2011

PASSION FOR EFFICIENCY

MANZ AG ANNUAL REPORT

2012 FINANCIAL CALENDAR

Date	
May 11, 2012	Publication of 2012 Q1 financial report
June 19, 2012	2012 Annual Meeting of Shareholders
August 15, 2012	Publication of 2012 Q2 financial report
November 12–14, 2012	2012 German Equity Forum
November 13, 2012	Publication of 2012 Q3 financial report

OVERVIEW OF GROUP RESULTS

(in EUR million)	**2011**	**2010**
Revenues	240.51	181.40
Total operating revenues	266.77	205.02
EBIT	3.12	0.56
EBIT margin (in %)	1.17	0.27
EBT	2.21	0.69
Net income for the period	1.16	1.80
Earnings per share	0.19	0.35
Operating cash flow	–17.39	2.00
Equity ratio (in %)	59.5	68.04
Net debt	17.2	–24.68

COMPANY HISTORY

1987
Manz Automatisierungstechnik GmbH founded

1988
Developed the first automation system for processing crystalline solar cells in a pilot manufacturing project

1994
Delivered the first automation solution for the LCD industry to Asia

2002
Delivered the first automation system for a fully automated production line for crystalline solar cells

Developed the first fully automated quality testing and sorting system for crystalline solar cells

2005
Entered into the thin-film market with equipment for mechanically scribing solar modules

REVENUES

(in EUR million)	**2011**	**2010**	**2009**	**2008**	**2007**
	240.51	181.40	85.92	236.51	71.25

EBIT

(in EUR million)	**2011**	**2010**	**2009**	**2008**	**2007**
	3.12	0.56	–15.91	28.60	10.05

EBIT BY BUSINESS UNIT 2011

(in EUR million)	**Solar**	**FPD**	**New Business**	**PCB/OEM**	**Other**
	–9.91	9.01	1.05	1.28	1.69

2006

IPO on the Entry Standard market of the Frankfurt Stock Exchange

2007

Acquisition of Christian Majer (Germany) effective January 1, 2008, for the purpose of expanding manufacturing capacity

2008

Gained additional technological expertise and manufacturing capacity through the acquisition of Manz Automation Slovakia und Intech (Taiwan)

Accepted into the regulated segment of the German Stock Exchange (Prime Standard)

2009

R&D partnership for the production of lithium-ion batteries

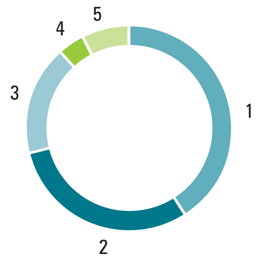
2010

Know-how licensing and partnership agreement with Würth Solar for exclusive rights to use their CIGS production technology

2011

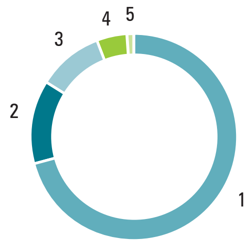
Manz Signs Letter of Intent to Acquire the Innovation Line for CIGS Solar Modules from Würth Solar

REVENUES BY BUSINESS UNIT 2011



1	**41.0 %**	FPD
2	**30.2 %**	Solar
3	**17.4 %**	PCB/OEM
4	**3.9 %**	New Business
5	**7.5 %**	Other

REVENUES BY REGION 2011



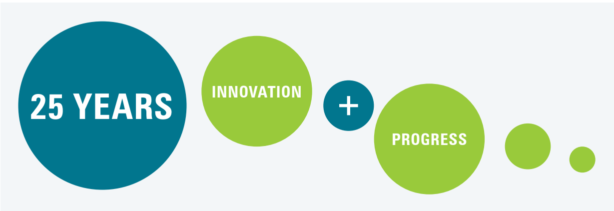
1	**71.4 %**	Asia
2	**13.2 %**	Rest of Europe
3	**10.4 %**	Germany
4	**4.8 %**	USA
5	**0.2 %**	Other regions

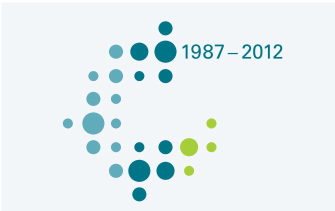
MANZ AG MISSION STATEMENT

As a high-tech engineering company, our goal is to develop equipment and systems for fast-growing sunrise industries, especially for companies active in the fields of green technology and mobile communication. With our slogan, "Passion for Efficiency," we promise to continue to develop existing products with a high rate of innovation, to create solutions, and to consistently offer our customers in important sunrise industries more efficient production equipment. Extensive technological expertise is the foundation of our business, and it enables us to continually optimize our range of products. It makes the Manz Group an important innovation leader – for breakthroughs in key technologies, such as sustainable energy generation, displays for global communication needs, and e-mobility. Thanks to our core areas of expertise – automating processes and developing integrated systems – our technologies find application in a wide variety of industries. Manz currently focuses its research and development on production equipment for the photovoltaics industry, flat screens, and lithium-ion batteries. This spirit of invention spurs us on each and every day – and is what makes our company's dynamic growth possible.

9,133 DAYS OF STRIVING FOR INNOVATION

Numbers convey a feeling of consistency, diversity, size, and change. We could summarize a quarter of a century of Manz's history in numbers as follows: across 89,383 square meters of company space worldwide, 1,912 minds work on the technologies and solutions of tomorrow. Or like this: for 9,133 days, innovation has been the impetus for people from 27 countries who use their expertise to create synergies in the company's six core competencies each and every day – which, in turn, gives Manz a leading position in three of the most important future markets. Or we can keep it short: 25 years of Manz – 25 years of passion for efficiency. For progress. For sustainability. For the future.





CONTENT

9,133

DAYS OF INNOVATION AND PROGRESS

Offering trendsetting solutions for the growth industries of tomorrow – today. As a supplier of integrated production lines for the manufacture of crystalline solar cells and thin-film solar modules, flat panel displays, and lithium-ion batteries, at Manz we keep this promise each and every day. With expertise, experience, and an intense focus on research and development, we cut our customers' production costs significantly and ensure that their products make it to the mass market more quickly. 25 years of passion for efficiency, 9,133 days of innovative spirit for breakthroughs in key technologies, intelligent concepts for sustainable energy generation, displays for global communication needs, and e-mobility – Manz stands for everything that provides tomorrow's quality of life today.

TOUCHSCREEN PANEL MARKET GROWTH
Units in Millions
1,600
1,400
1,200
600
400
200
0
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
167
291
494
665
888
1,108
1,350
2008 2009 2010 2011 2012 2013 2014
Revenue in Millions US Dollars
12,000
10,000
8,000
6,000
4,000
2,000
0
1,493
2,723
4,575
6,088
7,745
8,806
9,650
2008 2009 2010 2011 2012 2013 2014
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%

TO OUR SHARE-HOLDERS

LETTER FROM THE MANAGING BOARD

Dear Shareholders,

One central insight crystallized during this very successful fiscal year 2011: our strategy of continually investing in the development of our technological foundation while simultaneously serving various industries was successful and therefore correct.

The long-anticipated consolidation of the solar industry finally happened in 2011. After years of high foreign and domestic investment, which we profited from, the German solar industry in particular is confronted with considerable challenges. Global overcapacity has caused a distinct drop in solar module prices. Despite record levels of new photovoltaic installations in Germany at approximately 7.5 GW in 2011, many solar producers were not able to adjust their cost structures quickly enough. The most critical factor is the low and decreasing prices of modules from Chinese suppliers.

Identifying and utilizing trends and opportunities in the solar industry

For us as a leading global solar industry outfitter, this presents risks but also opportunities. On the one hand, we are confronted with manufacturers' reluctance to make investments. This is currently concentrated primarily in replacement investments and capital investments for rationalization purposes to reduce processing time in existing production lines, improve solar cell effectiveness, and make their lines profitable again as a result. Here we were able to set the standards with our innovations such as the SpeedPicker and selective emitter technologies, and we profited considerably from this trend. On the other hand, the reduction in prices meant that photovoltaics made great strides toward grid parity, making unfunded markets with immense energy needs and high solar radiation increasingly attractive. There is no doubt that photovoltaics will take on a considerable portion of the energy mix in the future. We want to take advantage of this opportunity!

That is exactly why we have decided to expand our engagement in the photovoltaics industry. With the complete takeover of Würth Solar CIGS-technology along with its 118 employees and the conversion of its production line into an innovation line, we want to help create a breakthrough in CIGS technology. Last year, together with our partners Würth Solar and ZSW, we developed a record-setting module with aperture efficiency of 15.1 % in a very short period of time. It was completed for mass production on the line in Schwäbisch Hall and provided unambiguous proof that CIGS technology clearly has greater potential than other thin-film technologies to increase efficiency and lower production costs. We are convinced that this will be a market success in the medium term.

Our second major segment, the flat panel display (FPD) industry, has proven its important role in the past year. The boom in demand for smart phones, tablet computers, and LCD televisions has led our customers to greatly expand their production capacity. Our decades-long presence in this industry and, in particular, our proximity to our customers with our production facilities in Taiwan and China have helped us grow considerably in the past year. Group sales in this segment were able to reach approximately 41 %. At the same time, this segment was decisive for achieving a positive Group outcome despite R&D investments and changing cost structures.

Record revenues in the FPD segment thanks to the smart-phone and tablet PC boom

We are particularly proud to have already earned a new order with a total volume of 33 million euros in the FPD segment at the start of the current year. This particular order will make the flexibility and success of our business model clear. That is because we are responding to this order with equipment that was originally developed for the solar industry. With the wide technology base in our company, we can use that synergy and transfer it into new areas of growth. At the same time, this flexibility is the key to reacting quickly in growth industries and offering the best possible systems and solutions.

Another example of this would be our positive developments in the New Business segment. In the past year, we were able to turn two production lines over to lithium-ion battery production and put them into operation. The fact that we received a follow-up order as well as our first large-scale order from the United States is further support for our previous course and reflects customer satisfaction with our products and our good market positioning worldwide. It also shows our core competency of continually reducing production costs for new and dynamic branches of manufacturing through highly efficient systems and equipment. This, in turn, is a condition for the growth of these industries and, as an established high-tech mechanical engineering company, we profit from that. Altogether, our “New Business” segment recorded total sales of 9.5 million euros in 2011. With not only the German government setting goals for expanding e-mobility, we are getting in on the ground floor of this market. That is why we are quite confident that we will be able to announce more successes in this segment in the future.

You can also see the operational development described here in our business results. We were able to increase our sales proceeds by 32.6 % from 181.4 million euros to 240.5 million euros. Our workhorse here was our FPD segment, which increased our segment revenue to 98.5 million euros. That helped us reach our original sales goal in the range of 240–250 million euros, although we have had to correct that figure downward since then due to negative development in the solar industry over the course of the year.

Growth through research – Manz’s success in the sunrise market for lithium-ion batteries

This is also why we were only able to marginally increase profitability in the Group due to the loss in the solar segment: operational earnings before interest and taxes (EBIT) only slightly improved from 0.6 million euros to 3.1 million euros. We want to and we will work on that in order to be able to bring our company value back up in the future.

Positive business development will also boost our market price, which we have not been satisfied with in the past year. Furthermore, our shares were quoted clearly below the financial fair value of 42.26 euros per share on December 31, 2011. One basic reason for that is that we estimate dramatically lower valuations in the solar market even though only approximately 30 % of our sales is allotted to the solar segment. That is why we have set the goal of making our technological synergies as well as successful diversification through different global growth industries a clearer focus of our communication. We hope that we have already succeeded with our recently published business report.

We would like to take this opportunity in particular to thank our employees, whose tireless commitment contributes to the further development of our technologies and opening up new markets.

The Managing Board

Dieter Manz Martin Hipp

2011 – THE YEAR IN REVIEW

March 7, 2011:

New orders and letters of intent for a volume of approximately 25 million euros received at the 5th SNEC PV Power Expo.

May 12, 2011:

Manz Automation AG grew with strong sales growth and new orders for a total volume of approximately 50 million euros; outstanding orders at more than 150 million euros.

June 10, 2011:

Manz wins the 2011 Intersolar award for PV production technology with its OneStep selective emitter.

June 29, 2011:

Change of company name: Manz Automation AG becomes Manz AG.

August 3, 2011:

Manz emphasizes its own innovation leadership as an industry partner within the "Innovationsallianz Photovoltaik".

August 5, 2011:

At the 2011 EU PVSEC trade show, Manz AG presents a thin-film solar module with the previously unreachable aperture efficiency of 15.1%.

October 28, 2011:

Manz AG: adjustment of sales and earnings expectations for fiscal year 2011.

November 2, 2011:

Official visit to Manz: Dr. Nils Schmid, finance minister of the German state of Baden-Württemberg, visits the Reutlingen location.

November 15, 2011:

Manz plans to take over a CIGS module innovation line from Würth Solar on January 1, 2012. The goal is to move forward with research and development even faster than before.

December 16, 2011:

Manz AG signs the takeover agreement with Würth Solar for the takeover of their CIGS innovation line in Schwäbisch Hall.

MANAGING BOARD INTERVIEW

Together, Dieter Manz, CEO, and Martin Hipp, CFO, form Manz AG's top level of management. In conversation, these two executives explain the successes they were able to achieve in 2011, what opportunities they see for 2012, and how they along with their employees want to shape a successful future for Manz AG.

INTERVIEW WITH DIETER MANZ AND MARTIN HIPP

Mr. Manz, Mr. Hipp, the past year was a turbulent one for capital markets around the world, the key words being "Fukushima," "Arab Spring," and "national debt crisis" or "euro crisis." Under these circumstances, what happened at Manz AG during the fiscal year 2011?

Dieter Manz: Altogether, 2011 was a good year for us. By consistently following our diversification strategy, we have reached our precrisis level again and even exceeded it. The fact that we have expanded our sales in a time of economic volatility shows that our chosen path is the right one. We have created more stability in our business model by successfully transferring our technological competencies across three dynamic growth industries – photovoltaics, flat panel displays (FPD), and lithium-ion batteries.

Martin Hipp: The reluctance to make investments that resulted from production overcapacity in the solar industry was made even worse by the uncertainty in the capital markets that was triggered by the national debt and euro crises. That was also evident for us, and it was one reason why the solar industry did not meet our expectations in 2011. However, in our other two segments, FPD and New Business with lithium-ion batteries, we were able to post considerable growth rates of 67 % and 160 %. With record sales of 98.5 million euros in the FPD field, we were able to partially compensate for the losses in the PV industry and to create total Group performance of 266.8 million euros. All of these numbers show that we set a course for further growth in 2011.

You have already mentioned that solar companies around the world had to lower their expectations in 2011. Mr. Manz, how would you describe the current market situation and what does it mean for Manz AG?

Dieter Manz: Right now in the solar industry we are going through a consolidation process. In order to stay competitive during this phase, solar manufacturers are going to have to considerably reduce their production costs further while simultaneously targeting higher efficiency in solar cells and modules. This heightened competitive situation will

„By successfully transferring our technological expertise across three dynamic growth industries – photovoltaics, FPD, and lithium-ion batteries – we have brought more stability into our business model." **DIETER MANZ, CEO**

be exacerbated further by the gradual reduction of state support. So the industry is really facing some major challenges. And that is where we see the big opportunity for Manz. We have used our successful cross-industry integration and diversification strategy during the downturn in the solar industry to put ourselves in an excellent position for the coming upswing. Our innovative system and automation solutions offer manufacturers the opportunity to take advantage of that cost reduction potential and to increase efficiency. In addition to that, Manz's CIGSfab can provide the world's only integrated and fully productive production line for CIGS thin-film modules that can function economically today. In the medium term, we expect the future of the solar industry to be very positive and that Manz AG will be in a good position to participate in future growth.

Mr. Hipp, Manz AG's market price did not grow in 2011. What do you think are the reasons for this?

Martin Hipp: From our perspective, the first critical thing is that when we successfully implemented our diversification strategy, we took an important step toward strengthening our business operations. In that respect, we did have positive development in 2011.

Of course, we would love it if the capital market would reward us for the goals we set for ourselves more, but we only have limited influence on that. Direct comparison with the corresponding industrial indices, such as the PV Global 30 shows, that the current market rate includes high-risk discounts due to the restrained mood in the solar industry. We do not believe that this assessment reflects our entire business spectrum. Ultimately, Manz AG is a supplier of high-tech equipment for various industries. As a result, we have expanded our product portfolio into the FPD and lithium-ion battery industries, which with a total of 45 % have contributed a not inconsequential share of our total sales in the meantime. Because of our broad business model, we are confident that will not only be considered a solar industry company in the future.

Mr. Manz, Mr. Hipp, you radiate optimism. What can investors expect from Manz AG for fiscal year 2012?

Dieter Manz: We will continue our path of diversification, and we will invest in future technologies. After 2011, which was already a record year in the FPD segment, we assume that there will also be high demand in that industry in the 2012 fiscal year. The reason is essentially the continually high demand for mobile devices with touch panel displays, such as

„When it comes to our margins, we have a clear goal – we want to continuously improve our profitability. And in doing so, we want to pick up on the excellent values we achieved before the economic crisis." MARTIN HIPP, CFO

smart phones and tablet PCs. We expect our greatest growth potential to be in the field of lithium-ion batteries. In the fourth quarter of 2011, we nearly reached the 10-million-euro mark in sales. We see good prospects for the solar industry in 2012, particularly for CIGS thin-film solar modules.

Martin Hipp: For the margins, our stated goal is quite clear: we want to improve our profitability for the long term. We want to get back to our good values from before the crisis. The basic condition for increasing margins is that the expected growth scenarios continue in our target markets in 2012.

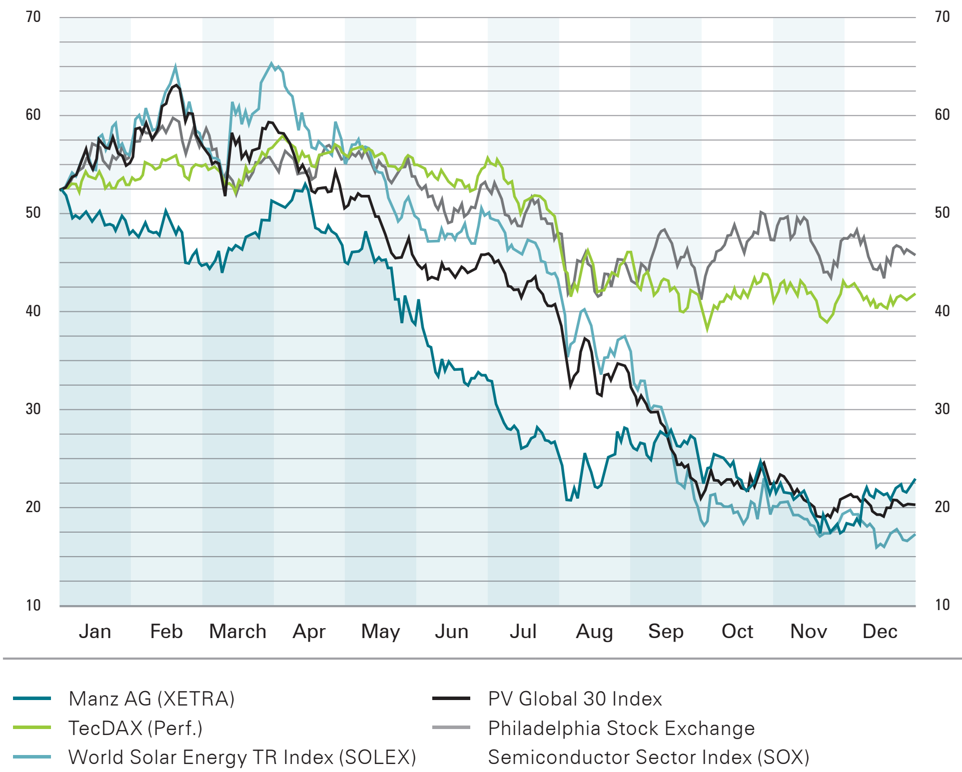
MANZ AG STOCK

OVERVIEW

Manz's stock declines due to a general deduction to account for risk in the solar industry

Manz AG's price movement in the past year was clearly negative; however it must be examined in the context of the market in general. After they were listed at 51.70 euros on the first day of trading in 2011, the shares initially lost value slightly until the spring. As a consequence of the German government's decision to abandon nuclear power and the generally positive effects on renewable energy securities, Manz AG reached its highest rate of 52.64 euros in April, 2011. In the months that followed, however, Manz shares had to accept an additional risk discount due to negative economic development in the solar market along with increasing insecurity in the capital market. As a result, the value declined until early August to an interim low of 20.28 euros per share. Due to the clearly murky market environment for solar equipment and the attendant decline in demand in the second half of the year, the Manz AG market rate reached 16.93 euros (intraday low

CHART SHOWING MANZ AG STOCK 2011 (XETRA, in EUR)



of 15.13 euros) on November 30, 2011, the lowest point of last fiscal year. In December, however, the shares were able to gain in value again and performed somewhat better than the comparable indices. On December 30, 2011, the share was listed at 21.80 euros. This corresponded to market capitalization of 97.7 million euros. The securities were therefore listed at approximately 48 % below the equity capital's financial book value of 42.26 euros per share.

During the course of the year, the market rate therefore performed largely in accordance with the industry indices Société Générale's World Solar Energy TR Index (SOLEX) and Deutsche Börse AG's Photovoltaik Global 30 Index (PV Global 30). Although Manz AG's turnover in the FPD field was clearly higher than in the photovoltaics segment, the shares were not able to keep up with the performance of the comparable benchmark for the semiconductor industry's production and supply companies, the Semiconductor Sector Index of the Philadelphia Stock Exchange (SOX). While SOLEX, PV Global 30, and Manz's stock all recorded declines in value of more than 55% during the year, the value of the SOX only declined by a moderate 12 %, moving similar to Deutschen Börse AG's German technology index TecDAX.

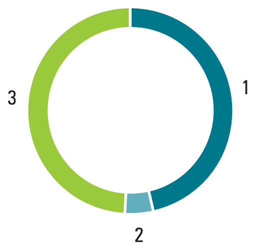
KEY DATA

German Securities Identification Number	A0JQ5U
International Securities Identification Number	DE000A0JQ5U3
Ticker Symbol	M5Z
Stock Market Segment	Regulated market (Prime Standard)
Type of Stock	Registered, common, no-par value bearer shares each with a proportionate value of 1.00 EUR of capital stock

Capital Stock	**4,480,054**
IPO	September 22, 2006
Opening Price	19.00 EUR
Stock Price at the Beginning of the Fiscal Year*	51.70 EUR
Stock Price at the End of the Fiscal Year*	21.80 EUR
Change (in percent)	**–57.83 %**
Annual High*	52.64 EUR
Annual Low*	15.13 EUR

* Closing prices on Deutsche Börse AG's XETRA trading system

SHAREHOLDER STRUCTURE



1	**46.43 %**	Dieter Manz
2	**4.53 %**	Ulrike Manz
3	**49.04 %**	Free Float

With a current 49.04 %, Manz AG showed highly diversified holdings and has a broad shareholder base. At the end of the quarter on December 31, 2011, company founder and Chairman of the Managing Board, Dieter Manz, held 46.43 % of Manz's stock. Apart from that, Ulrike Manz has an additional 4.53 % of the company's shares.

INVESTOR RELATIONS

The company attached particularly importance to its active dialog with analysts, investors, and financial journalists in fiscal year 2011. The regular and prompt publication of news about our company underscores our goal of providing comprehensive information about the company's performance. At the same time, being listed in the Prime Standard segment already means that Manz is required to comply with the highest standards of transparency. Our company plans to continue going above and beyond these standards, however, and we remain in regular contact with the financial community. As a result, in the previous fiscal year we carried out a number of measures to ensure that the flow of information remained steady and continuous.

Intensive dialog with the capital market through a wide variety of IR activities

In addition to the legal requirements, Manz carried out the following IR activities, among others:

- Participated in 11 capital market conferences
- 2 roadshows in Germany and abroad
- Held an Investor Day on June 09 and September 07, 2011, in Reutlingen
- Regularly holding conference calls with a webcast when publishing reports

During the course of fiscal year 2011, Manz AG was covered by a total of 16 analysts including the following institutions:

- Bankhaus Lampe
- Barclays Capital
- Berenberg Bank
- Citigroup
- Close Brothers Seydler
- Commerzbank
- Credit Suisse
- Deutsche Bank
- Goldman Sachs
- HSBC
- Jeffries International Ltd.
- LBBW
- Marquarie
- Natureo Finance
- Nomura Code
- WestLB

ANNUAL GENERAL MEETING

The FILharmonie in Filderstadt, Germany, hosted the Manz AG 2011 Annual General Meeting on June 28, 2011. A total of about 300 shareholders were present and listened to the report by the Managing Board regarding the company's performance in 2010 as well as the forecast for the current fiscal year.

At the Annual General Meeting, almost all of the represented shareholders approved of the items on the meeting's agenda. A total of 63.63 % of capital stock with voting rights was represented. Last year, this figure stood at 63.13 %.

OVERVIEW OF VOTING RESULTS

Total Capital Stock: 4,480,054 Total present: 2,850,724 63.63 %

TOP		Ab-staining	Valid	in % of Capital Stock	No Votes	No-%	Yes Votes	Yes-%	Result
2	Approval of Managing Board	11,703	845,507	18.873	2,543	0.301	**842,964**	**99.699**	adopted
3	Approval of the Supervisory Board	11,721	2,835,203	63.285	2,672	0.094	**2,832,531**	**99.906**	adopted
4	Selection of the Auditor	2,162	2,848,562	63.583	19,025	0.668	**2,829,537**	**99.332**	adopted
5a	Election of Prof. Dr. Aurenz to Supervisory Board	11,941	2,838,783	63.365	15,216	0.536	**2,823,567**	**99.464**	adopted
5b	Election of Dr.-Ing. E.h. Dipl.-Ing Leibinger to Supervisory Board	11,522	2,839,202	63.374	129,821	4.572	**2,709,381**	**95.428**	adopted
5c	Election of Prof. Dr.-Ing. Powalla to Supervisory Board	11,521	2,839,203	63.374	15,098	0.532	**2,824,105**	**99.468**	adopted
6	Changes to Company Name, Articles of I.	1,365	2,849,359	63.601	475	0.017	**2,848,884**	**99.983**	adopted
7	Changes to Company Purpose, Articles of I.	1,041	2,849,683	63.608	575	0.020	**2,849,108**	**99.980**	adopted
8	Changes to Supervisory Board Compensation, Articles of I.	69,441	2,781,283	62.081	10,772	0.387	**2,770,511**	**99.613**	adopted
9	Approval of Managing Board Compensation	1,334	2,849,390	63.602	21,701	0.762	**2,827,689**	**99.238**	adopted
10	Perf. Share Plan 2011, Creation of Capital, Changes to Articles of I.	68,754	2,781,970	62.097	21,919	0.788	**2,760,051**	**99.212**	adopted

2012 FINANCIAL CALENDAR

Date	
May 11, 2012	Publication of 2012 Q1 financial report
June 19, 2012	2012 Annual Meeting of Shareholders
August 15, 2012	Publication of 2012 Q2 financial report
November 12–14, 2012	2012 German Equity Forum
November 13, 2012	Publication of 2012 Q3 financial report

DIRECTORS' DEALINGS

Date of Transaction	First and Last Name	Position/ Status	Type and Location of the Transaction	Financial Instrument and ISIN	Number	Price	Total Volume
9/13/2011	Dieter Manz	Managing Board	Purchasing/ OTC	Stock/ DE000A0JQ5U3	574	23.97	13,758.78
8/29/2011	Dieter Manz	Managing Board	Purchasing/ OTC	Stock/ DE000A0JQ5U3	3,250	24.8988	80,921.10
8/29/2011	Dieter Manz	Managing Board	Purchasing/ OTC	Stock/ DE000A0JQ5U3	22,750	23.2568	529,092.20
8/22/2011	Dieter Manz	Managing Board	Purchasing/ OTC	Stock/ DE000A0JQ5U3	28,350	22.2669	631,266.61
8/17/2011	Dieter Manz	Managing Board	Purchasing/ OTC	Stock/ DE000A0JQ5U3	300	23.6050	7,081.50
8/16/2011	Dieter Manz	Managing Board	Purchasing/ OTC	Stock/ DE000A0JQ5U3	12,347	24.1144	297,740.49
8/15/2011	Dieter Manz	Managing Board	Purchasing/ OTC	Stock/ DE000A0JQ5U3	8,446	24.8887	210,209.96
8/12/2011	Dieter Manz	Managing Board	Purchasing/ OTC	Stock/ DE000A0JQ5U3	11,057	20.1796	223,125.84
8/11/2011	Martin Hipp	Managing Board	Purchasing/ XETRA	Stock/ DE000A0JQ5U3	260	19.40	5,044.00
6/30/2011	Prof. Dr. Heiko Aurenz	Member of the Supervisory Board	Purchasing/ Stuttgart	Stock/ DE000A0JQ5U3	1,500	32.50	48,750.00
6/09/2011	Prof. Dr. Heiko Aurenz	Member of the Supervisory Board	Purchasing/ Stuttgart	Stock/ DE000A0JQ5U3	1,450	34.20	49,590.00

CORPORATE GOVERNANCE

REPORT FROM THE SUPERVISORY BOARD

Dear Shareholders,

Once again in 2011, the Supervisory Board regularly advised the Managing Board with regard to the company's strategic focus and governance, and continuously monitored its management activities. In doing so, we carried out our duties as set forth by law, the company's Articles of Incorporation, and our by-laws with the utmost care, and assured ourselves that the Managing Board was operating in accordance with the law and the company's purpose. The Supervisory Board was directly involved in all decisions of fundamental importance to the company and the Group.

The Supervisory Board of Manz AG consists of three members, the minimum number of members allowed by law. Due to the number of Supervisory Board members, forming committees would not have served any purpose and would have only made the Board's work more difficult. As a result, no committees were formed during the 2011 fiscal year.

The Managing Board and Supervisory Board remained in close contact throughout the entire 2011 fiscal year, holding many intense discussions. In this context, the Managing Board fulfilled its duty to provide information as set forth in the applicable legal provisions and the company's by-laws by submitting regular, comprehensive, and timely reports in written and verbal form to the Supervisory Board about all measures and events relevant to the company. As a result, the Supervisory Board was always abreast of information pertaining to the company's business situation and performance, the company's intended goals, short-term and long-term planning (including investment, financial, and human resources planning as well as the company's profitability), organizational measures, and the Group's overall situation. In addition, information regarding the company's risks and risk management activities was regularly provided.

All transactions and measures that required Supervisory Board approval were discussed in-depth with the Managing Board on the basis of the aforementioned reports. The Supervisory Board approved the Managing Board's suggested resolutions after careful consideration of all relevant facts and a detailed examination.

In addition to Supervisory Board meetings, the Managing Board also provided additional written or verbal information to the chairman regarding changes to the company's business situation and all transactions of significant importance to the company.

Focus of Supervisory Board Meetings

In the 2011 fiscal year, the Supervisory Board held three regularly scheduled meetings and one extraordinary meeting, and passed two resolutions in writing. All members of the Managing Board and Supervisory Board were present for all meetings. At these meetings, we spoke about the reports from the Managing Board at length, and discussed the company's situation, future performance, and strategic questions with them. Our regularly scheduled meetings in particular always included discussions about the respective current situation with regard to earnings growth, the balance sheet and liquidity, performance of subsidiaries, projects, capital markets, employees, and orders on hand.

In the regularly scheduled meeting on March 17, 2011, the Supervisory Board and the Managing Board discussed the company's annual financial statements and the consolidated financial statements for 2010, including the management report, Group management report, and the auditor's report. In addition, we also primarily discussed current company performance and planning for the 2011 fiscal year. Additional important topics in this meeting included the extension of Mr. Dieter Manz's contract as member and chairman of the Managing Board, the statement of compliance with the German Corporate Governance Code, the changed compensation system for members of the Managing Board, and suggestions for resolutions for the 2011 Annual General Meeting.

In our meeting on May 17, 2011, the Managing Board reported on the Group's financial and business situation after completing the first quarter of the 2011 fiscal year. Furthermore, we also focused particularly on the activities pertaining to the marketing and sale of CIGSfab, and discussed the status of the construction of the new facility in Suzhou, China.

The extraordinary meeting directly following the AGM on June 28, 2011, was held for the purpose of electing Dr. Heiko Aurenz as chairman and Dr. Peter Leibinger as vice chairman of the Supervisory Board.

In our meeting on July 27, 2011, the Managing Board reported on the Group's financial and business situation after completing the second quarter of the 2011 fiscal year. In addition, at this meeting we also discussed the current status of CIGSfab marketing and sales activities, as well as the talks with Würth Solar GmbH & Co. KG regarding the possibility of acquiring its facility in Schwäbisch Hall.

On October 13, 2011, the Supervisory Board passed written resolutions on the following issues: the terms and conditions of the Manz Performance Share Plan 2011, determining how many stock options to issue the members of the Managing Board in 2011, authorizing the chairman of the Supervisory Board to make individual agreements with the members of the Managing Board, and approval of the resolution submitted by the Managing Board regarding the issue of stock options to select executives and members of management. The resolutions submitted for approval by the chairman to the Supervisory Board were approved.

Furthermore, on October 15, 2011, the Supervisory Board also passed a resolution in writing regarding the approval of Manz AG entering into a transaction agreement with Würth Solar GmbH & Co. KG. The application submitted to pass the resolution was accepted by the Supervisory Board and approval was given to enter into the transaction agreement.

Conflicts of Interest

Dr. Peter Leibinger has been a member of our Supervisory Board since June 22, 2010. He holds an executive position at a company that provides services to Manz. No specific conflicts of interest resulted from this business relationship.

Member of the Supervisory Board Dr. Michael Powalla is also a member of the Board of Directors of the ZSW, which has granted licenses to Manz. He abstained from the vote to approve of Manz entering into the patent and know-how licensing agreement on October 15, 2011.

Otherwise, there were no conflicts of interest that members of the Managing or Supervisory Boards were required to disclose to the Supervisory Board or to shareholders at the Annual General Meeting.

Corporate Governance

Responsible, value-adding corporate governance and monitoring are of the utmost priority. In the 2011 fiscal year, the Managing Board and Supervisory Board once again focused on the further development of the company's corporate governance and discussed the recommendations set forth in Germany's Corporate Governance Code. In March 2011 and March 2012, the Managing Board and Supervisory Board submitted a joint compliance statement pursuant to Article 161 of the German Stock Corporation Act, and have made it permanently available on the Manz AG Web site. In addition, we conducted a self-evaluation of the efficiency of our activities as they pertain to the code. We will use the results of this self-evaluation to make continuous improvements to the Supervisory Board's work. For reasons of efficiency, the Supervisory Board only consists of three members. As a result, no committees were formed.

Annual Financial Statements and Consolidated Financial Statements for 2011

The annual financial statements and consolidated financial statements prepared by the Managing Board for the 2011 fiscal year dated December 31, 2011, were audited by the company's and Group's auditing firm, BEST AUDIT GmbH Wirtschaftsprüfungsgesellschaft, and both statements were certified without restrictions in an auditor's report. The auditing firm conducted its audit in accordance with the German principles of proper auditing as set forth by the Institut der Wirtschaftsprüfer (IDW, German Institute of Chartered Accountants). The Supervisory Board reviewed the annual financial statements and the consolidated financial statements dated December 31, 2011, as well as the Management Report for both Manz AG and the consolidated Group for the 2011 fiscal year, and included the report submitted to its members by the auditing firm in this review.

At the Supervisory Board meeting on March 26, 2012, the Managing Board provided detailed information about the annual financial statements for Manz AG and the entire Group. The auditing firm also reported in this meeting on the key results and principles of their audit, as well as about the fact that based on their audit, the company's internal monitoring system and risk management system do not exhibit any major weaknesses. In addition, the auditing firm provided detailed information about the scope and focus of their audit. The Supervisory Board discussed the annual financial statements and the proposed use of profit with the Management Board and the auditor, and did not raise any objections. Based on the final result of the Supervisory Board's review, there are no objections to be made. The annual financial statements and consolidated financial statements dated December 31, 2011, were approved by the Supervisory Board in a resolution dated March 26, 2012. As a result, Manz AG's annual financial statements dated December 31, 2011, have been officially adopted.

Changes to Supervisory Board Membership

Due to the fixed age limit for Supervisory Board members, long-term member of the board Dr. Rolf D. Schraft was not available for another term and therefore resigned from his position on June 28, 2011. We would like to thank Dr. Schraft for his valuable contribution to the

„In fiscal year 2011, Manz AG generated the highest annual revenues ever in the company's history. Doing so, despite the difficult market environment, is proof of the stability of the business model and success of the company's diversification strategy.“ **PROF. DR. HEIKO AURENZ**

work of the Supervisory Board. At the suggestion of the Supervisory Board, Dr. Michael Powalla was elected as the new member of the Supervisory Board during the Annual General Meeting on June 28, 2011.

Thanks and Appreciation

We would like to thank the Managing Board for their cooperation in the previous fiscal year, which was always open and constructive. We would also like to thank all of Manz AG's employees, who played a crucial role in the company's positive growth in the previous fiscal year. And last but not least, we would like to thank you, our valued shareholders, for the confidence you have shown us and your willingness to shape the future of Manz AG together.

