# 2010

# PASSION FOR EFFICIENCY

MANZ AUTOMATION AG ANNUAL REPORT

## 2011 FINANCIAL CALENDAR

| | |
|---|---|
| **May 12, 2011** | Quarterly Report through Q1/2011 |
| **June 28, 2011** | 2011 Annual Meeting of Shareholders |
| **August 11, 2011** | 2011 Semi-Annual Report |
| **November 15, 2011** | Quarterly Report through Q3/2011 |
| **November 21–23, 2011** | 2011 German Equity Forum |

## OVERVIEW OF GROUP RESULTS

| (in EUR million) | **2010** | **2009** |
|---|---|---|
| Revenues | 181.40 | 85.92 |
| Total operating revenues | 205.02 | 101.07 |
| EBIT | 0.56 | –15.91 |
| EBIT margin (in %) | 0.27 | - |
| EBT | 0.69 | –12.98 |
| Net income for the period | 1.80 | –9.71 |
| Earnings per share | 0.35 | –2.15 |
| Operating cash flow | 2.00 | 39.75 |
| Equity ratio (in %) | 66.41 | 79.00 |
| Net debt | –24.68 | –78.78 |

## 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

## REVENUES

| (in EUR million) | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| | 181.40 | 85.92 | 236.51 | 71.25 | 43.81 |

## EBIT

| (in EUR million) | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| | 0.56 | –15.91 | 28.60 | 10.05 | 4.85 |

## EBIT BY BUSINESS UNIT 2010

| (in EUR million) | Solar | FPD | PCB/OEM | New Business | Other |
|---|---|---|---|---|---|
| | –3.84 | 3.51 | 0.75 | 0.09 | 0.06 |

**2005**

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

**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)

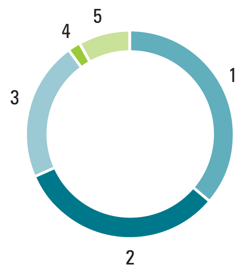
**2009**

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

**2010**

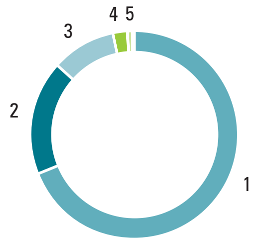
Know-how licensing and partnership agreement with Würth Solar for exclusive rights to use their CIGS production technology

## REVENUES BY BUSINESS UNIT 2010




| | | |
|---|---|---|
| 1 | **36.2 %** | Solar |
| 2 | **32.4 %** | FPD |
| 3 | **21.4 %** | PCB/OEM |
| 4 | **2.0 %** | New Business |
| 5 | **8.0 %** | Other |

## REVENUES BY REGION 2010




| | | |
|---|---|---|
| 1 | **69.5 %** | Asia |
| 2 | **17.8 %** | Rest of Europe |
| 3 | **10.1 %** | Germany |
| 4 | **2.3 %** | USA |
| 5 | **0.3 %** | Other regions |

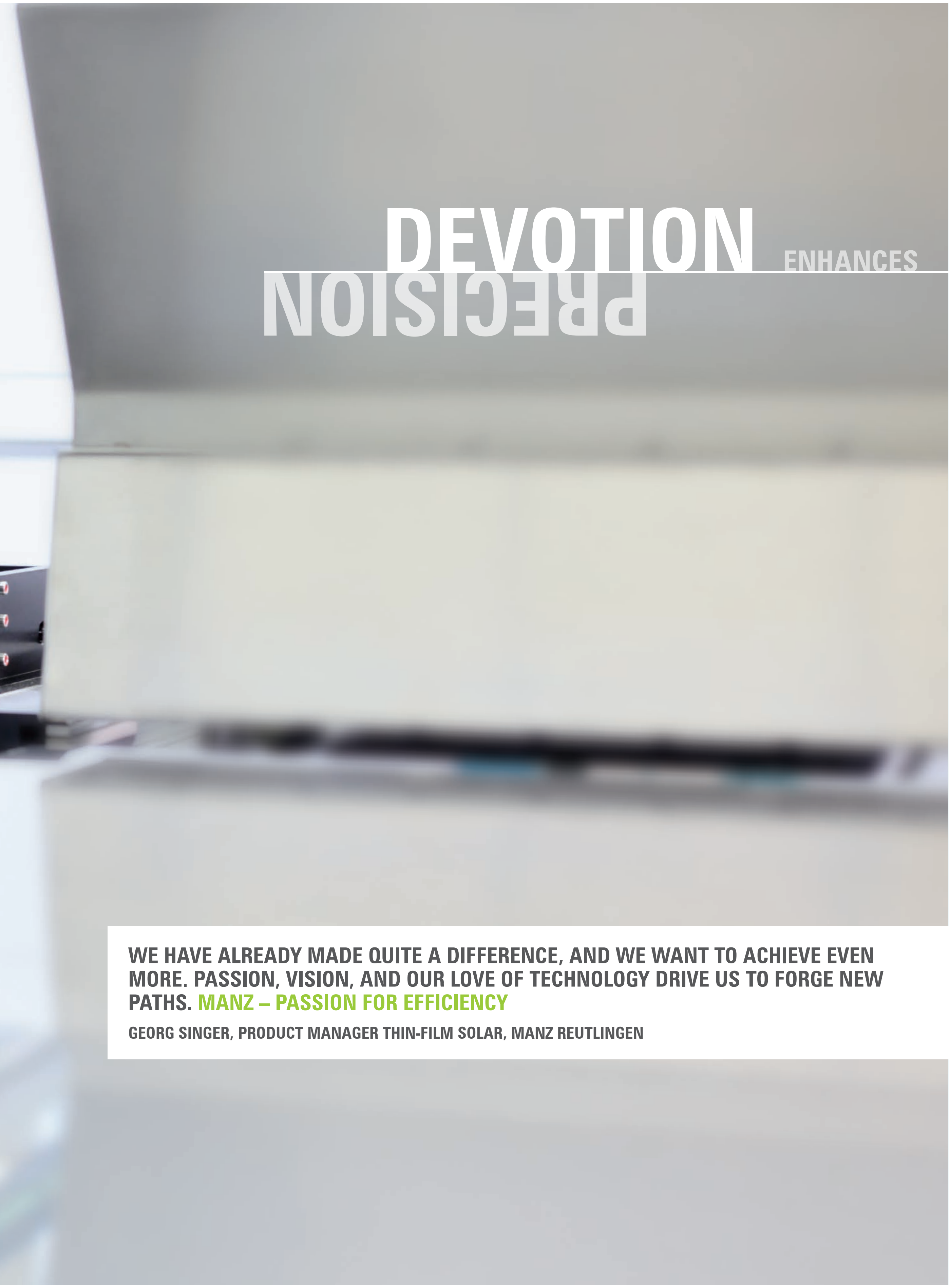
## MANZ AUTOMATION AG MISSION STATEMENT

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 field of green technology. In pursuit of this goal, our strategy is to innovate at a fast pace, improving existing products and creating new solutions that offer our customers competitive advantages. In this regard, our extensive technological know-how forms the foundation upon which our company is built. We are primarily focused on the photovoltaics industry, and we play a significant role in shaping this field as a company that drives innovation in this sector. In this context, our company is also active in the market as a supplier of fully integrated production lines for CIGS thin-film solar modules. Other areas of business include the flat panel display (FPD) industry and our New Business division, which is where we pick up on new trends (such as lithium-ion, or li-ion, batteries) and develop innovative manufacturing systems. Thanks to our core areas of expertise – automating processes and developing integrated systems – our technologies find application in a wide variety of industries. The art of engineering, which we live and breathe day in and day out, rapidly leads us to become familiar with additional processes, which in turn allows us to develop new, powerful products. At Manz, research and development are a top priority. This spirit of invention spurs us on each and every day – and is what makes our company's dynamic growth possible.

## PASSION FOR EFFICIENCY

The slogan of our annual report this year, "Passion for Efficiency," not only corresponds to the company's own slogan but also describes the pure, unadulterated technological innovation that we're known for. It also stands for the people that live and work according to our corporate slogan worldwide. Manz Automation AG is known for high-precision, well-engineered products. And behind them stand our employees, who research, develop, design, assure quality, and give their all day in and day out for our exceptional products and services. All of this is Manz Automation AG: passion and efficiency.

# CONTENT



# DEVOTION ENHANCES PRECISION

**WE HAVE ALREADY MADE QUITE A DIFFERENCE, AND WE WANT TO ACHIEVE EVEN MORE. PASSION, VISION, AND OUR LOVE OF TECHNOLOGY DRIVE US TO FORGE NEW PATHS. MANZ – PASSION FOR EFFICIENCY**

**GEORG SINGER, PRODUCT MANAGER THIN-FILM SOLAR, MANZ REUTLINGEN**

# TO OUR SHARE-HOLDERS

# LETTER FROM THE MANAGING BOARD

Dear Shareholders,

Improvements to our cost structure and the systematic expansion of our research and development activities – these measures, which we already implemented back in 2009, are the reason why 2010 was a successful year for Manz Automation. We proved that we can offer the solutions the market demands at just the right time, and our financial figures reflect this – we more than doubled our revenues from last year, increasing them from 85.9 million euros to 181.4 million euros, while simultaneously achieving an EBIT of 0.6 million euros (previous year: –15.9 million euros). As you can see, Manz Automation is back in the black, and we have left the financial crisis behind. In addition, our production capacities have been well utilized across all our divisions since the beginning of the new fiscal year.

The way we successfully overcame the economic crisis didn't go unnoticed either. As a result, we had the honor of welcoming German Chancellor Dr. Angela Merkel and Minister-President Stefan Mappus to our headquarters in Reutlingen on November 4, 2010. This was, without a doubt, one of the biggest highlights in our company's history! During this visit, we garnered quite a bit of praise for our company's strategy and innovations. This visit was a real sign of acknowledgement and also motivation for both the Managing Board and our employees. After all, our company is currently generating 50 % of our revenues with products that have been on the market for less than two years!

*Manz Automation back on path to growth*

The recovering economy obviously played a key role in our positive growth, since it breathed new life into our operations. All of Manz Automation's divisions benefited from the resulting upturn in demand – in the Flat Panel Display (FPD) division, we generated record profits, and our Solar division returned to its old level of strength. This trend is further highlighted by the orders we have in the books valued at over 140 million euros (as of February 28, 2011), which have almost reached the record value we saw in 2008.

The flourishing solar industry also boosted our earnings in the 2010 fiscal year. According to estimates by the Swiss Bank Sarasin, worldwide installed solar output totaled about 13.8 GW. We firmly believe this growth will continue in the future, particularly in promising markets like China, India, and the United States. The dominating topic in this industry is and remains cost pressure, however. And this is exactly what Manz Automation focuses on with its solutions, allowing us to play a key role in supporting solar manufacturers in the quest to improve their profitability. This gives us the opportunity to take part in the growth of the photovoltaics industry.

We particularly see significant future potential in the Chinese market. And that's why we are expanding our production capacities for FPD and solar equipment at our plant in Suzhou. After laying the cornerstone in February 2011, in the next step of expansion we plan to begin using the new manufacturing facility, with a total production area of 16,000 sq m, as early as the beginning of next year.

*Manz increases operations in China due to the growing relevance of the Asian PV market*

And speaking of cornerstones, the key cornerstone of our growth strategy is also expanding our core expertise in the field of thin-film technology. And we have built a new foundation from which to grow in this regard by entering into a licensing and partnership agreement with Würth Solar back in July of 2010. Together with our partner, we are currently the only equipment supplier in the world capable of offering a turnkey, integrated production line for CIGS thin-film solar modules which can already be operated profitably today (CIGSfab).

Overall, we believe the trends in our target markets and within our company have validated our decision to systematically focus Manz Automation on the world's fast-growing industries. Looking back at the 2009 and 2010 fiscal years, it's plain to see that we reacted properly to the challenges posed by the economic and financial crisis. Cutting costs was without a doubt a key part of our strategy to get back on a course for growth, and today we continue striving to identify and make use of areas where potential savings may still exist. However, our research and development activities were the decisive factor because, thanks to our newly developed products, we now have an excellent position from which to drive future growth in our relevant markets with key innovations.

*Our way out of the economic crisis: investing in research and development*

After getting our business back on track for growth in the 2010 fiscal year thanks to the improved situation throughout the industry, we believe that, as a result of the orders we have in the books in all our divisions, annual revenues in 2011 will be in the vicinity of 240 to 250 million euros – which would be a new record. This corresponds to a year-over-year growth of 35 %. Depending on market trends in the thin-film technology segment, we even have the potential to exceed these targets. Specifically, this means that shipping the first CIGSfab would result in a significant boost in revenues and earnings. In this case, we even anticipate stronger revenue growth. Thanks to our increased degree of capacity utilization, we are also confident that our earnings will increase significantly parallel to our revenues. To ensure that this is the case, we have implemented a number of different measures to cut costs. For example, increasing our product components' level of standardization will have a lasting effect on our profitability. In light of this, we expect to achieve an EBIT margin of at least 5 % in 2011.

*Continued growth expected: high demand in all divisions*

We would like to take this opportunity to sincerely thank our shareholders, customers, suppliers, and strategic partners for the confidence they have shown in us. We would also like to particularly thank our employees, who all once again played a crucial role in Manz Automation's success in the previous fiscal year.

The Managing Board

Dieter Manz | Martin Hipp | Volker Renz

# 2010 – THE YEAR IN REVIEW

**February 19, 2010:**

New orders with a total volume of over 25 million euros confirm the previous year's positive trend

- LCD division benefits from brisk demand from the Asian region
- Technological leadership leads to additional orders for back-end systems

**March 9, 2010:**

Manz Automation mourns the loss of Dr. Jan Wittig

- Long-term Chairman of the Supervisory Board passes away unexpectedly
- After a short period as interim chairman, Professor Heiko Aurenz is officially sworn in as Chairman of the Supervisory Board

**April 22, 2010:**

Development Center for Vacuum Coating Technology opened in Karlstein, Germany

- Expansion of activities in the field of vacuum coating equipment for crystalline solar cells and thin-film solar modules
- A decisive move in positioning Manz Automation as a supplier of process equipment

**May 18, 2010:**

Launch of OneStep Selective Emitter technology

- Product development makes highly efficient cell with increased efficiency and improved cost-effectiveness possible
- Successfully verified that production is suitable for pilot customers Yingli, Bosch, and Conergy

**July 7, 2010:**

For the first time since the end of the economic crisis, the value of orders on hand surpasses 100 million euros

- Strong demand for back-end lines and OneStep Selective Emitter technology
- New orders worth approximately 8 million euros acquired in the thin-film segment

**July 19, 2010:**

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

- Manz Automation will become the only company in the world capable of supplying integrated and fully productive production lines for CIGS solar modules, which can already be operated profitably today
- Expansion of our business model as a logical and strategic continuation of goals that we have already achieved on our way to becoming a specialist for integrated production lines

**September 17, 2010:**

Positive results after exhibiting at the EU PVSEC in Valencia

- Customers showed significant interest in CIGS technology
- Orders and declarations of intent acquired for Manz's OneStep Selective Emitter and Speed-Picker technologies

**November 4, 2010:**

German Chancellor Dr. Angela Merkel and Minister President Stefan Mappus visit Manz Automation AG

- Political praise from the highest level for the far-sighted and employee-friendly way Manz overcame the economic and financial crisis

**December 1, 2010:**

Manz Automation AG acquires new orders valued at more than 50 million euros

- Large orders in the Flat Panel Display business, primarily for touch-screen equipment
- Manz continues to see strong demand for crystalline solar cell manufacturing equipment

# INTERVIEWS WITH MEMBERS OF THE MANAGING BOARD

The Managing Board of Manz Automation comprises Dieter Manz, CEO, Martin Hipp, CFO, and Volker Renz, COO. In the following interviews, the Managing Board members talk about what they accomplished in 2010, what they believe to be the opportunities for 2011, and how they successfully overcame the economic crisis together with their employees.

## INTERVIEW WITH DIETER MANZ

**Mr. Manz, the 2010 fiscal year was a successful one for you. Even German Chancellor Dr. Angela Merkel praised you for the way you and your company overcame the economic crisis. What characterized the fiscal year that just came to a close?**

*Dieter Manz:* During the crisis, we laid the foundation for our growth in 2010. We cut costs and, at the same time, strengthened our research and development activities in order to prepare us for the recovery in the best possible way. And that is exactly what we accomplished! We acquired new orders in all of our divisions. Our Flat Panel Display division particularly benefited from the upturn. At the same time, demand in our Solar division also increased. In this context, newly developed products played a key role. With equipment like our new SpeedPicker or our OneStep Selective Emitter technology, we are setting new standards in the market. In addition, we broke new ground with our strategic partners Würth Solar and the ZSW in the thin-film segment with our CIGSfab, and this will allow our company's operations and financial results to move ahead into new dimensions.

**What is the current status of the CIGSfab? When will you sell the first system?**

*Dieter Manz:* Many different talks are currently in progress, primarily with larger corporate groups. We need to respect the customer's needs when making decisions in this area, however. We are talking about investments in the three-digit millions here, which customers will only make after a careful analysis. In any case, there is interest in this product – after all, we are currently the only equipment supplier in the world capable of offering a turnkey, integrated production line for CIGS thin-film solar modules which can already be operated profitably today. Our CIGSfab is truly a technological quantum leap, both for our company as well as for our customers. That is because we offer our customers the highest aperture efficiency in the world, which currently stands at 12.8 %. And as a result of our partnership with Würth and the ZSW, our future customers will receive a credible technology and cost roadmap, including the maximum security for their investment.

*„Identifying and utilizing cost-cutting potential is one of the photovoltaic industry's key challenges. And this is exactly where our products come into the equation."* **DIETER MANZ, CEO**

**The global solar industry is still under significant pressure to cut production costs. How do you assess further developments in this regard, and why should customers buy equipment from Manz?**

*Dieter Manz:* We expect the markets to continue to grow, particularly in the Asian region, in countries like China and India, but also in the United States. In contrast, in areas which have driven growth up until now – above all, Germany – future development is largely dependent on the regulatory environment. In this context, I can mention Germany's Renewable Energies Act, which has now been defined more specifically and sets forth further reductions in feed-in tariffs based on the amount of newly installed solar output. From our perspective, we believe that this will cause companies to increasingly strive to further cut production costs. To do so, solar manufacturers need to identify areas which have the potential for cost reductions, and then achieve an affordable and efficient cell and module production process through the systematic use of innovative products. And this is exactly where our products come into the equation: our OneStep Selective Emitter technology, for example, increases efficiency by 0.5 %, and does so with low investment and operating costs. This increases the efficiency of the manufactured solar cells and makes the manufacturer more profitable.

**"Energy security" is a political buzzword in many countries around the world. Do you see an opportunity for solar power to play a significant role here?**

*Dieter Manz:* Anyone who has been following the worldwide growth of photovoltaics knows that, up until now, less than 0.1 % of the world's electricity has been generated by solar power systems. Yet there are many regions in which solar power could play a significant role in eliminating supply problems. India and China are both perfect examples. Solar parks in these countries could help reduce energy bottlenecks. As a leading technology supplier, Manz Automation could make a significant contribution. We have achieved tremendous increases in efficiency with our newly developed products, which will soon make the use of photovoltaics at competitive prices possible, particularly as part of a distributed electricity supply system.

**Earlier you mentioned that the FPD division has seen extremely positive growth. Could you give us some more details?**

*Dieter Manz:* There is currently significant demand in the FPD segment for equipment to manufacture touch-screen displays, which is why our customers are expanding their production capacities on a massive scale and are investing in the construction of new equipment. This boom has primarily been caused by mobile devices with touch-screen displays, such as the Apple iPad® and similar devices, which have seen significant demand from consumers. Current figures show just how high demand is in the FPD division: in December 2010 alone, we received a number of orders with a total volume of around 40 million euros. In 2010, furthermore, we generated record revenues of almost 60 million euros in this division. But while we may have set a record in 2010, we're fairly sure that was only just the beginning, since we anticipate continued growth in this segment in the current fiscal year as well as further records in terms of revenues and income.

## INTERVIEW WITH MARTIN HIPP

**Mr. Hipp, as CFO you are the "Lord of the Numbers" at Manz Automation. Why do you think the stock price didn't keep in step with the company's positive growth in 2010?**

*Martin Hipp:* We believe the most important thing is that we have a clear strategy for strengthening our operations over the long term. In the 2010 fiscal year, we recorded positive growth and left the effects of the economic crisis behind us. Obviously, we would be pleased to see the market reward us more for this positive development, but it's something we don't have much control over. We believe our current stock price reflects many negative expectations for the solar industry, in general, which don't actually affect us per se. Ultimately, Manz Automation is a supplier of high-tech equipment for a variety of industries, including the solar industry, and here we are helping manufacturers to cut production costs. To put it simply: we aren't a part of the problems in the PV industry, but instead offer a fitting solution with our systems.

*„One thing is definitely clear for 2011: we want to both keep growing and improve our profitability over the long term. And since the number of orders we have on hand has almost reached its record level from 2008, we have all the reason in the world to look toward the future optimistically."* **MARTIN HIPP, CFO**

**You have released revenue guidance for the 2011 fiscal year of 240 to 250 million euros. In 2010, your guidance was between 170 and 175 million euros. Aren't your goals for 2011 fairly ambitious?**

*Martin Hipp:* No, we can definitely achieve these goals. You see, overall our order situation has improved significantly compared to last year. This is already reflected in numerous new orders we now have in the books, which is why the cumulative value of our orders is nearing the same level as in 2008, which was a record year for Manz. Our production capacities in the FPD division are already fully utilized and will remain that way into the second half of 2011 thanks to our strong order situation. We are also currently holding in-depth talks in all our divisions with existing and potential customers, all of whom have shown significant interest in our system solutions. If the thin-film segment, particularly the sale of our CIGSfab, develops in line with our beliefs, we will even have the opportunity to exceed this target. Thanks to comprehensive new product launches in our Solar division, we have also been able to further expand our position as a technological leader in the photovoltaic industry. Due to the overall extremely positive feedback we have received from customers, we are confident that our Solar division will make significant contributions to total revenues and earnings in 2011.

**That all sounds very promising. And what level of growth can the capital markets expect when it comes to margins?**

*Martin Hipp:* Based on the assumption that the expected growth scenarios will continue in our target markets, we anticipate growing margins at Manz. Generally speaking, we want to pick up again on the margins we achieved in the past. By optimizing our cost structure, we expect an EBIT margin of at least 5 %. The current situation in the market supports our expectation that we will also reach this goal. One thing is definitely clear for 2011: we want to once again grow significantly and also make lasting improvements to our profitability.

## INTERVIEW WITH VOLKER RENZ

**Mr. Renz, China is a region with enormous growth potential. Now you are expanding your production capacities in Suzhou. What are your expectations for this project?**

*Volker Renz:* China is an extremely important and particularly promising market for all of our divisions. In the Solar and FPD segments, the percentage of our equipment in use in China already far exceeds 50 %, and in the PCB segment that number is even around 80 %. Being physically close to our customers is a real competitive advantage for us. That's why we decided to expand production capacities at our Suzhou facility, where we have had a presence for seven years now; over that time, our staff there has grown to a total of about 360 employees. We have already gained valuable experience here in the past in both PCB and FPD production, so it isn't like we're venturing out into uncharted waters. Projects of this size are always a challenge, however, and require a significant amount of planning beforehand.

**What do you mean by challenge?**

*Volker Renz:* Well, it starts with the planning and coordination. General contractors need to be selected, we need to issue a call for bids, and afterwards we need to monitor and coordinate the actual construction work. But it's worth it! In the first step, we are expanding our production capacities in Suzhou to 16,000 sq m. And we plan to already start using the new production hall by early next year. In the beginning, we will primarily produce system solutions from our FPD and cSi segments, but, over the long term, we plan to manufacture equipment from all of our divisions at the new production facility.

**Revenues and order volume both increased by leaps and bounds in the reporting period, coming close to their record levels in 2008. The earnings situation still has some room for improvement, however. How did you change your operations to improve Manz Automation's cost structure?**

*Volker Renz:* We cut costs by further simplifying and standardizing our production processes. This leads to quality adjustments and reduces lead time. For example, we standardized our base components and centralized their manufacture in Slovakia. In light of the fact that we successfully developed and launched many new and technologically sophisticated products in 2010, I think it speaks to the outstanding performance of our employees that we simultaneously succeeded in becoming more efficient. Take, for ex-

*„We haven't even come close to our limits, and instead want to participate in the future growth of our target markets. By expanding our production capacities in China, we can benefit from the dynamic growth in Asia more now than ever before."* **VOLKER RENZ, COO**

ample, our SpeedPicker technology, where we made adjustments to both the design and supply chain and, as a result, increased both efficiency and flexibility – while cutting costs at the same time.

**The degree of capacity utilization increased significantly across all divisions in 2010. In addition, Manz expanded its range with a variety of newly developed products. Where do you see the limits when it comes to future growth?**

*Volker Renz:* We haven't even come close to our limits, but instead want to participate in the growth of our target markets in the future. That's why we launched the "Fit-for-Growth" program in the 2010 fiscal year, and conducted an in-depth analysis of all our internal processes. Our goal is to achieve a significant increase in our production processes by standardizing our product components and workflows across the entire Group. In doing so, we will create the structural conditions at the process level necessary for further growth.

# LETTER FROM THE SUPERVISORY BOARD

Dear Shareholders,

The Supervisory Board regularly monitored and advised the Managing Board during the reporting year. We carried out our duties as set forth by law, the company's Articles of Incorporation, and our by-laws with the utmost of care in the 2010 fiscal year. The Supervisory Board was directly involved in all decisions of fundamental importance to the company and the Group.

The Managing Board and Supervisory Board remained in close contact throughout the entire period, holding many intense discussions. 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 to the Supervisory Board, both in written and verbal form. 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, the Managing Board regularly provided us with information about risks, risk management, and all important matters related to the company.

All transactions and measures that required Supervisory Board approval were discussed in-depth with the Managing Board on the basis of the aforementioned reports. Resolutions suggested by the Managing Board were approved by the Supervisory Board after an exhaustive analysis.

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 as well as all transactions of significant importance to the company.

## Focus of Supervisory Board Meetings

In 2010, the Supervisory Board came together in five regularly scheduled meetings and one extraordinary meeting. With the exception of the meeting on September 13, 2010, which one member of the Supervisory Board was excused from, every member of the Managing Board and every member of the Supervisory Board took part in these meetings. At these meetings, we spoke about the reports from the Managing Board at length, and discussed the company's performance as well as strategic questions with them. Furthermore, our regularly scheduled meetings always included discussions about the respective current situation in the following areas: earnings growth, the balance sheet and liquidity, performance of subsidiaries, projects, capital markets, employees, and orders on hand.

The focus of our meeting on March 24, 2010, was the analysis of the 2009 consolidated annual financial statements, including the management report and the Group management report as well as the plans for the 2010 fiscal year. Additional important topics discussed in this meeting included the statement of compliance with the German Corporate Governance Code, the suggested resolutions for the 2010 Annual General Meeting, the election of Professor Aurenz to the position of Chairman of the Supervisory Board, and the election of Dr. Quass to the position of Deputy Chairman of the Supervisory Board.

In our meeting on May 12, 2010, we particularly focused on the planned partnership between Manz Automation AG and Würth Solar GmbH & Co. KG for the purchase of their CIGSfab technology. In addition, the Managing Board reported on the Group's financial and business situation after completing the first quarter of the 2010 fiscal year.

The extraordinary meeting on June 28, 2010, was held for the purpose of electing Mr. Peter Leibinger to the position of Deputy Chairman of the Supervisory Board. In addition, we also discussed how to proceed in the planned partnership with Würth Solar GmbH & Co. KG.

The focus of our meeting on September 13, 2010, was the report from the Managing Board regarding the company's financial and business situation after completing the second quarter of 2010, as well as the expansion of production capacities in China and the purchase of a property in Slovakia. We also spoke about issues related to executive compensation and the planned "name change" of Manz Automation AG.

In our meeting on November 3, 2010, the Managing Board reported on the Group's financial and business situation after completing the third quarter of the 2010. Furthermore, the Supervisory Board also discussed the Manz Group's long-term financing plans for the years 2011 to 2015, the current status of sales of CIGSfab technology, the progress of the investment project in China, as well as the system of executive compensation.

In our meeting on December 15, 2010, the Managing Board reported on the company's risk management system, and the Supervisory Board satisfied itself of the system's capabilities. Furthermore, the meeting also focused on the forecast for the 2010 fiscal year as well as the outlook and revenue planning for the 2011 to 2015 fiscal years. In addition, the Supervisory Board reviewed the system of executive compensation, including as a result of changes to applicable legal provisions and the recommendations set forth in the German Corporate Governance Code, and discussed further changes to the compensation system.

## Conflicts of Interest

From March 17 to June 22, 2010, Dr. Guido Quass served as member of our company's Supervisory Board. Dr. Quass is an attorney and partner at a law firm which provides legal consulting services to our company. Insofar as such consulting services were provided during his term, the Supervisory Board approved the consulting jobs in each individual case – with Dr. Quass abstaining from the vote, if necessary. Apart from that, no specific conflicts of interest resulted from this business relationship.

Mr. 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. Apart from that, no specific conflicts of interest resulted from this business relationship.

Otherwise, there were no conflicts of interest which 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 2010 fiscal year, the Managing Board and Supervisory Board focused on the further development of the company's corporate governance and discussed the new recommendations set forth in Germany's Corporate Governance Code, particularly those in its current version. The Managing Board and Supervisory Board submitted a joint compliance statement pursuant to Article 161 of the German Stock Corporation Act in March 2010 and March 2011, and have published it permanently on Manz Automation AG's Web site. In addition, we used a questionnaire to conduct a self-evaluation of our efficiency and 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 2010

The annual financial statements and consolidated financial statements prepared by the Managing Board for the 2010 fiscal year dated December 31, 2010, were audited by the company's and Group's auditing firm, alltax GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, and both statements were certified with an unqualified auditor's opinion. The auditing firm conducted its audit in accordance with the German principles of proper auditing as set forth by 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, 2010, as well as the Management Report for both Manz Automation AG and the consolidated Group for fiscal year 2010, and included the report submitted to its members by the auditing firm in this review.

At the Supervisory Board meeting on March 17, 2011, the Managing Board provided detailed information about the annual financial statements for Manz Automation AG and the entire Group. In this meeting, the auditing firm also reported 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 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, 2010, have been approved by the Supervisory Board with a resolution dated March 17, 2011. As a result, Manz Automation AG's annual financial statements dated December 31, 2010, have been officially adopted.

## Changes to Supervisory Board Membership

Long-term Chairman of the Supervisory Board Dr. Jan Wittig passed away unexpectedly on March 6, 2010. We will always honor Dr. Wittig's memory.

Due to the unexpected passing away of Dr. Wittig, the Stuttgart Municipal Court appointed Dr. Guido Quass to a position as member of the Supervisory Board on March 17, 2010. At the Annual General Meeting held on June 22, 2010, Mr. Peter Leibinger was appointed to the position of Deputy Chairman of the Supervisory Board. As a result, Dr.

