essentially as a result of the following two causes: First, many manufacturers took an integrated approach to new investments that involves providing all or large parts of the value creation chain ranging from wafers and solar cells to solar panels from a single source. And second, a high number of newcomers surged into the photovoltaic industry. Their original business used to be in related industries such as semiconductors or electronics, so they had to acquire specific technical and technological expertise and skills. On a global scale, the market grew strongly in Asia again, especially in China. However, Southern European countries such as Spain and Greece have also gained importance. Thin-film solar technology grew much faster than expected in the past year. This is due to the shortage of silicon and the associated high commodity prices in the area of crystalline technologies. Thin-film technologies are characterised by much lower material input. They mainly require other commodities, which makes them largely independent of the availability of silicon.

Assessment of Business Development by the Management Board

Business development in 2007 was exceedingly satisfactory according to the Management Board's assessment. The development of the global economy and strong industry growth had a positive effect on the company's business activity. Roth & Rau AG strengthened its market leadership position in anti-reflection coating equipment and gained market share in the business of turnkey production lines. Thanks to yet another increase in demand for plants made by the company, Roth & Rau outperformed the industry's growth, with sales up 241.2 % at the end of the financial year. A correspondingly dynamic development was recorded for orders received, which totalled a record EUR 244,627k at the end of the year. A large part of investments focused on expanding production capacity and hiring new staff in order to maintain the company's growth. This was reflected by the cost structure as planned. Although spending was high, the company succeeded in achieving considerable gains on the profit side compared to the previous year. Contributions to this were made both by the business segment of photovoltaics and the plasma & ion beam technology segment.

Comparison of Actual and Forecast Business Performance

Actual business performance was slightly better than originally planned. In August 2007, the Management Board raised its sales forecast from EUR 100,000k to EUR 135,000k. Actual sales in 2007 were EUR 146,229k, exceeding the forecast by 8.3 %. The Management Board's 2007 EBIT forecast was approx. EUR 12,000k, whereas actual EBIT amounted to EUR 13,864k at the end of the year, 15.5 % higher than the budget target. This development was mainly supported by the company establishing itself as a leading supplier of turnkey production lines for solar cell production and the related higher volume of orders received. The EBIT margin was 9.5 %, exceeding expectations for the financial year 2007 as well.


NORWAY
DENMARK
Hamburg
Köln
Frankfurt
Nürnberg
Stuttgart
München
Vaduz
Bern
Milano
Torino
Marseille
Ajaccio
ANDORRA
Barcelona
Sardegna
Cagliari
Palma
Islas Baleares
Madrid
SPAIN
Eivissa
Cartagena
Alger
Annaba
Tunis
Constantine
Sfax
TUNISIA
Sidi Bel Abbès
Touggourt
Ghardaïa
Ouargla
Fès
MOROCCO
Béchar
Marrakech
Timimoun
ALGERIA


Tampere
Lahti
Turku
Helsinki
Tallinn
ESTONIA
Pärnu
Stockholm
Riga
LATVIA
Ventspils
Baltic Sea
LITHUANIA
Vilnius
RUSS.
Kaliningrad
Minsk
BELARUS
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Warszawa
Poznań
Łódź
Lublin
Wrocław
Kraków
UKRAINE
Praha
CZECH REP.
SLOVAKIA
Bratislava
Budapest
Wien
HUNGARY
ROMANIA
Zagreb
CROATIA
BOSNIA
LIBYA

Development of Sales and Profits

In the fourth quarter, the company continued the strong sales growth it achieved during the first nine months of the year, boosting sales revenues in the financial year 2007 by 241.2 % to EUR 146,229k (EUR 42,853k in 2006). This means that sales more than tripled thanks to organic growth alone. Exports generated by the company totalled EUR 86,326k. They accounted for a 59.0 % share of sales after 74.9 % in the previous year. The reduction of this ratio reflects the high share of sales from of our large Conergy project in 2007. The ratio is expected to change again and a much higher share of sales is expected to be generated by exports in 2008 thanks to the high volume of orders received from abroad. We believe that the Asian region, which accounted for the majority of exports in 2007, at EUR 56,154k, will become even more important. The European Union was the company's second strongest region with regard to exports, at EUR 25,996k. For detailed information on the development of sales and profits within the two business segments please refer to the Segment Report starting on page 49. Total sales include order-related revenues from long-term make-to-order manufacturing without partial profit recognition (zero profit margin method) of EUR 905k (EUR 3,974k in 2006). Partial profits for these sales are not recognised until a later date because their underlying projects are less than 50 % complete.

Stocks of work in process and finished products were up EUR 1,234k (EUR 189k in 2006). Other capitalised internal activities, which include capitalised development costs, amounted to EUR 2,548k after EUR 2,750k in the previous year. Other operating income fell by 20.2 % to EUR 356k (EUR 446k in 2006), which was partly due to a decline in equipment rental income.

Cost of materials was the largest expense item, at EUR 118,412k (EUR 31,781k in 2006). The ratio of cost of materials to sales, at 81.0 %, was up 6.8 percentage points on the previous year. This rise was due to a high proportion of purchased components in the business of turnkey production lines, which were in higher demand in 2007. A focus within the scope of our supply chain management in the financial year 2008 will be on optimising materials management. We believe there is great potential for optimisation especially as far as the cost of materials is concerned. As part of our growth strategy, we not only expanded our production capacity last year, but we also hired 99 new employees. Personnel costs were up accordingly, rising sharply by 69.3 % from EUR 4,467k to EUR 7,563k. This corresponds to a ratio of personnel costs to sales of 5.2 %. This is below the previous year's ratio of 10.4 % despite the higher number of employees, giving us scope to hire more people. For more detailed information on our personnel strategy and the composition of personnel costs please refer to the Staff section on page 54. Other operating expenses were up 98.4 % due to the increase in volume, rising from EUR 4,452k to EUR 8,832k.

Against the background of high investments in company growth, Roth & Rau achieved good growth rates in its absolute income and profit figures. The company's margins also developed better than forecast figures. Earnings before interest, taxes, depreciation and am ortisation (EBITDA) rose by 181.0 % to EUR 15,560k, resulting in an EBITDA margin of 10.6 % (12.9 % in 2006). Depreciation and amortisation increased by 65.0 % to EUR 1,696k, which was mainly due to investments in expansion at the new production site. Earnings before interest and taxes (EBIT) grew strongly by 207.4 % to EUR 13,864k, thus exceeding the forecast of EUR 12,000k. The EBIT margin of 9.5 % also exceeded its planned value.

The financial result rose to EUR 1,226k in the past financial year. This was a 390.4 % increase compared to the previous year's figure of EUR 250k. The rise was due to the comfortable liquidity situation, which led to a

226.6 % increase in financial income, to EUR 1,447k (EUR 443k in 2006). On the other hand, interest expense and depreciation of investment property amounted to EUR 221k after EUR 193k in the previous year. Earnings before taxes (EBT) rose accordingly by 217.0 %, from EUR 4,760k to EUR 15,090k. The EBT margin was 10.3 % (11.1 % in 2006). Taxes on income amounted to EUR 3,409k, corresponding to a tax rate of 22.6 % (EUR 1,856k; 39.0 % in 2006). In the long run, we expect a tax rate between 29 % and 30 %. Net profit for the year was as high as EUR 11,681k, exceeding the previous year's result by 302.2 %. Earnings per share also improved significantly by 238.9 % from EUR 1.44 to EUR 4.88.

Selected sales and profit figures		2007	2006	Change in %
Sales	kEUR	146,229	42,853	241.2
Foreign share	%	59.0	74.9	/
EBITDA	kEUR	15,560	5,538	181.0
EBITDA margin	%	10.6	12.9	/
Depreciation and amortisation	kEUR	1,696	1,028	65.0
EBIT	kEUR	13,864	4,510	207.4
EBIT margin	%	9.5	10.5	/
Financial result	kEUR	1,226	250	390.4
EBT	kEUR	15,090	4,760	217.0
EBT margin	%	10.3	11.1	/
Net profit for the year	kEUR	11,681	2,904	302.2
Earnings per share	EUR	4.88	1.44	238.9

Order Situation

Orders received reached record highs again in 2007. Both the number and volume of orders received exceeded the previous year's figures significantly. Their total volume rose by 89.5 % to EUR 244,627k after EUR 129,073k in the previous year. The foreign share was 89.8 % (46.3 % in 2006).

The business segment of photovoltaics accounted for a vital share of new orders, at EUR 241,442k (EUR 119,735k in 2006). Driven by the boom in the photovoltaic industry, there was an increase in both the demand for anti-reflection coating plants for solar cell production and the need for all-in turnkey solutions. In 2007, many manufacturers invested in expanding capacity for the time after the silicon bottleneck. The rise in demand was especially high in China, Taiwan and India. The turnkey business was highly prosperous. We sold five plants having a total volume of EUR 76.7m in this area in 2007. Thus, the turnkey production lines business has evolved into a vital mainstay and driver of sales for Roth & Rau AG faster than expected. Purchase orders in the area of TCO plants for thin-film solar technology also grew significantly thanks to our cooperation partner OC Oerlikon Balzers AG.

The second business segment, plasma & ion beam technology, accounted for EUR 3,185k of order volume (EUR 9,338k in 2006). Some purchase orders related to research and development plants for photovoltaics, but also to equipment for universities and research facilities. In addition, IonScan 800 plants for industrial production were sold to different customers operating in the semiconductor industry. Furthermore, OSRAM Opto Semiconductors GmbH, Regensburg, ordered one plant of the AK series for the development of its OLED technology. These orders are important reference projects with a high probability of follow-up orders in the coming years.

Book-to-bill, which reflects the ratio of orders received to sales, fell from 3.0 to 1.7.

Order Situation		31/12/2007	31/12/2006	Change in %
Orders received	kEUR	244,627	129,073	89.5
Foreign share	%	89.8	46.3	/
Order backlog	kEUR	200,583	102,185	96.3
Book-to-bill		1.7	3.0	-43.3

Financial Position, Assets and Liabilities

Principles and Objectives of Financial Management

Roth & Rau's financial management comprises capital structure management, liquidity control and the control of market price risks. Financial flexibility and a solid financing structure are essential objectives. Business activity is predominantly financed using advance payments from customers and the company's own resources. In addition, a sufficient number of unused credit lines ensure short-term liquidity. Within the company's organisational structure, financial management has been assigned to the Chief Financial Officer.

Development of Balance Sheet Items

Strong growth in the past year has had a significant effect on the structure of assets and capital. The balance sheet total increased by 102.5 % compared to the previous year from EUR 70,419k to EUR 139,105k.

Within assets, non-current assets grew by 110.6 % from EUR 7,211k to EUR 15,186k. The new construction of the photovoltaic site had a major effect in this regard. It is included in property, plant and equipment, which increased by 183.7 % to EUR 9,441k. Intangible assets rose by 31.0 % to EUR 4,614k (EUR 3,521k in 2006). There was a 488,7 % increase in deferred taxes to EUR 936k (EUR 159k in 2006). Current assets doubled from EUR 61,475k to EUR 123,919k, reflecting a 201.6 % increase in receivables from make-to-order manufacturing from EUR 11,533k to EUR 34,783k resulting from a much higher order volume. The item Receivables from goods and services and other receivables increased by 172.1 % from EUR 4,980k to EUR 13,552k. Firstly, other current receivables were up 300.5 %, rising from EUR 1,715k to EUR 6,869k. They include VAT receivables of EUR 3,328k (EUR 600k in 2006). In addition, there were tax receivables of EUR 1,166k at the balance sheet date which included EUR 1,031k in claims for refunds arising from paid tax on interest deducted at source and tax on income derived from capital, including solidarity surtax. The capital increase of August led to an improvement of the liquidity situation, which is reflected by an increase by 158.6 %, or EUR 38,801k, in cash and cash equivalents to EUR 63,270k.

Within shareholders' equity and liabilities, the capital increase from authorised capital and a EUR 8,777k increase in net profit for the year led to a rise in equity by 135.7 %, or EUR 47,645k, to EUR 82,763k. Share capital increased by 10.0 %, or EUR 230k, from EUR 2,300k to EUR 2,530k. Capital reserves were 133.5 % higher, at EUR 62,229k (EUR 26,655k in 2006). The equity ratio improved from 51.1 % to 59.5 %. Non-current liabilities totalled EUR 7,971k at the balance sheet date after EUR 3,224k in the previous year. There were non-current loans amounting to EUR 1,400k at the end of the financial year. In June 2007, Roth & Rau AG took out

Selected financial figures and ratios		31/12/2007	31/12/2006	Change in %
Balance sheet total	kEUR	139,105	68,686	102.5
Equity	kEUR	82,763	35,118	135.7
Equity ratio	%	59.5	51.1	/

loans totalling EUR 2,000k in order to finance its construction project at the Hohenstein-Ernstthal site. Deferred tax liabilities increased by as much as 118.6 % to EUR 6,120k (EUR 2,799k in 2006), whereas non-current provisions, which contain only pension provisions, remained almost unchanged, at EUR 451k (EUR 422k in 2006). The highest growth rate within current liabilities was recorded for the item Payables for goods and services and other payables. It increased by 412.3 % from EUR 3,925k to EUR 20,107k. This was due to the high share of subcontract work and the advanced stage of construction among turnkey production lines. Payables for make-to-order manufacturing were EUR 24,946k and thus 12.5 % higher than in the previous year (EUR 22,175k in 2006). The Current loans item fell from EUR 1,396k to EUR 409k. Tax liabilities rose from EUR 135k to EUR 460k. Current provisions, at EUR 2,379k, were roughly on the previous year's level (EUR 2,179k in 2006). Total current liabilities as at 31 December 2007 amounted to EUR 48,371k after EUR 30,344k in the previous year.

Cash Flow Analysis

The Cash Flow Statement developed positively compared to the previous year. The cash inflow from operating activity (operating cash flow) generated in 2007 was EUR 12,084k (EUR -321k in 2006). This improvement resulted mainly from net profit for the year, which increased significantly to EUR 11,681k, and the change in deferred taxes by EUR 2,878k (EUR 755k in 2006). This was counteracted by a cash outflow due to the increase in working capital by EUR 4,812k. Cash outflow from investment activity was marked by the investments in the new construction of the photovoltaic site. It increased from EUR 2,032k to EUR 8,902k. Cash flow from financing activity includes the payment of EUR 36,340k in share issue proceeds received from the capital increase. In addition, there was a cash inflow of EUR 2,000k which resulted from taking out non-current loans. Loan redemption accounted for EUR 1,597k in the financial year. Total cash inflow from financing activity increased to EUR 35,987k (EUR 24,261k in 2006).

Selected liquidity figures		31/12/2007	31/12/2006
Cash flow from operating activity	kEUR	12,084	-321
Cash flow from investment activity	kEUR	-8,902	-2,032
Cash flow from financing activity	kEUR	35,987	24,261

Segment Report

Photovoltaics

The business segment of photovoltaics comprises the business areas of equipment (process plants for the manufacture of crystalline silicon solar cells), thin-film technology (process plants for the manufacture of thin-film solar cells) and turnkey production lines (design, planning and installation of fully automated production lines for the industrial manufacture of crystalline silicon solar cells).

The company's main product in this segment is the SiNA series of anti-reflection coating plants. These plants are used for the anti-reflection coating and passivation of crystalline silicon solar cells using a silicon nitride layer which reduces the proportion of light reflected by the surface and leads to a passivation of contamination and defects in the silicon wafer. This makes it possible to increase the efficiency of finished solar cells significantly. This plant series currently consists of four models varying in production capacity between five and 100 MWp, thus ensuring that individual customer needs ranging from pilot production to fully automated mass production can be satisfied. In addition, SiNA plants are an essential component within ASCM turnkey production lines, which have evolved into another important mainstay for Roth & Rau AG since sales were launched in 2005.

In cooperation with research and industry partners, Roth & Rau offers fully automated production lines for the industrial manufacture of crystalline silicon solar cells as a prime contractor thanks to the ASCM (Advanced Solar Cell Manufacturing) concept. The ASCM concept comprises the entire project management, particularly the support of customers in planning factory layout, obtaining production equipment, installing and commissioning the production equipment, coordinating and optimising individual stages of production as well as revving up the solar cell production line to achieve its rated capacity and meet the desired target quality of solar cells. It focuses on the use of an optimised manufacturing technology developed for multi-crystalline solar cells at the Energy Research Centre of the Netherlands (ECN) which is capable of increasing the efficiency of solar cells to more than 16 %.

MAiA, a plant concept allowing flexible configuration, was developed as an advancement of the SiNA plants and launched in the market in 2007. It allows the performance of a number of new plasma processes which are of interest for the manufacture of future solar cell types in particular.