Reutlingen, March 26, 2012

Prof. Dr. Heiko Aurenz
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

The Managing Board and Supervisory Board of Manz AG are guided by the recommendations set forth in the German Corporate Governance Code (the "Code"). This code presents essential statutory regulations for the management and supervision (governance) of German listed companies and contains internationally and nationally recognized standards for good and responsible governance. The Code aims to increase the confidence international and national investors, customers, employees, and the general public have in the management and supervision of publicly traded German stock corporations. The Managing Board and the Supervisory Board see themselves under an obligation to safeguard the company's continued existence and its sustainable creation of value in harmony with the principles of a social market economy.

In the following, the Managing Board and Supervisory Board provide information about corporate governance at Manz AG pursuant to Section 3.10 of the Code.

Additional details about the corporate governance of Manz AG are included in the corporate governance statement for fiscal year 2012 as per Article 289a of the German Commercial Code (HGB), available on the company's Web site at www.manz.com in the "Investor Relations' section under "Corporate Governance."

Implementation of the German Corporate Governance Code

The Managing Board and Supervisory Board once again gave a great deal of attention to the Code's recommendations during the reporting period.

March 2012 Compliance Statement

During the period since the previous compliance statement in March 2011, Manz AG has implemented all of the Code's recommendations and intends to continue to implement them in the future. Based on the version of the German Corporate Governance Code from May 26, 2010, the Managing Board and Supervisory Board submitted the following March 2012 compliance statement on March 26, 2012 pursuant to Article 161 of the German Stock Corporation Act. As such, they pick up on the previous March 2011 compliance statement from March 17, 2011, which was submitted based on the versions of the Code from June 18, 2009, and May 26, 2010.

<u>March 2012 Compliance Statement
from the Managing Board and the Supervisory Board of Manz AG
regarding the recommendations by the "German Corporate Governance Code Committee"
pursuant to Article 161 of the German Stock Corporation Act</u>

Pursuant to Article 161 of the German Stock Corporation Act, the Managing Board and the Supervisory Board of Manz AG hereby declare that since submission of the last compliance statement on March 17, 2011, Manz AG has complied with the recommendations from the "German Corporate Governance Code Committee" issued by the German Ministry of Justice in the official section of the online German Federal Gazette as amended on May 26, 2010, and that Manz AG will, in the future, comply with the recommendations in the Code in its amended form dated May 26, 2010.

Reutlingen, March 26, 2012

Manz AG

For the Managing Board

Dieter Manz
Chairman of the Managing Board

For the Supervisory Board

Prof. Dr. Heiko Aurenz
Chairman of the Supervisory Board

Diversity in Executive Positions at our Company

When filling management positions at our company, the Managing Board pays attention to diversity in accordance with the recommendation in Section 4.1.5 of the Code, and in particular strives to give women an appropriate amount of consideration. These goals should be strived for in addition to a well-balanced level of technical qualifications. As an international company, the Manz Group has a large number of foreign employees and managers, particularly in Asia. Employees and managers from 27 countries work in our Group's various subsidiaries, and employees from 24 different countries work at Manz

AG alone. The Managing Board plans to take further measures to promote a greater degree of international diversity at the senior level of management.

At the end of the 2011 fiscal year, women accounted for more than 16% of all Manz Group employees. Unfortunately women are not yet adequately represented in management positions. Our company offers flexible working hours which make both part-time and flextime schedules possible. Furthermore, our company has spots in two daycare facilities where trained early childhood educators take care of employees' children that are between one and three years of age during their parents' working hours. The Managing Board plans to devise and implement specific measures to systematically support women and prepare them for future management positions.

Diversity in the Formation of the Managing Board

In order to implement the recommendation in Section 5.1.2, Paragraph 1, Number 2 of the Code, the Supervisory Board has passed a resolution stipulating that it will pay attention to diversity when forming the Managing Board. In this context, the Supervisory Board will particularly strive to give women an appropriate amount of consideration during the selection process for Managing Board members. The Supervisory Board will accomplish this task by making an effort to ensure that given the appropriate qualifications, the Managing Board also includes women.

Goals Pertaining to the Composition of the Supervisory Board

Furthermore, pursuant to Section 5.4.1, Paragraph 2, Clause 1 of the Code, the Supervisory Board has named the following specific goals pertaining to its composition, and has incorporated them into the Supervisory Board by-laws. Under consideration of the company's specific situation, these goals take the company's international activities, potential conflicts of interest, a fixed age limit for Supervisory Board members, and diversity into account and, in particular, set forth an appropriate number of women on the board:

- The Supervisory Board generally strives to ensure that it consists of members who together have the knowledge, skills, and technical experience required to properly carry out its duties.
- Basic requirements for members of the Supervisory Board include personal integrity, a sufficient level of life and professional experience, independence, and good communication skills. Furthermore, the members must have a basic knowledge of business,

corporate law, and industry-specific technical information as well as knowledge of the Manz Group or be willing to acquire this knowledge at the beginning of their term as member. In addition, the members of the Supervisory Board must clearly demonstrate that they have enough time to devote to their duties as a member of our company's Supervisory Board under consideration of their other professional responsibilities and seats on other boards.

- The Supervisory Board should always be composed of members who, taken as a whole, have the required special skills and experience from different fields that are of relevance to the company. During the process of nominating potential members of the Supervisory Board at the Annual General Meeting of Shareholders, the Supervisory Board must strive to ensure that at least one member fulfills each the following requirements:
  - Experience as a member of upper management at a medium-sized company
  - Knowledge and experience in the application of accounting principles and internal control procedures
  - Knowledge and experience in the mechanical engineering industry or in other industries the Manz Group is active in
  - Experience in management at companies active internationally
- In most cases, only people that have not yet reached 70 years of age should be nominated for a position in the Supervisory Board.
- The Supervisory Board will make an effort to ensure that, given the necessary qualifications, the nominations for members of the Supervisory Board made at the Annual General Meeting of Shareholders also include women.

Due to the expiration of the Supervisory Board members' term, new Supervisory Board elections were held during the 2011 Annual General Meeting on June 28, 2011. The recommendations offered by the Supervisory Board at the Annual General Meeting regarding the selection of three Supervisory Board members have factored in the aforementioned goals pursuant to Section 5.4.1, Paragraph 3, Clause 1 of the Code.

In the interest of continuing the Supervisory Board's previous work, Dr. Heiko Aurenz and Dr. Peter Leibinger were renominated. Additionally, the Supervisory Board was able to add Dr. Michael Powalla as a new member. The members named were elected during the 2011 Annual General Meeting and fulfill the stated requirement profiles thanks to their professional experience, technical knowledge, and their personal characteristics. Dr. Aurenz, as a result of his knowledge and experience stemming from his occupation as an auditor and corporate consultant, was elected as an independent member of the Supervisory Board with expert knowledge of accounting and auditing financial statements (Article 100, Paragraph 5 of the German Stock Corporation Act) at the Annual General Meeting. Dr. Leibinger, who holds a graduate degree in engineering, can contribute both knowledge and experience from his position on the Managing Board of the TRUMPF Group, which is active worldwide in the engineering industry, as well as his technical expertise to the Supervisory Board's work. Dr. Michael Powalla in particular has extensive knowledge of and experience in the photovoltaics industry thanks to his time spent as the photovoltaics business manager and a member of the Board of Directors at the Centre for Solar Energy and Hydrogen Baden-Württemberg (ZSW) as well as a professor of thin-film photovoltaics at the Karlsruhe Institute of Technology (KIT).

In light of the age limit, Dr. Rolf D. Schraft did not renominate himself for another term. During the process of selecting a new member of the Supervisory Board, those involved made a concerted effort to fill the seat vacated by Dr. Schraft with a woman who fulfills the aforementioned requirements. Despite an intensive and targeted search, however, no female candidate who also met the additional requirements set forth in the objectives was willing to accept the position.

Avoiding of Conflicts of Interest and Independence of Supervisory Board Members

Supervisory Board member Dr. Peter Leibinger is also vice chairman of TRUMPF GmbH + Co. KG, whose subsidiaries supply laser systems to our company. Companies in the TRUMPF Group received a total of 2,970,460 euros from our company during the 2011 fiscal year for their products and services. No specific conflicts of interest resulted from this business relationship.

Supervisory Board member Dr. Michael Powalla is the photovoltaics business manager and a member of the Board of Directors at the Centre for Solar Energy and Hydrogen Baden-Württemberg (ZSW). In the 2011 fiscal year, ZSW granted patent licenses and expertise in the field of thin-film photovoltaics to Manz CIGS Technology GmbH, a subsidiary of Manz AG, and received certain fixed and variable licensing fees from Manz CIGS Technology GmbH in exchange. Dr. Powalla abstained from voting on the Supervisory Board's consent to conclude the patent and expertise licensing agreement with ZSW, which was conducted in connection with the acquisition of patents, expertise, and a line of innovation at the Schwäbisch Hall location of Würth Solar GmbH & Co. KG.

Otherwise, there were no conflicts of interest that members of the Managing or Supervisory Boards were required to disclose to the Supervisory Board.

After thorough examination, the Supervisory Board believes that the business relationships named above do not affect the judgment of the members concerned and do not interfere with the independent consultation with and monitoring of the Managing Board by the Supervisory Board. It is the Supervisory Board's view that it includes a sufficient number of independent members.

Manz Stock Held by Members of the Managing and Supervisory Boards

On February 28, 2012, chief executive Dieter Manz was given 2,079,984 shares in the company, corresponding to 46.43 % of the capital stock of Manz AG. Dieter Manz's wife currently holds 203,154 shares, corresponding to 4.53 % of the capital stock. As of the same date, Managing Board member Martin Hipp holds 522 shares of the company, which corresponds to 0.01 % of capital stock.

On February 28, 2012, the members of the Supervisory Board were given a total of 4,300 shares in the company, corresponding to 0.10 % of the capital stock of Manz AG.

Compensation Report

This Compensation Report summarizes the principles applied in determining the total compensation paid to members of Manz AG's Managing Board, and also discloses the amount and structure of this compensation. In addition, this report also discloses the principles used in determining compensation and the amount paid to members of the Supervisory Board.

System of Compensation for the Managing Board

In its meeting on March 17, 2011, the Supervisory Board resolved to use a new system for determining compensation paid to the company's Managing Board members. This system is presented below.

The goal of the Managing Board's compensation system is to appropriately compensate the members of the Managing Board according to their area of activity and responsibility, and not only take the personal performance of each respective Managing Board member, but also the company's overall situation and business success into account. The compensation structure is aimed toward sustainable corporate growth.

The compensation paid to members of the Managing Board is comprised of fixed and variable components. When calculating the value of each element of compensation, our company differentiates between the CEO and the other members of the Managing Board.

Fixed Elements of Compensation

The fixed components of Managing Board compensation are comprised of a fixed monthly salary, fringe benefits, and contributions to a company retirement plan.

The fixed salary is paid in twelve equal monthly installments. These fixed payments function as a base salary to cover Managing Board members' and their families' ongoing cost of living expenses irrespective of the company's performance.

An appropriate take-home vehicle is provided to Managing Board members as a fringe benefit, which they can also use for non-work-related purposes. In addition, our company has taken out accident insurance policies with appropriate benefits for each of the Managing Board members. These policies are payable to the members of the Managing Board, and also cover non-work-related accidents. Furthermore, our company also covers the cost of D&O insurance for each member of the Managing Board.

Our company has entered into an executive retirement agreement with the CEO Dieter Manz that provides him with life-long retirement benefits in the event of his retirement after reaching 65 years of age or as a result of disability. Furthermore, our company has also agreed to provide his wife with life-long surviving dependent benefits in the event of his demise. With respect to Managing Board member Martin Hipp, the company is obligated to settle a retirement pension by paying an annual contribution to a benefit society.

Variable Elements of Compensation

General

Variable compensation is comprised of both an annual component calculated on the basis of the company's performance and provided in the form of a cash bonus (short-term variable compensation) and a stock-based component calculated on a multiyear basis and provided in the form of annual stock options as stipulated in the Manz Performance Share Plan 2011 (long-term variable compensation).

The variable components complement the fixed elements of compensation and serve as a specific incentive to achieve sustained corporate growth while contributing to the Managing Board members' accumulation of personal assets and financial independence. In the interest of aligning Managing Board members' variable compensation with sustained corporate growth, the fair value of the stock options granted as a result of the Manz Performance Share Plan 2011 (calculated using accepted mathematical finance methods) outweighs the annual cash bonus.

Annual Cash Bonuses
The goal of the annual cash bonus is to allow the members of the Managing Board to participate in the company's success or failure in a given fiscal year as a result of their own personal management performance. Beginning with the 2011 fiscal year, the cash bonus will calculated using a new method.

The annual cash bonus is paid out after the completion of a fiscal year based on that year's EBT return. EBT return is calculated from the ratio of earnings before taxes to revenues using the figures from the fiscal year's consolidated annual report prepared pursuant to IFRS. Moreover, the cash bonus is calculated based on the fixed salary of the particular Managing Board member for the given fiscal year (fixed compensation).

The annual cash bonus is only paid out upon achieving an EBT return of at least 4.1 %. At an EBT return of 4.1 %, each member of the Managing Board receives a cash bonus valued at 1 % of their fixed compensation. For every 0.1 percentage point above an EBT return of 4.1 %, the percentage of fixed compensation used to calculate the cash bonus increases by one percentage point. As such, at an EBT return of 5.0 %, each member of the Managing Board would receive a cash bonus equal to 10 % of their fixed compensation, and at an EBT return of 14 % the fixed bonus would equal 100 % of each Managing Board member's fixed compensation. The upper limit is set at an EBT return of 20 %, in which case each member of the Managing Board would receive a cash bonus valued at 160 % of their fixed compensation.

In order to calculate the ratio between the individual elements of compensation, the Supervisory Board defined an EBT return of 10 % as the middle target of short-term variable compensation. At this middle value, the cash bonus would equal 60 % of fixed compensation.

Manz Performance Share Plan 2011

The goal of granting options to shares of Manz stock annually pursuant to the stipulations of the Manz Performance Share Plan 2011 (long-term variable compensation) is to encourage the members of the Managing Board to effect a lasting increase in the company's internal and external value, effectively tying their interests to the interests of the company's shareholders as well as other stakeholders.

As a result of the Manz Performance Share Plan 2008 which was enacted by resolution at the Annual General Meeting, the Supervisory Board already granted the members of the Managing Board options to shares of Manz AG stock in the 2008, 2009, and 2010 fiscal years as a variable, performance-based component of compensation with long-term incentive and risk characteristics. A total of 7,151 stock options were granted with a right to purchase up to 21,453 shares of Manz stock. The allotment of 7,200 stock options intended for the Managing Board as set forth in the Manz Performance Share Plan 2008 was almost completely used up as a result.

A new Manz Performance Share Plan 2011 as well as the creation of new conditional capital were adopted at the Annual General Meeting on June 28, 2011. On this basis, the Supervisory Board granted the Managing Board members subscription rights to shares of Manz AG in the 2011 fiscal year and intends to grant them annual subscription rights in the future.

The vesting period for exercising the stock options granted as a result of the Manz Performance Share Plan 2011 is equal to four years or more. When exercising stock options after the end of the vesting period and within the exercising period of three months after the respective Annual General Meeting of Shareholders, the members of the Managing Board may purchase shares of Manz stock for a price of 1.00 euro per share.

These stock options can only be exercised if and when the respective target has been achieved (performance component). The target for each individual group of options is comprised of the EBIT margin (ratio of earnings before interest and taxes to revenue) disclosed in the Manz Group's audited and approved Consolidated Annual Report pursuant to IFRS for the fiscal year in which the vesting period ends. The stock options can only be exercised if the company achieves an EBIT margin of at least 5 % (minimum target). If the minimum target is achieved or exceeded, a success factor will be applied when calculating the number of shares to be granted for each stock option. This factor increases progressively above the standard target as detailed in the Manz Performance Share Plan

2011. The success factor ranges from a factor of 0.5 upon achieving the minimum target to a factor of 1.00 when achieving an EBIT margin of 10 % (standard target) and up to a factor of 2.0 upon achieving an EBIT margin of at least 15 % (stretch target).

The Manz Performance Share Plan 2011 implements the legal stipulation that variable components of compensation must be calculated on a multiyear basis by determining the success factor using the EBIT margin from the Consolidated Annual Report in the fiscal year in which the more than four-year vesting period ends. This should motivate the members of the Managing Board to focus their actions on the goal of achieving sustained positive growth of the EBIT margin. This motivation is further reinforced as a result of the fact that the members of the Managing Board are granted new tranches of stock options each year, which continually perpetuates their focus on the company's future EBIT margin.

The number of shares that members of the Managing Board are authorized to purchase as a result of their stock options is also dependent on a loyalty component. When exercising stock options, the number of shares granted per option increases the longer the stock options are held by the respective member of the Managing Board up to an additional four years after the end of the initial four-year vesting period. From a financial perspective, this is equal to a bonus for holding stock options for a longer period of time. This loyalty component is implemented in the Manz Performance Share Plan 2011 by applying an additional loyalty factor when calculating the number of shares which may be purchased for each vested stock option. According to the system explained in more detail in the Manz Performance Share Plan 2011, this ranges from a factor of 1.0, which applies when exercising the stock options within the fifth calendar year after their issue, to a factor of 2.0, which applies when exercising the stock options in the eighth calendar year after their issue.

The number of stock options exercised by the respective member of the Managing Board is multiplied with the applicable success factor, which is determined according to the degree the success target was achieved, as well as with the applicable loyalty factor, which is calculated according to the length of time the stock options were held. The number calculated using this formula is equal to the number of shares of Manz stock which the member of the Managing Board receives upon paying the issue price per share for each stock option exercised in the applicable tranche. As a result, each stock option authorizes the holder to purchase – upon application of the maximum success factor of 2.0 and the maximum loyalty factor of 2.0 – up to four shares of Manz stock.

The Supervisory Board included the ability to limit members of the Managing Board from exercising granted stock options in their planning conditions applicable in the event of extraordinary developments. It may be necessary to limit income from long-term variable compensation in order to comply with the legal stipulations which call for an appropriate level of compensation. This could result from extraordinary developments which cause the company to generate windfall profits.

The Supervisory Board can determine the number of stock options to grant to each individual member of the Managing Board at its own discretion. The members of the Managing Board do not have a right to receive stock options. In order to calculate the number of stock options to grant, however, the Supervisory Board has developed a guideline which sets forth that the long-term variable compensation in the form of stock options should normally equal 50 % of the respective Managing Board member's total cash compensation. In this case, total cash compensation is comprised of the member's fixed annual compensation as well as the middle target value of the annual cash bonus equal to 60 % of the fixed annual compensation.

When issuing stock options, the options to be granted will be valued at their fair value on the date of issue, which is equal to the market value of Manz's stock on the issue date minus the issue price of 1.00 euros per share. In this case, with regard to the performance component, it will be assumed that the standard target of an EBIT margin of 10 % has been achieved (factor of 1.0), and with regard to the loyalty component, that the stock options will only be exercised shortly before the end of the vesting period within the eighth calendar year after issuing the stock options (factor of 2.0).

Manz Performance Share Plan 2008

For the long-term variable component of compensation, in the 2008 to 2010 fiscal years the Supervisory Board granted members of the Managing Board options to shares of Manz Automation AG stock pursuant to the Manz Performance Share Plan 2008 enacted at the Annual Meeting of Shareholders. These stock options were governed by the following key characteristics:

The vesting period for the granted stock options is equal to more than two years. When exercising stock options after the end of the vesting period and within the exercising period of three months after the respective Annual General Meeting of Shareholders, the members of the Managing Board may purchase shares of Manz stock for a price of 1.00 euro per share.

These stock options can only be exercised if and when the respective target has been achieved (performance component). The target for each individual group of options is comprised of the EBIT margin (ratio of earnings before interest and taxes to revenue) disclosed in the Manz Group's audited and approved Consolidated Annual Report pursuant to IFRS for the fiscal year in which the vesting period ends. The stock options can only be exercised if the company achieves an EBIT margin of at least 9 % (minimum target). If the minimum target is achieved or exceeded, a success factor will be applied when calculating the number of shares to be granted for each stock option. This factor increases progressively as detailed in the Manz Performance Share Plan 2008. The success factor ranges from a factor of 0.75 upon achieving the minimum target, to a factor of 1.00 when achieving an EBIT margin of 12 % (standard target), up to a factor of 1.5 upon achieving an EBIT margin of at least 15 % (stretch target).

The number of shares that members of the Managing Board are authorized to purchase as a result of their stock options is also dependent on a loyalty component. When exercising stock options, the number of shares granted per option increases the longer the stock options are held by the respective member of the Managing Board, up to an additional four years after the end of the initial two-year vesting period. An additional loyalty factor is applied when calculating the number of individual shares to be granted for each stock option. According to the system explained in more detail in the Manz Performance Share Plan 2008, this ranges from a factor of 1.0, which applies when exercising the stock options within the third calendar year after their issue, to a factor of 2.0, which applies when exercising the stock options in the sixth calendar year after their issue.

The number of stock options exercised by the respective member of the Managing Board is multiplied with the applicable success factor, which is determined according to the degree the success target was achieved, as well as with the applicable loyalty factor, which is calculated according to the length of time the stock options were held. The number calculated using this formula is equal to the number of shares of Manz stock which the member of the Managing Board receives upon paying the issue price per share for each stock option exercised in the applicable tranche. As a result, each stock option authorizes the holder to purchase – upon application of the maximum success factor of 1.5 and the maximum loyalty factor of 2.0 – up to three shares of Manz stock.

The Supervisory Board included the ability to limit members of the Managing Board from exercising granted stock options in their planning conditions applicable in the event of extraordinary developments.

Previous Issuance of Option Rights

The following table provides an overview of options to shares of Manz AG stock issued to current members of the Managing Board from 2009 to 2011 on the basis of the Manz Performance Share Plan 2008 and the Manz Performance Share Plan 2011:

OPTIONS TO SHARES

	Issue tranche 2009* (cannot be exercised)	Issue tranche 2010* (may be exercisable beginning in 2013)	Issue tranche 2011** (may be exercisable beginning in 2016)	Total number of the exercisable stock options (if applicable)***	**Fair value of the exercisable stock options (if applicable)*** **
	Number	Number	Number	Number	**EUR tsd.**
Dieter Manz	1,660	1,367	2,788	4,155	**118**
Martin Hipp	830	686	1,491	2,177	**63**
Volker Renz	830	686	0	686	**0**
Total	**3,320**	**2,739**	**4,279**	**7,018**	**181**

* Manz Performance Share Plan 2008, ** Manz Performance Share Plan 2011, *** Only the 2010 and 2011 tranches

The stock options awarded to members of the Managing Board in fiscal year 2009 cannot be exercised and have been declared null and void since the minimum target (an EBIT margin of 9 %) was not achieved in fiscal year 2011. The stock options granted to former member of the Managing Board Volker Renz can no longer be exercised.

Severance Cap in the Event of Early Termination of Managing Board Duties

The Managing Board members' employment agreements set forth that in the event employment is terminated before the contractually stipulated end of the employment term, yet is not terminated for cause, severance payments to the Managing Board member (including fringe benefits) cannot exceed two years' annual salary (severance cap) and that the member should not be compensated for any more than the remainder of the employment term. The total compensation paid in the previous fiscal year and, if necessary, the anticipated total compensation for the fiscal year in which the early termination takes place will be used to calculate the severance cap.

Provisions in the Event of a Change of Control

The employment agreement with Managing Board member Martin Hipp set forth that in the event of a change of control the Managing Board member is authorized to terminate his employment contract with three months' notice effective at the end of the calendar month, and to resign from their position as member of the Managing Board with the same notice period. A change of control has taken place when the company receives a statement from an individual legally required to submit such information informing the company that said person has acquired a 25 % or higher share of voting rights in the company.

In the event of a member of the Managing Board resigning, the member has a right to a severance payment equal to the value of their fixed compensation as well as cash bonuses for the remainder of their contractually stipulated employment term. In order to calculate the cash bonus in this case, the average of the EBT return in the prior fiscal year and the anticipated EBT return for the fiscal year in which the member resigns (according to the company's financial plans) is to be used. The severance payment is limited, however, to the amount that would have resulted from a remaining employment term of three years. If the remaining employment term on the date the resignation becomes effective totals more than two years, the severance payment is reduced, insofar as it is being granted for the exceeding period, by an additional 75 % for the purposes of offsetting the severance payment with a lump-sum equal to the member's expected income from other sources after ending employment. In addition, the amounts used in the calculation of the severance payment must also be reduced by an interest rate of 3 % p. a. on the date the severance payment is due. If the employment agreement with a member of the Managing Board is effectively terminated for cause, said member has no right to a severance payment.

Managing Board Compensation in Fiscal Year 2011

The members of the Managing Board received total compensation of 971,000 euros altogether in the 2011 fiscal year (previous year: 944,000 euros).

The following table provides an overview of the compensation paid to each member of the Managing Board for performing their duties in the 2011 fiscal year (values from the previous year are in parenthesis):

COMPENSATION OF THE MANAGING BOARD
(values from the previous year are in parenthesis)

	Fixed components		Performance-based components (short-term incentive)	Performance-based components (long-term incentive)	
(in EUR tsd.)	**Fixed salary**	**Other benefits***	**Cash bonuses**	**Stock options (at fair value)**	**Total**
Dieter Manz, CEO	274 (276)	20 (15)	0 (18)	118 (133)	**412** (442)
Martin Hipp, CFO	144 (156)	20 (18)	0 (11)	63 (67)	**227** (252)
Volker Renz, COO**	308 (156)	13 (16)	11 (11)	0 (67)	**332** (250)
Total	**726** (588)	**53** (49)	**11** (40)	**181** (267)	**971** (944)

* Particularly fringe benefits and contributions to an employer-based retirement plan (pension fund)**
** Until September 30, 2011

When Volker Renz concluded his executive activities early on September 30, 2011, the company paid Mr. Renz a settlement of 190,000 euros as compensation for earnings for the remainder of the term of employment.

Options to shares of Manz Automation AG stock issued on the basis of the Manz Performance Share Plan 2008 (tranche 2010) and the Manz Performance Share Plan 2011 (tranche 2011) were valued at their fair value on the date of issue using recognized mathematical finance methods. Fair value is equal to the market value of Manz's stock on the issue date minus the issue price of 1.00 euro per share. In making this calculation, with regard to the performance component, it was assumed that the standard target (factor of 1.0) of an EBIT margin of 12 % (tranche 2010) or 10 % (tranche 2011) had been achieved and, with regard to the loyalty component, that the stock options will only be exercised shortly before the end of the vesting period (factor of 2.0) within the sixth calendar (tranche 2010) or eighth calendar year (tranche 2011) after issuing the stock options.

Share-Based Incentive System for Other Members of Management

As a result of the Manz Performance Share Plan 2008 passed by resolution at the Annual General Meeting, the Managing Board granted executives of affiliated companies as well as members of management below the executive level at Manz and at affiliated companies options to shares of Manz AG stock in the 2008, 2009, and 2010 fiscal years. These stock options only vest if the company achieves an EBIT margin of at least 9 % in the fiscal year after next, and they also offer a bonus for holding the exercisable options for several years. A total of 3,320 stock options were granted with a right to purchase up to 9,960 shares of Manz stock. However, the option rights issued in fiscal years 2008 and 2009 cannot be exercised and have been declared null and void (and without replacement) because the minimum target (EBIT margin of 9 %) was not reached in fiscal years 2010 and 2011.

A new Manz Performance Share Plan 2011 as well as the creation of new conditional capital were adopted at the Annual General Meeting on June 28, 2011. On this basis, the Managing Board granted the selected executives a total of 9,977 option rights to shares of Manz AG in fiscal year 2011 and intends to grant them annual option rights in the future. The goals and key characteristics of the new Manz Performance Share Plan 2011 can be found above in the section System of Compensating the Managing Board – Variable Elements of Compensation –Manz Performance Share Plan 2011.

Supervisory Board Compensation

Supervisory Board compensation is regulated in the Articles of Incorporation and were amended in a resolution passed at the Annual General Meeting on June 28, 2011. In addition to reimbursing expenses, it stipulates that each member of the Supervisory Board is to receive fixed compensation of 12,000.00 euros, payable at the end of each fiscal year, as well as a bonus equal to 25.00 euros per 0.01 euros of consolidated earnings per share (undiluted) above consolidated earnings per share of 0.04 euros, up to a maximum of 12,000.00. This bonus is calculated after the Group’s IFRS consolidated annual financial statements are approved at the Annual General Meeting. Furthermore, the chairman of the Supervisory Board receives double the compensation paid to other members. The deputy chairman of the Supervisory Board receives a bonus of 50 % of compensation. Supervisory Board members that are only members during a portion of a fiscal year receive proportionately less compensation. Our company will also reimburse Supervisory Board members for any VAT they are required to pay on their compensation. Moreover, the company can insure Supervisory Board members at its own expense against civil and criminal recourse in connection with the execution of their official duties; the company can also contract corresponding liability insurance against legal expenses and property loss (D&O insurance).

On the basis of the consolidated financial statements from December 31, 2011, the members of the Supervisory Board will receive compensation valued at a total of 56,000 euros for the 2011 fiscal year (previous year: 36,000 euros).

The following table provides an overview of the compensation paid to each individual member of the Supervisory Board for performing their duties in the 2011 fiscal year (values from the previous year are in parentheses):

COMPENSATION OF THE SUPERVISORY BOARD
(values from the previous year are in parenthesis)

(in EUR tsd.)	Fixed Compensation	Variable Compensation	Total
Prof. Dr. Heiko Aurenz, Chairman	24 (15)	1 (1)	**25** (16)
Dr.-Ing. E.h. Dipl.-Ing. Peter Leibinger, Vice Chairman (since June 22, 2010)	18 (6)	1 (1)	**19** (7)
Prof. Dr.-Ing. Dr. h.c. mult. Rolf D. Schraft (until June 28, 2011)	6 (8)	0 (1)	**6** (9)
Prof. Dr.-Ing. Michael Powalla (since June 29, 2011)	6	0	**6**
Total	**54** (36)	**2** (0)	**56** (36)

Furthermore, our company also covered the cost of D&O insurance for each member of the Supervisory Board.

1,912

MINDS WORK ON THE FUTURE HERE

Manz has a local presence in all key growth regions. Our company employs people from 27 countries – all united by our typical "Manz passion": giving our all to become a bit better every day. Whether it's through our product range and quality, the responsible use of raw materials and resources, the vocational training that our company offers, or our multifaceted social commitment – not only do we enhance the future, we set an example in our own lives. The solar panels that provide our headquarters in Reutlingen with solar power are a perfect example of this. The panels are owned by our company's employees, whose conviction led them to finance the system themselves. That is what identifying with your employer means at Manz.

GROUP MANAGEMENT REPORT

BUSINESS REPORT

BUSINESS ENVIRONMENT

Market Environment and Basic Financial Conditions

Economic Development

In the 2011 calendar year, the global economy continued the upward trend that started in the preceding year; growth dynamics, however, clearly weakened during the course of the year. The increasing cost of raw materials, speculation about the effects of the nuclear reactor disaster in Fukushima, Japan, and talk of a possible recession in the United States cast a shadow on the worldwide financial climate in the first half of 2011. Due to the continuing sovereign debt crisis in a number of industrialized countries, particularly in the European Union (EU), this effect was amplified toward the end of 2011: after a slight economic recovery in the third quarter and growth of 3.5 %, global manufacturing only increased by 2.2 % in the final quarter of 2011. Based on preliminary data, the Kiel Institute for the World Economy (IfW) is anticipating global GDP growth of 3.8 % in 2011, compared to 5.1 % the year before. Economists from the World Bank published a forecast of economic trends for 2012, and they expect a 2.5 % decline in the worldwide GDP in the current year.

Excellent economic conditions, particularly in the important sales region of Asia

The World Bank believes that the European debt crisis has also had a mild negative economic effect on Southeast Asia, a region that is important for Manz AG. The World Bank predicts GDP growth of 8.2 % in 2011 (2010: 9.7 %). In 2012, GDP growth in that region will be somewhat weaker still than in the previous years – although at 7.8 %, that is clearly higher than the global economy.[1]

As the world's most important sales market for German engineering firms, the People's Republic of China is particularly important for Manz in Asia. China's economic tendencies in 2011 were similar to those that played out at the global level. As such, the economic dynamics diminished slightly over the course of the year: from 9.7 % growth in real GDP in the first quarter to 9.2 % in the fourth quarter of 2011.[2] Altogether, the IfW calculates an increase in GDP to 9.5 % for 2011. In its foreign trade balance, China increased imports while simultaneously reducing its export volume. Due to expanded investment volume and only mildly weakened private consumption, domestic demand in particular proved to be quite robust. To counter possible overheating in its economy, the Chinese government provided for a gradual cooling in its current five-year plan. It remains to be seen whether or not the government can manage this as planned in a careful process. For the coming

[1] World Bank, Press Release No. 2012/236/DEC from January 18, 2012
[2] National Bureau of Statistics of China

months, the IfW's experts assume that business-cycle dynamics will continue to drop; total economic performance in 2012 is expected to expand to 8.0 %.

On the European level, economic development in the completed 2011 calendar year was primarily influenced by the savings and consolidation policies of most European governments. Apart from that, insecurity in the financial markets due to the growing debt crisis and its impact on the banking sector affected the economic climate. For the EU, the IfW's recently published assessment calculated growth of 1.5 % in 2011 after 1.8 % in the previous year. The International Monetary Fund expects a mild recession (–0.3 %)[3] for the European Monetary Union in 2012.

Stable economic development in Germany despite the Euro and sovereign debt crisis

In a European comparison, real GDP in Germany, Manz AG's domestic market, performed well above the average economic development of most of its neighboring European countries in 2011, improving by 3 % over the previous year.[4] Germany particularly profited from its strong export orientation and at the same time a growing foreign demand for goods "Made in Germany." The booming export economy is not the only reason for a positive economic climate in Germany. Domestic consumption also reached peak levels and supported growth,[5] slightly dampening the dynamics of the German economy: growth rates in the second and third quarters were lower by 0.3 % and 0.5 % in comparison with their respective preceding quarters.[6] GDP actually declined by 0.2 % in the last three months. According to the German government's Council of Experts[7], economic growth is expected to drop to 0.9 % in 2012 due to the effects of the euro and sovereign debt crises.

Despite the difficult global market situation and a noticeable decline in incoming orders in the second half of the year, German engineering was able to develop further in 2011. According to reports by the Verband Deutscher Maschinen- und Anlagenbau (VDMA), production output was up by 12.1 % in 2011 compared to the previous year. In absolute terms, industry revenues totaled 200.3 billion euros (2010: 174 billion euros), with an average production capacity utilization rate of about 85.4 % (2010: 79.85 %). Cumulative exports totaled 141 billion euros in 2011 (2010: 124.8 billion euros), which corresponds to an export ratio of 75.6 % (2010: 76.5 %). China had overtaken the United States as Germany's most important market for engineering exports by 2009, and it proved to be an important driver of growth in the industry in 2011 as well. For the 2012 fiscal year, the VDMA's industrial experts predict stagnant growth in real equipment production.

[3] World Bank, Press Release No. 2012/236/DEC from January 18, 2012
[4] Federal Statistical Office, Press Release No. 010 from January 11, 2012
[5] Federal Statistical Office, Press Release No.435 from November 24, 2011
[6] Federal Statistical Office, Press Release No.421 from November 15, 2011
[7] German Council of Economic Experts, Annual Report 2011/12

Solar Division

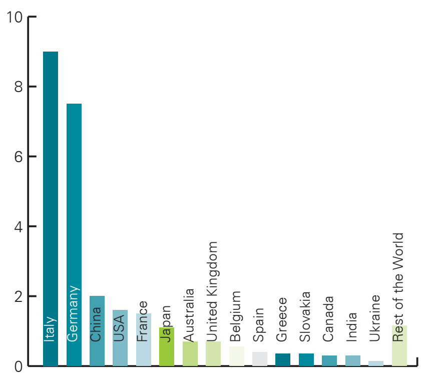
The global photovoltaics market was marked by various, sometimes contradictory developments in 2011. While solar module extensions as well as electricity production from solar energy reached new record highs manufacturers and suppliers suffered from overcapacity and steep declines in prices.

Record investments in solar power in 2011

According to the industry news outlet Bloomberg New Energy Finance (BNEF), approximately 204 billion euros was invested in renewable energy worldwide in 2011, an increase of 5% over the previous year. Despite the difficult market environment in the photovoltaics industry – partly due to overcapacity, a steep drop in solar cell and module prices, declining government subsidies, and difficult credit market access – investments in solar energy clearly had the most dynamic performance with an increase of 36% to a total of 107 billion euros. Investments in the solar market in 2011 therefore exceeded investments in wind power for the first time by almost double – an all the more remarkable achievement against the background of the 2011 financial environment. For 2011, the European Photovoltaic Industry Association (EPIA) specifically announced new installations of 27.7 GW in the worldwide solar industry after 16.6 GW in 2010. That represents nearly 21 GW of newly installed output in European countries.

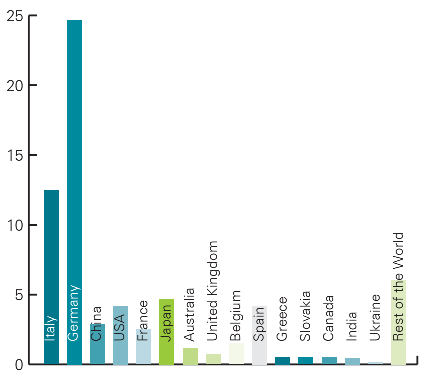
INSTALLED CAPACITY

2011 Newly installed capacity (GW)



Total 27.7

2011 Cumulative installed capacity (GW)



Total 67.4

Source: EPIA, Market Report 2011; January 2012

Apart from the success of the Chinese suppliers on the global markets, manufacturers felt increased pressure to cut costs due to reduced funding particularly in Europe, excessive capacity worldwide, and a resulting drop in prices. According to the industry magazine Photon, production capacity of approximately 67.0 GW exceeded global demand of less than 30 GW for production utilization of less than 50 %. The direct consequences are constant declines in prices to the benefit of the end customer and, at the same time, undiminished technological competition. According to EUPD Research, a five-year comparison indicates that the price level for photovoltaic modules in late 2011 was approximately 65 % lower than the level in mid-2006. In 2011 alone, Photon recorded a price decline of approximately 30 % to 0.99 per watt in crystalline modules.