*"The year 2010 was characterized by the global economic recovery which all of Manz Automation AG's divisions were able to benefit from – despite the lingering effects of the economic and financial crisis."* **PROFESSOR HEIKO AURENZ**

Quass was released from his position on the Supervisory Board. We would like to thank him for his valuable contributions to the board's work.

## 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 our employees, in particular, who all once again played a crucial role in Manz Automation's success in the previous fiscal year. And, last but not least, we would like to thank you, dear shareholders, for the confidence you have shown us and your willingness to shape the future of Manz Automation AG together.

Reutlingen, March 17, 2011

Professor Heiko Aurenz, PhD
Chairman of the Supervisory Board

# MANZ AUTOMATION AG STOCK

## OVERVIEW

Manz Automation AG's stock has been listed on the Frankfurt Stock Exchange's regulated market (Prime Standard segment) since July of 2008. The stock markets in Germany showed inconsistent performance during the last fiscal year. While the DAX and the MDAX were characterized by positive trends, the TecDAX was not able to continue its solid performance from the previous year, despite the generally positive trends in the overall economic situation. The environment in the capital markets was difficult for technology stocks in general. Unfortunately, Manz Automation's stock could not escape this environment. After reaching its annual high of 70.01 euros on January 5, 2010, the stock price was characterized by a declining trend over the remaining year. On June 8, 2010, our stock price fell to its annual low of 42.35 euros. Despite recording significant declines during the past fiscal year, however, Manz's stock outperformed the Prime IG Renewable Energies (ISIN DE0007237810) sector index in 2010, developing better than the industry average. The stock's closing price at the end of the year was 50.35 euros (on December 30, 2010), which corresponds to a market capitalization of close to 225 million euros.

*Manz Automation's stock cannot escape the downward trends in the market*

### CHART SHOWING MANZ AUTOMATION AG SHARES 2010 (XETRA, in EUR)


Manz Automation AG (XETRA)
TecDAX price
Prime IG Renewable Energies Index

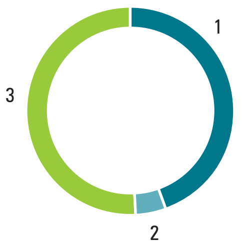
## KEY DATA

| | |
|---|---|
| **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*** | 68.81 EUR |
| **Stock Price at the End of the Fiscal Year*** | 50.35 EUR |
| **Change (in percent)** | **–26.83 %** |
| **Annual High*** | 70.01 EUR |
| **Annual Low*** | 42.35 EUR |

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

## SHAREHOLDER STRUCTURE




| | | |
|---|---|---|
| 1 | **44.49 %** | Dieter Manz |
| 2 | **4.70 %** | Ulrike Manz |
| 3 | **50.81 %** | Free Float |

### Shareholder Structure

Currently at 50.81 %, Manz Automation has a large number of shares in free float and has a wide shareholder base. On the reporting date of December 31, 2010, the founder and chairman of the Managing Board, Mr. Dieter Manz, held 44.49 % of Manz's shares. In addition, Ulrike Manz holds a 4.70 % share of the company.

## INVESTOR RELATIONS

One of the results of a significantly improved macroeconomic environment is a more reliable level of predictability which, in turn, results in an increased need for open and understandable corporate communications. This is why Manz continued to attach significant importance to engaging analysts, investors, and financial journalists in active dialog during the 2010 fiscal year. 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 Automation 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.

*Wide range of IR activities underscores the importance of open communication to Manz*

In addition to the legal requirements, Manz Automation carried out the following IR activities, among others:
- Participated in 17 capital market conferences
- 13 road shows in Germany and abroad
- Held an investor's day on April 29, 2010, in Reutlingen, Germany, on July 20, 2010, in Schwäbisch Hall, Germany, and on September 7, 2010, in Valencia, Spain
- Regularly holding conference calls with a webcast when publishing reports

Manz Automation AG is currently being covered by a total of twelve analysts, including institutes such as:
- Goldman Sachs
- LBBW
- Credit Suisse
- Berenberg Bank
- Jeffries
- HSBC
- Barclays Capital
- Bankhaus Lampe
- WestLB
- Deutsche Bank
- Commerzbank
- Macquarie Securities Group

# ANNUAL GENERAL MEETING

Manz Automation's 2010 Annual General Meeting was held on June 22, 2010, at the FILharmonie in Filderstadt, Germany. A total of 290 shareholders were present and listened to the report by the Managing Board regarding the company's performance in 2009 as well as the forecast for the current fiscal year.

At the Annual General Meeting, almost all of the represented shareholders voted in approval of the items on the meeting's agenda. A total of 63.13 % of capital stock with voting rights was represented. Last year, this figure stood at 64.54 %.

## OVERVIEW OF VOTING RESULTS

Total Capital Stock: 4,480,054 Total present: 2,828,245 63.13 %

| TOP | | Voting Item | Ab-staining | Valid | in % of Capital Stock | No Votes | No-% | Yes Votes | Yes-% | Result |
|---|---|---|---|---|---|---|---|---|---|---|
| 2 | 2 | Use of net profit | 1,890 | 2,826,355 | 63.088 % | 2,955 | 0.105 % | **2,823,400** | **99.895 %** | adopted |
| 3 | 3 | Approval of the Managing Board | 9,031 | 751,012 | 16.763 % | 973 | 0.130 % | **750,039** | **99.870 %** | adopted |
| 4 | 4 | Approval of the Super-visory Board | 9,099 | 2,819,146 | 62.927 % | 1,173 | 0.042 % | **2,817,973** | **99.958 %** | adopted |
| 5 | 5 | Selection of the Auditor | 1,798 | 2,826,447 | 63.090 % | 25,366 | 0.897 % | **2,801,081** | **99.103 %** | adopted |
| 6 | 6 | Selection of the Super-visory Board | 3,026 | 2,825,219 | 63.062 % | 1,288 | 0.046 % | **2,823,931** | **99.954 %** | adopted |
| 7 | 7 | Change to the Art. of Inc. | 2,818 | 2,825,427 | 63.067 % | 1,086 | 0.038 % | **2,824,341** | **99.962 %** | adopted |
| 8 | 8 | Purchase of own shares | 23,818 | 2,804,427 | 62.598 % | 6,646 | 0.237 % | **2,797,781** | **99.763 %** | adopted |

### 2011 FINANCIAL CALENDAR

| | |
|---|---|
| **May 12, 2011** | Quarterly Report through Q1/2011 |
| **June 28, 2011** | 2011 Annual Meeting of Shareholders |
| **August 11, 2011** | 2011 Semi-Annual Report |
| **November 15, 2011** | Quarterly Report through Q3/2011 |
| **November 21–23, 2011** | 2011 German Equity Forum |

## DIRECTORS' DEALINGS

### DIRECTORS' DEALINGS

| Date of the Transaction | Jul. 7, 2010 | Nov. 17, 2010 |
|---|---|---|
| **Name** | Volker Renz | Prof. Dr. Heiko Aurenz |
| **Position/Status** | Member of Executive Board | Member of Supervisory Board |
| **Type/Location** | Purchased through XETRA | Stuttgart |
| **Financial Instrument/ISIN** | Manz stock DE000A0JQ5U3 | Manz stock DE000A0JQ5U3 |
| **Number** | 100 | 500 |
| **Price in EUR** | 49.50 | 45.00 |
| **Total Value in EUR** | 4,950.00 | 22,500.00 |
| **Comments** | regular purchase of Manz stock | regular purchase of Manz stock |

# CORPORATE GOVERNANCE REPORT

The Managing Board and Supervisory Board of Manz Automation 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 which 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 Automation AG pursuant to Section 3.10 of the Code.

## 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.

### Compliance Statement

Based on the versions of the German Corporate Governance Code from June 18, 2009, and May 26, 2010, the Managing Board and Supervisory Board submitted the following March 2011 compliance statement on March 17, 2011, pursuant to Article 161 of the German Stock Corporation Act. As such, they pick up on the previous March 2010 compliance statement from March 24, 2010, which was submitted based on the versions of the Code from June 6, 2008, and June 18, 2009.

March 2011 Compliance Statement
from the Managing Board and the Supervisory Board of Manz Automation AG
regarding the recommendations by the "German Corporate Governance Code Committee" pursuant to Article 161 of the German Stock Corporation Act

Pursuant to Article 161 of the German Stock Corporation Act, the Managing Board and the Supervisory Board of Manz Automation AG hereby declare that since submission of the last compliance statement on March 24, 2010, Manz Automation 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 June 18, 2009, with the following exceptions, and that Manz Automation AG will, in the future, comply with all of the recommendations in the Code in its amended form dated May 26, 2010:

Our company did not comply with the recommendation set forth in Section 4.2.3, Paragraphs 4 and 5 of the Code, which stipulates that when entering into employment contracts with members of the Managing Board, care should be taken to ensure that payments made to such a member resulting from early termination of executive duties without cause do not exceed the value of two years’ compensation (severance payment cap), and compensate no more than the remaining term of the contract. In this context, the Code recommends that any compensation promised in the event of premature termination of management duties as a result of a change of control should not exceed 150 % of the severance payment cap.

The aforementioned deviation from the recommendation resulted from the fact that the Supervisory Board did not feel it was appropriate to limit compensation to a severance payment which falls below the contractually stipulated employment period as a means of obligating members of the Managing Board to stay with the company for the full contract term. Furthermore, up until now, the Supervisory Board has held the belief that a severance package of at least one years’ pay in the event of a change of control meets the security of needs of the Managing Board members and is in our company’s best interest. In the meantime, we have changed the employment agreements entered into with members of the Managing Board to comply with the aforementioned recommendations in the Code.

Reutlingen, March 17, 2011
Manz Automation AG

For the Managing Board:

Dieter Manz
Chairman of the Managing Board (CEO)

For the Supervisory Board:

Prof. Heiko Aurenz, PhD
Chairman of the Supervisory Board

Manz Automation AG has implemented all of the recommendations in the Code for the future. The only area of non-compliance pertains to the previous reporting period and picks up on the forward-looking deviation from the recommendations in Section 4.2.3, Paragraph 4 and 5 of the Code which was included in the March 2010 Compliance Statement. The Managing Board and Supervisory Board have now implemented these recommendations as well, however, making changes to the employment contracts of all members of the Managing Board on March 17, 2011, and, in particular, stipulating a "severance cap." In addition, all future employment agreements with members of the Managing Board will comply with these recommendations.

## New Recommendations in the Code

In light of the changes to the Code carried out in 2010, the Managing Board and Supervisory Board once again gave a great deal of attention to the Code's new recommendations.

### 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 aims 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 a global company, the Manz Group has a large number of foreign employees and managers, particularly in Asia. Employees and managers from 27 different countries work in our Group's various subsidiaries, and employees from 24 different countries work at Manz Automation 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 2010 fiscal year, women accounted for 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 arrangements possible. Furthermore, our company has two day-care facilities where trained early childhood educators take care of employees' children who 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, as well as diversity into account, and, in particular, set forth an appropriate 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 that together have the special skills and experience required from different fields which are of relevance to our 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 in which the Manz Group is active
- 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.

The current term of the Supervisory Board members ends upon completion of the 2011 Annual General Meeting on June 28, 2011, which means that a new election must be held at this time. The recommendations offered by the Supervisory Board at the Annual General Meeting regarding the selection of three Supervisory Board members will factor 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, Professor Heiko Aurenz and Mr. Peter Leibinger intend to nominate themselves for a complete term once again. In light of the age limit, Professor Rolf D. Schraft will not nominate himself for an additional term. As a result, the Supervisory Board will suggest a new female or male candidate for the final seat on our company's Supervisory Board at the Annual General Meeting.

Professor Heiko Aurenz and Mr. Peter Leibinger completely fulfill the aforementioned requirements thanks to their professional experience and technical knowledge as well as personality traits. Particularly Professor Aurenz – as a result of his knowledge and experience stemming from his occupation as an auditor and corporate consultant, as well as his teaching activity in the field of accounting and group accounting – should be 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. Furthermore, Mr. 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.

During the process of selecting a new member of the Supervisory Board, those involved make a concerted effort to fill the seat vacated by Professor Schraft with a woman who fulfills the aforementioned requirements.

### Advanced Training for Supervisory Board Members

Finally, the updated version of Section 5.4.1, Paragraph 4, Clause 2 of the Code emphasizes that Supervisory Board members are obligated to participate in the advancing training and further education measures necessary to complete their duties. In this context, the company is responsible for providing them with an adequate level of support. At Manz Automation AG, this recommendation is implemented by introducing Supervisory Board members to various areas of the company, which also includes tours of our plants. Furthermore, we promote the further education of Supervisory Board members by providing them with informative documents about our company's operations as well as those covering specific technical topics. Finally, our company also evaluates the quality of external advanced training seminars and makes appropriate recommendations to Supervisory Board members.

## AVOIDING CONFLICTS OF INTEREST

From March 17 to June 22, 2010, Dr. Guido Quass served as member of our company's Supervisory Board. Dr. Quass is an attorney and partner at the Menold Bezler law firm, which provides legal consulting services to our company. Insofar as such consulting services were provided during his term, the Menold Bezler law firm received a total of 34,000 euros from our company for the services provided. The Supervisory Board approved the consulting jobs in each individual case – with the affected Supervisory Board member abstaining from the vote, if necessary. Apart from that, no specific conflicts of interest resulted from this business relationship.

Mr. Peter Leibinger has been a member of our Supervisory Board since June 22, 2010. He is also deputy chairman of the Managing Board of TRUMPF GmbH + Co. KG, whose subsidiaries supply laser systems to our company. Companies in the TRUMPF Group received a total of 1,624,000 euros from our company during the 2010 fiscal year for their products and services. No specific conflicts of interest resulted from this business relationship.

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

## MANZ STOCK HELD BY MEMBERS OF THE MANAGING AND SUPERVISORY BOARDS

CEO Dieter Manz held 1,993,248 shares of Manz stock on February 28, 2011. This corresponds to 44.49 % of Manz Automation AG's capital stock. Mr. Dieter Manz's wife held 210,709 shares of Manz stock on the same date, which corresponds to 4.70 % of capital stock. The other members of the Managing Board held a total of 919 shares of Manz stock on the same date, which corresponds to 0.02 % of our company's capital stock.

The current members of the Supervisory Board held a total of 2,598 shares of Manz stock on February 28, 2011, which corresponds to 0.06 % of Manz Automation AG's capital stock.

## COMPENSATION REPORT

This Compensation Report summarizes the principles applied in determining the total compensation paid to members of Manz Automation 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 comprises 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 consists of a fixed monthly salary, fringe benefits, and contributions to a company retirement plan.

The fixed salary is paid in 12 equal monthly installments. These fixed payments function as a basic 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 Directors & Officers insurance for each member of the Managing Board.

Our company has entered into an executive retirement agreement with the CEO Dieter Manz, which 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. Our company has agreed to provide members of the Managing Board Martin Hipp and Volker Renz with employer-based retirement plans after being employed by the company for two years, at which time our company has agreed to make annual contributions to a pension fund.

## Variable Elements of Compensation

### General

Variable compensation comprises 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 multi-year 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. Calculated using the middle target values of the variable elements, the ratio of fixed to variable elements of compensation paid is 44 % fixed to 56 % variable.

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 (calculated using accepted mathematical finance methods) outweighs the annual cash bonus. Calculated using the middle target values of the variable elements, the ratio of short-term to long-term variable compensation paid is 43 % short-term to 57 % long-term.

### 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 be 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. Furthermore, calculation of the cash bonus is dependent on the Managing Board member's fixed compensation (fixed annual salary) for the given fiscal year.

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 annual salary. 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 annual salary; at an EBT return of 10 %, the cash bonus would equal 60 % of their fixed annual salary; and at an EBT return of 14 %, the fixed bonus would equal 100 % of each Managing Board member's fixed annual salary. The upper limit is set at an EBT return of 20.0 %, in which case each member of the Managing Board would receive a cash bonus valued at 160 % of their fixed annual salary.

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 their fixed annual salary.

### 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 Automation 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 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 is almost completely used up as a result.

The Supervisory Board intends to suggest a resolution at the Annual General Meeting in 2011, which would create a Manz Performance Share Plan 2011 as well as new conditional capital, and use this to grant annual stock options to the members of the Managing Board of Manz Automation AG in the future.

The vesting period for exercising the stock options granted as a result of the Manz Performance Share Plan 2011 should be 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 consists of the average EBIT margin (ratio of earnings before interest and taxes to revenue) disclosed in the Manz Group's audited and approved consolidated financial reports pursuant to IFRS for the fiscal year in which the vesting period ends, as well as for the three previous fiscal years. The stock options can only be exercised if the company achieves an average 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 1.0 when achieving an average EBIT margin of 10 % (standard target), up to a factor of 2.0 upon achieving an average 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 multi-year basis by determining the success factor using the EBIT margin from the consolidated financial reports of the four previous fiscal years on the date of issue. This should motivate the Managing Board members 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 which 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 2008, 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.

In their planning conditions applicable in the event of extraordinary developments, the Supervisory Board will include the ability to limit members of the Managing Board from exercising granted stock options. 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 causing 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 consists of the member's fixed annual salary as well as the middle target value of the annual cash bonus equal to 60 % of fixed 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).

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

The Managing Board members' employment agreements set forth that in the event that 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 year's 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 agreements with members of the Managing Board Martin Hipp and Volker Renz set forth that, in the event of a change of control, both Managing Board members are authorized to terminate their 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 that a member of the Managing Board resigns, 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 2010

The members of the Managing Board received total compensation of 944,000 euros in the 2010 fiscal year (previous year: 1,031,000 euros).

The following table provides an overview of the compensation paid to each member of the Managing Board for performing their duties in the 2010 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 | 276 (269) | 15 (15) | 18 (0) | 133 (159) | **442** (443) |
| Martin Hipp, CFO | 156 (152) | 18 (18) | 11 (0) | 67 (80) | **252** (250) |
| Volker Renz, COO | 156 (152) | 16 (11) | 11 (0) | 67 (80) | **250** (243) |
| Otto Angerhofer** | 0 (89) | 0 (6) | 0 (0) | 0 (0) | **0** (95) |
| **Total** | **588** (662) | **49** (50) | **40** (0) | **267** (319) | **944** (1.031) |

* Particularly fringe benefits and contributions to a employer-based retirement plan (pension fund)
** Until July 31, 2009

Options to shares of Manz Automation AG stock issued on the basis of the Manz Performance Share Plan 2008 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 of an EBIT margin of 12 % had 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).

## System of Compensating the Managing Board in Fiscal Year 2010

The compensation paid to members of the Managing Board in the fiscal years 2009 and 2010 comprised fixed and variable components. When calculating the value of each element of compensation, our company differentiated between the CEO and the other members of the Managing Board.

### Fixed Elements of Compensation

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

The fixed salary was paid in 12 equal monthly installments.

An appropriate take-home vehicle was provided to Managing Board members as a fringe benefit, which they could 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 covered 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, which 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. Our company made contributions to a retirement plan in the form of a pension fund for the members of the Managing Board Martin Hipp and Volker Renz.

### Variable Elements of Compensation

Variable compensation comprised 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 multi-year basis and provided in the form of annual stock options as set forth in the Manz Performance Share Plan 2008 (long-term variable compensation).

The annual cash bonus was granted subject to the Manz Group's consolidated earnings before taxes for the respective fiscal year. The cash bonus granted to CEO Dieter Manz was equal to 2.5% of the Group's consolidated earnings before taxes (EBT), yet was equal to no more than 25 % of his total annual compensation after calculating the cash bonus. The cash bonus granted to members of the Managing Board Martin Hipp and Volker Renz was equal to 1.5 % of the Group's consolidated earnings before taxes (EBT), yet was equal to no more than 20 % of their total annual compensation after calculating the cash bonus, plus a variable amount of maximum 5 % (granted at the sole discretion of the Supervisory Board).

For the long-term variable component of compensation, in the 2010 fiscal year 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 consisted 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 which 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 fifth 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.

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

## OPTIONS TO SHARES

| (Number) | | | | | (in EUR tsd.) |
|---|---|---|---|---|---|
| | **Issue Tranche 2008 (not exercisable)** | **Issue Tranche 2009 (may be exercisable beginning in 2012)** | **Issue Tranche 2010 (may be exercisable beginning in 2013)** | **Total** | **Fair value of the exercisable stock options (if applicable)*** |
| Dieter Manz | 546 | 1,660 | 1,367 | **3,573** | 292 |
| Martin Hipp | 273 | 830 | 686 | **1,789** | 147 |
| Volker Renz | 273 | 830 | 686 | **1,789** | 147 |
| **Total** | **1,092** | **3,320** | **2,739** | **7,151** | **586** |

* Only the 2009 and 2010 tranches

Since the minimum target was not achieved in fiscal year 2010 (EBIT margin of 9 %), the stock options granted in fiscal year 2008 to the members of the Managing Board cannot be exercised and have been declared null and void (and without replacement).

Provisions in the Event of a Change of Control

The employment agreements entered into with members of the Managing Board Martin Hipp and Volker Renz set forth in the version effective February 2010 that, in the event of a change of control (purchase of shares by a shareholder comprising at least 25 % of the company's capital stock), said members of the Managing Board are authorized to resign from their executive positions within six months after the change of control has become effective. Said resignation becomes effective after a period of six months, at which time the member resigning will no longer be in the employ of our company. If one of the aforementioned members of the Managing Board had resigned in accordance with the aforementioned stipulation, they would have been granted a severance package equal to the compensation they would have received had they continued in their position until the contractually stipulated end of the agreement, but equal to no less than one year's salary.

## 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 Automation 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 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. The key characteristics of the Manz Performance Share Plan 2008 can be found above in the section "Managing Board Compensation in Fiscal Year 2010 – System of Compensating the Managing Board in Fiscal Year 2010 – Variable Elements of Compensation."

The Supervisory and Managing Boards intend to suggest a resolution at the Annual General Meeting in 2011 which would create a new Manz Performance Share Plan 2011 as well as new conditional capital, which would be used to grant annual stock options to select executives and members of management 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

Compensation paid to the Supervisory Board is governed by our company's Articles of Incorporation. In addition to reimbursing expenses, it stipulates that each member of the Supervisory Board is to receive fixed compensation of 8,000.00 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 8,000.00 euros. 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. Furthermore, our company also covers the cost of D&O insurance for each member of the Supervisory Board, payable to the respective member.

On the basis of the consolidated financial statements from December 31, 2010, the members of the Supervisory Board will receive compensation valued at a total of 39,000 euros (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 2010 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 |
|---|---|---|---|
| Dr. Jan Wittig,<br>Chairman (until March 6, 2010) | 4<br>(16) | 0<br>(0) | **4**<br>(16) |
| Prof. Dr. Heiko Aurenz,<br>Chairman | 15<br>(12) | 1<br>(0) | **16**<br>(12) |
| Prof. Dr.-Ing. Dr. h.c. mult.<br>Rolf D. Schraft | 8<br>(8) | 1<br>(0) | **9**<br>(8) |
| Dr. Guido Quass,<br>Deputy Chairman<br>(March 17 until June 22, 2010) | 3 | 0 | **3** |
| Peter Leibinger,<br>Deputy Chairman<br>(since June 22, 2010) | 6 | 1 | **7** |
| **Total** | **36**<br>(36) | **3**<br>(0) | **39**<br>(36) |

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

As a result of legal reforms which have taken place during the past few years, the importance of the Supervisory Board and its duty to advise and monitor the Managing Board when carrying out its management duties has increased. The Supervisory Board's increased responsibility and the resulting amount of time required to carry out its duties should be taken into account when calculating Supervisory Board compensation. As a result, the Managing Board and the Supervisory Board intend to suggest that a resolution be passed at the 2011 Annual General Meeting of Shareholders to adjust the level of Supervisory Board compensation to match that of comparable companies, and will propose a corresponding resolution change to our company's Articles of Incorporation.


manz
Hareonsolar


**WE GO THE EXTRA MILE TO LEAVE OUR CUSTOMERS COMPLETELY SATISFIED. BECAUSE LONG-TERM PARTNERSHIPS ARE MORE IMPORTANT TO US THAN SHORT-TERM SUCCESS.**
**MANZ – PASSION FOR EFFICIENCY**

**BHUSHAN BAJAJ, SALES DIRECTOR, MANZ INDIA**

# GROUP MANAGEMENT REPORT

# BUSINESS REPORT

## COMPANY SITUATION

### Group Structure and Holdings

Reutlingen-based Manz Automation AG (hereinafter "Manz" or "Manz Automation") is one of the world's leading suppliers of integrated system solutions for the photovoltaics industry. Furthermore, Manz offers individual pieces of equipment within the solar segment in the fields of automation, quality assurance, and laser processing technology. When it comes to the FDP and printed circuit board industries, our company primarily offers technologies in the fields of automation and wet-chemical processing. In addition to intensive research and development activities and pooling know-how from across the concern, the Manz Group wants to assume an active role in the consolidation of the solar industry in order to secure and expand its position as technological market leader.

*Manz divisions reorganized*

In the 2010 fiscal year, Manz Automation's products and services were grouped into the "Solar," "FPD," "New Business," and "Other" divisions. In addition, as a result of the significant revenue growth seen in our third-party semiconductor business, we created a fifth reporting segment, "PCB/OEM," backdated to January 1, 2010. Before making this change, in the Group's prior structure, the "Other" division would have generated over 25 % of Manz Automation's total revenues. As such, the criteria for establishing an individual reporting segment and providing financial information are fulfilled as set forth in IFRS 8. With a 21.4 % share of total revenues, the criteria for an individual reporting segment are fulfilled as set forth in IFRS 8. If the "PCB/OEM" reporting segment's share of total revenues declines in the future, however, Manz Automation may once again not be required to report this segment pursuant to IFRS 8. The new segment now comprises Manz Slovakia's third-party business, which includes the manufacture of equipment used for the production of semiconductors, as well as Manz Taiwan's manufacture of equipment used for the production of printed circuit boards (PCBs).

In this context, the Reutlingen-based parent company Manz Automation AG is responsible for key Group-wide functions, primarily the technological advancement of the Group's product portfolio, marketing, sales, as well as the administrative management of the entire Group. In addition, the final assembly of systems is also carried out at the Reutlingen facility. The company's strength in the field of research and development is also particularly noteworthy. In the 2010 fiscal year, Manz Automation once again succeeded in setting milestones in the industry as a result of our technological developments. Centralizing product development at our headquarters in Reutlingen is an integral part of managing the Group's intellectual property. To allow our company to make significant investments in R&D in the future, we need to maintain temporary competitive advantages for as long as possible. In addition to concentrating our research and development capacities geographically, patents and industrial property rights serve to safeguard our innovations.

*Research and development set milestones for the company*

A total of 19 companies are included in Manz Automation AG's consolidated financial statements dated December 31, 2010, and are therefore fully consolidated. On the reporting date, Manz Automation AG, as the Group's parent company, held a 100 % interest in seven international subsidiaries, two domestic subsidiaries located in Reutlingen and Tuebingen, 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 on the British Virgin Islands, as well as a third-tier subsidiary in China. Two subsidiaries are based in Hungary, and one subsidiary each is located in the United States, Slovakia, Spain, Israel, and Hong Kong.

## MANZ AUTOMATION AG

- **Manz Automation Tuebingen GmbH**, Tuebingen/Germany – 100 %
- **Manz Coating GmbH**, Reutlingen/Germany – 100 %
- **Manz Automation Asia Ltd.**, Hongkong/China – 100 %
  - **Manz Chungli Ltd.**, Chungli/Taiwan – 100 %
  - **Manz Taiwan Ltd.**, Chungli/Taiwan – 97,12 %
    - **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 – 100 %
  - **Manz China Suzhou Ltd.**, Suzhou/China – 100 %
  - **Manz Automation Co. Ltd. (Shanghai)**, Shanghai/China – 100 %
  - **Manz Automation India Private Ltd.**, New Delhi/India – 75 %
  - **Manz China WuZhong Ltd.**, Suzhou/China – 100 %
- **Manz Hungary Kft.**, Debrecen/Ungarn – 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 Automation Spain S. L.**, Madrid/Spain – 100 %
- **Axystems Ltd.**, Petach-Tikva/Israel – 100 %

## INTERNATIONAL LOCATIONS AND PROFILES

**27** **NATIONS**

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


**111** **PERCENT GROWTH IN SALES**

Compared to the previous year, revenue increased to EUR 181.4 million with a positive EBIT.

**1.768** **EMPLOYEES**

Compared to 2009, the company increased its workforce by 391 people.

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

2 **Hungary**
Debrecen
Production & Service

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

4 **Spain**
Madrid
Sales & Service

5 **USA**
North Kingstown
Sales & Service

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

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

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

9 **India**
New Delhi, Bangladesh, Calcutta, Bangalore, Hyderabad
Sales & Service

10 **Israel**
Petach-Tikva
Development

## Products and Stages of the Value Chain

With over 20 years of experience in the fields of robotics, control technology, image processing, quality assurance systems, laser processing technology, and wet-chemical processes, Manz Automation is primarily active in the world's high-tech growth markets. In this context, many of the systems already hold a leading position in the global market today – with respect both to their technological standard and their performance and quality. Comprehensive measures to strengthen the company's global market position as well as systematically expanding the company internationally have led Manz to now have by far the most extensive worldwide network of internal sales, service, and manufacturing locations compared to the competition.

### Products in the Solar Division

*The future belongs to the sun: photovoltaics remain on the rise*

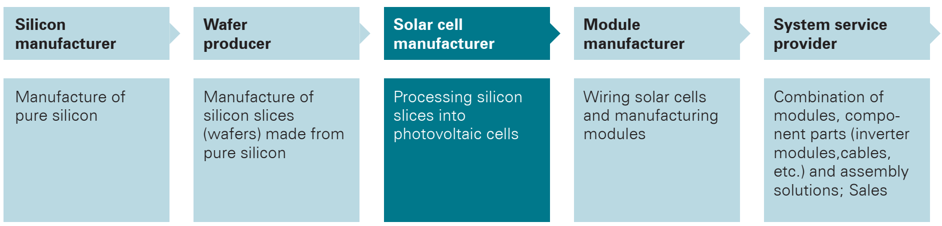
The future belongs to the sun. Although today's global energy supply is still primarily based on fossil fuels such as coal, petroleum, and natural gas, there is now no doubt that this energy mix is not sustainable in the long run. CO2 emissions strengthening the greenhouse effect, unacceptable environmental disasters like the recent oil catastrophe in the Gulf of Mexico and fossil fuels' decreasing reserves-to-production ratio – the drawbacks have become so great that they can no longer be ignored when setting global energy policy. In contrast, renewable energy sources – and photovoltaics, in particular – have many benefits: the use of solar technology as an alternative to fossil fuels reduces the emission of the harmful greenhouse gas carbon dioxide. On the other hand, energy-consuming countries gain more control and sovereignty over their energy supply. It's also important to note that, every 30 minutes, enough solar radiation hits the earth for us to theoretically meet the entire world's annual energy demand. This means that through the direct conversion of sunlight into electricity, we can meet the world's energy demand today with an increasing share of renewable energy sources. In addition, photovoltaics offers excellent opportunities for a decentralized supply of energy in remote areas without or with an insufficient electrical grid infrastructure. The conversion of sunlight into electricity takes place in solar cells, which form the heart of every photovoltaic system. Cutting production costs and increasing the efficiency of photovoltaics both play an integral role in keeping the company's customers competitive. Using systems from Manz Automation, our clients – leading worldwide solar cell manufacturers – can perfectly fulfill these two requirements.