In addition to its products for silicon wafer-based photovoltaics, Roth & Rau AG offers plants for the production of thin-film solar panels as well. Within the scope of cooperation with OC Oerlikon Balzers AG, a leading provider of thin-film technologies, Roth & Rau AG manufactures plants for adding transparent conductive oxide (TCO) layers whose purpose it is to conduct away the electricity generated in solar panels. Roth & Rau provides the equipment platform, based on its SiNA plants, on which the process technology developed by OC Oerlikon Balzers AG is installed.

Operating Development

Sales in the photovoltaic segment increased significantly by 279.2 % in the financial year 2007, to EUR 137,401k (EUR 36,238k in 2006). This corresponds to 94.0 % of Roth & Rau AG's total sales. All business areas contributed to this good performance. The growth rate was especially high in the turnkey business, which evolved into another important mainstay for Roth & Rau AG in the course of the year. We have received seven orders in this area since market launch in 2006. The business of fully automated production lines accounted for a share of about 40.0 % of segment sales. The business areas of equipment and thin-film technology combined accounted for about 60.0 %. More than half of segment sales, 59.9 %, or EUR 82,320k, were generated by exports. The share of exports was lower compared to 2006 essentially because sales were generated by large projects undertaken with German manufacturers of solar cells, including our large Conergy project in particular.

We expect the foreign share to rise again in the future. On the profits side, a major share of overall earnings was achieved in the photovoltaic segment. EBITDA amounted to EUR 14,189k, 205.6 % higher than EUR 4,643k in the previous year. Calculated by deducting depreciation and amortisation of EUR 944k (EUR 351k in 2006), EBIT was EUR 13,245k. Thus, it increased by 208.5 % compared to the previous year. The photovoltaic segment accounted for 94.9 %, or EUR 8,448k, of total investments made in the financial year (EUR 1,437k in 2006). These particularly included the new construction of the photovoltaic site, including manufacturing facilities and office equipment. The number of people employed in the photovoltaic segment was 184 at the end of the year. Thus, it grew 95.7 % compared to the previous year (94 in 2006). In view of higher demand, new employees were hired especially in the turnkey business and in thin-film technology. Personnel costs within the segment increased accordingly by 96.8 % to EUR 5,476k (EUR 2,782k in 2006).

Plasma & Ion Beam Technology

In the second segment, plasma & ion beam technology, Roth & Rau AG offers plasma and ion sources as well as process systems for plasma and ion beam supported thin-film and surface treatment processes. The international customer base includes both companies operating in various industries such as microelectronics, nanotechnology, optics or medical engineering and research & development facilities. Special attention is given to the development of tailor-made system solutions and processes.

The company's most important product in this segment is the ion beam etching plant IonScan 800. This plant may be used to produce extremely smooth surfaces and perform post-processing operations on surfaces with maximum precision based on a novel ion beam etching technology – referred to as ion beam trimming – developed by the company. The method is used, for example, in the process of manufacturing radio-frequency filter components for mobile phones. As far as we know, there is only one other provider of ion beam trimming technology world-wide apart from Roth & Rau. Other areas of application for plants of this type include medical engineering, optics and the production of read and write heads for hard disks.

In cooperation with Dürr Systems AG and Ciba Spezialitätenchemie AG, the company has developed a novel method for curing UV-sensitive paints, referred to as PlasmaCure. In addition to improving paint quality, the

Photovoltaic segment figures		2007	2006	Change in %
Sales	kEUR	137,401	36,238	279.2
Share of total sales	%	94.0	84.6	11.1
Foreign share	%	58.5	81.3	/
EBITDA	kEUR	14,189	4,643	205.6
EBITDA margin	%	10.3	12.8	/
EBIT	kEUR	13,245	4,293	208.5
EBIT margin	%	9.6	11.8	/
Investments	kEUR	8,448	1,437	487.9
Staff*		184	94	95.7

* As at 31 December

method saves considerable amounts of time and energy. The product is currently in the pilot phase. Several test series with different carmakers have been conducted successfully so far. A number of optimisation measures are to be performed in 2008, so first orders for industrial use can be expected in the financial year 2009.

The AK series of plasma process plants is used in research and development for photovoltaics, among other things. It allows the use of plasma for the lab-scale coating and dry etching of solar cells. Thanks to the plant's compatibility with plasma sources used in the industry, the processes developed in the lab may be easily scaled up to industrial dimensions. In addition, new applications beyond photovoltaics were opened up for this plant series in 2007, e.g. for coating processes in the manufacture of OLEDs (Organic Light-Emitting Diodes).

Operating Development

Sales in the plasma & ion beam technology segment increased by 33.5 %, to EUR 8,828k (EUR 6,615k in 2006). 45.4 % of them were generated with foreign customers. Important strategic projects were completed in the financial year. They included an AK 600 pilot plant for the production of OLEDs which was put into operation at Osram Opto Semiconductors GmbH, Regensburg. Another novel large-area plasma etching plant AK 1000 for optical positioning systems which was developed by Roth & Rau started production at a leading German manufacturer of measuring equipment in September. The IonScan 800 plant type installed at TriQuint Semiconductor Inc. in the first half-year was successfully put into operation in the third quarter. All in all, the segment contributed 6.0 % to total sales (15.4 % in 2006). This development was due to the strong growth in the photovoltaic segment in the past year. Income and profit figures showed a positive, above-average trend. EBITDA increased by 57.3 % from EUR 846k to EUR 1,331k. Depreciation and amortisation, which include a high portion of amortisation for capitalised internal activities as a general rule due to the high portion of development projects in this segment, amounted to EUR 752k (EUR 677k in 2006). EBIT grew significantly by 242.6 %, to EUR 579k (EUR 169k in 2006). Investments amounted to EUR 454k in the past financial year after EUR 563k in the previous year. They were essentially made in computer software and ongoing development projects. The number of employees in the plasma & ion beam technology segment increased by 20.9 % to 52 (43 in 2006). Personnel costs increased by 23.8 % to EUR 2,087k (EUR 1,685k in 2006).

Plasma & ion beam technology segment figures		2007	2006	Change in %
Sales	kEUR	8,828	6,615	33.5
Share of total sales	%	6.0	15.4	/
Foreign share	%	45.4	39.8	/
EBITDA	kEUR	1,331	846	57.3
EBITDA margin	%	15.1	12.8	/
EBIT	kEUR	579	169	242.6
EBIT margin	%	6.6	2.6	/
Investments	kEUR	454	563	-19.4
Staff*		52	43	20.9

* As at 31 December

Research and Development

Research and development has traditionally ranked high at Roth & Rau AG. It is closely linked with the company's strategic objectives. Being a highly specialised technology enterprise, we regard research and development as one of our core competences. All research and development activities are directed at developing technologically leading application-oriented products based on thin-film and plasma technology, optimising available products and opening up new areas of application and industries for our products. Not only does plasma technology offer made-to-measure solutions for the photovoltaic industry, our principal customer base at the moment, but it also allows us to develop technologies for use in other promising industries such as the semiconductor industry, optics or medical engineering. Therefore, research and development is crucial to Roth & Rau AG's sustained success.

In research and development, we cooperate closely with our customers and suppliers. This allows us to incorporate feedback from the market into our development activities and to support the adaptation of upstream components to our needs at an early stage. Moreover, we cooperate closely with long-time science partners in the area of technology development. Research partners 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). In order to meet market needs and do justice to the strategic importance of this area, we added the new position of Vice President Product Innovation & Business Development to our management team. Our highly skilled research and development team consisted of 18 engineers and scientists as at 31 December 2007 (11 in 2006).

The year 2007 saw both a successful continuation of many existing projects and launches of new ones. The development and market launch of the MAiA plant type was among the most important projects. MAiA is a flexible plant concept which is suitable for new plasma technologies of importance to the manufacture of novel solar cells. A technology for the two-sided coating of crystalline silicon solar cells with silicon nitride is already in the test phase with customers. This technology will gain importance in the future as thinner wafers will be used. Furthermore, two dry etching technologies representing an environmentally friendly alternative to currently used wet chemical etching methods are about to be taken to the pilot phase. These are plasma technologies for texturising the surface of solar cells and for phosphosilicate glass removal after diffusion. Because the latter process step is performed directly before anti-reflection coating, both process steps may be combined in one integrated system solution, reducing wafer handling work and thus saving the customer costs. Launching these dry etching technologies in the market is also intended to increase Roth & Rau's share of the value creation chain in the production process of crystalline silicon solar cells in the future.

One further development concerned the SiNA plant series for the anti-reflection coating of solar cells. A model called XL turbo, the biggest one so far, was added to the product line and put into operation at a customer. Thanks to this model, Roth & Rau offers a production capacity of up to 100 MWp, the highest for an anti-reflection coating plant so far. In addition, work is in progress to develop the next generation, and the generation after next, of the ASCM concept, the turnkey solution for the fully automated production of crystalline silicon solar cells. They initially include the launch of Roth & Rau’s new products and, in the next step, the implementation of a new high-efficiency cell technology by the year 2010.

In thin-film technology, the go-ahead was given for the development project “epitactic wafer equivalents” in January 2007. Roth & Rau will develop and commercialise a novel thin-film solar cell technology over the coming two to three years under this project together with the Fraunhofer ISE. Wafers used as a basis for this technology are made of low-grade, low-cost silicon which is available in sufficient quantities. A thin film of high-grade silicon is applied on top of them. The production stages that follow are the same as for conventional wafers. The aim is to cut costs in the manufacture of solar cells by using these much lower cost epitec wafers. In the future, it would be conceivable to integrate this innovative technology into Roth & Rau's well-established turnkey concept to expand the product range.

Research and development in the second segment, plasma & ion beam technology, focused on developing the IonScan plant series and the AK series further. It is aimed at meeting individual customer requirements even better by adapting the technology as well as opening up new markets for the plants besides the semiconductor industry. Several test series involving PlasmaCure a novel method for curing advanced paints in the car industry that was developed in cooperation with Dürr Systems GmbH and Ciba Spezialitätenchemie AG, were successfully completed with renowned carmakers in 2007. A number of optimisation measures are to be performed in 2008, so first orders for industrial use can be expected in the financial year 2009.

The amount of development costs for new products and production methods capitalised in the financial year 2007 was EUR 2,548k (EUR 2,747k in 2006). Net additions to development costs after deduction of grants in the amount of EUR 829k (EUR 1,282k in 2006) requested and received for such development costs were EUR 1,719k (EUR 1,465k in 2006). Development costs not eligible for capitalisation amounting to EUR 41k were expensed (EUR 35k in 2006). We plan to increase our research & development capacity substantially in 2008.

Investments

Investment expenditures amounted to EUR 8,902k in the financial year 2007, 338.0 % higher than in the previous year (EUR 2,032k in 2006). Investments in property, plant and equipment of EUR 6,897k were mainly used for the new construction and facilities of the photovoltaic site. Capitalised development costs net of grants totalled EUR 1,719k (EUR 1,465k in 2006). Investments in new software implementation amounted to EUR 286k. For information on investments made in the business segments please refer to the Segment Report starting on page 49.

Staff

The number of employees at the balance sheet date rose by 72.3 % in the financial year as a result of the company's strong growth. Roth & Rau AG employed 236 people on 31 December 2007 (137 in 2006). 81 out of the 99 new employees were added in the photovoltaic segment. Areas that were expanded included project management, production and customer service in particular. A separate department with nine employees was formed for the fast growing TCO plant business. The new positions of Head of Materials Management and Vice President Product Innovation & Business Development were created to strengthen the second and the third management level. Thus, we do justice to the increased importance of supply chain management and research and development.

The number of employees employed by Roth & Rau abroad averaged four during the year. All of them work for the company at the Shanghai office opened at the beginning of 2006. Four more employees have been hired there since the beginning of the financial year 2008. A sales and customer service office was opened in the United States in the third quarter 2007. Roth & Rau AG is represented by a freelancer there.

Well-trained and skilled employees are crucial to the sustained success of the company as a highly specialised technology company. In order to meet the rising demand for skilled staff and managers in the coming years, we have close ties with universities and research institutes in our region. In addition, Roth & Rau AG presents itself regularly as an attractive employer at regional conferences for university graduates and organises career days of its own. We regularly employ trainees and interns, most of whom are given a permanent employment contract with Roth & Rau later. We offer our employees an in-house continuing education programme that is geared to their individual needs. As a consequence of substantial additions to our staff in the past year, we have increasingly invested in internal qualification programmes to increase their skills. We offer new employees a number of training courses to prepare them for working in a new environment later. Examples include the continuing education seminars "Vacuum technology" and "Plasma technology" organised by us at regular intervals for skilled workers in production. In addition, we are open-minded about individual measures to improve employee skills. A plan is developed jointly in each case, and both technical and financial support is provided as required within the scope of the plan. Individual career opportunities are to be offered to our staff in this manner. The company's skills structure changed slightly compared to the previous year. The share of skilled workers increased significantly thanks to the strong growth in orders received. We currently employ mainly engineers and skilled workers or foremen. In the course of upcoming new recruitment we are looking for software engineers, designers and semiconductor technologists in particular.

Having satisfied employees is at least as important to us as having skilled ones. Therefore, another objective of staff management is to create a working atmosphere that promotes motivation and helps our staff to combine work and private life harmoniously. The new photovoltaic site was to meet these demands as well, so they were already taken into consideration at the start in the plans for the new construction. Examples include not only a cafeteria, but also a gym and a company day-care centre accommodating up to 14 nursery school children and eight children less than three years of age. We hired one employee to supervise the day-care centre.

For many years, Roth & Rau AG has used the opportunity to recruit its skilled workers and managers from people trained by the company itself. Apprenticeships in the occupations of mechatronics engineer, industrial mechanic, electronics engineer in automation systems, office clerk and engineer (university of cooperative education) in manufacturing engineering are offered regularly for this purpose. Roth & Rau employed ten apprentices on average in 2007 (eight in 2006).

Due to the increase in staff resources, personnel costs rose by 69.3 % to EUR 7,563k compared to the previous year (EUR 4,467k in 2006). Wages and salaries accounted for EUR 6,426k of these costs (EUR 3,784k in 2006), social security contributions for EUR 1,084k (EUR 636k in 2006) and retirement benefit costs for EUR 53k (EUR 47k in 2006). The average length of employment with the company fell from 5.5 to 2 years due to the high number of new employees. Labour turnover was 3.0 % in the past year (5.6 % in 2006).

Suppliers

Components and assemblies purchased from suppliers account for a large share of Roth & Rau's products. Roth & Rau takes the great importance of subcontractors into consideration and maintains long-term business ties with its suppliers, some of which have been in place since the company was established. The company's top ten suppliers accounted for about 50 % of the volume of purchases in the past financial year.

In its relations with principal suppliers the company collaborates with them as partners. Involving cooperation partners in development processes at an early stage ensures that primary products are optimally geared to Roth & Rau AG's technological requirements. In addition to technological coordination, special importance must be given to security of supply, especially in periods of fast growth. This is an area we work on with our suppliers, and most of them are capable of following our dynamic growth. For example, Hevatec Systeme und Anlagenbau GmbH has invested in a shared site, establishing production operations in the direct vicinity of our new photovoltaic site. Hevatec supplies vacuum chambers for our SiNA plants. Not only has it strengthened customer relations by taking this step, but it has also optimised logistics costs. Muegge Electronic GmbH, which has been our partner for microwave components for 16 years, opened a customer service office in our production hall at the beginning of 2008 to provide support for our staff.

Staff by function on average	2007	2006	Change in %
Production	64	42	52.4
Engineering / Research / Sales	93	49	89.8
Administration (except officers)	23	15	53.3
Apprentices	10	8	12.5
Total (on average)	190	114	66.7
Total (as at 31 December)	236	137	72.3

Skills structure in %	2007	2006
Engineers	33.8	43.8
Skilled workers / foremen	64.5	54.7
Untrained workers	1.7	1.6

In spite of this convenient situation we are constantly on the lookout for suitable alternatives and additional supply capacity to ensure backup in bottleneck situations. We have made provisions for our major core components in this regard by opening up alternatives. In addition, we have reduced the risk of failure by improving the process of selecting and monitoring our suppliers. This strategic management responsibility is becoming more and more important as the company keeps growing. We took it into consideration by creating the position of Head of Materials Management in November 2007. Principal responsibilities of the Head of Materials Management include optimising existing supplier relations, generating alternative resources to minimise the risks of non-performance by a supplier and optimising materials management.