Declining prices mean further increases in efficiency and cost-cutting at PV manufacturers are required

One positive effect of the high cost pressure and the need for cost reduction by manufacturers is the solar industry's increasing independence from national support programs, bringing it closer to the goal of unrestricted ability to compete with other energy sources.

China is not only the most important worldwide market for Manz AG but, as in the past, the largest manufacturer and exporter of photovoltaic cells and solar modules. Moreover, the People's Republic is becoming one of the most significant sales markets for photovoltaics. After Italy and Germany, China was the third largest photovoltaic market in the world in 2011. Reports on new power installations in 2011 fluctuate between 2.2 GW (National Development and Reform Commission, People's Republic of China) and 2.9 GW (NPD Solarbuzz). The positive performance in the industry in 2011 is also having an impact on the domestic market. While more than 95 % of production was exported in 2009, the domestic market for Chinese manufacturers increasingly became a serious consumer market and 3 GW of new installations have already been recorded in 2012.

After a record year in 2010 (with a market share of approximately 46 % in 2010, by far the largest consumer market worldwide according to IMS Research), Germany can also claim a record for 2011. Based on preliminary figures, the German Network Agency believes that new photovoltaic facilities were installed with a total output of approximately 7.5 GW; additions in 2010 amounted to 7.4 GW. Despite this renewed enthusiasm for installations, Italy outstripped Germany for the first time as the world's leading market with 7.7 GW in newly installed photovoltaic facilities last year. According to the analysts at NPD Solarbuzz, Italy's worldwide share of newly installed power was only 21 % in 2010, approximately half of Germany's share.

Outlook

Bank Sarasin sees annual global growth in new installations of 18% for the period from 2010 to 2015. The bank's analysts expect that the photovoltaic market will become quite a bit more geographically diversified: this means more than ten national markets with annual expansion of at least 500 MW by 2013. Apart from that, BNEF expects many small markets on the order of between 100 and 200 MW to emerge in 2012.

Positive development can be expected in the Chinese solar industry over the coming years as well based on its full order books. According to the industry experts at NPD Solarbuzz, the project pipeline for Chinese photovoltaics manufacturers grew to 20 GW last year.

The Indian solar energy market is predicted to have the world's highest growth potential in the coming years. Market research company GTM Research expects solar installations to increase from 54 MW to 3,000 MW between 2010 and 2016.

Thin-film PV with the highest potential for cost savings and higher levels of efficiency

In terms of technology, Manz AG believes that thin-film photovoltaics is the segment of the solar market with the highest potential for cost reduction and greater efficiency in the future. In the past year, the market for thin-film photovoltaics was characterized by increased capacity among market leaders and a shakeout among manufacturers. Swiss bank Sarasin believes that the number of companies in the industry declined from approximately 150 in 2010 to 100 in 2011. As a result, the top ten thin-film manufacturers in 2013 will only include producers with a capacity of over 500 MW. A forecast to 2020 by the analysts at Det Norske Veritas predicts that the market for thin-film solar modules will grow by 24 % annually and achieve 22 GW of output by 2020.

In the solar system and production solutions segment, Manz AG offers its customers production of crystalline solar cells as well as thin-film solar modules. By developing new concepts in production processes, Manz AG is constantly driving the reduction of manufacturing costs and the increase in efficiency forward, thereby contributing to the move toward grid parity.

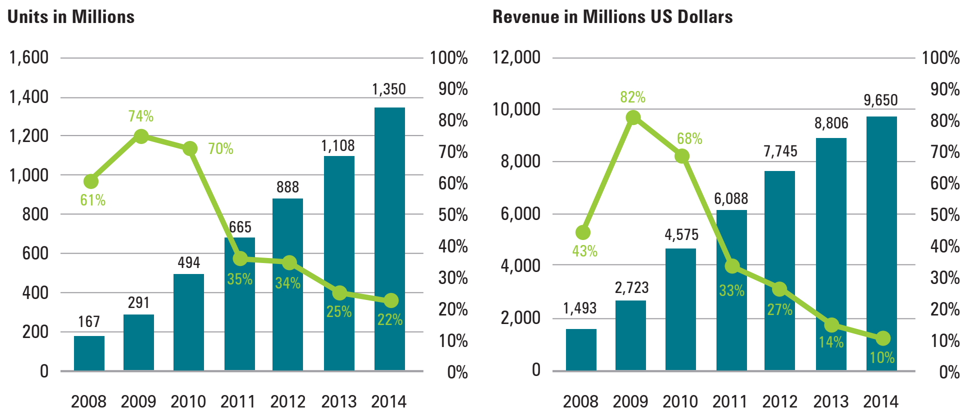
FPD Division

Today's world would be inconceivable without flat panel displays (FPD) – whether as computer screens for laptops, televisions, and industrial operation displays, or touch screen panels for mobile devices such as smart phones, navigation devices, or tablet PCs.

The most growth-intensive and promising subsegment of the FPD market is touch screen panels for mobile devices such as smartphones and tablet PCs. According to a previous-year comparison by Displaybank Korea, touch screen panel sales volume increased by 35 % to 665 million units in 2011. With that, they calculate sales of approximately 6.09 billion US dollars. They predict total sales of 1.35 billion units by 2014 (+170 % over 2010) and sales volume of 9.65 billion US dollars. This increase will particularly be led by the booming market for smart phones, netbooks, and tablet PCs.

FPD market booming thanks to strong demand for touch-screen panels

TOUCHSCREEN PANEL MARKET GROWTH



Touch-screen-panel worldwide (a) units and (b) revenue are forecasted to show year-over-year growth from 2008 to 2014. Source: Displaybank Touch-Screen Market and Issue Analysis, March 2011.

Total TSP Units
Year/Year Growth

Total TSP Revenue
Year/Year Growth

The market for flat-screen televisions was also influenced by LCD screens in 2011. DisplaySearch believes they accounted for an 84 % share of the total television market; its analysts calculate growth to 210 million units in 2011 after 192 million in the previous year. With the introduction of new technologies such as LED and 3D, the price level in the LCD segment stayed relatively stable in 2011 and was estimated to be only 7% below that of the previous year. The industry can nonetheless calculate a slight increase in turnover in 2011 due to increased total sales volume. Higher demand in emerging markets such as China, India, South America, and the Middle East are responsible for the growth in sales; in these regions, they foresee an average of 17 % growth annually over the next four years. With sales of 46 million flat screens, China became the world's largest market in 2011 – ahead of North America and Europe.

Manz AG is represented in the value-added process by FPD manufacturing with both the automation of the production process as well as in the coating field and the complete wet chemical process chain and can thus participate in the great potential in this industry.

New Business Division

In the New Business division, Manz AG concentrated its years of expertise as a high-tech engineering company on various future technologies. It focused primarily on manufacturing technology and optimized production processes for lithium-ion batteries – its strongest sales and growth subsegment, particularly for the auto industry. In this, the company can use the synergy effects of its other lines of business as well as the expertise gained in its acquisition of the Majer company in early 2008.

The total number of registered motor vehicles (cars, trucks, and buses) passed the billion mark for the first time in 2010. The People's Republic of China easily led in newly registered cars in 2010 with approximately 14 million vehicles; the United States followed with about six million and Japan with about four million. Particularly against a background of limited oil reserves, increasing gasoline prices, and heightened environmental pollution due to traffic and the rapid increase in the number of cars in emerging economic powers like China, the urgency of new and innovative ideas for mobility is clear.

Electric-powered cars as the new transportation concept of the future

Hybrid-electric vehicles are already widely accepted around the world and particularly in markets such as China and India. According to the Global E-Mobility-Survey 2011, 92% of Indians and 88% of Chinese people have already decided that their new car purchases in the next five years will be electric cars. At least 57% of those surveyed in Germany and the United States said they would do the same. The topic of electric vehicles is therefore going to be a vigorous driver for the auto industry. The introduction of commercially produced plug-in hybrids such as the Chevrolet Volt last year or the electric smart car from Daimler and other models by BMW, Ford, and Toyota in 2012 proves this. Pike Research estimates over 257,000 plug-in hybrid sales worldwide in 2012; approximately 43% of those will be in the Asia and Pacific region, 26% in North America, and 24% in Western Europe. The trend is clear: the market for electric vehicles is a strong emerging growth market. According to Roland Berger Strategy Consultants, the market volume for lithium-ion batteries will increase from 1.5 billion to approximately 9 billion US dollars in the next four years.

As an equipment manufacturer and engineering company with its anticipated long-term investment volume in production systems of up to 5 billion euros, Manz AG sees immense market potential for its own New Business division.

The cost of lithium-ion batteries for electric cars is still very high; however, Manz AG's solutions offer the necessary cost-reduction potential and will play an important role in helping the technology in this field become mainstream.

Printed Circuit Board/OEM Reporting Segment

According to the German Electrical and Electronic Manufacturers' Association (Zentralverband Elektrotechnik- und Elektronikindustrie e.V., or ZVEI for short), the global market for printed circuit boards grew by approximately 7.9 % to 54.6 billion US dollars in the 2011 fiscal year. The experts from ZVEI primarily view growth in the Asia and Pacific region and Japan as the key drivers of this trend. In addition, the market for printed circuit boards in Europe grew by 7 %, from 5.9 billion US dollars to 6.4 billion US dollars. According to calculations by ZVEI, the German market could grow by around 5.4 % to approx. 1.4 billion euros. Automotive electronics and industrial electronics are two fields particularly responsible for this growth.

Overall View of the Business Environment

Manz AG can look back on a successful implementation of its strategy to diversify and integrate its Solar, FPD, and Lithium-Ion Battery divisions in the 2011 fiscal year, and prospects are good for the 2012 fiscal year. In our Solar division, Manz also has to contend with a demanding market environment in 2012. Business success depends quite a bit on the future willingness of market participants to invest. High production capacities were built up in the FPD segment based on the investment boom in recent years. It is unclear how the FPD industry will develop in the future. Manz sees its greatest growth opportunities in the New Business/Lithium-Ion Battery division. Due to the upward trend in the electric vehicles sector, the demand for corresponding product lines for lithium-ion batteries will also grow briskly. Manz AG forecasts stable market development in the PCB/OEM reporting segment.

Company Goals and Strategy

Growth through diversification and technological leadership

Manz AG pursues the strategic goal of further expanding its position as global technology and market leader for integrated system solutions for crystalline solar cells and thin-film solar modules, the manufacture of flat panel displays, and lithium-ion batteries. Based on the needs of our customers in the photovoltaic industry to cut production costs and increase efficiency, we want to position our company as an essential partner in the manufacture of solar cells and modules. And in the field of flat panel displays and lithium-ion batteries, Manz AG also wants to further improve its already excellent market position through the use of cross-industry technological synergies and the development of innovative manufacturing solutions. Regardless of industry, Manz AG also pursues the goal of continually optimizing our sales and services in order to both maintain and increase our market share.

Manz AG's Diversification and Integration Strategy

Through the diversification of our business model across several industries and the simultaneous integration of key technologies in several divisions, our company wants to position its business activities more broadly and more flexibly overall, and at the same time make it more resistant to cyclical fluctuations. At the same time, this gives Manz AG the ability to utilize technological synergies and make our business model more efficient.

Research is the Key to Success

Our company's competitive ability is built on innovation. That is why we strive to systematically make advancements to innovative technologies – through our own research and development activities, as well as through alliances with strategic partners. Our goal is to offer new solutions with increased efficiency and, as a result, lower production costs in accordance with the market's needs.

Positioning Manz as a Company Driving Innovation in Our Industries

Our goal here is to position Manz as the "preferred supplier" in the photovoltaic market. In this context, offering new, innovative products and making continuous advancements to our existing range of products both play a particularly important role. Through the cross-industry application of common key technologies in the photovoltaic and FPD segments, Manz AG also wants to establish innovative manufacturing solutions in the

FPD industry. As a high-tech engineering firm with decades of experience in research and development, our company wants to help the sunrise industry for lithium-ion batteries move mainstream by further increasing efficiency and cutting production costs, benefiting from these growth opportunities at the same time. Overall, Manz AG wants to develop groundbreaking technologies and move the industries forward as a company driving innovation.

Investments in Technologies

In addition to acquiring new technologies to expand our existing range of products, our goal is to develop new high-tech products in all our divisions in order to increase our share of the value chain with regard to production lines. Doing so will help our company expand its leading global position.

Strengthening our Position as Technological Market Leader

In order to maintain and expand our existing competitive advantages and, as a result, our leading position in the market, we need to continue expanding our technological lead over the competition. Alongside research and development activities, inorganic growth plays an key role in expanding the range of technologies and products our company offers. By purchasing technologies and making targeted acquisitions, Manz also acquires technical expertise. This allows our company to create an even wider foundation for our business operations and strengthen our competitive advantage.

Expanding our Foreign Presence

Manz AG's overseas locations represent one of our company's key advantages, particularly those in Asia, where our most important customers and sales markets are located. In the future, we plan to more intensively make use of this competitive lead over our competition in order to realize cost benefits.

COMPANY SITUATION

Group Structure and Holdings

Altogether, 19 companies are included in Manz AG's consolidated financial statements dated December 31, 2011, and they are therefore fully consolidated. On the reporting date, Manz AG, as the Group's parent company, held a 100 % interest in six international subsidiaries, two domestic subsidiaries located in Reutlingen and Tübingen, three second-tier subsidiaries in China, and two second-tier subsidiaries in Taiwan. In addition, Manz has a second-tier subsidiary in India, two third-tier subsidiaries in the British Virgin Islands, and a third-tier subsidiary in China. Two subsidiaries are based in Hungary, and one subsidiary each is located in the United States, Slovakia, Israel, and Hong Kong.

In the 2011 fiscal year, Manz AG's products and services were grouped into the "Solar," "FPD," and "New Business," divisions, and the "Printed Circuit Board / OEM" and "Others" reporting segments. The Printed Circuit Board / OEM segment was retroactively established in the 2010 fiscal year to take the corresponding share of earnings resulting from our third-party semiconductor business and the resulting obligation to report this segment individually pursuant to IFRS 8 into account.

If the "PCB / OEM" reporting segment's share of total revenues declines in the future, however, Manz AG may no longer be required to report this segment. In contrast, the operative segment Others does not need to be reported, since it does not fulfill the key requirements set forth in IFRS 8.


MANZ AG
100 %
Manz Tübingen GmbH
Tübingen / Germany
100 %
Manz Coating GmbH
Reutlingen / Germany
100 %
Manz Asia Ltd.
Hongkong / China
100 %
Manz Hungary Kft.
Debrecen / Hungary
100 %
MVG Hungary Kft.
Debrecen / Hungary
100 %
Manz Slovakia, s.r.o.
Nove Mesto nad Vahom / Slovakia
100 %
Manz USA Inc.
North Kingstown / USA
100 %
Manz Israel (T.A.) Ltd.
Petach Tikva/Israel
100 %
Manz Chungli Ltd.
Chungli / Taiwan
97.2 %
Manz Taiwan Ltd.
Chungli / Taiwan
100 %
Manz China Suzhou Ltd.
Suzhou / China
100 %
Manz China Shanghai Ltd.
Shanghai / China
75 %
Manz India Pvt. Ltd.
New Delhi / India
100 %
Manz China WuZhong Ltd.
Suzhou / China
100 %
Manz (B.V.I.) Ltd.
Road Town / British Virgin Islands
100 %
Intech Machines (B.V.I.) Co., Ltd.
Road Town / British Virgin Islands
100 %
Intech Machines (Shenzhen) Co., Ltd.
Shenzhen / China

INTERNATIONAL LOCATIONS AND PROFILES

27 NATIONS

Employees and managers from 27 different countries work in our group's various subsidiaries

33 PERCENT GROWTH IN SALES

Compared to the previous year, revenue increased to 240.51 million euros with a positive EBIT.

1,912 EMPLOYEES

Compared to 2010, the company increased its workforce by 144 people.

1 **Germany**
Reutlingen, Tübingen, Karlstein, Leipzig
Production, Sales & Service

2 **Hungary**
Debrecen
Production & Service

3 **Slovakia**
Nove Mesto nad Vahom
Production, Sales & Service

4 **USA**
North Kingstown
Sales & Service

5 **Taiwan**
Taoyuan, Taichung, Tainan
Production, Sales & Service

6 **South Korea**
Seoul, Incheon
Sales & Service

7 **China**
Shanghai, Suzhou, Wuxi, Yingkuo, Huaian, Jiangyin, Ningbo, Longhua, Xiamen
Production, Sales & Service

8 **India**
New Delhi, Calcutta, Bangalore, Hyderabad
Sales & Service

9 **Israel**
Petach-Tikva
Development

Employees

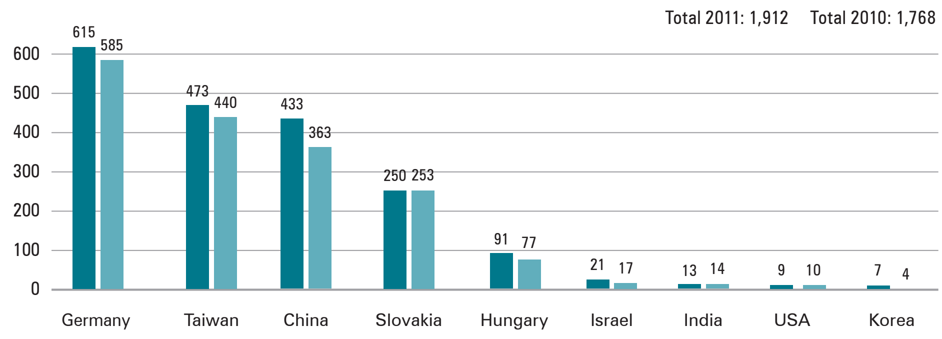
Employee Structure

Qualified and motivated employees form the foundation of our company's long-term success. As of December 31, 2011, Manz employed a total workforce of 1,912 (2010: 1,768) both in Germany and abroad, of which 440 employees worked at our company headquarters in Reutlingen.

That means that the workforce continued to grow in 2011. Continuously expanding our portfolio of technologies and products through research and development is an integral component of our company's strategic orientation. As part of implementing this strategy, Manz has continued to increase the number of employees at German locations, particularly those working in research and development.

Based on the number of employees, the largest subsidiary in the Group is Manz Taiwan Ltd. in Taiwan, with 473 employees, followed by Manz China WuZhong Ltd. in China, with 433 employees, and Manz Slovakia with 250 employees.

EMPLOYEES BY COUNTRY



Employees as of Dec. 31, 2011
Employees as of Dec. 31, 2010

To ensure that Manz AG remains a technological leader, our Manz Academy offers educational seminars and advanced training courses to continuously foster and develop the company's employees. At Manz, we recognize how important our employees are to our company's performance – which is why we have also launched a number of different measures like the workplace day-care program. Additional information on this can be found in our Sustainability Report.

Products and Stages of the Value Chain

In the past few years, Manz AG has developed from an automation specialist to a high-tech engineering company in global growth markets such as photovoltaics, flat panel displays, and lithium-ion batteries. As such, the company has benefited from over 20 years of experience in robotics, control technology, image processing, quality management, laser processing technology, and wet chemical processes. Many of the systems already hold a leading position in the global market today – with respect to their technological standard as well as their performance and quality.

Products in the Solar Division

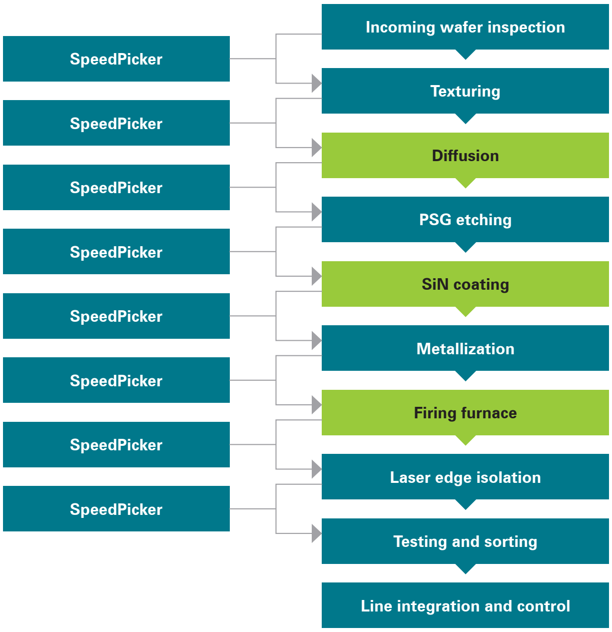
Manz now covers 90% of the solar cell and module manufacturing value chain

The Solar division comprises system solutions used to manufacture crystalline solar cells as well as thin-film solar modules. By opening the Development Center for Vacuum Coating Technology in Karlstein, the future share of equipment developed and manufactured within the Manz Group will increase up to 90% – both for crystalline solar cells and thin-film solar modules. Furthermore, by signing an agreement during the previous fiscal year to take over production on the CIGS solar module innovation line on January 1, 2012, Manz has set another milestone on the way to a leading position in the market as a supplier of fully integrated and profitable CIGS production lines (CIGSfab). The solar industry is currently going through a period of steep decline in prices for solar cells and modules as well as industry-wide business consolidations. Manz AG's products open up the potential for greater efficiency and therefore savings to customers worldwide. This offers them the opportunity to meet increasing competitive challenges.

Crystalline Solar Cells Segment (c-Si)

In the process of complete solar cell production, Manz AG focuses its many years of expertise as an engineering firm on preparing silicon wafers for photovoltaic cells. When developing new processes, our emphasis is on the economical manufacture of solar cells. Precise, fast, and highly efficient processing facilities provide higher cell efficiency as well as longer takt times with minimal breakage rates.

PROCESS STEPS FOR MANUFACTURING CRYSTALLINE SILICON SOLAR CELLS



supply share Manz AG
supply share third-party suppliers

VALUE-ADDED CHAIN

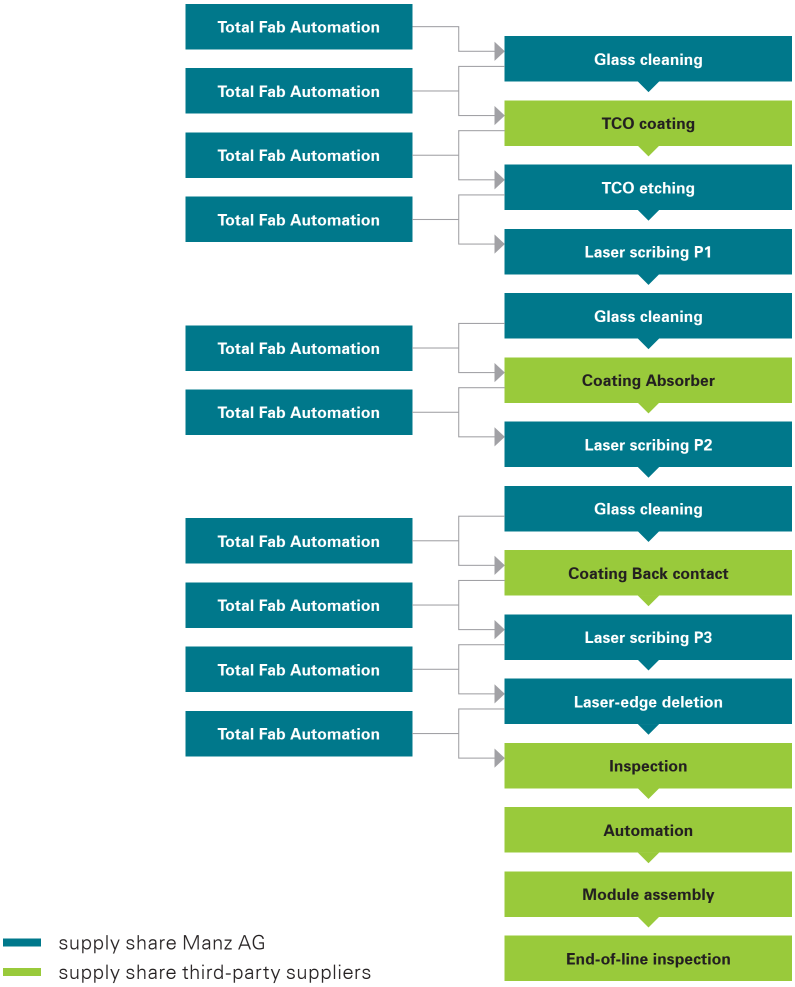
Silicon manufacturer	Wafer producer	Solar cell manufacturer	Module manufacturer	System service provider
Manufacture of pure silicon	Manufacture of silicon slices (wafers) made from pure silicon	Processing silicon slices into photovoltaic cells	Wiring solar cells and manufacturing modules	Combination of modules, component parts (inverter modules,cables, etc.) and assembly solutions; Sales

Thin-Film Solar Module Segment

Thin-film solar cells are manufactured by vapor-depositing layers of conductive and semiconductive materials only a few micrometers thick on glass substrates. Despite the general drop in prices for crystalline solar cells, manufacturing costs for thin-film technology are lower. This price advantage compensates for the relatively low module efficiency in comparison with crystalline photovoltaics because a correspondingly high number of thin-film modules can be installed for positive cost outcome. A clear advantage of thin-film solar modules is that they achieve better results than crystalline cells in diffuse sunlight (for example, in the shade or when the sky is cloudy). At the same time, because of better temperature coefficients, they are also very well suited for use in hot climate zones

In the division for individual pieces of equipment, Manz concentrates on continued development of process steps such as laser scribing, mechanical scribing, and laser-edge ablation. In the field of laser scribing, Manz AG is the global market leader with a market share of around 60 %. Facilities for wet chemical etching and cleaning as well as the "Total Fab Automation" concept round out the extensive thin-film solar module portfolio. Moreover, with its CIGSfab, Manz AG has an excellent position from which to benefit from future growth opportunities in this field.

PROCESS STEPS FOR MANUFACTURING THIN-FILM SOLAR MODULES



Products in the FPD Division (Flat Panel Display)

The Manz Group is represented in the value-added process in the manufacture of flat panel displays (FPDs) with both the automation of the production process as well as the complete wet chemical process chain.

Manufacturing FPDs (flat panel displays) such as LCDs (liquid crystal displays) or OLEDs (organic light-emitting diodes) must be carried out under stringent clean-room conditions. This makes specific demands on the production systems and technologies that are used. The low failure rate and high throughput rate of Manz AG's production solutions are what distinguishes our products in the FPD segment. Besides the stringent requirements with regard to clean room conditions and breakage rates, the substrate sizes used in LCD manufacturing of up to 6 square meters at a maximum thickness of 0.7 mm make it impossible to handle the substrates manually. Manz AG can offer companies fully automated systems that, aside from automation systems for loading and unloading inline sputter systems, also include systems for laser-cutting glass substrates as well as conducting inline inspections. The clean-room suitability of all of Manz's systems has been certified by the Fraunhofer IPA Institute.

Manz sets new manufacturing standards in the FPD industry through the cross-industry use of internal expertise as a high-tech engineering firm

Thanks to Manz Asia, the Manz Group has expanded its product range to include wet chemical processing equipment for the LCD industry. This covers processes such as etching, stripping, and cleaning within the scope of manufacturing LCD displays. The product range also includes wet chemical processing equipment for reworking – namely, the complete removal of all layers so that a glass substrate can be recycled back into the production process.

For FPD manufacturing, Manz AG can present system and production solutions that set new technological standards in the industry. Manz AG's enthusiasm for innovation and development, synergically using years of accumulated expertise in mechanical engineering across industries, makes this possible.

Products in the New Business Division

In our New Business division, Manz AG is focusing primarily on facilities for manufacturing lithium-ion batteries for electric vehicles. Manz sees an excellent opportunity to benefit from the growth potential in the electric vehicles megatrend and the dramatic changes in the auto industry. With its research and introduction of innovative production technology, Manz is actively contributing to establishing the products in this young growth industry on the market.

The foundation for Manz AG's expertise in this future-oriented business is the successful synergy from its own long years as a high-tech engineering company and the expertise of the Majer company that it took over in early 2008. This introduced decades of experience in the paper and plastic film processing market segment to the company. Moreover, the experience gained during the commercialization of the FPD and solar industries can be applied in this new, promising market segment.

Advancing young sunrise industries through the development and introduction of innovative production technologies

Machines for the manufacture of lithium-ion batteries have been developed and produced since the beginning of 2009. In addition to the ongoing development of new system solutions, Manz has also decided to pursue the advancement of manufacturing technologies for the mass production of lithium-ion batteries. Our services in this segment now range from battery cell manufacturing (reel to cell) to assembling the individual cells into a battery system (cell to system).

Products in the Printed Circuit Board/OEM Reporting Segment

In the PCB/OEM subsegment, Manz AG primarily manufactures equipment for the semiconductor industry as an OEM. These activities serve to better utilize production capacities. In this context, Manz AG is one of the global market leaders when it comes to wet-chemical processes and automation in the manufacture of systems to manufacture and process printed circuit boards.

Research & Development

Research and development activities play a critical role in the success of any high-tech engineering company. This is why Manz has made the strategic decision to continuously invest in new developments – now and in the future. In the 2011 fiscal year, we intensified our activities in the field of research and development. Manz AG had a total ratio of research costs to sales of 10.2 % in the reporting period (previous year: 11.3 %). If we only consider capitalized development costs, the ratio of research costs to sales totals 5.6 %. In 2012, Manz will continue down the same path in order to further reinforce our position as a leader driving innovation in growth industries by continuously expanding our range of technologies and products. Manz views patents as an important instrument to safeguard the results of complex and cost-intensive research and development activities from counterfeiters.

Investments in research and development a key component of Manz's future growth

It is the company's stated goal to continue to develop existing products and to bring new, integrated system solutions to the market. In that way, the company operates across industries. With the transfer of expertise between the solar, flat panel display, and New Business segments, the company is positioned to present customers with new, innovative, and high-performance developments. At the same time, Manz is organizing its own business model to be broader and more flexible for the future. The measures that Manz AG is taking in research and development continually solidify its excellent market position.

Facilities in the Solar Division

In June 2011, the Solar division at Manz AG was given the 2011 Intersolar Award for PV production technology for its research efforts. With that award, the independent jury of experts acknowledged the OneStep selective emitter that Manz AG had developed. The equipment stands out for its high efficiency and the profitability of the process.

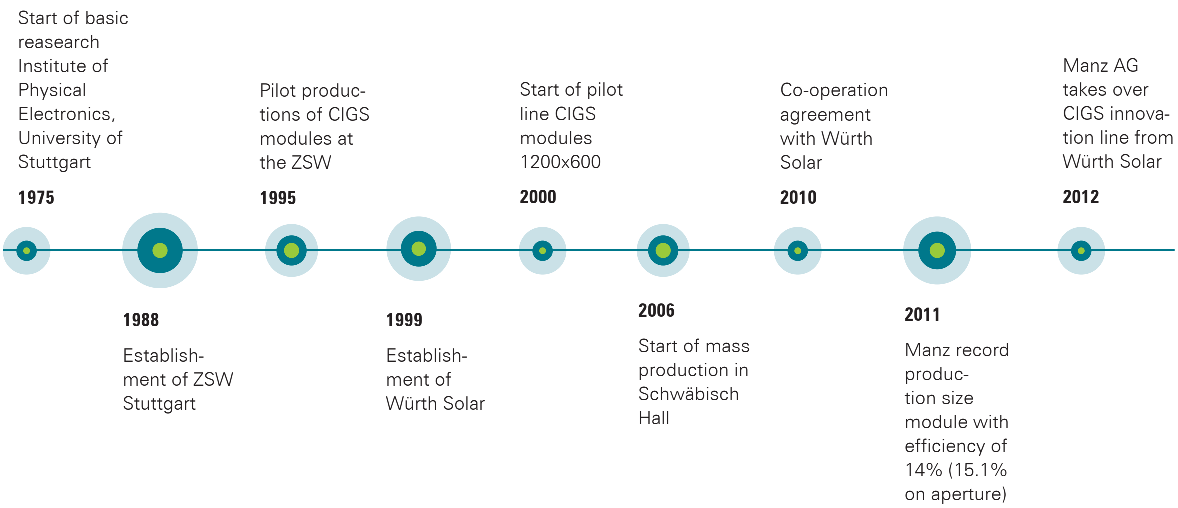
By using the OneStep selective emitter, Manz AG offers its customers an efficiency increase of up to half of a percent along with lower production costs. It generates highly doped areas in the emitter of a crystalline silicon solar cell through a laser-based process. The use of additional consumable parts is completely unnecessary and energy use is kept to a minimum. Thanks to the specially adapted laser profile, this enables higher efficiency without damaging the emitter. At the same time, the use of environmentally harmful chemicals is greatly reduced in solar cell production. Due to the low additional production costs, Manz OneStep SE paid for itself within a year and, through the savings it created, directly increased the attainable profit margins.

Additionally, Manz AG introduced the latest generation of the SpeedPicker automation system at the EU PVSEC last year in Hamburg. This further development of the SpeedPicker 1.0 that was introduced in 2010 is perfectly adapted to the specific challenges of manufacturing crystalline solar cells. The new SpeedPicker 1.1 proves itself with a throughput rate of up to 5,000 wafers per hour. And with a breakage rate of 0.05 %, Manz AG's equipment is the global leader in the industry.

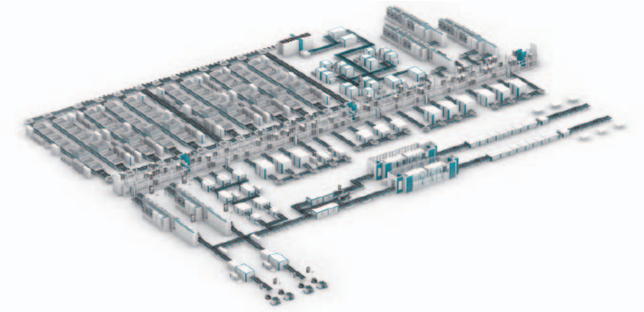
CIGSfab

Thanks to the innovation line, in the future the advancement of CIGS technology will proceed even more rapidly

In July 2010, Manz AG entered into a know-how licensing and partnership agreement with Würth Solar GmbH & Co. KG and the Centre for Solar Energy and Hydrogen Baden-Württemberg (ZSW). This enabled Manz to become the first company in the world to offer an integrated, turnkey production line for manufacturing CIGS thin-film solar modules – CIGSfab. Effective January 1, 2012, Manz completely took over the facility in Schwäbisch Hall, including 118 highly qualified employees. Würth Solar's licensing, expertise, and research partnership with the ZSW were also transferred to Manz AG. In the future, the prior production line will operate with the goal of driving research and development of CIGS technology more quickly than before and therefore reducing production costs as well as further increasing module efficiency.



With the establishment of an innovation line at the Schwäbisch Hall location, Manz has made a significant contribution to quickly reducing costs per watt – one of the photovoltaics industry's central themes. Long-planned milestones such as optimizing manufacturing processes, increasing efficiency, and economizing materials to thereby reduce production costs can now be reached sooner than planned as research is intensified. With this step, Manz AG is fulfilling its role as a technological leader in the thin-film photovoltaics industry and offering solar manufacturers around the world an economically attractive production solution.



Manz has the world record module with an aperture efficiency of 15.1 %

In a short time, Manz AG, in partnership with Würth Solar and the ZSW, developed a record-setting module with aperture efficiency of 15.1 % in production format in 2011. Moreover, when it comes to CIGS technology, the ZSW currently holds the world record for cell efficiency, having achieved 20.3 %. This makes CIGS modules the world's most efficient form of thin-film technology.

Based on the ZSW's technological expertise and Manz AG's many years of experience with production and system solutions in the solar industry, the company can present its customers a convincing roadmap for technology and costs and thereby ensure the highest level of investment security. With CIGSfab, Manz currently offers a production line for thin-film solar modules with the world's highest level of efficiency (currently 14.4 %) on an aperture area of 600 × 1,200 mm.

Equipment in the FPD Division

In the flat panel display segment, Manz AG's next generation of the Slit Coater offers a unique facility for producing large panels, joining technology from the field of wet chemistry and the photovoltaics segment. Key technologies from Manz's photovoltaics equipment are used in the Slit Coater, such as the Manz SpeedPicker's multi-axis drive for loading and unloading and the air suspension control technology that was originally developed for laser scribing thin-film modules.

A lead over the competition when it comes to innovating thanks to the cross-industry transfer of technology

The Slit Coater is used in the array area of litho production manufacturing for flat screen displays. It transfers and coats large panels more efficiently than conventional coaters. The Slit Coater, unlike traditional coating equipment, can be mounted directly on the conveyor belt – thus Manz's equipment enables improved homogeneity and quality in the photoresist coating process and prevents scratches and static electricity.

The Slit Coater is also a clear example of the success of Manz AG's diversification strategy, technology transfer across industries, and innovative power.