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 entering into a know-how licensing and partnership agreement with Würth Solar during the previous fiscal year, 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).

### Crystalline Solar Cells Segment (cSi)

The manufacture of crystalline solar cells (cSi) consists of a variety of different production steps. In this context, the value chain is usually divided into five stages:

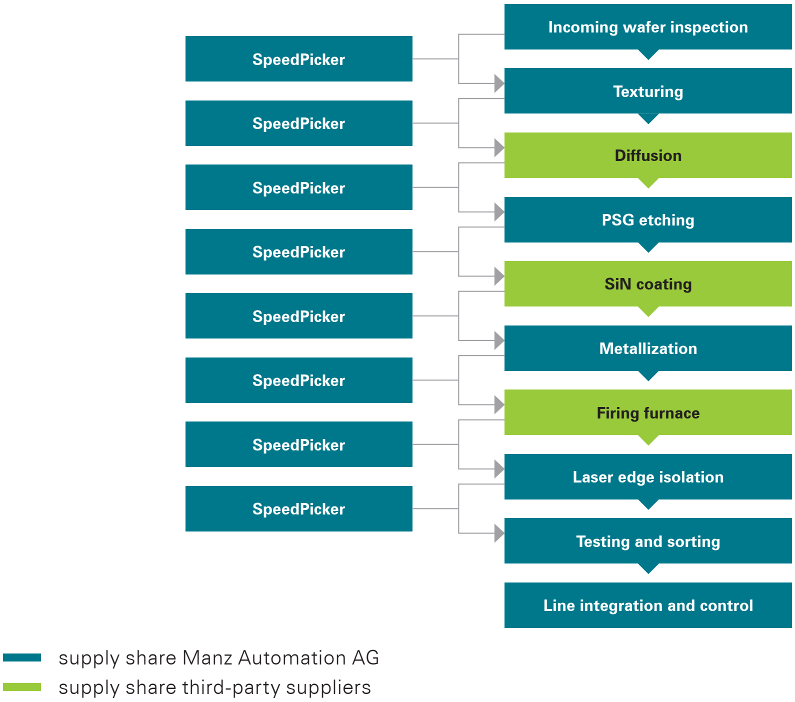
## VALUE-ADDED CHAIN




In this case, Manz Automation primarily focuses on the third stage of the value chain for manufacturing crystalline solar cells – processing wafers into photovoltaic cells. In turn, this manufacturing process is subdivided into ten key production steps – from receiving and inspecting the silicon wafers (the raw material for solar cells) to inspecting the finished solar cells and packaging. In this context, the inline system solutions from Manz serve to efficiently link the individual production steps, for example, loading and unloading the machines used in the production process as well as complete automation solutions with integrated buffer systems. Manz's innovative processing equipment also increases efficiency: in combination with the Manz High Accuracy Printer HAP 2400, used for accurately etching conductive pathways on the solar cells, and through the use of Manz's laser equipment to create selective emitters, efficiency can be increased by up to 0.5 % – with regard to today's conventional crystalline solar cells, this corresponds to an increase from 16.5 to 17 %. In this context, the emitter – the sun-facing layer of a solar cell – collects the charge carrier generated by the sunlight and transmits it to the electrical appliance over thin conductive tracks. As such, Manz Automation meets its own goal of creating significant added economic value for manufacturers when developing new methods.

*The goal is to deliver complete integrated production lines*

## PROCESS STEPS FOR MANUFACTURING CRYSTALLINE SILICON SOLAR CELLS




Solar cell manufacturers must invest a total of 10 to 12 million euros in the construction of a fully automated and thus cost-efficient and profitable production line with an annual production output of 60 MW. At the present time, Manz's offering covers a share of about 70 % of the total investment within the third stage of value chain, and Manz's systems are currently in use at almost all of the world's largest solar cell manufacturers. As a result, in comparison to last year, we were able to significantly increase the share of the value chain produced in-house which is covered by Manz Automation's wide range of products and services. Our company also plans to continue this trend in the future, and is striving to internally develop and produce 90 % of the equipment needed for crystalline solar cells. Manz plans to achieve this through more intensive research and development activities and through the integration of additional steps in the production process. Specifically, we plan to reach this goal by developing a silicon nitride coating system. In this way, Manz will establish itself as an essential partner and provider of innovative production lines. Using the products we have developed internally, Manz Automation has now offered the second stage of the entire production line for crystalline solar cells, known as the "backend", entirely from one source since the 2009 fiscal year.

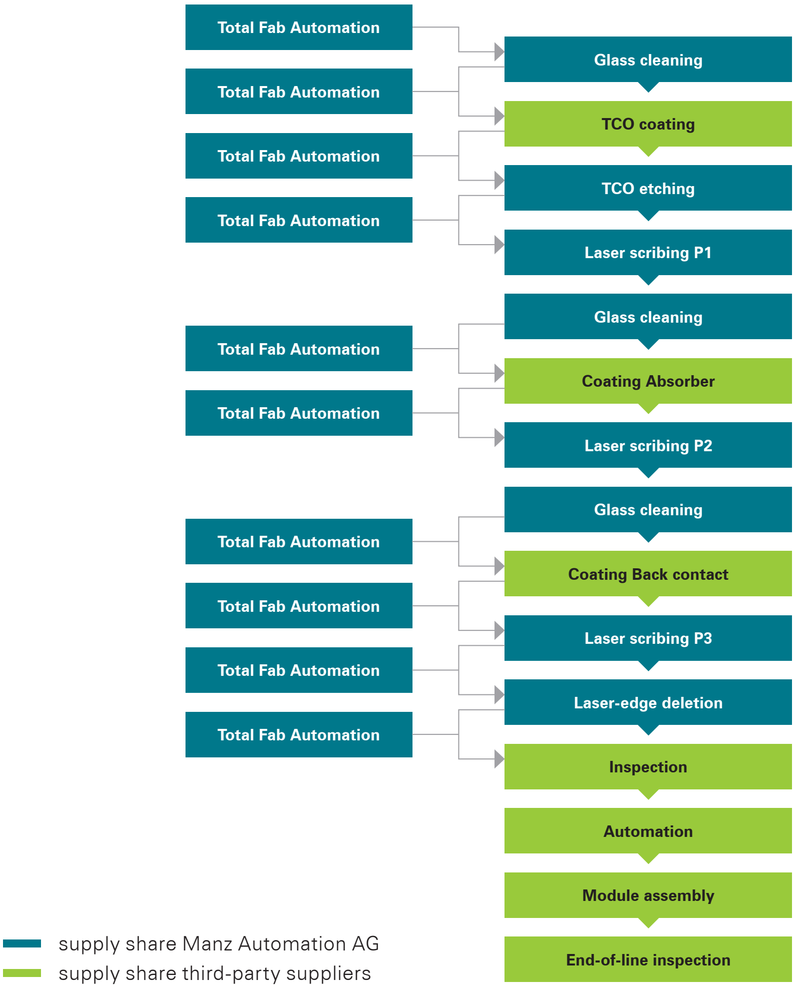
### Thin-Film Solar Module Segment

A particularly favorable cost-benefit ratio is also of key importance to the manufacturers of thin-film solar modules. Grid parity is the long-term benchmark. To achieve this goal, manufacturers will need to both significantly increase efficiency as well as cut costs substantially. In this context, the wide range of products and services Manz Automation offers enables our customers to meet their increased competitive demands. Thin-film solar cells are manufactured by vapor depositing layers of conductive and semi-conductive materials only a few micrometers thick on glass substrates. Thanks to this technique, manufacturers can significantly cut material costs, since crystalline silicon wafers are not required. Although thin-film technology is less efficient and requires more space for installing the solar equipment, this technology has the lowest cost per watt, making it significantly less expensive to manufacture and therefore extremely attractive to solar power plant operators given the right conditions. One of thin-film solar modules' particular strengths is that they acheive better results than crystalline cells in diffuse sunlight (such as when the sky is cloudy or in the shade, for example). Thanks to a better temperature coefficient, thin-film solar modules are also perfectly suited for use in hot climate zones.

The manufacture of thin-film solar modules primarily comprises a multi-stage process to coat the glass substrates as well as a subsequent process in which the substrates are laser or mechanically scribed. Manz has united its entire range of component products for profitably manufacturing thin-film solar modules within its "Total Fab Solution" concept. In this context, the company's automation solutions (total fab automation) are characterized by low operating costs and a high level of productivity – here the customers benefit from extensive synergies resulting from Manz's long-term and successful activities in the FPD industry. With the usage rights to CIGS production technology of Würth Solar, which our company views as the most effective thin-film technology currently on the market, Manz has again expanded its business model. As a result, Manz Automation is the only company in the world capable of supplying turnkey, integrated, and fully productive production lines for CIGS thin-film solar modules, which can already be operated profitably today. In addition, our company has been able to further expand its positionas a pioneer driving innovation when it comes to this technology. Alongside complete solutions from one source, our company is also currently focusing on integrating the production steps as well as developing and manufacturing systems for laser scribing, mechanical scribing, and laser-edge ablation. In the field of laser scribing, Manz Automation is the global market leader with a market share of over 60 %. Individual pieces of equipment, such as systems for laser cutting glass substrates and wet-chemical etching systems for cleaning or pre-etching the TCO layer, complete the wide range of products our company offers in the field of thin-film solar technology.

With the usage rights to Würth CIGS solar technology, we have been able to significantly increase the percentage of value added by our company out of the total volume of a fully automated production line for thin-film solar modules. In conjunction with our subsidiary Manz Coating, which was founded during the 2010 fiscal year and focuses on vacuum coating technology, we now cover approximately 90 % of the value chain when it comes to CIGS thin-film technology. The potential revenue from a CIGSfab production line with an annual capacity of 120 MW totals close to 150 million euros.

## PROCESS STEPS FOR MANUFACTURING THIN-FILM SOLAR MODULES



## Products in the FPD Division (Flat Panel Display)

*FPD division: excellent growth prospects expected due to the boom in touch-screen applications*

Manz can look back on a long, extremely successful history in the FPD industry. Our company began supplying automation systems for handling glass substrates of various sizes back in 1994. These substrates are currently used primarily in the manufacture of flat-screen displays which are quite common today and will, in the future, become even more widespread as a result of growth in the market for touch-screen applications (such as the Apple iPhone® und iPad®). LCD displays must be produced under extreme clean-room conditions, which means that automation and production systems used must meet highly specific standards. As an example, avoiding breakage is an extremely high priority, since even the slightest contamination resulting from microscopically small particles automatically leads to production stoppages. The cleanroom suitability of Manz's robotic system for handling glass substrates has been certified by the Fraunhofer IPA Institute. A further key component of safe and gentle handling of the glass substrates is the innovative "air-cushion" technology. This process enables substrates to be transported virtually contact-free, reliably preventing contamination and damage. In addition to low breakage rates, a high throughput rate is also a key criterium for LCD manufacturers in order to keep production costs as low as possible. In addition to automated solutions for loading and unloading inline sputter systems (vacuum coating systems for glass substrates), our company's range of products also includes systems for laser-cutting glass substrates as well as conducting inline inspections. At the same time, Manz's systems have extremely low breakage rates – which, as previously stated, play a key role in the products' success on the market. Thanks to Manz Taiwan Ltd., Manz Group has expanded its product range to include wet-chemical processing equipment for the LCD industry. This covers processes such as etching, and cleaning within the scope of manufacturing displays. 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 – completes this division's range of products.

## Products in the New Business Division

In our trendsetting New Business division, our company primarily develops system solutions for the industrial manufacture of lithium-ion batteries. In this context, the division benefits from the Manz Group's long-developed core competencies in the fields of robotics, image processing, control and drive technology, as well as in processing roll goods. By developing and manufacturing efficient and economical production technologies for lithium-ion batteries as part of a large-scale research project, our company paved the way for a significant level of participation in the growth of the promising market for electric vehicles. Manz Automation's services in this segment range from battery cell manufacturing ("reel to cell") to assembling the individual cells into a battery system ("cell to system"). In order for electric vehicles to be a sustainable form of transportation, the electricity required must be generated from renewable energy sources. As such, our Solar division also benefits from Manz's activities in the field of electric vehicles. Additional synergies may result from Manz Automation's long-term experience in successfully launching innovative and groundbreaking technologies on the market.

### Products in the PCB/OEM Reporting Segment

By creating the "PCB/OEM" reporting segment backdated to January 1, 2010, Manz is paying heed to this area of activity's appropriate position within the company as a result of the revenues and income generated here and, as such, the company's resulting obligation to report this segment individually pursuant to IFRS 8. This segment primarily covers OEM business in which our company manufactures equipment for the semiconductor industry in order to fully utilize our production capacities. In the PCB/OEM sub-segment, Manz Automation is the global market leader when it comes to wet-chemical processes and automation in the manufacture of systems to manufacture and process printed circuit boards (PCBs).

### Products in the Other Division

Manz Automation's product range is complemented by the Other division which, in addition to system solutions for the packaging industry, also comprises systems for the automated handling of small parts. In this context, the range of products in the paper and plastic film processing segment includes equipment lines for the production of cylindrical paper rolls and paper/cardboard tubes, as well as production equipment for manufacturing composite cans, boxing, PVC bottle caps, and additional composite materials.

## Customers

### Customers in the Solar Division

The Solar division encompasses the manufacture and sale of system solutions both for manufacturing crystalline solar cells as well as thin-film solar modules. Outside of Japan, Manz Automation AG's customers include almost all of the world's largest manufacturers of silicon solar cells such as Yingli and Motech. The top customers in the thin-film solar module segment include Schüco, Avancis, and Abound Solar. With our high-tech equipment, we have clearly established our company as the preferred equipment supplier to leading global providers in the photovoltaic market.

### Customers in the FPD Division

*LCD clients are among the five largest manufacturers*

Manufacturers from the Far East currently dominate the growing FPD market – almost all facilities which produce flat-screen displays are located in Asia. This is why Manz Automation has focused both its development and manufacturing activities in this division on its subsidiaries in Taiwan and China. This division's customers are also almost exclusively located in Asia. Our main sales markets there are primarily Taiwan, China, and South Korea. Manz Automation AG's customers in this division currently include three of the world's five largest manufacturers of LCD flat-screen displays – among them TPK, Wintek, and Foxcon – and all important manufacturers of well-known Apple products. Our company makes staying in direct contact with our clients locally a top priority, as it allows us to provide support services and sell new products. This once again emphasizes the importance of Manz's presence in Asia.

### Customers in the New Business Division

By participating in the "Manufacturing Research for High-Performance Lithium-Ion Batteries for Electric Vehicles" industrial partnership, Manz Automation has created an outstanding initial position from which we can establish ourselves as a long-term leading system supplier in the dynamic growth market for electric vehicles. After generating initial revenues in the field of lithium-ion batteries during the 2009 fiscal year, we successfully continued this positive trend in the current reporting year. Currently, Manz is working on several projects with leading automotive manufacturers and suppliers.

## Sales and Marketing

With close to 90 % of total revenues generated outside of Germany, Manz Automation already has an extremely international customer base today. Although the solar sector has largely overcome the results of the economic crisis in 2009, and new orders are once again approaching their level before the crisis, the need for a networked sales structure in close regional proximity to customers continues to increase. As such, Manz Automation's creation of an independent marketing department specifically for Asia emphasizes the importance of these markets to our company. In addition, by designing and implementing a new corporate Web site during the past fiscal year, Manz successfully improved its use of the Internet as an effective means of providing information better tailored to the company's target group. Furthermore, Manz 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 Automation'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 trade fairs and regularly issuing a customer magazine. 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 25th European Photovoltaic Solar Energy Conference and Exhibition (EU PVSEC) in Valencia, Spain, the 4th International Photovoltaic Power Generation Conference and Exhibition (SNEC) in Shanghai, China, and the Solar Power International trade show in Anaheim, California, Manz remained in close contact with existing and potential customers. As a result, our company acquired new orders valued at approximately 260 million euros.

To maintain and, in the future, expand our market share, additional experienced employees were added to the sales team in every country. All in all, our company now has a sales team of about 50 highly qualified and dedicated specialists at its disposal whose main focus lies particularly on selling our Solar division's products.

In addition to having a local presence close to clients, providing comprehensive services and reacting rapidly are key to a successful sales structure. In order to meet these requirements, Manz only delivers equipment outside of Europe to markets where we also have service locations and where we can ensure that our customers can receive rapid expert support. 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. Providing these services is a cornerstone of our sales strategy and ensures that we remain in constant contact with our clients, offering our company competitive advantages as a result.

## Research & Development

Research and development activities play a critical role in the success of any engineering company. This is why Manz has made the strategic decision to continuously invest in new developments – now and in the future. This strategy proved to be correct throughout the course of the economical and financial crisis, since we were able to successfully secure and expand our know-how and innovative capacity. In the 2010 fiscal year, Manz Automation's strategic focus was on continuing to intensify research and development efforts. In 2011, Manz will continue down the same path in order to further reinforce our position as an industry leader driving innovation by continuously expanding our range of technologies and products. In this context, our company's stated goal is to make advancements to existing products and launch new integrated system solutions. This will give Manz an excellent position from which to fully participate in the upcoming wave of investments by solar manufacturers. In this context, our company is focused on the industry's high standards when it comes to increasing efficiency and low manufacturing costs. Manz has developed highly efficient and seamlessly integrated equipment exactly for this purpose, and our systems will set new standards in the industry, further underscoring our company's lead over the competition when it comes to innovation.

*Research and development are central pillars of Manz's growth strategy*

Manz Automation views patents as an important instrument to safeguard the results of elaborate and expensive research and development activities from counterfeiters. Manz Automation AG currently holds a number of international property rights, and aims to continue expanding this position.

### OneStep Selective Emitter Technology

The trendsetting OneStep Selective Emitter technology which was launched in May 2010 has in the meantime seen much success on the market. The innovative procedure was successfully tested beforehand in numerous trials, and was verified in mass production in pilot production programs at Yingli, Bosch, and Conergy. As a result, Manz has taken a crucial step on the path from new development to commercialization of the innovative selective emitter process.

In Manz's OneStep selective emitter process, the selective emitter structures are created using a laser process. In this case, the emitter – the sun-facing layer of a solar cell – collects the charge carrier generated by the sunlight and transmits it to the electrical appliance over thin conductive tracks. To ensure that the emitter is as conductive as possible, it is first intentionally contaminated with phosphorus atoms (a process known as doping). The concentration of phosphorus atoms under the conductive paths should be higher than in the area exposed to sunlight, however, because too many charge carriers are lost when this is not the case. In order to systematically increase the number of phosphorus atoms under the contact areas, a laser drives phosphorus atoms into the silicon semiconductor and enriches the crystal lattice in a small area. At Manz, this laser process is carried out in a single step, and does not require expensive reticles as in comparable procedures. As a result, the selective emitter increases the efficiency of a crystalline solar cell by up to 0.5 percent, which corresponds to an increase from 16.5 to 17 % in today's conventional cells. This corresponds to a relative increase in output of about 3 %.

## High Accuracy Printer (HAP) 2400

In order to gain the full potential for increasing efficiency, the conductive traces must be etched exactly on top of the selective emitter's thin stripes. And this is exactly what Manz's newly developed HAP 2400 highly accurate printer makes possible. In extensive tests and studies, we verified a reproducible accuracy significantly under ten micrometers.

As a result, our company views the HAP 2400 as by far the most accurate and fastest screen printer on the market. As an integral part of Manz's back-end line, when paired with our OneStep selective emitter laser equipment, these machines represent an ideal combination for manufacturing highly efficient solar cells. This technology offers exactly what solar manufacturers need. The process developed by Manz to generate selective emitters has by far the lowest manufacturing costs and helps manufacturers increase the efficiency of the solar cells they produce, thus further reducing production costs.

## CIGSfab

By entering into a know-how licensing and partnership agreement in July 2010, our company is now in a position to offer integrated, turnkey production lines for the manufacture of CIGS thin-film solar modules based on well-established processes from Würth Solar. Thanks to an existing contractual relationship that Würth Solar has with the Baden-Württemberg Center for Solar Energy and Hydrogen Research (Zentrum für Sonnenenergie- und Wasserstoff-Forschung Baden-Württemberg in German, or ZSW), Manz Automation has also gained exclusive access to the results of this center's research into CIGS modules on glass substrates. When it comes to CIGS technology, the ZSW currently holds the

*Manz CIGSfab unites the highest level of efficiency and the lowest production costs* world record for cell efficiency, having achieved 20.3 %. This makes CIGS modules the world's most efficient form of thin-film technology.

In addition, our company can present a plausible technology and cost road map to our customers and, as such, can offer them the highest level of investment security. In the future, Manz Automation will be able to offer CIGSfab production lines for thin-film solar modules with the highest level of efficiency currently achieved in mass production (currently 12.8 %) on an aperture area of 600 × 1,200 mm. The CIGSfab will be offered with a capacity of 60 or 120 MW. Furthermore, select partners offer both the technical building equipment and the building and infrastructure itself.

### Second-Generation Laser Scribing Equipment

The advancements we have made to our laser scribing equipment have primarily improved both speed and accuracy. A thin-film photovoltaic module comprises three layers that are deposited one after the other in coating chambers. In order to electrically connect the individual cells, a laser etches fine lines approximately 30 to 60 micrometer wide in the individual layers, dividing the previously continuous layers into individual cells by selectively removing material. The use of lasers offers a number of advantages for customers: it increases the throughput rate of the manufacturing process and reduces waste. To ensure that the modules have the highest efficiency possible, the individual lines need to be as small as possible, since the space between the modules is not available to generate electricity – which is why this space is referred to as "dead area." Using lasers has allowed us to reduce the size of these dead areas, the spaces between the conductive pathways, to under 160 $\mu$m in size. This offers a significant competitive advantage over other systems, which have dead areas between 350 $\mu$m and 500 $\mu$m in size, meaning that efficiency is lower. This level of precision is made possible using an innovative control system, aptly named IPCS (Inline Precision Control System). What makes IPCS so noteworthy is a rapid cycle that follows the position of the bottom line using optical components and continuously adjusts the position of the etching laser so that the distance is kept as small as possible – and does so at an etching rate of 1.6 meters per second. Since the lines are so close together, more module space remains to convert sunlight into electricity. For manufacturers of thin-film solar modules, this results in an increase in efficiency of around 1–2 %. In addition, depending on the size of the substrate selected, the second generation can have 16 laser sources working simultaneously in one system. And last but not least, another advancement was made that reduces the amount of maintenance the system requires, which in turn reduces downtime for the entire production line, and, as a result, further optimizes production costs for manufacturers. Manz also offers IPCS for mechanical scribing systems used to manufacture CIGS solar modules as well.

### Developments by Manz Coating GmbH

The development of vacuum coating systems for crystalline solar cells and thin-film solar modules represents a major milestone in the company's progress. As a result, the future percentage of machines developed and produced by the Manz Group for both technologies will rise to over 90 %. This will allow us to significantly optimize the integration of individual machines and processes, while, at the same time, creating considerable potential for further cost cuts and efficiency increases. As a result, the Manz Group will be able to establish its place in the market as a supplier of integrated systems for the manufacture of crystalline solar cells and thin-film solar modules.

The first state-of-the-art machines should be ready for launch as early as this year after only a short development period. This represents a decisive step toward positioning Manz Automation as a high-tech supplier of processing equipment and integrated systems but, above all, will strengthen the long-term future viability of the entire company. Not only will this round out our entire product range, it will also create a broader technological base upon which to achieve future efficiency increases in products across all of the company's divisions.

During the 2010 fiscal year, Manz Automation AG had a ratio of research costs to sales of 11.3 % (previous year: 14.1 %). If we only consider capitalized development costs, the ratio of research costs to sales totals 7.7 % (previous year: 7.2 %).

## Employees

### Employee Structure

Qualified and motivated employees form the foundation of our company's long-term success. On December 31, 2010, a total of 1,768 employees (previous year: 1,377) worked for our company both in Germany and abroad, 432 of which were employed at our company's headquarters in Reutlingen.

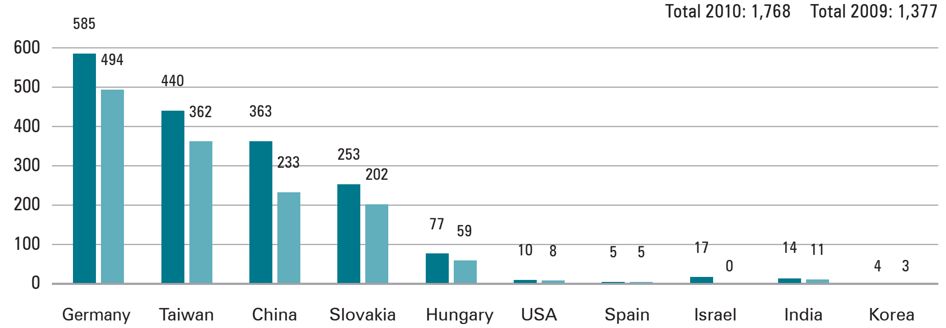
As such, we were able to reverse the trend from the previous year, which saw our company reduce personnel levels at foreign locations as a result of the global economic and financial crisis. Continuously expanding our portfolio of technologies and products through research and development is an integral 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 & Development.

*Number of employees increasing in line with the company's expanding operations*

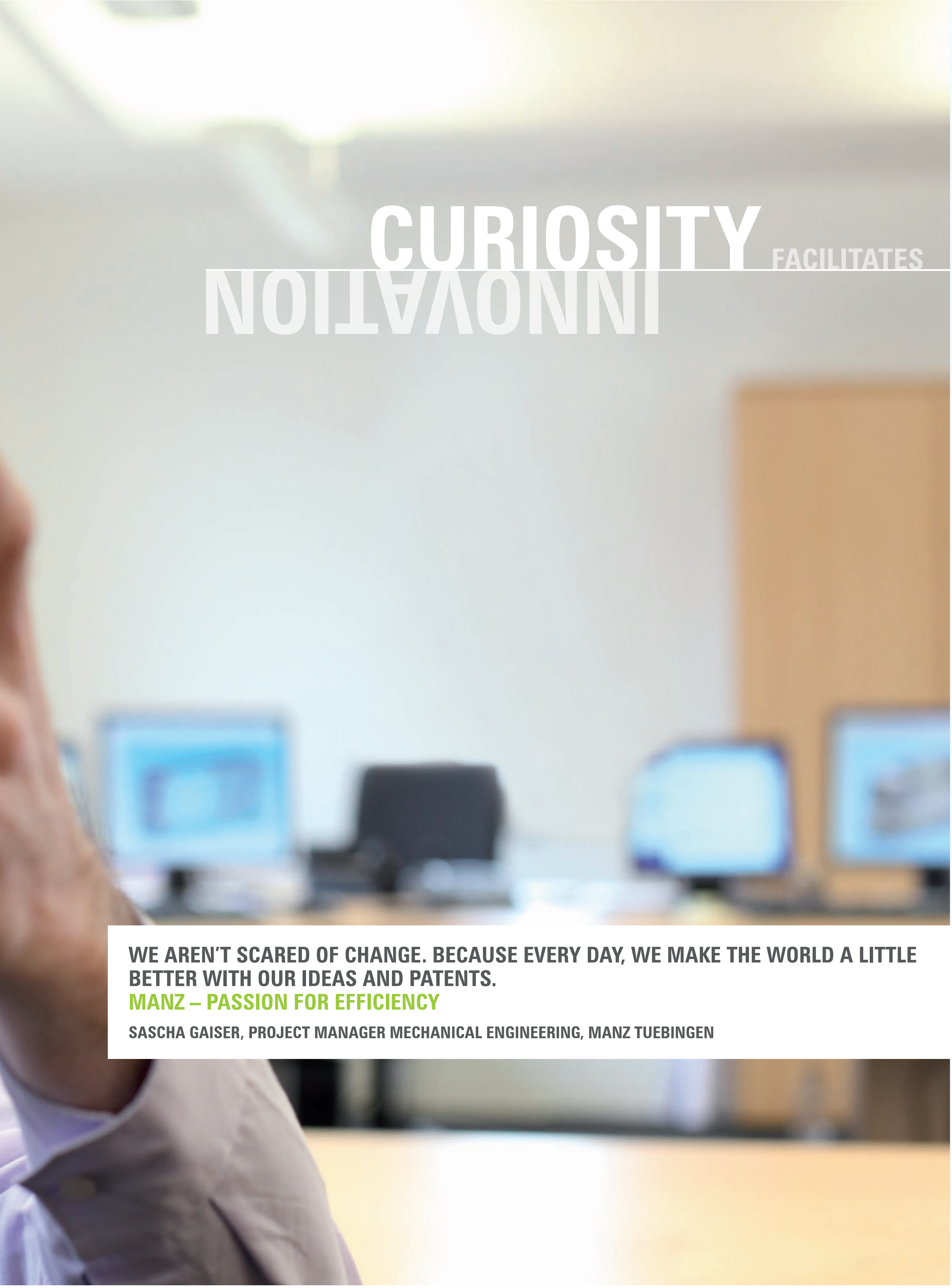
Measured by the number of employees, the largest subsidiary in the group is Manz Taiwan Ltd. in Taiwan, with 440 employees, followed by Manz China WuZhong Ltd. in China, with 322 employees, and Manz Automation Slovakia s.r.o with 253 employees.

To ensure that Manz Automation 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. More detailed information on this can be found in our Sustainability Report.

## EMPLOYEES BY COUNTRY




Employees as of Dec. 31, 2010
Employees as of Dec. 31, 2009



# CURIOSITY FACILITATES INNOVATION

**WE AREN'T SCARED OF CHANGE. BECAUSE EVERY DAY, WE MAKE THE WORLD A LITTLE BETTER WITH OUR IDEAS AND PATENTS.**

**MANZ – PASSION FOR EFFICIENCY**

**SASCHA GAISER, PROJECT MANAGER MECHANICAL ENGINEERING, MANZ TUEBINGEN**

# BUSINESS ENVIRONMENT

## Market and Competitive Environment

### Economic Environment

After suffering through the effects of the global economic crisis in 2009 (GDP: –4.7 %), Germany's economy was characterized by a strong economic recovery during the 2010 fiscal year. This economic boom, which gained significant momentum over the course of the year, had a tremendous effect on Manz Automation's performance as well. As a result, Germany's price-adjusted gross domestic product (GDP) grew by 3.6 % according to the Federal Statistical Office – the highest increase since German reunification. In this context, foreign trade was once again responsible for the lion's share of the growth. As such, exports saw a price-adjusted year-over-year increase of 14.2 % and imports, which saw two consecutive years of negative growth in 2008 and 2009, also posted an increase of 13.0 %. In contrast to previous years, domestic demand also proved to be an important factor driving German economic growth, and German companies invested significantly more in equipment than in 2009 (+9.4 %). In addition, price-adjusted consumer spending increased by 0.5 %, and even government spending grew by 2.2 %. An increase in new orders and the improved economic climate were both key additional factors behind this extremely positive trend, which ultimately ended up reviving industrial demand.