Environmental Protection

Climate change, global warming and the irretrievable consumption of non-renewable natural resources are central issues of the current environmental policy debate. Roth & Rau AG's plants support the further development of solar energy, an essential pillar within the renewable energy sector. A waste management concept developed within the scope of the company's production processes is another example of the fact that saving resources and avoiding or reducing waste are top priorities for the company. No waste harmful to the environment is produced during the production stages, so there are no specific precautions which have to be followed.

Report of Events after the Balance Sheet Date

Roth & Rau AG founded Roth & Rau Dünnschicht Solar GmbH based in Hohenstein-Ernstthal with a notary contract on 1 February 2008. The wholly-owned subsidiary will carry out Roth & Rau AG's thin-film activities with immediate effect. This includes the development of advanced surface technologies for plant engineering, especially in the field of thin-film surface refinement in connection with solar and photovoltaic technology, as well as industrial production and sale of these plants and plant components.

In order to expand its product range in the photovoltaic segment, Roth & Rau AG established a joint venture with USK Karl Utz Sondermaschinen GmbH ("USK"), Limbach-Oberfrohna, a company specialising in assembly equipment and handling systems, on 11 February 2008. The joint venture will make products in the area of automation equipment for solar cell manufacturing. Roth & Rau and USK will have a 51 % and a 49 % interest in the new joint venture company, respectively, which will operate under the name SLS Solar Line Saxony GmbH (SLS). In the future, Roth & Rau is to be supplied with automation systems for solar cell manufacturing by SLS as a preferred supplier on the basis of framework supply agreements.

In March 2008, Solar Holding Inc. based in the City of Wilmington (Delaware, USA) was founded as a wholly-owned subsidiary of Roth & Rau AG. The new company serves as an intermediate holding company for US subsidiaries of Roth & Rau AG. At the same time, Roth & Rau USA Inc. was established which is based in San José (California, USA) and which will basically be responsible for sales and customer service on the US market. Solar Holding Inc. is the sole shareholder of Roth & Rau USA Inc.

Beyond that, no other changes in the company's situation which materially affect the sales, profit or loss, assets and liabilities of Roth & Rau AG have occurred since the beginning of the financial year 2008.

Remuneration of the Management Board

For information on the remuneration of the Management Board please refer to the Remuneration Report included in the Corporate Governance Report (pp. 20-22) and the information provided in the Notes to the Annual Financial Statements under 7.4 (page 102 et seq.).

Information Provided under Takeover Law

In order to increase transparency for our shareholders, information required under s. 289 para. 4, s. 315 para. 4 HGB (German Commercial Code) is reported here by Roth & Rau AG on a voluntary basis. All information provided refers to the situation as at the balance sheet date of 31 December 2007.

Composition of subscribed capital and restrictions of voting rights

The share capital of Roth & Rau AG is divided into 2,530,000 bearer shares without par value (individual shares), each individual share for a proportionate amount of EUR 1.00 of the share capital. Each share carries one vote at the General Meeting. There are no restrictions concerning voting rights or the transfer of shares. The Management Board is not aware of any voting trust agreements.

Control of voting rights and shares carrying special rights

The Management Board is not aware of any control of voting rights in the event that employees hold an interest in the capital of Roth & Rau AG and do not exercise their control rights directly. Furthermore, no shares carrying special rights exist.

Major shareholding

The Management Board is not aware of any direct or indirect shareholding in the capital that exceeds 10 % of voting rights.

Rules concerning the appointment / termination of Management Board members and changes of the Articles of Association

When appointing Management Board members and terminating their membership and when changing the Articles of Association we comply with the statutory provisions under ss. 84, 85 AktG (German Stock Corporation Act) and ss. 179, 133 AktG. At present, there are no provisions to the contrary.

Authority of the Management Board to issue shares

Following a resolution adopted by the company's General Meeting on 10 April 2006, the Management Board of the company was authorised by a change of the Articles of Association to increase the company's share capital, subject to the Supervisory Board's consent, by up to EUR 1,150,000.00 within the period until 9 April 2011 by issuing, either once or several times, new individual bearer shares for contributions in cash or in kind (authorised capital). The Management Board will take its decision about the content of share rights and the conditions under which the shares are issued subject to the Supervisory Board's consent.

The Management Board was authorised, subject to the Supervisory Board's consent, to exclude shareholders' subscription rights as follows:

- With regard to unused fractional share amounts.
- In the event of a capital increase for contributions in cash if, at the time the issue price is determined, the issue price of new shares is not significantly lower, within the meaning of s. 203 paras. 1 and 2, s. 186 para. 3 clause 4 AktG, than the market price of the company's shares issued under the same terms. This exclusion of subscription rights is limited to a maximum of 10 % of the company's total share capital existing both at the time this authorisation becomes effective and at the time this authorisation is exercised. Any shares sold or issued, to the exclusion of subscription rights, during the term of this authorisation on the basis of other authorisations by application, either directly or accordingly, of s. 186 para. 3 clause 4 AktG shall be taken into account for this limitation.
- In the event of a capital increase for contributions in kind in order to acquire businesses, business assets or any interest in businesses.

The Management Board is authorised, subject to the Supervisory Board's consent, to determine the further details of the performance of capital increases from authorised capital.

The change of the Articles of Association concerning the authorised capital was entered in the Commercial Register on 10 May 2006.

The current amount of authorised capital in accordance with s. 5 para. 6 of the company's Articles of Association is EUR 920,000.00 because the authorisation was exercised by the Management Board on 9 August 2007 in its decision, approved by the Supervisory Board, to increase the share capital by EUR 230,000.00.

Authorisation to acquire and to sell shares of company stock

On 6 July 2007, the General Meeting authorised the company to acquire, within the period until 5 January 2009, shares of company stock accounting for a calculated proportion of up to 10 % of the share capital existing at the time the resolution concerning the authorisation was adopted. The acquired shares, together with any other shares of company stock which are held by or have to be attributed to the company in accordance with ss. 71a et seq. AktG, must not represent more than 10 % of the company's share capital at any time.

Such shares may be acquired on the stock exchange or by a public offer to buy addressed to all shareholders. If the shares are acquired on the stock exchange, their purchase price must not be more than 10 % higher or lower than the average of the closing prices of the company's share in Xetra trade (or any successor system replacing the Xetra trading system) during the three stock exchange trading days preceding the acquisition of the shares. If a public offer to buy is made, the offer price (excluding incidental acquisition costs) must not be more than 20 % higher or lower than the average of the closing prices of the company's share in Xetra trade (or any successor system replacing the Xetra trading system) during the ten stock exchange trading days preceding the publication of the offer. The volume of the offer may be limited. If total subscription for the offer exceeds this volume, acceptance must be in proportion to the respective shares offered. Provisions may be made for the preferred acceptance of low numbers of up to 50 of the company's shares per shareholder offered for acquisition as well as for rounding according to specific rounding rules.

The Management Board was authorised, subject to the Supervisory Board's consent, to sell acquired shares of company stock, to the exclusion of shareholders' subscription rights, by other means than on the stock exchange or by public offer to all shareholders if the acquired shares of company stock are sold at a price which is not significantly lower than the market price, at the time of sale, of shares of the company issued under the same terms. The average of the closing prices of the company's share in Xetra trade (or any successor system replacing the Xetra trading system) during the three stock exchange trading days preceding the sale of the shares will be deemed to be the relevant market price. This exclusion of subscription rights is limited to a maximum of 10 % of the company's total share capital existing both at the time this authorisation becomes effective and at the time this authorisation is exercised. Any shares issued to the exclusion of subscription rights during the term of this authorisation on the basis of other authorisations by application, either directly or accordingly, of s. 186 para. 3 clause 4 AktG shall be taken into account for this limitation.

Furthermore, the Management Board was authorised to sell acquired shares of company stock, to the exclusion of shareholders' subscription rights, to any third party in connection with the acquisition of businesses, of business assets or of any interest in businesses by other means than on the stock exchange or by public offer to all shareholders.

Furthermore, the Management Board was authorised to withdraw the shares of company stock acquired based on this authorisation subject to the Supervisory Board's consent without another resolution by the General Meeting. Such withdrawal will lead to a reduction of share capital. The Supervisory Board was authorised to change the wording of the Articles of Association in accordance with the extent of the withdrawal. Contrary to this, the Management Board may decide that the share capital remains unchanged upon withdrawal but that the share capital portion of each remaining share in accordance with s. 8 para. 3 AktG increases as a result of the withdrawal instead. In this case, the Management is authorised to adjust the number of shares indicated in the Articles of Association.

The authorisations to acquire, withdraw and resell shares of company stock, or to utilise them in any other way as described above may also be exercised partly. Statutory subscription rights of shareholders pertaining to the shares of company stock were excluded to the extent that such shares are used, in accordance with the authorisations described above, for sale at a price not significantly lower than the market price and for sale in connection with any acquisition of businesses.

Essential agreements subject to the condition of a change of control

Some loan agreements include standard clauses pertaining to the case of a takeover offer. There are no compensation agreements of Roth & Rau AG pertaining to the case of a takeover offer which have been made with the members of the Management Board and employees.

Risk Report

In the course of its business activities in Germany and abroad, Roth & Rau AG faces a number of risks whose early identification is of elementary importance for the successful development of the company in the future. Furthermore, it is also important to use and develop opportunities in order to achieve the implementation of competitive advantages in the long term.

Risk management system

The Management Board has established a risk management system which enables the company to manage risk with awareness and in a controlled manner and that is firmly integrated into existing organisational, reporting and management structures. Essential parts of the risk management system were enhanced in 2007, and it was adapted to the higher requirements resulting from a strong growth of operations. Roth & Rau's risk management system is built on clearly defined organisational procedures and approval processes. It is based on a risk management manual which is binding on all employees and, as part of job instructions, represents an integral part of quality management. The quality management is certified according to ISO 9001:2000. Individual risks are identified in all divisions of operations on a quarterly basis using predefined risk categories, and they are assessed with a view to their probability of occurrence and possible amount of loss. The same procedure is used to analyse and assess project risks, starting as early as during the acquisition phase. The company's risk management provides for three risk groups with hierarchically structured reporting requirements. Depending on the risk group involved, a decision on appropriate measures is taken either at operations management level or directly by the Management Board. All employees are aware of potential risks and called upon to provide reports accordingly. Based on such individual assessments, overall reports are prepared on a quarterly basis that enable the Management Board to control and assess the current risk situation. According to this assessment, the Management Board also informs the Supervisory Board continuously. Consistent advancement and optimisation of risk management is an ongoing process which is of great significance to the management of the company.

Market and sector risks

In the financial year 2007, 94.0 % of Roth & Rau AG's sales were to photovoltaic customers. Therefore, the company's performance especially depends on the investment propensity and ability of these customers. In addition to numerous general factors regarding the general market, economic and business situation, it is particularly influenced by the development of the photovoltaic sector and its basic conditions. As manufacturers of crystalline silicon solar cells, currently, the customers of Roth & Rau AG are largely dependent on state subsidies for the photovoltaic industry in many countries. It is not guaranteed that the existing subsidies will be maintained to the necessary extent in the future. This could have a negative impact on the demand of Roth & Rau's products. Our response to this risk is diversification by means of increasing internationalisation. We continuously enter into new markets and already supply a broad customer base worldwide.

In the future, former or new competitors could increasingly penetrate the markets concerned and their products could compete with process systems, components and turnkey production lines offered by Roth & Rau. Foreign competitors could try to gain a better market position and additional market shares by means of an aggressive pricing based on the more favourable cost structure of their locations. We address such price advantages with the high quality of the products manufactured by us, technologically sophisticated solutions, short delivery times and a better customer service. Another factor influencing the customer demand is the availability of pure solar silicon which is required for the production of crystalline silicon solar cells. Due to the rapid growth of the solar industry, there has been a considerable excess demand of pure silicon whose availability has been limited so far during the last years. For this reason, Roth & Rau works on the development of new products to be used in alternative technologies, such as the thin-film technology, and which do not require the use of silicon either partly or completely.

Risks involved in company strategies

In order to meet future growth, a multitude of additional entrepreneurial resources is required, that is, particularly, new skilled and executive staff, the extension of the production capacity, the change to series production as well as the development of the sales and service organisation. Furthermore, it is necessary that organisational structures are changed and that they obtain new responsibilities with clearly defined tasks. Additional internal revision and controlling structures are also required. To address the risk that important tasks are either not fulfilled at all or not fulfilled efficiently, we continually enhance the company's resources and adjust organisational structures.

Roth & Rau AG plans to promote the growth of its business activities also by acquiring companies, interests in companies and setting up joint ventures. Acquiring companies as well as participating in joint ventures or other strategic interests in companies are connected with considerable investments and risks. Misinterpretations of such risks and other failures in conjunction with acquisitions, interests and joint ventures could have serious unfavourable impacts on the assets, financial and earnings situation of Roth & Rau. In advance of the acquisition or interest, intensive examinations should minimise the risks arising from e.g. legal, business or company-specific basic conditions.

The photovoltaic industry is characterised by rapid technological change. A change in solar cell technology can lead to modified requirements of solar cell manufacturers. In this case there is the risk that the products developed and offered by Roth & Rau either will not meet the modified requirements of the solar cell manufacturers or will not be necessary anymore. Furthermore, there is the risk that a new solar cell technology for which the company did not develop a surface refinement product will become successful on the market. In order to address these risks, we consider research and development to be top priorities and we permanently observe the developments of the photovoltaic markets. We have our own research and application laboratory and we carry out research and development projects in co-operation with several well-known research institutes and universities in Germany and abroad. Thus, we are able to adapt the existing products to modified market conditions and to develop products for new technologies, such as the thin-film technology.

Roth & Rau AG plans to further promote the internationalisation of its business. According to the current planning, the geographical centres will be China, India and the USA. There, we are subject to some factors and risks which we cannot easily influence and which could impair the success of the internationalisation strategy. Among them are, for example, political, economical and legal factors, foreign currency control provisions or trade restrictions. Therefore, we make every effort to gain suitable skilled and executive staff having exact knowledge of the local market conditions and other basic conditions.

Performance-related risks

There is the risk of shortages or bottlenecks on the part of suppliers. Roth & Rau receives the larger part of components and assemblies necessary for its products from suppliers and produces only a small part on its own, i.e. especially parts requiring much know-how. Currently, we have the possibility to use another supplier for each product. Nevertheless, it cannot be ruled out that such a change of supplier leads to worse supply conditions or is linked to production delays. Furthermore, supply bottlenecks on the part of suppliers could lead to delays in delivery on the part of Roth & Rau.

Additionally, there is the risk that Roth & Rau's products have defects which can lead to a decrease in demand of these products or cause liability claims against the company. This applies in particular to the fully-automated turnkey production lines (ASCM) that have been offered since 2006. Roth & Rau as the general contractor is liable for their correct delivery and the operability of the whole system. Possible product defects are monitored by Roth & Rau using permanent production supervision within the scope of the quality management. We guarantee professional assembly of our systems at the customer's location by qualified service technicians and engineers on site. The delivery takes place after the inspection for possible defects of the system has been carried out entirely.

Personnel risks

Highly-motivated, committed and qualified skilled and executive staff is of significant importance for the lasting success of Roth & Rau, especially with regard to the development and sale of the products. It is expected that the competition for qualified employees will increase in the future. This could lead to the fact that qualified employees are lured away or a sufficient number of new suitable employees cannot be gained. To minimise these risks, our employees obtain adequate payment in accordance to the performance. Possible absences are covered by deputy regulations. Furthermore, we will promote training and further training of our junior staff in the long term and with foresight as we already did in the past.

Financial risks

Possible financial risks may arise from the need for liquidity and debt financing or from changing interest or exchange rates. Within our finance management, we pay intensive attention to the control of these risks. With an extensive cash management system, long-term co-operation with lenders as well as foresighted liquidity planning, we are able to control our financial needs in the long term.

To address possible exchange rate risks, we invoice a large part of the sales in EUR. However, a part of our deliveries is invoiced in foreign currencies. Since we receive a considerable part of the purchase price at the beginning or during the production of the ordered products, and as we use project-related foreign exchange hedging transactions, if required, we can minimise short-term risks arising from exchange rate fluctuations and therefore, we are able to achieve a greater planning reliability.

To address the risk that customers do not meet their payment obligations either in time or not at all, we examine the customers' creditworthiness before the acceptance of orders and our payment conditions link the payment to the processing status of the order. For this reason, we normally receive a part of the purchase price at the beginning or during the production of the product.