Equipment in the New Business Division

In the New Business division, Manz AG is primarily developing equipment for use in lithium-ion battery production. Since July 2009, Manz AG along with the Karlsruhe Institute of Technology, Deutsche Accumotive GmbH & Co. KG, Evonik Litarion, Li-Tec, and Daimler AG has participated in an innovation alliance with the strategic goal of developing, establishing, and extending innovative production technology for lithium-ion batteries in Germany. The success of this research project was proven with the announcement of the start of German production of lithium-ion batteries for the electric version of the smart car in 2012. Through our participation in this industrial partnership, Manz acquired unique expertise and has gained an outstanding initial position from which to establish ourselves over the long term as a leading system supplier in this dynamic growth market.

This research engagement has resulted in innovative products such as the anode-cathode cutter, the Z-Folder, laser cutting equipment, and laser welding equipment. Here, all products are characterized by their unique high precision and efficiency. In the cell field with its single-sheet cutter, Manz AG offers fully automated laser-technology-based equipment for cutting individual electrode sheets. Thanks to laser cutting, the machine has a particularly uniform edge quality and high cutting speed. To ensure careful treatment of the electrode sheets, the electrode cutter combines laser technology with the gripping mechanism of the SpeedPicker and simultaneously enables low maintenance costs.

The products in the lithium-ion battery segment are not only available as single solutions but as mutually coordinated and integrated production solutions. So for example, the electrode sheets can be directly further processed by combining the single-sheet cutter with the Z-Folder. The individual electrode sheets are isolated from each other by a folded separator in the "Z" process. Electrode sheets and separators form a battery cell stack that is monitored in its actual deposit precision with optical measuring systems and is automatically corrected.

Thanks to Manz's own innovative spirit in the field of lithium-ion batteries, the company is participating in the growth of the sunrise market for electric transportation

Altogether, apart from electrode manufacturing, Manz AG covers the value-added chain in the production of lithium-ion batteries almost entirely with its own products and can help these growth industries achieve industrially economical production with its research and development results.

Equipment in the PCB/OEM Segment

In the PCB/OEM subsegment, Manz AG sells equipment to manufacture and process printed circuit boards. In this context, the company can make use of existing technologies in the field of wet-chemical processes and automation that were originally developed in other divisions. As a result, Manz AG does not conduct active research in the PCB/OEM segment.

Sales and Marketing

With close to 90 % of total revenues generated outside of Germany, Manz AG has an extremely international customer base. Manz AG's creation of an independent marketing department specifically for Asia emphasizes the importance of these markets to our company. Since last fiscal year, Manz AG's company Web site has presented itself to interested parties not only in German and English, but also in two Chinese languages (Mandarin and Cantonese). Furthermore, Manz has already initiated numerous sales and marketing measures in the past to increase the visibility and profile of the Manz brand and our products. In addition to the Technology and Training Center (TTC), which our company opened in May 2008, Manz also opened a Customer and Conference Center (MCC) in early 2009 to provide customers with an ideal level of support at Manz AG's headquarters in Reutlingen. In doing so, Manz has created the perfect organizational conditions to achieve all of its corporate goals.

Our company's comprehensive sales and marketing concept is also complemented by other activities such as participating in 36 trade fairs and regularly issuing a customer magazine. Last year, Manz AG also attended more fairs in the electric vehicle and lithium-ion battery fields. On top of that, Manz regularly places advertisements in both online and print media. By participating in exhibitions both in Germany and abroad, such as the 26th European Photovoltaic Solar Energy Conference and Exhibition (EU PVSEC) in Hamburg, Germany, the 5th International Photovoltaic Power Generation Conference and Exhibition (SENEC) in Shanghai, China, and the Battery Technology Expo in Detroit, Michigan, Manz remained in close contact with existing and potential customers.

Worldwide sales were targeted to safeguard and expand market share, and in particular the lithium-ion battery sales teams in the United States and Asia were reinforced with additional experienced employees. All in all, our company now has a sales team of 56 highly qualified and dedicated specialists at its disposal whose main focus lies particularly on selling the high-value products in Manz AG's Solar, FPD, and Lithium-Ion Battery divisions.

In addition to having a local presence close to clients, providing comprehensive services and reacting rapidly are key to a successful sales structure. Providing these services is a cornerstone of our sales strategy and ensures that we remain in constant contact with our clients, offering Manz competitive advantages as a result. Our local services include regular maintenance of equipment, providing clients with spare parts and, in particular, reacting quickly (within a maximum of two hours) in case of a malfunction. In order to meet these requirements, Manz only delivers equipment outside of Europe to markets where we also have service locations and where Manz employees can ensure that our customers can receive rapid expert support.

NOTES TO THE RESULTS AND ANALYSIS OF THE FINANCIAL SITUATION

Earnings Position

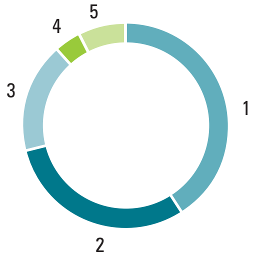
In fiscal year 2011, Manz AG was able to increase revenues in all reporting segments thanks to the company's systematic implementation of its diversification and integration strategy. Overall, the company generated total revenues of 240.5 million euros. After generating 181.4 million euros last year, this represents an increase of 32.6 %.

Record revenue of 240.5 million euros in 2011

In this context, the Flat Panel Display (FPD) reporting segment grew significantly and led all other divisions in revenues generated in the 2011 fiscal year. Driven by the high demand for smartphones and tablet PCs, revenues in the segment grew by 67.7 % year-over-year to 98.5 million euros (previous year: 58.8 million euros). This is equal to approximately 41.0 % of total Group revenues. Despite the situation in the solar market, which remains difficult, Manz AG succeeded in increasing revenues in the Solar segment by 10.5 % year-over-year to 72.6 million euros (previous year: 65.7 million euros), with the division's share of total revenues falling to 30.2 %. The thin-film solar subsegment particularly grew a significant amount as a result of two substantial orders. Revenues here tripled to 31.8 million euros (previous year: 10.5 million euros), whereas revenues in the crystalline solar cell subsegment declined from 55.3 million euros to 40.9 million euros. The company achieved the highest growth rates in the New Business division. Revenues here grew by 160.5 % year-over-year, from 3.6 million euros last year to 9.5 million euros in 2011. These revenues were generated from the sale of equipment for manufacturing lithium-ion batteries. In addition,

Distribution of revenue across the segments is proof of Manz's successful diversification strategy the PCB/OEM reporting segment generated 41.9 million euros, or about 17.4 % of total revenues (previous year: 38.8 million euros), while the Others segment generated 18.0 million euros, equal to 7.5 % of total revenues (previous year: 14.5 million euros).

REVENUES BY BUSINESS UNIT 2011

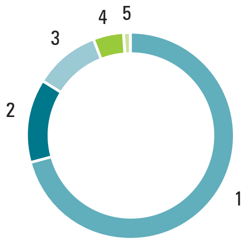


1	**41.0 %**	FPD
2	**30.2 %**	Solar
3	**17.4 %**	PCB/OEM
4	**3.9 %**	New Business
5	**7.5 %**	Others

Looking at the distribution of revenue by region, we see a similar breakdown as in 2010. Manz once again generated the lion's share of its revenues in Asia in the 2011 fiscal year. With total revenues of 171.7 million euros, the company generated 71.4 % of total revenues in this region (previous year: 126.0 million euros/69.5 %). In Germany, Manz AG generated revenues of 25.1 million euros; this is equal to a 10.4% share of total revenues (previous year: 18.3 million euros/10.1 %). In contrast, revenues generated in the rest of Europe decreased slightly, totaling 31.8 million euros (previous year: 32.3 million euros). This corresponds to 13.2 % of total Group revenues in 2011 (previous year: 17.8 %). In the previous fiscal year, moreover, Manz generated 11.6 million euros, or about 4.8 % of total revenues, in the United States (previous year: 4.1 million euros/2.3 %), as well as 0.3 million euros, or about 0.2 %, in the remaining regions (previous year: 0.6 million euros/0.3 %).

REVENUES BY REGION 2011

Asia remains the most important sales market for Manz AG



1	**71.4 %**	Asia
2	**13.2 %**	Rest of Europe
3	**10.4 %**	Germany
4	**4.8 %**	USA
5	**0.2 %**	Other regions

Taking changes to our inventory of finished goods totaling 13.1 million euros (previous year: 9.6 million euros) as well as internally produced and capitalized assets totaling 13.2 million euros (previous year: 14.0 million euros) into account, Manz AG's total operating revenues increased from 205.0 million euros in the previous year to 266.8 million euros. In this context, the internally produced and capitalized assets resulted from our intensive research and development activities in the fields of CIGS, wet chemistry, laser technology, and lithium-ion batteries, among others. The changes to our inventory of finished goods are primarily due to the fact that at the end of the 2011 reporting period, Manz AG manufactured standard components for stock in order to increase our supply availability and be able to react quickly and flexibly to increasing demand. As a result of our expanded business operations, our cost of materials climbed in the 2011 fiscal year from 121.6 million euros to 158.5 million euros. At 59.4 %, our cost of materials ratio remained stable year-over-year (previous year: 59.3 %). The German accounting term "Rohergebnis," which is similar to gross profit or loss, is a figure that includes total revenues, changes in inventory of finished and unfinished goods, cost of materials, and other operating income. Together with other operating income of 4.5 million euros in the reporting period (previous year: 6.4 million euros), this figure grew to 112.8 million euros after totaling 89.9 million euros last year.

As a result of the Manz's revenue growth, particularly in Asia, the number of people employed by the company increased from 1,768 employees on the reporting date last year to 1,912 employees on December 31, 2011. In addition, many of the salary cuts carried out in Asia as a result of the economic and financial crisis in 2009 and 2010 were once again increased. As a result, personnel expenses rose from 51.7 million euros during the same period last year to 64.6 million euros this year. In light of the increase in total operating revenues, the company's personnel costs ratio improved from 25.2 % in the 2010 fiscal year to 24.2 % in the current reporting period.

Write-downs in the 2011 fiscal year increased from the previous year's total of 9.3 million euros to 11.2 million euros, stemming primarily from scheduled write-downs on property, plant, and equipment as well as internally developed and capitalized assets (research and development costs). This also includes a scheduled write-down on the licenses to CIGS technology totaling approximately 2.0 million euros. As a result of our expanded business activities in the reporting period, other operating expenses increased to 33.8 million euros (previous year: 28.3 million euros). This increase resulted from an increase in sales and marketing, consulting, and logistics costs, among other things.

Overall, Manz AG generated earnings before interest and taxes (EBIT) of 3.1 million euros, a more than five-fold increase year-over-year (previous year: 0.6 million euros). This is particularly due to the company's successful implementation of its diversification and integration strategy in 2011, which resulted in significant revenue growth and positive overall trends in the FPD and New Business divisions. In addition, the measures we successfully implemented over the past few years to reduce costs (including those pertaining to the procurement and standardization of components), as well as our significantly improved degree of capacity utilization despite the declining sales price of equipment, also helped get Manz back in the black. EBIT is an integral, internal management tool used by the company both on the level of the division and the Group.

Despite the difficult situation in the solar market, EBIT expanded to 3.1 million euros

Viewing the company's individual segments, EBIT in the FPD division increased from 3.5 million euros to approximately 9.0 million euros. Despite the general conditions in the solar market, which remain difficult, the Solar division succeeded in reducing its operative loss from –3.8 million euros to –9.9 million euros. In the New Business division, Manz was able to increase EBIT from 0.1 million euros to 1.1 million euros in the 2011 reporting period. Earnings before interest and taxes in the PCB segment totaled 1.3 million euros (previous year: 0.8 million euros). In addition to the aforementioned segments, Manz AG generated earnings before interest and taxes in the Others division of 1.7 million euros (previous year: 0.1 million euros).

As a result of our expanded business activities in the previous fiscal year, Manz AG drew on lines of credit at an increased rate, which increased our financial expenses from 0.8 million euros in fiscal year 2010 to 1.3 million euros in the reporting period. These interest expenses are offset by interest earnings totaling 0.4 million euros. As a result, Manz generated earnings before taxes (EBT) of 2.2 million euros, compared to 0.7 million euros in the previous year.

As a result of the earnings situation in various subsidiaries, we had a negative tax effect of –1.0 million euros. As a result, the Manz Group posted consolidated earnings of 1.2 million euros (previous year: 1.8 million euros). Taking minority shares into consideration, Manz AG generated profits of 0.9 million euros (previous year: 1.6 million euros). Based on an average of 4,480,054 shares outstanding, this corresponds to earnings per share of 0.19 euros (previous year: 0.35 euros per share).

Asset Position

Compared to December 31, 2010, total assets increased by 42.0 million euros to 318.2 million euros (previous year: 276.2 million euros). Last year, when capitalizing deferred taxes on a loss carry-forward, they were not offset against the corresponding deferred tax liabilities pursuant to IAS 12.74. In the current reporting year, the value of last year's deferred tax assets and deferred tax liabilities were adjusted to the extent that their value on the reporting date in 2010 was reduced by 6,781,000 euros; as a result, deferred tax assets and deferred tax liabilities are now presented offset against one another. The company's equity increased slightly to 189.3 million euros after totaling 187.9 million euros in the previous year. This increase resulted from currency translations totaling 0.7 million euros which were not recognized in profit and loss as well as retained earnings from the Group's consolidated net income. This resulted in an equity ratio on the 2011 reporting date of 59.5 %, down from 68.0 % on December 31, 2010.

Solid financial position with a high equity ratio of 59.5%

Non-current liabilities increased slightly from 11.9 million euros to 12.0 million euros. This is due to an increase in non-current financial liabilities from 4.4 to 4.9 million euros and an increase in other non-current provisions from 1.5 to 2.0 million euros. These primarily comprised provisions for warranty claims. In addition, deferred tax liabilities decreased from 1.6 to 0.8 million euros.

In addition, current liabilities increased significantly from 76.4 million euros to 116.9 million euros. The interest-bearing financial liabilities encompassed within this item increased to 45.4 million euros (previous year: 9.6 million euros), and were incurred using existing lines of credit as well as short-term money market loans with favorable interest rates. These primarily serve to finance our operative growth. Accounts payable decreased from 51.5 million euros in the previous year to 46.3 million euros on the reporting date December 31, 2011. At the same time, advance payments received increased significantly to 10.4 million euros (previous year: 4.2 million euros). Other current provisions totaled 3.2 million euros on December 31, 2011 (previous year: 3.4 million euros). Other liabilities totaling 8.0 million euros primarily include value-added taxes as well as liabilities to the national social security system.

On the asset side, the value of non-current fixed assets increased in the reporting period from 115.5 million euros to 130.0 million euros. In this context, the value of intangible assets increased from 90.0 million euros to 95.3 million euros as a result of capitalized development costs, reduced by scheduled write-downs. In addition to capitalized development costs, this item on the statement of financial position primarily includes the allocation of the price of purchasing the usage rights to the CIGS production technology Manz purchased from Würth Solar in the summer of 2010.Within the scope of impairment tests carried out at the end of the year, we have determined that our intangible assets have retained their value, which means we were not required to carry out any write-downs on goodwill. Manz only had unscheduled write-downs on internally produced and capitalized assets totaling 1.3 million euros. Due to the partial capitalization of the newly purchased property production facility currently under construction at our site in China and the installation of additional production equipment as a result of our expansion of business activities, the value of property, plant, and equipment increased from 23.6 million euros to 31.4 million euros. In addition, deferred tax assets increased from 1.3 million euros to 2.4 million euros.

Inventories increase thanks to expanded operations and improved capacity utilization – similar trend seen in accounts receivable

Current assets also increased as of December 31, 2011. As such, the value of current assets at the end of the reporting period totaled 188.2 million euros (previous year: 160.7 million euros). In this context, the value of our company's inventory at the end of the 2011 fiscal year increased from 50.0 million euro to 66.4 million euro as a result of our expanded business activities and improved capacity utilization. The value of accounts receivable also increased in a similar fashion as of December 31, 2011, growing from 67.1 million euros to 84.2 million euros. In contrast, other current receivables declined from 4.5 million euros to 3.9 million euros. As a result of the investments made within the scope of expanding our business activities, our liquid assets declined year-over-year to 33.3 million euros (previous year: 38.9 million euros).

Financial Situation

Improved cash flow is proof of Manz AG's positive performance

Our company's cash flow in the narrower sense (annual net profit plus write-downs on fixed assets and an increase/decrease in long-term pension provisions as well as other cash income and expenses) in the reporting period totaled 10.5 million euros (previous year: 8.5 million euros). Our improved cash flow is proof of Manz AG's positive operative performance in the 2011 fiscal year. As a result of our increased need for working capital and the corresponding changes to assets, a negative operative cash flow of –17.4 million euros resulted (previous year: +2.0 million euros).

After posting a cash flow from investment activities totaling –28.2 million euros last year, cash flow in this area totaled –24.7 million euros in the 2011 fiscal year. This was primarily the result of our company investing in research and development as well as the manufacturing facility in China.

In contrast, cash flow from financing activities increased significantly to 36.3 million euros, up from 4.5 million euros in the same period last year. This particularly reflects our company drawing on existing overdraft credit in the 2011 fiscal year. Taking changes to currency exchange rates into account, Manz AG's liquid assets subsequently totaled 33.3 million euros on December 31, 2011 (previous year: 38.9 million euros).

Financial Management's Principles and Goals

Manz AG's financial management system is organized centrally. In order to minimize risks and make use of the potential to optimize activities across the entire Group, our subsidiaries' financing, investments, and currency hedging activities are consolidated within our company. In this context, we follow value-based financing principles in order to secure our company's liquidity at all times, limit financial risks, and optimize the cost of capital. In addition, we strive for a well-balanced debt maturity profile. Figures such as revenues, earnings before interest and taxes (EBIT), and liquidity serve as key indicators for Manz AG's financial management activities.

Overall View of Our Company's Economic Situation

Thanks to the successful implementation of our diversification strategy, the positive market environment in the FDP industry, and the dynamic growth in our New Business division, Manz AG was able to expand its annual revenues from 181.4 million euros to 240.5 million euros – even despite the situation in the photovoltaic market, which remains difficult. This represents a new record in Manz AG's storied history. Furthermore, the company was successful in increasing the EBIT to 3.1 million euros as well as the consolidated earnings to approximately 1.2 million euros. Even though our operating margin remains comparatively low, the company remains in a position to generate solid earnings. In addition, Manz AG was able to significantly reduce cash outflows to 5.6 million euros and possesses liquid assets totaling 33.3 million euros at the end of the 2011 fiscal year. As a result, the Group's net debt totaled 17.2 million euros on December 31, 2011. Alongside a high equity ratio of approximately 59.5 %, this also means that financially, we have sufficient leeway to seize future growth opportunities.

OVERVIEW OF GROUP RESULTS

(in EUR million)	**2011**	**2010**	**Change in %**
Revenues	240.5	181.4	+32.6
Total operating revenues	266.8	205.0	+30.1
EBIT	3.1	0.6	+420.0
EBT	2.2	0.7	+214.3
Consolidated net profit	1.2	1.8	–33.3
Earnings per share (in euros)	0.19	0.35	–45.7
Total assets	318.2	276.2	+15.2
Equity	189.3	187.9	+0.7
Equity ratio (in %)	59.5	68.0	-
Financial liabilities	50.3	14.2	+254.2
Liquid assets	33.3	38.9	–14.4
Net debt	17.2	–24.7	-
Operating cash flow	–17.4	2.0	-
Cash flow from investment activities	–24.7	–28.2	-
Cash flow from financing activities	36.3	4.5	-

COMPENSATION REPORT

The Compensation Report contained within the Corporate Governance Report on pages 31 to 47 is part of the Management Report. The Compensation Report summarizes the principles applied in determining the compensation paid to members of Manz AG's Managing Board and also discloses the amount and structure of their payments as well as the compensation paid to the Supervisory Board.

INFORMATION IN ACCORDANCE WITH ARTICLE 315, SECTION 4 OF THE GERMAN COMMERCIAL CODE (HGB) AND NOTES

Composition of Subscribed Capital

Manz AG's subscribed capital is valued at 4,480,054.00 euros and is comprised of 4,480,054 registered, common, no-par shares.

Shareholders are prohibited from securitizing their shares of stock and share of profits if such action is legally permitted. All of the company's shares of stock have been securitized in global certificates.

All shares of stock are associated with the same rights and duties. Each share of stock grants its owner one vote at the Annual General Meeting. Each share of stock offers the same share of profits. This excludes treasury shares held by Manz AG, which do not entitle our company to any rights. At the present time, our company does not hold any treasury shares.

Shareholders' individual rights and duties result from the provisions of the German Stock Corporation Act, particularly Articles 12, 53a ff, 118 ff, and 186.

Restrictions Which Apply to Voting Rights or the Transfer of Shares

The Managing Board of Manz AG does not know of any agreements pertaining to restrictions on the use of voting rights or the transfer of shares of stock.

Shareholders with more than 10 % of Voting Rights

Pursuant to the German Securities Trading Act, every investor that acquires, exceeds, or whose holdings fall below a certain percentage of the company's voting rights (be it through purchase, sale, or other manner) is required to inform the company and Germany's Federal Financial Supervisory Authority (BaFin). These shareholders are obligated to send such notification upon reaching a threshold of 3 % of total voting rights.

Furthermore, Germany's Securities Trading Act also stipulates that anyone holding an executive position at the company must inform both the company and BaFin of all transactions the person makes involving the company's shares of stock.

As a result of the aforementioned notifications regarding significant holdings and transactions involving company shares executed by company executives, the Managing Board is aware of the following direct and indirect shareholders with more than 10 % of all voting rights:

	Number of voting rights	Percentage of voting rights
Dieter Manz	2,079,984	46.43%

Shares with Special Rights That Confer an Authority to Exercise Control

None of our company's shares include special rights that confer an authority to exercise control.

Type of Voting Rights Controls When Employees Are Issued Shares of Company Stock and Do Not Immediately Make Use of Their Control Rights

Insofar as Manz AG issues shares of company stock to managers of the company below the executive level or to executives or managers of other companies as a result of options exercised within the scope of the Manz Performance Share Plan 2008, which was passed at the Annual General Meeting of Shareholders on June 10, 2008, or the Manz Performance Share Plan 2011, which was passed at the Annual General Meeting of Shareholders on June 28, 2011, such shares will be immediately transferred to the person entitled to their receipt. Such persons can make immediate use of any control rights that result from the shares transferred to them in accordance with the company's article of incorporation and the applicable laws.

Legal Requirements and Provisions of the Articles of Incorporation regarding the Appointment and Dismissal of Members of the Managing Board and regarding Changes to the Articles of Incorporation

The appointment and dismissal of members of the Managing Board is governed by Articles 84 and 85 of Germany's Stock Corporation Act. These articles stipulate that members of the Managing Board are appointed by the Supervisory Board for a period lasting a maximum of five years. Members may be repeatedly appointed or have their term extended, in either case for another period lasting a maximum of five years.

Pursuant to Article 5 of the company's Articles of Incorporation, the Managing Board may consist of one or more persons. The Supervisory Board appoints the members of the Managing Board pursuant to the provisions of Germany's Stock Corporation Act and determines their number.

The Supervisory Board can appoint a member as chairperson of the Managing Board (CEO). If the company is missing a required member of the Managing Board, pursuant to Article 85, Section 1 of Germany's Stock Corporation Act, an applicable court of law is required to appoint a member upon application by an involved party.

Pursuant to Article 84, Section 3 of Germany's Stock Corporation Act, the Supervisory Board can revoke the appointment of a member of the Managing Board and the appointment of a chairperson of the Managing Board for cause.

Making changes to the Articles of Incorporation is governed by Articles 133 ff and 179 ff of Germany's Stock Corporation Act. In general, changes require a resolution passed by the Annual General Meeting of Shareholders. However, pursuant to Article 7, Section 2 of the Articles of Incorporation, the Supervisory Board is authorized to make changes which only affect the document's form.

Pursuant to Article 16, Section 1 of the company's Articles of Incorporation, resolutions are passed at the Annual General Meeting with a simple majority, insofar as mandatory provisions of Germany's Stock Corporation Act do set forth other requirements. Insofar as Germany's Stock Corporation Act also stipulates that a majority of represented capital stock is required to pass a resolution, a simple majority of represented capital fulfills this requirement, insofar as this is legally permissible.

Authority of the Managing Board to Issue or Purchase Company Shares

The Managing Board can only issue new shares on the basis of resolutions passed at the Annual General Meeting pertaining to increasing capital stock through an equity offering or through the use of authorized or conditional capital. Purchasing the company's own shares is governed by Article 71 ff of Germany's Stock Corporation Act and is permissible in certain cases by law or as a result of authorization given at the Annual General Meeting of Shareholders.

Authorized Share Capital

Pursuant to Article 3, Section 3 of the Articles of Incorporation, the Managing Board is authorized to increase the company's capital stock, with Supervisory Board approval, in the period until June 15, 2014, one or more times up to a total of 2,240,027.00 euros through the issuance of a total of 2,240,027 new shares without par value in return for cash or assets in kind (authorized capital stock 2009).

In this case, existing shareholders must be given preemptive rights. The Managing Board is authorized, however, to disallow shareholders' preemptive rights with Supervisory Board approval

- when in the event of an equity offering for cash, the face value of the new shares is not significantly below the trading price of similar company shares at the time the face value is determined (which should be determined as close as possible to the issue date of the new shares) pursuant to Article 203, Paragraphs 1 and 2, and Article 186, Paragraph 3, Section 4 of the German Stock Corporation Act. This authorization to suspend shareholders from preemptive subscription rights only applies in cases where the shares to be issued within the scope of the equity offering apply to a proportional amount of share capital not exceeding 448,005.00 euros and not more than 10 % of total share capital at the time the authorization is exercised. A proportionate amount of capital stock, equal to shares that were issued or sold during the term of this authorization as a result of other authorizations pursuant to Article 186, Paragraph 3, Section 4 of the Companies Act under exemption of subscription rights, is to be credited against this maximum amount of exempted subscription rights;

- in case of an equity offering in return for assets in kind in order to purchase a company, parts of a company, or an interest in a company;

- insofar as it is necessary in order to give owners of convertible and/or warrant bonds, profit-sharing rights, and/or profit-sharing bonds issued by the company or indirect or direct affiliates subscription rights to new shares to the same extent as they would have had upon exercising their convertible or options rights or after fulfilling their convertible requirement;

- to exclude fractional shares from subscription rights.

Authorization to Issue Convertible and/or Warrant Bonds as well as Conditional Capital

At the Annual General Meeting on June 10, 2008, a resolution was passed authorizing the Managing Board, with Supervisory Board approval, to issue convertible and/or warrant bonds, profit-sharing rights, and/or profit-sharing bonds (or combinations of these instruments) (referred to collectively as “bonds”) with or without term restrictions, to bearers or registered holders, up to a total nominal value of 300 million euros, once or multiple times, until June 9, 2013. In addition, the Managing Board was also authorized to grant owners or creditors of bonds convertible rights or options rights to company shares equal to a proportion of capital stock with a value up to 1,433,160.00 euros, in accordance with the terms and conditions of the bonds.

Existing shareholders have a general preemptive right to purchase the issued bonds.

However, if bonds with convertible and/or options rights or a convertible obligation are issued in return for cash payments, the Managing Board is authorized, with Supervisory Board approval, to issue bonds with convertible and/or options rights or a convertible obligation pursuant to Article 186, Section 3, Clause 4 of the German Stock Corporation Act while disallowing shareholders' preemptive subscription rights. This applies only if the issue price does not fall significantly below the theoretical market value of the bonds with convertible and/or options rights or a convertible obligation calculated using accepted financial accounting and valuation methods. This authorization to disallow shareholders' preemptive subscription rights only applies in cases where the shares to be issued in order to fulfill the convertible or options rights or fulfill the convertible obligation do not apply to a total proportion of capital stock valued at over 358,290.00 euros and not more than 10% of total capital stock at the time the authorization is exercised. A proportionate amount of capital stock, equal to the value of the shares that were issued or sold during the term of this authorization under immediate or corresponding application of Article 186, Section 3, Clause 4 of the German Stock Corporation Act, is to be credited against this maximum value of exempted subscription rights.

Furthermore, the Managing Board is authorized, with Supervisory Board approval, to disallow shareholders' preemptive subscription rights to bonds for fractional shares, and to disallow shareholders' preemptive subscriptions with Supervisory Board approval if this is necessary in order to give owners of convertible bonds and/or bond options to registered non-par company shares and/or creditors of convertible bonds with a convertible obligation a preemptive subscription right to the extent which would apply after exercising their convertible and/or options rights or after fulfilling their convertible obligation.

Pursuant to Article 3, Section 4 of our Articles of Incorporation, our company's capital stock has been conditionally increased by up to 1,433,160.00 euros through the issue of 1,433,160 new shares (conditional capital I). This conditional increase serves to issue shares of stock to the owners and/or creditors of bonds which are issued as a result of the aforementioned authorizations and grant a convertible and/or option right to company shares and/or set forth a convertible obligation.

Authorization to Issue Stock Options within the Scope of the Manz Performance Share Plan 2008 as well as Conditional Capital II

At the Annual General Meeting held on June 10, 2008, a resolution was passed granting the Managing Board authorization to issue options to a total of up to 50,400 shares of company stock to executives of affiliated companies as well as Manz's own managers below the executive level and managers of affiliated companies, both domestic and foreign, one or more times, until May 31, 2013. Furthermore, the Supervisory Board was given authorization to issue options to a total of 21,600 shares of company stock to members of Manz's Managing Board, one or more times, until May 31, 2013. As such, options to a total of 72,000 shares of company stock can be issued. Granting, organizing, and exercising these options is to be carried out according to the stipulations of the resolutions passed at the Annual General Meeting on June 10, 2008. The authorizations were rescinded at the Annual General Meeting on June 28, 2011, to the extent that no option rights have been issued based on the authorization.

Pursuant to Article 3, Section 5 of our Articles of Incorporation, our company's capital stock has been conditionally increased by up to 72,000.00 euros through the issue of 72,000 new shares (conditional capital II). This conditional increase serves to secure the rights of the owners of options that were granted as a result of the aforementioned authorization.

Authorization to Issue Stock Options within the Scope of the Manz Performance Share Plan 2011 as well as Conditional Capital III

At the Annual General Meeting held on June 28, 2011, a resolution was passed granting the Managing Board authorization to issue a total of up to 15,000 options for a total of up to 60,000 shares of company stock to executives of affiliated companies as well as Manz's own managers below the executive level and managers of affiliated companies, both domestic and foreign, one or more times with Supervisory Board approval until May 31, 2016. Furthermore, the Supervisory Board was given authorization to issue a total of up to 15,000 options for a total of up to 60,000 shares of company stock to members of Manz's Managing Board, one or more times, until May 31, 2016. Granting, organizing, and exercising these options is to be carried out according to the stipulations of the resolutions passed at the Annual General Meeting on June 28, 2011.

Pursuant to Article 3, Section 6 of our Articles of Incorporation, our company's capital stock has been conditionally increased by up to 120,000.00 euros through the issue of up to 120,000 new individual share certificates made out to their holders (conditional capital III). This conditional increase serves to secure the rights of the owners of options which were granted as a result of the aforementioned authorization.

Authorization to Purchase and Sell Shares of Manz's Own Stock

Pursuant to Article 71, Section 1, Number 8 of the German Stock Corporation Act, at the Annual General Meeting held on June 22, 2010, the Managing Board was given authorization to purchase shares of Manz stock with a total calculated value of up to 10 % of the value of the company's current capital stock until June 21, 2015. Such a purchase can either be transacted on the stock exchange or through a publicly issued purchase offer sent to shareholders and/or a public call to submit sales offers.

The Managing Board was authorized, with Supervisory Board approval, to sell treasury shares purchased, while disallowing shareholders' preemptive subscription rights, in other ways as over the stock exchange or through an offer made to shareholders, should the treasury shares be sold at a price or on international exchanges on which the company is not listed, which does not significantly fall below the market price of similar company shares at the time of the sale. The average of the daily volume-weighted closing prices of the company's stock in Xetra trading (or a subsequent system in place of the Xetra system) during the last three trading days before the sale of the shares shall be used as the definitive market price.

This exemption from subscription rights is restricted to a maximum of 10 % of the company's capital stock at both the time this authorization becomes effective and the time this authorization is exercised. The amount of capital stock apportionable to shares which must be issued to satisfy convertible and/or warrant bonds, profit-sharing rights and/or profit-sharing bonds (or combinations of these instruments) issued during the term of this authorization pursuant to the appropriate application of Article 186, Paragraph 3, Section 4 of the German Stock Corporation Act while disallowing preemptive subscription rights, or which will be issued during the term of this authorization under immediate or appropriate application of Article 186, Paragraph 3, Section 4 of the German Stock Corporation Act while disallowing preemptive subscription rights, must be credited against the aforementioned limit.

The Managing Board was also authorized, with prior Supervisory Board approval, to disallow shareholders' subscription rights and divest treasury shares to third parties in connection with the purchase of companies, parts of companies, and interests in companies in ways other than over the stock exchange or through an offer to all shareholders.

The Managing Board and – insofar as the obligation is to a member of the Managing Board – the Supervisory Board are further authorized to disallow shareholders' subscription rights and use treasury shares to fulfill options which were granted or are to be granted as a result of the Manz Performance Share Plan 2008, passed during the Annual General Meeting on June 10, 2008, as item 7 on the agenda.

The Managing Board was also authorized to disallow shareholders' preemptive subscription rights and use treasury shares to fulfill options and conversion rights that result from exercising options or conversion rights or fulfilling conversion obligations which have been granted or imposed within the scope of issuing convertible and/or warrant bonds, profit-sharing rights, and/or profit-sharing bonds (or combinations of these instruments) by the company or its subsidiaries.

The Managing Board was also given authorization, with prior Supervisory Board approval, to disallow shareholders' preemptive subscription rights and issue treasury shares to company employees or to subordinate affiliates pursuant to Article 15 ff of the German Stock Corporation Act.

Key Company Agreements Which Take Effect in the Event of a Change of Control or as a Result of a Takeover Bid

The employment agreement with Managing Board member Martin Hipp set forth that in the event of a change of control (notice by a registrant in accordance with Article 21, Paragraph 1, Clause 1 of the German Securities Trading Act that the registrant has reached or exceeded a voting share of 25 % or higher in the company) the Managing Board member is authorized to terminate his employment contract with three months' notice effective at the end of the calendar month, and to resign from his position as member of the Managing Board with the same notice period. These rights may only be exercised within six months after the change of control has occurred. The Managing Board member receives a severance payment consisting of the full amount of the fixed salary that is owed for the time remaining in the employment agreement as well as the full amount of the cash bonus that is owed for the time remaining in the employment contract. The severance payment is limited to the amount that would have resulted from a remaining employment term of three years. If the remaining employment term on the date the resignation becomes effective totals more than two years, the severance payment is reduced, insofar as it is being granted for the exceeding period, by 75 % for the purposes of offsetting the severance payment with a lump-sum equal to the expected income from other sources after ending employment. In addition, the amounts used in the calculation of the severance payment must also be reduced by an interest rate of 3 % p. a. on the date the severance payment is due.

Other than the aforementioned, our company has not entered into any other agreements which take effect as a result of a change of control or takeover bid.

Compensation Agreements Our Company Has Entered Into with Members of the Managing Board or with Employees in the Event of a Takeover Bid

Aside for the aforementioned agreements with Managing Board member Martin Hipp, our company has not entered into any other agreements with members of the Managing Board or with employees that set forth any form of compensation in the event of a takeover bid.

25,971

INDIVIDUAL PARTS: ONE OUTSTANDING PRODUCT

That is how much material is used in our OneStep selective emitter for solar cell manufacturing. With equipment like this, our customers can significantly increase efficiency and make lasting cuts to the price per watt. Of course we know that there is more to the art of engineering than the number of parts in a machine. It is much more important to recognize the needs of industries in various stages of growth and providing solutions that significantly cut costs during the development stage and innovations that secure lasting growth in the industrial stage. Manz focuses on this range – because we always benefit from the ongoing transfer of expertise between our divisions, and concentrate fully on the key technologies of our time.

SUSTAINABILITY REPORT

For Manz, sustainability in the sense of future generations means acting in a financially, ecologically, and socially responsible way. As a company, accepting responsibility for the environment is, in our company's opinion, the critical foundation for long-term economic success. The fact that we are a highly innovative technology company, which already contributes to the increased use of renewable energies and their profitability today, is precisely why Manz AG has the perfect opportunity to play a key role in shaping the future of our own company and that of our customers.

BUSINESS

At Manz, sustainability means acting in a responsible manner in the best interest of future generations

Business success and responsible behavior are not mutually exclusive. And this is why our company has systematically focused our product range on target industries that make a significant contribution to offering a sustainable energy supply and offer excellent economic growth potential. As such, economics is not irreconcilable with environmental protection and a commitment to social issues. On the contrary: all three perspectives are integral components of sustainability and are all interdependent.

Manz's partnership with Amity University in India can serve as an example of this kind of interaction between economic and socio-ecological perspectives. As part of this partnership, Manz provides support for the "Solar Engineer" degree program – the only program of its type on the entire Indian subcontinent. A total of 15 students benefit from the program's high level of practical relevance and a wide variety of available internships. As a result of various factors (such as climatic conditions and the country's need for a distributed energy supply), India offers extraordinary future prospects for the photovoltaics industry and could soon develop into a core market for solar products. As such, our company has a vested interest in acquiring qualified and motivated employees there. By partnering with universities, Manz can spark the enthusiasm and interest of potential aspiring engineers, and it simultaneously earns our company an excellent initial position from which to cover our growing need for specialists with internally trained talents.