*Economic recovery gains momentum*

Although forecasts predict this dynamic growth will lose some steam in 2011, experts from the International Monetary Fund believe Germany to be on the right path economically and are expecting growth of 2.2 %. Germany's federal government is even more optimistic, currently predicting growth of 2.4 %. As such, the German economy is increasingly taking on the role of the driving force behind the entire eurozone's recovery, whose cumulative economic output in 2010 grew by 1.8 %, with a forecast of 1.5 % for the current year.

On a global level, the economic environment is rather inconsistent. While global economic output rose in 2010 by 5.0 % according to the IMF, and the forecast of 4.4 % for 2011 also gives reason to be optimistic, the Asian economies have proven to be the world's primary growth drivers. In contrast, many traditional industrialized nations are facing serious challenges such as high levels of public debt.

This includes the United States, which has barely benefited from the positive global economic trends and continues to give cause for concern. As such, the US economy grew in the previous fiscal year by 2.6 %, and the IMF is only expecting an increase of 2.3 % for 2011. Critical factors here are particularly the weak job market, an overdependence on consumer spending, and the rising mountain of public debt.

The economic recovery has been particularly supported by the European Central Bank's decision to keep the base interest rate at a record low of 1.0 % – even in the face of initial inflationary tendencies. But as a result of the uneven growth rates within the eurozone, experts do not see much room to make financial policy changes, which is why it is assumed that current monetary policies will also be continued in 2011.

According to the German Engineering Federation (VDMA), German equipment manufacturers increased their production output by 8.8 % in the previous fiscal year. In absolute terms, industry revenues totaled 174 billion euros (2009: 161.1 billion euros), with an average production capacity utilization rate of about 79.8 % (2009: 72.5 %). Cumulative exports totaled 123 billion euros in 2010 (2009: 110.9 billion euros), which corresponds to an export ratio of 74.8 % (2009: 73.6 %). China had already surpassed the United States as the most important market for German equipment manufacturers in 2009, and China proved to be a key driver of industry growth in the reporting year as well. Due to the record-breaking number of new orders received in 2010, the industry association is even predicting that growth in the current fiscal year will once again increase. As such, the industry experts are forecasting close to 10 % growth in real equipment production for 2011.

Thanks to our innovative range of products and our resulting competitive advantage, Manz Automation expects the macroeconomic recovery to deliver sustained positive growth prospects for our company. As such, we expect to see further increases to demand in our target markets as a result of the now significantly improved financing conditions and the considerable pressure to make new investments.

### Solar Division

The photovoltaic industry can look back on a successful year in 2010, and the sector – boosted by sinking prices for solar products, but also the significantly improved financing conditions – was able to continue the dynamic growth seen in previous years. According to estimates by the Swiss Bank Sarasin, the industry recorded a growth rate of 87 %. In absolute terms, the total output of all newly installed photovoltaic equipment totaled 13.8 GW. Although this rapid growth rate could lose momentum in a number of markets, experts still believe there is reason to be optimistic in the future. Solar power continues to gain importance in the process of designing a sustainable global energy supply. While worldwide solar power output is currently passing the 30 GW mark, Bank Sarasin is forecasting a compound annual growth rate worldwide (CAGR) of 33 % until 2015. And the market research provider IMS Research is predicting an unspecified two-digit growth rate.

Over the last few years, the photovoltaics market has developed into a mature market with price pressure and intense competition. As a result, the companies active in the solar industry saw themselves confronted with the necessity to adapt their own business models to the market's requirements and systematically expand internationally. As the prices for solar cells and modules fell, cutting production costs and increasing efficiency both became extremely important if manufacturers wanted to remain competitive. As a result, the pricing situation on the market remained tense, and manufacturers continued to face significant cost pressure. Manz used the previous 2010 fiscal year to help manufacturers successfully combat this growing cost pressure with state-of-the-art equipment. As a result of our unwavering R&D activities, our company brought forth innovative technologies such as the SpeedPicker and OneStep Selective Emitter. With highly efficient and seamlessly integrated systems from Manz, manufacturers can cut production costs and increase the efficiency of the solar cells and modules they produce.

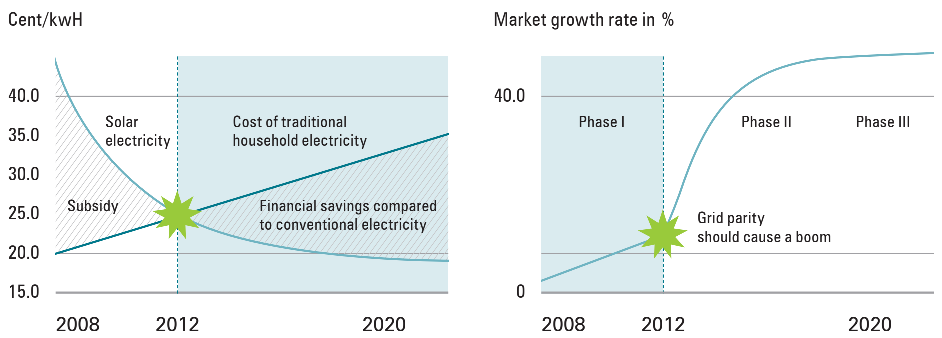
*After the economic and financial crisis: significant need to make investments within the photovoltaic industry*

Despite the reduction in solar subsidies set forth by Germany's Renewable Energies Act ("Erneuerbare-Energien-Gesetz" in German, or EEG for short), the country has initially been able to maintain its position as the global market leader. As such, in January 2011 the German Solar Industry Association BSW-Solar and Germany's Federal Ministry for the Environment agreed that the upcoming reduction in feed-in tariffs should be dependent on the annual amount of additional solar power installed. This agreement sets forth that the new solar power equipment installed between March and May 2011 will be used as the basis for calculating the expected amount of newly installed output for all of 2011. The German Network Agency will then estimate the total amount of newly installed solar output for the current year using this figure and a multiplier. Specifically, this means that for 3,500 MW of newly installed photovoltaic output, the feed-in tariffs would be reduced by 3 % as early as July 1, 2011. In fact, if the amount of newly installed photovoltaic output totals 7,500 MW (roughly equal to last year's amount), the feed-in tariffs would be reduced by an additional 15 %. In contrast, the California-based market research firm iSuppli does not expect any serious negative effects on the German solar industry, despite the German government extending the operational life of its nuclear power plants. In addition to Germany, growth in the European market has primarily been driven by countries such as Italy, France, and the Czech Republic. Chinese companies already produce the

*China, the most important solar manufacturer, could develop into the largest market in the future* largest share of solar cells today, and are the world's most important exporters. Thanks to ambitious subsidy programs by the government in Peking (such as "Solar Roofs" and the "Golden Sun" program), the People's Republic could also become the largest individual market by 2013 according to a study by the English market research firm IMS Research. Furthermore, the industry expects to see continuous positive momentum from new growth markets like the United States, but increasingly from India as well.

On an international level, grid parity could also be achieved much sooner than previously assumed, since the price of photovoltaic equipment has dropped dramatically as a result of the significant overcapacities which exist. As such, analysts from HWM Research expect many countries to reach grid parity by 2012. Consequently, they anticipate a massive increase in demand over the medium to long term – with this initially being the case primarily in countries with many hours of sunshine and high electricity prices.

## RELATIONSHIP BETWEEN GRID PARITY AND MARKET GROWTH




source: HWM Research, June 2009

With a market share of around 46%, Germany is currently by far the largest market for photovoltaics according to IMS Research. Despite the adjustments to the feed-in tariffs set forth in the EEG, the conditions and expected rates of return for investors seem to be stable here in Germany, since possible negative effects resulting from changes to subsidies have been partially compensated for through significant reductions in solar module prices. In this context, a noteworthy aspect is that newly installed solar output of more than 3.5 GW this year could lead to an additional reduction in subsidies if the government has its way. According to the government, this reduction in subsidies is justified due to current technological advances and the resulting drastic reduction in manufacturing costs. This means that manufacturers will have to make significant investments in equipment to adjust their business model to match lower prices. Overall, as one of the leading equipment suppliers in this industry, Manz Automation views these aspects as positive signs pointing to further growth.

*Despite the amended Renewable Energy Act: stable growth prospects expected for Germany*

The experts, however, disagree on the figures for newly installed solar output in 2011. The research firm iSuppli has the most optimistic view of the future, forecasting new output of 9 GW this year, while the industry specialists from Renewable Analytics expect only 4.5 GW. According to a study by the consulting firm Oliver Wyman, growth in the German market will inevitably lose steam, but the firm still expects newly installed output to total 3 to 4 GW annually in the coming four years. These ambitious forecasts are based on the assumption that engineering firms will continue to actively strive to make rapid technological advancements, cut manufacturing costs, increase the efficiency of solar cells, and that manufacturers will advance into new growth markets. From a global standpoint, these markets will primarily be located in China, the USA, and India.

### China

According to iSuppli, Chinese companies are well prepared for the future potential for growth in the solar market, and have significantly expanded their production capacities. In contrast, the domestic market is still in the early stages of development, with installed output totaling only 0.4 GW. The country plans to change this with ambitious public programs, however. In 2009, the country exported over 95 % of the cells and modules produced in China, which is almost 40 % of total global production. The People's Republic plans to double the portion of its energy mix from renewable sources to 15 % by 2020. As such, China is striving for an installed photovoltaic output of 20 GW nationwide.

In addition to operating solar power plants to meet the country's own energy demands, China also wants to cover the entire manufacturing value chain. This is why the Chinese government initiated the "Solar Roofs" program in 2009, which subsidizes both building-integrated systems as well as solar panels on rooftops. In addition, the government is also subsidizing 50 % of the total investment in grid-connected, free-standing systems, and 70 % of the cost for off-grid systems. And Utility Scale PV projects, which encompass power plant-sized photovoltaic projects, are also benefiting from the political goodwill and the fact that the Chinese solar market is highly attractive. Research by econet china has shown that the capacity of all planned power plants in the Utility Scale segment totals 13 GW – five GW alone from a solar farm that will be built in Wulan

(Qinghai province) in the coming years. In June of 2010, the "National Development and Reform Commission" issued calls for bids for 13 additional, state-subsidized Utility Scale PV projects in western China. This can also be viewed as a sign that China is not only by far the industry's most important manufacturing location, but is also developing into an important domestic market.

*With a stronger presence in Asia, Manz can particularly benefit from the Chinese solar market*

China offers extremely promising prospects for system suppliers. As the only German system supplier with its own manufacturing and sales facilities in China and Taiwan, Manz Automation has a strong presence on the Asian market and, as such, we will be able to continue benefiting from the increasing dominance of Chinese solar manufacturers on the global market.

## USA

According to the study "The United States PV Market through 2013" by Greentech Media Research, the United States could become the world's second-largest and, at the same time, most dynamic growth market by 2012. This optimistic scenario is based on a demand of up to 2.022 MW in 2012. The United States is currently the third-largest solar market behind Germany and Spain. Other market research institutes such as Solarbuzz even expect the US market to increase tenfold by 2014 – and, as a result, against current general economic trends. In absolute figures, experts are forecasting a total capacity of 4.5 to 5.5 GW by 2014. The country's annual installed photovoltaic output has already increased by an average of 71 % from 2000 to 2008. This positive trend has benefited from a number of political measures such as the Federal Solar Investment Tax Credit (ITC), which was extended last year until 2016 and offers a 30 % tax credit for both privately owned and commercial solar power systems. Furthermore, the highest subsidy rates for solar power equipment installed on residential properties were increased, and the utility companies were also included in this subsidy.

At close to 50 %, California accounts for the lion's share of demand in the United States, but the markets in other states such as New Jersey, Arizona, New York, Nevada, and Massachusetts have also recently become much more relevant. The market for large-scale photovoltaic power plants is the fastest-growing segment of the US solar market, and these installations have been able to gain additional shares of the commercial solar market and, in a scenario based on administrative requirements, will encompass a total capacity of 466 MW by 2012. In addition, GTM Research adds that the US solar industry is in a particularly strong competitive position, since the complexity of the regulatory environment and the diverse demands of the consumer market caused US companies to

*Experts see the USA as one of the future's key growth markets* develop diversified strategies relatively early on. As a result, states with high electricity demands such as New Jersey and California have already reached grid parity in specific market segments, and this is going to happen soon in at least 11 other states as well.

Over the medium term, the US plans to increase the percentage of energy generated from renewable sources from the current 9 % to 25 %. To achieve this goal, 150 billion dollars will be invested in new technologies with increased energy efficiency over the coming decade. These funds will be used to improve and further expand the country's electrical grid, which is in dire need of an overhaul in many places.

With our own subsidiary in Rhode Island, Manz already has a strong presence in this extremely promising market, which means we are in the perfect position to fully participate in the expected growth in the US. Having production facilities in the immediate vicinity of sales markets is a key competitive advantage due to high logistics and transport costs, particularly in the thin-film segment.

### India

For India, a country driving global industry growth, a more diversified and intact supply of energy is gaining significant strategic relevance. In the past, the emerging country's energy supply was dominated by fossil fuels such as oil and gas, yet now renewable sources of energy are increasingly moving into the political spotlight. In this context, India particularly offers the photovoltaic industry excellent conditions, and represents one of the most attractive markets worldwide. India has an immense potential for growth, as the following facts clearly show. Over 300 million people in India do not have access to electricity, and the electricity deficit during peak times can already reach up to 12 % today. As such, the country needs to take immediate action to bring on a new beginning as far as energy policy is concerned. Furthermore, the Indian subcontinent, with almost 300 days of sunlight per year, has the ideal climatic conditions for solar power, especially for the use of small, off-grid photovoltaic systems (known as "solar home systems"). Sinking module prices have made solar power an especially attractive option, particularly for the majority of the population which lives in a rural setting and still does not have access to the national electric grid. This is why the Indian government has allocated a total of 20 billion US dollars to public subsidy measures until 2050 as part of the "Global Climate Change Initiative," with the goal being to cover the country's increasing demand for electricity with local renewable energy sources as well as to eliminate existing deficits in the country's energy supply. The plan is to finance the subsidies through higher taxes on gasoline and diesel fuel, both of which are currently highly subsidized.

This should result in the creation of a nationwide capacity of about 200 GW. The country is initially aspiring to reach a capacity of 20 GW by 2020. Presently, the country generates a negligent amount of solar electricity. According to estimates by Bank Sarasin, the country's total capacity could grow between 2010 and 2012 by 100 % annually – although this trend would begin at what tends to be a low starting point.

*India offers the perfect conditions for photovoltaic systems*

Manz Automation can also benefit from these trends. In order to establish a local solar industry, the country will initially need to make significant investments in state-of-the-art, powerful equipment of the kind our company offers. And today both suppliers and manufacturers are active in India along the entire value chain. In order to meet this demand, Manz has had a presence in India since 2008 with its own subsidiary. The Manz Group holds a 75 % share in the company, as does the Indian corporation Technicom Chemie Ltd (25 %). This has given Manz direct access to local customers, which represents a key advantage in international competition.

Working with Amity University in India, Manz also launched a degree program in Solar Equipment Engineering. In order to train an adequate number of qualified young employees to operate local manufacturing facilities, Manz helps to design the program's content and also provides financial support and personnel.

## Long-Term Prospects

Over the long term, the photovoltaic industry has excellent prospects for the future. Industry experts at Bank Sarasin expect to see annual growth of about 30 % for the period between 2012 and 2020, with the markets outside of Europe particularly exhibiting above-average growth rates. Based on these estimates, total photovoltaic output worldwide is forecasted to reach 155 GW in 2020. The fact that many sub-markets already installed 500 MW or more of photovoltaic output during the previous fiscal year is quite remarkable. As a result, the solar industry is no longer as dependent on the growth of key individual markets.

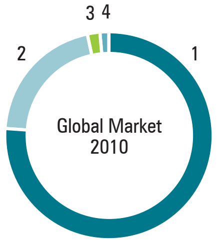
## Thin-Film Solar Module Segment

According to estimates by the market research firm EuPD Research, the thin-film solar module market has about a 20.5 % share of the entire solar market. This technology is expected to become significantly more important over the medium term, however. Experts assume that the market share of crystalline solar cells will shrink by 2015, with thin-film solar modules gaining up to a 28.6 % share of the total market. This can be interpreted as a reversal of previous trends, since up until now (and especially during the years of

*Thin-film photovoltaics unites many benefits and, according to estimates from experts, is growing at above-average rates*

the global economic and financial crisis), thin-film technology faced significant hurdles as a result of the significantly higher initial investments required for production technology. At the same time, spot prices of silicon have dropped so dramatically that the cost benefit per watt as compared to crystalline modules has also shrunk dramatically, and is now almost nonexistent. Despite these problems, the compound annual growth rate in the thin-film solar module segment will exceed that of the entire solar market by 50 % as a result of the technology's higher efficiency (CAGR, 2008 to 2012).

## MARKET SHARES OF VARIOUS PHOTOVOLTAIC TECHNOLOGIES

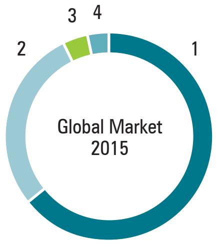



| | | |
|---|---|---|
| 1 | **76.6 %** | Crystalline solar cells |
| 2 | **20.5 %** | Thin-film solar modules |
| 3 | **1.8 %** | Concentrator solar cells |
| 4 | **1.1 %** | Other* |

Source: EuPD Research

* .g. organic solar cells, dye cells, etc.

*Ongoing diversification in solar industry*




| | | |
|---|---|---|
| 1 | **64.4 %** | Crystalline solar cells |
| 2 | **28.6 %** | Thin-film solar modules |
| 3 | **3.7 %** | Concentrator solar cells |
| 4 | **3.3 %** | Other* |

Quelle: EuPD Research

Although many experts criticize the fact that the technology's technical efficiency often falls far lower than its self-proclaimed expectations – all while manufacturing costs have barely been reduced – this sub-segment of the photovoltaic market still remains attractive. In fact, thanks to lower temperature coefficients, this technology is actually superior in regions with high ambient temperatures. And in areas with diffuse lighting conditions, the energy output of modules made with thin-film technology is higher than those based on crystalline technology. Finally, the amount of space available also determines which technology is better choice for a particular application. Building-integrated photovoltaics (BIPV) are another potential area of application for thin-film technology. Architects and building planners benefit from the ability to design a more homogenous overall look and the wide range of colors available when using this technology. In addition, BIPV can also be installed on curved support structures. According to calculations by the US market research firm BCC Research, newly installed BIPV in 2010 totaled around 1.2 MW worldwide. The industry experts expect a total capacity of 11.4 MW by 2015, which corresponds to compound annual growth rate of 56 %. The industry also needs to determine which system will become widely accepted within the thin-film segment. At the present time, CIGS (copper, indium, gallium, sulfur, and selenide) is viewed as the leading thin-film technology, and has the greatest potential when it comes to the level of efficiency which can be achieved compared to amorphous silicon (a-Si) and cadmium telluride (CdTe). This is why Manz entered into a partnership with Würth Solar and the ZSW. By taking this step, Manz Automation is striving to gain a leading position in the market as a supplier of fully integrated and economical CIGS production lines (CIGSfab). By entering into a know-how licensing and partnership agreement with Würth Solar GmbH & Co. KG in July 2010, Manz was able to further expand its technological advantage over the competition in this sub-market, and has become the only supplier that can currently offer an integrated and fully operable production line for CIGS solar modules that can be operated profitably. The potential revenue from a CIGSfab production line with an annual capacity of 120 MW is equal to nearly 150 million euros.

## FPD Division

The market for flat panel displays includes all products with flat screens, most notably LCD TVs, but also notebooks and tablet computers (like Apple's iPad®), cellular phones (like Apple's iPhone®), and MP3 players with a corresponding display (based on LCD or plasma technology). Thanks to the high demand for LCD flat screens, the market grew considerably in 2010. In contrast to 2009, when average device prices declined by 22 %, in the previous fiscal year the introduction of new technologies like 3D, LED backlighting, as well as Internet connectivity helped prices to generally remain stable overall (according to DisplaySearch), with price declines compared to the year before dropping to 6 %. From a global perspective, the market for televisions saw particularly strong growth in newly industrialized countries, although Europe also recorded good growth. As such, TV sales grew by 17 % to 247 million units, with the LCD segment growing 31 %, or almost twice as fast as the overall market. According to forecasts by the market research firm,

*LCD technology sees continued success, just as in previous years*

Digitimes Research, the market for LCD televisions will reach a volume of 210 million units in 2011, after about 180 million units were sold in the previous fiscal year. In particular, 32- and 40-inch TVs will see particularly dynamic growth. Experts see further growth being driven particularly by more efficient LCD TVs (green technology), but also the promising touch screens for mobile devices sub-segment (used in cellular phones, GPS devices, tablet PCs, and laptops). Despite rapidly growing sales figures, DisplaySearch is forecasting revenues in the industry to continue declining until 2014 as a result of sinking prices. Due to the asymmetry, device manufacturers see themselves confronted with the urgent need to significantly cut production costs. As a result, investments in the latest generation of production equipment are just as essential to future market growth as efficient and cost-effective manufacturing processes. As a leading global supplier of equipment for handling glass substrates and wet-chemical cleaning, Manz Automation will benefit from the current trends. Equipment for the manufacture of touch screens is currently in particularly high demand from customers, and is also responsible for the lion's share of Manz's revenues in the FPD segment.

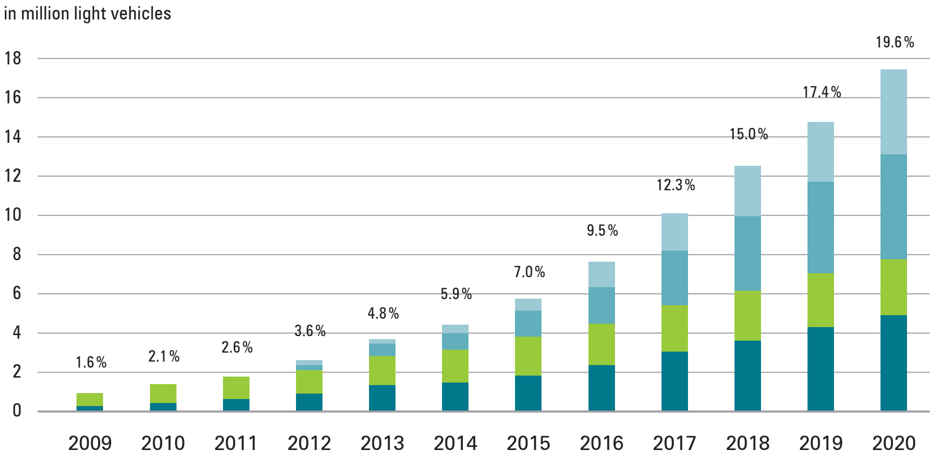
### New Business Division

Our new division – aptly named New Business – is the successor of the former "systems.aico" segment and encompasses a variety of different future technologies. In this context, we must particularly mention our work in the field of lithium-ion batteries.

*Lithium-ion technology as a driving force for the future*

The move to electric vehicles is a major trend associated with profound changes in the automotive industry, and these changes offer outstanding prospects for economic growth and employment. According to a study by the consulting firm McKinsey, these changes could create up to 420,000 jobs worldwide by 2030, while the size of the market could even double to 170 billion euros in the same period of time. And a study by HSBC on the future prospects of the electric vehicles market is equally optimistic. In this case, the experts predict the market share of automobiles powered by lithium-ion technology will grow to 87 % by 2020. This corresponds to global sales of around 45.8 billion US dollars. In order to accelerate the world's transition into the electric age on the road, numerous governments have developed ambitious subsidy concepts. For example, Germany hopes to have one million newly registered electric vehicles on its roads by 2020 as a result of its "National Development Plan for Electric Vehicles." The plan comprises a number of measures, including a subsidy fund totaling 500 million euros for research and development projects, model regions, as well as creating a national electric vehicles platform which will be responsible for coordinating the concrete steps taken to achieve the government's goals. In addition, large-scale public subsidy programs have also been implemented in China, South Korea, England, and Portugal. Spain, France, and the United States also offer potential electric vehicle buyers government-subsidized discounts as well as additional privileges on the road, such as allowing electric vehicles to also use bus lanes.

## GLOBAL MARKET FORECAST BY TYPE (XEV Penetration in %)

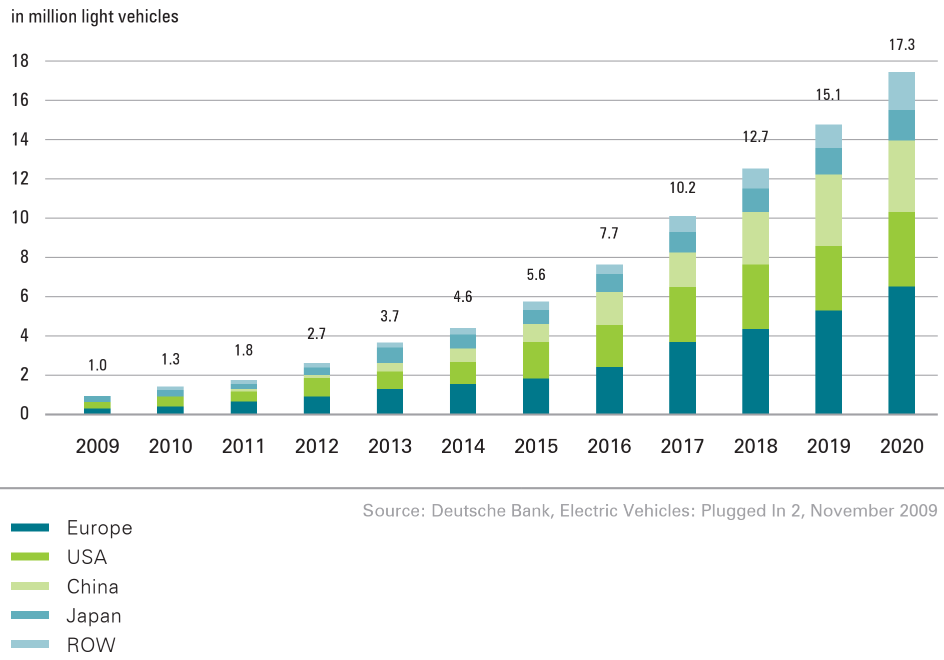



Source: Deutsche Bank, Electric Vehicles: Plugged In 2, November 2009

- Mild Hybrid
- Full/Plug-In Hybrid
- PHEV
- EV

*The technology's wide variety of possible applications go far beyond the automotive industry*

## GLOBAL MARKET FORECAST BY REGION (XEV Penetration in million pieces)



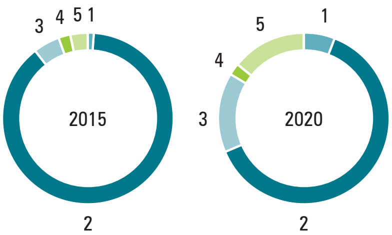

Source: Deutsche Bank, Electric Vehicles: Plugged In 2, November 2009

Electric vehicles enable environmentally friendly, sustainable, and future-proof transportation, and it is becoming clear that in addition to environmental and climate-related considerations (reducing CO2 and toxic emissions), economic reasons are increasingly gaining importance as an incentive to such forms of transportation. For Manz Automation, this is associated with significant market potential. From today's perspective, the total volume of the equipment sector will equal several hundred million euros over the next five years. In addition, high-performance batteries can also be used as storage media in many fields outside the automobile industry. In the future, applications will emerge for these batteries in industries such as shipping, aerospace, commercial vehicles, as well as for a range of industrial and private applications. For example, the technology can be used in motorboats, avionics, satellites, agriculture, and in distributed photovoltaic equipment, particularly in countries without nationwide electrical coverage. In summary, our company views the lithium-ion battery segment as a highly attractive area of growth, which Manz can participate in over the medium term as a result of our extensive research and development know-how.

Since July of 2009, Manz has been part of an innovation alliance entitled "Manufacturing Research on High-Performance Lithium-Ion Batteries for Electric-Powered Transportation." The goal of this research project is to explore new manufacturing technologies and apply them to the mass production of lithium-ion battery systems. To achieve this goal, the project will make advancements to both new industrial manufacturing technologies as well as automation solutions. At the same time, the project's participants are also devising solutions for system integration and production process planning for battery-cell manufacturers. Through our participation in this industrial partnership, Manz Automation has created an outstanding initial position from which to establish ourselves over the long term as a leading system supplier in this dynamic growth market.

*In particular, the market for hybrid vehicles will see dynamic growth in the future*

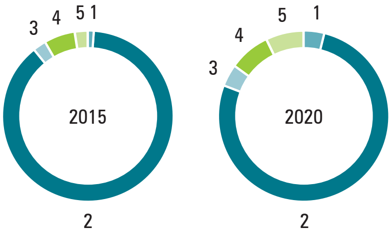
## EUROPEAN XEV PENETRATION BY TYPE (2015 and 2020)




| | 2015 | 2020 | |
|---|---|---|---|
| 1 | **1 %** | **6 %** | EV |
| 2 | **90 %** | **63 %** | ICE |
| 3 | **5 %** | **15 %** | Mild Hybrid |
| 4 | **2 %** | **2 %** | Full/Plug-In Hybrid |
| 5 | **3 %** | **14 %** | PHEV |

Source: Deutsche Bank, Electric Vehicles: Plugged In 2, November 2009

## U.S. XEV PENETRATION BY TYPE (2015 and 2020)




| | 2015 | 2020 | |
|---|---|---|---|
| 1 | **1 %** | **4 %** | EV |
| 2 | **89 %** | **77 %** | ICE |
| 3 | **2 %** | **4 %** | Mild Hybrid |
| 4 | **6 %** | **8 %** | Full/Plug-In Hybrid |
| 5 | **2 %** | **7 %** | PHEV |

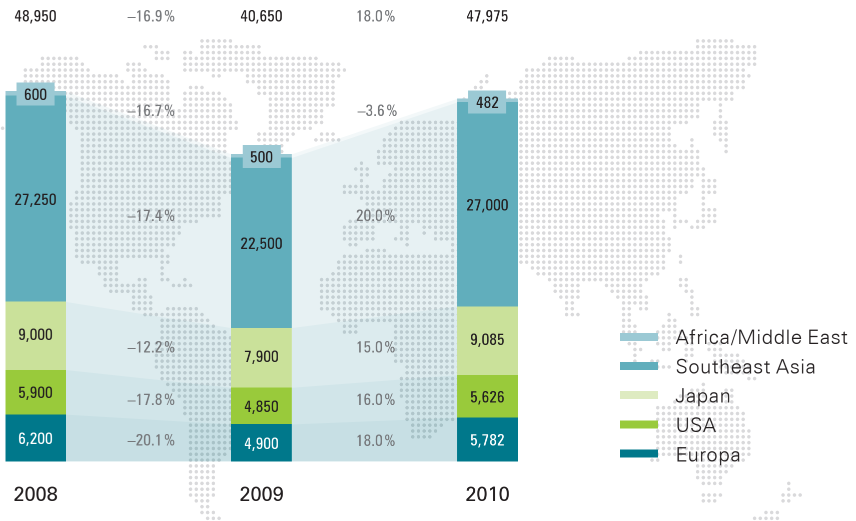
Source: Deutsche Bank, Electric Vehicles: Plugged In 2, November 2009

## PCB/OEM Reporting Segment

*The market for printed circuit boards is rapidly approaching its record size before the economic crisis*

According to the PCB division of 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 approx. 18 % in the 2010 fiscal year. This means that the volume of the market is almost back to the same size it had been in 2008, before the economic crisis. The experts from ZVEI attribute this positive growth primarily to the economic recovery in the industries of key buyers (such as automotive electronics), but also to the fact that companies in industrialized nations are once again making investments. In addition, industry growth is also being driven by industrial production in Asia, particularly China. According to calculations by the ZVEI, the German market could grow by around 16 % to approx. 1.3 billion euros.