In 2006, the company concluded a supply contract with Conergy SolarModule GmbH (formerly HighSi GmbH) for the supply and assembly of four cell production lines. The delivery is largely completed and it is expected that the assembly will be finished by the middle of 2008. In the past, Conergy raised diverse objections to instalments due which, from the point of view of Roth & Rau, were predominantly without foundation and lacked sufficient substance. They were primarily intended to delay payments. Until today, Conergy has not fixed precise periods for the removal of defects according to the required legal form and it also has not threatened to assert claims based on defects by legal process. In connection with the statement made by our lawyers, there is currently no excessive legal risk. On account of Conergy's new liquidity and shareholder structure, the risk will remain calculable within common plant engineering problems and there is currently no need for value adjustment.

Legal risks

Our extensive technological know-how is an important basis for our business activities. It is, therefore, necessary to protect this extensive knowledge and prevent it from being misused. For this purpose, a number of procedures which are applied to our products are protected by patents or are applied for patent. A considerable part of the know-how cannot be protected by patents due to different reasons. In order to protect this knowledge, we conclude confidentiality agreements with our employees, customers and partners in research and development projects.

There is also the reverse risk that we could injure unknowingly intellectual property rights of third parties. In this case, there is the risk that competitors assert the violation of property rights against Roth & Rau. So far, there have not been any of such legal disputes.

An employee working in the USA for a customer of the company who suffered considerable hand injuries during an accident at work in connection with the operation of a machine produced and delivered by Roth & Rau in December 2004 took legal action against the company for damages and damages for pain and suffering in the USA. The legal dispute is still pending. According to a first assessment by the US lawyers advising the company, the maximum amount of Roth & Rau's liability is between US$ 2.5m and US$ 3.5m if the legal action is successful. The company has a manufacturer's liability insurance which in the view of the company covers this liability insurance risk. It cannot be ruled out that Roth & Rau will be liable in connection with this accident or other accidents in the future.

In March 2008, Sasit Industrietechnik GmbH in Insolvenz (in insolvency) based in Zwickau claimed for damages against the company in connection with the failure of the negotiations concerning the acquisition of factory premises as well as the takeover of employees of Sasit Industrietechnik GmbH i.I. by the company which amount to EUR 3,948k for the time being. From the point of view of the company, neither the reason for nor the amount of the claims asserted are comprehensible.

Overall risk

In the financial year 2007 the risk situation of Roth & Rau AG did not change basically. The risks are clear and they can be controlled from our point of view. No risks are observable that could put the continuity of Roth & Rau AG at risk. We also do not expect significant changes of the current risk situation in the near future.

Forecast Report

After very fast growth in the year 2007, forecasts say that the pace of the German economy is likely to slow in the year 2008. GDP is expected to grow by 1.7 % to 1.9 % in 2008. The appreciation of the euro, which is likely to have a negative impact on German exports, and a higher oil price, which will lead to higher costs for businesses, have a slowing effect on economic growth. Adding to that, there is anxiety that a possible recession in the U.S. might affect the German economy. Despite a continued good outlook for the German labour market and the associated favourable forecast concerning private consumption, the tense situation in international financial markets will continue to involve cyclical risks.

Experts reckon that the global economy will lose momentum, too. This is essentially due to a slowdown in the U.S. economy and uncertainty in financial markets as a consequence of the sub-prime crisis. Overall economic output in industrialised countries is expected to grow by 1.9 % in 2008 according to a forecast by the Kiel Institute for the World Economy (IFW). The European Union anticipates a 2.2 % increase in its GDP. In emerging economies the economic cycle will continue to develop dynamically, but growth rates are likely to slow even there. Efforts made by the Chinese government are intended to help to prevent the booming Chinese economy from overheating. GDP growth is predicted to slow to about 10 % there in 2009. Global economic growth is estimated to be approx. 4.5 % in both 2008 and 2009.

Industry growth continues

The photovoltaic industry continues to grow. According to recent studies, the prospects of the global market have improved further. However, experts differ greatly in their estimates of specific achievable growth rates. For example, a study conducted by Bank Sarasin expects year-by-year growth measured based on newly installed photovoltaic capacity to average more than 25 % until 2010. The time when the bottleneck in the silicon market will finally be overcome is likely to be most crucial for the actual development. Other factors that will affect the industry's development include the planned reduction of the feed-in tariff and associated necessary reductions of the prices of solar panels. Experts therefore expect a general decline in prices at all levels of the value creation chain. Thin-film solar technology is likely to benefit from these developments and become increasingly important. We expect aboveaverage growth in the coming years.

We assume that competition in the equipment market will intensify in the coming years. The entry of new competitors into the market, including both renowned equipment manufacturers from the semiconductor industry and new, local suppliers in the Asian market, are expected to contribute to this development. However, the two groups differ greatly due to their market penetration strategies. Where as well-established manufacturers are striving to gain market share by technological competence and acquisitions, competitors particularly in Asia are trying to gain a foothold through pricing. Unlike in the photovoltaic value creation chain, we do not expect a general decline in prices in the area of equipment. Roth & Rau benefits from having positioned itself as a well-established supplier of plants with cutting-edge technology in the international equipment business. By continuously developing our plants further and consistently focusing on customer needs with regard to higher throughput, lower reject rates and higher efficiency we believe that we will be capable of maintaining the prices of our plants in the future while offering better technology and facilities.

As far as regions are concerned, we believe that the dynamic development of the Asian markets will continue. We assume that growth rates will be above average, especially in India. However, Southern European countries and the United States are expected to gain importance, too.

Strategic Outlook for the Year 2008

Thanks to its cutting-edge technology plant concepts and the investments made in expanding capacity in the year 2007, Roth & Rau AG is in an a good position to benefit from the continued fast growth in the photovoltaic market expected by market studies. In 2008, we intend to invest in expanding research and development in order to develop existing plants further and make new and innovative products ready to be brought to the market. In the photovoltaic segment, this is to strengthen our market leadership in anti-reflection coating plants and significantly increase Roth & Rau's share of the value creation chain in solar cell production. Another focus of attention in 2008 is to be on expanding our international sales and customer service organisation. We want to take the high share of sales with international customers into consideration by developing our US subsidiary that was founded in March 2008 and by opening more offices in emerging markets such as India. Similarly, we are planning to expand our activities in the fast growing thin-film solar technology market. We have already started by founding Roth & Rau Dünnschicht Solar GmbH as a wholly-owned subsidiary in the new financial year. Other essential investments scheduled in the new financial year include constructing a pilot line for demonstration and testing and expanding the photovoltaic site by 4,000 to 5,000 m^2.

Development of Orders

We expect a high volume of orders again for the financial year 2008. We secured orders of EUR 53.8m already during the first two months of the year. Thanks to the current development of the market and our excellent market position we anticipate further large orders in the business areas of equipment and turnkey production lines. Orders received in the business area of thin-film technology are also assumed to increase thanks to our cooperation partner OC Oerlikon Balzers AG. Furthermore we have received a follow-up order to supply four production facilities for the manufacture of thin-film solar cells from another customer. Thanks to a planned intensification of our sales efforts concerning the plant series IonScan and AK, we expect the volume of orders in the plasma & ion beam segment to rise as well.

Development of Sales and Earnings

Thanks to a large order backlog as at 31 December 2007 and a successful business in the first months of the new financial year, we plan to achieve sales of at least EUR 235m in 2008. In order to increase profitability, we intend to take a number of measures in 2008 that will improve our cost structure. They include increasing efficiency by optimising production workflows, achieving a higher degree of standardisation for our products, reducing the cost of materials and consistently using economies of scale. Furthermore, additional sales growth is expected in 2009. Moreover, we assume that we will post positive business results in 2008 and 2009, although our earnings always depend on the structure of sales. On the basis of the information currently available, earnings can therefore not be adequately quanitified either in absolute or in percentage terms.

Responsibility Statement

The Management Board of Roth & Rau AG voluntarily makes the following statement:

To the best of our knowledge, and in accordance with the applicable reporting principles, the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Hohenstein-Ernstthal, March 2008

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

Annual Financial Statements

in accordance with IFRS as at 31 December 2007 for the Roth & Rau AG

Balance Sheet

Assets	Notes No.	31/12/2007 kEUR	31/12/2006 kEUR
Non-current assets			
Intangible assets	2.3; 3.1	4,614	3,521
Property, plant and equipment	2.4; 3.2	9,441	3,328
Other non-current receivables	2.5; 3.3	11	8
Investment property	2.6; 3.4	184	195
Deferred tax asset	2.7; 3.5; 4.10	936	159
Total non-current assets		**15,186**	**7,211**
Current assets			
Stocks	2.8; 3.6	12,314	20,493
Receivables from make-to-order manufacturing	2.15; 3.7	34,783	11,533
Receivables from goods and services and other receivables	2.9; 3.8	13,552	4,980
Cash and cash equivalents	2.10; 3.9	63,270	24,469
Total current assets		**123,919**	**61,475**
Total assets		**139,105**	**68,686**

Equity and debt

	Notes No.	31/12/2007 kEUR	31/12/2006 kEUR
Equity	3.10		
Share capital		2,530	2,300
Capital reserves		62,229	26,655
Retained earnings		2,034	574
Other reserves		172	12
Profit carried forward		15,798	5,577
Total equity		**82,763**	**35,118**
Non-current debt			
Non-current loans	2.11; 3.11	1,400	3
Deferred tax liabilities	2.7; 3.12; 4.10	6,120	2,799
Non-current provisions	2.12; 3.13	451	422
Total non-current debt		**7,971**	**3,224**
Current debt			
Payables for make-to-order manufacturing	2.15; 3.14	24,946	22,175
Payables for goods and services and other payables	3.15	20,107	3,925
Advance payments received	3.16	70	534
Current loans	2.13; 3.17	409	1,396
Actual tax liabilities	3.18	460	135
Current provisions	2.14; 3.19	2,379	2,179
Total current debt		**48,371**	**30,344**
Total debt		**56,342**	**33,568**
Total equity and debt		**139,105**	**68,686**

Income Statement

	Notes No.	2007 kEUR	2006 kEUR
Sales revenues	2.15; 4.1	**146,229**	42,853
Change in stocks of finished products and work in process	4.2	1,234	189
Capitalised internal activities	4.3	2,548	2,750
Other operating income	4.4	356	446
		150,367	**46,238**
Cost of materials	4.5	-118,412	-31,781
Personnel costs	4.6	-7,563	-4,467
Amortisation of intangible fixed assets and depreciation of property, plant and equipment	4.7	-1,696	-1,028
Other operating expenses	4.8	-8,832	-4,452
Operating profit		**13,864**	**4,510**
Financial result	4.9	1,226	250
Earnings before income taxes		**15,090**	4,760
Taxes on income	4.10	-3,409	-1,856
Net profit for the year		**11,681**	**2,904**
Profit carried forward from previous year		5,577	2,838
Allocation to retained earnings		-1,460	-165
Profit carried forward		**15,798**	**5,577**
Earnings per share in accordance with IAS 33, undiluted (EUR per share)	**4.11**	**4.88**	**1.44**

Cash Flow Statement

	Notes No.	2007 kEUR	2006 kEUR
Net profit for the period		11,681	2,940
Depreciation and amortisation of fixed assets		1,708	1,040
Change in deferred taxes		2,878	755
Change in value of derivative financial instruments / cash equivalents		160	12
Non-cash expense		71	9
Impact of foreign exchange rate movements on cash / cash equivalents		368	0
Change in pension provisions		30	22
Cash flow		**16,896**	**4,742**
Decrease (+) / Increase (-) in stocks		8,179	-19,433
Increase (-) in receivables from make-to-order manufacturing		-23,250	-6,380
Increase (-) in receivables and other assets		-8,760	-209
Losses (+) / Gains (-) from disposals of fixed assets		0	7
Decrease (-) / Increase (+) in advance payments received on purchase orders		-464	75
Increase (+) in payables for make-to-order manufacturing		2,771	20,846
Increase (+) in businss-related payables		16,712	13
Increase (-) in working capital		**-4,812**	**-5,063**
Cash inflow / Cash outflow from operating activity	5	**12,084**	**-321**
Investments in intangible assets		-2,005	-1,496
Investments in property, plant and equipment		-6,897	-504
Investments in financial assets		0	-32
Cash outflow from investment activity	5	**-8,902**	**-2,032**
Incoming payments from capital increase		36,340	28,800
Cost of capital increase		-756	-1,345
Loan borrowing		2,000	0
Loan redemption		-1,597	-3,194
Cash inflow from financing activity	**5**	**35,987**	**24,261**
Increase in cash and cash equivalents		**39,169**	**21,908**
Cash funds at beginning of period		24,469	2,561
Impact of foreign exchange rate movements on cash / cash equivalents		-368	0
Cash funds at end of period		**63,270**	**24,469**

Statement of Changes in Equity

1 January to 31 December 2006

1 January to 31 December 2006	Subscribed capital kEUR	Capital reserves kEUR
1 Jan 2006	1,500	
Net profit for the year		
Capital increase	800	28,000
Allocation to retained earnings		
Costs of providing equity (after taxes)		-1,345
Valuation of derivative financial instruments and cash equivalents without affecting net income		
Equity	**2,300**	**26,655**

1 January to 31 December 2007

1 Jan 2007	2,300	26,655
Net profit for the year		
Capital increase	230	36,110
Allocation to retained earnings		
Costs of providing equity (after taxes)		-465
Adjustment of IPO transaction costs (after taxes)		-71
Valuation of cash equivalents without affecting net income		
Equity	**2,530**	**62,229**

Changes in equity are explained in section 3.10.

Retained earnings kEUR	Other reserves kEUR	Profit carried forward kEUR	Total kEUR
409		2,838	4,747
		2,904	2,904
			28,800
165		-165	0
			-1,345
	12		12
574	**12**	**5,577**	**35,118**

574	12	5,577	35,118
		11,681	11,681
			36,340
1,460		-1,460	0
			-465
			-71
	160		160
2,034	**172**	**15,798**	**82,763**

Notes

1. General information

1.1 Basic principles

Roth & Rau develops and manufactures components and process equipment for plasma and ion beam supported thin-film and surface engineering processes for application in production, pilot manufacture and research & development in various industries.

The current focus is on supplying production equipment to the photovoltaic industry. Roth & Rau is among the leading suppliers of anti-reflection coating equipment for crystalline silicon solar cells. In addition, Roth & Rau provides complete solar cell manufacturing solutions and intends to expand its activities to the area of thin-film solar cells in future.

The company employed 223 people at 31 December 2007, the financial statement date. It had 13 apprentices at the end of 2007. Like in the previous year, the Management Board of Roth & Rau AG consisted of two members. However, a change of Management Board members occurred (cf. section 7.4).

Roth & Rau AG is registered in the Commercial Register of the Amtsgericht Chemnitz (Local Court of Chemnitz) under HRB 19213.

Roth & Rau AG's registered office is at 09337 Hohenstein-Ernstthal, Germany, An der Baumschule 6-8. The Annual Financial Statements are available at the company's registered office and published on the Internet.

Roth & Rau AG's Annual Financial Statements 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS). Unless otherwise indicated, all amounts are stated in thousands of euros (kEUR). Specific rounding rules are applied. This may lead to differences due to rounding.

Individual Balance Sheet and Income Statement items have been combined in order to present the information more clearly.

The total cost method in accordance with s. 275 para. 2 HGB (German Commercial Code) has been used for the Income Statement. The minimum requirements of structure in accordance with IAS 1.75 have been fulfilled.

In accordance with the size categories defined in s. 267 para. 3 HGB, the company is a medium-sized incorporated company.

In addition to the Income Statement and the Balance Sheet, other components included in the Annual Financial Statements are a Statement of Changes in Equity, a Cash Flow Statement and the Notes.

1.2 Important events in the financial year

On 15 January 2007, Roth & Rau AG was awarded the "Chemnitz Milestone", an annual award given by the Marketing Club of Chemnitz in recognition of special entrepreneurial achievement. Roth & Rau AG's special achievement lay particularly in focusing the company on a strategic area of growth in a far-sighted and bold manner early on, the jury said. After the award ceremony, Dr. Dietmar Roth and Prof. Eicke Weber, Director of the Fraunhofer Institute for Solar Energy Systems (ISE), signed a memorandum of understanding providing for the commercialisation of the thin-film solar cell technology known as "epitactic wafer equivalents". A development project spanning about 2.5 years is intended to press ahead with making this technology, which was developed at the ISE, ready for production.

Starting from 15 May 2007, Carsten Bovenschen assumed the position of CFO on the Management Board.

On 6 July 2007, Roth & Rau AG held its first Annual General Meeting since its successful May 2006 IPO.

On 9 August 2007, Roth & Rau AG performed an increase in capital by 230, to 2,530, successfully by issuing new individual bearer shares in the open market (Entry Standard) of the Frankfurt Stock Exchange.