With its Manz Academy, the company also offers a wide range of educational seminars and advanced training courses. This offering is directed both toward Manz AG's employees and our customers. In the last fiscal year, we offered 403 seminars that were attended by 3,048 employees. Intensive educational seminars enable us to improve our workforce's qualifications. In addition to that, we offered language courses on 119 occasions that were attended by a total of 627 employees. This not only creates an optimal starting position for reaching company goals, but it also makes further personal development possible for each individual employee.

Manz Academy's course offerings also comprise managerial training for German executives and all managers from European subsidiaries. This is how Manz AG ensures that a shared management philosophy is conveyed to these employees. This puts them in a position to quickly understand the complex challenges that are linked to their responsibilities and to carry out their duties responsibly.

Individual support for employees in the Manz Academy

In addition to training courses on optimizing internal processes and self-organization, we also offer seminars for the purpose of acquiring additional qualifications. Our offering of subject-specific training courses includes Manz's technological training courses on basic technologies specific to our company (such as control and drive technology) as well as product-specific advanced training courses within the respective divisions. In this case, we not only carry out in-house workshops, but also coordinate external courses – for example, at the Laser Academy and the Fraunhofer Institute for Solar Energy Systems (ISE).

At the same time, individual employees were trained as Manz Academy Coaches (MACs), which will allow us to offer an even more comprehensive, high-quality training program in the future.

The Manz Academy offers training courses on the following topics:

- Programming
- Calibration
- Assembly
- Manz Interface Board
- System Components
- Metrology/Processes

ENVIRONMENTAL PROTECTION

As a high-tech engineering company with a clear industry focus on "green technologies," our company already plays a distinct role in making the world's energy supply sustainable and environmentally friendly. For Manz AG, production and maintenance that are mindful of resources is not an abstract concept but an essential component of our business model. In accordance with this strategic orientation, it goes without saying that our company generates electricity from photovoltaics for our own use.

As such, we installed solar panels on the roofs and facades of the assembly shop in our headquarters in Reutlingen, which are used to generate electricity. With two large systems, we generate over 340,000 kWh of electricity there each year. The first system, which went into operation in 2004, generates 100 kW of power, and the second system, which followed in December 2009, generates 237 kW of power. This solar equipment is not actually owned by Manz AG but the company employees themselves. They joined together and financed the system themselves, demonstrating both their bond with our company and their belief in the effectiveness and future viability of photovoltaics. In doing so, our employees benefit from feeding the energy that is produced into the electrical grid and the profits that result. The energy plan is supplemented by two smaller systems on the facade that generate 8 kW and 16 kW, which are owned by the company. They are a successful example of high-quality structural integration of solar modules into facades.

Manz also relies on solar power to generate its own electricity

SOCIAL COMMITMENT

Manz AG fulfills its corporate and social responsibility. This is why it goes without saying that both our company and its employees are actively involved in social projects. In the reporting year, for example, approximately 31 young people completed a qualified vocational training program at Manz AG's locations in Germany. In addition to supporting local associations, the University of Tübingen, and public facilities in the municipality of Kirchentellinsfurt, the company also regularly donates money to charity.

At the same time, in 2011 Manz also successfully continued the "Metalworking Shop" project in Ethiopia, which was launched together with the Evangelical Youth Organization and the Ethiopian YMCA. We have been active in this project since 2008, and the slogan "Give the Gift of A Future" still applies. The goal of the project is to provide residents in one of the poorest countries in the world the tools and knowledge necessary to help themselves. Within the scope of the second project, 15 interested and motivated young people aged 15 to 19 from disadvantaged ethnic groups were given the opportunity to participate in a basic vocational training program to become a "general metalworker." Fourteen of them completed the program successfully by passing the final exam. For this purpose, Manz AG built its own metalwork training workshop in Addis Ababa, Ethiopia. The third class successfully graduated in 2011 and in doing so has the necessary expertise to be able to get a foothold in the professional world. Today, our metalworking shop is already regarded as a model project for all of Ethiopia. In order to further improve the program, our next step is to extend the length of the training period to 10 to 12 months. In addition to upgrading the classrooms, we also plan to set up a small production facility to reduce the program's dependence on donations.

Manz offers hope for the future: The "Metal Workshop" vocational training program in Ethiopia

Another facet of social commitment practiced by Manz AG is the company's day-care program. With this special offer for working parents, the company presents an important incentive for potential employees and technical staff recruiters. Manz established the day-care program so that company employees would not have to worry about looking after their children. Children between one and three years of age can be put in well-trained and caring hands during working hours in two different facilities. Through this program, the company also provides financial support for young families.

EVENTS AFTER THE BALANCE SHEET DATE

Effective January 1, 2012, Manz AG acquired the CIGS production line located in Schwäbisch Hall from Würth Solar GmbH & Co. KG and converted it into an innovation line for advancements to CIGS manufacturing and processing technology. As part of the acquisition of the complete CIGS technology, a total of 166 employees from Würth Solar were integrated into the Manz Group. The innovation facility is used for research and development, and in this context the focus here is on accelerating technological advancements and the related reduction in production costs as well as increase in module efficiency. In addition to the manufacturing facility, Manz also acquired the licenses and know-how from Würth Solar and the research partnership with the Baden-Württemberg Center for Solar Energy and Hydrogen Research (ZSW) without incurring any additional fees.

On February 16, 2012, Manz AG reported a new order in the FPD division valued at 33 million euros. The order comprises systems and equipment for the manufacture of components in the FPD industry. This order demonstrates the successful transfer of technology within the company, since the equipment was originally developed for the crystalline solar industry and can now be transferred to the FPD division without any significant technological adjustments.

Other than the aforementioned event, no further events took place after the reporting date that could have had a significant impact on our financial situation.

REPORT ON OPPORTUNITIES AND RISKS

As a globally active technology company, Manz AG is exposed to a variety of different risks. Risks can develop both as a result of our own actions as a company as well as from external factors. For this reason, Manz AG considers a responsible approach to these risks to be the basic precondition for long-term business success. Because of this, we have made risk management a central part of our corporate governance activities, with its main goal being to ensure the continued existence of our company. Overall, there are currently no risks that could jeopardize the company's existence.

RISK MANAGEMENT AND INTERNAL MONITORING SYSTEM

Risk Management Goals and Characteristics

The goal of Manz AG's risk management system is to identify possible risks early on and initiate appropriate measures to avert any damage which threatens to occur. By making use of a risk management system integrated into the company's corporate governance activities, Manz AG has the ability to promptly identify, evaluate, and react to risks that concern the entire Group with appropriate measures. In the course of making business decisions, which are characterized by the tug-of-war between opportunities and risks, Manz AG also consciously takes risks that are commensurate with the expected benefit for the company from the corresponding business activity. As such, risks can never be completely avoided, but they are minimized or transferred whenever possible.

The company's risk management activities are managed centrally by the risk management officer, are regularly evaluated with regard to their effectiveness and suitability, and are the complete responsibility of the CFO. By contrast, responsibility for monitoring risks is locally organized and falls to the division heads, managing directors, and Manz AG executives depending on the risk category and possible consequences. Regular written and verbal inquiries are used to detect potential risks in every area of business, and at the same time they also give Manz the opportunity to take prompt measures to prevent any negative developments. An overall report is given to the Managing and Supervisory boards once annually for a comprehensive assessment of the risk situation.

Regularly analyzing and evaluating risks is carried out using a risk management system. This system is comprised of a defined group of employees responsible for dealing with risks, fixed risk categories, and a risk classification system which reflects the potential danger risks pose and how urgently action needs to be taken. Identifying and dealing with risks is a fixed part of our company's policies and is defined as a duty shared by all of Manz AG's employees. By integrating the company's entire work force, risks can be identified quickly and conveyed to the person responsible, who can then take appropriate steps in accordance with the Group-wide principles governing all employees' actions. To help us identify the broadest possible range of risks, they have been grouped into different general topical areas. As such, we differentiate between the following risk categories:

- Management
- Natural disasters and pandemics
- Attacks and fraud
- Social and cultural risks
- Politics and the regulatory environment
- Economic environment
- Technology
- Competition
- Company organization and processes
- Buildings and infrastructure
- Products and projects
- Distribution
- Acquisitions and investments
- Procurement
- Human resources
- Finances

In addition to this risk management system, Manz also carries out further activities to identify and minimize risks within the scope of a semiannual planning process. We continuously observe technology and markets to generate different scenarios that will occur depending on technological and economic developments. The goal of devising and using these various planning scenarios is ultimately to effect a continuous and lasting increase in the value of our company, to achieve our financial targets over the medium term, and to secure our company's long-term existence.

The efficacy and suitability of our risk management system was evaluated by our auditing firm. The firm came to the conclusion that our Managing Board took the necessary measures as stipulated in Article 91, Paragraph 2 of the German Stock Corporation Act, in particular with regard to the establishment of a monitoring system, and that the system is suitable for recognizing developments that could jeopardize our company's existence in a timely fashion. As a result, Manz AG has fulfilled the requirements of Germany's Corporate Sector Supervision and Transparency Act ("Gesetz zur Kontrolle und Transparenz im Unternehmensbereich" in German, or "KonTraG" for short).

Risk Management System for the Accounting Process (Article 289, Paragraph 5, and Article 315, Paragraph 2, Section 5 of the German Commercial Code)

The goal of Manz Automation AG's risk management system as it pertains to the accounting process is to identify and assess risks which could conflict with our consolidated financial statements' conformity with applicable regulations. Our risk management activities encompass all the organizational regulations and measures to detect risks and to deal with the risks of carrying out business operations.

With regard to the accounting process, Manz has implemented the following structures and processes:

The CFO has total responsibility for our company's internal monitoring and risk management system as it pertains to the accounting process. All of the companies included in our consolidated financial reports are integrated through a fixed management and reporting organizational structure. The individual financial reports from Manz AG and its subsidiaries are prepared pursuant to the laws applicable in their respective countries, and are incorporated into one consolidated financial report in accordance with IFRS.

Group accounting guidelines ensure that accounting and valuation processes are carried out uniformly for individual subsidiaries on the basis of the provisions applicable to the parent company. Changes are made to these guidelines at regular intervals to adapt them to current external and internal developments. Furthermore, companies in the Group are issued a list of reports they are required to prepare.

We have used the SAP tool BCS for our consolidation processes since the 2010 fiscal year. For the purposes of analyzing data consistency, this tool already carries out automatic plausibility checks when entering data. Members of the consolidation department carry out consolidation measures and monitor the adherence of schedule and process-related requirements at the Group level.

Additional monitoring activities at the Group level include analyzing and, if necessary, correcting the individual financial statements submitted by the Group's subsidiaries while taking the reports presented by the auditors into account.

Further key elements of our strategy to control risks in the accounting process include having separate positions which enter, verify, and approve accounting information, as well as having clearly defined responsibilities in all the departments involved. The use of SAP as our IT financial system is another important way for us to systematically prevent errors. Furthermore, we use a dual control system at all levels of the process. In case of special questions of a particularly technical or complex nature, we also involve external experts. After internally auditing our accounting processes and structures, an external auditor also evaluates our financial statements within the scope of their auditing process.

Further monitoring activities include analyzing and conducting plausibility checks on transactions as well as continuously monitoring project calculations.

The aforementioned structures, processes, and characteristics of our internal monitoring and risk management system ensure that Manz Automation AG's accounting processes are carried out in a uniform manner in harmony with the applicable legal provisions, generally accepted accounting principles, international accounting standards, and our Group's internal guidelines.

The Managing Board views the systems which have been put in place as adequate and fully functional, and they are regularly evaluated with regard to potential upgrades and optimizations. Any potential improvements identified are then implemented by the Managing Board in conjunction with Manz Automation AG's employees.

RISKS TO THE COMPANY

Industry Risks

Macroeconomic Risks

As the massive economic downturn as a result of the international economic and financial crisis showed, macroeconomic and financial trends in Manz AG's main sales markets can be associated with negative effects on our company's performance. This means that many companies may postpone investments in solar technology, in the FPD industry, or in the field of lithium-ion batteries due to financing issues. In addition, it may be significantly more difficult for listed companies to acquire additional funding on the capital market. All companies run the risk of not having the capital necessary to invest in new equipment. This would noticeably slow down growth in the solar and FPD market as well as in the lithium-ion battery segment. In this scenario, our company may not be able to achieve our growth targets as planned. Manz has diversified these risks by continuously expanding our worldwide production and sales capacities, by maintaining an adequate amount of funds to compensate for decreases in demand, and by having a clear focus on growth markets such as China and India.

Risks from Increasing Competition

Particularly in the photovoltaics sector, the future prospects and financing conditions for system solutions have worsened in the past year. The danger that competition for automation and quality management solutions would intensify has grown. Overcapacities in the solar market and solar manufacturers' increased margin pressure can both work as an incentive for existing and potential competitors to gain market share through aggressive pricing policies. This strategy is used by manufacturers in Asia in particular. The manufacture of knock-offs in this region presents an additional risk. This could have a direct impact on Manz AG's revenues and particularly its earnings as well the company's market share. In order to actively combat these risks, Manz AG strives to maintain and further enhance our position as the market's current technological leader by expanding our research and development activities more.

Risks from the Consolidation of the Solar Industry

Manz could lose important customers as a result of the solar industry's consolidation process. Furthermore, there is a risk that the continued reduction in subsidies in key sales markets such as Germany could further increase the cost pressure that manufacturers of solar modules face. The resulting lower margins could have a negative effect on Manz AG's earnings. A possible postponement of reinvestments and a longer period of consolidation would also negatively impact the company's earnings situation. To minimize these risks and as a reaction to the market's changed needs, our company has focused its research and development activities on solutions that offer manufacturers an increase in efficiency and, as a result, lower production costs. Furthermore, the company counters the risks of such a development by systematically implementing our own diversification strategy.

Risks from Rapid Technological Advancements and When Launching New Products

Research and development activities as well as offering an innovative range of products are of key importance to us a technological leader. The reason for this is the continual technological changes in the core photovoltaics, FPD, and lithium-ion battery industries. Within this process, there is no guarantee that our company will always be able to provide the technologies that the market demands over the long term. In addition, there is also the risk that the cost of developing new technologies and products may exceed the original budgets, meaning that our company may incur losses as a result of individual development projects. There is also no guarantee that new products that we launch will be successful on the market, putting our company's revenues and earnings at further risk. Moreover, because our target sectors are highly dynamic from a technological perspective, the danger exists that the equipment and systems we develop could see only little demand on the market. In order to control these risks, Manz AG remains in close contact with our customers, which enables us to recognize new trends early on. In addition, our company carefully examines possible market potential beforehand in order to estimate the returns on our development projects and thus utilize our resources in an optimal fashion.

Although talks with Asian customers leave us optimistic that we will be able to achieve a new revenue record in the current year, we cannot completely rule out the risk that there is not enough demand for CIGSfab or that customers will not be able to secure financing for this technology. A hesitation to make investments on the part of manufacturers caused by a decline in the prices of solar modules could also hinder the sale of CIGSfab. An absence of demand would result in the loss (or partial loss) of the investments for licenses, the advancement of CIGS technology, and the acquisition and operation of the innovation facility in Schwäbisch Hall which Manz made within the scope of the CIGSfab project. In addition, the company's future revenue and earnings potential would be significantly reduced.

With the takeover of Würth Solar GmbH & Co. KG's product line in Schwäbisch Hall including 118 employees and the conversion of that location into a research center for CIGS technology, Manz AG also expanded its financial engagement in the CIGSfab field. If CIGS technology does not succeed on the thin-film photovoltaics market as Manz AG's management expects, it could become a considerable financial burden on the company in this line of business and negatively impact Manz AG's assets, finances, and earnings.

Financial Risks

Liquidity Risk

In order for our company to maintain its current growth trends, it is extremely vital that we have sufficient funds to make the payments required for ongoing operations as well as for strategically sensible investments in maintenance and upgrades. The cash flows required for these purposes could be influenced by a decline in business or by external factors such as banks pursuing more restrictive lending practices. Due to the significant amount of equity our company holds as well as our earnings power, we do not believe Manz faces any liquidity risks at the present time.

Risks from Fluctuating Exchange and Interest Rates

Manz AG's currency risks result from operational activities. Risks from foreign currencies are hedged insofar as they influence the company's cash flow. In the 2011 fiscal year, Manz AG was exposed to foreign currency risks due to already fixed and planned transactions in foreign currency. These only affected transactions in US dollars in connection with the sale of products. Derivative financial instruments (primarily forward exchange transactions and, to a lesser extent, currency option and currency swap transactions) helped protect against the associated risks. The conditions for hedge accounting (cash flow hedge) existed for the planned transactions. The risk that delivery dates could change still exists, however, and this would result in losses or gains from extending the derivative financial instruments. On the reporting date, there were neither essential open foreign currency positions nor planned foreign currency transactions. The risk from interest rate fluctuations on variable loans was limited through interest rate swaps.

Risks from Customer Insolvency

Manz AG is also confronted with the risk of a future loss of receivables, which could have a negative impact on the company's revenues and earnings position. In particular, insolvency-related losses of receivables could arise in the solar segment due to the intensified competitive situation among manufacturers in the solar industry. Furthermore, a customer declaring bankruptcy would also mean the loss of possible follow-up orders from that customer. The company limits potential credit risks by carrying out a thorough credit screening before entering into an agreement, by holding credit insurance policies, and through systematic receivables management.

Personnel Risks

Qualified and motivated managers and employees play a critical role in the success of a high-tech engineering company such as Manz. The loss of executives or employees in key positions could have a negative impact on our company's performance and thus impact our financial position and the results of operations. At the same time, there is also the risk that our company will not be able to hire a sufficient number of new, suitable executives or additional employees. Nonetheless, as a listed company, Manz AG enjoys greater attention from potential employees and can use that to enhance its attractiveness as an employer. In addition, being listed on the stock market also allows our company to increase employee loyalty over the medium term by issuing stock options thus allowing our employees to share in the company's profits.

Contract Risks

Risks from Contractual Penalties

Risks for Manz AG may also result from contractual penalties. A fixed delivery date is agreed upon in all order contracts, and both parties must regard this date as binding. If, for example, Manz is not able to deliver the stipulated quantity on the contractually stipulated date as a result of delivery problems or supply shortages, this could reduce income from the project. It would have a direct impact on the company's earnings. However, in order to control this risk, available resources are monitored at an early stage and, if required, adjusted to the respective order volume. This enables our company to keep earnings risks to a bare minimum.

Risks from Contracts with Suppliers

Long-term contracts with suppliers and subcontractors lead to the obligation to purchase components that we have already ordered, even in difficult market situations. This can lead to an increase in the company's inventory and, as a result, ties up more of the company's capital. It can have an impact on our company's revenues as well as our earnings and liquidity position.

OPPORTUNITIES FOR FUTURE GROWTH

New Investments Necessary within the Photovoltaic Industry

24% annual growth forecast for the thin-film solar module market

The previous fiscal year was characterized by overcapacities and significant price pressure, which primarily resulted in declining prices for solar modules. We anticipate both this trend slowing down and the beginning of a new investment cycle at the same time. Over the medium term, this could lead to a considerable increase in growth rates in the solar industry, since companies must make new investments in order to maintain a profitable production process. This is one of the key reasons why Manz AG is working intensively on making advancements to our CIGS technology. This technology offers the highest potential for increasing efficiency in the future, and as a result, the lowest costs per watt. Overall, solar power's ability to compete with conventional forms of power (i.e. grid parity) now seems to be just within reach, and solar power will move mainstream in countries and regions with large amounts of sun like India, China, or North America. In this context, thin-film technology in particular will be able to capitalize on its advantages, which means the medium- to long-term prospects for this division remain extremely positive. Market researchers from Det Norske Veritas are forecasting annual growth of 24 % for the thin-film solar module market until 2020. By 2020, the market is expected to have reached an output of 22 GW.

Synergies Between the Solar and FPD Divisions Create Competitive Advantages

Competitive advantage in Solar and FPD divisions thanks to the successful transfer of technologies

Particular synergies exist between the Solar and FPD divisions which will make an increasing contribution to our company's growth while boosting its profitability at the same time. They result from the technologically comparable requirements for automating production equipment for flat panel displays and thin-film solar modules. This primarily applies to the handling and cleaning of large-sized glass substrates. Manz AG has acquired a high level of expertise and unique knowledge in this field, and as a result, possesses clear competitive advantages. Technologies which have already been completely developed can be used both in the Solar and the FPD divisions. By acquiring Intech Machines Co. Ltd., today Manz Taiwan Ltd., Manz AG gained access to technology for the wet-chemical cleaning of glass substrates. This technology represents a key step in the manufacture of both LCD displays and thin-film solar modules, and our company has made continuous advancements to it over the years. As a result, our company will be able to reinforce its competitive position in both segments, and tap additional revenue and earnings potential.

Increasing Manz's Share of the Value Chain through Research and Development Projects

By opening our Development Center for Vacuum Coating Technology in Karlstein am Main, we have expanded the share of technologies for both crystalline solar cells and thin-film solar modules developed and manufactured within the Manz Group to 90%. Thanks to this extremely high percentage of equipment produced in-house, we can guarantee an almost complete integration of individual machines and processes today. In addition to significantly reducing the costs of the production lines, our company also gains an additional competitive advantage as a result of the potential to increase efficiency. To further optimize the level of value added internally, our company is working on various R&D projects so that we can offer equipment for the other required stages of production in the future. But increasing the speed of our systems, ensuring their safety, and achieving lower breakage rates are also important aspects that are taken into consideration during the further development of our equipment. In the future, the central focus of our research will be on increasing the efficiency of solar cells. By increasing the level of value added internally, we will be able to further improve our market position, as well as our position working with strategic partners. Furthermore, by signing an agreement during the previous fiscal year to assume control of the innovation line for manufacturing CIGS solar modules on January 1, 2012, Manz set another milestone on the way to a leading position in the market as a supplier of fully integrated and profitable CIGS production lines (CIGS-fab). Both can have a positive impact on our company's revenues and earnings.

Research and development as the key to Manz's technological and market leadership

Significant Opportunities for Growth by Continuing to Expand Internationally

The solar industry in particular offers our company the opportunity to expand into growth markets over the medium term. In addition to the Asian markets, this especially applies to the United States, which has beneficial climate conditions, the world's highest energy demand, and an immense amount of space available for photovoltaic systems. In addition, politicians in the United States are increasingly upbeat on solar power. The US government has set a goal of increasing the country's share of electricity from renewable energy sources from 9% to 25%. As a result, 150 billion US dollars will be invested over the next ten years in new energy technologies in order to increase their efficiency. And the Middle East will also gain more strategic importance in the future as well. In the face of a shortage of fossil fuels, completely revamped energy policies seem to be inevitable. Successfully developing these markets can therefore have a positive impact on the company's revenues and earnings.

Market Opportunities from Acquisitions

Furthermore, our company can develop additional competitive advantages by making targeted acquisitions. This gives us access to new technologies, knowledge, and qualified staff (and, at the same time, access to scarce factors, as well as factors that are key to our competitive edge). Furthermore, our company regularly checks for opportunities to open up new customer and product groups and further diversify our product range by making attractive acquisitions. This will give our company a broader foundation, which will have a stabilizing effect on our revenues and earnings.

Market Opportunities from Entering New Markets

Significant growth potential in young sunrise industries

In the future, Manz AG will continue striving to enter new growth markets. The focus here is on future technologies with significant growth potential. By developing and establishing innovative manufacturing solutions, Manz AG wants to make the manufacturing processes in these industries profitable for the companies that use them and simultaneously help move the technologies mainstream. At the same time, Manz AG sees significant potential for the company to itself benefit from this future growth.

FORECAST REPORT

OUTLOOK

In our Forecast Report, we provide as much information as possible about Manz AG's expected future growth and the company's business environment during the next two fiscal years.

In the previous fiscal year, Manz AG was not able to achieve the EBIT margin of at least 5% that was forecast the year before. This was particularly due to the significant margin pressure to which Manz AG was subjected in the Solar division as a result of the continued difficult situation in the solar market, the decline in prices for solar cells and modules, and customers' need to further cut costs.

It must be noted, however, that the current economic conditions increase the uncertainty when discussing future trends, since the assumptions this forecast is based on could quickly become invalid. The conditions of the current business environment mean both opportunities and risks when it comes to the Manz Group's operative performance.

Economic expectations continue to be closely linked to the future developments in the European debt crisis. For example, the EU is anticipating a mild recession of –0.3% for the current year, 2012. The preliminary data for Germany however is for the most part positive, with the EU Commission forecasting growth in the country of 0.6% in 2012. The data published regarding the Ifo Business Climate Index offer a reason to be optimistic, since the indicator points to an increase in economic output in Germany. Nevertheless, worldwide GDP has been affected by the events in Europe. While the signs of an economic recovery are increasing in the United States, China sees itself confronted by increasing rates of inflation and, at the same time, declining GDP growth rates.

The mechanical engineering sector in Germany cannot decouple itself from this development. The VDMA took back its growth forecast for 2012 and now predicts zero growth in the industry for the current year, since they believe the industry's export business will not have as dynamic an effect as in previous years.

In addition to these general economic conditions, developments in the photovoltaic, flat panel display, and lithium-ion battery submarkets also play a decisive role in Manz AG's further operative performance. As a result of the significant cuts to solar subsidies in Germany, which were passed in February, we expect to see negative growth in the installation of solar equipment in 2012. We believe this decline in demand in the world's largest market (based on installed capacity) will have a significant impact on many domestic and international solar manufacturers' willingness to make new investments. When it comes to production lines, the resulting uncertainty will lead to manufacturers at most investing in replacement equipment or equipment to make lines more economical during the first half of 2012. In this context, a hesitation to make investments among crystalline solar cell manufacturers is currently very palpable. In addition, manufacturers' large amount of stock is also an obstacle blocking new investments; the prices for solar modules are continuing their decline, since stock is sometimes being sold below manufacturing cost. A new investment cycle will only begin when this trend slows and visibility increases. Over the medium term, this can lead to significantly increased growth rates in the solar sector, since at that point companies will be forced to make new investments in order to manufacture their products profitably. This is one of the key reasons why Manz AG is working intensively on making advancements to the CIGS technology acquired from Würth Solar. On the one hand, this technology offers the highest rates of increase in efficiency, and as a result, it also offers the lowest costs per watt. On the other hand, solar power will move mainstream in countries and regions with many hours of sunlight, such as India, China, and North America. In this context, thin-film technology in particular will be able to capitalize on its advantages, which means the medium-to-long-term prospects for this division remain extremely positive.

Medium-to-long-term prospects for this division remain extremely positive

Manz AG's second main area of business, the flat panel display industry, is currently being dominated by contradictory trends. Firstly, the boom for equipment to produce LCD televisions weakened, which means demand is expected to decline in the current year. And secondly, the demand for smartphones and tablet PCs remains high, which means this field can develop into an increasingly attractive area of business for Manz AG. The large contract acquired in early 2012 valued at 33 million euros supports this expectation.

Continued high demand for smartphones and tablet PCs in the FPD industry

According to the Managing Board, one extremely positive development is the demand for systems and equipment for the production of lithium-ion batteries. The increasing number of cars being produced with hybrid or battery-powered drive systems should lead to increased investments in the construction of battery factories in the coming years. At the same time, the increasing level of automation can significantly reduce the cost of batteries, which in turn will stimulate demand for automobiles with these drive systems.

Extremely positive trends expected in the lithium-ion battery market

Due to the increasing use of electronic devices in daily life, communication applications' increased level of penetration, and the sustained demand for mobile devices such as smartphones and tablet PCs, the PCB/OEM reporting segment will most likely continue to see stable growth in the future, whereby the business conducted in this segment, which generally sees Manz in the role of an OEM, particularly serves to improve the utilization of our production capacities. Should the PCB/OEM reporting segment's share of Manz AG's total revenues decline, this segment may no longer need to be reported pursuant to IFRS 8.

The key to our company's sustainable growth is the continued application of our diversification strategy and continuing to invest in research and development. We will continue to take our customers' needs into account and develop innovative products in our Solar, FPD, and New Business divisions that will both secure and expand our position as a technological and market leader over the medium and long term. In order to achieve these goals, Manz AG plans to invest 15 million euros in research and development during the current fiscal year. Our ratio of research costs to sales of 10.2 % in fiscal year 2011 and our establishment of the innovation facility in Schwäbisch-Hall on January 1, 2012, demonstrates that research is one of Manz AG's top priorities. As a result, we now have the ability to advance research and development in the field of CIGS technology faster than ever before and, as a result, guarantee customers the highest levels of efficiency and maximum security for their investment.

Sustainable growth through the continuation of the company's diversification strategy and investments in R&D

Our main challenge in the 2012 fiscal year is successfully establishing our CIGSfab on the market and shipping the first turnkey, fully integrated production line for CIGS thin-film solar modules. Through the acquisition of the CIGS production line from Würth Solar, Manz became not just the only supplier that currently offers an integrated and fully productive production line for CIGS thin-film modules that can be operated profitably, but also the supplier that has the world's largest team of experts on CIGS technology in the industry, comprising 118 employees. The total potential revenue from a CIGSfab production line with an annual capacity of 120 MW is close to 150 million euros. Thanks to Manz AG's outstanding position, we have the opportunity to significantly increase both revenues and earnings in the coming years. We once again plan to make additional investments totaling approx. 5 million euros in the 2012 fiscal year to establish our CIGSfab on the market.

Potential revenue generated by a CIGSfab = approx. 150 million euros

By opening our manufacturing facility in Suzhou, China, with a total investment of approx. 10 million euros, Manz AG has strengthened its local presence in the fast-growing Chinese market. Replacement and rationalization investments complement our company's investment strategy, which, based on experience, will total in the low one-digit millions as a result of our company's equipment still being relatively new. At the same time, we will continue hiring new employees in order to achieve our planned growth.

Overall, Manz AG will invest approximately 25 million euros for additional growth in the 2012 fiscal year.

Thanks to systematically strengthening our individual areas of business with their respective different cyclical developments, Manz AG is in an excellent position to compensate for possible downturns with positive growth rates in other areas. As of March 21, 2012, we had orders on the books valued at 96.5 million euros, which is an indication of the restrained demand at the present time, particularly in the photovoltaic industry. Despite the uncertain economic outlook, we still have the opportunity to achieve total revenues in the 2012 fiscal year near to what we generated last year. In this context, we are also forecasting that the second half of the current fiscal year will be stronger than the first as a result of an economic upturn and a significant increase in revenues from equipment for the production of lithium-ion batteries. We anticipate more than doubling our revenues in the field of lithium-ion batteries alone, after generating 9.5 million euros last year. The aforementioned revenue scenario does not include the sale of a CIGS production line. Discussions we are currently holding with Asian customers leave us optimistic that a new revenue record is achievable in the current year, however. The first sale of such a line could significantly increase our revenues in the 2012 fiscal year.

When it comes changes to our margins, we are forecasting only a slight improvement in the 2012 fiscal year as compared to last year, but with a positive EBIT overall. In particular, the solar division will most likely generate either negative or only slightly positive earnings. This is due to a number of factors, including our ongoing investments in CIGS technology and the innovation line we are operating in Schwäbisch Hall. Nevertheless, the Managing Board is convinced that these investments will pay off, and that Manz will take over a leading market position in the medium term as a result of our company's established expertise and advanced technology. As a result, we are anticipating further revenue growth and above-average increases in margins starting in 2013, thanks to both a more positive overall economic environment once again and the increasing demand in the relevant submarkets.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. These statements are based on the current assumptions and forecasts of Manz AG's Managing Board. Such statements are subject to both risks and uncertainties. These and other factors can cause our company's actual results, financial situation, growth, and performance to significantly deviate from the opinions stated in this report. Our company assumes no obligation to update these forward-looking statements or adapt them to future events or developments.

Reutlingen, March 21, 2012

The Managing Board

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PILLARS OF SUSTAINABLE SUCCESS

At Manz, our focus is on three strategic core markets: solar, flat panel displays, and li-ion batteries. This diversification gives us the greatest level of flexibility possible in a globalized world where competition is becoming increasingly fierce. Conditions are changing more unexpectedly, leaving companies with less time to adjust. But thanks to our strategy, we are well-prepared to meet any changes – because we do not view our divisions as units that operate independently, but instead we strive for the greatest synergies possible throughout our processes.

Our lithium-ion battery division is an excellent example of how well this flexible strategy works – we are now considered a company that sets the pace for groundbreaking production technologies in this field.

CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF INCOME

(in EUR tsd.)	Notes	2011	2010
Revenues	1	240,509	181,402
Changes in inventory		13,088	9,581
Internally produced and capitalized assets	2	13,173	14,035
Total operating revenues		**266,770**	**205,018**
Other operating income	3	4,451	6,429
Material expenditures	4	–158,466	–121,558
Gross profit/loss		**112,755**	**89,889**
Personnel expenses	5	–64,648	–51,653
Write-downs		–11,195	–9,335
Other operating expenses	6	–33,795	–28,339
Earnings before interest and taxes (EBIT)		**3,117**	**562**
Earnings from equity-accounted financial investments		0	–36
Financial income	7	378	937
Financial expenses	8	–1,283	–775
Earnings before taxes (EBT)		**2,212**	**688**
Taxes on income	10	–1,049	1,112
Comprehensive income		**1,163**	**1,800**
Income allocated to minority interests	11	300	235
Income allocated to Manz AG shareholders		863	1,565
Weighted average number of shares		4,480,054	4,480,054
Earnings per share (diluted = undiluted) in euros per share	12	0,19	0,35

CONSOLIDATED INCOME STATEMENT FOR TOTAL PERIOD

(in EUR tsd.)	2011	2010
Comprehensive income	**1,163**	**1,800**
Other comprehensive income		
Differences as a result of currency translation	684	7,813
Changes to the fair value of securities	0	–129
Changes to the fair value of cash flow hedges	–288	0
Tax effects from other comprehensive income	73	29
	469	**7,713**
Total comprehensive income for the period	**1,632**	**9,513**
Income allocated to minority interests	318	472
Income allocated to Manz AG shareholders	1,314	9,041

CONSOLIDATED BALANCE SHEET

ASSETS (in EUR tsd.)	Notes	**Dec. 31, 2011**	**Dec. 31, 2010***
Non-current assets			
Intangible assets	14	95,325	89,999
Property, plant, and equipment	15	31,380	23,636
Deferred taxes	10	2,438	1,255
Other non-current assets		864	615
		130,007	**115,505**
Current assets			
Inventories	16	66,393	49,995
Accounts receivable	17	84,175	67,054
Income tax receivables		282	164
Derivative financial instruments	18	109	89
Other current receivables	19	3,924	4,509
Liquid assets	20	33,288	38,902
		188,171	**160,713**
Total assets		**318,178**	**276,218**

*Previous year's values adjusted. Additional information can be found in the Notes to the Financial Statements under "Accounting and Measurement Principles" and "Adjustment of Last Year's Figures."

LIABILITIES AND SHAREHOLDER'S EQUITY (in EUR tsd.)	Notes	**Dec. 31, 2011**	**Dec. 31, 2010***
Equity	21		
Capital stock		4,480	4,480
Capital reserves		144,006	144,213
Revenue reserves		28,835	28,182
Currency translation		10,243	9,577
Manz AG shareholders		187,564	186,452
Minority Interests		1,754	1,476
		189,318	**187,928**
Non-currents liabilities			
Non-current financial liabilites	22	4,934	4,390
Non-current deferred subsidies	23	338	332
Financial liabilities from leases	24	70	39
Pension provisions	25	3,903	3,951
Other non-current provisions	26	1,958	1,532
Deferred taxes	10	803	1,624
		12,006	**11,868**
Current liabilities			
Current financial liabilities	27	45,399	9,794
Accounts payable and payments	28	46,335	51,535
Advance payments received	17	10,434	4,246
Income tax liabilities		3,124	47
Other current provisions	29	3,236	3,363
Derivative financial instruments	18	288	0
Other liabilities	30	7,996	7,433
Financial liabilities from leases	24	42	4
		116,854	**76,422**
Total shareholders' equity and liabilities		**318,178**	**276,218**

*Previous year's values adjusted. Additional information can be found in the Notes to the Financial Statements under "Accounting and Measurement Principles" and "Adjustment of Last Year's Figures."