### GLOBAL CIRCUIT BOARDS MARKET 2008–2010 (regions in USD million)




Quelle: ZVEI

## Overall View of the Business Environment

Manz Automation can look back on a successful year which was, above all, characterized by the economic recovery, with positive effects on our company's operations, revenues, and earnings. As such, the number of orders in Manz's books as well as our degree of capacity utilization grew close to their pre-crisis levels in 2008, which was a record year for Manz. At the same time, our company's strong market position forms the basis for future growth, and demonstrates the success of Manz Automation's intense R&D activities. Furthermore, our activities in growth industries – such as lithium-ion batteries for electric vehicles – and new areas of business like CIGSfab offer enormous potential for Manz Automation.

## Company Goals and Strategy

Manz Automation AG pursues the strategic goal of strengthening and further expanding our global position as a technological and market leader for integrated system solutions in the fields of automation, wet-chemical processes, quality assurance, as well as laser processing and vacuum technology. Based on our customers' needs 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. This is our reason for increasing the number of employees at Manz Coating GmbH – to make advancements in key areas such as vacuum coating and the innovative silicon nitride system for crystalline solar cells. By concentrating on sunrise industries, Manz Automation AG can participate in the dynamic international growth of both clients and markets. The result is considerable revenue and earnings potential for our company. Regardless of industry, Manz Automation AG also pursues the goal of continually optimizing our sales and services in order to both maintain and increase our market share.

*Expanding market leadership in sunrise industries*

### 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 the Industry:

Our goal here is to obtain a strong position for Manz Automation as a "preferred supplier" in the photovoltaics market. In this context, offering new, innovative products and making continuous advancements to our existing range of products both play a particularly important role. As a company driving innovation, Manz strives to push the industry forward and develop pioneering technologies.

### 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 a key role in expanding the range of technologies and products our company offers. Purchasing technologies and making targeted acquisitions also allow Manz to acquire technical know-how. This gives our company an even wider foundation and strengthens our competitive position.

### Expanding our Foreign Presence:

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


# RESPECT YIELDS SUCCESS

**WE ARE SUCCESSFUL TOGETHER. BECAUSE THE DEDICATION AND KNOWLEDGE OF EACH AND EVERY INDIVIDUAL PLAYS A CRUCIAL ROLE.**

**MANZ – PASSION FOR EFFICIENCY**

**ANJA FREUDIGMANN, HUMAN RESOURCES ADMINISTRATOR, MANZ REUTLINGEN**

# NOTES TO THE RESULTS AND ANALYSIS OF THE FINANCIAL SITUATION

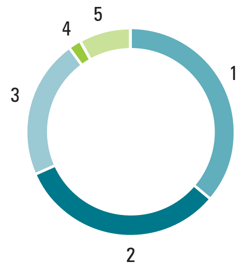
## Earnings Position

*Revenues of 181.4 million euros generated – more than double the previous year's figure*

Manz Automation AG's profit and loss statement is organized according to the total cost method. In line with the significant improvements to the macroeconomic environment, our company also significantly increased its total revenues in the 2010 fiscal year – in fact, more than doubling the previous year's total of 85.9 million euros to 181.4 million euros. This dynamic increase was primarily the result of renewed strong demand from customers, particularly for new and innovative products. At the same time, significant improvements to financing conditions in Manz Automation AG's target markets, especially in the photovoltaic industry, resulted in a general increase in the willingness of companies to make new investments. In addition, orders in the books with a value of 140.7 million euros (as of February 28, 2011) allow us to view the current fiscal year with confidence, particularly with regard to operational performance and our degree of capacity utilization.

Every division of Manz Automation AG was able to benefit from this positive trend. With 36.2 % of revenues, the Solar division generated the largest share, equal to 65.7 million euros. In the previous year, our system solutions for the manufacture of crystalline solar cells and thin-film solar modules only generated 46.9 million euros, which was equal to 54.6 % of the group's revenues. In addition, the Flat Panel Display (FPD) division proved to be particularly fast growing. Driven by dynamic demand for tablet PCs and smartphones, this segment's revenues almost quadrupled from 14.9 million euros to 58.8 million euros. As a result, the FPD division was responsible for 32.4 % of total revenues (previous year: 17.3 %). The newly created PCB/OEM Reporting Segment also contributed significant revenues totaling 38.8 million euros, which corresponds to about 21.4 % of Manz Automation's total revenues. In 2009, our company only generated revenues of 10.0 million euros from its business with printed circuit boards (equal to 11.7 % of 2009 revenues). Both our Other and New Business divisions also contributed significant revenues to the 2010 total. The Other division generated 14.5 million euros, equal to 8.0 % of total revenues (previous year: 10.6 million euros, equal to 12.3 %), while the New Business division generated 3.6 million euros, equal to 2.0 % (previous year: 3.5 million euros, or 4.1 %).

## REVENUES BY BUSINESS UNIT 2010

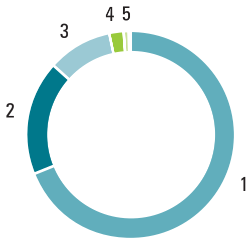



| | | |
|---|---|---|
| 1 | **36.2 %** | Solar |
| 2 | **32.4 %** | FPD |
| 3 | **21.4 %** | PCB/OEM |
| 4 | **2.0 %** | New Business |
| 5 | **8.0 %** | Other |

Manz once again generated the lion's share of its revenues in 2010 in Asia. While Manz generated 44.0 million euros in this region in 2009, which was equal to more than half of total revenues (51.2 %), revenues from these fast-growing Asian economies grew significantly in 2010 – now contributing 69.5 % or 126.0 million euros of our company's total revenues. In contrast, revenues generated in our domestic market decreased, with Germany contributing 18.3 million euros in 2010, equal to 10.1 % of all revenues (previous year: 25.1 million euros, equal to 29.2 %). In the rest of Europe, Manz generated revenues of about 32.3 million euros, equal to 17.8 % of total revenues (previous year: 12.0 million euros or 13.9 %). In addition, 2.3 % of Manz's total revenues, equal to 4.1 million euros, was generated in the United States (previous year: 5.5 % of revenues, equal to 4.7 million euros). Manz generated 0.6 million euros, or 0.3 % of total revenues, in all other regions (previous year: 0.2 %, equal to 0.2 million euros).

*Asia remains Manz's most important sales market*

## REVENUES BY REGION 2010




| | | |
|---|---|---|
| 1 | **69.5 %** | Asia |
| 2 | **17.8 %** | Rest of Europe |
| 3 | **10.1 %** | Germany |
| 4 | **2.3 %** | USA |
| 5 | **0.3 %** | Other regions |

Taking changes to our inventory of finished goods totaling 9.6 million euros (previous year: 9.0 million euros) as well as internally produced and capitalized assets resulting from increased research and development activities totaling 14.0 million euros (previous year: 6.2 million euros) into account, Manz Automation AG's total operating revenues more than doubled in the reporting period, from 101.1 million euros in the previous year to 205.0 million euros. As a result of our expanded business operations, our cost of materials climbed in the reporting period from 60.4 million euros to 121.6 million euros. As such, our cost of materials ratio also improved slightly, declining to 59.3 % (previous year: 59.7 %). The German term "Rohergebnis," which is similar to gross profit or loss, is a figure which includes total revenues, changes in inventory of finished and unfinished goods, cost of materials, and other operating income. With other operating income in the reporting period totaling 6.4 million euros (previous year: 9.5 million euros), this figure grew significantly to 89.9 million euros. Compared to the previous year (50.2 million euros), this corresponds to an increase of 79 %.

On the reporting date of December 31, 2010, Manz had a total of 1,768 employees. As such, we were able to reverse the trend from the previous year, which saw our company reduce personnel levels at foreign locations as a result of the global economic and financial crisis (December 31, 2009: 1,377 employees). As a result, personnel expenses rose from 37.3 million euros in the previous year to 51.7 million euros in 2010. However, our company's overall increase in revenues meant that the ratio of personnel costs to revenues fell from 36.9 % in the 2009 fiscal year to 25.2 % in 2010.

*EBIT of 0.6 million euros generated – Manz is back in the black*

Depreciations and amortizations totaled 9.3 million euros, up from the 6.9 million euros which was written down during the previous year. In addition to scheduled depreciation of property, plant, and equipment, and internally produced and capitalized assets (development costs), this figure also includes planned depreciation on the CIGS technology licensing package of about 1.5 million euros. In addition, as a result of our expanded business operations, other operating expenses increased from 21.9 million euros to 28.3 million euros. These costs consist of marketing and sales costs, logistics costs, administrative costs, as well as consulting costs, among other things.

After recording a loss of –15.9 million euros in the previous year, Manz Automation overall generated earnings before interest and taxes (EBIT) of 0.6 million euros in 2010. This is primarily due to the strong revenue growth we saw compared to the year before. In addition, the measures we implemented successfully over the past few years to reduce costs (including when it comes to procurement and standardizing components) as well as the significantly improve degree of capacity utilization also helped get Manz back in the black. EBIT is an integral, internal management tool used by the company both at the segment and Group-wide level.

When examining our individual segments, the FPD division's EBIT grew from –1.3 million euros to about 3.5 million euros. In the Solar division, Manz was able to reduce its operating loss from –12.2 million euros to –3.8 million euros. Earnings before interest and taxes in the PCB/OEM reporting segment totaled 0.8 million euros in the 2010 fiscal year (previous year: –0.4 million euros). In the New Business division, Manz was able to generate a positive EBIT of 0.1 million euros (previous year: –0.1 million euros). Furthermore, the Other division also contributed 0.1 million euros to Manz Automation's total EBIT. In the 2009 fiscal year, our company recorded a loss of –2.0 million euros in this division.

When it comes to Manz Automation's subsidiaries, several hold interest-bearing financial liabilities, some of them non-current. However, these interest expenses are offset by interest earnings and current investments. As such, our company's solid liquidity situation resulted in income from financial assets totaling 0.1 million euros (previous 2.9 million euros). In this context, we must note that the previous year's income from financial assets was significantly influenced by special effects such as capital gains from the sale of marketable securities. Earnings before taxes (EBT) increased as a result of our operating profit from –13.0 million euros in the previous year to 0.7 million euros.

*High equity ratio of 66.4% is an indicator of Manz's economic stability*

After taxes and minority shares, the Manz Group posted a consolidated result of +1.6 million euros for the reporting period (previous year: –9.7 million euros). Based on an average of 4,480,054 shares outstanding, this corresponds to earnings per share of +0.35 euros (previous year: –2.15 euros per share).

## Asset Position

Compared to December 31, 2009, total assets increased by 56.3 million euros to 283.0 million euros (previous year: 226.7 million euros). At the same time our company's equity also increased from 179.0 million euros to 187.9 million euros during the reporting period. This increase resulted primarily from the effects of currency conversions totaling 7.6 million euros which did not affect net income. As such, the equity ratio on the reporting date was 66.4 %, as compared to 79.0% on December 31, 2009.

Non-current liabilities increased from 11.8 million euros to 18.6 million euros. This was particularly due to an increase in non-current financial liabilities from 0.7 million euros to 4.4 million euros, which was the result of the company taking out a loan to purchase a property at the Slovakian production location. In addition, passive deferred taxes increased from 4.5 million euros to 8.4 million euros, which we primarily formed for capitalized development costs and due to the use of the Percentage of Completion method (PoC). The significant decline in other non-current provisions of 2.5 million euros down to 1.5 million euros is primarily due to the record revenues Manz generated in 2008, since the majority of this balance sheet item comprises warranty provisions which are limited to a period of two years.

In addition, current liabilities increased significantly from 35.9 million euros to 76.4 million euros. This figure includes interest-bearing current financial liabilities valued at 9.8 million euros, up from 8.7 million euros at the end of the reporting period last year. These lines of credit were adjusted to match Manz's operative growth as part of expanding our business operations. Corresponding to Manz doubling its total operating revenues, accounts payable also rose to 51.5 million euros (previous year: 14.2 million euros), with advance payments received totaling 4.2 million euros (previous year: 1.0 million euros). Other current provisions totaled 3.4 million euros on December 31, 2010 (previous year: 3.1 million euros). Other liabilities totaling 7.4 million euros include taxes (payroll and church taxes as well as VAT), social security contributions, and personnel provisions.

*Capitalizing on the usage rights to CIGS technology will lead to significant growth of Manz's long-term asset value*

On the asset side, the value of non-current fixed assets increased significantly from 66.7 million euros to 122.3 million euros. In this context, the value of intangible assets saw a particular increase, rising from 47.0 million euros to 90.0 million euros. In addition to capitalized development costs, this balance sheet item primarily includes the purchase price allocation of the usage rights to the CIGS production technology Manz purchased from Würth Solar in the summer of 2010. Our company wrote down 169,000 euros in capitalized development costs in the reporting year, which resulted from changes to their estimated remaining useful life. The increase in the value of fixed assets from 16.6 million euros to 23.6 million euros is the result of installing additional production equipment within the scope of expanding our business operations, but also the result of purchasing properties at the Slovakian production location.

On the contrary, current assets remained predominantly stable, totaling 160.7 million euros on December 31, 2010 (previous year: 160.0 million euros). In this context, our company's inventory increased as a result of expanding business operations and the improved degree of capacity utilization from 29.8 million euros to 50.0 million euros at the end of fiscal year 2010. The value of accounts receivable also increased in a similar fashion, growing significantly from 39.6 million euros to 67.1 million euros. The increase in other current receivables from 1.9 million euros to 4.5 million euros is primarily the result of expanded VAT receivables. At the same time, Manz finally sold all remaining securities in the 2010 fiscal year (previous year: 28.8 million euros). As a result of paying the licensing fees for CIGS technology, our liquid assets declined to 38.9 million euros (previous year: 59.3 million euros).

## Financial Situation

*Improved cash flow is proof of Manz Automation's positive operative growth*

Our company's cash flow in the narrower sense (annual net profit plus write-downs on fixed assets as well as an increase/decrease in long-term pension provisions) in the 2010 fiscal year totaled 8.5 million euros (previous year: –6.6 million euros). Our improved cash flow is proof of Manz Automation's positive operative growth. Despite the significant increase in our need for working capital, our company generated a positive operative cash flow of 2.0 million euros (previous year: 39.7 million euros). This was primarily the result of the significant increase in inventory as well as accounts receivable and accounts payable caused by expanding our business operations.

After totaling –5.8 million euros the previous year, cash flow from investment activities totaled –28.2 million euros in the current reporting period. This figure is primarily the result of acquiring intangible assets, which include the licenses within the scope of the partnership with Würth Solar, as well as tangible assets. These contractual payments were made using liquid assets as well as through the sale of securities.

In contrast, cash flow from financing activities increased to 4.5 million euros, up from –8.6 million euros in the same period last year. This figure is primarily a reflection of changes to overdraft lines of credit. A significant cash flow resulted from a local loan for the purchase of a property in Slovakia. As a result, Manz Automation held liquid assets totaling 38.9 million euros on December 31, 2010 (previous year: 59.3 million euros).

## Financial Management's Principles and Goals

Manz Automation'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 following value-based financing principles in order to secure our company's liquidity at all times, limit financial risks, and optimize the cost of capital. Furthermore, we strive to achieve a well-balanced maturity structure and have a highly diversified group of investors.

### Overall View of Our Company's Economic Situation

In 2009, our company still had to intensively deal with the effects of the global economic and financial crisis. In the previous fiscal year, Manz Automation benefited from significantly improved economic business environment. This recovery, which picked up considerable steam in the second half of the year, extended across all of our divisions. As a result, we were able to increase sales revenue from 85.9 million euros to 181.4 million euros. At the same time, Manz Automation doubled total operating revenues from 101.1 million euros to 205.0 million euros. Despite making significant investment payments as a result of the licensing fees due within the scope of our partnership with Würth Solar, our company has free liquid assets of 38.9 million euros available. In addition to our excellent equity ratio of about 66.4 %, this is compelling evidence of our company's financial power and real intrinsic value.

## COMPENSATION REPORT

The Compensation Report 2010 contained within the Corporate Governance Report on pages 33 to 52 is part of the Management Report. The compensation report summarizes the principles of compensation paid to members of Manz Automation AG's Managing Board in the fiscal year 2010, and also discloses the amount and structure of their payments as well as the compansation paid to the Supervisory Board in the fiscal year 2010.

## DISCLOSURES PURSUANT TO ARTICLE 315, SECTION 4 OF THE GERMAN COMMERCIAL CODE (HGB) AND NOTES

### Composition of Subscribed Capital

Manz Automation AG's subscribed capital is valued at 4,480,054.00 euros and comprises 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 Automation 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 Automation 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. 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 Germany's Federal Financial Supervisory Authority 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 | 1,993,248 | 44.49 % |

## 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 Automation AG issues shares of Manz stock to employees within the scope of a profit-sharing plan as opposed to paying them a voluntary annual profit share, said employees can immediately make use of any control rights resulting from these shares in accordance with the company's articles of incorporation and applicable laws.

Insofar as Manz Automation 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, 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 Chairman 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 chairman 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 77 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 pre-emptive rights. The Managing Board is authorized, however, to disallow shareholders' pre-emptive 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, Paragraph 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 I

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 pre-emptive 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' pre-emptive 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' pre-emptive 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' pre-emptive subscription rights to bonds for fractional shares, and to disallow shareholders' pre-emptive 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 pre-emptive 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 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.

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 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 pre-emptive 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 pre-emptive 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' pre-emptive 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 agreements entered into with Martin Hipp and Volker Renz, both members of the Managing Board, stipulate in the version effective since February 2010 that in the event of a change of control (purchase of shares by a shareholder which comprise at least 25 % of the company's capital stock), that said members of the Managing Board are authorized to resign from their executive positions within six months after the change of control has become effective. Said resignation is to go into effect after a period of six months, at which time the member resigning will no longer be in the employ of our company. If one of the aforementioned members of the Managing Board resigns in accordance with the aforementioned stipulation, they will receive a severance package equal to the compensation they would have received had they continued in their position until the contractually stipulated end of the agreement, but no less than one year's salary.

Plans exist to replace these provisions with new provisions.

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

Apart from the aforementioned agreements with the two members of the Managing Board Mr. Hipp and Mr. Renz, our company has not entered into any other agreements with members of the Managing Board or with employees which set forth any form of compensation in the event of a takeover bid.

# ENTHUSIASM EFFECTS CHANGE

**WE INVEST IN RESEARCH AND DEVELOPMENT, BECAUSE NOT ONLY DO WE WANT OUR PRODUCTS TO BE GOOD, WE WANT THEM TO BE EXCEPTIONAL.**

**MANZ – PASSION FOR EFFICIENCY**

**DR. FLORIAN SCHWARZ, DEVELOPER, MANZ KARLSTEIN**

# SUSTAINABILITY REPORT

At Manz, sustainability means acting in a responsible manner in the best interest of future generations – from a business, environmental, and social perspective. Our company views corporate responsibility as a key prerequisite for long-term business 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 our company 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 acting responsibly are not mutually exclusive. And this is the reason why our company has systematically focused our product range on target industries, which play a significant role in combining a sustainable energy supply with excellent economic growth potential. As such, economics does not stand in opposition to environmental protection and a commitment to social issues. In fact, just the opposite is true: all three aspects are integral components of sustainability, and are all interdependent.

An excellent example of such synergies is Manz's partnership with Amity University in India. 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 internships available. As a result of various conditions (such as climatic conditions and the country's need for a distributed energy supply), India offers outstanding future prospects for the photovoltaic 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, which gives our company an excellent initial position from which to cover our future need for specialists with internally trained talents.

In addition, our company offers a wide range of training and educational programs which are encompassed within the Manz Academy. This offering is directed both toward Manz Automation's employees and our customers. In the previous fiscal year, we offered around 670 seminars attended by over 600 employees and customers. Intensive training measures are a guaranteed way of increasing our staff's know-how, which represents a good foundation for achieving our corporate goals, but also ensures that our employees can develop personally, too.

In addition to 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

*Manz Academy established as a training center for employees*

## ENVIRONMENTAL PROTECTION

As a high-tech engineering company with a clear industry focus on "green technologies," our company already plays a significant role in making the world's energy supply sustainable and environmentally friendly. To us, the sustainable use of the earth's resources is not only an abstract concept, but an integral part of our company's 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 have attached solar panels to the roofs and facades of our assembly hall in Reutlingen, which are used to generate electricity. With a total of two large systems, we generate over 340,000 KWh of electricity each year. The first system, which went into operation in 2004, generates 100 KW, and the second system, which followed in December 2009, generates 237 KW. It should also be noted that this solar equipment is not owned by Manz Automation, but rather by employees of our company. This group of employees joined together and acquired the financing necessary for the system, demonstrating both their bond with our company and their belief in the effectiveness of photovoltaics. As a result, they profit from feeding the electricity back into the grid and the resulting compensation. This energy concept is complemented by two smaller facade systems owned by our company – which generate 8 KW and 16 KW, respectively – and these systems demonstrate the architecturally sophisticated integration of solar modules into facades. All in all, these systems generate approximately 340,000 KWh of green electricity annually, covering a portion of Manz Automation's energy use.

## SOCIAL COMMITMENT

Manz Automation is convinced that companies have a social responsibility to society, which 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, 38 young people completed a qualified vocational training program at Manz Automation's locations in Germany. In addition to supporting local associations, the University of Tuebingen, and public facilities in the municipality of Kirchentellinsfurt, Manz also regularly donates money to charity.

*Manz helps others to help themselves with the "metal workshop" project in Ethiopia*

At the same time, in 2010 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 give 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 dedicated and motivated young people from disadvantaged ethnic groups, and between the ages of 15 and 19, were given the opportunity to participate in a basic vocational training program to become a "general metalworker;" 14 of the 15 students completed the program successfully by passing the final exam. Manz Automation founded its own metal training workshop in Addis Ababa, Ethiopia, specifically for this purpose. The second class successfully completed their training in 2010, and now have the skills they need to join the work force. Today, our metalworking shop is already regarded as a model project for all of Ethiopia. In order to further improve the program in the future, our next step is to extend the length of the program to ten to twelve months. In addition to upgrading the classrooms, we also plan to set up a small production facility to reduce the program's dependence on financial donations.

Another form of social commitment practiced by Manz Automation is the company's daycare program. This special program offered specifically to working parents enables our company to fulfill its responsibilities to our employees. Manz launched the workplace day-care program to ensure that our company's employees can focus on developing their ideas instead of worrying about 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. In addition, our company also makes financial contributions for the purpose of supporting young families.

# EVENTS AFTER THE BALANCE SHEET DATE

No events which could have had a significant impact on our financial situation took place after the reporting date.

# REPORT ON OPPORTUNITIES AND RISKS

## RISK MANAGEMENT AND INTERNAL MONITORING SYSTEM

Manz Automation AG is a technology company active throughout the world and, as a result, is exposed to a variety of different risks. Risks can develop both as a result of our own actions as a company and from external factors. That is why Manz Automation AG views dealing with these risks in a responsible manner as absolutely essential to our 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 currently aren't any risks which could jeopardize our company's existence.

### Risk Management Goals and Characteristics

The goal of Manz Automation AG's risk management system is to identify 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 Automation AG has the ability to promptly identify, evaluate, and react to risks with appropriate measures. In the course of making business decisions, which are characterized by the tug-of-war between opportunities and risks, Manz Automation AG consciously takes risks which are commensurate with the expected benefit for the company from the corresponding business activity. As such, risks can never be completely avoided, but are minimized or transferred whenever possible.

The company's risk management activities are managed centrally by the risk management officer from the consolidated group of companies, are regularly evaluated with regard to their effectiveness and suitability, and are the complete responsibility of the CFO. In contrast, the responsibility for monitoring risks is organized locally, and depending on the risk's category and possible consequences, falls on the divisional heads, managing directors, and even Manz Automation AG's executives. An overall report is presented to the Managing Board and the Supervisory Board once a year which enables them to make a comprehensive assessment of all risks.

Regularly analyzing and evaluating risks is carried out using a risk management system. This system comprises 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 Automation AG's employees. By involving 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 as many risks as possible, they have been grouped into different general subject areas. As such, we differentiate between the following risk categories:

- Management & Corporate Environment
- Buildings & Infrastructure
- Products & Markets
- Sales
- Development and Design
- Manufacturing & Assembly
- Information Technology
- Project Management
- 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 semi-annual planning process. We continuously observe technology and markets to generate different scenarios which will occur depending on technological and economic developments. The goal of devising and using these different 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 auditing firm came to the conclusion that we have taken all the measures necessary to establish an early warning system, and that the monitoring system is capable of recognizing at an early stage any developments that threaten the continued existence of our company. As a result, Manz Automation 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 Section 5 and Article 315, Section 5 of the German Commercial Code (HGB)

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 Automation's main sales markets can be associated with negative effects on our company's performance. Due to financing shortfalls, investments in solar technology could be postponed, leading to a reduction in solar module sales. In addition, in this case it could be significantly more difficult for listed companies to acquire additional funding on the capital market. Companies active in the solar industry run the risk of not having the capital necessary to invest in new equipment. This would noticeably slow down growth in the solar market. 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 global production and sales capacities, by maintaining an adequate amount of funds to compensate for decreases in demand, as well as by having a clear focus on growth markets such as China and India.

### Risks from Increasing Competition

Although the future prospects and financing conditions for system solutions have improved in contrast to last year, especially in the photovoltaic sector, the danger still exists that competition in the market for automation and quality assurance systems will continue to become stiffer. The gradual decline in module prices 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. The manufacture of knock-offs in the Asian region presents an additional risk. This could have a direct impact on Manz Automation's revenues and earnings, as well the company's market shares. In order to actively combat these risks, Manz Automation 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 Automation 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 impact on margins can have an effect on Manz Automation's earnings. Furthermore, a possible postponement of reinvestments as well as 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 needs, our company has focused its research and development activities on solutions which offer manufacturers an increase in efficiency and, as a result, lower production costs.

### 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. This is because of the constant technological advancements that are made, particularly in the photovoltaic and LCD sectors. 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 which 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 little demand on the market. In order to control these risks, Manz Automation 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.

By acquiring the usage rights to CIGS production technology from Würth Solar GmbH & Co. KG in the summer of 2010, Manz has significantly expanded its business model. In return for licensing its know-how and the intense personal support our partner is providing, Manz has agreed to a payment of 50 million euros, which is due in several installments up until we accept the first CIGSfab. Of this total, we paid an initial amount of 30 million euros upon entering into the partnership. In addition, our company has agreed to pay ongoing licensing fees in connection with making a sale. Although Manz Automation is currently holding different discussion with potential pilot customers, our company has not yet been able to acquire a new order for the shipment of a first turnkey, fully integrated production line. As a result, we cannot completely rule out the risk that there is insufficient demand for a CIGSfab on the market or that customers cannot find a solution for financing this technology. The consequence would be a loss of the investment payments our company has made as part of the exclusive know-how licensing and partnership agreement with Würth Solar GmbH & Co. KG. In addition, the company's future revenue and earnings potential would be significantly reduced.

## 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 Automation's currency risks result from our operational activities. Risks from foreign currencies are hedged insofar as they influence the company's cash flow. In the 2010 fiscal year, Manz Automation 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. As of the reporting date, our company did not hold any significant open foreign currency positions, and no foreign currency transactions are planned. The risk from interest rate fluctuations on variable loans was limited through interest rate swaps.

### Risks From Customer Insolvency

Although the macroeconomic environment has improved significantly in comparison to the year before, and the number of companies declaring bankruptcy is declining, our company could still be confronted with a loss of receivables in the future which could have a negative impact on the company's revenues and earnings. Furthermore, a customer declaring bankruptcy would also mean the loss of possible follow-up orders from that customer. We limit possible credit risks by carrying out a thorough credit screening before entering into an agreement, by holding credit insurance policies, as well as 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. However, as a listed company, Manz Automation enjoys greater attention from potential employees and can thus 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 Automation can 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 Manz is not able to deliver the stipulated quantity on the contractually stipulated date as a result of delivery problems or supply shortages, for example, this could reduce income from the project. And it would have a direct impact on the company's earnings situation. 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 sub-contractors 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

### Significant Market Growth in the Photovoltaic Industry

The photovoltaic industry has enjoyed dynamic growth over the past few years. Even if the previous year was characterized by an increase in price pressure, which primarily resulted from declining prices for solar modules, this sector still offers excellent future growth prospects, especially since the conditions for financing projects have improved considerably. In addition, solar power becoming competitive (reaching grid parity) is just within reach. Despite the reduction in feed-in tariffs set forth in Germany's Renewable Energies Act, the country will maintain its position as Europe's largest market for solar modules and cells for the time being. Experts actually expect to see the most significant growth in the USA, which over the medium term could become the world's second-largest market. In addition, other regions outside of Europe – such as India or China with their extensive subsidy programs, but also the Middle East and Africa (the MENA region) – are now getting more attention. As a result, market experts are forecasting an enormous increase in demand for photovoltaic equipment.

In 2010, the photovoltaic industry grew by 87 % thanks to cost cuts and efficiency increases. Since a number of key markets have now reached a high base level, growth will lose some momentum over the medium term. In a sustainability study conducted by Bank Sarasin, market researchers forecast solar output to grow by an average of 33 % annually until 2015, which is still an extremely attractive rate. These ambitious forecasts are based on the assumption that engineering firms will continue to actively pursue rapid technological advancements, reduce manufacturing costs, and increase the efficiency of solar cells and modules.

### Synergies in the Solar and FPD Divisions Create Competitive Advantages

Special synergies exist between the Solar and PFD divisions which will make an increasing contribution to our company's growth while, at the same time, boosting its profitability. These synergies particularly result from the similar technological requirements for automating production lines for flat-screen displays (LCD or plasma technology) and for automating production lines for thin-film solar modules. Above all, this applies to the handling of large-sized glass substrates, which is an area in which Manz Automation has established a high level of expertise over the course of many years and, as a result, has clear competitive advantages in the high-growth market for thin-film technology. This

*Experts predict strong growth in the photovoltaic industry* allows our company to use technologies that have already been fully developed in new high-growth sectors (such as thin-film solar modules). For example, the takt time for LCD machines in our established area of application is only 35 seconds, yet the automation of thin-film solar modules takes close to three minutes. This is an example of an area where synergy effects can still be realized. By acquiring Intech Machines Co. Ltd., Manz Automation gained access to technology for the wet-chemical cleaning of glass substrates. This technology represents a key production stage for both the manufacture of LCD displays and thin-film solar modules. This will allow our company to reinforce its competitive position in both segments, and develop additional revenue and earnings potential.