19 October 2007: Roth & Rau AG made it all the way to the final of the "Entrepreneur of the Year 2007" contest. The award is given to the best entrepreneurs of small and medium-sized companies in Germany by Ernst & Young, an auditing and advisory services firm, and this year it was awarded for the eleventh time. The finalists, chosen from more than 350 applicants in a multi-stage selection process, stood out by aboveaverage growth rates and high innovative capacity.

Roth & Rau AG set the course for more growth, expanding production capacity by establishing a new site. The company opened three new production halls with a production area of about 7,500 m^2 and a new administration building with office space of 2,600 m^2 in the industrial park "Am Sachsenring II" in Hohenstein-Ernstthal on 17 November 2007. In connection with the expansion of production capacity, the number of employees at the end of the year 2007 rose to 236 people, including apprentices.

Orders received increased to 244,627 in the financial year (129,073 in previous year). Roth & Rau AG stood its ground as a leading manufacturer of PEVCD plants for the anti-reflection coating and passivation of crystalline silicon solar cells using a silicon layer (SiN layer), having sold more than 200 plants from 2002 until 2007.

In the financial year 2007, the total value of orders received by Roth & Rau AG from Europe and Asia to supply complete production plants for the manufacture of crystalline silicon solar cells was 76,714.

2. Information on accounting and valuation methods

2.1 Reporting principles

All International Financial Reporting Standards (IFRS/IAS) by the International Accounting Standards Board (IASB) and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) as applicable and binding in the EU at the financial statement date have been applied without restriction to these Annual Financial Statements in accordance with IFRS and to the comparison data they include.

Roth & Rau AG published certified Annual Financial Statements in accordance with IFRS for the financial year 2006 for the first time. The Annual Financial Statements 2005 were retrospectively certified for better comparability as well. Therefore, the previous year's figures may differ from figures disclosed in the past.

The financial year corresponds to the calendar year.

The International Accounting Standards Board (IASB) adopted a number of revisions of existing International Accounting Standards (IAS) and published new International Financial Reporting Standards (IFRS). They must be applied to and are binding for financial years beginning on 1 January 2007 or later. The new standards to be applied from 1 January 2007 do not materially affect the company's Annual Financial Statements.

Newly published reporting rules not applied ahead of time:
In the financial year 2006/2007, the IASB published the following standards, interpretations and revisions of existing standards of relevance to Roth & Rau AG whose application predominantly still requires EU endorsement.

In November 2006, the IASB published IFRS 8 "Operating Segments", which replaces the previous standard IAS 14 "Segment Reporting". In accordance with IFRS 8, the business and position of segments must be reported using what is called a management approach. Accordingly, segment delimitation and segment data are based on the information used internally by management to assess segment performance and allocate resources. IFRS 8 must be applied to and is binding for financial years beginning on 1 January 2009 or later, but it may be applied earlier. The company currently does not assume that the application of the standard will materially affect the presentation of the Annual Financial Statements. In March 2007, the IASB published revised standard IAS 23 "Borrowing Costs". It requires borrowing costs that are directly attributable to the acquisition, construction or manufacture of a qualifying asset to be capitalised. The currently available option of immediately recognising borrowing costs as an expense is removed. The revised standard must be applied to and is binding for financial years beginning on 1 January 2009 or later. The revision will not materially affect the Annual Financial Statements.

It is standard practice for us to state receivables from and payables for goods and services in the Balance Sheet as current (short-term) items. We show pension obligations as non-current debt due to their long-term nature.

Gains and losses from foreign currency conversion based on significant business transactions and transactions in a foreign currency have been recognised as Other operating income and Other operating costs, respectively.

Deferred tax assets and liabilities are shown as non-current items.

The presentation in the financial result of the Income Statement did not have to be changed.

A true and fair view of Roth & Rau AG's assets, liabilities, financial position and profit or loss is given by the application of the standards.

2.2 General information on the Balance Sheet

Valuations are not affected by rules for tax purposes. They are determined based solely on a fair presentation of the company's assets, liabilities and financial position within the scope of IASB rules.

The structure of the Balance Sheet in accordance with IFRS is based on the due dates of individual Balance Sheet items.

The Annual Financial Statements are based on the assumption that the company will continue in operational existence (going concern principle). Income and expenses are allocated to their appropriate accounting periods on a pro-rata basis and recognised in the Income Statement of the period to which they are economically attributable.

The Annual Accounts have been prepared on the basis of amortised historical acquisition and production cost, except securities available for sale and derivative financial instruments, which have been valued at their fair market value.

Unless otherwise indicated, assets, liabilities and shareholders' equity are stated at par value less any value adjustments necessary.

Items are capitalised if all material opportunities and risks associated with their use accrue to the company. These assets are accounted for at amortised acquisition or production cost.

Statements, accounting and valuation methods used in the previous year have been maintained in the reporting year as a matter of principle.

In the Balance Sheet at 31 December 2007, the items "Receivables from make-to-order manufacturing" and "Payables for make-to-order manufacturing" are stated separately because they are important due to their substantial amounts. These items were included in the item "Receivables from goods and services and other receivables" as "Manufacturing orders in process" and in the item "Payables for goods and services and other payables" as "Payables for make-to-order manufacturing" as at 31 December 2006. The previous year's figures were adjusted accordingly in the Annual Financial Statements of 31 December 2007.

The lines "Incoming payments from capital increase" and "Cost of capital increase" are stated separately before taxes in the Cash Flow Statement for the financial year 2007. The previous year's figure in the line "Cost of capital increase" includes the cost after taxes.

Deferred taxes are calculated using Roth & Rau AG's individual tax rate of 29.2 % (38.5 % in previous year).

2.3 Intangible assets

Intangible assets purchased in return for payment are stated at acquisition cost. They are amortised on a straight-line basis over three years in accordance with their expected useful life.

Intangible items arising from internal activities are capitalised at their production costs if the criteria for assets are met. This is particularly the case if a future economic benefit covering not only normal costs but also relevant development costs can be expected to be gained from the assets. They concern a number of Roth & Rau AG's development projects that are funded by grants from different federal and state ministries as well as the European Commission and projects, conducted with private cooperation partners, which are still in the development phase or already in the pilot phase. Development costs particularly include direct and overhead cost portions of personnel costs and cost of materials for internal and external application-oriented, engineering and other divisions, to the extent that these divisions render relevant services, as well as costs of trial equipment and pilot stations used for development. Costs of financing are not capitalised.

As a matter of principle, government grants are accounted for as a deduction from acquisition or production cost.

Capitalised development costs are amortised over an expected useful life (3 years) starting from the time the development result is first used. Extraordinary amortisation is undertaken, if necessary.

Intangible assets are reviewed for impairment if facts or changed conditions indicate that it might be impossible to realise the book value of an asset. An impairment affecting net income will be recognised as soon as the book value of an asset exceeds the amount the asset can realise.

In accordance with IAS 38, research costs are recognised as expenses as incurred.

2.4 Property, plant and equipment

Property, plant and equipment are accounted for at acquisition or production cost in accordance with IAS 16, plus incidental acquisition cost, less scheduled depreciation. These assets are depreciated over their useful economic lives on a straight-line and pro-rata basis. Any impairment expected to persist and exceeding the decrease in value resulting from asset utilisation is taken into account by extraordinary depreciation. Appropriate write-ups are undertaken if the reasons for extraordinary depreciation no longer exist. No extraordinary depreciation had to be undertaken.

As a matter of principle, investment grants and subsidies are deducted from acquisition costs or production costs. Such investment grants are recognised at the time the company receives the funds.

No special depreciation for tax purposes is taken into account. Costs of financing are not capitalised. Maintenance costs are recognised directly as expenses.

Property, plant and equipment are always depreciated on a straight-line and pro-rata basis over the scheduled periods below:

Buildings	25-33 years
Technical installations	8-10 years
Furniture and office equipment	3-14 years

The production costs of self-made property, plant and equipment are determined based on direct costs and appropriate overhead rates.

Stated as an addition mainly to commercial buildings and technical installations and machines in the financial year, the new building “Am Sachsenring II” in Hohenstein-Ernstthal, which includes three new production halls and a new administration building, has been valued using the component approach. Accordingly, any part of the asset whose costs in proportion to total acquisition cost or production cost are material has been separately capitalised and depreciated. Thus, the administration building is depreciated on a pro-rata basis over a 50-year period, the production halls are depreciated over 40 years and the technical installations over 25 years.

There were no assets to be accounted for based on IAS 17.8 Finance Leases.

2.5 Other non-current receivables

The company’s other non-current receivables are valued at amortised acquisition cost. Receivables bearing interest at a rate customary in the market are accounted for at par value.

2.6 Investment property

Land and buildings held to generate rent income (investment property) are accounted for separately from the rest of property, plant and equipment at amortised acquisition cost. The useful lives on which depreciation is based correspond to the useful lives of property, plant and equipment used by the company itself.

2.7 Deferred taxes

Income taxes are calculated on earnings before taxes based on the applicable tax rate. Deferred taxes are recognised on temporary differences between the balance sheet for tax purposes and the IFRS Balance Sheet using the liability method in accordance with IAS 12.

The tax rate used to calculate deferred taxes is 29.2 %.

Deferred taxes on the assets side have not been offset against deferred taxes on the liabilities side.

2.8 Stocks

Raw materials and supplies as well as work in process and finished products are shown under Stocks. Short-term advance payments made on inventory items are capitalised at their par value.

As a matter of principle, raw materials and supplies are stated at acquisition cost.

Work in process and finished products are stated at acquisition cost or production cost. Production cost includes not only directly attributable costs but also production-related material overhead costs and manufacturing overhead costs, including manufacturing-related depreciation and adequate portions of necessary overhead. In accordance with IAS 23.11, borrowing costs are not capitalised as part of acquisition cost or production cost for lack of a direct connection.

If necessary, stocks have been stated at the lower net sales value that can be realised for them. No write-ups have been necessary in the reporting period.

2.9 Receivables from goods and services and other receivables

Receivables and other assets are valued at par.

Receivables in a foreign currency are converted at the exchange rate applicable on the effective date of the transaction in accordance with IAS 21.21 and later stated at the exchange rate applicable on the balance sheet date in accordance with IAS 21.23.

Future receivables from manufacturing orders are accounted for using the percentage-of-completion (POC) method in accordance with IAS 11, provided that a customer-specific manufacturing order existed. The relevant share of profits is recognised depending on the percentage of completion, provided that the percentage of completion, total costs and total revenues of the orders concerned may be reliably determined in terms of IAS 11. The percentage of completion of individual orders is determined using the cost-to-cost method. No partial profit is recognised if the percentage of completion is less than 50 %. In those cases, the share of revenue from the order is determined as the amount of order-related costs incurred using the zero profit margin method.

Order-related costs include costs directly attributable to an order and portions of overhead. Borrowing costs are recognised as expenses.

Advance payments received for an individual order are deducted from the order's share of revenues determined as described above. The resulting balance is accounted for either as receivables from or as payables for make-to-order manufacturing.

The tax receivables contained in Other receivables essentially include claims for corporation tax refunds as well as VAT prepayments and commission payments valued at par.

2.10 Cash and cash equivalents

Cash and cash equivalents are stated at par. Changes in cash representing the cash funds in accordance with IAS 7 are shown in the Cash Flow Statement.

Cash includes bank deposits and cash in hand. This item further includes securities from investments in a money market fund and a money market floater which are available on a daily basis. These securities belong to the category "available for sale" without exception and are valued at their fair market value. Any change in value occurring before they are sold is recognised in equity without affecting net income. Purchases and sales are accounted for as at the day of performance.

2.11 Non-current loans

Non-current interest-bearing debt has been accounted for at its repayment amount. No different fair market value was determined at the balance sheet date because the loans were added in the financial year and no significant changes in market conditions occurred as at that date.

2.12 Non-current provisions

Only pension provisions are recognised in this item.

Pension provisions are accounted for using the projected unit credit method in accordance with IAS 19. Future obligations are valued based on actuarial expert opinions taking into account the time values of external plan assets.

As a matter of principle, employee retirement benefits are based on benefit promises (retirement pension benefits, disability benefits and benefits for surviving dependants). Their amounts usually depend on the salary. There are pension reinsurance policies, which have been pledged to the beneficiaries. The conditions for valuation as a plan asset have been met. Therefore, values on the assets side have been balanced with the provision.

In addition to accrued rights known at the balance sheet date, expected rates of salary and pension increases as well as the rate of inflation expected in future have also been included in the calculation. In accordance with IAS, the discount rate is based on the market interest rate. The assumed discount rate reflects the interest rates paid at the balance sheet date for high-quality securities bearing interest at a fixed rate with corresponding maturities. The interest rate used for accounting purposes for 2007 is 5.25 %.

Following a revision of IAS 19, an additional option to account for actuarial gains and losses from benefits-oriented pension obligations immediately was introduced. The corridor method was used.

For the rest, calculations are based on the biometric probability data of the mortality tables 2005 G by Prof. Klaus Heubeck.

2.13 Other current debt

Current liabilities have been stated at their repayment amount or performance amount.

2.14 Current provisions

Provisions have been recognised for contingent obligations to any third party if such obligations are likely to lead to a charge to assets in the future. Such provisions are stated taking into account all identifiable related risks at the expected performance amount without offsetting them against recourse claims. No provisions have been recognised for future expenditures unrelated to obligations vis-à-vis any third party.

2.15 Recognition of income and expenses

Sales revenues, interest and commission income from financial services and other operating income are not recognised until the services have been rendered and the goods or products have been delivered, that is, not until the risk has passed to the customer. Sales arising from selling products (work supply) are usually not recognised until acceptance by the customer.

Due to the long-term nature of make-to-order manufacturing with fixed price agreements in plant engineering, order-related revenues and costs are recognised as Sales revenues from make-to-order manufacturing and as a Decrease in work in process based on the progress of work on the balance sheet date. The requirements for using the percentage-of-completion method provided in IAS 11 are fulfilled. This method is applied to manufacturing orders whose results may be reliably estimated and which are more than 50 % complete. If less than 50 % has been completed, the percentage-of-completion method is applied in such a manner as to recognise no partial profit.

Operating costs are recognised as affecting net income at the time the goods or services are used or at the time they are incurred.

Interest income is recognised on a pro-rata-temporis basis, interest expense incurred is recognised partly using the real interest method and partly on a pro-rata basis, depending on the contractual obligation.

Warranty provisions are recognised at the time of corresponding sales revenue recognition.

2.16 Derivative financial instruments

The company uses derivative financial instruments essentially as hedges to control risks due to foreign currency fluctuations in its operating activities. They are not used for purposes of speculation. Derivative financial instruments are accounted for and valued for the first time on the day of the transaction and at their fair market value in subsequent periods.

If a derivative financial instrument is used to hedge foreign currency risks of expected future receipts or disbursements of cash in a foreign currency and if the conditions for hedge accounting (cash flow hedge) are met, any change in the fair market value of the derivative financial instrument is allocated to retained earnings in accordance with IAS 39 without affecting net income. No derivative financial instruments were held at the balance sheet date.

2.17 Estimates and assessments of management

To a certain extent, assumptions and estimates affecting the amount and statement of assets and debt, income and expenses accounted for have to be made in the preparation of the Annual Financial Statements. These assumptions and estimates essentially relate to impairment reviews of intangible assets, the uniform assessment of useful economic lives for property, plant and equipment and let property, the recoverability of receivables and the reporting and valuation of provisions. Underlying these assumptions and estimates are premises which are based on our current state of knowledge at any one time. In particular, both the conditions present at the time the Annual Financial Statements were prepared and the realistically assumed future development of the global and industry environment were taken as a basis for the expected development of business in the future. If these underlying conditions develop in a manner which is different from these assumptions or beyond the control of management, actual amounts that arise may differ from the originally expected estimates. If actual developments differ from what was expected, the premises will be modified and, if necessary, the book values of relevant assets and debt will be adjusted accordingly.

The underlying assumptions and estimates were subject to no substantial risks at the time the Annual Financial Statements were prepared. Therefore, the book values of assets and debt stated in the Balance Sheet are currently not expected to be significantly adjusted in the next financial year.