CONSOLIDATED CASH FLOW STATEMENT

(in EUR tsd.)	2011	2010
Cash flow from operations		
Comprehensive income	1,163	1,800
Amortization/depreciation of non-current assets	11,195	9,335
Loss (–) / Profit (+) from equity-accounted investments	0	36
Increase (+) / Decrease (–) in pension provisions and other non-current provisions	378	–974
Other non-cash income (–) and expenses (+) particularly deferred taxes	–2,210	–1,704
Cash flow	**10,526**	**8,493**
Gains (+) / losses (–) from disposals of assets	–62	–11
Increase (+) / Decrease (–) in inventories, accounts receivable, and other assets	–32,946	–53,651
Increase (+) / Decrease (–) in pension provisions and other liabilities	5,094	47,171
	–17,388	**2,002**
Cash flow from investments		
Incoming payments from the sale of non-current assets	723	133
Payments for investments in intangible assets and property, plant, and equipment	–25,420	–55,083
Payments for the acquisition of consolidated companies, minus liquid assets received	0	–2,070
Incoming payments from the sale of securities	0	43,429
Payments for the purchase of securities	0	–14,590
	–24,697	**–28,181**
Cash flow from financing activities		
Purchase of own shares	0	–125
Payments toward the repayment of finance lease agreements	–6	–8
Deposits from borrowing non-current loans	4,584	3,745
Payments toward the repayment of non-current loans	–525	–157
Change in overdraft loans	32,280	1,080
	36,333	**4,535**
Cash and cash equivalents at the end of the period		
Cash change in cash and cash equivalents (subtotal 1–3)	–5,752	–21,644
Net change in cash and cash equivalents due to currency conversion	138	1,215
Cash and cash equivalents on January 1	38,902	59,331
Cash and cash equivalents on December 31	**33,288**	**38,902**
Composition of cash and cash equivalents		
Liquid assets	33,288	38,902
Cash and cash equivalents on December 31	**33,288**	**38,902**

The cash flow statement is explained in detail in the Section 13 of the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES TO EQUITY

for fiscal year 2011

				Revenue reserves						
(in EUR tsd.)	**Capital stock**	**Capital reserves**	**Treasury shares**	Accummulated earnings	Market value of securities	Cashflow hedges	**Currency translation**	**Manz AG shareholders**	**Minority shares**	**Total equity**
As of Jan. 1, 2010	**4,480**	**144,226**	**0**	**26,397**	**100**	**0**	**2,001**	**177,204**	**1,826**	**179,030**
Net profit (loss) for the period				1,565	–100	0	7,576	9,041	472	9,513
Purchase of own shares			–125					–125		–125
Use of treasury shares			125					125		125
Share-based compensation		–13						–13		–13
Changes in minority interests as a result of increased interests				220				220	–822	–602
As of Dec. 31, 2010	**4,480**	**144,213**	**0**	**28,182**	**0**	**0**	**9,577**	**186,452**	**1,476**	**187,928**
As of Jan. 1, 2011	**4,480**	**144,213**	**0**	**28,182**	**0**	**0**	**9,577**	**186,452**	**1,476**	**187,928**
Net profit (loss) for the period				863	0	–215	666	1,314	318	1,632
Share-based compensation		–207		0				–207		–207
Changes in minority interests as a result of increased interests				5				5	–40	–35
As of Dec. 31, 2011	**4,480**	**144,006**	**0**	**29,050**	**0**	**–215**	**10,243**	**187,564**	**1,754**	**189,318**

* Additional information regarding calculating changes in equity can be found in Section 21.

SEGMENT REPORTING FOR DIVISIONS

as of Dec. 31, 2011

(in EUR tsd.)	Revenues with third parties	Revenues with other segments	EBIT	Segment assets	Segment liabilities	**Net assets**	Additions to assets	Amortization/ depreciation	Employees (annual average)
Solar									
2010	65,740		–3,844	120,180	9,959	**110,221**	41,326	4,765	414
2011	72,637		–9,912	146,348	10,917	**135,431**	20,096	4,830	508
FPD									
2010	58,755		3,505	59,504	28,197	**31,307**	1,056	1,398	306
2011	98,535		9,011	76,429	38,799	**37,630**	759	1,488	438
New Business									
2010	3,643		92	6,363	1,128	**5,235**	1,642	112	40
2011	9,492		1,050	7,940	1,316	**6,624**	1,448	416	41
PCB/OEM									
2010	38,775		749	35,398	17,505	**17,893**	5,293	1,375	407
2011	41,883		1,277	31,703	21,392	**10,311**	818	1,529	453
Others									
2010	14,489	13,323	60	7,906	239	**7,667**	2,028	527	94
2011	17,962	12,761	1,691	8,314	7,005	**1,309**	419	415	95
Central functions/other									
2010	0			46,867	31,262	**15,605**	3,738	1,158	274
2011	0			47,444	49,431	**–1,987**	1,880	2,517	334
Consolidation									
2010		–13,323							
2011		–12,761							
Group									
2010	181,402	0	562	276,218	88,290	**187,928**	55,083	9,335	1,535
2011	240,509	0	3,117	318,178	128,860	**189,318**	25,420	11,195	1,869

SEGMENT REPORTING FOR REGIONS

as of Dec. 31, 2011

(in EUR tsd.)	Third-party revenues by customer location	Non-current assets (without deferred taxes)
Germany		
2010	18,345	66,419
2011	25,056	70,901
Rest of Europe		
2010	32,293	8,595
2011	31,793	12,314
Asia		
2010	126,019	36,289
2011	171,720	42,382
USA		
2010	4,111	74
2011	11,603	103
Other Regions		
2010	634	2,873
2011	337	1,869
Group		
2010	181,402	114,250
2011	240,509	127,569

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CORE COMPETENCIES FOR MAXIMUM SYNERGIES

In contrast to many of our competitors, we do not just concentrate on a certain part of the value chain in our strategic areas of business, but instead want to cover all the key steps of the process with technologies developed in-house in order to achieve the highest degree of integration possible. As a result, we are able to make the maximum contribution to cutting our customers' costs. And this unique position allows us to quickly react to changing market needs.

Wet Chemistry
Laser Processing
Vacuum Coating
Printing

NOTES

GENERAL EXPLANATORY INFORMATION

Manz AG's ("Manz AG") headquarters are located on Steigäckerstrasse 5 in 72768 Reutlingen, Germany. The business activities of Manz AG and its subsidiaries ("the Manz Group" or simply "Manz") consist of developing and manufacturing systems and components for automation, quality assurance, laser processing technology, and metalization. The systems are primarily used in the manufacture of solar cells, LCD flat-panel displays and touch-screen applications, as well as in the production of lithium-ion batteries. Manz AG's stock is traded on the regulated market of the Frankfurt Stock Exchange (Prime Standard segment).

Manz AG's annual consolidated financial statements dated December 31, 2011, were prepared in accordance with International Financial Reporting Standards (IFRS) as approved for use in the EU and the additional commercial legal regulations set forth in Article 315a, Section 1, of the German Commercial Code. All compulsory standards and interpretations were taken into consideration. International Financial Reporting Standards which are not yet compulsory were not applied. On March 21, 2012, the Managing Board passed a resolution approving the presentation of these annual consolidated financial statements to the Supervisory Board.

In the interests of better clarity, individual items have been put together in the balance sheet and the profit and loss statement and then listed separately and explained in the appendix. The Manz Group's fiscal year covers the period from January 1 to December 31 of any year. The consolidated financial statements are prepared in euros. The figures in the appendix, unless otherwise stated, are shown in thousands of euros The profit and loss statement is prepared according to the total cost method of accounting.

ACCOUNTING PRINCIPLES

BASIS OF CONSOLIDATION

Manz AG's consolidated financial statements include all the companies for which Manz AG can either directly or indirectly determine said company's financial and operative policy ("controlling relationship").

In addition to Manz AG, the group of consolidated companies includes the following domestic and foreign subsidiaries:

FULLY CONSOLIDATED COMPANIES

		Interest in %
Manz Tübingen GmbH	Tübingen/Germany	**100.0 %**
Manz Coating GmbH	Reutlingen/Germany	**100.0 %**
Manz USA Inc.	North Kingstown/USA	**100.0 %**
Manz Hungary Kft.	Debrecen/Hungary	**100.0 %**
MVG Hungary Kft.	Debrecen/Hungary	**100.0 %**
Manz Slovakia s.r.o.	Nove Mesto nad Vahom/Slovakia	**100.0 %**
Manz Automation Spain S.L.	Madrid/Spain	**100.0 %**
Manz Israel (T.A.) Ltd.	Petach-Tikva/Israel	**100.0 %**
Manz Asia Ltd.	Hong-Kong/China	**100.0 %**
Manz Chungli Ltd. [1)]	Chungli/Taiwan	**100.0 %**
Manz Co. Ltd. (Shanghai) [1)]	Shanghai/China	**100.0 %**
Manz China WuZhong Co. Ltd. [1)]	Suzhou/China	**100.0 %**
Manz China Suzhou Ltd. [1)]	Suzhou/China	**100.0 %**
Manz India Private Ltd. [1)]	New Delhi/India	**75.0 %**
Manz Taiwan Ltd. [1)]	Chungli/Taiwan	**97.2 %**
Manz (B.V.I.) Ltd. [2)]	Road Town/British Virgin Islands	**97.2 %**
Intech Machines (B.V.I.) Co. Ltd [2)]	Road Town/British Virgin Islands	**97.2 %**
Intech Machines (Shenzhen) Co. Ltd [3)]	Shenzhen/China	**97.2 %**

1) via Manz Asia Ltd.
2) via Manz Taiwan Ltd.
3) via Intech Machines (B.V.I.) Co. Ltd.

The list of holdings is published in the online German Federal Gazette.

NAME CHANGES TO THE SUBSIDIARY COMPANIES DURING FISCAL YEAR 2011

Previously	New
Manz Automation Tübingen GmbH	**Manz Tübingen GmbH**
Manz Automation Asia Ltd.	**Manz Asia Ltd.**
Manz Automation Co. Ltd.	**Manz China Shanghai Ltd.**
Axystems Ltd.	**Manz Israel (T.A.) Ltd.**
Manz Automation India Private Ltd.	**Manz India Private Ltd.**

Changes to the Basis of Consolidation in Fiscal Year 2011

Increased interest in Manz Taiwan Ltd, Chungli, Taiwan

In fiscal year 2011, we increased our interest in Manz Taiwan Ltd. (formally: Manz Intech Machines Co. Ltd), by 0.03 % – from 97.12 % to the present level of 97.15 %. The additional interest we acquired is accounted for using the equity method. In this case, the additional interest acquired is only recorded in equity as a shift between majority and minority shareholders. The values of assets and debt on the balance sheet remain unchanged.

Liquidation of Manz Automation Spain S.L.

Manz Spain was liquidated in June of 2011. The deconsolidation did not result in any values affecting net income.

Purchases after the Reporting Date

Manz CIGS Technology GmbH

Effective January 1, 2012, Manz AG purchased a 100 % stake in Manz CIGS Technology GmbH, Stuttgart. This company owns the licenses, expertise, and a production line for the manufacture of CIGS thin-film solar panels (CIGSfab). As a result of this acquisition, the licensing and partnership agreement Manz entered into with Würth Solar GmbH & Co. KG in July 2010 was annulled. All of the services set forth in this agreement which had not yet been rendered are considered rendered upon completion of the acquisition of Manz CIGS Technology GmbH. The fair value of the annulled licensing and partnership agreement totaling 24.9 million euros corresponds to a purchase price of the same amount. No funds were transferred as payment for this acquisition. No significant acquisition costs were incurred for this transaction.

As a result of this acquisition, Manz acquired the following assets and liabilities:

(in EUR million)	Fair value	Carrying value
Intangible assets	**22.5**	**0.0**
Tangible assets	2.6	0.0
Cash and cash equivalents	0.3	0.3
	25.4	**0.3**
Non-current liabilities	0.5	0.0
Fair value of net assets	**24.9**	**0.3**
Net assets [1]	24.9	0.3
Acquisition costs	24.9	
Goodwill	**0.0**	

1) Calculation of the fair value of assets and liabilities is not yet complete. As a result, provisional values were recorded pursuant to IFRS 3.62.

The financial statements of the subsidiary companies will be prepared on the reporting date of the consolidated financial statements, which corresponds to the reporting date of Manz AG.

CONSOLIDATION PRINCIPLES

Capital is consolidated according to the acquisition method. In this case, the acquired assets and liabilities are valued at the date of acquisition using their fair values. The acquisition costs for the acquired interest are then offset against the proportionate newly valued equity of the subsidiary company. Any remaining positive difference from offsetting the purchase price against the identified assets and liabilities is disclosed under the intangible assets as goodwill. Cost incurred as part of the business combination are recorded as expenses and therefore do not represent any part of the acquisition costs.

Any difference, which results from the acquisition of further interest or from the sale of interest after initial consolidation without loss of control to a fully consolidated subsidiary, is directly offset against the equity capital.

In case of step business combinations, the share of equity in the acquired company previously held by the buyer is recalculated at the fair value at the date of acquisition and the resulting profit or loss recognized in profit and loss.

If a previous subsidiary is deconsolidated, the difference between the payment received and the outgoing net assets at the point of the loss of control (including any goodwill that still exists from capital consolidation) is recognized in profit and loss.

Expenses and income as well as receivables, accounts payable, and provisions between consolidated companies are offset and subtotals eliminated. The necessary tax deferrals are carried out on consolidation processes. Furthermore, guarantees provided by Manz AG or one of its consolidated subsidiaries on behalf of another consolidated subsidiary are eliminated.

Minority interests represent the part of the result and the net assets that is not attributed to the Group. Minority interests are disclosed separately in the consolidated statement of income and the consolidated financial statements. In the consolidated financial statements, this is recorded in equity, separate from the equity attributed to the shareholders of the parent company.

CURRENCY CONVERSION

The financial statements of subsidiaries consolidated in the Group prepared in foreign currency are converted to euros in accordance with IAS 21. The functional currency of the consolidated companies nearly always corresponds to the respective national currency, as these subsidiaries run their business activities independently in a financial, economic, and organizational respect. For a subsidiary, the functional currency is not the national currency but the euro. Assets, liabilities, and contingencies are converted using the average exchange rate on the reporting date, whilst equity is converted using historical exchange rates. The profit and loss statement is converted at the average annual exchange rate. Differences resulting from converting the financial statements are recorded as a separate item under equity with a neutral effect on income until the disposal of the subsidiary.

In the annual financial statements of the companies included in the consolidated financial statements, foreign currency items are valued on entry using the purchase price. Monetary items are valued on the reporting date using the average price. Exchange rate profits and losses are recorded on the reporting date in profit and loss.

EXCHANGE RATES OF THE MOST IMPORTANT CURRENCIES

		Rate at the End of the Period		Average Rate	
(in EUR)		Dec. 31, 2011	Dec. 31, 2010	2011	2010
USA	USA	1.2950	1.3253	1.3928	1.3279
Taiwan	TWD	39.4288	38.9638	41.0836	41.8818
Hong Kong	HKD	10.0612	10.3247	10.8510	10.3304
China	CNY	8.2424	8.7626	9.0169	9.0005
Hungary	HUF	312.7680	280.0290	279.9614	275.9354

ACCOUNTING AND VALUATION PRINCIPLES

Manz AG's assets and liabilities and those of the subsidiaries included in the course of full consolidation are consistently accounted and valued according to the accounting and valuation principles applicable in the Manz Group as of December 31, 2011.

Data from the 2010 fiscal year which serves as a point of comparison was calculated using the same accounting and valuation principles which were used for the 2011 fiscal year.

ADJUSTING THE PREVIOUS YEAR'S FIGURES

Last year, when capitalizing deferred taxes on a loss carry-forward, they were not offset against the corresponding deferred tax liabilities pursuant to IAS 12.74. In the current reporting year, the value of last year's deferred tax assets and deferred tax liabilities were adjusted to the extent that their value was reduced by 6,781,000 euros; as a result, deferred tax assets and deferred tax liabilities are now presented offset against one another.

FIXED ASSETS

Intangible assets which are not acquired as part of a business combination, are accounted for at acquisition or manufacturing costs when recorded for the first time. The acquisition costs of intangible assets acquired as part of a business combination equate to their fair value at the date of acquisition. The intangible assets are accounted for in the following periods using their acquisition or manufacturing costs minus cumulative write-downs and cumulative impairment losses. Costs for self-created intangible assets, with the exception of development costs eligible for capitalization, are not capitalized and recognized in profit and loss in the period in which they occur.

Intangible assets with a finite and those with an indefinite useful life are differentiated.

Intangible assets with a finite useful life depreciated over their useful economic life and checked for a possible reduction in value if there are indications that the intangible asset could reduce in value. The period and method of depreciation for intangible assets with a finite useful life are checked at least at the end of any given fiscal year. The necessary changes to the method or period of depreciation due to changes to the anticipated useful life of to the anticipated use of the future economic benefit of the asset are treated as changes of estimates.

Intangible assets with an indefinite useful life are not subject to scheduled depreciation. This includes goodwill and brand names from business combinations. The indefinite nature of the useful life of brands is based on the assessment that the economic benefits from these assets cannot be fixed to a specified period. At least once a year, a reduced value test is conducted for each individual asset or at the level of cash-generating units (CGU). Intangible assets with an indefinite useful life are checked once a year to see whether the assessment of an indefinite useful life is still justified. If this is not the case, the change of assessment from indefinite to finite useful life is made prospectively.

The development costs for equipment and equipment components are capitalized as long as the conditions of IAS 38 are fulfilled. In this case, the acquisition and manufacturing costs cover all the costs directly attributable to the development process as well as a reasonable share of development-related overheads. Capitalized development costs are depreciated using the straight-line method from the start of production over the anticipated product life cycle, usually three to five years. If capitalized development costs are not yet depreciated according to schedule, an impairment test will be carried out once annually for each individual asset or at the level of cash-generating units (CGU). The research costs and development costs not eligible for capitalization are recorded as an expense as they arise.

The company's fixed assets are valued at acquisition or manufacturing cost, reduced by scheduled depreciations according to their ordinary useful life and by unscheduled depreciations as a result of impairment of value. Costs for repairs and maintenance are recorded as current expenses. Straight-line depreciation is carried out according to the anticipated progress of the consumption of the future economic benefit. Scheduled write-downs are based predominantly on the following useful periods:

	Years
Buildings	20 to 50
Technical equipment and machinery	6 to 10
Other equipment, furniture and office equipment	4 to 13

The residual values, useful lives, and depreciation methods of assets are checked at the end of any given fiscal year and adjusted prospectively if necessary.

If a considerable period of time is required for the acquisition or manufacture of qualified assets to get them ready for their intended use, the directly attributable borrowing costs will be capitalized until the assets are ready for their intended use. No borrowing costs were capitalized in the current and previous fiscal year.

Within the scope of finance lease agreements, economic ownership is attributed to the lessee in those cases in which the lessee essentially bears all the risks and rewards associated with ownership (IAS 17). If the economic ownership is attributed to the Manz Group, capitalization takes place at the inception of the lease at the fair value or at the lower cash value of the minimum lease payments. Write-downs are done according to the straight-line method of depreciation based on the economic useful life or the shorter lease period. Payment obligations resulting from future lease payments are recorded as a liability under financial liabilities from leases.

Determining whether an agreement contains a lease is based on the economic content of the agreement at the time the agreement was concluded and requires an assessment as to whether the fulfillment of the contractual agreement depends on the use of a particular asset or assets and whether the agreement grants a right to use the asset.

IMPAIRMENT TEST

An impairment test is conducted on goodwill and on intangible assets with an indefinite useful life at least once a year, but in the case of capitalized development costs and other intangible assets with a finite useful life as well as fixed assets and financial assets, only if there are concrete indications.

A value reduction is recognized in profit and loss if the recoverable amount from the asset is lower than the carrying value. The recoverable amount for any asset is individually estimated as a matter of principle. If this is not possible, the calculation is based on a group of assets that represents a cash-generating unit (CGU). The recoverable amount is the higher of the two following amounts: fair value minus costs to sell and value in use.

The fair value minus costs to sell corresponds to the recoverable amount from the sale of an asset at normal market conditions less costs to sell. The value in use is calculated based on the estimated future cash flow from use and the disposal of an asset with the aid of the discounted cash flow method. An interest rate before tax corresponding to market conditions is used as the discount rate.

To work out the recoverability of goodwill, the value in use of the cash-generating unit in question is used as a matter of principle. The basis for this is the current plan prepared by the management. The detailed planning period stretches over a period of three years.

For the following years, plausible assumptions are made about the future development. The planning assumptions are adapted in each case to the current level of knowledge. In this case, reasonable assumptions about macroeconomic trends and historic developments are taken into account.

If the reasons no longer apply for extraordinary depreciation carried out in previous years, with the exception of goodwill, write-ups are made to the recoverable amount. The amount must not exceed the carrying value that would have resulted taking scheduled write-downs into account, if no impairment had been recorded for the asset in the past.

The impairment test for brand values included in the consolidated financial statements is carried out using the license analogy method on the basis of value in use.

INVENTORIES

Inventories are accounted for in accordance with IAS 2 (Inventories) at acquisition and manufacturing costs or at lower net realizable values. Besides the direct costs, the manufacturing costs include an appropriate share of the necessary material costs and production overheads as well as production-related write-downs and proportionate administrative overheads, which can be directly allocated to the manufacturing process. If necessary, the average cost method is used as the simplified evaluation method.

CONSTRUCTION CONTRACTS

Manz generates a predominant share of its revenues through construction contracts which are accounted for using the percentage-of-completion method (PoC Method) pursuant to IAS 11. In this case, revenue and expected margins are recognized in proportion to the stage of completion of the contract. Total contract revenue as agreed upon with the client and the expected costs to complete the contract form the basis for this calculation. The stage of completion of a contract, which determines what portion of revenue is recognized, is calculated based on the ratio of costs incurred as of the accounting date divided by the calculated total costs (cost-to-cost method). As a result of this accounting method, both revenues and the related costs are recorded in the period they were generated/incurred.

If the total of incurred contract costs and recorded profits exceeds partial payments received, the construction contracts are recorded on the assets side under future receivables from construction contracts as a component of accounts receivable. A negative balance is recorded under advance payments received. Expected losses from custom construction contracts are accounted for as an expense in the full amount, this is carried out by correcting the value of capitalized assets and, in addition, provisions are also created.

As set forth in IAS 18 "Revenue", other revenue is recorded on the date to which the related opportunities and risks were assigned. This is usually the date when the finished goods or products were delivered or, if applicable, the services were provided.

FINANCIAL INSTRUMENTS

According to IAS 39, financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. If it is possible for the trading date and settlement date to fall at different times in the case of financial assets, the settlement date is decisive for the first time they are recorded in the accounts. The first valuation of a financial instrument is done at the fair value. Transaction costs are included. When it comes to subsequent valuation, financial instruments are either recognized at their fair value or at amortized costs.

For valuation purposes, IAS 39 divides financial assets into the following categories:

- Financial assets at fair value through profit or loss
- Available-for-sale financial assets
- Held-to-maturity investments
- Loans and receivables

Financial liabilities are divided into the following two categories:

- Financial liabilities at fair value through profit or loss and available-for-sale financial liabilities
- Other financial liabilities measured at amortized cost using the effective interest method

Depending on the categorization of financial instruments, they are valued at their fair value or at amortized costs.

The fair value corresponds to the market or share price as long as the financial instruments being valued are traded in an active market. If there is no active market for a financial instrument, the fair value is established using suitable financial valuation methods, such as recognized option pricing models or discounted future cash flow using the market rate of interest and checked by confirmations from banks that handle the transactions. The amortized costs correspond to the acquisition costs less repayments, value reductions, and the amortization of a difference between the acquisition costs and the amount repayable on maturity, which is taken into account according to the effective interest method. Financial instruments are recognized as soon as Manz becomes a contractual party to the financial instrument. A write-off is always carried out if the contractual right to cash flows expires or this right is transferred to a third party.

PRIMARY FINANCIAL INSTRUMENTS

Primary financial instruments particularly include receivables from customers and liquid assets as well as financial liabilities and accounts payable. When first recorded, primary financial instruments are recognized using their fair value. When first valued, the fair value in principle corresponds to the transaction price, i.e. the consideration given or received.

After initial recognition, primary financial instruments – depending on the category to which they belong – are either valued using their fair value or their amortized costs.

Loans and receivables, which are not held for trading, are accounted for as a matter of principle at amortized costs less reductions in value. Reductions in value are made if there is objective evidence for such. There may be evidence of a value reduction if there are signs that a debtor or a group of debtors is in considerable financial difficulties, if interest payments or repayments are canceled or delayed, insolvency is likely, and if observable data points to measurable reduction in expected future cash flows, like a change in arrears or economic conditions that correlate with failures. In the Manz Group, this category primarily covers receivables from customers and other receivables.

Value adjustments are carried out using an adjustment account.

Assets held for trading are valued using the fair value. These primary financial instruments do not occur in the Manz Group.

Held-to-maturity financial instruments are valued using their amortized costs. Profits and losses from their subsequent valuation are recognized in profit and loss. They do not occur in the Manz Group.

Financial liabilities, with the exception of derivative financial instruments, are subsequently valued at amortized costs using the effective interest method.

DERIVATIVE FINANCIAL INSTRUMENTS

Manz AG only uses derivative financial instruments to hedge against interest and currency risks resulting from operational activities.

Pursuant to IAS 39, derivative financial instruments are accounted for using their fair value when first recorded as well as in their subsequent valuation. The fair values of traded derivative financial instruments match their market prices. Non-traded derivative financial instruments are calculated by applying recognized valuation models based on discounted cash flow analysis and by referring to current market parameters.

What is critical for recording the change in fair value – recognition in the profit and loss account or recognition outside profit and loss in equity – is whether the derivative financial instrument is involved or not in an effective hedging relationship according to IAS 39. If there is no hedge accounting, the changes to the fair value of the derivative instruments are immediately recognized in profit and loss. If, on the other hand, there is an effective hedging relationship according to IAS 39, the hedge will be recognized as such.

At Manz, the hedge accounting regulations are applied according to IAS 39 to hedge future cash flow. In this case, at the start of the hedge relationship, the relationship between the underlying and the hedge transaction is documented, including the risk management objectives. Furthermore, when the hedge relationship is entered and throughout its course, it is regularly documented whether the hedging instrument designated in the hedge relationship is effective to a large degree with regard to compensating for the change in cash flow from the underlying transactions.

Derivatives are assigned to the “available-for-sale” category insofar as hedge accounting is not applied.

The effective part of the change in the fair value of a derivative or a primary financial instrument, which is designated as a hedging instrument, is recognized in equity under revenue reserves from cash flow hedges after deducting deferred taxes. The profit or loss attributable to the ineffective part is immediately disclosed in profit and loss in “other operating income” or “other operating expenses”.

Amounts recognized in equity are transferred to the profit and loss account in the period in which the underlying transaction also affects income. If the occurrence of the originally hedged underlying transaction is no longer expected, the cumulative, unrealized profits and losses recorded in equity to that point are also recognized in profit and loss.

LIQUID ASSETS

Liquid assets cover cash and cash equivalents in the form of bank and cash accounts and short-term financial investments at credit institutes whose maturity is up to three months from the date of entry. They are accounted for using the historic cost method.

SHARE-BASED COMPENSATION

As a payment for the services they have performed, Manz Group employees (including executives) receive share-based compensation in the form of equity instruments. This is known as the Performance Share Plan and was first implemented in the 2008 fiscal year. The costs incurred from granting stock awards are determined based on the fair value of these equity instruments on the date they are granted. Fair value is determined by applying an appropriate valuation model (for more details, see Section 9).

The expenses resulting from granting equity instruments and the corresponding increase in equity is recognized over the period in which the vesting and performance conditions have to be fulfilled (so-called vesting period). This period ends on the vesting date, i.e. the time when the employee in question becomes an irrevocable beneficiary. The cumulative expenses from granting equity instruments disclosed on each reporting date up to the vesting date reflect the part of the vesting period that has already expired and the number of equity instruments that could actually be vested when the vesting period expires, according to the Group's best estimations. The income or expense recognized in the result for the period corresponds to the development of the cumulative expenses recognized at the start and end of the reporting period.

No expense is recognized for compensation rights that are not vested. Excluded from this are compensation rights for which certain market conditions have to be fulfilled before they are vested. Irrespective of whether the market conditions are fulfilled, these are seen as vested provided that all other performance conditions are fulfilled.

If the conditions of a compensation agreement, which is compensated by equity instruments, are modified, then expenses are recognized to the amount of that which would have accrued if the conditions of the agreement had not been modified. The company also recognizes the effects of modifications that increase the total fair value of the share-based compensation agreement or are associated with another benefit for the employee, valued at the time of the modification.

If a compensation agreement compensated by equity instruments is canceled, this is treated as if it had been exercised on the cancellation date. The expense not yet recognized is immediately recognized. This is applied to all compensation agreements if non-vesting conditions, over which either the company or the counterparty has an influence, are not fulfilled. If the canceled compensation agreement is replaced by a new compensation agreement, however, and the new compensation agreement is declared as a replacement for the canceled compensation agreement on the day it is granted, the canceled and the new compensation agreement are accounted for like a modification to the original compensation agreement (see section above).

The dilutive effect of outstanding stock awards when calculating the result per share (diluted) is considered as an additional dilution (for details see Section 12).

TREASURY SHARES

If the Group acquires treasury shares, then these are recognized at acquisition costs and deducted from equity. The purchase, sale, issue, or withdrawal of treasury shares is not recognized in profit and loss.

GOVERNMENT GRANTS

Government grants are recognized if there is adequate assurance that grants will be received and that the company can comply with the attached conditions. Expenditure-related grants are recognized as income on a scheduled basis over the period required to settle them with the corresponding expenses for which the grants are intended to compensate. Grants for an asset are accounted for in the financial statements as a deferred liability and is recognized in profit and loss in equal installments over the estimated useful life of the asset.

CURRENT INCOME TAX

The current tax refund claims and tax liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The amount is calculated based on the tax rates and tax laws applicable on the accounting date in those countries in which the Group is active and generates taxable income.

Current taxes that relate to items posted directly in equity are not recognized in profit and loss but in equity.

DEFERRED TAXES

Deferred taxes are posted on all temporary differences between the values in the tax balance sheet and the consolidated financial statements. Deferred taxes on loss carry-forwards are capitalized as long as it is expected that these can be used.

The valuation of deferred taxes is based on the tax rates on the realization date, which apply or are anticipated based on the current legal situation in the individual countries. Deferred taxes that relate to items directly recognized in equity are disclosed in equity. Deferred tax assets and deferred tax liabilities are offset against each other, if the Group has an enforceable claim for current tax refunds to be offset against current tax liabilities and these relate to income tax on the same tax subject that is levied by the same tax authority.

PENSION PROVISIONS

The provisions for pensions are determined according to the projected unit credit method pursuant to IAS 19. Besides the pensions and acquired benefits known on the accounting date, this method also takes expected wage and pension increases into account. If pension obligations were reinsured using plan assets, these are reported net.

The calculation is based on actuarial reports taking biometric calculation principles into account. Actuarial gains and losses are only recognized in profit and loss once the actuarial gains and losses not recognized at the start of the fiscal year exceed ten percent of the higher value of cash value of benefits and plan assets (corridor method). The service cost is reported in personnel cost, the interest element of the allocation to provisions in the financial result. The interest rate used to discount provisions is determined based on the return from long-term senior corporate bonds on the accounting date.

OTHER PROVISIONS

Other provisions are set aside if an event in the past results in a present legal or constructive obligation to third parties, which will probably lead to an outflow of resources in future that can be reliably estimated. As a matter of principle, provisions are valued at the anticipated settlement amount taking into account all foreseeable risks. The settlement amount is calculated on the basis of best-possible estimation. The settlement amount also covers expected cost increases.

Provisions for warranties are set aside taking into account previous claims experience or the estimated future level of claims. Long-term provisions are accounted for using their settlement amount discounted on the accounting date. A pretax rate of interest is used that reflects current market expectations with regard to the interest effect and the specific risks. The interest expense resulting from the accrued interest is reported in financial expenses.

Deferred liabilities are not reported under provisions but under trade accounts payable or other liabilities depending on the circumstances.

LIABILITIES

Long-term liabilities are accounted for at amortized costs. Differences between historic acquisition costs and the repayment amount are taken into account according to the effective interest method. Short-term liabilities are accounted for using their repayment or settlement amount.

INCOME AND EXPENSES

As a matter of principle, revenue is only recognized on the date when products or goods are delivered or services are provided and risk has been transferred to the customer. Cash discounts, customer bonuses, and rebates are deducted from revenue. In the case of construction contracts, revenue is recognized according to the performance progress (percentage-of-completion method).

Production-related expenses are recognized when they are delivered or the service is used. All other expenses are recognized as such at the time they occur. This also applies to development costs not eligible for capitalization. Provisions for warranties are set aside at the time the products are sold. Interest and other borrowing costs are accounted for as an expense in the period as long as they are not capitalized pursuant to IAS 23.

CONTINGENT LIABILITIES

Contingent liabilities represent possible obligations to third parties resulting from past events and whose existence has yet to be confirmed by the occurrence or non-occurrence of one or more uncertain future events, which are not fully controlled by the Manz Group. Furthermore, contingent liabilities arise from a current obligation based on past events, but which are not accounted for because the outflow of resources is not probable or the level of the obligation cannot be sufficiently estimated.

ESTIMATES AND JUDGEMENTS BY THE MANAGEMENT

To prepare the consolidated financial statements, assumptions and estimates are necessary that have an effect on the recognition, measurement, and disclosure of assets, liabilities, income, and expenses as well as contingent assets and liabilities. These essential facts, which are affected by such judgments and estimation, relate to the viability of receivables, the definition of the level of completion on long-term contract manufacture, assumptions about future cash flows from cash-generating units (CGU), and development projects – as well as the recognition and measurement of provisions. The actual resulting values can differ from the estimates in some cases. The carrying values of assets and liabilities affected by estimates can be seen in the breakdowns of the individual balance sheet items.

The assumptions and estimates are based on premises, which in turn are based on the currently available level of knowledge. Specifically, the expected future development of business is based on the circumstances known at the date of preparation of the consolidated financial statements and a realistic assessment of the future development of the global and sector-specific environment. Developments in this environment that differ from the assumptions and that cannot be influenced by management could result in amounts that differ from the original estimates. The most important future-related assumptions as well as other sources of uncertainty surrounding estimates on the reporting date, on the basis of which there is a significant risk that a considerable adjustment will be necessary to the carrying values of assets and liabilities within the next fiscal year, are explained below:

Goodwill: Goodwill is checked every year as part of an impairment test. As part of this test, estimates must be made above all in relation to future cash surpluses. To determine the recoverable amount, a reasonable discount rate needs to be selected. Any future change in the overall economic, industry, or company situation can lead to a reduction of the cash surpluses and/or the discount rate and thus could also result in an unscheduled write-down of goodwill.

Development costs: Development costs are capitalized according to the information in the illustrated accounting and measurement methods. For purposes of determining the amounts to be capitalized, the company management has to make assumptions about the level of anticipated future cash flows from assets, the applicable discount rates, and the period of inflow from anticipated future cash flows that generate assets.

Tangible assets: Technical progress, a deterioration of the market situation, or damage can lead to an extraordinary write-down of tangible assets.

Assets and liabilities from construction contracts: Receivables from construction contracts are accounted for using the percentage-of-completion method (PoC Method) pursuant to IAS 11. Revenue is reported according to the level of completion. In this case, an exact estimation of the contract progress is essential for accounting purposes. Depending on the method used to determine the level of completion, the essential estimates cover the total contract costs, the costs yet to occur up to completion, the total contract revenue and risks, as well as other judgments.

Accounts receivable and other assets: In order to take credit risks into account, the company forms allowances for doubtful debts. In this context, the value of an allowance comprises estimations and evaluations of individual debts, which in turn are based on the maturity structure of the balance of receivables, past experience pertaining to writing off receivables, and changes to payment terms.

Pension provisions: When calculating pension provisions, the choice of premises such as actuarial interest rate or trend assumptions plus the formulation of biometric probabilities lead to differences in comparison to the actual obligations emerging over the course of time.

Provisions for contingent losses: Provisions for contingent losses are usually set aside for unfavorable purchase and sales agreements. A future change to the market prices on the purchase or sales side can lead to an adjustment to the provisions for contingent losses.

Accounting for acquisitions: Within the scope of purchasing a share of a company, all identified assets and debts as well as possible liabilities will be recorded at their fair value on the date of acquisition for the purpose of the initial consolidation. Estimates will be used to determine the fair value of these assets and liabilities on the date of acquisition.

Income taxes: Estimates are equally made for setting aside tax provisions and when assessing the impairment to deferred tax assets on loss carry-forwards. When assessing the impairment of deferred tax assets, there are uncertainties in relation to the interpretation of complex tax regulations and to the level and date of future taxable income. Deferred tax assets will be recorded for all unused tax loss carry-forwards at a level at which it is probable that taxable income will be available to actually make use of the loss carry-forwards. When calculating the value of deferred tax assets which can be capitalized, management is required to make key judgments at their own discretion regarding the expected point in time and the value of future taxable income as well as the future tax-planning strategy.

CHANGES TO ACCOUNTING AND VALUATION PRINCIPLES

The IASB and the IFRIC have recently issued the following standards and interpretation which must be applied from the 2011 fiscal year onwards, yet which do not have any significant impact on Manz's Consolidated Annual Financial Statements:

- A collective standard to amend various IFRS (2010) entitled "Improvements to International Financial Reporting Standards"
- Amendment to IFRS 1 (2010) "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"
- Amendment to IAS 24 (2009) "Related Party Disclosures"
- Amendment to IAS 32 (2009) "Classification of Rights Issues"
- Amendment to IFRIC 14 (2009) "Prepayments of a Minimum Funding Requirement"
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

EFFECTS OF NEW, NOT YET APPLICABLE ACCOUNTING STANDARDS

The IASB and the IFRIC have already published the following standards and interpretations, whose application is not yet mandatory for the 2011 fiscal year, however. Their future application is partly conditional on them being adopted by the EU into European law.

Amendment to IAS 1 (2011) "Presentation of Items of Other Comprehensive Income": According to the amendment, companies are required to disclose items of OCI that will be reclassified to the profit or loss section of the income statement in future periods as a group, and to disclose items that will not be reclassified as another group. In addition, companies are required to show tax associated with items presented before tax separately for each of the two groups of OCI items.

Furthermore, the term used in IAS 1 for OCI is being changed into "Statement of Comprehensive Income and Other Income." The amendments are applicable to annual reporting periods beginning on or after July 1, 2012. The amendments have not yet been adopted into European law. The effects on Manz AG's consolidated financial statements are currently being checked.