### Increasing Added Value through Research and Development Projects

*Success in research and development is key to Manz's future market position*

By opening our Development Center for Vacuum Coating Technology in Karlstein am Main, we have been to increase the share of equipment developed and manufactured within the Manz Group up to 90 % – both for crystalline solar cells and thin-film solar modules. 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 in future offer equipment for the other required stages of production. But increasing the speed of our systems, 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. By acquiring the usage rights to CIGS technology from Würth Solar in the summer of 2010, our company also has an excellent initial position from which to further establish itself as a system supplier in the thin-film segment as well, and significantly increase our current position in the market. Both can have a positive impact on our company's revenues and earnings.

### Significant Opportunities for Growth by Continuing to Expand Internationally

The solar industry particularly 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, as well as an immense amount of space available for photovoltaic systems. In addition, politicians in the United States are increasingly upbeat on solar power. For example, the US government has pushed to increase the country's share of electricity from renewable energy from 9 % to 25 %. As a result, 150 billion 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, know-how, 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 plans 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 Tapping New Markets

By expanding our product range to include the field of electric vehicles, additional growth prospects have opened up for our company. We are specifically referring to equipment for the industrial manufacture of lithium-ion batteries, which are used in the majority of electric and hybrid vehicles. Extremely high growth rates are forecasted for this area as a result of increasing energy prices from declining fossil fuel reserves as well as politically stipulated climate goals. Potential customers primarily include large suppliers in the automotive industry who have already begun producing this new, powerful drive technology in small batches. As part of Germany's "National Development Plan for Electric Vehicles," the country's federal government aims to have at least one million electric and plug-in hybrid vehicles, which can be charged by connecting them to the electrical grid, on German roads by 2020 at the latest. Manz Automation has already established an outstanding initial position in this market, and will significantly profit from the continuing increases in demand.

*Active commitment in the up-and-coming electric vehicles market offer Manz new growth potential*

# OUTLOOK

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

In the previous 2010 fiscal year, the number of orders Manz has in the books improved substantially. For example, we acquired new orders with a volume of over 50 million euros in December 2010 alone, and they will be reflected in our revenues and equity in the current fiscal year. We were able to successfully continue this positive trend at the "5th SNEC PV Power Expo" in Shanghai, which is one of the world's most important photovoltaic industry trade shows. Here we acquired orders and declarations of intent with a total volume of 25 million euros. In this context, we are particularly benefitting from our new products, which have gained widespread acceptance on the market. With orders currently valued at 140.7 million euros (as of February 28, 2011), we have every reason to look toward the future with confidence, since our existing capacities will continue to remain well utilized through the first half of 2011.

In addition, we are benefitting across all our divisions from an extremely positive economic environment. Furthermore, our target industries are becoming extremely attractive as a result of outstanding growth potential. The market's pricing situation continues to remain fierce, however. As the prices for solar cells and modules fall, increases in efficiency, productivity, and output are the industry's key success factors now more than ever. This trend has been intensified by the further cuts to feed-in tariffs as a result of the amendment to the Renewable Energy Act in Germany, which remains the world's largest individual market. Since we have systematically tailored our product range in the "Solar" division to the needs of our customers, we have an outstanding basis from which to participate in the photovoltaic industry's growth. Besides the solar industry, the market for flat-panel displays also has outstanding growth potential. In this area, the promising touch-screen sub-segment (which includes screens for tablet computers and smartphones, for example) has been responsible for the lion's share of the growth momentum. We believe that the trends in our target markets validate our decision to systematically focus Manz Automation on the world's fast-growing industries. Another example of our activities in a highly attractive growth market is the research we have conducted on the mass production of lithium-ion battery systems. With the development of the first pilot systems for Germany and Asia, we are establishing a position in the sunrise market for electric vehicles. In addition to synergies with other divisions, we expect to further diversify our business model as a result of our activities in this field.

Our investments in research and development are key to sustained growth. We consider our customers' needs and then develop leading technology products which both secure and expand our market position. In order to ensure that our company remains competitive and successful over the long term, we want to increase our share of added value to 90 % of the investment required for a production line for crystalline cells and thin-film solar modules by the end of 2011 and the end of 2012, respectively.

One of the main challenges Manz will face in the future is successfully establish our CIGSfab on the market. Thanks to our partnership with Würth Solar, we have an outstanding position from which to achieve this goal, since together with our partner we are the only equipment supplier in the world capable of offering systems of this type which can be operated profitably today. In the future, our additional range of products will include CIGS manufacturing equipment, which we plan to ship to manufacturers of thin-film solar modules worldwide. The potential revenue from a CIGSfab production line with an annual capacity of 120 MW is close to 150 million euros. By successfully implementing our expanded business model in the coming years, we will have the opportunity to considerably increase both our revenues and our earnings.

*Main challenge for fiscal year 2011 is establishing CIGSfab technology on the market*

In order to achieve these goals, our company is already making targeted investments in research and development and in the further expansion of our product capacities today. For example, Manz Automation AG has strengthened its local presence in the particularly high-growth and promising Chinese market by expanding our production facilities in Suzhou. Furthermore, an additional ten million euros will be invested in research and development activities in the current fiscal year, as R&D continues to be our highest priority.

We do so with the goal of further expanding our technological leadership and becoming even more competitive. At the same time, we are also planning to make additional investments in establishing our CIGSfab on the market. Together with other investments, in 2011 a total of 25 million euros will be used for further growth. We are aiming for the same figure in the 2012 fiscal year, although this is dependent on the success of our CIGSfab, which could result in the need to invest a significantly higher amount. Replacement and rationalization investments round out 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. As such, the number of employees working at our company will increase by around 5 % in 2011. We plan to continue this trend in 2012 as well, although depending on the success of our CIGSfab, we could require a significantly larger number of employees.

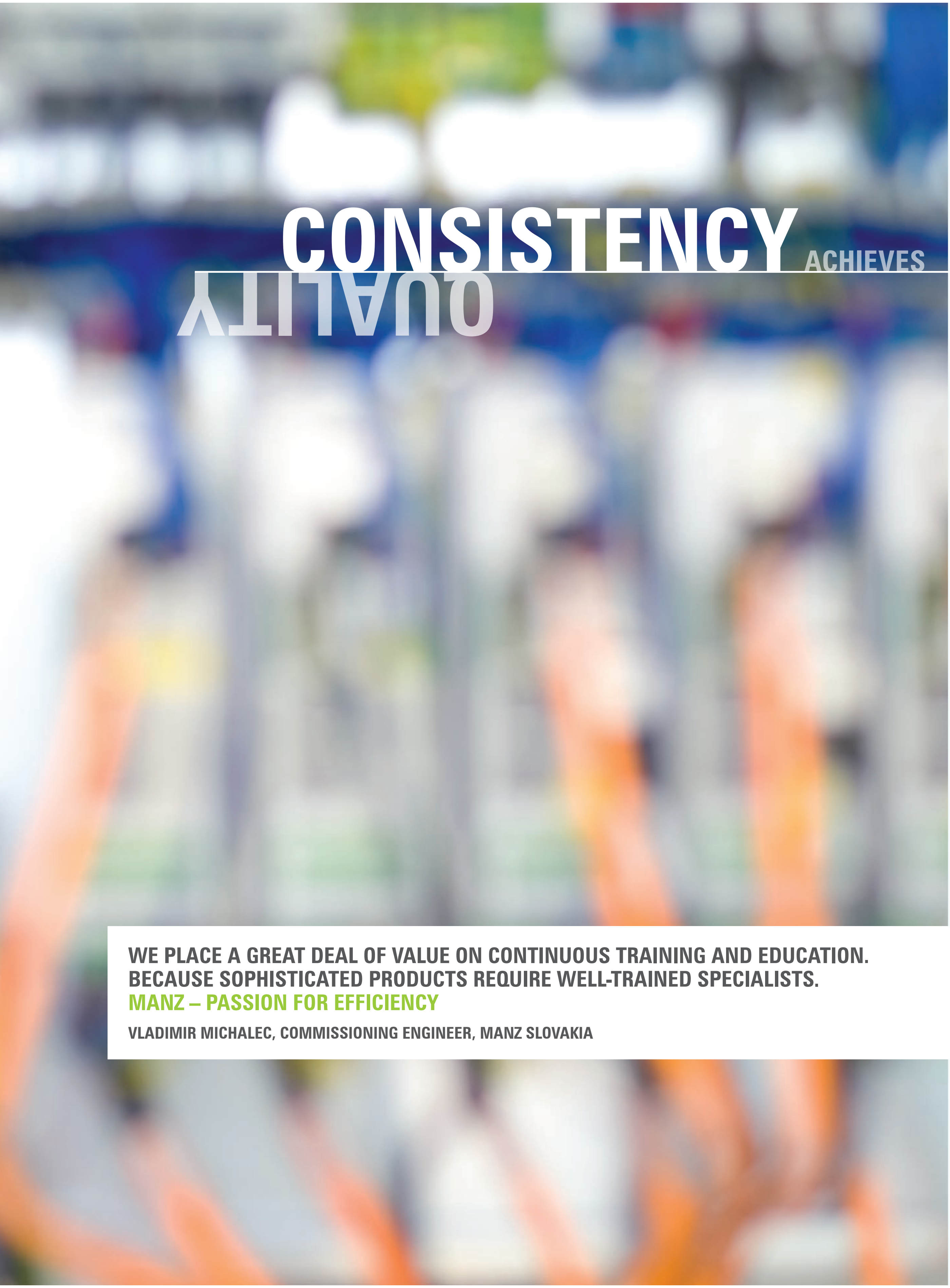
As a result of the excellent order situation in all of our divisions, we are forecasting total revenues of between 240 and 250 million euros in the 2011 fiscal year. In this context, we particularly expect to see Asian markets such as China and India contribute a significant share of total revenues. This corresponds to a year-over-year growth of 35 %. Depending on market trends in the thin-film technology segment, we also still have the potential to exceed these targets. Specifically, this means that shipping the first CIGSfab in the current fiscal year would result in a significant increase in revenues and earnings. Thanks to our increased degree of capacity utilization, we are confident that our earnings will increase significantly parallel to our revenues. To ensure that this is the case, we have implemented a number of different measures to cut costs. For example, increasing our product components' level of standardization will have a lasting effect on our profitability. In light of this, we are anticipating an EBIT margin of at least 5 % for 2011. In addition, we expect the growth trend to continue throughout the 2012 fiscal year. In this context, we expect to see two-digit revenue growth, with a steady EBIT margin of at least 5 %.

## FORWARD-LOOKING STATEMENTS:

This report contains forward-looking statements. These statements are based on the Managing Board's current assumptions and forecasts. 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 11, 2011

The Managing Board



# CONSISTENCY ACHIEVES QUALITY

**WE PLACE A GREAT DEAL OF VALUE ON CONTINUOUS TRAINING AND EDUCATION. BECAUSE SOPHISTICATED PRODUCTS REQUIRE WELL-TRAINED SPECIALISTS.**

**MANZ – PASSION FOR EFFICIENCY**

VLADIMIR MICHALEC, COMMISSIONING ENGINEER, MANZ SLOVAKIA

# CONSOLIDATED FINANCIAL STATEMENT

# CONSOLIDATED STATEMENT OF INCOME

| (in EUR tsd.) | Notes | 2010 | 2009 |
|---|---|---|---|
| Revenues | 1 | 181,402 | 85,915 |
| Change in finished goods | | 9,581 | 8,951 |
| Own work capitalized | 2 | 14,035 | 6,204 |
| **Total operating revenues** | | **205,018** | **101,070** |
| Other operating income | 3 | 6,429 | 9,513 |
| Cost of materials | 4 | –121,558 | –60,359 |
| **Gross margin** | | **89,889** | **50,224** |
| Personnel expenses | 5 | –51,653 | –37,310 |
| Amortization/depreciation | | –9,335 | –6,887 |
| Other operating expenses | 6 | –28,339 | –21,940 |
| **Operating result (EBIT)** | | **562** | **–15,913** |
| Income from financial investments accounted for at equity | 16 | –36 | –12 |
| Financial income | 7 | 937 | 3,601 |
| Financial expenses | 8 | –775 | –660 |
| **Pre-tax earnings (EBT)** | | **688** | **–12,984** |
| Income tax expense | 10 | 1,112 | 3,276 |
| **Net income** | | **1,800** | **–9,708** |
| Share of profits – minority interests | 11 | 235 | –67 |
| Share of profits – shareholders Manz Automation AG | | 1,565 | –9,641 |
| Weighted average number of shares | | 4,480,054 | 4,479,100 |
| Earnings per share in EUR (diluted = undiluted) | 12 | 0.35 | –2.15 |

# CONSOLIDATED INCOME STATEMENT FOR TOTAL PERIOD

| (in EUR tsd.) | 2010 | 2009 |
|---|---|---|
| **Consolidated Result** | **1,800** | **-9,708** |
| | | |
| **Other comprehensive income** | | |
| Difference as a result of currency conversion | 7,813 | 1,456 |
| Changes to the fair value of securities | –129 | 2,726 |
| Changes to the fair value of cash flow hedges | 0 | –2,504 |
| Tax effects from other comprehensive income | 29 | 727 |
| | **7,713** | **2,405** |
| | | |
| **Consolidated Income Statement for Total Period** | **9,513** | **–7,303** |
| | | |
| Attributed to minority interests | 472 | 2 |
| Attributed to Manz Automation AG | 9,041 | –7,305 |

# CONSOLIDATED BALANCE SHEET

| **ASSETS** (in EUR tsd.) | Notes | **Dec. 31, 2010** | **Dec. 31, 2009** |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 14 | 89,999 | 47,012 |
| Property, plant, and equipment | 15 | 23,636 | 16,608 |
| Financial assets, at equity | 16 | 0 | 301 |
| Deferred taxes | 10 | 8,036 | 2,461 |
| Other non-current assets | | 615 | 316 |
| | | **122,286** | **66,698** |
| **Current assets** | | | |
| Inventories | 17 | 49,995 | 29,819 |
| Trade receivables | 18 | 67,054 | 39,566 |
| Income tax receivables | | 164 | 524 |
| Derivative financial instruments | 19 | 89 | 0 |
| Other current receivables | 20 | 4,509 | 1,934 |
| Securities | 21 | 0 | 28,838 |
| Cash and cash equivalents | 22 | 38,902 | 59,331 |
| | | **160,713** | **160,012** |
| **Total assets** | | **282,999** | **226,710** |

| **LIABILITIES AND SHAREHOLDER'S EQUITY** (in EUR tsd.) | Notes | **Dec. 31, 2010** | **Dec. 31, 2009** |
|---|---|---|---|
| **Equity** | 23 | | |
| Subscribed capital | | 4,480 | 4,480 |
| Share premium | | 144,213 | 144,226 |
| Retained earnings | | 28,182 | 26,497 |
| Currency translation | | 9,577 | 2,001 |
| Manz Automation AG shareholders | | 186,452 | 177,204 |
| Minority Interests | | 1,476 | 1,826 |
| | | **187,928** | **179,030** |
| **Non-currents liabilities** | | | |
| Non-current financial debt | 24 | 4,390 | 666 |
| Non-current deferred investment subsidies | 25 | 332 | 248 |
| Financial liabilities from leases | 26 | 39 | 24 |
| Provisions for pensions | 27 | 3,951 | 3,825 |
| Other non-current provisions | 28 | 1,532 | 2,534 |
| Deferred tax liability | 10 | 8,405 | 4,521 |
| | | **18,649** | **11,818** |
| **Current liabilities** | | | |
| Current financial liabilities | 29 | 9,794 | 8,686 |
| Trade payables | 30 | 51,535 | 14,222 |
| Advance payments received | 18 | 4,246 | 1,045 |
| Tax liabilities | | 47 | 474 |
| Other current provisions | 31 | 3,363 | 3,055 |
| Other liabilities | 32 | 7,433 | 8,367 |
| Financial liabilities from leases | 26 | 4 | 13 |
| | | **76,422** | **35,862** |
| **Total shareholders' equity and liabilities** | | **282,999** | **226,710** |

# CONSOLIDATED CASH FLOW STATEMENT

| (in EUR tsd.) | 2010 | 2009 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Net income | 1,800 | -9,708 |
| Amortization/depreciation of non-current assets | 9,335 | 6,887 |
| Losses (+)/gains (-) from equity-accounted investment | 36 | 12 |
| Increase (+)/decrease (-) in provisions in pensions and other non-current provisions | –974 | 533 |
| Other non-cash income (-) and expenses (+) particularly deferred taxes | –1,704 | –4,301 |
| **Cash flow** | **8,493** | **–6,577** |
| Gains (-)/losses (+) from disposal of assets | –11 | –34 |
| Increase (-)/decrease (+) in invetories, account receivable and other assets | –53,651 | 65,207 |
| Increase (+)/decrease (-) in trade payables and other liabilities | 47,171 | –18,851 |
| | **2,002** | **39,745** |
| | | |
| **Cash flow from investing activities** | | |
| Proceed from the disposal of assets | 133 | 36 |
| Payments to acquire intangible assets and property, plant, and equipment | –55,083 | –11,296 |
| Payments for the acquisition of consolidated companies minus liquid assets acquired | –2,070 | –4,895 |
| Inflows from the disposal of securities | 43,429 | 32,877 |
| Outflows from the purchase of securities | –14,590 | –22,477 |
| | **–28,181** | **–5,755** |
| | | |
| **Cash flow from financing activities** | | |
| Purchase of own shares | –125 | –84 |
| Payments for the redemption of finance leases | –8 | –33 |
| Incoming payments from issuing non-current loans | 3,745 | 0 |
| Payments for the repayment of non-current loans | –157 | –5,531 |
| Change in overdraft facilities | 1,080 | –2,939 |
| | **4,535** | **–8,587** |
| | | |
| **Cash and cash equivalents – end of period** | | |
| Cash change in cash and cash equivalents (subtotal 1-3) | –21,644 | 25,403 |
| Net change in cash and cash equivalents due to currency translation | 1,215 | –10 |
| Cash and cash equivalents on Jan. 1 | 59,331 | 33,938 |
| Cash and cash equivalents on Dec. 31 | **38,902** | **59,331** |
| | | |
| **Composition of cash and cash equivalents** | | |
| Cash and cash equivalents | 38,902 | 59,331 |
| **Cash and cash equivalents on Dec. 31** | **38,902** | **59,331** |

The cash flow statement is explained in the notes (13).

# CONSOLIDATED STATEMENT OF CHANGES TO EQUITY

for fiscal year 2010

| (in EUR tsd.) | Subscribed capital | Share premium | Own shares | Revenue reserves: Retained profits | Revenue reserves: Market valuation | Revenue reserves: Cash flow Hedges | Currency translation | Shareholders of Manz Automation AG | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **As of Jan. 1, 2009** | **4,480** | **144,122** | **–203** | **33,483** | **–2,650** | **1,801** | **614** | **181,647** | **9,581** | **191,228** |
| Total comprehensive income for the period | | | | –9,641 | 2,750 | –1,801 | 1,387 | –7,305 | 2 | –7,303 |
| Purchase of own shares | | | –84 | | | | | –84 | | –84 |
| Usage of own shares | | | 287 | | | | | 287 | | 287 |
| Share-based compensation | | 104 | | | | | | 104 | | 104 |
| Change in non-controlling interests as a result of increased interests | | | | 2,555 | | | | 2,555 | –7,757 | –5,202 |
| **As of Dec. 31, 2009** | **4,480** | **144,226** | **0** | **26,397** | **100** | **0** | **2,001** | **177,204** | **1,826** | **179,030** |
| **As of Jan. 1, 2010** | **4,480** | **144,226** | **0** | **26,397** | **100** | **0** | **2,001** | **177,204** | **1,826** | **179,030** |
| Total comprehensive income for the period | | | | 1,565 | –100 | 0 | 7,576 | 9,041 | 472 | 9,513 |
| Purchase of own shares | | | –125 | | | | | –125 | | –125 |
| Usage of own shares | | | 125 | | | | | 125 | | 125 |
| Share-based compensation | | –13 | | | | | | –13 | | –13 |
| Change in non-controlling 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** |

Other information concerning the statement of changes in equity can be found in the notes (23).

# SEGMENT REPORTING FOR DIVISION

as of Dec. 31, 2010

| (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** | | | | | | | | | |
| **2009** | 46,921 | | –12,164 | 69,690 | 5,125 | **64,565** | 8,515 | 3,539 | 273 |
| **2010** | 65,740 | | –3,844 | 120,180 | 9,959 | **110,221** | 41,326 | 4,765 | 414 |
| **FPD** | | | | | | | | | |
| **2009** | 14,893 | | –1,266 | 31,751 | 6,431 | **25,320** | 462 | 949 | 263 |
| **2010** | 58,755 | | 3,505 | 59,504 | 28,197 | **31,307** | 1,056 | 1,398 | 306 |
| **New Business** | | | | | | | | | |
| **2009** | 3,512 | | –58 | 5,590 | 664 | **4,926** | 112 | 108 | 24 |
| **2010** | 3,643 | | 92 | 6,363 | 1,128 | **5,235** | 1,642 | 112 | 40 |
| **PCB/OEM** | | | | | | | | | |
| **2009** | 10,031 | | –392 | 16,741 | 3,411 | **13,330** | 667 | 1,032 | 426 |
| **2010** | 38,775 | | 749 | 35,398 | 17,505 | **17,893** | 5,293 | 1,375 | 407 |
| **Others** | | | | | | | | | |
| **2009** | 10,558 | 8,574 | –2,033 | 3,739 | 47 | **3,692** | 256 | 396 | 107 |
| **2010** | 14,489 | 13,323 | 60 | 7,906 | 239 | **7,667** | 2,028 | 527 | 94 |
| **Central functions/other** | | | | | | | | | |
| **2009** | 0 | | | 99,199 | 32,002 | **67,197** | 1,284 | 863 | 253 |
| **2010** | 0 | | | 53,648 | 38,043 | **15,605** | 3,738 | 1,158 | 274 |
| **Consolidation** | | | | | | | | | |
| **2009** | | –8,574 | | | | | | | |
| **2010** | | –13,323 | | | | | | | |
| **Group** | | | | | | | | | |
| **2009** | 85,915 | 0 | –15,913 | 226,710 | 47,680 | **179,030** | 11,296 | 6,887 | 1,346 |
| **2010** | 181,402 | 0 | 562 | 282,999 | 95,071 | **187,928** | 55,083 | 9,335 | 1,535 |

* As of the 2010 fiscal year, our liquid assets/securities are accounted for within our administrative departments; last year they were accounted for within our individual divisions.

# SEGMENT REPORTING FOR REGIONS

as of Dec. 31, 2010

| (in EUR tsd.) | Third-party revenues by customer location | Non-current assets (without deferred taxes) |
|---|---|---|
| **Germany** | | |
| **2009** | 25,085 | 22,520 |
| **2010** | 18,345 | 66,419 |
| **Rest of Europe** | | |
| **2009** | 11,963 | 7,589 |
| **2010** | 32,293 | 8,595 |
| **Asia** | | |
| **2009** | 43,985 | 33,735 |
| **2010** | 126,019 | 36,289 |
| **USA** | | |
| **2009** | 4,698 | 92 |
| **2010** | 4,111 | 74 |
| **Other Regions** | | |
| **2009** | 184 | 301 |
| **2010** | 634 | 2,873 |
| **Group** | | |
| **2009** | 85,915 | 64,237 |
| **2010** | 181,402 | 114,250 |


manz
automation

# TEAM SPIRIT ENCOURAGES EFFICIENCY

**WE ACCEPT EVERY CHALLENGE. BECAUSE OUR COMPANY IS LIKE A BIG FAMILY, WITH ALL OF US WORKING TOGETHER TOWARD THE SAME GOAL.**
**MANZ – PASSION FOR EFFICIENCY**

SIEGBERT SCHMID, LOGISTICS SPECIALIST, MANZ REUTLINGEN

# NOTES

# GENERAL EXPLANATORY INFORMATION

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

These annual consolidated financial statements dated December 31, 2010, were prepared in accordance with International Financial Reporting Standards (IFRS) as approved for use in the EU, as well as 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 11, 2011, 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 Automation AG's consolidated financial statements include all the companies for which Manz AG can either directly or indirectly determine said company's financial and operational policy ("controlling relationship").

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

## FULLY CONSOLIDATED COMPANIES

| | | Interest in % |
|---|---|---|
| Manz Automation Tuebingen GmbH | Tuebingen/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 %** |
| Axystems Ltd. | Petach-Tikva/Israel | **100.0 %** |
| Manz Automation Spain S.L. | Madrid/Spain | **100.0 %** |
| Manz Automation Asia Ltd. | Hong-Kong/China | **100.0 %** |
| Manz Chungli Ltd.[1)] | Chungli/Taiwan | **100.0 %** |
| Manz Automation 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 Automation India Private Limited [1)] | New Delhi/India | **75.0 %** |
| Manz Taiwan Ltd. [1)] | Chungli/Taiwan | **97.1 %** |
| Manz (B.V.I.) Ltd. [2)] | Road Town/British Virgin Island | **97.1 %** |
| Intech Machines (B.V.I.) Co. Ltd [2)] | Road Town/British Virgin Island | **97.1 %** |
| Intech Machines (Shenzhen) Co. Ltd [3)] | Shenzhen/China | **97.1 %** |

1) via Manz Automation 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 2010

| Previously | New |
|---|---|
| Manz Dünnschichttechnologie GmbH | **Manz Coating GmbH** |
| Manz Automation Hungary Kft. | **Manz Hungary Kft.** |
| Manz Automation Slovakia s.r.o | **Manz Slovakia s.r.o** |
| Manz Automation Inc. | **Manz USA Inc.** |
| Manz Automation Taiwan Ltd. | **Manz Chungli Ltd.** |
| Manz Intech Machines Co. Ltd. | **Manz Taiwan Ltd.** |
| Intech Machines (Suzhou) Co. Ltd | **Manz China WuZhong Ltd.** |
| Intech Enterprises (BVI) Co. Ltd. | **Manz (B.V.I.) Ltd.** |

## Changes to the Basis of Consolidation during Fiscal Year 2010

### Complete acquisition of all shares in Axystems Ltd., headquartered in Petah Tikva, Israel

On June 18, 2010, Manz AG entered into an agreement to purchase the remaining 76 % interest in Axystems Ltd. (Axystems), headquartered in Petah Tikva, Israel. The contract's closing date was on June 30, 2010. The purchase price totaled 1.337 million euros. Of this total, 1.240 million euros were paid in cash and 97,000 euros were paid using 2,134 shares of Manz Automation AG's own stock at a price of 45.59 euros per share. All in all, the acquisition of this company resulted in a total cash outflow of 1.056 million euros, which was financed entirely using our company's available cash. By acquiring a 100 % interest in Axystems, Manz AG secures access to the underlying technology behind the control technology used in many of Manz's machines. Axystems' activities are included in our "Solar" division.

Up until now, Axystems was accounted for in our consolidated financial reports using the equity method. Since acquiring the remaining shares in the company, it is now fully consolidated in Manz's consolidated financial reports. In addition to the company's assets and liabilities which had already been valued, intangible assets comprising various technologies have been valued at 1.521 million euros with an average useful economic life of eight years. Deferred tax liabilities totaling 365,000 euros which arise as a result of accounting for these technologies will be liquidated in the following quarters along the same lines as our write-offs.

The following list details the fair value of Axystems' identifiable assets and liabilities on the purchase date:

| (in EUR tsd.) | **Fair value on the purchase date** | **Carrying value** |
|---|---|---|
| **Intangible assets** | | |
| Technology | 1,521 | 0 |
| Miscellaneous | 8 | 8 |
| Tangible assets | 27 | 27 |
| Deferred taxes | 53 | 53 |
| Other non-current assets | 30 | 30 |
| Inventories | 32 | 32 |
| Accounts receivable | 275 | 275 |
| Other current assets | 284 | 284 |
| Cash and cash equivalents | 184 | 184 |
| | **2,414** | **893** |
| | | |
| Deferred taxes | –365 | 0 |
| Current financial liabilities | –29 | –29 |
| Accounts payable | –64 | –64 |
| Other current liabilities | –354 | –354 |
| | **–812** | **–447** |
| | | |
| **Fair value of net assets** | **1,602** | **446** |
| Revaluation from step share acquisition | –422 | |
| **Acquired net assets** | **1,180** | |
| Goodwill from company acquisitions (this term is used to reflect the portion of the book value of a business entity not directly attributable to its assets and liabilities) | 157 | |
| **Acquisition costs affecting cash flow** | **1,337** | |

Goodwill is made up as follows:

| (in EUR tsd.) | |
|---|---|
| Acquisition costs in cash | 1,240 |
| Surrender of Manz's own shares | 97 |
| Old shares (fair value) | 422 |
| | **1,759** |
| Fair value of net assets | –1,602 |
| **Goodwill** | **157** |

Goodwill covers the fair value of the workforce and expertise. Due to them being inseparable, no separate approach is taken in accordance with IAS 38.

The fair value of receivables, which were acquired through the business combination, amounts to 589 thousand euros. The whole amount of these receivables is probably recoverable.

The fair value of the equity before the acquisition date is 422 thousand euros. The income resulting from the revaluation of the previous equity share amounts to 157 thousand euros and is disclosed in the financial income. No significant acquisition costs were incurred for this transaction.

In comparison to the 2010 semi-annual financial report and the quarterly financial report for January to September 2010, within the scope of the final purchase price allocation, the current value of intangible assets (technology) increased from 1.175 million euros to 1.521 million euros. As a result, the value of goodwill dropped from 422 thousand euros to 157 thousand euros.

Since its full consolidation, Axystems contributed 228 thousand euros to the total revenues and –92 thousand euros to the earnings after tax. Assuming that the company had first been consolidated on January 1, 2010, the consolidated revenues would be 311 thousand euros higher and the consolidated earnings 53 thousand euros lower.

## FOUNDING OF MANZ CHINA SUZHOU LTD., SUZHOU, CHINA

On October 21, 2010, the 100 % subsidiary company Manz China Suzhou Ltd. with headquarters in Suzhou, China, was founded by Manz Asia Ltd. The founding capital totaled 1.838 million euros on the reporting date and was paid in the form of a cash deposit. A further production site will be set up for the Asian region at the company's headquarters.

## INCREASED INTEREST IN MANZ TAIWAN LTD., CHUNGLI, TAIWAN

In the 2010 fiscal year, the interest in Manz Taiwan Ltd. (formerly: Manz Intech Machines Co. Ltd.) was increased by 1.62 % from 95.5 % to 97.12 %. 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 HELMUT MAJER VERWALTUNGS GMBH I.L.

Helmut Majer Verwaltungs GmbH i.L., which was in liquidation, was dissolved in December 2010 after the expiry of the one-year protection period and deconsolidated.