3. Explanations of individual balance sheet items

Non-current assets

	Acquisition and production cost				
Movements in intangible assets	At 1 Jan kEUR	Additions kEUR	Disposals kEUR	Transfers kEUR	At 31 Dec kEUR
2006					
Industrial property rights and similar rights and assets	44	31	0	0	75
Development costs	2,905	1,465	0	0	4,370
	2,949	1,496	0	0	4,445
2007					
Industrial property rights and similar rights and assets	75	286	0	0	361
Development costs	4,370	1,719	0	0	6,089
	4,445	**2,005**	**0**	**0**	**6,450**
Movements in property, plant and equipment					
2006					
Land	70	0	0	36	106
Buildings	1,892	39	0	31	1,962
Techn. installations & machines	1,502	-17	0	241	1,726
Other inst., furn. & equipment	601	502	15	0	1,088
Adv.paym'ts made & inst.u.const.	276	-20	0	-241	15
	4,341	504	15	67	4,897
2007					
Land	106	0	0	0	106
Buildings	1,962	4,627	0	15	6,604
Techn. installations & machines	1,726	955	0	0	2,681
Other inst., furn. & equipments	1,088	1,290	0	0	2,378
Adv.paym'ts made & inst.u.const.	15	25	0	-15	25
	4,897	**6,897**	**0**	**0**	**11,794**
Movements in financial investments					
2006					
Investment property	374	31	0	-67	338
	374	31	0	-67	338
2007					
Investment property	338	0	0	0	338
	338	**0**	**0**	**0**	**338**

Depreciation / Amortisation				Book values		
At 1 Jan kEUR	Additions kEUR	Disposals kEUR	Transfers kEUR	At 31 Dec kEUR	At 1 Jan kEUR	At 31 Dec kEUR
25	17	0	0	42	19	33
311	571	0	0	882	2,593	3,488
336	588	0	0	924	2,612	3,521
42	57	0	0	99	33	262
882	855	0	0	1,737	3,488	4,352
924	**912**	**0**	**0**	**1,836**	**3,521**	**4,614**
0	0	0	0	0	70	106
205	67	0	0	272	1,687	1,690
543	220	0	0	763	960	964
390	153	8	0	535	211	553
0	0	0	0	0	276	15
1,137	440	8	0	1,569	3,204	3,328
0	0	0	0	0	106	106
272	77	0	0	349	1,690	6,255
763	234	0	0	997	964	1,685
535	473	0	0	1,008	553	1,370
0	0	0	0	0	15	25
1,569	**784**	**0**	**0**	**2,353**	**3,328**	**9,441**
131	12	0	0	143	243	195
131	12	0	0	143	243	195
143	11	0	0	154	195	184
143	**11**	**0**	**0**	**154**	**195**	**184**

3.1 Intangible assets

Intangible assets include purchased software and development costs. Movements in intangible assets are shown in the table at page 82/83.

Development costs for new products and production processes of 2,548 (2,747 in previous year) were capitalised in the reporting period in accordance with IAS 38. Net additions to development costs after deduction of grants in the amount of 829 (1,282 in previous year) requested and received for development costs were 1,719 (1,465 in previous year). Development costs not eligible for capitalisation amounting to 41 (35 in previous year) were booked as an expense.

Essentially, the development costs capitalised in the financial year 2007 were for the following projects:

In photovoltaics they notably include projects to achieve the following:

- Develop in-house, in-line technology for the complete manufacture of crystalline solar cells
- Perform rear surface passivation of solar cells using silicon carbide
- Design and plan a fully integrated in-line manufacture of silicon-based thin-film solar cells
- Optimise the contacts of thin-film solar cells and develop appropriate equipment designs

In plasma & ion beam technology projects to achieve the following were capitalised:

- Enhance the IonScan plant type
- Get ahead in development in the area of EUVL mask coating

3.2 Property, plant and equipment

Movements in property, plant and equipment are shown in the table at page 82/83.

Major additions have been recorded in the following areas: Commercial buildings, Operating facilities, Fixtures and operating equipment

The additions are due to the new building “Am Sachsenring II” in Hohenstein-Ernstthal. These premises were occupied in November 2007. The commercial buildings shown include the three new production halls, the new administration building and the technical installations of the buildings. Additions to operating facilities essentially include machine connections, the cooling system, the transformer station as well as the compressed-air, machine exhaust gas and nitrogen systems. Fixtures and operating equipment comprise office furniture and workshop equipment.

3.3 Other non-current receivables

Deposits paid for leases that were entered into are stated under Other non-current receivables. The deposits amounted to 11 (8 in previous year).

3.4 Investment property

Movements in the financial investment are shown in the table at page 82/83.

This item is a property located at: “Gewerbering 10, Hohenstein-Ernstthal OT Wüstenbrand“.

It was first stated under this item in the Annual Financial Statements as at 31 December 2004.

A lease exists for the property, effective from 1 November 2004 and non-cancellable until 31 October 2009, with a renewal option.

Rent income in the year 2007 was 43 (43 in previous year). Only insignificant expenses were incurred for maintenance in the reporting year.

The property was accounted for at amortised acquisition cost for lack of market data or comparison figures. The time value established in a due diligence analysis performed on the occasion of the IPO was 296 as at 31 December 2005 (book value as at 31 December 2006: 195).

3.5 Deferred tax asset

Deferred tax assets are explained under 4.10.

Current assets

3.6 Stocks

kEUR	31/12/2007	31/12/2006
Raw materials and supplies	1,441	218
Work in process	1,461	131
Finished products and goods	90	185
Advance payments made	9,322	19,959
Total	**12,314**	**20,493**

The stocks of raw materials and supplies as well as work in process have been transferred to the lending bank by way of security as collateral for existing guaranteed credit lines. Advance payments made include 723 (9,125 in previous year) secured by bank guarantee.

3.7 Receivables from make-to-order manufacturing

kEUR	31/12/2007	31/12/2006
Manufacturing orders in process	**34,783**	11,533

This item breaks down as follows:

	31/12/2007	31/12/2006
Recognised partial sales revenues	126,843	24,439
Advance payments received	117,006	35,081
Balance	9,837	-10,642
Assets shown in Balance Sheet	34,783	11,533
Liabilities shown in Balance Sheet	24,946	22,175
Balance	9,837	-10,642
Costs	113,514	21,368
Partial profit	13,329	3,071

Long-term manufacturing orders are accounted for using the percentage-of-completion method, provided that the conditions in accordance with IAS 11 are met. Their calculation is based on the ratio of order-related costs incurred to the contract's estimated total costs. The POC valuation table shows the amounts of partial sales revenues and related costs, the partial profit and related advance payments received. This valuation method is applied to all long-term orders, but no partial profit is stated if less than 50 % has been completed (zero profit margin method). In accordance with the profit elimination principle, order-related revenues for such orders are recognised in the amount of order-related costs incurred. Sales revenues from long-term make-to-order manufacturing include order-related revenues without partial profit recognition of 905 in the financial year (3,974 in previous year).

The item "Receivables from make-to-order manufacturing" includes make-to-order manufacturing projects in process with an asset-side balance. Their order-related manufacturing costs plus recognised profits less recognised losses exceed the advance payments received.

"Payables for make-to-order manufacturing", where the advance payments exceed the production costs and recognised profit portions less recognised loss portions, are stated in the Balance Sheet item Current debt.

3.8 Receivables from goods and services and other receivables

kEUR	31/12/2007	31/12/2006
Receivables from goods and services	5,499	2,905
Receivables from former affiliated companies	18	188
Other receivables and financial assets	8,035	1,887
Total	**13,552**	**4,980**

Other receivables and financial assets / kEUR	31/12/2007	31/12/2006
Tax refund claims	4,494	772
Advance commission payments	2,771	136
Accrued expense grants (R&D)	300	636
Accrued income and deferred expenses	0	168
Receivables from shareholders	89	32
Creditors with debit balances	0	26
Other	381	117
Total	**8,035**	**1,887**

Receivables from goods and services are due in less than one year. Bad debt allowances amount to 82 (31 in previous year). Actual bad debt losses recorded in the reporting year amount to 117 (15 in previous year). Receivables in a foreign currency amounted to 143 as at the balance sheet date. They were adjusted downward by 10 to the exchange rate applicable on the balance sheet date. All receivables have been assigned to the lending bank by way of security for the guaranteed credit lines.

Receivables from former affiliated companies were receivables from Rohwedder AG resulting from passedon charges from the IPO. An individual asset value adjustment of 113 was made in the financial year for the outstanding balance on the balance sheet date without affecting net income.

In accordance with IAS 20, grants and subsidies are not accounted for until the required eligibility criteria are met and until it can be reasonably expected that the grants and subsidies will actually be provided. Other assets essentially include claims for VAT and corporation tax refunds as well as commission payments and claims for government funds from research and development projects. As a matter of principle, asset-based grants and subsidies are accounted for as a deduction from acquisition or production cost. Stated under the item “Other” are receivables from volume-based supplier rebates, insurance indemnities and interest receivables from accounted-for cash equivalents.

3.9 Cash and cash equivalents

Cash and cash equivalents are stated at par values.

This item includes not only cash in hand and short-term bank deposits maturing in less than three months but also time deposits, overnight deposits and securities to be classified as cash equivalents arising from investments in a money market fund and a money market floater which are available on a daily basis. These securities belong to the category “available for sale” without exception and are valued at their fair market value. Any change in value occurring before they are sold is recognised in equity without affecting net income. Purchases and sales are accounted for as at the day of performance.

An amount of 592 of a time deposit investment has been pledged to the lending bank.

3.10 Equity

For detailed information on changes in Roth & Rau AG’s equity in the financial year 2007 please refer to the Statement of Changes in Equity.

The company was first listed in the Entry Standard segment of the stock exchange on 11 May 2006.

The share capital was 2,530 on 31 December 2007 (2,300 in previous year).

The share capital as at 31 December 2007 is divided into 2,530,000 individual bearer shares.

By changing the Articles of Association, the Annual General Meeting of 10 April 2006 authorised the Management Board to increase the company’s share capital, subject to the Supervisory Board’s consent, by up to 1,150 within the period until 9 April 2011 by issuing, either once or several times, new individual bearer shares for contributions in cash or in kind (authorised capital). The Management Board will take its decision about the content of share rights and the conditions under which the shares are issued subject to the Supervisory Board’s consent. The appropriate entry in the Commercial Register was made on 10 May 2006.

On 9 August 2007, the share capital was increased by 230 from 2,300 to 2,530, divided into 2,530,000 (individual) bearer shares of common stock, by the issue of 230,000 new shares entitled to profits from 1 January 2007 at an issue amount of EUR 1.00 per share to the exclusion of existing shareholders’ subscription rights based on the authorisation given by the change in the Articles of Association of 10 April 2006.

The company received 36,340 in proceeds from placing 230,000 shares at an issue price of EUR 158 per share as a result of the capital increase of 9 August 2007.

The capital increase was entered in the Commercial Register of the Amtsgericht Chemnitz (Local Court of Chemnitz) on 13 August 2007.

The amount of authorised capital remaining after this is 920.

The company held no shares of its company stock at the balance sheet date.

There was no conditional capital as at 31 December 2007. No stock options exist.

The increase in capital reserves includes the premiums arising from the issue of shares while offsetting the IPO costs of 756 (2,175 in previous year) less the income tax advantage of 291 (829 in previous year) relating thereto, and an adjustment due to the value adjustment of passed-on transaction costs of 113 less 42 in income tax charged on them.

Pitted against a total of 64,759 in subscribed capital and capital reserves is 63,270 in cash and cash equivalents in the financial year 2007. Thus, the amount of cash and cash equivalents available equals 97.7 % of subscribed capital and capital reserves.

Following the resolution of the General Meeting of 6 July 2007, 165 of the net profit for the year under the German Commercial Code was allocated to retained earnings as at 31 December 2006. The retained earnings item includes not only the allocation to statutory reserves but also the differences resulting from changing to IFRS for the first time.

In 2007, 50 % (1,460) of the net profit for the year under the German Commercial Code was allocated to retained earnings in accordance with s. 58 AktG (German Stock Corporation Act).

Changes in the value of securities available for sale, including the deferred taxes to be calculated on them, are stated in Other reserves without affecting net income.

Non-current debt

3.11 Non-current loans

kEUR	31/12/2007	31/12/2006	Redemption	Maturity
Savings bank loan	900	0	quarterly	30/06/2012
BW Bank loan	900	0	quarterly	30/06/2012
Delage Landen loan	0	5	monthly	30/11/2008
GEFA loan	0	1	monthly	31/01/2007
Subtotal	**1,800**	**6**		
Less current portion	-400	-3		
Total	**1,400**	**3**		

The loans granted by Sparkasse Chemnitz (savings bank) and Baden-Württembergische Bank (BW Bank) were taken out in June 2007 at par values of 1,000 each. They bear interest at 5.15 % and their quarterly redemption amount is 50 each. Therefore, the redemption amount for the year 2008 has been shown as their current portion.

Financial debt is stated at its amortised cost using the real interest method. In view of the fact that the level of the market interest rate has not changed significantly since the loans were taken out, there are no significant deviations of the fair value from book values.

3.12 Deferred tax liabilities

Please refer to 4.10.

3.13 Non-current provisions

This item contains only pension provisions.

Actuarial gains and losses are amortised using the corridor method. They are not taken into account unless they exceed 10 % of the defined benefit obligation. The amount exceeding the corridor is spread over the average remaining period of service of active employees and accounted for as affecting net income. In the Income Statement, current service expense is stated under retirement benefit costs, interest expense is stated in the financial result and income from plan assets in other operating income.

Underlying assumptions / %	31/12/2007	31/12/2006
Interest rate	5.25	4.50
Pension increase rate	2.0	2.0
Labour turnover rate	0.0	0.0
Expected income from plan assets	/	/

Composition of provisions / kEUR	31/12/2007	31/12/2006
Defined benefit obligation at year-end	629	632
Actuarial gains / losses not taken into account	16	-57
Less time value of plan assets	-194	-153
Value of provisions at 31/12/2007	**451**	**422**

Calculation of annual expense / kEUR	31/12/2007	31/12/2006
Current service expense	42	38
Interest expense	28	24
Less expected income from plan assets	-41	-40
Total	**29**	**22**

3.14 Payables for make-to-order manufacturing

For Payables for make-to-order manufacturing refer to 3.7.

kEUR	31/12/2007	31/12/2006
Manufacturing orders in process	**24,946**	22,175

3.15 Payables for goods and services and other payables

All Payables for goods and services are due within one year. There were no significant payables in a foreign currency at the financial statement date.

Other financial payables are stated at their repayment amount. They include a multitude of individual items. There are no significant differences between carrying values and time values.

Other payables are due as follows:
Within less than 1 year: 196
Between 1 year and 5 years: 0

kEUR	31/12/2007	31/12/2006
Payables for goods and services	19,911	3,643
Other payables	196	282
Total	**20,107**	**3,925**

Other current payables / kEUR	31/12/2007	31/12/2006
Tax liabilities	95	94
Personnel liabilities	55	0
Deferred income and accrued expenses	8	14
Debtors with credit balances	0	83
Liabilities to shareholdersn	0	84
Other	38	7
Total	**196**	**282**

3.16 Advance payments received

kEUR	31/12/2007	31/12/2006
Total	117,076	35,614
Of which: due within less than 1 year	117,076	35,614
Of which: secured by bank guarantees	38,371	14,657
Of which: balanced with stocks		0
Of which: balanced with receivables	52,372	6,467
Of which: balanced with payables	64,634	28,613
Of which: shown on the liabilities side	70	534

3.17 Current loans

Current loans essentially include the redemption amounts for the year 2008 of 400 for non-current loans and a loan from Delage Landen of 3 (3 in previous year) (see 3.11). Current loans from shareholders were fully repaid in the financial year.

3.18 Actual tax liabilities

This item comprises the expected payment of trade tax arrears of 460 for 2007 (135 in previous year).

3.19 Current provisions

Current provisions for personnel essentially concern overtime, management bonus, employers' liability insurance association contributions and leave.

Outstanding invoices and services essentially concern sales commissions and outstanding invoices for material and external work.

The calculation of the warranty provision is based on historical warranty expenses and estimates relating to future costs. Both actual warranty expenses incurred in the past and technical information about product weaknesses detected in the design or test phase or when the product is installed are taken into consideration with regard to the amount of this provision.

Current provisions	Balance as at 1/1/2007	Use	Reversal	Addition	Balance as at 31/12/2007
Other provisions					
Personnel	561	557	4	957	957
Outstanding invoices / services	1,216	1,023	31	714	876
Warranty	300	300	0	438	438
Other	102	102	0	108	108
Total	**2,179**	**1,982**	**35**	**2,217**	**2,379**

4. Explanations of individual income statement itmes

The total cost method has been used to prepare the Income Statement.

4.1 Sales revenues

The company recognises sales in accordance with IAS 18.

Sales revenues were up 241.2 % (28.3 % in previous year) compared to the previous year.

For a breakdown of sales revenues by product and region refer to section 6.