Amendment to IAS 12 (2010) "Deferred Taxes: Recovery of Underlying Assets": This amendment at least partly clarifies how to treat temporary tax differences in connection with the application of the fair value model set forth in IAS 40 "Investment Property."

As a further consequence, the amendment to IAS 12 leads to an adjustment of SIC 21 “Income Taxes – Recovery of Revalued, Non-Depreciable Assets.” The amendments are applicable to annual reporting periods beginning on or after January 1, 2012. The amendments have not yet been adopted into European law. The standard has no effect on Manz AG’s consolidated financial reports.

Amendment to IAS 19 (2011) “Employee Benefits”: The most important change to IAS 19 is that future unexpected fluctuations in net defined benefit liabilities and actuarial gains and losses must immediately be recognized in equity (cumulative changes not reflected in profit or loss). The previous option of immediately recognizing these changes in profit and loss, recognizing these changes outside profit and loss, or deferring gains or losses using the “corridor approach” has been eliminated. These amendments are applicable to annual reporting periods beginning on or after January 1, 2013. The amendment to IAS 19 has not yet been adopted into European law. Manz AG’s consolidated financial statements dated December 31, 2011, contain actuarial gains and losses of 309,000 euros (previous year: 422,000 euros) which have not yet been recognized in profit and loss (see item 25).

Revised Version of IAS 27 (2011): “Separate Financial Statements”: This standard was completely revised within the scope of the comprehensive project to reform consolidation methods. IAS 27 now only contains the unchanged requirements for separate financial statements pursuant to IFRS. The revised standard is applicable to annual reporting periods beginning on or after January 1, 2013. The standard has not yet been adopted into European law. The standard is not expected to have any effect on Manz AG’s consolidated financial reports.

Amendment to IAS 28 (2011) “Investments in Associates and Joint Ventures”: In 2011, IAS 28 was revised in connection with the IASB project on joint agreements. Most of the changes result from the inclusion of joint ventures in IAS 28 (2011). The underlying approach to accounting using the equity method was not changed. These amendments are applicable to annual reporting periods beginning on or after January 1, 2013. They have not yet been adopted into European law. The standard is not expected to have any effect on Manz AG’s consolidated financial reports.

Amendment to IAS 32 (2011): “Offsetting Financial Assets and Financial Liabilities”: As a result of this amendment, the requirements for offsetting financial assets and financial liabilities are specified in more detail thanks to additional application guidelines. The amendment is applicable to annual reporting periods beginning on or after January 1, 2014. It has not yet been adopted into European law. The standard is not expected to have any effect on Manz AG's consolidated financial reports.

Amendment to IFRS 1 (2010) "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters": The first amendment replaces references to a fixed transition date of "1 January 2004" with "the date of transition to IFRS". The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRS after a period when the entity was unable to comply with IFRS because its functional currency was subject to severe hyperinflation. These amendments are applicable to annual reporting periods beginning on or after July 1, 2011. It has not yet been adopted into European law. The amendments will have no effect on Manz AG's consolidated financial reports.

Amendment to IFRS 7 (2010) "Financial Instruments: Disclosures – Transfers of Financial Assets": The amendments lead to increased information in the notes pertaining to the transfer of financial assets and are intended to give users of financial statements a better understanding of such transactions. These amendments are applicable to annual reporting periods beginning on or after July 1, 2011. The amendments are not expected to have an effect on Manz's consolidated financial statements.

Amendment to IFRS 7 (2011): "Disclosures – Offsetting Financial Assets and Financial Liabilities": In connection with the amendment to IAS 32 "Financial Instruments: Presentation" regarding offsetting financial instruments, this amendment expands the scope of the information required in the notes.The amendment to IFRS 7 is applicable to annual reporting periods beginning on or after January 1, 2013. It has not yet been adopted into European law. The changes will not have any effect on the Group's financial situation, since they only affect information provided in the notes.

IFRS 9 "Financial Instruments": With the publications of IFRS 9 (2009) and IFRS 9 (2010), the IASB concludes the first of three stages to reform the accounting of financial instruments. The IASB intends to supersede the existing IAS 39 "Financial Instruments: Recognition and Measurement" in its entirety with IFRS 9. In the first stage, the standard covers the classification and measurement of financial instruments. As a result of IFRS 9, the previously existing measurement categories will now be reduced to only two measurement categories: at amortized cost or at fair value. On December 16, 2011, the IASB published an amendment to IFRS 9, which postponed the first effective date to fiscal years beginning on or after January 1, 2015 (previously January 1, 2013). IFRS 9 has not yet been adopted into European law. The effects on Manz AG's consolidated financial statements are currently being checked.

IFRS 10 "Consolidated Financial Statements": IFRS 10 supersedes the consolidation provisions set forth in the former IAS 27 "Consolidated and Separate Financial Statements" and in SIC-12 "Consolidation – Special Purpose Entities" and creates a uniform definition of control. IFRS 10 is applicable to annual reporting periods beginning on or after January 1, 2013. The standard has not yet been adopted into European law. The standard is not expected to have any effect on Manz AG's consolidated financial reports.

IFRS 11 "Joint Arrangements": IFRS 11 supersedes IAS 31 "Interests In Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers" and contains instructions for identifying, classifying, and accounting for joint arrangements. IFRS 11 is applicable to annual reporting periods beginning on or after January 1, 2013. It has not yet been adopted into European law. The amendments are not expected to have an effect on Manz AG's consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities": This new standard stipulates which information entities must disclose in the notes to consolidated financial statements regarding interests in subsidiaries, joint arrangements, and associates. IFRS 12 is applicable to annual reporting periods beginning on or after January 1, 2013. The standard has not yet been adopted into European law. The amendments are not expected to have an effect on Manz AG's consolidated financial statements.

IFRS 13 "Fair Value Measurement": IFRS 13 standardizes the definition of fair value and the requirements for the measurement and disclosure of fair value across all accounting standards. IFRS 13 is applicable to annual reporting periods beginning on or after January 1, 2013. The standard has not yet been adopted into European law. The effects on Manz AG's consolidated financial statements are currently being checked.

IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine": IFRIC 20 governs accounting for stripping costs within the production phase of a mining operation. The interpretation clearly defines when production stripping costs should be recognized as an asset and how initial and subsequent valuations of assets from stripping are to be carried out. IFRIC 20 is applicable to annual reporting periods beginning on or after January 1, 2013. The interpretation has not yet been adopted into European law. The interpretation is not expected to have any effect on Manz AG's consolidated financial reports.

NOTES TO THE INCOME STATEMENT

REVENUES (1)

The distribution of revenue by objective and region is reflected in the segment report (Appendix 6a). Please refer to our notes on the segment report in Section IV.

Our total revenue includes revenue from construction contracts totaling 227,754,000 euros (previous year: 168,268,000 euros).

INTERNALLY PRODUCED AND CAPITALIZED ASSETS (2)

In fiscal year 2011, development costs were capitalized particularly from the following projects:

Solar

- CIGS thin-film technology
- Advancements to the laser-scribing process in the field of thin-film technology (tfs)
- Development of the OneStep Selective Emitter 2.0
- Vacuum coating for crystalline solar cells and thin-film solar modules
- Development of the back-end generation 3
- Automation solutions for a thin-film factory
- Development of wet-chemical processing technology
- Advancements to the metallization process

FPD

- Advancements in the area of FPD handling
- Vacuum coating for the field of FPD

New Business

- Developments in the area of lithium-ion batteries

OTHER OPERATING INCOME (3)

(in EUR tsd.)	2011	2010
Capital gains	721	826
Income from the reduction of reserves	998	2,348
Income from the release of provisions	104	508
Income from the sale of investments	62	13
Subsidies	404	222
Changes to write-downs on accounts receivable	119	1,837
Investment grants	116	88
Other	1,927	586
	4,451	**6,429**

MATERIAL EXPENDITURES (4)

(in EUR tsd.)	2011	2010
Cost of raw materials, and supplies, and for purchased goods	145,713	113,218
Expenditure on third-party services	12,753	8,340
	158,466	**121,558**

PERSONNEL EXPENSES (5)

(in EUR tsd.)	2011	2010
Wages and salaries	55,619	43,676
Social security and other pension costs	9,029	7,977
	64,648	**51,653**
Employees (yearly average)		
Manufacturing	1,365	931
Administrative/Technical	504	605
Trainees	31	28
	1,900	**1,564**

OTHER OPERATING EXPENSES (6)

(in EUR tsd.)	2011	2010
Outgoing freight, packaging	2,476	1,580
Advertising and travel expenses	6,718	4,543
Commissions	1,840	1,233
Rent and leasing	5,242	4,758
Legal and consulting costs	1,276	1,311
IT costs	949	1,136
Other personnel expenses	1,773	1,257
Insurance	447	386
Capital losses	1,794	1,068
Appropriation to other reserves (primarily reworking, warranty, and loss-making contracts)	789	968
Repairs and maintenance	569	504
Losses on accounts receivable	50	89
Changes to write-downs on accounts receivable	330	52
Other	9,543	9,455
	33,795	**28,339**

FINANCIAL INCOME (7)

(in EUR tsd.)	2011	2010
Other interest and similar income		
Interest (time deposits, etc.)	378	302
Income from securities	0	230
Income from revaluation of Axystems step share acquisition	0	157
Earnings from the disposal of securities	0	248
	378	**937**

FINANCIAL EXPENSES (8)

(in EUR tsd.)	2011	2010
Interest and similar expenses		
Long-term liabilities	142	47
Current liabilities	842	259
Interest component of non-current provisions	222	268
Other interest expenses	77	5
Losses from the disposal of securities	0	196
	1,283	**775**

SHARE-BASED COMPENSATION (9)

Performance Share Plan

In the 2008 fiscal year, the Group introduced the Performance Share Plan for members of the Managing Board and other employees entitled to participate. The plan grants stock awards with a vesting period of three years and a maximum total term of six years. In the 2011 fiscal year, the previous Performance Share Plan 2008 was terminated and a new Performance Share Plan 2011 was introduced. The vesting period in the new plan is now close to five years and grants a maximum period of eight years. After expiration of the vesting period, the recipient will receive one share of Manz stock at a price of 1.00 euro. Stock awards expire in the event that employment is terminated or enters into a cancellation agreement. The stock awards do not earn dividends during the vesting period. Manz AG can fulfill its obligations from stock awards with newly issued shares, treasury shares held by the company, or a cash payment. The Managing Board and Supervisory Board will determine how to fulfill the aforementioned obligations.

The stock awards (stock options) will be issued at the discretion of the Managing Board with the approval of the Supervisory Board, or when granting options to members of the Managing Board, at the sole discretion of the Supervisory Board, in yearly tranches, within a period of three months after the company's Annual General Meeting.

The number of shares issued in total is determined by the number of people entitled to them per tranche, by the degree to which targets have been achieved (success factor) and by the holding period of option rights (loyalty factor). The success factor for the individual tranches relates to the respective EBIT margin from the consolidated financial statements. In this context, the Performance Share Plan 2011 uses the average EBIT margin for the fiscal year in which the vesting period ends as well as the previous three fiscal years. The Performance Share Plan 2008 only used the EBIT margin for the fiscal year in which the vesting period ended. The loyalty factor is determined by how long the stock options are held, and can increase to a maximum factor of 2.00 when the options are only exercised in the third year after being issued.

In the 2011 fiscal year, our company granted 20 (previous year: 12) employees and members of the Managing Board 14,256 (previous year: 6,059) stock awards/stock options. 4,279 of these were granted to the Managing Board (previous year: 2,739).

The following table shows the changes to stock awards/stock options with the corresponding weighted average fair values per share at the date they were granted:

	(in pcs.)	(in EUR)
	Stock Awards/ Stock Options Number	**Weighted average grant date fair value**
Balance at the beginning of the year (not vested)	12,724	86.73
Lapsed during the reporting period	–12,724	86.73
Awarded during the reporting period	14,256	35.65
Balance at the end of the year (not vested)	**14,256**	**35.65**

Stock awards are accounted for pursuant to IFRS 2 using the fair value of the stock awards on the date they are granted and are recorded under personnel expenses as well as a corresponding equity increase (capital reserve). Fair value measurement is carried out using the Black-Scholes model.

Fair value measurement is carried out using the following underlying parameters:

	2011	**2010**
Exercise price (in EUR)	1,00	1.00
Risk-free annual interest rate	2,02 %	1.09 %
Volatility	71,70 %	80.50 %
Expected dividend (in EUR)	0,00	0.00
Fair value of each stock award (in EUR)	35,65	83.38

The fair value of all stock awards in the reporting period totals 508,000 euros (previous year: 505,000 euros). Expenses totaling 21,000 euros (previous year – Performance Share Plan 2008: 169,000 euros) were incurred in the reporting period as a result of the Performance Share Plan 2011 and are disclosed under personnel expenditures. Due to the 12,724 stock awards from the two tranches in the 2009 and 2010 fiscal years which lapsed during the reporting year, cumulative expenses recognized in capital reserves totaling 227,000 euros have been liquidated in profit and loss and reported under personnel expenses.

INCOME TAXES (10)

Income taxes include both actual and deferred income taxes arising from temporary differences and existing tax loss carry-forwards.

Income taxes consist of the following items:

(in EUR tsd.)	2011	2010
Actual tax expense		
Current period	2,414	912
Previous periods	549	–125
Deferred tax liabilities/income (–) from temporary differences	6,128	3,703
Deferred tax liabilities/income (–) from tax loss carry-forwards	–8,042	–5,602
	1,049	**–1,112**

The current income tax expense is calculated using the tax rates effective at the end of the reporting period. When calculating deferred taxes, the domestic tax rate of 29.13 % (previous year: 29.13 %) is applied.

The income tax expense in the reporting period totaling 1,049,000 euros (previous year: income of 1,112,00 euros) is derived as follows from an “expected” income tax expense, which would have resulted when applying the statutory income tax rate of the parent company to earnings before income taxes:

(in EUR tsd.)	**2011**	**2010**
Earnings before taxes on income	2,212	688
Manz AG income tax rate	29.13 %	29.13 %
Expected income tax expense	**644**	**200**
International tax rate differences	–1,769	–735
Change in tax rate	0	–180
Non-deductible expenses	620	337
Taxes in other accounting periods	549	–125
Tax-free income	0	–395
Tax credits	–267	–204
Non-entry of tax loss carry-forward	1,480	66
Other	–208	–76
Reported income tax expense	**1,049**	**–1,112**
Effective tax rate	**47.44 %**	**–161.57 %**

The following table shows deferred taxes on the assets and liabilities side as they apply to individual balance sheet items:

	Deferred tax assets [1)]		**Deferred tax liabilities [1)]**	
(in EUR tsd.)	**Dec. 31, 2011**	**Dec. 31, 2010**	**Dec. 31, 2011**	**Dec. 31, 2010**
Intangible assets	0	0	9,846	6,298
Tangible assets	0	4	73	535
Inventories	6,214	5,454	0	0
Receivables	190	292	10,270	6,988
Pension provisions	73	227	0	0
Accounts payable	177	343	0	15
Provisions	191	0	197	0
Tax loss carry-forward	**15,176**	**7,147**	**0**	**0**
Gross value	22,021	13,467	20,386	13,836
Balancing	–19,583	–12,212	–19,583	–12,212
Balance according to the consolidated financial statements	**2,438**	**1,255**	**803**	**1,624**
Net amount of deferred tax assets (previous year: liabilities)			**1,635**	**–369**

1) The previous year's figures were adjusted.

The increase (previous year: reduction) of the net amount of deferred tax assets (previous year: deferred tax liabilities) totaling 2,004,000 euros (previous year: 1,692,000 euros) is comprised of the following:

(in EUR tsd.)	2011	2010
Deferred tax income in the income statement	1,914	1,899
Changes to the basis of consolidation	0	–312
Neutral reduction of deferred taxes on available-for-sale assets	0	29
Neutral reduction of deferred taxes on derivative financial instruments	73	0
Currency conversion	17	76
	2,004	**1,692**

Deferred taxes are only applied for tax loss carry-forwards if there is sufficient certainty that they will be recognized.

Tax loss carry-forwards totaled 57,869,000 euros (previous year: 25,101,000 euros) at the end of the reporting period and can be carried forward indefinitely. No deferred tax assets were set aside for loss carry-forwards totaling 5,300,000 euros (previous year: 231,000 euros).

In accordance with IAS 12, deferred taxes for temporary differences arising from shares of consolidated companies must be recognized (outside basis differences). No deferred tax liabilities were formed for outside basis differences totaling 22.2 million euros (previous year: 8.6 million euros), since a reverse of the temporary differences is expected in the foreseeable future.

SHARE OF PROFIT/LOSS FROM NON-CONTROLLING INTERESTS (11)

The minority shareholders' share of earnings comprises earnings attributed to non-controlling interests totaling 300,000 euros (previous year: 235,000 euros). These are from non-controlling interests held by Manz Taiwan Ltd. and Manz India Limited.

EARNINGS PER SHARE (12)

The undiluted earnings per share are calculated by dividing Manz AG shareholders' share of earnings by the weighted average number of shares in circulation during the fiscal year. The earnings per share are diluted as a result of "potential shares". These include stock options and stock awards, if these options result in the issue of shares at a value below the share's average market price. There was a dilution effect from the share options as part of the Performance Share Plan (see Section 9).

Earnings per share are calculated pursuant to IAS 33.

		2011	**2010**
Consolidated profit/loss attributed to Manz AG's Consolidated net result	(in EUR)	863,512	1,565,400
Weighted average number of outstanding shares	(Number)	4,480,054	4,480,054
Effect from share-based compensation	(Number)	57,024	19,779
Weighted average number of outstanding shares (diluted)	(Number)	**4,537,078**	**4,499,833**
Earnings per share (diluted = undiluted)	(in EUR)	0.19	0.35

NOTES TO THE SEGMENT REPORT

Within the scope of segment reporting, Manz discloses the results of operations grouped by division and region in accordance with the provisions of IFRS 8 (Operating Segments). This grouping is based on internal management activities and takes the divisions' different risk and earnings structures into account. The Manz Group continues to operate in five divisions: Solar, FPD, New Business, PCB/OEM, and Others.

Activities in the "Solar" division encompass system solutions for the manufacture of crystalline solar cells and thin-film solar modules.

In the "FPD" (Flat Panel Display) segment, Manz produces complete systems for handling sensitive products under cleanroom conditions. The emphasis here is on the production of LCD flat screens and touch applications.

In the "New Business" division, our company mainly develops system solutions for the industrial manufacture of lithium-ion batteries.

In the "Printed Circuit Board/OEM" segment, Manz produces equipment for manufacturing and processing printed circuit boards (PCBs) and equipment for the semi-conductor industry.

The “Others” division particularly includes system solutions for the packaging industry as well as equipment for the automated handling of small components.

The primary factor used to evaluate and control a segment’s operations and earning position is its EBIT.

Segment reporting shows revenues, results, and assets and liabilities in the Group’s individual segments. With the exception of the Administration / Other division, there is only a low level of supply and service relationships between the individual segments. The supply and service relationships within segments are disclosed on a consolidated basis. The exchange of services between the segments is set at prices that would also have been agreed with companies outside the Group.

In the 2011 fiscal year, one customer was responsible for 44,092,000 euros in revenue, which was generated in the FPD segment. In the 2010 fiscal year, no single customer was responsible for more than 10 % of total revenues.

The full segment report can be found in Appendix 6a.

NOTES TO THE CASH FLOW STATEMENT

NOTES TO THE CASH FLOW STATEMENT (13)

The cash flow statement shows how cash has changed in the Manz Group over the course of the reporting year due to cash inflows and outflows. Pursuant to IAS 7 (cash flow statement), cash flows from current operations, investments, and financing activities are differentiated. Effects from changes to the basis of consolidation and the exchange rate are eliminated in the respective items. The change in liquid assets due to changes to the exchange rate is reported separately.

Cash in the cash flow statement encompasses all the liquid assets disclosed in the statement of financial position. This comprises cash in hand and credit at financial institutions with a term of up to three months and only insignificant fluctuations in value.

The cash inflows and outflows from investment and financial activities are shown according to the direct method. Cash inflows and outflows from investment activities during active business comprise inflows to fixed and intangible assets. Payments for the acquisition of subsidiaries are reduced by the transferred liquid assets. In financial activities, besides cash inflows from equity increases and the issuance of other financial liabilities, cash outflows from repaying loans are also reported.

In contrast, based on earnings after taxes, the cash flow from current operations is derived indirectly. In addition, earnings after tax are corrected by the non-cash expenses and income, which are essentially write-downs and changes to long-term provisions and deferred taxes and completed by the change to operating assets and liabilities.

Cash flow from current operations includes:

(in EUR tsd.)	**2011**	**2010**
Interest paid	–986	–332
Interest received	371	282
Income tax paid	–110	–258
Income tax refunded	4	56

Investment and financing processes, which have not led to a change of cash, are not part of the cash flow statement.

NOTES TO THE BALANCE SHEET

INTANGIBLE ASSETS (14)

(in EUR tsd.)	Licenses, trademark rights, software, and similar rights	Capitalized development costs	Goodwill	Construction in progress/ Advance payments made	Total
Acquisition costs					
As of January 1, 2010	18,373	16,909	21,932	324	57,538
Currency adjustment	23	56	2,871	0	2,950
Additions	22,248	14,035	157	8,818	45,258
Disposals	–12	0	0	0	–12
Reclassifications	407	0	0	–324	83
As of December 31, 2010	**42,560**	**31,000**	**24,960**	**8,818**	**107,338**
Write-downs					
As of January 1, 2010	4,090	6,436	0	0	10,526
Currency adjustment	27	7	0	0	34
Additions	3,734	2,638	0	419	6,791
Disposals	–12	0	0	0	–12
As of December 31, 2010	**7,839**	**9,081**	**0**	**419**	**17,339**
Acquisition costs					
As of January 1, 2011	42,560	31,000	24,960	8,818	107,338
Currency adjustment	–77	–5	–179	0	–261
Additions	514	13,173	0	346	14,033
Disposals	–288	–49	0	0	–337
Reclassifications	18	1,704	0	–1,722	0
As of December 31, 2011	**42,727**	**45,823**	**24,781**	**7,442**	**120,773**
Write-downs					
As of January 1, 2011	7,839	9,081	0	419	17,339
Currency adjustment	–3	51	0	0	48
Additions	4,659	3,496	0	0	8,155
Disposals	–94	0	0	0	–94
As of December 31, 2011	**12,401**	**12,628**	**0**	**419**	**25,448**
Residual value as of December 31, 2010	34,721	21,919	24,960	8,399	89,999
Residual value as of December 31, 2011	**30,326**	**33,195**	**24,781**	**7,023**	**95,325**

Within the scope of our annual measurement of capitalized development costs, additional write-downs were carried out in the Solar division totaling 1,336,000 euros (previous year: 169,000 euros). The additional write-downs are the result of amended depreciation periods and modified expectations about the use of the asset's economic benefit.

GOODWILL AND TRADEMARKS

The goodwill values and intangible assets with an undetermined useful life (trademark rights) stem from the individual segments as follows:

	Goodwill		Trademark rights	
(in EUR tsd.)	**Dec. 31, 2011**	**Dec. 31, 2010**	**Dec. 31, 2011**	**Dec. 31, 2010**
Solar	12,478	12,559	1,604	1,623
FPD	7,342	7,423	1,604	1,623
PCB/OEM	2,473	2,491	802	812
Others	2,488	2,488	0	0
	24,781	**24,960**	**4,010**	**4,058**

Changes to the value of goodwill and trademark rights result solely from currency translations.

Goodwill is tested at least once a year for impairment, by comparing the carrying value of the units based on the respective goodwill with their value in use. The value in use is determined by the discounted cash flow method. The starting point is the current three-year plan for the respective business segment.

The key planning premises specifically include the expected market development in relation to the development of the Manz Group, the development of key production, and other costs as well as the discount rate. When defining the assumptions, general market forecasts, current developments, and historic experience are all taken into account.

Cash flows are predicted individually based on revenue and cost planning for each division that has goodwill attributed to it. Growth rates were fixed at values between 1.0 % and 2.0 % (previous year: between 1.0 % and 2.0 %). The pre-tax discount rate used for discounting purposes (weighted average cost of capital (WACC)) totaled 18.0 % (previous year: 16.4 %). In this context, the cost of equity is calculated on the basis of a comparable group (peer group).

The cost of equity and debt figures calculated in this way were weighted on the basis of the peer group's average capital structure.

Goodwill is considered impaired when the carrying amount of a division exceeds its value in use. For the 2011 and 2010 fiscal years, we did not need to write down balance sheet goodwill or intangible assets with an indefinite useful life as a result of impairment.

A WACC that is higher by 1 % and a calculation without assumed growth in perpetuity has no effect on the intrinsic value of goodwill. A subsequent additional reduction of the EBIT margin by 10 % over the entire planning period would have led to a reduction in value of goodwill of 1.5 million euros in the 2011 fiscal year.

The impairment test for valuing brand equity is carried out using the use value on the basis of the "license fee analogy model" with a licensing rate of 3 % annually and a discount rate of 5.88 % annually as well as a planning horizon of five years and an assumed growth rate of 0 %.

Of total research and development costs incurred in the 2011 fiscal year, 13,173,000 euros (previous year: 14,035,000 euros) fulfill the criteria for capitalization pursuant to IFRS.

The following amounts were offset in profit and loss:

(in EUR tsd.)	**2011**	**2010**
Research and development costs total	–24,490	–20,563
Write-downs on development costs	–3,496	–2,638
Capitalized development costs	13,173	14,035
Offset research and development costs recognized as expenses	**–14,813**	**–9,166**

TANGIBLE ASSETS (15)

(in EUR tsd.)	Properties and buildings	Technical equipment and machines	Other equipment, fixtures, and furnishings	Construction in progress/ Advance payments made	Total
Acquisition costs					
As of January 1, 2010	8,731	5,049	7,007	265	21,052
Currency adjustment	1,545	259	200	20	2,024
Changes to the basis of consolidation	14	0	27	0	41
Additions	5,384	690	953	1,234	8,261
Disposals	0	–403	–595	–94	–1,092
Reclassifications	124	862	242	–1,311	–83
As of December 31, 2010	**15,798**	**6,457**	**7,834**	**114**	**30,203**
Write-downs					
As of January 1, 2010	454	1,045	2,945	0	4,444
Currency adjustment	283	136	127	0	546
Additions	329	900	1,314	0	2,543
Disposals	0	–381	–585	0	–966
As of December 31, 2010	**1,066**	**1,700**	**3,801**	**0**	**6,567**
Acquisition costs					
As of January 1, 2011	15,798	6,457	7,834	114	30,203
Currency adjustment	–181	42	29	1	–109
Additions	3,177	574	1,444	6,190	11,385
Disposals	–536	–111	–652	0	–1,299
Reclassifications	75	215	29	–319	0
As of December 31, 2011	**18,333**	**7,177**	**8,684**	**5,986**	**40,180**
Write-downs					
As of January 1, 2011	1,066	1,700	3,801	0	6,567
Currency adjustment	–13	31	56	0	74
Additions	557	1,060	1,422	0	3,039
Disposals	–245	–101	–534	0	–880
As of December 31, 2011	**1,365**	**2,690**	**4,745**	**0**	**8,800**
Residual value as of December 31, 2010	14,732	4,757	4,033	114	23,636
Residual value as of December 31, 2011	**16,968**	**4,487**	**3,939**	**5,986**	**31,380**

Properties and buildings owned by Manz Taiwan Ltd. with a carrying value of 7,355,000 euros (previous year: 7,998,000 euros) and by Manz Slovakia s.r.o with a carrying value of 4,839,000 (previous year: 5,027,000) serve as collateral for bank loans.

INVENTORIES (16)

(in EUR tsd.)	Dec. 31, 2011	Dec. 31, 2010
Raw materials and supplies	27,198	22,298
Goods in process, work in progress	36,845	24,480
Finished goods, products	708	884
Advance payments	1,642	2,332
	66,393	**49,995**

We carried out write-downs on inventories as a result of market and mobility risks totaling 3,034,000 euros (previous year: 3,510,000 euros). The decrease in provisions in the reporting year totaling 476,000 euros (previous year: 859,000 euros) was recognized in profit and loss under material expenditures.

ACCOUNTS RECEIVABLE (17)

(in EUR tsd.)	Dec. 31, 2011	Dec. 31, 2010
Future receivables from noncurrent construction contracts	49,234	23,662
Accounts receivable	34,941	43,392
	84,175	**67,054**

Future receivables from noncurrent construction orders, accounted for according to their percentage of completion, are determined as follows:

(in EUR tsd.)	Dec. 31, 2011	Dec. 31, 2010
Manufacturing costs including outcome of the contract for noncurrent construction contracts	107,385	54,075
Minus advance payments received	–58,151	–30,413
	49,234	**23,662**

Insofar as any advance payments received exceed the total of incurred project costs and stated earnings, said payments are accounted for on the liabilities side under "Advance payments received".

(in EUR tsd.)	Dec. 31, 2011	Dec. 31, 2010
Manufacturing costs including outcome of the contract for noncurrent construction contracts	17,765	1,316
Minus advance payments received	–28,199	–5,562
	–10,434	**–4,246**

(in EUR tsd.)	Dec. 31, 2011	Dec. 31, 2010
Allowance for specific doubtful debts	96	130
Allowance for general doubtful debts	1,731	1,487
	1,827	**1,616**

The allowances changed as follows:

(in EUR tsd.)	2011	2010
As of January 1	1,616	2,945
Currency conversion	–8	454
Use	14	195
Release	107	1,837
Allocations	340	249
As of December 31	**1,827**	**1,616**

Write-downs are not required for future receivables from construction contracts.

DERIVATIVE FINANCIAL INSTRUMENTS (18)

At the end of the reporting period, the following currency futures and currency swaps were used within the scope of hedge accounting to hedge against risk from expected income in US dollars and interest derivatives during the following fiscal year:

(in EUR tsd.)	Dec. 31, 2011		Dec. 31, 2010	
	Currency hedge	**Interest derivatives**	**Currency hedge**	**Interest derivatives**
Face value	10,479	16,745	0	3,745
Market value (net)	–94	–12	0	88
Remaining term	max. 4/2012	max. 12/2015		max. 12/2015

In the reporting period, 215,000 euros (previous year: 0 euros) from ongoing cash flow hedges, minus deferred taxes totaling 73,000 euros, was allocated to revenue reserves and not recognized in profit and loss.

With regard to our cash flow hedges, as a result of scheduling-related postponements in the underlying transactions, losses due to ineffectiveness in fiscal year 2011 totaled 302,000 euros (previous year: 0 euros). These losses are recognized in other operating expenses.

OTHER CURRENT RECEIVABLES (19)

(in EUR tsd.)	Dec. 31, 2011	Dec. 31, 2010
Tax receivables (not income taxes)	1,712	2,810
Receivables, personnel	313	231
Accrued interest	0	26
Other accruals and deferrals (primarily from insurance)	290	496
Other	1,609	947
	3,924	**4,509**

Other current receivables are neither past due nor written down.

LIQUID ASSETS (20)

Our liquid assets encompass cash and cash equivalents in the form of cash accounts and short-term financial investments at credit institutes with a term of up to three months from the date of entry. They are accounted for using the historic cost method.

EQUITY (21)

Changes to the Group's equity and overall result are detailed separately in the "Consolidated Statement of Changes to Equity" (Appendix 5). The constituent parts of the overall result are aggregated in the income statement for the overall period.

CAPITAL STOCK

The capital stock of the parent company, Manz AG, is disclosed as capital stock.

Remaining unchanged from last year, capital stock is still valued at 4,480,054.00 euros and still comprises 4,480,054 registered, common, no-par shares. As a result, the face value of a no-par share is equal to 1.00 euro.

AUTHORIZED CAPITAL STOCK

In a resolution passed at the Annual General Meeting on June 16, 2009, the Managing Board was authorized, with Supervisory Board approval, to increase the company's capital stock in the period until June 15, 2014, one or more times up to a total of 2,240,027.00 euros by issuing a total of 2,240,027 new registered, common, no-par shares. In this case, existing shareholders must be given preemptive rights. The Managing Board is authorized to disallow shareholders' preemptive rights with Supervisory Board approval in certain cases. Authorized capital will be made available for the purpose of raising capital in return for cash or assets, and will replace the existing authorized capital, the bulk of which was exercised by the Managing Board in the 2007 and 2008 fiscal years.

CONDITIONAL CAPITAL I

At the Annual General Meeting on June 10, 2008, the company's capital stock was conditionally increased by up to 1,433,160.00 euros through the issue of 1,433,160 new, no-par-value bearer shares (conditional capital I).

The conditional capital increase serves to award no-par-value bearer shares to the owners and/or creditors of convertible bonds and/or bond options, profit-sharing rights, and/or participating bonds (or a combination of these instruments).

The Managing Board was authorized, with Supervisory Board approval, to issue convertible and/or warrant bonds, profit-sharing rights, and/or profit-sharing bonds (or combinations of these instruments) with or without term restrictions, to bearers or registered holders, up to a total nominal value of 300 million euros, once or multiple times, until June 9, 2013. In addition, the Managing Board was also authorized to grant owners or creditors of these instruments to non-par-value bearer shares equal to a proportion of capital stock with a value up to 1,433,160.00 euros, in accordance with the terms and conditions of the bonds.

CONDITIONAL CAPITAL II

At the Annual General Meeting on June 10, 2008, the company's capital stock was conditionally increased by up to 72,000.00 euros through the issue of 72,000 new, no-par-value bearer shares (conditional capital II, Manz Performance Share Plan 2008).

The conditional capital increase serves solely to award option rights (share options) to members of the company's Managing Board, executives of affiliated companies, Manz's own managers below the executive level, and managers of affiliated companies, both domestic and foreign.

The Managing Board is authorized, with Supervisory Board approval, to issue options to a total of up to 50,400 non-par-value bearer shares to executives of affiliated companies as well as Manz's own managers below the executive level and managers of affiliated companies, both domestic and foreign, one or more times, until May 31, 2013.

The Supervisory Board is given authorization to issue options to a total of 21,600 non-par-value shares to members of Manz's Managing Board, one or more times, until May 31, 2013.

Altogether, up to 24,000 option rights may be issued.

A resolution passed at the Annual General Meeting on June 28, 2011, nullified the authorization to grant stock options as set forth in the Performance Share Plan 2009, insofar as no stock options were granted on the basis of this authorization.

No stock options from Conditional Capital II were issued as of the reporting date (previous year: 12,724) (see Annotation 9).

CONDITIONAL CAPITAL III

At the Annual General Meeting held on June 28, 2011, authorization to grant stock options as set forth in the Manz Performance Share Plan 2011 was approved.

The Managing Board was authorized to issue a total of up to 15,000 stock options for a total of up to 60,000 shares of company stock to executives of affiliated companies, Manz's own managers below the executive level and managers of affiliated companies, both domestic and foreign, one or more times with Supervisory Board approval in the period until May 31, 2016.

Furthermore, the Supervisory Board was given authorization to issue a total of up to 15,000 options for a total of up to 60,000 shares of company stock to members of Manz's Managing Board, one or more times, until May 31, 2016. Granting, organizing, and exercising these options is to be carried out according to the stipulations of the resolutions passed at the Annual General Meeting on June 28, 2011.

Pursuant to Article 3, Section 6 of our Articles of Incorporation, our company's capital stock has been conditionally increased by up to 120,000.00 euros through the issue of up to 120,000 new individual share certificates made out to their holders (conditional capital III). This conditional increase serves to secure the rights of the owners of options which were granted as a result of the aforementioned authorization.

A total of 14,256 stock options from Conditional Capital III were issued as of the reporting date (previous year: 0) (see Annotation 9)

CAPITAL RESERVES

Capital reserves primarily comprise payments from shareholders pursuant to Article 272, Paragraph 2, No. 1 of the German Commercial Code, minus financing costs after taxes. Furthermore, this also includes the value of share-based compensation granted to management (including the Managing Board) as a salary component in the form of equity instruments.

TREASURY SHARES

In a resolution passed at the Annual General Meeting on June 22, 2010, the company was authorized to purchase its own shares up to a computed value of 10% of the company's capital stock as of the day of the meeting pursuant to Article 71, Paragraph 1, Clause 8 of the German Securities Trading Act. The resolution grants the company authorization to execute these purchases until June 21, 2015.

Such a purchase can be carried out on the stock exchange or through a publicly issued purchase offer sent to shareholders or a public call for bids. The Managing Board is authorized to use company shares which are or were purchased as a result of this authorization or earlier authorizations for all purposes allowed by law. The authorization to purchase the company's own shares, to retire these shares, and to resell or utilize these shares in other ways can be exercised once or more than once, individually, or in conjunction with one another as well as only in parts. Shareholders' statutory subscription rights to these shares are exempted insofar as these shares are to be used in accordance with the aforementioned authorizations.

In the 2011 fiscal year, the company did not repurchase any of its own stock. The company did not hold any treasury shares on the reporting dates of December 31, 2011, and December 31, 2010.

REVENUE RESERVES

Our revenue reserves consist of reserves for accumulated profits, reserves for the market valuation of available-for-sale securities, and reserves for cash flow hedges. Accumulated profits contain profits generated by Manz AG and its consolidated subsidiaries during the current year or previous years that have not yet been distributed.

In each of the 210 and 2011 fiscal years, our interest in Manz Taiwan Ltd. increased. This was accounted for as an equity transaction between majority and minority shareholders and was not recognized in profit and loss. In this context, a positive difference of 5,000 euros resulted (previous year: 220,000), which is recognized in reserves for accumulated profits.