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 intermediate results eliminated. The necessary tax deferrals are carried out on consolidation processes. Furthermore, guarantees, which are provided by Manz Automation AG or one of its consolidated subsidiaries in favor 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, while 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 on balance sheet date | | Average rate | |
|---|---|---|---|---|---|
| (in EUR) | | **Dec. 31, 2010** | **Dec. 31, 2009** | **2010** | **2009** |
| USA | USA | 1.3253 | 1.4406 | 1.3279 | 1.3946 |
| Taiwan | TWD | 38.9638 | 46.2077 | 41.8818 | 46.0681 |
| Hong-Kong | HKD | 10.3247 | 11.1170 | 10.3304 | 10.8197 |
| China | CNY | 8.7626 | 9.8000 | 9.0005 | 9.5403 |
| Hungary | HUF | 278.75 | 270.4200 | 275.9354 | 281.1513 |

## 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, 2010.

The comparative information for the 2009 fiscal year is based on the same accounting and valuation principles, which are also applied to the 2010 fiscal year.

## 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 or 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 from three to seven years as a rule. The research costs and development costs not eligible for capitalization are recorded as an expense as they arise.

Fixed assets are valued at acquisition or manufacturing costs, reduced by scheduled write-downs according to their ordinary useful life and by extraordinary write-downs due to reductions in 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 machines | 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 cost of debt until such time is capitalized. No cost of debt is capitalized in the current and previous fiscal year.

Within the scope of finance lease agreements, the economic ownership is allocated to the lessee in those cases in which it 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. The payment obligations resulting from the 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.

Interests accounted for using the equity method are first accounted for using the acquisition costs and in the following years by updating the pro rata results, distributed dividends, and other equity changes as well as the hidden reserves and liabilities on acquisition. Recognized goodwill is reported under investments and is not subject to any scheduled depreciation. If there are indications for reducing the value of the interest, an impairment test is conducted. Necessary devaluations are first made against recognized goodwill.

## 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 amount from value in use and fair value minus costs to sell.

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, as a matter of principle the value in use of the cash-generating unit in question is used. 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 value in use based on the license price analogy method.

## 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. 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 and financial assets held for trading
- held-to-maturity investments
- available-for-sale financial assets
- loans and receivables

Financial liabilities are allocated to the following two categories:
- financial liabilities at fair value through profit or loss and financial liabilities held for trading
- financial liabilities valued at amortized costs

Depending on the categorisation 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. Derecognition takes place as a matter of principle 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, securities 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 cancelled 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.

Available-for-sale financial assets are valued at the fair value. In the Manz Group, securities primarily fall into this category. The difference between the acquisition costs and the fair value is treated with a neutral effect on income and disclosed in equity under revenue reserves from the market valuation of securities taking deferred taxes into account. If the fair value is permanently or considerably below the carrying value, then the value reduction is recognized in profit and loss. The fair value for securities is usually a share price.

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.

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.

On the reporting dates of December 31, 2010, and December 31, 2009, there were no derivative financial instruments to hedge against foreign currency fluctuations, since the company did not have any significant outstanding foreign currency positions, and no transactions in foreign currency were planned. To hedge against interest rate fluctuations, an interest cap agreement was taken out for a bank loan amounting to 3.7 million euros. Otherwise there are no more derivative financial instruments at Manz.

## SECURITIES

Items disclosed under short-term securities essentially consist of listed investment fund units, predominantly invested over the short term, and fixed interest securities, which have a remaining term of more than three months and less than one year on acquisition. Securities belong without exception to the category "Available for sale" and are accounted for using the fair value. When initially valued, transaction costs are taken into account that are directly attributable to the acquisition of financial assets; they are initially valued on the settlement date. Unrealized profits and losses are recognized in revenue reserves taking deferred taxes into account. In the event of sale, the profit or loss has an effect on income. If there is significant objective evidence for a reduction in value of an asset, this is written down 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 share options 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 cancelled, 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 cancelled compensation agreement is replaced by a new compensation agreement, however, and the new compensation agreement is declared as a replacement for the cancelled compensation agreement on the day it is granted, the cancelled and the new compensation agreement are accounted for like a modification to the original compensation agreement (see section above).

The dilutive effect of outstanding share options 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 are reinsured by 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 the 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 pre-tax 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 costs of debt are posted as an expense for the period.

## 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 JUDGMENTS 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 change in the overall economic, industry, or company situation in the future can lead to a reduction of the cash surpluses or the discount rate and hence possibly to an extraordinary 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.

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.

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.

## CHANGE IN ACCOUNTING AND VALUATION PRINCIPLES

The IASB and the IFRIC have recently passed the following standards and interpretations, which are mandatory from the 2010 fiscal year:

Collected standard to amend various IFRS (2009) “Improving International Financial Reporting Standards”: The amendments are the result of the Annual Improvement Process by the IASB and affect a number of individual IFRS. The amendments are intended to substantiate the content of the regulations and remove unintended inconsistencies between the standards. The first application of these amendments has no major effects on the Manz consolidated financial statements.

IFRS 1 (2008) "First application of the International Financial Reporting Standards": The new version of IFRS 1 solely concerns the formal structure of the standard. The new version of IFRS 1 has no effects on the Manz consolidated financial statements.

Additional assumptions for first-time adopters – amendment of IFRS 1 (2009) "First application of the International Financial Reporting Standards": The amendments concern the retrospective application of the IFRS in certain situations and are aimed at ensuring that first-time adopters do not incur undue costs in the transition process. The amendments have no effects on the Manz consolidated financial statements.

Group cash-settled share-based payment transactions: amendments to IFRS 2 (2009) "Share-based payment": The amendments are aimed at clarifying how to account for cash-settled share-based payments in a Group. The first-time application of the amended IFRS 2 has no effects on the Manz consolidated financial statements.

IFRS 3 (2008) "Business combinations": The key amendments concern the area of application and the accounting of step interest acquisitions as well as the introduction of voting rights: non-controlling interests can either be measured at the fair value or using the proportional net assets. Depending on voting rights being exercised, any goodwill arising as part of the company acquisition is fully or only proportionally disclosed. Furthermore, the revised standard contains modifications to the recognition and measurement of adopted assets and liabilities. The amendments to IFRS 3 have an effect on how company acquisitions are accounted for in the Manz consolidated financial statements.

IAS 27 (2008) "Consolidated and separate financial statements": The new version of IAS 27 in particular contains amended regulations regarding how changes to ownership interests are accounted for. In future, changes in a parent's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary will be accounted for as equity transactions. The new version of IAS 27 has an effect on how changes to ownership interests are accounted for.

Suitable underlying transactions – amendment of IAS 39 (2008) "Financial instruments: recognition and measurement": The amendment to IAS 39 adds to the application principles of hedge accounting in the areas of designation of inflation in a financial hedged item and designation of a one-sided risk in a hedged item. The amendment has no effects on the Manz consolidated financial statements.

IFRIC 12 "Service concession arrangements": IFRIC 12 regulates the accounting of arrangements whereby the public sector awards contracts to private operators as concession holders and which are used to provide public services such as airports, prisons, energy and water supply facilities, etc. To fulfill these tasks, the operator uses an infrastructure to which the public sector retains the power of disposal. The operator is responsible, however, for construction, operation, and maintenance. The first-time application of IFRIC 12 has no effects on the Manz consolidated financial statements.

IFRIC 15 "Agreements for the construction of real estate": The interpretation of IFRIC 15 is concerned with how to account for sales of real estate, where the contract is concluded with a third party even before the property is complete. IFRIC 15 makes it clear in this respect under which conditions IAS 11 "Construction contracts" or IAS 18 "Revenue" is applied. Furthermore, the interpretation defines the point in time that revenue is recognized. The interpretation has no effect on the Manz consolidated financial statements.

IFRIC 16 "Hedges of a net investment in a foreign operation": IFRIC 16 regulates the issues about what is seen as a risk when hedging a net investment in a foreign operation and where within the Group the hedging instrument to reduce this risk may be held. The interpretation has no effect on the Manz consolidated financial statements.

IFRIC 17 "Distributions of non-cash assets to owners": The interpretation regulates how non-cash distributions are treated in the IFRS financial statements of the company distributing them. The obligation arising from a non-cash dividend shall be measured in accordance with the regulations in IAS 37. Recognition takes place at the time from which the dividend has been properly approved and is no longer at the discretion of the company awarding it. The first-time application of the interpretation of IFRIC 17 has no effects on the Manz consolidated financial statements.

IFRIC 18 "Transfer of assets from customers": The interpretation regulates how to account for assets that a company receives from a customer in order to connect the latter to a network or provide it with ongoing access to a supply of goods or services. The first-time application of IFRIC 18 has no effects on the Manz consolidated financial statements.

## 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, however, for the 2010 fiscal year. Their future application is partly conditional on them being adopted by the EU in European law.

Collected standard to amend various IFRS (2010) "Improving International Financial Reporting Standards": The amendments are the result of the Annual Improvement Process by the IASB and affect a number of individual IFRS. The amendments are intended to substantiate the content of the regulations and remove unintended inconsistencies between the standards. As long as nothing else is regulated in the respective standard, the amendments shall be applied for the first time to fiscal years starting on or after July 1, 2010. The amendments have not yet been adopted in European law. The effects on the Manz consolidated financial statements are currently being checked.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters – amendment of IFRS 1 (2010) "First application of the International Financial Reporting Standards": This amendment will exempt first-time adopters from the new notes about financial instruments introduced in March 2009. IFRS 1 (2010) shall be applied for the first time to fiscal years starting after June 30, 2010. The amendments will have no effects on the Manz consolidated financial statements.

Amendments to IFRS 1 (2010) "First-time applications of the International Financial Reporting Standards": The first amendment will replace the reference to the fixed transition date of "January 1, 2004," with "Date of transfer to IFRS." The second amendment gives application guidelines for how to resume presenting IFRS-compliant financial statements when a company was not able to comply with IFRS regulations for some time because its functional currency was subject to severe hyperinflation. The amendments shall apply to fiscal years starting on or after July 1, 2011. They have not yet been adopted in European law. The amendments will have no effects on the Manz consolidated financial statements.

Enhanced disclosure requirements for transfer transactions of financial assets – amendments to IFRS 7 (2010) "Financial instruments: information": The amendments lead to enhanced notes when transferring financial assets and are intended to give users of financial statements a better insight into such transactions. The amendments have not yet been adopted in European law. The amendments shall apply for the first time to fiscal years starting on or after July 1, 2011. The amendments will have no effects for the assets, financial, and earnings position of the Manz consolidated financial statements.

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 fully replace the existing IAS 39 “Financial instruments: recognition and measurement” with IFRS 9. In the first stage, the standard deals with the classification and measurement of financial instruments. The existing measurement categories will now be reduced to two measurement categories by IFRS 9: amortized costs or at fair value in profit and loss. The standard shall apply for the first time to fiscal years starting on or after January 1, 2013. IFRS 9 has not yet been adopted in European law. The effects on the Manz consolidated financial statements are currently being checked.

Amendments to IAS 12 “Income taxes”: The amendment at least partly clarifies how to treat temporary tax difference in connection with the application of the fair value model from IAS 40 “Investment property.” As a further consequence, the amendment to IAS 12 leads to an adjustment to SIC 21 “Income taxes – recovery of revalued, non-depreciable assets.” The amendments shall apply for the first time to fiscal years starting on or after January 1, 2012. The amendments have not yet been adopted in European law. The effects on the Manz consolidated financial statements are still currently being checked.

IAS 24 (2009) “Related party disclosures”: The revision of IAS 24 will firstly simplify disclosure requirements for government-related entities. Certain related parties, which result from involvement by the state, are exempt from the disclosure requirement in IAS 24. Furthermore, the definition of related parties has been fundamentally revised. The revised standard shall be applied for the first time to fiscal years starting after December 31, 2010. The amendments will have no effects on the Manz consolidated financial statements.

Classification of rights issues – amendments to IAS 32 (2009) “Financial instruments: presentation”: The amendment regulates the accounting of rights issues offered in foreign currency as well as options and option certificates from the issuer to whose equity instruments these rights relate. In future, these rights shall be reported as equity and no longer as liabilities. The revised standard shall apply for the first time to fiscal years starting on or after February 1, 2010. The amendments will probably have no effects on the Manz consolidated financial statements.

Prepayments of a minimum funding requirement – amendment to IFRIC 14 (2009) "IAS 19 – the limit on a defined benefit asset, minimum funding requirements, and their interaction": The amendment of IFRIC 14 is relevant in those cases in which a company is subject to minimum funding requirements and makes prepayments to fulfill these minimum funding requirements. The amendment enables the company to recognize the benefit from such a prepayment as an asset. IFRIC 14 shall apply for the first time to fiscal years starting on or after January 1, 2011. The amendments will probably have no major effects on the Manz consolidated financial statements.

IFRIC 19 "Extinguishing financial liabilities with equity instruments": IFRIC 19 clarifies the requirements in the IFRSs if a company fully or partly extinguishes a financial liability by issuing shares or other equity instruments. The interpretation shall apply for the first time to fiscal years starting on or after July 1, 2010. The amendments will probably have no major effects on the Manz consolidated financial statements.

# NOTES TO THE INCOME STATEMENT

## REVENUES (1)

The distribution of revenue by objective and region is reflected in the segment report (see pages 146 to 147). Please refer to our notes on the segment report in Section IV.

Our total revenue includes revenue from construction contracts totaling 168,268,000 euros (previous year: 74,367,000 euros).

## INTERNALLY PRODUCED AND CAPITALIZED ASSETS (2)

In fiscal year 2010, development costs were capitalized particularly from the following projects:

### Solar

- OneStep selective emitter technology
- HAP 2400 high-precision printer

- The second generation of laser scribing
- CIGS thin-film technology
- Vacuum coating for crystalline solar cells and thin-film solar modules
- Advancement of the metallization process
- Advancements to the laser scribing process in the field of thin-film technology (tfs)"

### FPD

- Advancements in the area of FPD handling

### New Business

- Developments in the area of lithium-ion batteries

## OTHER OPERATING INCOME (3)

| (in EUR tsd.) | **2010** | **2009** |
|---|---|---|
| Capital gains | 826 | 4,647 |
| Income from the reduction of reserves | 2,348 | 1,036 |
| Income from the release of provisions | 508 | 743 |
| Income from the sale of investments | 13 | 34 |
| Subsidies | 222 | 232 |
| Changes to provisions on accounts receivable | 1,837 | 1,981 |
| Investment grants | 88 | 98 |
| Other | 586 | 742 |
| | **6,429** | **9,513** |

## MATERIAL EXPENDITURES (4)

| (in EUR tsd.) | **2010** | **2009** |
|---|---|---|
| Cost of raw materials and supplies and for purchased goods | 113,218 | 55,254 |
| Expenditure on third-party services | 8,340 | 5,105 |
| | **121,558** | **60,359** |

## PERSONNEL EXPENSES (5)

| (in EUR tsd.) | 2010 | 2009 |
|---|---|---|
| Wages and salaries | 43,676 | 30,659 |
| Social security contributions and benefits | 7,977 | 6,651 |
| | **51,653** | **37,310** |
| | | |
| **Average annual number of employees** | | |
| Manufacturing | 931 | 755 |
| Business/technical areas | 605 | 591 |
| Trainees | 28 | 20 |
| | **1,564** | **1,366** |

## OTHER OPERATING EXPENSES (6)

| (in EUR tsd.) | 2010 | 2009 |
|---|---|---|
| Outgoing freights, packaging | 1,580 | 1,184 |
| Advertising and travel expenses | 4,543 | 2,267 |
| Commissions | 1,233 | 1,462 |
| Rent and leasing | 4,758 | 4,524 |
| Legal and consulting costs | 1,311 | 964 |
| Insurance | 386 | 528 |
| Exchange rate losses | 1,068 | 1,640 |
| Appropriation to other reserves (primarily reworking, warranty, and loss-making contracts) | 968 | 2,143 |
| Repairs and maintenance | 504 | 275 |
| Changes to the value of receivables | 52 | 16 |
| Miscellaneous | 11,937 | 6,937 |
| | **28,339** | **21,940** |

## FINANCIAL INCOME (7)

| (in EUR tsd.) | 2010 | 2009 |
|---|---|---|
| **Other interest and similar income** | | |
| Interest (time deposits, etc.) | 302 | 414 |
| Income from securities | 230 | 467 |
| | | |
| **Income from revaluation of Axystems step share acquisition** | 157 | 0 |
| **Earnings from the disposal of securities** | 248 | 2,720 |
| | **937** | **3,601** |

## FINANCIAL EXPENSES (8)

| (in EUR tsd.) | 2010 | 2009 |
|---|---|---|
| **Interest and similar expenses** | | |
| Long-term liabilities | 47 | 163 |
| Current liabilities | 259 | 271 |
| Interest component of pension provisions | 268 | 217 |
| Other interest expenses | 5 | 9 |
| | | |
| **Losses from the disposal of securities** | 196 | 0 |
| | **775** | **660** |

## SHARE-BASED COMPENSATION (9)

### Performance Share Plan

In the 2008 fiscal year, the Group introduced a performance share plan for members of the Managing Board and other employees entitled to participate. The plan grants share options with a vesting period of three years and a maximum total term of six years. When the vesting period expires, the recipient receives one Manz share at the price of 1 euro. The share options lapse if the employment relationship is terminated or a termination agreement is concluded. The share options are not entitled to dividends during the vesting period. Manz AG can compensate the share options with new issued shares, treasury shares, or cash payment. The Managing Board and Supervisory Board determine the type of compensation.

The share options (option rights) 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. The loyalty factor is determined by the holding period of option rights and can rise to a maximum factor of 2.00 when the option rights are only exercised within the sixth calendar year after being issued.

In the 2010 fiscal year, the company granted 12 (previous year: 14) employees and members of the Managing Board 6,059 (previous year: 6,665) share options/option rights. Of these, 2,739 (previous year: 3,320) went to the Managing Board.

The following table shows the progress of shares options/option rights with the corresponding weighted average fair values per share at the date they were granted:

| | (in pcs.) | (in EUR) |
|---|---|---|
| | **Share options/ Option rights Number** | **Weighted average grant-date fair value** |
| Balance at the beginning of the year (not vested) | 9,053 | 122.20 |
| Lapsed during the reporting period | –2,388 | 212.69 |
| Awarded during the reporting period | 6,059 | 83.38 |
| **Balance at the end of the year (not vested)** | **12,724** | **86.73** |

Awarded shares are accounted for pursuant to IFRS 2 using the shares' fair value 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:

| | 2010 | 2009 |
|---|---|---|
| Exercise price | 1.00 | 1.00 |
| Risk-free annual interest rate | 1.09 % | 1.88 % |
| Volatilität | 80.50 % | 84.75 % |
| Expected dividend | 0.00 | 0.00 |
| Fair value of each share option | 83.38 | 92.35 |

The fair value of all share options awarded in the reporting period totals 505,000 euros (previous year: 598,000 euros). In the reporting year, an expense of 169,000 euros (previous year: 104,000 euros) was recognized from the performance share plan, which is reported under personnel expenses. Due to the 2,388 share options that lapsed in the reporting year from the first tranche in the 2008 fiscal year, cumulative expenses recognized in capital reserves totaling 182,000 euros have been liquidated in profit and loss and reported in 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 are composed of the following items:

| (in EUR tsd.) | 2010 | 2009 |
|---|---|---|
| **Actual tax expense** | | |
| Current period | 912 | 125 |
| Previous period | –125 | 52 |
| | | |
| **Deferred tax expense / revenue (-) from temporary differences** | 3,703 | –1,933 |
| **Deferred tax expense / revenue (-) from tax loss carry-forward** | –5,602 | –1,520 |
| | **–1,112** | **–3,276** |

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: 28.08 %) was taken into account.

In the reporting year, the income tax income totaling 1,112,000 euros (previous year: 3,276,000 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.) | **2010** | **2009** |
|---|---|---|
| Earnings before taxes on income | 688 | –12,984 |
| Manz Automation AG income tax rate | 29.13 % | 28.08 % |
| **Expected income tax expense** | **200** | **–3,646** |
| | | |
| International tax rate differences | –735 | 186 |
| Change in tax rate | –180 | 0 |
| Deviation in the taxable base | 337 | 141 |
| Taxes for previous years | –125 | 52 |
| Tax-free income | –395 | 0 |
| Tax credits | –204 | 0 |
| Tax refund due to loss carry-back | 0 | –81 |
| Non-entry of tax loss carry-forward | 66 | 0 |
| Other | –76 | 72 |
| **Reported income tax expense** | **–1,112** | **–3,276** |
| | | |
| **Effective tax rate** | **–161.57 %** | **25.23 %** |

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

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| (in EUR tsd.) | Dec. 31, 2010 | Dec. 31, 2009 | Dec. 31, 2010 | Dec. 31, 2009 |
| Intangible assets | 0 | 0 | 6,298 | 2,866 |
| Tangible assets | 4 | 8 | 535 | 96 |
| Inventories | 5,454 | 1,033 | 0 | 192 |
| Receivables | 292 | 453 | 6,988 | 2,244 |
| Securities | 0 | 13 | 0 | 53 |
| Provisions for pensions | 227 | 194 | 0 | 0 |
| Accounts payable | 343 | 130 | 14 | 0 |
| Provisions | 0 | 13 | 0 | 0 |
| **Tax loss carry-forward** | **7,147** | **1,547** | **0** | **0** |
| | | | | |
| Gross value | 13,467 | 3,391 | 13,835 | 5,451 |
| Net balance | –5,431 | –930 | –5,431 | –930 |
| **Total (consolidated balance sheet)** | **8,036** | **2,461** | **8,404** | **4,521** |
| | | | | |
| **Net amount of deferred tax liabilities** | | | **368** | **2,060** |

The reduction of the net amount of deferred tax liabilities totaling 1,692,000 euros (previous year: 4,404,000 euros) is composed of the following items:

| (in EUR tsd.) | 2010 | 2009 |
|---|---|---|
| Deferred tax income in the income statement | 1,899 | 3,453 |
| Changes to the basis of consolidation | –312 | 0 |
| Neutral reduction of deferred taxes on available-for-sale assets | 29 | 40 |
| Neutral reduction of deferred taxes on derivative financial instruments | 0 | 687 |
| Currency conversion | 76 | 224 |
| | **1,692** | **4,404** |

Deferred taxes are only applied for tax loss carry-forwards if there is sufficient certainty that they will be recognized. This prerequisite is seen by the Managing Board as consistently achievable because the current updated business plans and the Group's underlying strategic direction give reason to expect sufficient future positive results. No write-downs were therefore carried out on deferred tax assets.

Tax loss carry-forwards totaled 25,101,000 euros (previous year: 5,960,000 euros) at the end of the reporting period, and can be carried forward indefinitely. Of these, 23,269,000 euros (previous year: 4,593,000 euros) fell to Germany and 1,492,000 euros (previous year: 1,313,000 euros) to Hungary. In addition, other countries account for tax loss carry-forwards totaling 341,000 euros 53,000 euros). No deferred tax assets were set aside for loss carry-forwards totaling 231,000 euros (previous year: 0 euros).

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

The minority shareholders' share of earnings comprises earnings attributed to non-controlling interests totaling 235,000 euros (previous year: –67,000 euros). These are from non-controlling interests held by Manz Taiwan Ltd. and Manz India Limited.

## EARNINGS PER SHARE (12)

The undiluted result per share is calculated from the division of the earnings share of Manz Automation AG shareholders and the weighted average number of shares in circulation during the fiscal year. The earnings per share is diluted as a result of so-called potential shares. This includes options and option rights if these rights 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 plan (see Section 9).

Earnings per share is calculated pursuant to IAS 33.

| | | **2010** | **2009** |
|---|---|---|---|
| The portion of Group earnings assigned to shareholders | (in EUR) | 1,565,400 | –9,641,290 |
| Weighted average number of shares outstanding | (Number) | 4,480,054 | 4,479,100 |
| Effect of share-based payments | (Number) | 19,779 | 9,154 |
| **Weighted average number of shares outstanding (diluted)** | (Number) | **4,499,833** | **4,488,254** |
| | | | |
| Earnings per share (diluted = undiluted) | (in EUR) | 0.35 | –2.15 |

# NOTES TO THE SEGMENT REPORT

In the 2010 fiscal year, the Group was firstly divided into the "Solar," "FPD," "New Business," and "Other" divisions. Due to the sales development in our third-party business for OEM and circuit boards, another division, "PCB/OEM," was formed, backdated to January 1, 2010, as otherwise a share of over 25 % of total sales would have fallen to the "Other" division.

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

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

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

In the "PCB/OEM" segment, equipment is produced for the manufacture and machining of printed circuit boards (PCBs) and for the semi-conductor industry.

The "Other" division 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, as well as 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.

Of our total revenues in the 2009 fiscal year, one client was responsible for 21,631,000 euros in revenue, which was allocated to the solar division. In the 2010 fiscal year, no customer was responsible for a share of more than 10 % of total revenues.

# 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 covers all the liquid assets disclosed in the financial statements, which are composed of cash in hand, bank credits, and short-term realisable securities with a term of up to three months and only insignificant value fluctuations.

The cash inflows and outflows from investment and financial activities are shown according to the direct method. Cash inflows and outflows from investment activities in ongoing business, besides additions to fixed assets, also cover additions to intangible assets and changes to cash investments in securities. 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 essentially are 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.) | **2010** | **2009** |
|---|---|---|
| Interest paid | –332 | –443 |
| Interest received | 282 | 881 |
| Income tax paid | –258 | –195 |
| Income tax refunded | 56 | 0 |

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.) | Licences, Trademark rights, software and similar rights | Capitalized development costs | Goodwill | Advance payments made | Total |
|---|---|---|---|---|---|
| **Acquisition costs** | | | | | |
| Status Jan. 1, 2009 | 13,283 | 10,702 | 21,913 | 2,841 | 48,739 |
| Currency adjustments | 442 | 3 | 19 | 0 | 464 |
| Inflows | 2,304 | 6,204 | 0 | 323 | 8,831 |
| Disposals | –12 | 0 | 0 | 0 | –12 |
| Reclassifications | 2,356 | 0 | 0 | –2,840 | –484 |
| **Status Dec. 31, 2009** | **18,373** | **16,909** | **21,932** | **324** | **57,538** |
| **Amortizations** | | | | | |
| Status Jan. 1, 2009 | 1,752 | 4,129 | 0 | 0 | 5,881 |
| Currency adjustments | 28 | 0 | 0 | 0 | 28 |
| Inflows | 2,322 | 2,307 | 0 | 0 | 4,629 |
| Disposals | –12 | 0 | 0 | 0 | –12 |
| **Status Dec. 31, 2009** | **4,090** | **6,436** | **0** | **0** | **10,526** |
| **Acquisition costs** | | | | | |
| Status Jan. 1, 2010 | 18,373 | 16,909 | 21,932 | 324 | 57,538 |
| Currency adjustments | 23 | 56 | 2,871 | 0 | 2,950 |
| Changes to the basis of consolidation | 1,521 | 0 | 0 | 0 | 1,521 |
| Inflows | 22,248 | 14,035 | 157 | 8,818 | 45,258 |
| Disposals | –12 | 0 | 0 | 0 | –12 |
| Reclassifications | 407 | 0 | 0 | –324 | 83 |
| **Status Dec. 31, 2010** | **42,559** | **31,000** | **24,960** | **8,818** | **107,338** |
| **Amortizations** | | | | | |
| Status Jan. 1, 2010 | 4,090 | 6,436 | 0 | 0 | 10,526 |
| Currency adjustments | 27 | 7 | 0 | 0 | 34 |
| Inflows | 3,734 | 2,638 | 0 | 419 | 6,791 |
| Disposals | –12 | 0 | 0 | 0 | –12 |
| **Status Dec. 31, 2010** | **7,839** | **9,081** | **0** | **419** | **17,339** |
| Residual value Dec. 31, 2009 | 14,283 | 10,473 | 21,932 | 324 | 47,012 |
| **Residual value Dec. 31, 2010** | **34,720** | **21,920** | **24,960** | **8,399** | **89,999** |

As part of the annual check on capitalized development costs, additional write-downs totaling 169,000 euros (previous year: 0 euros) were carried out in the reporting year. The additional write-downs are the result of amended depreciation periods and modified expectations about the use of the asset's economic benefit.

## GOODWILL AS WELL AS TRADEMARK RIGHTS

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

| | Goodwill | | Trademark rights | |
|---|---|---|---|---|
| (in EUR tsd.) | **Dec. 31, 2010** | **Dec. 31, 2009** | **Dec. 31, 2010** | **Dec. 31, 2009** |
| Solar | 12,559 | 11,196 | 1,623 | 1,320 |
| FPD | 7,423 | 6,060 | 1,623 | 1,320 |
| New Business | 0 | 0 | 0 | 0 |
| PCB/OEM | 2,491 | 2,188 | 812 | 660 |
| Other | 2,488 | 2,488 | 0 | 0 |
| | **24,960** | **21,932** | **4,058** | **3,300** |

Due to the restructuring of the segments in the 2010 fiscal year, the following shifts occurred in goodwill and trademark rights. The systems.aico division from the last fiscal year is now allocated to the Other division. The associated goodwill as at December 31, 2009, totaling 2,488,000 euros is hence also allocated to the Other division. As at December 31, 2009, the PCB/OEM division was allocated to the Other segment and is now reported separately together with its associated goodwill totaling 2,491,000 euros and trademark rights amounting to 812,000 euros. Otherwise the changes to goodwill and trademark rights, with the exception of the goodwill newly gained from the acquisition of Axystems Ltd. totaling 157,000 euros, result solely from currency conversions.

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%. The pre-tax discount rate used for discounting purposes (weighted average cost of capital (WACC)) totaled 16.4 % (previous year: 17.6%). In this context, the cost of equity is calculated on the basis of a comparable group (peer group). The cost of debt was derived from Manz AG's refinancing costs.
The cost of equity and debt figures calculated in this way were weighted on the basis of the peer group's average capital structure. A tax rate of 30% was selected, which corresponds to the peer group's expected average tax rate.

Goodwill is considered impaired when the carrying amount of a division exceeds its value in use. For the 2010 and 2009 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 does not influence the intrinsic value of the goodwill. A subsequent additional reduction of the EBIT margin of 10% over the entire planning period would lead to a value reduction in goodwill in the reporting year. In the 2009 fiscal year, it would have led to a value reduction in goodwill of 1.0 million euros in the Other segment.

The impaiment 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 2010, 14,035,000 euros (previous year: 6,204,000 euros) fulfilled the criteria for capitalization based on IFRS.