4.2 Change in stocks of finished products and work in process

The change in stocks of finished products and work in process of 1,234 (189 in previous year) essentially includes the capitalisation of three coating plants and one IonScan plant.

4.3 Capitalised internal activities

In addition to the production costs of machines and equipment from in-house production, capitalised internal activities essentially include capitalised production costs for development services. The cost of goods manufactured includes both direct and indirect cost portions.

Grants of 829 (1,282 in previous year) were deducted from capitalised development costs in fixed assets for government-funded capitalised development costs.

kEUR	2007	2006
Invoiced sales	43,824	31,292
POC make-to-order manufacturing	102,405	11,561
- with partial profit recognition	101,500	7,587
- without partial profit recognition (zero profit margin method)	905	3,974
Total	**146,229**	**42,853**

kEUR	2007	2006
Capitalised internal activities for government-funded R&D projects	2,548	2,730
Capitalised internal activities for pilot equipment (joint venture)	0	17
Capitalised internal activities for equipment owned and used by the company	0	3
Total	**2,548**	**2,750**

4.4 Other operating income

Other operating income for the financial year 2007 breaks down as follows:

As a matter of principle, government grants are deducted from the acquisition cost of the assets concerned.

Other operating income / kEUR	2007	2006
Equipment rental income	53	214
Property rental income (investment property)	43	43
Income from reinsurance	41	40
Income from the reversal of provisions	35	7
Income from foreign currency conversion differences	35	1
Income not relating to the period	27	36
Offset benefits in kind	26	16
Employment subsidies	10	4
Income from insurance indemnities	1	26
Grants for non-capitalised R&D projects	0	16
Other	85	43
Total	**356**	**446**

4.5 Cost of materials

kEUR	2007	2006
Costs of raw materials & supplies and purchased goods	112,354	29,621
Costs of procured services	6,058	2,160
Total	**118,412**	**31,781**

The ratio of cost of materials to sales was 81.0 % (74.2 % in previous year).

4.6 Personnel costs

kEUR	2007	2006
Wages and salaries	6,426	3,784
Social security contributions	1,084	636
Retirement benefit costs	53	47
Total	**7,563**	**4,467**

The average number of employees for the year has been calculated as follows:

	2007	2006
Production	64	42
Engineering and Sales	93	49
Administration	23	15
Subtotal	**180**	**106**
Apprentices	10	8
Total	**190**	**114**

We have created many new jobs thanks to the continued high growth of our production.

4.7 Depreciation and amortisation

kEUR	**2007**	**2006**
Scheduled depreciation and amortisation		
Intangible assets	912	529
Property, plant and equipment	784	441
Total	**1,696**	**970**
Extraordinary amortisation		
of development costs	0	58
Total	**1,696**	**1,028**

For a breakdown of depreciation and amortisation refer to section 3.

4.8 Other operating expenses

Other operating expenses essentially include occupancy and running costs as well as selling and administrative costs.

Major line items of other operating expenses are shown in the table on page 95.

Other operating expenses / kEUR	2007	2006
Occupany and maintenance costs	50	49
Insurances	102	77
Utilities	118	84
Rent, leasing	508	124
Outward freight	1,329	669
Travel costs	1,311	607
Selling costs	2,549	1,418
Costs arising from disposals of fixed assets	0	8
Other taxes	11	6
Rest	2,854	1,410
Total	**8,832**	**4,452**

The rest of other operating expenses breaks down as follows:

Rest / kEUR	2007	2006
Office and communication	209	127
Advertising	281	170
Consulting	518	221
Vehicle fleet	130	71
Costs not relating to the period	11	217
Other material	151	54
Employee benefit costs	27	6
Computer system maintenance	92	28
Contributions and fees	52	83
Current stock exchange costs, investor relations	222	105
Commissions on guaranteed credit, incidental bank charges	400	201
Costs arising from exchange rate differences	381	9
Bad debt losses and individual asset value adjustments	178	45
Relocation costs	116	0
Remaining costs	86	73
Total	**2,854**	**1,410**

4.9 Financial result

kEUR	2007	2006
Capital gains from securities bearing interest at a fixed rate	65	0
Interest income	1,382	443
Subtotal	**1,447**	**443**
Interest expenses paid to banks	51	73
Interest expenses paid to shareholders	28	83
Interest expenses for pension provisions	28	24
Remaining interest expense	102	1
Depreciation of investment property	12	12
Subtotal	**221**	**193**
Total	**1,226**	**250**

Interest income essentially includes income from short-term money deposits.

4.10 Taxes on income

kEUR	2007	2006
Current tax expense	567	307
Deferred tax expense	2,842	1,549
Total	**3,409**	**1,856**

Deferred taxes have been calculated using a tax rate of 29.2 % (38.5 % in previous year).

A breakdown of deferred tax assets and liabilities relating to balance sheet positions is reported below:

Deferred taxes / kEUR	31/12/2007		31/12/2006	
	Asset-side	Liability-side	Asset-side	Liability-side
Fixed assets	676	1,336	104	1,347
Receivables	215	3,890	0	1,188
Provisions	45	67	55	108
Other	0	756	0	156
Valuation not affecting net income	0	71		
Total as per Balance Sheet	**936**	**6,120**	**159**	**2,799**

The Balance Sheet item Deferred tax liabilities as at 31 December 2007 includes deferred taxes of 71 (35 in previous year) which have been accounted for as having no effect on net income because the fair market value of money market instruments is recognised directly in equity.

Reconciliation of taxes on income / kEUR	2007	2006
Result before taxes	15,090	4,760
Notional tax expense at 38.5 %, the tax rate applicable to Roth & Rau AG in 2007	5,810	1,832
Change in expected tax expense		
Tax effects arising from change in tax rate	-1,722	
Tax effects on tax-exempt income	-814	-21
Tax effects on non-deductible operating expenditures	98	49
Other tax effects	37	-4
Taxes on income	**3,409**	**1,856**

4.11 Earnings per share

Earnings per share are calculated as the quotient of the net profit for the year and the weighted average of the number of shares outstanding during the financial year.

The average number of shares in the year 2007 was 2,391,370 (2,015,068 in previous year).

Net profit for the year 2007 was EUR 11,680,961.55 (EUR 2,904,214.36 in previous year). Accordingly, undiluted earnings per share were EUR 4.88 (EUR 1.44 in previous year).

No shares which could dilute earnings per share were outstanding either at 31 December 2007 or at 31 December 2006.

5. Explanations of the cash flow statement

The cash funds comprise the cash and cash equivalents stated in the Balance Sheet.

Investments of 11,640 (3,314 in previous year) are stated net of 2,738 (1,282 in previous year) in government grants, at 8,902 (2,032 in previous year).

The cash flows of the financial year include 263 (171 in previous year) in interest paid and 1,212 (389 in previous year) in interest received. Income taxes paid amounted to 1,137 (665 in previous year).

The cash inflow and outflow from financing activity includes payments received from taking out bank loans and from the capital increase as well as payments made for the redemption of loans granted by existing shareholders.

6. Segment reporting

Roth & Rau AG's activities are divided into business areas as a primary segment reporting format in accordance with the rules of IAS 14. Segment reporting by primary segments breaks down into the two business segments of photovoltaics and plasma & ion beam technology.

As a matter of principle, the accounting and valuation methods on which segment information is based are the same as those used for the Annual Financial Statements.

Operating segment assets and segment debt consist of assets and debt – excluding financial assets and financial debt, and excluding income taxes, receivables from and liabilities to tax authorities. Depreciation and amortisation relates to segment fixed assets.

The segment reporting presented below divides the company's business into two principal segments (primary reporting format). A distinction is made between the segments of system solutions for photovoltaics on the one hand and components & process systems for plasma & ion beam technology on the other.

Primary segment reporting by business area

The personnel costs of employees not allocated to any segment have been distributed to the segments using a substance-over-form approach.

Unallocated assets include 63,270 (24,469 in previous year) in cash and cash equivalents, 184 (195 in previous year) in investment property and 936 (159 in previous year) in deferred taxes. Unallocated debt includes 6,120 (2,799 in previous year) in deferred taxes.

Secondary segment reporting by region

The secondary reporting format is based on geographic aspects and shows the distribution of sales by customer location. Since the company's assets are located in Germany almost without exception, all other information must be allocated to the geographic segment of Germany, making further segmentation unnecessary. Roth & Rau AG controls its activities using business area results rather than regional earnings results, so it would not be meaningful to present regional segment results.

Segment information	Photovoltaics		Plasma & ion beam technology		Unallocated	
	2007	2006	**2007**	2006	**2007**	2006
Sales revenues	137,401	36,238	8,828	6,615	0	0
EBITDA	14,189	4,643	1,331	846	40	48
Personnel costs	5,476	2,782	2,087	1,685		
Amortisation of capitalised development costs	225	7	630	564		0
Depreciation & amortisation	719	344	122	113		0
EBIT	13,245	4,293	579	169	40	48
Segment assets	66,371	37,501	8,344	6,166	64,390	24,823
Segment liabilities	47,741	26,810	2,480	3,877	6,120	2,799
Investments	8,448	1,437	454	563		32

Sales revenues by regional distribution / kEUR	2007	%	2006	%
Germany	59,903	41.0	10,770	25.1
Outside Germany	86,326	59.0	32,083	74.9
EU	25,996	17.8	5,210	12.2
USA	4,168	2.8	1,557	3.6
Asia	56,154	38.4	24,089	56.2
Other	8	0.0	1,226	2.9
Total	**146,229**	**100.0**	**42,853**	**100.0**

7. Other information

7.1 Objective and methods of financial risk management

Financial instruments include primary and derivative financial instruments.

Asset-side primary financial instruments essentially include receivables, other financial assets and cash and cash equivalents. Liability-side primary financial instruments essentially include liabilities accounted for at amortised cost. Holdings of primary financial instruments are shown in the Balance Sheet. If and to the extent that any default risks can be identified, such risks are taken into account by value adjustments.

As a matter of principle, the company also uses derivative financial instruments to hedge foreign currency risk. The foreign exchange forwards used relate to the hedging of exchange rates of significant cash flows from operating activities in a foreign currency. Roth & Rau AG uses foreign exchange forwards to hedge certain purchases of material and sales of equipment in a foreign currency, depending on how important the transaction is. No derivative financial instruments were held at the balance sheet date.

Type and management of financial risks

Risk management

The Management Board has established a risk management system which enables the company to manage risk with awareness and in a controlled manner and which is firmly integrated into existing organisational, reporting and management structures. Significant parts of the risk management system were developed further in 2007, and it was adapted to the higher requirements resulting from a strong growth of operations.

Roth & Rau's risk management system is built on clearly defined organisational procedures and approval processes. It is based on a risk management manual which is binding on all employees and, as part of job instructions, represents an integral part of quality management. The latter is certified to ISO 9001:2000. Individual risks are identified in all divisions of operations on a quarterly basis using predefined risk categories, and they are assessed with a view to their probability of occurrence and potential amount of loss. The same procedure is used to analyse and assess project risks, starting as early as during the acquisition phase. The company's risk management system provides for three risk groups with hierarchically structured reporting requirements. Depending on the risk group involved, a decision on appropriate measures is taken either at operations management level or directly by the Management Board. All employees are aware of potential risks and called upon to provide reports accordingly. Based on such individual assessments, overall reports are prepared on a quarterly basis. They enable the Management Board to control and assess the current risk situation. In accordance with this assessment, the Management Board briefs the Supervisory Board continually. Consistent advancement and optimisation of risk management is an ongoing process which is of great significance to the company's management.

Credit risks

The proceeds from the issue of shares are only invested with financial institutions of high credit standing. Investments are made in financial assets subject to little or no variation in value. Investments are made in financial assets available at short notice to ensure that the financing and liquidity needs of planned capital spending and the advance financing needs of operating activities can be met.

We have to make advance payments to suppliers as part of our purchasing activities. This may result in default risks. Advance payments made are partly secured by advance payment guarantees / L/Cs. Default risks on the receivables side are secured by advance payments received and by L/Cs. The likelihood of bad debt losses is reduced by up-to-date financial manage ment and control. Value adjustments of receivables accounted for 195 (31 in previous year) out of a balance of receivables amounting to 5,712 before value adjustments.

Receivables overdue but not yet requiring a value adjustment to be made are listed in the table of overdue receivables below based on the number of days overdue.

Liquidity risk

We use suitable budgeting instruments to control our future liquidity situation. Our current budget does not show any liquidity bottlenecks.

Global credit lines of 60,092 existed as at 31 December 2007. They included guaranteed credit lines provided which amounted to 41,592 as well as 18,500 optionally available as guaranteed credit lines or overdraft credit

Age structure of receivables and financial assets without impairment in value

	Total receivables without impairment	Neither overdue nor impaired	Overdue but without impairment, days			
			up to 90	90 to 180	180 to 360	over 360
as at 31/12/2007						
Receivables from goods and services	5,325	2,928	992	444	499	462
Other receivables and financial assets	7,736	7,736				
as at 31/12/2006						
Receivables from goods and services	3,078	966	886	443	569	213
Other receivables and financial assets	1,251	1,251				

lines. The amount of global credit lines drawn on by the company as at 31 December 2007 was 42,455. In addition, there were two L/Cs amounting to USD 1.7m for the benefit of two suppliers as at 31 December 2007.

Market risks

Market risk breaks down into interest rate risks, foreign currency risks and market price risks.

Foreign currency risk

Foreign currency risks arise for Roth & Rau AG mainly because purchases are partly made in USD but the volume of sales in USD is not the same. We take this risk into account by constantly monitoring exchange rates and by hedging them as a rule (FX forwards / options). No FX forwards / options were held at the balance sheet date. If the euro had been 10 % stronger (weaker) against the US-Dollar and the Norwegian Kroner at 31 December 2007, the fair value stated for receivables and payables in foreign currencies, and thus equity, would have been 14 lower (17 higher).

Interest rate risks

Interest rate risks exist with regard to the liabilities to banks. They mainly relate to non-current loans. The company is not significantly exposed to movements in interest rates thanks to the equity provided by the successful capital increase as part of its IPO in the financial year 2006 and another capital increase in the financial year 2007. The company has no debt capital bearing interest at a variable rate.

If the level of the market interest rate had been 100 basis points higher (lower) on the balance sheet date, equity would have been 50 lower (50 higher).

Market price risks

There are market price risks arising from a money market fund. If the securities price had been 10 % lower (higher) on the balance sheet date, equity would have been 423 lower (423 higher).

7.2 Contingent liabilities

Contingent liabilities include possible obligations whose actual existence is contingent on the occurrence of one or more uncertain future events that cannot be fully controlled. They also include existing obligations which are not likely to lead to an outflow of assets. In accordance with IAS 37, contingent liabilities are not recognised in the Balance Sheet.

In accordance with a written confirmation by the company's tax adviser, fixed assets for which investment subsidies were granted but in regard to which, by the balance sheet date, the company had not yet fulfilled the requirements to keep these subsidies have not been found to have been used in any way (by sale to a company not entitled to subsidies) that would have an adverse effect on the subsidies granted.

The repurchase price to be paid for a coating plant sold to a leasing company with an obligation to take the plant back in case of exceptional termination of the lease by the leasing company amounts to a financial obligation of 188 (247 in previous year) based on the plant's "residual net present value" as at 31 December 2007.

As at 31 December 2007, the company had global guaranteed credit lines of 60,092 available, and it had drawn on 42,455 of these.

Another commitment to take a plant back, within a 12-month term, was entered into in the financial year on 26 March 2007. According to that commitment, Roth & Rau AG undertakes to take back a coating plant at a repurchase price of 850 in case of exceptional termination of the lease by the leasing company.

A hearing of evidence is pending following a workplace accident involving a SINA Plus machine at a customer of Roth & Rau in the USA. The maximum amount of liability expected by counsel is between 2,500 and 3,500. Roth & Rau AG maintains insurance with Allianz for this case. The amount covered is 5,000 and a deductible of 25 applies. A provision of 25 has been established for the deductible.

7.3 Other financial obligations

Operating leases

Other financial obligations arising from leasing contracts, rent and service agreements amount to 111 (138 in previous year) for 2008, and 167 (131 in previous year) for 2009-2012.

Licence agreement

In 2000, the company purchased a technology licence for a 10-year term. The licence fee to be paid depends on the net sales generated for the licensed system.

Ground rent under a building lease

There is a building lease for the benefit of Roth & Rau AG on the property 1142/26, effective from 14 January 2008 for a 75-year term, that is, until 13 January 2083. The company pays a ground rent of 6 % per annum under this building lease. The relevant other financial obligation resulting therefrom amounts to 33 for the year 2008, 130 for 2009-2012 and 2,279 for 2013-2083.