The share of profit or loss resulting from a cash flow hedging instrument that was determined to be an effective hedge is recognized in the reserves for cash flow hedges.

CURRENCY CONVERSION

The reserve for currency translation is used to recognize differences from converting the financial statements of foreign subsidiaries.

MINORITY INTERESTS

Minority interests concern Manz Taiwan Ltd. of which Manz Asia Ltd. holds a 97.15 % interest in (previous year: 97.12 %). Furthermore, a 25 % non-controlling interest is held in Manz India Private Limited, which was founded during the 2008 fiscal year. The share of equity and annual profit/loss which is attributed to the minority shareholders is disclosed separately in the balance sheet and/or income statement.

PROPOSED APPROPRIATION OF PROFITS

Pursuant to Article 58, Section 2, of the German Stock Corporation Act, the distribution of dividends by Manz AG is based on the net earnings disclosed in the annual financial statements (individual financial statement) dated December 31, 2011. Manz AG's net loss of 21,913,534.71 euros on December 31, 2011, will be carried forward to new account.

ADDITIONAL INFORMATION REGARDING CAPITAL MANAGEMENT

The primary objective of the capital management in the Manz Group is to continually increase the value of the company over the long term and to secure its liquidity. A high credit rating and a good equity ratio are important foundations for this purpose. The Group controls its capital structure and makes adjustments taking into account changes in the general economic conditions.

The Manz Group monitors its capital regularly based on various key performance indicators. The ratio of net financial liabilities to equity on the balance sheet before minority interests (gearing) and the equity ratio are important figures in this respect. In this case, net financial liabilities are calculated as the total of financial liabilities and leasing liabilities less liquid assets and securities.

The Supervisory Board and Managing Board have defined a minimum equity ratio of 40 % and gearing of less than 50 % as targets.

OVERVIEW OF CAPITAL MANAGEMENT

(in EUR tsd.)	Dec. 31, 2011	Dec. 31, 2010
Liquid assets	33,288	38,902
Financial liabilities	50,783	14,559
Net financial liabilities	17,495	–24,343
Total Manz AG shareholders' equity	**187,564**	**186,452**
Equity ratio	58.9 %	67.5 %
Gearing	9.3 %	–13.1 %

The two key performance indicators of equity and gearing became worse in the reporting year. The equity ratio declined to 58.9 % (previous year: 67.5 %) due a higher level of external financing. Gearing dropped to +9.3 % (previous year: –13.1 %) as a result of the significant increase in financial liabilities. Both key figures are still well above the targets set, however.

In the reporting period, 27,500,000 euros (previous year: 7,000 euros) of financial liabilities were governed by a covenant agreement, which stipulates an equity ratio of 30 % and orders on the books disclosed in the consolidated financial reports with a value of 100.00 million euros. The stipulation of the covenant agreement regarding the orders on the books valued at 100.00 million euros was not fulfilled on the reporting date. Non-compliance with the stipulations of the covenant agreement generally leads to a requirement to provide additional collateral. For the time being, the banks have not required an adjustment of credit terms with regard to additional collateral. In addition, financial liabilities held by Manz Slovakia valued at 3,325,000 euros (previous year: 3,745,000) were also subject to a covenant agreement in the reporting period related to the individual financial statement of Manz Slovakia. The provisions of this agreement stipulated an equity ratio of more than 10 % and an EBITDA-to-revenue ratio of more than 5 %. These two stipulations were not fulfilled in the 2011 fiscal year. As a result, the financial liabilities totaling 3,325,000 were reclassified from non-current financial liabilities to current financial liabilities.

NON-CURRENT FINANCIAL LIABILITIES (22)

(in EUR tsd.)	Dec. 31, 2011	Dec. 31, 2010
Non-current liabilities to credit institutes	4,934	4,390
	4,934	**4,390**

Non-current liabilities to credit institutes on December 31, 2011, encompass the KfW loan (ERP innovation program) to Manz AG totaling 4.6 million euros and to Manz Taiwan totaling 0.3 million euros. The total value of the Kfw loan is 20.00 million euros. The remaining amount of 15.4 million euros can be released by December 30, 2012, at the latest. The term of the loan extends until December 30, 2020. The loan extended to Manz Taiwan sets forth an annual repayment of 140,000 euros and a term until 2015.

The term of the loan granted to Manz Slovakia in the 2010 fiscal year valued at 3,750,000 euros extends until December 31, 2015. As a result of non-compliance with the provisions of the covenant agreement (see Section 21), the remaining value of the loan on December 31, 2011, of 3,325,000 euros was reclassified as a current liability.

NON-CURRENT DEFERRED INVESTMENT SUBSIDIES (23)

The item contains deferred investment grants, also as long as they will be be released in the following year, as they are solely connected with fixed assets. They concern Manz Hungary in Hungary without exception.

The investment grants are tied in with a series of constraints. According to the current state of knowledge, these constraints will be completely fulfilled, meaning that no repayments are expected.

FINANCIAL LIABILITIES FROM LEASES (24)

Leasing liabilities result from assets which must be capitalized in accordance with IAS 17. These pertain to automobile finance lease agreements with a carrying value of 115,000 euros (previous year: 45,000 euros) which are disclosed under "other equipment, fixtures, and furnishings".

The leasing payments due in the future and their cash values result from the following table:

(in EUR tsd.)	minimum leasing payments 2011	Cash value of minimum leasing payments 2011	minimum leasing payments 2010	Cash value of minimum leasing payments 2010
Up to 1 year	42	42	4	4
1 to 5 years	70	61	39	33
Total minimum payments	112		43	
minus the interest component	–9		–6	
Cash value of the minimum payments	**103**	**103**	**37**	**37**

PENSION PROVISIONS (25)

The components of expenses for pension benefits recorded in the Group's income statement and the values carried to the balance sheet are presented in the following tables.

The plan assets of domestic pension commitments exclusively comprise pension plan reinsurance. The plan assets of Manz Taiwan Ltd. consist of legally stipulated allocations by the employer to an external, central trust.

The cash value of performance-based obligations at the end of the year is balanced against the plan assets at fair value (financing status). Pension reserves result after deducting the actuarial gains and losses not yet taken into account.

PENSION PROVISIONS

(in EUR tsd.)	2011	2010
Change to the Cash Value of Benefits		
Cash value of performance-based obligations as of Jan. 1	6,161	5,133
Service cost	57	48
Interest cost	224	235
Benefits paid	–382	–232
Actuarial losses (+) / gains (–)	–114	760
Currency differences from international plans	–24	217
Cash value of performance-based obligations at Dec. 31	**5,922**	**6,161**
Change to Plan Assets		
Value of plan assets as of Jan. 1	1,788	1,520
Expected income from plan assets	29	34
Company contributions	62	65
Benefits paid	–154	–36
Actuarial losses (+) / gains (–)	2	–9
Currency differences from international plans	–17	214
Value of plan assets as of Dec. 31	**1,710**	**1,788**
Financing Status	**4,212**	**4,373**
Actuarial gains (+) / losses (–) not yet taken into account	–309	–422
Pension Provisions	**3,903**	**3,951**
which apply to:		
Manz Automation Tübingen GmbH, Tübingen	3,441	3,473
Manz Taiwan Ltd., Taiwan	356	386
Manz AG, Reutlingen	106	93

Manz Tübingen GmbH's pension obligations comprise a company pension plan, which was closed for new employees hired after July 15, 1997.

Manz Taiwan has both a performance-based and contribution-based pension plan for its employees. Employees hired after July 1, 2005, can only select the contribution-based pension plan. Those that were employed before July 1, 2005, had the choice between both pension plans.

The following amounts are included in the income statement:

(in EUR tsd.)	2011	2010
Service cost	–57	–48
Interest cost	–224	–235
Expected income from plan assets	29	34

The service cost is reported in personnel costs, whilst the interest cost and the expected income from plan assets is reported under financial expenses.

Expected income from plan assets is calculated on the basis of current market prices for the period within which the obligation will be fulfilled. Actual income from plan assets totaled 27,000 euros in the reporting year (previous year: 24,000 euros).

In the coming fiscal year, employer contributions to the fund's assets are expected to total 36,000 euros (previous year: 37,000 euros). The fund's assets comprise reinsurance policies (Germany) and trust assets (Taiwan), which make up 22 % and 78 % of the fund's total assets, respectively.

For contribution-based pension plans, payments were made totaling 447,000 euros (previous year: 289,000 euros). Furthermore, pursuant to federal regulations, our companies based in Germany made contributions to the federal pension fund totaling 2,919,000 euros (previous year: 2,465,000 euros).

The calculation of pension reserves was carried out based on the following underlying assumptions:

	Germany		Taiwan	
(in %)	2011	2010	2011	2010
Discount rate	5.20	4.70	1.75	1.75
Salary and wage increases	2.50	2.50	2.00	2.00
Pension increases	2.00	2.00	2.00	2.00
Expected returns on plan assets	3.00	3.00	1.75	1.75

In the past five years, our financing status – comprising the cash value of all benefit obligations and the fair value of plan assets – has changed as follows:

(in EUR tsd.)	**2011**	**2010**	**2009**	**2008**	**2007**
Cash value of all pension promises	–5,922	–6,161	–4,736	–224	–184
Plan assets	1,710	1,788	1,495	149	136
Financing status	**–4,212**	**–4,373**	**–3,241**	**–75**	**–48**
Adjustments to plan debts based on experience	705	681	296	–23	–18
Adjustments to plan assets based on experience	–5	–10	–14	26	1

The adjustments based on experience represent the difference between the obligations and assets according to actuarial assumptions and their actual development.

OTHER NON-CURRENT PROVISIONS (26)

Other non-current provisions pertain to provisions for warranty claims and long-term personnel obligations from partial retirement. They changed in the reporting year as follows:

(in EUR tsd.)	**Jan. 1, 2011**	**Currency adjustments**	**Use**	**Release**	**Addition of accrued interest**	**Alloca-tion**	**Dec. 31, 2011**
Personnel	247	0	154	0	14	52	159
Warranties	1,285	–4	507	83	13	1,095	1,799
	1,532	**–4**	**661**	**83**	**27**	**1,147**	**1,958**

Provisions for part-time employment prior to retirement totaling 144,000 euros were disclosed with the plan assets.

Provisions for warranty obligations are formed on the basis of past experience. It is expected that the costs will be incurred within the next two fiscal years.

CURRENT FINANCIAL LIABILITIES (27)

Current financial liabilities apply to various short-term lines of credit and overdraft credits for financing ongoing operations as well as the loan held by Manz Slovakia which was reclassified from non-current financial liabilities; they have a term of less than one year. Standard interest rates have been agreed upon for current loans.

ACCOUNTS PAYABLE (28)

Accounts payable are accounted for at amortized costs. Their carrying values usually correspond to their current market values. They are due within one year.

OTHER CURRENT PROVISIONS (29)

Other current provisions have changed as follows:

(in EUR tsd.)	**Jan. 1, 2011**	**Currency adjustments**	**Use**	**Release**	**Allocation**	**Dec. 31, 2011**
Reworking	816	0	816	0	741	741
Other	2,547	12	2,175	21	2,132	2,495
	3,363	**12**	**2,991**	**21**	**2,873**	**3,236**

Other provisions primarily include provisions for impending losses from client orders, commissions, and the cost of preparing the annual financial statements.

The provisions usually lead to payouts being made in the following year.

OTHER LIABILITIES (30)

On the reporting date, other liabilities comprised the following:

(in EUR tsd.)	**Dec. 31, 2011**	**Dec. 31, 2010**
Tax liabilities (not taxes on income or earnings)	432	1,495
Personnel-related liabilities	6,746	5,593
Others	818	345
	7,996	**7,433**

Tax liabilities (not taxes on income or earnings) primarily comprise VAT liabilities and liabilities from payroll and church taxes; they are due within one year.

REPORT ON FINANCIAL INSTRUMENTS

The following table shows the reconciliation of balance sheet items to the categories of financial instruments, divided according to the carrying values and fair values of the financial instruments.

Accounts receivable, other current receivables, liquid assets, accounts payable, and the lion's share of remaining liabilities as set forth in IFRS 7 mostly have short remaining terms. It is therefore assumed that the carrying values of these financial instruments approximately equate to their fair values.

CARRYING VALUES BY MEASUREMENT CATEGORY 2011

(in EUR tsd.)	Fair value	Loans and receivables	Available-for-sale	Not within the scope of IFRS 7, IAS 39	Carrying value Dec. 31, 2011
Assets as of Dec. 31, 2011					
Other non-current assets	864	864			864
Accounts receivable	84,175	34,941	-	49,234	84,175
Derivative financial instruments	109	-	109	-	109
Other current receivables	3,924	2,212		1,712	3,924
Liquid assets	33,288	33,288	-	-	33,288
	122,360	**71,305**	**109**	**50,946**	**122,360**

CARRYING VALUES BY MEASUREMENT CATEGORY 2011

(in EUR tsd.)	Fair value	Measured at amortized cost	Carrying value according to IAS 17	Available-for-sale	Not within the scope of IFRS 7, IAS 39	Carrying value Dec. 31, 2011
Liabilities as of Dec. 31, 2011						
Financial liabilities	50,535	50,535	-	-	-	50,333
Financial liabilities from leases	119	-	119	-	-	112
Accounts payable	46,335	46,335	-	-	-	46,335
Advance payments received	10,434	10,434	-	-	-	10,434
Derivative financial instruments	288	-	-	288	-	288
Other liabilities	7,996	7,564	-	-	432	7,996
	115,707	**114,868**	**119**	**288**	**432**	**115,498**

CARRYING VALUES BY MEASUREMENT CATEGORY 2010

(in EUR tsd.)	Fair value	Loans and receivables	Available-for-sale	Not within the scope of IFRS 7, IAS 39	Carrying value Dec. 31, 2010
Aktiva per Dec. 31, 2010					
Other non-current assets	615	615			615
Accounts receivable	67,054	43,392	-	23,662	67,054
Derivative financial instruments	89	-	89	-	89
Other current receivables	4,509	1,699		2,810	4,509
Liquid assets	38,902	38,902	-	-	38,902
	111,169	**84,608**	**89**	**26,471**	**111,169**

CARRYING VALUES BY MEASUREMENT CATEGORY 2010

(in EUR tsd.)	Fair value	Measured at amortized cost	Carrying value according to IAS 17	Not within the scope of IFRS 7, IAS 39	Carrying value Dec. 31, 2010
Liabilities as of Dec. 31, 2010					
Financial liabilities	14,184	14,184	-	-	14,184
Financial liabilities from leases	43	-	43	-	43
Accounts payable	51,535	51,535	-	-	51,535
Advance payments received	4,246	4,246	-	-	4,246
Other liabilities	7,433	5,938	-	1,495	7,433
	77,441	**75,903**	**43**	**1,495**	**77,441**

FAIR VALUE HIERARCHY PURSUANT TO IFRS 7.27

The Group uses the following hierarchy to determine and to record the fair value of financial instruments depending on evaluation method:

Level 1: quoted prices listed on active markets for identical current assets and liabilities (unchanged).

Level 2: either directly (as price) or indirectly (derived from prices) observable market inputs for the asset or liability that does not represent any quoted price according to level 1.

Level 3: collected inputs that are not based on observable market data for the evaluation of the asset or liability (non-observable input data).

On December 31, 2011, the derivative financial instruments recognized under current assets valued at 109,000 euros (previous year: 89,000 euros) and those recognized under current liabilities valued at 288,000 euros (previous year: 0 euros) fall into level 2 of the Fair Value Hierarchy as set forth in IFRS 7.27.

NET EARNINGS BY MEASUREMENT CATEGORIES SET FORTH IN IAS 39

(in EUR tsd.)	Net gains/ losses	Total interest earnings/ expenses
Fiscal Year 2011		
Loans and receivables	–468	378
Available-for-sale (derivate financial instruments)	–99	0
Available-for-sale financial liabilities (derivate financial instruments)	–517	0
Financial liabilities measured at amortized cost Liabilities	34	–1,032
	–1,050	**–654**
Fiscal Year 2010		
Loans and receivables	1,647	298
Available-for-sale (derivate financial instruments)	–21	0
Available-for-sale financial assets	52	234
Financial liabilities measured at amortized cost Liabilities	–82	–317
	1,596	**215**

The net gains and losses from loans and receivables primarily include gains and losses from currency translations and changes to allowances for doubtful accounts receivable. Changes to allowances for doubtful accounts receivable totaled 211 euros expense (previous year: 1,329,000 euros income) on December 31, 2011.

Interest earnings for financial instruments in the "Loans and receivables" category are the result of investing liquid assets. Interest resulting in the category "financial liabilities measured at amortized cost" primarily pertain to interest expenses from non-current financial liabilities and from financial liabilities owed to credit institutes.

FINANCIAL RISK MANAGEMENT AND FINANCIAL DERIVATIVES

As a company which operates internationally, the Manz Group is exposed to credit, liquidity, and market risks during the course of its normal activities. Market risks particularly result from changes to currency and interest rates. Financial risk management measures are designed to manage and limit these market risks within the scope of operational and financial activities. Depending on the risk assessment, derivate hedging instruments are used, although generally only cash flow risks are hedged. Derivate financial instruments are only used for hedging purposes and are therefore not held for trading or speculative purposes. To reduce the risk of total loss, hedging transactions are only entered into with leading financial institutes which have excellent credit ratings.

The basic principles of Manz's financial policy are regularly determined by the Managing Board and monitored by the Supervisory Board.

The sensitivity analyses in the following sections each refer to the situation on December 31, 2011, or December 31, 2010. The sensitivity analyses were carried out based on the hedging relationships which existed on December 31, 2011, and under the premise that net debt, the relationship between the fixed and variable interest rates of debts and derivatives, and the share of financial instruments held in foreign currencies will remain constant.

The sensitivity analyses were prepared based on following assumptions:

- The sensitivity of the statement of financial position relates to available-for-sale derivatives and debt instruments.
- The sensitivity of the relevant items on the statement of income reflects the effect of assumed changes to the corresponding market risks. This is based on financial assets and financial liabilities held on December 31, 2011, and December 31, 2010, including the effect of the hedging relationship.
- The sensitivity of equity is calculated by considering the effect of associated cash flow hedging relationships as of December 31, 2011 and December 31, 2010, on the assumed changes to the underlying transaction being hedged.

CREDIT RISKS

Credit risk is the risk that business partners will not be able to meet their contractual obligations and that the Manz Group will therefore incur a financial loss. Within the scope of its operational activities, the Group is particularly exposed to default risks when it comes to trade receivables and risks within its financing business, including cash investments with banks and derivative financial instruments.

The credit risk from receivables from customers is controlled at company level (local) and constantly monitored. In project business, the risk of default is minimized by advance payments. If default risks are noticeable in the case of financial assets, these risks are recognized by write-downs. The default risk associated with cash investments and derivative financial instruments is reduced by spreading the investments across different banks.

Financial assets' maximum credit risk (including derivatives with a positive market value) corresponds to the carrying value recognized in the statement of financial condition. On the reporting date of December 31, 2011, the company's maximum credit risk totaled 133,039,000 euros (previous year: 111,169,000 euros).

The maturity of accounts receivable is presented in the following table:

(in EUR tsd.)	2011	2010
Not overdue and not written down	17,583	29,518
Overdue and not individually written down		
up to 30 days	2,006	4,645
between 31 and 60 days	2,413	1,189
between 61 and 90 days	3,141	2,806
between 91 and 180 days	2,943	2,370
more than 180 days	6,712	2,802
Individually written-down receivables	143	62
	34,941	**43,392**

There were no signs that receivables not previously written down needed to be written down. The recoverability of receivables neither overdue nor written down is seen as very high. This assessment is derived above all from the long-standing business relationship with most buyers and the credit rating of our customers. The historic default rates in the Group are very low.

Other non-current assets and other current receivables are neither overdue nor written down.

As a result of the financial market crisis and its effects on the real economy, the Manz Group took early steps to keep the risks from potential loan defaults as remote as possible. For this purpose, our accounts receivable management was intensified, and we will continue to match the steps taken to diversify credit risks to the changing market situation.

LIQUIDITY RISKS

Liquidity risks – i.e. the risk that Manz is not able to meet its financial obligations – are limited through the creation of the necessary financial flexibility and through an effective cash management system. We employ appropriate financial planning instruments to manage our future liquidity situation. According to our current plans, we do not have any foreseeable liquidity issues.

We had unused overdraft credit and guaranteed credit lines at financial institutions valued at 67,354,000 euros (previous year: 49,715,000) on the reporting date; these could either be used as overdraft protection and/or guaranteed credit (guaranteed credit drawn upon as of December 31, 2011: 43,360,000 euros previous year: 2,899,000 euros). In addition, we have unused lines of guaranteed credit at credit insurers and credit institutes with a value of 23,752,000 euros (previous year: 10,114,000); these lines have been drawn upon for a total of 3,348,000 euros (previous year: 4,886,000).

The following list shows the contractually stipulated, undiscounted interest and principal repayments for all nonderivative financial liabilities as set forth by IFRS 7. If the maturity date is not fixed, the liability is recorded at the earliest maturity date. Interest payments with variable interest rates are recorded according to the terms applicable on the reporting date. We essentially assume that the cash outflows will not occur earlier than presented.

(in EUR tsd.)	Total	2012	2013	> 2014
Dec. 31, 2011				
Financial liabilities	50,535	45,399	140	4,996
Finance leasing	117	42	40	35
Accounts payable and payments	46,335	46,335		
Derivative financial instruments	288	288		
Advance payments received	11,405	11,405		
Other liabilities	7,996	7,996		
	116,676	**111,465**	**180**	**5,031**

(in EUR tsd.)	Total	2011	2012	> 2013
Dec. 31, 2010				
Financial liabilities	14,496	10,198	711	3,587
Finance leasing	44	15	11	18
Accounts payable and payments	51,535	51,535		
Advance payments received	4,246	4,246		
Other liabilities	5,938	5,938		
	76,259	**71,932**	**722**	**3,605**

The manufacturing facilities belonging to Manz Taiwan Ltd. and Manz Slovakia s.r.o. have been provided as collateral for the loans and lines of credit extended by credit institutions to the Manz Group, which have been drawn upon as of the end of the reporting period. No other collateral has been provided.

CURRENCY RISKS

Currency rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in currency prices. The Manz Group is exposed to it primarily from its business activities (if revenues and/or expenses are quoted in a currency different to the functional currency of the Manz company in question). In order to reduce the effects of exchange rate fluctuations, Manz AG continually quantifies exchange rate risks and hedges all major risks with forward exchange contracts and foreign exchange swaps whenever it makes business sense. When hedging value fluctuations of future cash flows from expected transactions, this involves planned sales in foreign currency. Differences caused by exchange rates when financial statements are converted into the Group currency are not taken into account.

To illustrate market risks, IFRS 7 demands sensitivity analyses, which show possible effects from changes to relevant risk variables (e.g. currency prices, interest rates) and the results and equity. To determine the periodic effects, a possible change in the risk variables on the financial instruments held by the company on the accounting date is undertaken. In this case, it is assumed that the instruments held at the end of the year are representative for the fiscal year. Foreign currency derivatives are always assigned to underlying transactions so that no currency risks can emerge from these instruments.

For the US dollar, as the main foreign currency for the Manz Group, the following currency scenario arises:

If the value of the euro had been 10 % higher against the US dollar on December 31, 2011 (2010), consolidated income would have been 1,615,000 euros (959,000 euros) lower and consolidated equity would have been 827,000 euros lower (previous year: 959,000 euros). If the value of the euro had been 10 % lower against the US dollar on December 31, 2011 (2010), consolidated income would have been 1,974,000 euros (1,172,000 euros) higher, and consolidated equity would have been 1,211,000 euros higher (previous year: 1,172,000).

INTEREST RATE RISKS

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate, due to changes in market interest rates. The risk of fluctuations of market interest rates that the Group is exposed to results primarily from loans with variable interest rates.

The Manz Group manages interest rate risks pertaining to financial liabilities by holding a balanced portfolio of fixed rate and variable rate loans and through the use of interest derivatives such as interest caps and interest swaps.

Interest risks as set forth in IFRS 7 are determined using sensitivity analyses. In this context, the effects of variable market interest rates on our financial results are presented.

If the base interest rate on December 31, 2011 (2010), had been 100 points higher (lower), the Group's profit/loss would have been 40,000 euros (72,000 euros) higher (lower) and the Group's equity would have been 24,000 euros (72,000 euros) higher (lower).

CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

At the end of the reporting period, Manz AG had guarantees in place for liabilities to banks for third parties totaling 700,000 euros.

The Manz Group has entered into various rental agreements for buildings and leases for fixtures and furnishings and cars. The due dates of minimum lease payments from irrevocable operating leases and rental agreements are presented as follows:

DUE DATES OF MINIMUM LEASE PAYMENTS

(in EUR tsd.)	2011	2010
Minimum lease payment		
Remaining term up to 1 year	3,859	3,575
Remaining term of 1–5 years	12,503	14,655
Remaining term of more than 5 years	31,036	31,345

In the 2011 fiscal year, rent and lease payments totaling 5,242,000 euros (previous year: 4,758,000 euros) were recognized in other operating expenses.

In connection with an existing agreement, an obligation exists to make a payment of 5,185 euros (previous year: 20,000) depending on a condition occurring. It can be assumed that the condition will occur within the next 18 months.

Within the scope of acquiring a company, an obligation to continue operations and other obligations exist. The resulting financial obligations are expected to total a maximum of 11,914,000 euros.

Investment obligations from property, plant, and equipment exist totaling 8,614,000 euros.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Effective January 1, 2012, Manz AG acquired the CIGS production line located in Schwäbisch Hall from Würth Solar GmbH & Co. KG and converted it into an innovation line for advancements to CIGS manufacturing and processing technology. As part of the acquisition of the complete CIGS technology, a total of 118 employees from Würth Solar were integrated into the Manz Group. The innovation facility is used for research and development, and in this context the focus here is on accelerating technological advancements and the related reduction in production costs as well as increase in module efficiency. In addition to the manufacturing facility, Manz also acquired the licenses and know-how from Würth Solar and the research partnership with the Baden-Württemberg Center for Solar Energy and Hydrogen Research (ZSW) without incurring any additional fees.

On February 16, 2012, Manz AG reported a new order in the FPD division valued at 33 million euros. The order comprises systems and equipment for the manufacture of components in the FPD industry. This order demonstrates the successful transfer of technology within the company, since the equipment was originally developed for the crystalline solar industry and can now be transferred to the FPD division without any significant technological adjustments.

Please refer to the notes on "acquisition made after the reporting date" in the "Accounting Principles" section, pp 134ff.

Other than the aforementioned event, no further events took place after the reporting date that could have had a significant impact on our financial situation.

RELATED PARTIES

Pursuant to IAS 24, persons or companies that can be influenced by the reporting company or that can have an influence on the company, if not already included as a consolidated company in the consolidated financial statements, must be specified.

In the Manz Group, related parties refer to members of the Managing Board and of the Supervisory Board including their family members and companies over which Manz AG, the Managing Board and Supervisory Board members, and their close family members can exercise a considerable influence.

COMPENSATION PAID TO THE MANAGING BOARD AND SUPERVISORY BOARD

The basic principles of the compensation system and the level of payments to the Managing Board and Supervisory Board as well as former members of the Managing Board are shown in the compensation report, which is part of the management report.

Total compensation paid to the members of the Managing Board in the 2011 fiscal year amounted to 971,000 euros (previous year: 944,000 euros). Non-performance-related compensation totaled 779,000 euros (previous year: 637,000 euros), performance-related compensation totaled 11,000 euros (previous year: 40,000 euros), and long-term compensation due totaled 181,000 euros (previous year: 267,000 euros). Long-term compensation due comprises stock awards/stock options granted within the scope of the Performance Share Plan. In this context, a total of 4,279 stock options (previous year: 2,739 stock options) were awarded to members of the Managing Board in the reporting period, with a total fair value of 181,000 euros (previous year: 267,000 euros).

For the chairman of the Managing Board, Dieter Manz, the company has a pension obligation (defined benefit obligation) pursuant to IFRS totaling 171,000 euros (previous year: 214,000 euros). To cover this pension obligation, a reinsurance policy has been taken out with a fair value 109,000 euros (previous year: 103,000 euros).

Mr. Otto Angerhofer, a former member of the Managing Board, received a pension payment of 10,000 euros (previous year: 10,000 euros) in the 2011 fiscal year. Manz has a pension obligation to the former Managing Board member as set forth in IFRS totaling 138,000 euros (previous year: 177,000 euros). To cover this pension obligation, a reinsurance policy has also been taken out with a fair value 91,000 euros (previous year: 88,000 euros).

At the end of the reporting period, CEO Dieter Manz held 46.43% of Manz AG's stock (previous year: 44.49 %).

A contribution-based pension plan has existed for Martin Hipp, member of the Managing Board, since the 2009 fiscal year. A similar plan has been in place for former member of the Managing Board, Volker Renz, since the 2010 fiscal year. A total of 6,000 euros annually is paid into an external, reinsured pension fund to cover these obligations. As in the previous year, in the reporting period Manz did not issue any advance payments or loans to members of the Managing Board.

SUPERVISORY BOARD

Prof. Dr. Heiko Aurenz, Partner at Ebner Stolz Mönning Bachem Unternehmensberatung GmbH, Stuttgart, Chairman

Dr. Peter Leibinger, Managing Director of TRUMPF GmbH & Co. KG, Ditzingen, Vice Chairman

Prof. Dr. Michael Powalla, Head of the Solar Division and Member of the Board of the Baden-Württemberg Center for Solar Energy and Hydrogen Research (ZSW) and professor of thin-film photovoltaics at the Karlsruhe Institute of Technology (KIT), Light Technology Institute, Faculty of Electrical Engineering and Information Technology (since June 28, 2011)

Prof. Dr. Rolf D. Schraft (until June 28, 2011)

The chairman of the Supervisory Board, Prof. Dr. Heiko Aurenz, is also a member of the Supervisory Board of IBS AG, Know How! Aktiengesellschaft für Weiterbildung, Anna-Haag-Mehrgenerationenhaus e.V., ASB Grünland Helmut Aurenz GmbH and Monument Vermögensverwaltung GmbH.

Supervisory Board member Peter Leibinger is also a member of the Managing Board of TRUMPF Laser GmbH & Co. KG and a member of the Advisory Board of Hüttinger Elektronik GmbH + Co. KG. Furthermore, Dr. Leibinger is a member of the Board of Directors of SPI Lasers plc, TRUMPF Korea Co. Ltd., TRUMPF Management Consulting (Shanghai) Co. Ltd., TRUMPF Pte. Ltd., Singapore, and TRUMPF Taiwan Industries Co. Ltd.

In the 2011 fiscal year, laser systems worth 2,970,000 euros (previous year: 1,624,000 euros) were purchased from TRUMPF GmbH + Co. KG, where Peter Leibinger is a managing partner. On December 31, 2011, Manz had liabilities to TRUMPF GmbH + Co. KG totaling 445,000 euros (previous year: 657,000 euros).

Supervisory Board member Prof. Dr. Michael Powalla does not hold any other positions on mandatory supervisory boards or comparable supervisory boards of domestic or international companies.

Member of the Supervisory Board Prof. Rolf D. Schraft is also a member of the Executive Board of the International Federation of Robotics (IFR) and a member of the Research Board of Trustees of Alfred Kärcher GmbH and Hock Holding GmbH & Co. KG.

The compensation system for the Supervisory Board is also presented in the compensation report, which is part of the management report.
For the 2011 fiscal year, the members of the Supervisory Board were granted compensation of 56,000 euros (previous year: 39,000 euros). The compensation contains fixed and variable elements.

As in the previous year, in the reporting period Manz did not issue any advance payments or loans to members of the Managing Board.

AUDITOR'S FEE

The fees assessed by the company responsible for auditing our annual reports, BEST AUDIT GmbH Wirtschaftsprüfungsgesellschaft (2010: alltax gmbh Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as networking partner) are calculated as follows:

(in EUR tsd.)	**2011**	**2010**
Auditing the annual financial statements	126	116
Other auditing services (audit of the interim financial statements)	20	16
Tax consultation services	43*	16
Other services	30*	24

* These services were provided by alltax gmbh Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (network partner) in 2011.

CORPORATE GOVERNANCE CODE

Manz AG's Managing Board and Supervisory Board have both issued a compliance statement pursuant to Article 161 of the German Stock Corporation Act, and both statements are available to shareholders and can be viewed at any time by visiting Manz AG's Web site, www.manz.com.

PUBLICATIONS IN ACCORDANCE WITH ARTICLE 160, PARAGRAPH 1, OF THE GERMAN SECURITIES TRADING ACT

The following information was published during the 2011 fiscal year pursuant to the German Securities Trading Act:

June 15, 2011

On June 15, 2011, FMR LLC, Boston, USA, notified us pursuant to Section 21 (1) WpHG that its percentage of voting rights in Manz AG, Reutlingen, Germany, fell below the threshold of 3 % and amounted to 2.95 % of all voting rights (132,128 voting rights) as of June 9, 2011.

All voting rights in Manz AG were attributed to FMR LLC pursuant to Article 22, Section 1, sent. 1 no. 6 in connection with sent. 2 WpHG.

On June 15, 2011, Fidelity Management & Research Company, Boston, USA, notified us pursuant to Article 21, Section 2, of the WpHG that its percentage of voting rights in Manz AG, Reutlingen, Germany, fell below the threshold of 3 % and amounted to 2.95 % of the voting rights (132,128 voting rights) as of June 9, 2011.

All voting rights in Manz AG were attributed to Fidelity Management & Research Company pursuant to Article 22, Section 1, sent. 1 no. 6 WpHG

December 16, 2011

On December 16, 2011, Universal-Investment Gesellschaft mbH, Frankfurt am Main, Germany, notified us pursuant to Article 21, Section 1, of the WpHG, via shares its voting rights on Manz AG, Reutlingen, Germany, exceeded the 3 % threshold of voting rights on December 15, 2011, and on that day amounted to 3.03 % (this corresponds to 135.707 voting rights).

According to Article 22, Section 1, Sentence 1, No. 6 of the WpHG, 0,11 % of the Voting Rights (this corresponds to 5000 Voting Rights) is to be attributed to the company.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the Manz Group's assets, liabilities, financial position, and profit or loss, and the Manz Group's management report includes a fair review of the trends and performance of the business and the position of the Group as well as a description of the principal opportunities and risks associated with the Group's expected performance.

Reutlingen, March 21, 2012

The Managing Board of Manz AG

Dieter Manz
Chief Executive Officer

Martin Hipp

AUDITOR'S REPORT

We have issued the following auditor's opinion regarding the Consolidated Financial Statements and Management Report:

We have audited the consolidated financial statements of Manz AG, headquartered in Reutlingen, Germany – which consist of an income statement, a statement of comprehensive income for the period, a statement of financial position, a consolidated statement of cash flows, a consolidated statement of changes in equity, and the notes to the consolidated financial statements – as well as the group management report for the fiscal year from January 1 to December 31, 2011. Preparing these consolidated financial statements and group management report in accordance with both IFRS as approved for use in the EU as well as with the additional commercial legal regulations set forth in Article 315a, Section 1 of the German Commercial Code is the responsibility of the legal representatives of the company. Our responsibility is to furnish an opinion on the annual consolidated financial statements and the consolidated management report based on our audit.

We conducted our audit in accordance with Article 317 of the German Commercial Code in compliance with the German principles of proper auditing as set forth by the Institut der Wirtschaftsprüfer (IDW, German Institute of Chartered Accountants). These standards require that we plan and perform the audit in such a way as to obtain adequate assurance that inaccuracies and violations of applicable accounting standards will be identified that could have a significant effect on the portrayal of the company's net assets, financial position, and results of operations as presented in the annual consolidated financial statements and the management report. When defining the auditing procedures, knowledge of the business activities and the economic and legal environment of the company as well as expectations of possible errors are taken into consideration. Within the scope of the audit, both the effectiveness of the group's internal control system and the evidence supporting the information disclosed in the annual consolidated financial statements and the management report is evaluated on the basis of random samples.

Our audit also includes assessing the annual financial statements of the consolidated companies, the definition of the basis of consolidation, the accounting and consolidation principles used, and the important estimates made by management, as well as evaluating the overall presentation of the annual consolidated financial statements and the group management report. We are confident that our audit provides a sufficiently sound basis from which to make an assessment in this regard.

Our audit did not lead to any objections.

In our opinion, based on the knowledge we gained from our audit, the consolidated financial statements comply with IFRS as they are to be applied in the EU as well as the provisions of the German Commercial Code as stipulated in Article 315a, Section 1, and convey a true and fair view of the group's net assets, financial position, and results of operations. The group management report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the group's position and adequately presents the opportunities and risks associated with the group's future performance.

Reutlingen, March 21, 2012

BEST AUDIT GmbH
Wirtschaftsprüfungsgesellschaft

Klatte
Certified Public Accountant

Schäuffele
Certified Public Accountant

89,383

SQUARE METERS OF CUSTOMER PROXIMITY – MANZ WORLDWIDE

Manz takes the shortest path available to bring the German art of engineering to our customers. We operate local manufacturing facilities and have on-site sales and service teams in the markets with the greatest potential. This particularly applies to the dynamic boom areas in Asia, where we have established ourselves over the last 20 years or so and benefit from outstanding access to the market. The fact that 1,297 of our 1,912 employees are employed outside of Germany demonstrates how important a worldwide presence is to us. However, Germany remains of great significance to us – because this is where we find the best minds and have access to an enormous wealth of potential expertise, which helps always keep us one step ahead of the competition.


Europe
Middle East
Asia

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