7.4 Information on related parties

The following are related parties of Roth & Rau AG: the members of the Management Board and Supervisory Board, including their family members, as well as any enterprise capable of exerting material influence on Roth & Rau AG, the members of its Management Board and Supervisory Board and their close family members.

Management Board

The members of the Management Board in the financial year 2007 were as follows:

Dr. Dietmar Roth (Chairman)
Dr. Bernd Rau, until 30 June 2007
Mr. Carsten Bovenschen, from 15 May 2007

Dr. Dietmar Roth

Chairman of the Management Board, General Management of Operations, Strategy, Planning, Sales and Marketing, Investor Relations

- Member of the advisory committee on plasma technology at the German Federal Ministry of Education and Research
- Member of the advisory committee at the German Federation of Industrial Research Associations (Arbeitsgemeinschaft industrieller Forschungsvereinigungen "Otto von Guericke" e.V.), Cologne
- Member of the supervisory board of Silicon Sensor AG, Berlin

Dr. Bernd Rau (until 30 June 2007)

Member of the Management Board, Production and Customer Service, Research and Development, Quality Management, Technical Equipment

Carsten Bovenschen (from 15 May 2007)

Finance, Controlling, Materials Management, Human Resources and IT

In the financial year 2007, he was a member (Director) of bodies whose formation is required under statutory provisions at:

- Surfaces Holding B.V., Amsterdam, The Netherlands (until 14 May 2007)
- Coveright AB, Kristinehamn, Sweden (until 14 May 2007)
- Coveright Sweden AB, Kristinehamn, Sweden (until 14 May 2007)
- Surfaces Spain SL, Barcelona, Spain (until 14 May 2007)
- Coveright Surfaces Canada Holding Inc., Cobourg, Canada (until 14 May 2007)
- Coveright Surfaces Canada Inc., Cobourg, Canada (until 14 May 2007)
- Coveright Surfaces Canada (Quebec) Inc., Quebec, Canada (until 14 May 2007)
- Surfaces USA Co, Wilmington DE, USA (until 14 May 2007)
- Coveright Surfaces USA Co, Blythewood SC, USA (until 14 May 2007)

Remuneration paid to board members:
The remuneration paid to members of the Management Board for the financial year 2007 was as follows:

Management Board	Fixed remuneration kEUR	Variable remuneration kEUR	Total kEUR
Dr. Dietmar Roth	176	112	288
Carsten Bovenschen (from 15 May 2007)	89	66	155
Dr. Bernd Rau (until 30 June 2007)	68	23	91
2007 total	**333**	**201**	**534**
2006 total	302	123	425

The service expense due to pension obligations for the Management Board as recognised in the Income Statement was 29 (22 in previous year).

Shares of Roth & Rau AG held directly or indirectly by members of the Management Board as at 31 December 2007 were as follows:

Dr. Dietmar Roth	190,000 individual shares	7,5 %
Carsten Bovenschen	0 individual shares	0,0 %

Supervisory Board
The members of the Supervisory Board in the financial year 2007 were as follows:

Mr. Harald Löhle (Chairman), from 11 October 2004
Prof. Dr. Alexander Michaelis (Deputy Chairman), from 10 April 2006
Mr. Daniel Schoch, from 10 April 2006

Harald Löhle
Chairman of the Supervisory Board

- Member of the management board of Rohwedder AG, Bermatingen
- Member of the administrative board of ASIC Robotics AG, Burgdorf / Switzerland

No significant relations involving deliveries of goods or the rendering of services have existed between Rohwedder AG and Roth & Rau AG since deconsolidation.

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

- Head of the Fraunhofer Institute for Ceramic Technologies and Systems, Dresden
- Professor at Technische Universität Dresden, professorship for inorganic-non-metallic materials at the Institute for Materials Science

Daniel Schoch
Member of the Supervisory Board

- Executive (CFO) of BauBeCon Holding 1 GmbH, Hanover
- Member of the supervisory board of Wärme Service
- GmbH, Hanover
- Member of the supervisory board of VBV Versicherungsmakler, Hamburg

Prof. Dr. Alexander Michaelis and Mr. Daniel Schoch were elected members of the Supervisory Board at the General Meeting of 10 April 2006.

By resolution of the Supervisory Board of 10 April 2006, Mr. Harald Löhle was elected Chairman of the Supervisory Board and Prof. Dr. Michaelis was elected Deputy Chairman of the Supervisory Board.

The members of Roth & Rau AG's Supervisory Board held no shares of the company on 31 December 2007.

The remuneration paid to Roth & Rau AG's Supervisory Board for the financial year 2007 was as follows:

Supervisory Board	**Fixed remuneration kEUR**
Harald Löhle	16
Prof. Dr. Alexander Michaelis	12
Daniel Schoch	12
2007 total	**40**
2006 total	36

No agreements providing for severance pay or other benefits in favour of Supervisory Board members upon termination of their board membership exist between members of the Supervisory Board and the company. There are currently no conflicts of interest between their duties to the company and their private interests or other duties.

There are no agreements with the company relating to pensions for the benefit of Supervisory Board members.

Persons in key positions

In addition to the members of the Management Board and Supervisory Board referred to above, persons in key positions include the following persons who are directly or indirectly in charge of and responsible for the planning, management and supervision of activities:

Dr. Bernd Rau
Member of the Management Board until 30 June 2007
Senior Vice President Research & Development
Dr. Rau held 180,000 individual shares (7.11 %)
of Roth & Rau AG as at 31 December 2007.

Dr. Silvia Roth
Vice President Sales & Marketing
Wife of Dr. Roth
Dr. Silvia Roth held 69,890 individual shares (2.76 %)
of Roth & Rau AG as at 31 December 2007.

Dr. Michael Zeuner
Vice President Plasma & Ion Beam Technology

Thomas Hengst
Vice President Photovoltaics

Ruth Domin
Head of Financial Accounting, Management & Control

The total remuneration paid to the persons in key positions referred to above was 476 in the financial year 2007 (396 in previous year). Total provisions for the benefit of these persons amounted to 123 (0 in previous year) at the balance sheet date.

Close family members

The persons referred to below are close family members of Dr. Dietmar Roth, member of the Management Board, or of the persons in key positions Dr. Bernd Rau or Dr. Silvia Roth. These family members are employees of Roth & Rau AG in the following positions:

Kristin Roth (daughter of Dr. Silvia Roth)
Sales Manager PV

Sascha Roth (son of Dr. Dietmar Roth)
Controlling

Ulrike Uhlig (daughter of Dr. Dietmar Roth)
Senior Manager of Accounting

Andrea Rau (wife of Dr. Bernd Rau)
Human Resources

The total remuneration paid to these employees was 147 in the financial year 2007 (120 in previous year). Total provisions based on these employment contracts of close family members amounted to 15 (0 in previous year) at the balance sheet date.

Rendering of services by an enterprise of a party related either to a member of the Management Board, to a person in a key position or to a family member

Ion-Tech GmbH

Ion-Tech GmbH is a related party of Roth & Rau AG because its shareholder structure as at the balance sheet date and at 31 December 2006 was as follows:

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

Dr. Michael Zeuner held a 25 % interest in Ion-Tech GmbH as at 31 December 2005, and Mr. Horst Neumann held an another 25 %. The remaining shareholder structure was unchanged.

The company's registered capital is 25.

Ion-Tech GmbH performs activities for Roth & Rau AG within the scope of component manufacturing in the area of ion beam technology. The business volume with Ion-Tech GmbH amounted to 561 (528 in previous year; 378 in 2005) in the financial year 2007. Total liabilities / provisions arising from these business relations amounted to 0 (103 in previous year; 1 in 2005) at the balance sheet date.

Roth & Müller GbR

Roth & Müller GbR is a related party of Roth & Rau AG because Stefan Roth, a partner of Roth & Müller GbR, is the brother of Dr. Dietmar Roth, Chairman of the Management Board. Roth & Müller GbR undertakes work to paint the switch cabinets of the coating plants. The company's business volume with Roth & Müller GbR was 27 (16 in previous year; 11 in 2005) in the financial year 2007. Total liabilities / provisions arising from these business relations amounted to 5 (1 in previous year; 2 in 2005) at the balance sheet date.

RC Engineering GmbH

RC Engineering GmbH is an indirect customer of Roth & Rau AG. This indirectness is due to the fact that RC Engineering GmbH is a lessee of a PIB coating plant purchased from Roth & Rau AG by the lessor, Disko Leasing GmbH, in 2007. Sascha Roth, a close family member, has continuously held a 49 % interest in RC Engineering GmbH since March 2006. The company's business volume with Disco Leasing GmbH was 325 (0 in previous year) in the financial year 2007. Total receivables arising from these business relations amounted to 82 (0 in previous year) at the balance sheet date. They were collected on 21 January 2008. No value adjustments had to be made for accounts receivable.

Advisory services

Roth & Rau AG is given tax advice by Dicks-Domin Steuerberatungsgesellschaft mbH, Hohenstein-Ernstthal. Jürgen Dicks-Domin, tax adviser, a 48 % shareholder in Dicks-Domin Steuerberatungsgesellschaft mbH, is the husband of Ruth Domin, who works at Roth & Rau AG as Head of Financial Accounting, Manage-ment & Control. Tax consulting costs / ongoing accounting costs incurred by the company towards Dicks-Domin Steuerberatungsgesellschaft amounted to 7 in the financial year 2007. Liabilities to the tax consultancy company amounted to 6 (0 in previous year; 0 in 2005) as at 31 December 2007. Contract conditions correspond to those with any unrelated third party.

In the financial year 2007, value adjustments of 113 had to be made concerning Rohwedder AG, a former related party. No further expenses were incurred or existed for value adjustments or bad debts concerning related parties.

7.5 Auditor's fee

A fee of 52 in the financial year 2007 (47 in previous year) for the auditor of the financial statements, Bodensee Treuhand GmbH Wirtschaftsprüfungsgesellschaft, was recognised as an expense for audit services.

7.6 Events after the balance sheet date

Chairman of the Supervisory Board of Roth & Rau AG

At the Management Board's request of 18 January 2008 and by order of the Amtsgericht Chemnitz (Local Court of Chemnitz) of 1 February 2008, Mr. Eberhard Reiche, lawyer, Hohenstein-Ernstthal, was appointed as a member of the company's Supervisory Board in accordance with s. 104 para. 1 AktG until 30 May 2008. Mr. Eberhard Reiche was elected Chairman of the Supervisory Board by the Supervisory Board's resolution of 18 February 2008.

Mr. Harald Löhle left the Supervisory Board of Roth & Rau AG effective as of 31 January 2008.

Mandate agreement for a syndicated loan

On 16 January 2008, a mandate agreement was entered into with Baden-Württembergische Bank for a syndicated loan consisting of a revolving credit facility of 50,000 and a guaranteed credit line of 100,000.

Roth&Rau Dünnschicht Solar GmbH

An agreement officially recorded by a notary was entered into on 1 February 2008, establishing Roth & Rau Dünnschicht Solar GmbH, whose registered office is in Hohenstein-Ernstthal, as a wholly-owned subsidiary of Roth & Rau AG. The object of the enterprise is to develop advanced surface technologies for plant engineering, particularly in the area of thin-film surface finishing in connection with solar and photovoltaic technology, to produce and sell these plants and plant components of this kind and to render related services. The company's registered capital is 25. The appropriate entry in the Commercial Register of the Local Court of Chemnitz, HRB 24009, was made as of 7 February 2008.

Establishment of a joint venture with USK Karl Utz Sondermaschinen GmbH

A resolution was adopted by the Supervisory Board on 8 February 2008 and an agreement was made with USK Karl Utz Sondermaschinen GmbH ("USK") on 11 February 2008, establishing a joint venture to develop, produce and later sell automation solutions for silicon cell manufacturing. A joint venture company, SLS Solar Line Saxony GmbH ("SLS"), was established for this purpose. Roth & Rau AG and USK have a 51 % and a 49 % interest in the company, respectively. In connection with the establishment of that company, Roth & Rau has also entered into a shareholder agreement with joint venture partner USK that specifically includes provisions regarding the shareholders' rights of first refusal, preemptive rights and co-sale rights in the event that a shareholder wishes to sell its stake as well as regarding the procedure to be followed in the event of fundamental differences of opinion. USK and other Utz Group companies will supply SLS with machines and automation solutions based on a framework supply agreement running until the end of 2017. Roth & Rau is to enter into a framework supply agreement with SLS running until 2017 under which SLS will supply Roth & Rau with automation systems for solar cell manufacturing. The parties to the supply agreements are to treat each other as a preferred supplier or preferred customer for the products. Moreover, Roth & Rau is obligated to ensure that the capacity utilisation of SLS is at least 80 %.

Letter of intent to purchase an interest in a systems and software company

Following the Supervisory Board's approval of 18 February 2008, Roth & Rau AG signed a letter of intent on 22 February 2008 for the purchase of 70 % of shares in a systems and software company

Founding subsidiaries to establish North American operations

Roth & Rau AG is the sole shareholder of Solar Holding Inc., a company established in March 2008 whose registered office is in the City of Wilmington (Delaware/USA). Its purpose is to be an intermediate holding company of Roth & Rau AG for American subsidiaries.

Solar Holding Inc. is the sole shareholder of Roth & Rau USA Inc., a company established in March 2008 whose registered office is in San José (California/USA). Essentially, the business activities of Roth & Rau USA Inc. are to include sales and customer service in the American market.

7.7 Approval for publication

On 26 March 2008, the Management Board of Roth & Rau AG gave its approval to publish the present Annual Financial Statements prepared in accordance with IFRS.

Responsibility Statement

The Management Board of Roth & Rau AG voluntarily makes the following statement:

To the best of our knowledge, and in accordance with the applicable reporting principles, the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Hohenstein-Ernstthal, March 2008

Dr. Dietmar Roth
Chairman of the
Management Board

Carsten Bovenschen
Member of the
Management Board

Auditor’s Report

Auditor’s Report

We have audited the annual financial statements – comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes – prepared by Roth & Rau AG, Hohenstein-Ernstthal, together with the management report for the business year from 1 January 2007 to 31 December 2007. The preparation of the annual financial statements and the management report in accordance with IFRSs as adopted by the EU is the responsibility of the Company´s management. Our responsibility is to express an opinion on the annual financial statements and on the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with s. 317 HGB (German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with IFRSs and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements are in accordance with IFRSs as adopted by the EU and give a true and fair view of the net assets, financial position and results of operations of the Company. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company´s position and suitably presents the opportunities and risks of future development.

Meersburg, 10 March 2008

BODENSEE TREUHAND GMBH
Wirtschaftsprüfungsgesellschaft

Dipl.-Kfm. Siegfried Markhart
German Public Auditor

Dr. rer. pol. Michael Altmann
German Public Auditor

Financial Calendar

Financial Calendar 2008

Annual Results Press and Analysts' Conference, Munich	2 April
Three-month report	May
Annual General Meeting, Hohenstein-Ernstthal	4 July
Six-month report	August
German Equity Forum, Frankfurt	10-12 November
Nine-month report	November

Forward-looking Statements

This Annual Report contains certain forward-looking statements relating in particular to the business, financial development and profits of Roth & Rau, the economic and regulatory framework, the business areas in which the company operates and other factors. Forward-looking statements concern future facts, events or other circumstances which are not historical facts. Words such as “anticipate”, “intend”, “plan”, “assume” or “expect” are indicators of such statements. Such statements merely reflect the company’s view regarding future events at the present time, and they are subject to a number of risks and uncertainties.

These forward-looking statements are based on current assessments and assumptions which have been made by the company to the best of its knowledge and belief but which may turn out to be incorrect, even though the company believes they are adequate at the present time. A number of factors may cause the company’s actual development, including its assets, liabilities, financial position and profit or loss, to differ materially from the development specifically or implicitly assumed in forward-looking statements. Should any of these changes or uncertainties occur, or should the underlying assumptions made by the company prove to be incorrect, it cannot be ruled out that the company’s actual results could differ materially from those described as having been assumed, estimated or anticipated in this report. The company could be prevented from achieving its financial and strategic objectives for this reason. The company does not intend to update the forward-looking statements or industry and customer information presented in this Annual Report except to the extent required of it by law.

Imprint

This Annual Report also exists in German.
Both versions are available for download
on the Internet at www.roth-rau.de under the
heading "Investor Relations".

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Publisher:
Roth & Rau AG, Hohenstein-Ernstthal

Concept and editing:
Haubrok Investor Relations GmbH, Düsseldorf

Photos:
Martin Jehnichen, Leipzig

Design:
M1 AG Werbung, Leipzig

Printed by:
Druckerei Hennig, Leipzig

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