The following amounts were offset in profit and loss:

| (in EUR tsd.) | **2010** | **2009** |
|---|---|---|
| Total research and development costs | –20,563 | –12,136 |
| Write-downs on development costs | –2,638 | –2,307 |
| Capitalized development costs | 14,035 | 6,204 |
| **Offset research and development costs recognized as expenses** | **–9,166** | **–8,239** |

## TANGIBLE ASSETS (15)

| (in EUR tsd.) | Properties and buildings | Technical equipment and machines | Other equipment factory, and office equipment | Advance payments made | Total |
|---|---|---|---|---|---|
| **Acquisition costs** | | | | | |
| Status Jan. 1, 2009 | 7,982 | 5,049 | 5,981 | 243 | 19,255 |
| Currency adjustments | 14 | –94 | –75 | –55 | –210 |
| Inflows | 688 | 510 | 1,141 | 126 | 2,465 |
| Outflows | 0 | –280 | –660 | –2 | –942 |
| Reclassifications | 47 | –136 | 620 | –47 | 484 |
| **Status Dec. 31, 2009** | **8,731** | **5,049** | **7,007** | **265** | **21,052** |
| | | | | | |
| **Amortizations** | | | | | |
| Status Jan. 1, 2009 | 197 | 550 | 2,361 | 0 | 3,108 |
| Currency adjustments | –3 | 8 | –5 | 0 | 0 |
| Inflows | 264 | 789 | 1,206 | 0 | 2,259 |
| Outflows | 0 | –277 | –646 | 0 | –923 |
| Reclassifications | –4 | –25 | 29 | 0 | 0 |
| **Status Dec. 31, 2009** | **454** | **1,045** | **2,945** | **0** | **4,444** |
| | | | | | |
| **Acquisition costs** | | | | | |
| Status Jan. 1, 2010 | 8,731 | 5,049 | 7,007 | 265 | 21,052 |
| Currency adjustments | 1,545 | 259 | 200 | 21 | 2,024 |
| Changes to the basis of consolidation | 14 | 0 | 27 | 0 | 41 |
| Inflows | 5,384 | 690 | 953 | 1,234 | 8,261 |
| Outflows | 0 | –403 | –595 | –94 | –1,093 |
| Reclassifications | 124 | 862 | 242 | –1,311 | –83 |
| **Status Dec. 31, 2010** | **15,798** | **6,457** | **7,834** | **114** | **30,203** |
| | | | | | |
| **Amortizations** | | | | | |
| Status Jan. 1, 2010 | 454 | 1,045 | 2,945 | 0 | 4,444 |
| Currency adjustments | 283 | 136 | 127 | 0 | 546 |
| Inflows | 329 | 900 | 1,314 | 0 | 2,543 |
| Outflows | 0 | –381 | –585 | 0 | –966 |
| Reclassifications | 0 | 0 | 0 | | |
| **Status Dec. 31, 2010** | **1,066** | **1,700** | **3,801** | **0** | **6,567** |
| | | | | | |
| Residual value Dec. 31, 2009 | 8,277 | 4,004 | 4,062 | 265 | 16,608 |
| **Residual value Dec. 31, 2010** | **14,732** | **4,757** | **4,033** | **114** | **23,636** |

Properties and buildings belonging to Manz Taiwan Ltd. with a carrying value of 7,998,000 euros (previous year: 6,874,000 euros) and to Manz Slovakia s.r.o of 5,027,000 euros (previous year: 0 euros) serve as collateral for bank loans.

## EQUITY-ACCOUNTED FINANCIAL INVESTMENTS (16)

In the 2009 fiscal year, Manz Automation AG held a 24.0 % interest in Axystems Ltd., Israel. This company's business activities comprise developing and manufacturing control systems. In the consolidated financial statements, Axystems was accounted for as an associate using the equity method pursuant to IAS 28 in 2009, since our company has the ability to exert significant influence. With effect on June 30, 2010, the remaining 76.0 % of shares were bought and hence the company was fully included in the consolidated financial statements. The share of losses attributed to Manz AG for the period of January 1 to June 30, 2010, totaled 36,000 euros (2009: share of losses 12,000 euros).

The following table contains an overview of financial information on our financial investments accounted for using the equity method:

| (in EUR tsd.) | **Dec. 31, 2010** | **Dec. 31, 2009** |
|---|---|---|
| Proportionate assets | 0 | 181 |
| Proportionate liabilities | 0 | 82 |
| Proportionate revenues | 0 | 343 |
| Proportionate annual profit | 0 | –12 |
| **Carrying value of the interest** | **0** | **301** |

## INVENTORIES (17)

| (in EUR tsd.) | **Dec. 31, 2010** | **Dec. 31, 2009** |
|---|---|---|
| Raw materials and supplies | 22,298 | 12,570 |
| Work in progress, unfinished services | 24,480 | 15,776 |
| Finished goods, merchandise | 884 | 879 |
| Advance payments made | 2,332 | 594 |
| | **49,995** | **29,819** |

We carried out write-downs on inventories as a result of market and mobility risks totaling 3,510,000 euros (previous year: 4,369 euros). The allocation to write-downs in the reporting year totaling 859,00 euros (previous year: 1,050,000 euros) was recognized in profit and loss under material expenses.

## ACCOUNTS RECEIVABLE (18)

| (in EUR tsd.) | Dec. 31, 2010 | Dec. 31, 2009 |
|---|---|---|
| Future receivables from construction contracts | 23,662 | 13,469 |
| Accounts receivable | 43,392 | 26,097 |
| | **67,054** | **39,566** |

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

| (in EUR tsd.) | Dec. 31, 2010 | Dec. 31, 2009 |
|---|---|---|
| Manufacturing costs including profit/loss on construction contracts | 54,075 | 32,921 |
| minus advance payments received | –30,413 | –19,452 |
| | **23,662** | **13,469** |

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

| (in EUR tsd.) | Dec. 31, 2010 | Dec. 31, 2009 |
|---|---|---|
| Manufacturing costs including outcome of the contract | 1,316 | 1,360 |
| minus advance payments received | –5,561 | –2,405 |
| | **–4,245** | **–1,045** |

| (in EUR tsd.) | Dec. 31, 2010 | Dec. 31, 2009 |
|---|---|---|
| Provisions for specific doubtful debts | 130 | 2,223 |
| General provisions for doubtful debts | 1,487 | 722 |
| | **1,616** | **2,945** |

The allowances changed as follows:

| (in EUR tsd.) | 2010 | 2009 |
|---|---:|---:|
| As at January 1 | 2,945 | 5,073 |
| Currency conversion | 454 | 4 |
| Use | 195 | 65 |
| Release | 1,837 | 2,148 |
| Allocations | 249 | 81 |
| **As at December 31** | **1,616** | **2,945** |

In the fiscal year 2010, receivables in the amount of 298,000 euros (previous year: 65,000 euros) were deleted from the accounts, of which 195,000 euros (previous year: 58,000 euros) had already been written down in the previous year.

Write-downs are not required for future receivables from construction contracts. The write-downs are deducted directly from the receivables.

## DERIVATIVE FINANCIAL INSTRUMENTS (19)

On the reporting date, there was an interest cap agreement in place with a nominal value of 3,745,000 euros to hedge against interest rate fluctuations for a bank loan of the same amount. The term of the interest cap to December 31, 2015, corresponds to the term of the long-term load. The market value of the interest cap agreement on the reporting date comes to 88,000 euros. The agreement is classified as held-for-trading and reported in profit and loss at its market value.

## OTHER CURRENT RECEIVABLES (20)

| (in EUR tsd.) | Dec. 31, 2010 | Dec. 31, 2009 |
|---|---:|---:|
| Tax receivables (not income taxes) | 2,810 | 321 |
| Receivables, personnel | 231 | 75 |
| Accrued interest | 26 | 180 |
| Other accruals and deferrals (primarily from insurance) | 496 | 566 |
| Other | 947 | 792 |
| | **4,509** | **1,934** |

Other current receivables are neither past due nor written down.

## SECURITIES (21)

The securities from the previous year are exchange-traded, predominantly short-term shares in investment funds as well as investment bonds, and they are classified under "available-for-sale financial assets."

## LIQUID ASSETS (22)

Our liquid assets are 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.

## EQUITY (23)

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

## SHARE CAPITAL

The capital stock of the parent company, Manz Automation AG, is reported as share capital.

Remaining unchanged from last year, share capital is still valued at 4,480,054.00 euros and still comprised 4,480,054 registered, common, no-par shares. The face value of a no-par share is 1.00 euro.

## AUTHORIZED SHARE CAPITAL

In a resolution passed at the Annual General Meeting, the Managing Board was authorized, with approval of the Supervisory Board, to increase the company's share capital by 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 pre-emptive rights. The Managing Board is authorized to disallow shareholders' pre-emptive rights with approval of the Supervisory Board 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 used 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 approval of the Supervisory Board, to issue convertible and/or warrant bonds, profit-sharing rights and/or profit-sharing bonds (or a combination 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 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.

The Managing Board is authorized, with approval of the Supervisory Board, 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.

The number of granted options rights totals 12,724 at the end of the reporting period (previous year: 9,053) (see Note 9).

## CAPITAL RESERVES

The capital reserves chiefly comprise payments by shareholders in accordance with Article 272, Paragraph 2, Sentence 1, of the German Commercial Code (Handelsgesetzbuch – HGB) less the costs of capital procurement after taxes. Furthermore, this also includes the value of share-based compensation granted to management (included 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 16, 2009, the company was authorized in accordance with Article 71, Paragraph 1, Sentence 8 of the German Securities Trading Act, to purchase its own shares up to a computed value of 10% of the company's capital stock during a period ending on August 10, 2011.

Furthermore, in a resolution passed at the Annual General Meeting on June 22, 2010, the company was authorized in accordance with Article 71, Paragraph 1, Sentence 8 of the German Securities Trading Act, to purchase its own shares up to a computed value of 10% of the company's capital stock during a period ending on 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, as well as 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 2010 fiscal year, the company purchased 2,144 (previous year: 2,348) treasury shares at an average price of 58.20 euros (previous year: 35.57 euros) per share with a market value of 125,000 euros (previous year: 84,000 euros). The purchase of treasury shares in the reporting year was done to settle a part of the purchase price of the remaining shares in Axystems Ltd., Petach-Tikva, Israel. A total of 2,134 shares at a price of 45.59 euros were used for this purpose. A remainder of ten shares was issued to an employee of the company on August 10, 2010, at a price of 57.15 euros. In the 2009 fiscal year, the treasury shares were used within the scope of the Manz Performance Plan 2008. The company did not hold any treasury shares on the reporting dates of December 31, 2010 and December 31, 2009.

## 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 2009 and 2010 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 each case, there was a positive difference of 220,000 euros (previous year: 2,555,000 euros), which is recognized in the reserves for accumulated profits.

Changes to the fair value of available-for-sale securities are recognized in the reserves for the market valuation of available-for-sale securities.

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 conversion is used to recognize differences from converting the financial statements of foreign subsidiaries.

## MINORITY INTERESTS

The minority interests concern Manz Taiwan Ltd. of which Manz Automation Asia Ltd. holds an interest of 97.12%. Furthermore, a 25% non-controlling interest is held in Manz Automation India Private Limited, which was founded in 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. When compared to the previous year, the decline is the result of an increase in our interest in Manz Taiwan Ltd from 95.5% to 97.12% as well as the acquisition of the remaining interest of 10% in Manz Slovakia s.r.o.

## PROPOSED APPROPRIATION OF PROFITS

Pursuant to Article 58, Section 2 of the German Stock Corporation Act, the distribution of dividends by Manz Automation AG is based on the balance sheet profit disclosed in the annual financial statements (individual financial statement) dated December 31, 2010. Manz automation AG's balance sheet loss of 118,540.35 euros will be carried forward at December 31, 2010, 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, 2010 | Dec. 31, 2009 |
|---|---|---|
| Liquid assets and securities | 38,902 | 88,169 |
| Financial liabilities | 14,559 | 9,613 |
| Net financial liabilities | –24,343 | –78,556 |
| **Total shareholder's equity – Manz Automation AG** | **186,452** | **177,204** |
| | | |
| Equity ratio | 66.4 % | 78.2 % |
| Gearing ratio | –13.1 % | –44.3 % |

The two key performance indicators of equity and gearing have deteriorated somewhat in the reporting year. Our equity ratio dropped to 66.4% (previous year: 78.2%) due to an increase in tied up capital on the assets side. Our gearing deteriorated to –13.1% (previous year: –44.3%) as a result of the significant reduction in liquid assets and securities and an increase in financial liabilities. However, both key figures are still well above the targets set.

Of the financial liabilities, in the 2010 fiscal year 7,000,000 euros were governed by a covenant agreement, which allowed for an equity ratio of 30% and a volume of orders for the consolidated financial statements of 100 million euros. In the 2009 fiscal year, 1,500,000 euros were governed by a covenant agreement, which among other things allowed for an equity ratio of 30% for the individual financial statements of Manz Automation AG. The financial constraints were fulfilled in both fiscal years.

## NON-CURRENT FINANCIAL LIABILITIES (24)

| (in EUR tsd.) | Dec. 31, 2010 | Dec. 31, 2009 |
|---|---|---|
| Long-term liabilities – credit institutions | 4,390 | 666 |
| | **4,390** | **666** |

The long-term liabilities to banks concern Manz Slovakia and Manz Taiwan. The loan taken up by Manz Slovakia of 3,750,000 euros in the 2010 fiscal year runs until December 31, 2015, and has a variable rate of interest. The interest rate fluctuation risk was limited by an interest cap (see section 19).

## DEFERRED INVESTMENT SUBSIDIES (25)

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 (26)

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 45,000 euros (previous year: 38,000 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 2010** | **Cash value of minimum leasing payments 2010** | **Minimum leasing payments 2009** | **Cash value of minimum leasing payments 2009** |
|---|---|---|---|---|
| Up to 1 year | 4 | 4 | 13 | 13 |
| 1 to 5 years | 39 | 33 | 24 | 22 |
| Total – minimum leasing payments | 43 | | 37 | |
| Minus the interest component | –6 | | –2 | |
| **Cash value of the minimum leasing payments** | **37** | **37** | **35** | **35** |

## PENSION PROVISIONS (27)

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

The plan assets of domestic pension commitments are comprised exclusively of pension plan reinsurance. The plan assets of Manz Intech Machines are comprised 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 RESERVES

| (in EUR tsd.) | 2010 | 2009 |
|---|---|---|
| **Changes to the benefit obligations** | | |
| Value of performance-based obligations on Jan. 1 | 5,133 | 4,736 |
| Service cost | 48 | 50 |
| Interest cost | 235 | 238 |
| Benefits paid-out | –232 | –259 |
| Actuarial losses/gains (-) | 640 | 366 |
| Currency differences from international plans | 217 | 2 |
| **Value of performance-based obligations on Dec. 31** | **6,041** | **5,133** |
| | | |
| **Changes to plan assets** | | |
| Plan assets at fair value on Jan. 1 | 1,520 | 1,495 |
| Expected income from plan assets | 34 | 21 |
| Company contributions | 65 | 60 |
| Benefits paid-out | –36 | –58 |
| Actuarial losses/gains (-) | –9 | 1 |
| Currency differences from international plans | 214 | 1 |
| **Plan assets at fair value on Dec. 1** | **1,788** | **1,520** |
| | | |
| **Financing status** | **4,253** | **3,613** |
| | | |
| Actuarial gains (+)/losses (-) not yet taken into account | –188 | 212 |
| | | |
| **Pension reserves** | **4,065** | **3,825** |
| of which appliy to: | | |
| Manz Automation Tuebingen GmbH, Tuebingen | 3,587 | 3,371 |
| Manz Taiwan Ltd., Taiwan | 386 | 369 |
| Manz Automation AG, Reutlingen | 93 | 85 |

Manz Automation Tuebingen GmbH's pension obligations consist of 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 who were employed before July 1, 2005, had the choice between both pension plans.

Manz Automation AG has pension obligations to the Chairman of the Managing Board, Dieter Manz, and the former member of the Managing Board, Otto Angerhofer.

The following amounts are included in the income statement:

| (in EUR tsd.) | **2010** | **2009** |
|---|---|---|
| Service cost | –48 | –50 |
| Interest cost | –235 | –238 |
| Expected income from plan assets | 34 | 21 |

The service costs are reported in personnel costs, while the interest costs and the expected income from plan assets are 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 24,000 euros in the reporting year (previous year: 21,000 euros).

In the coming fiscal year, employer contributions to the fund's assets are expected to run to 37,000 euros (previous year: 63,000 euros). The fund's assets comprise of reinsurance policies (Germany) and trust assets (Taiwan), which make up 20% and 80% of the fund's total assets respectively.

For contribution-based pension plans, payments were made totalling 289,000 euros (previous year: –238,000 euros). Furthermore, due to legal requirements, our companies based in Germany made contributions to the federal pension fund totalling 2,465,000 euros (previous year: 2,116,000 euros).

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

| | Germany | | Taiwan | |
|---|---|---|---|---|
| (in %) | **2010** | **2009** | **2010** | **2009** |
| Discount factor | 4.70 | 5.50 | 1.75 | 2.00 |
| Salary and wage increases | 2.50 | 2.50 | 2.00 | 1.00 |
| Pension increases | 2.00 | 2.00 | 2.00 | 1.00 |
| Expected returns on plan assets | 3.00 | 3.00 | 1.75 | 2.00 |

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.) | **2010** | **2009** | **2008** | **2007** | **2006** |
|---|---|---|---|---|---|
| Value of all benefit obligations | –6,041 | –5,133 | –4,736 | –224 | –184 |
| Plan assets | 1,788 | 1,520 | 1,495 | 149 | 136 |
| **Financing status** | **–4,253** | **–3,613** | **–3,241** | **–75** | **–48** |
| | | | | | |
| Adjustments to plan debts based on experience | 681 | 296 | –23 | –18 | 12 |
| Adjustments to plan assets based on experience | –10 | –14 | 26 | 1 | 2 |

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 (28)

The other non-current provisions concern provisions for warranties and long-term personnel obligations from partial retirement. They developed in the reporting year as follows:

| (in EUR tsd.) | **Jan. 1, 2010** | **Currency adjustment** | **Use** | **Release** | **Allocations** | **Dec. 31, 2010** |
|---|---|---|---|---|---|---|
| Personnel | 298 | 0 | 0 | 51 | 0 | 247 |
| Warranties | 2,236 | 12 | 1,286 | 216 | 539 | 1,285 |
| | **2,534** | **12** | **1,286** | **267** | **539** | **1,532** |

The provision for warranty obligations is set aside on the basis of experience in the past. It is expected that the costs will be incurred within the next two fiscal years.

## CURRENT FINANCIAL LIABILITIES (29)

Current financial liabilities pertain to various short-term lines of credit and overdraft credit accounts for financing operations. Standard interest rates are agreed for short-term loans.

## ACCOUNTS PAYABLE (30)

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 (31)

Other current provisions have developed as follows:

| (in EUR tsd.) | Jan. 1, 2010 | Currency adjustment | Use | Release | Allocations | Dec. 31, 2010 |
|---|---|---|---|---|---|---|
| Reworking | 1,348 | 0 | 1,205 | 165 | 838 | 816 |
| Other provisions | 1,707 | 62 | 1,428 | 76 | 2,282 | 2,547 |
| | **3,055** | **62** | **2,633** | **241** | **3,120** | **3,363** |

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 (32)

On the reporting date, other liabilities comprised the following:

| (in EUR tsd.) | Dec. 31, 2010 | Dec. 31, 2009 |
|---|---|---|
| Tax liabilities (not taxes on income or earnings) | 1,495 | 6,232 |
| Liabilities stemming from social security as well as wages and salaries | 5,593 | 1,647 |
| Miscellaneous | 345 | 488 |
| | **7,433** | **8,367** |

The tax liabilities (not taxes on income or earnings) primarily comprise VAT liabilities and liabilities from payroll and church taxes.

## 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 main part of the remaining liabilities falling within IFRS 7 have predominantly short remaining terms. It is therefore assumed that the carrying values of these financial instruments approximately equate to their fair values.

The securities are balanced at fair value, so that there can be no differences between carrying value and fair value as a result. In this case, the fair value is based on the market price listed on an active market.

| | | CARRYING VALUES ACCORDING TO MEASUREMENT CATEGORIES 2010 | | | |
|---|---|---|---|---|---|
| (in EUR tsd.) | **Fair value** | **Loans and receivables** | **Fair value in profit and loss** | **Not in the scope of IFRS 7, IAS 39** | **Carrying value Dec. 31, 2010** |
| **Assets as of Dec. 31, 2010** | | | | | |
| | | | | | |
| Derivative financial instruments | 89 | - | 89 | - | 89 |
| Accounts receivable | 67,054 | 43,392 | - | 23,662 | 67,054 |
| Other current receivables | 4,509 | 1,699 | | 2,810 | 4,509 |
| Securities | - | - | - | - | - |
| Liquid assets | 38,902 | 38,902 | - | - | 38,902 |
| | **110,554** | **83,993** | **89** | **26,471** | **110,554** |

## CARRYING VALUES 2010

| (in EUR tsd.) | Fair value | Accounted for using historic cost method | 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 – leasing | 43 | - | 43 | - | 43 |
| Accounts payable | 51,535 | 51,535 | - | - | 51,535 |
| Other liabilities | 7,433 | 5,938 | - | 1,495 | 7,433 |
| | **73,195** | **71,657** | **43** | **1,495** | **73,195** |

## CARRYING VALUES ACCORDING TO MEASUREMENT CATEGORIES 2009

| (in EUR tsd.) | Fair value | Available for sale | Loans and receivables | Not in the scope of IFRS 7, IAS 39 | Carrying value Dec. 31, 2009 |
|---|---|---|---|---|---|
| **Assets as of Dec. 31, 2009** | | | | | |
| | | | | | |
| Accounts receivable | 39,566 | - | 26,097 | 13,469 | 39,566 |
| Other current receivables | 1,934 | - | 1,613 | 321 | 1,934 |
| Securities | 28,838 | 28,838 | - | - | 28,838 |
| Liquid assets | 59,331 | - | 59,331 | - | 59,331 |
| | **129,669** | **28,838** | **87,041** | **13,790** | **129,669** |

## CARRYING VALUES 2009

| (in EUR tsd.) | Fair value | Accounted for using historic cost method | Carrying value according to IAS 17 | Not within the scope of IFRS 7, IAS 39 | Carrying value Dec. 31, 2009 |
|---|---|---|---|---|---|
| **Liabilities as of Dec. 31, 2009** | | | | | |
| | | | | | |
| Financial liabilities | 9,347 | 9,352 | - | - | 9,352 |
| Financial liabilities – leasing | 37 | - | 37 | - | 37 |
| Accounts payable | 14,222 | 14,222 | - | - | 14,222 |
| Other liabilities | 8,367 | 2,135 | - | 6,232 | 8,367 |
| | **31,973** | **25,709** | **37** | **6,232** | **31,978** |

## EVALUATION CLASSES ACCORDING TO IFRS 7.27

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

Level 1: On (unmodified) prices listed on active markets for identical current assets and liabilities

Level 2: Either directly (as price) or indirectly (derived from prices) observed input data for the asset or liability that does not represent any listed price according to level 1.

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

On December 31, 2010, derivative financial instruments in the amount of 89,000 euros fall in level 2 of the fair-value hierarchy under IFRS 7.27.

On December 31, 2009, securities in the amount of 28,838,000 euros fell in level 1 of the fair-value hierarchy under IFRS 7.27.

## NET EARNINGS BY MEASUREMENT CATEGORY AS SET FORTH IN IAS 39

| (in EUR tsd.) | **Net earnings/ losses** | **Total Interest earnings/ expenses** |
|---|---|---|
| **Fiscal year 2010** | | |
| Loans and receivables | 1,647 | 298 |
| Derivative financial instruments | –21 | 0 |
| Available-for-sale financial assets | 52 | 234 |
| Financial liabilities measured at amortized costs | –82 | –317 |
| | **1,596** | **215** |
| | | |
| **Fiscal year 2009** | | |
| Loans and receivables | 4,220 | 405 |
| Available-for-sale financial assets | 2,720 | 476 |
| Financial liabilities measured at amortized costs | 24 | –434 |
| | **6,964** | **447** |

The net gains and losses from loans and receivables essentially include gains and losses from the currency conversion and changes to write-downs on receivables.

The net gains and losses from financial assets available for sale essentially include gains and losses from the disposal of securities. In the 2009 fiscal year, –2,605,000 euros was reclassified from provisions for the market assessment of securities to financial income and offset against gains from the disposal of securities.

The interest result for financial instruments in the "Available-for-sale financial assets" category relates to the interest earnings from securities.

The interest earnings for financial instruments in the "Loans and receivables" category come from the investment of liquid assets. In the case of the "Financial liabilities valued at acquisition costs," the interest result essentially concerns interest expenditure from non-current financial liabilities and from financial liabilities with banks.

## FINANCIAL RISK MANAGEMENT AND FINANCIAL DERIVATIVES

As an internationally active company, the Manz Group is exposed to credit, liquidity, and market risks in the course of its normal business. Market risks particularly result from changes to currency prices and interest rates. The task of financial risk management is to control and limit these market risks using its current operational and financial activities. Depending on the risk assessment, derivate hedging instruments are used, whereby only cash flow risks are hedged on principle. Derivate financial instruments are only used for hedging purposes and are therefore not held as a trading or speculative position. To reduce the risk of failure, hedging transactions are only taken out with leading financial institutes with excellent credit ratings.

The basic principles of the financial policy are regularly agreed in the Managing Board and monitored by the Supervisory Board.

The sensitivity analyses in the following sections pertain to either the status on December 31, 2010, or December 31, 2009. The sensitivity analyses were carried out based on the hedging relationships which existed on December 31, 2010, 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 balance sheet total relates to derivates and debt instruments held for sale.
- 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, 2010 and 2009, including the effect of the hedging relationship.
- The sensitivity of equity is calculated by considering the effect of related cash flow hedging relationships as of December 31, 2010 and 2009, 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, above all when it comes to trade receivables as well as 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.

The maximum credit risk on the reporting date corresponds to the carrying value of the financial assets.

The age structure of trade receivables can be seen from the following table:

| (in EUR tsd.) | **2010** | **2009** |
|---|---|---|
| **Not overdue and not value-adjusted** | 29,518 | 9,178 |
| | | |
| **Overdue and not specifically written-down** | | |
| up to 30 days | 4,645 | 5,359 |
| between 31 and 60 days | 1,189 | 1,014 |
| between 61 and 90 days | 2,806 | 193 |
| between 91 and 180 days | 2,370 | 955 |
| more than 180 days | 2,802 | 108 |
| | | |
| **Specifically written-down receivables** | 62 | 9,290 |
| | **43,392** | **26,097** |

There were no signs for needing to write down the value of trade receivables not written down. The impairment level of receivables neither overdue nor written down is seen as very low. This assessment is derived above all from the long-standing business relationship to most buyers and the credit rating of the customers. The historic default rates in the Group are very low.

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

The liquidity risks – i.e. the risk that Manz is not able to meet its financial obligations – are limited by creating the necessary financial flexibility as well as by an effective cash management system. To control the future liquidity situation, we employ appropriate financial planning instruments. According to our current plans, no liquidity problems are foreseeable.

On the reporting date, unused current account and surety lines of credit at banks amounted to 49,715,000 euros (previous year: 36,350,000 euros); electively usable as current account credit and/or surety line of credit (use of lines of credit as at December 31, 2010:

2,899,000 euros [previous year: 5,822,000 euros]). In addition, there were unused lines of credit in credit insurance in the amount of 10,114,000 euros (previous year: 10,624,000 euros); their use amounts to 4,886,000 euros (previous year: 4,376,000 euros).

The following list shows the contractually stipulated, undiscounted interest and principal repayments for all non-derivative 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. Essentially, we assume that the payments will not be made earlier than presented.

| (in EUR tsd.) | **Total** | **2011** | **2012** | **> 2013** |
|---|---|---|---|---|
| **Dec. 31, 2010** | | | | |
| | | | | |
| Financial liabilities | 14,496 | 10,198 | 711 | 3,587 |
| Financial liabilities – leasing | 44 | 15 | 11 | 18 |
| Accounts payable | 51,535 | 51,535 | | |
| Other liabilities | 5,938 | 5,938 | | |
| | **72,013** | **67,686** | **722** | **3,605** |

| (in EUR tsd.) | **Total** | **2010** | **2011** | **> 2012** |
|---|---|---|---|---|
| **Dec. 31, 2009** | | | | |
| | | | | |
| Financial liabilities | 9,713 | 9,038 | 125 | 550 |
| Financial liabilities – leasing | 37 | 13 | 19 | 5 |
| Accounts payable | 14,222 | 14,222 | | |
| Other liabilities | 2,135 | 2,135 | | |
| | **26,107** | **25,408** | **144** | **555** |

The factory buildings belonging to Manz Intech Machines in Taiwan and to Manz Slovakia have been provided as collateral for the loans and lines of credit extended by credit institutions to the Manz Group which exist at 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 above all 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 the exchange rate risk and hedges all major risks with forward exchange contracts and foreign exchange options, whenever it makes commercial 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.

Our company did hot have any currency hedges in place at the end of the reporting period, since we do not have any significant positions in foreign currencies, and have no transactions in foreign currencies planned.

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 euro had been 10% higher in value against the US dollar as of December 31, 2010 (2009), the consolidated result would have been 959,000 euros (312,000 euros) lower. If the euro had been 10% lower in value against the US dollar as of December 31, 2010 (2009), the consolidated result would have been 1,172,000 euros (382,000 euros) higher.

## 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 Group manages its interest rate risk in financial liabilities with a balanced portfolio of loans with fixed and variable interest rates. Since the 2010 fiscal year, derivative financial instruments have been used in the form of an interest cap agreement for a long-term loan of 3.7 million euros taken out by the Slovakian subsidiary.

Interest risks according to IFRS 7 are determined using sensitivity analyses. In this case, effects of variable market interest rates on the financial results are illustrated.

If the base interest rate on December 31, 2010 (2009) had been 100 points higher (lower), the Group's profit/loss would have been 72,000 euros (72,000 euros) lower (higher).

# CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

On the reporting date, Manz Automation AG has guarantees in place for liabilities to bank for third parties amounting to 700,000 euros.

The Manz Group has taken out 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 shown as follows:

### DUE DATES OF MINIMUM LEASE PAYMENTS

| (in EUR tsd.) | 2010 | 2009 |
|---|---|---|
| **Minimum lease payment** | | |
| Remaining term up to 1 year | 3,575 | 3,521 |
| Remaining term 1-5 years | 14,655 | 11,520 |
| Remaining term more than 5 years | 31,345 | 32,456 |

In the fiscal year 2010, rent and leasing payments in the amount of 4,758,000 euros (previous year: 4,524,000 euros) were recorded under other operating expenses.

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

## EVENTS AFTER THE REPORTING PERIOD

Further events, which would have a significant impact on our financial situation, did not take place after December 31, 2010, the end of the reporting period.

## 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, members of the Managing Board and the Supervisory Board including their family members, as well as companies over which Manz AG, the Managing Board and Supervisory Board members, and their close family members can exercise a considerable influence, basically come into question as related parties.

Supply and service relationships exist between Manz Automation AG and Axystems Ltd., based in Israel, which was accounted for using the equity method until the complete acquisition of the shares on June 30, 2010. In the period of January 1 to June 30, 2010, Manz Automation AG received goods and services valued at 514,000 euros (2009 fiscal year: 705,000 euros). At the reporting date of December 31, 2009, there were liabilities to Axystems Ltd. totaling 23,000 euros.

### 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 Managing Board members, are shown in the compensation report which is part of the management report.

Total remuneration for the Managing Board for the 2010 fiscal year amounted to 944,000 euros (previous year: 1,031,000 euros). The non-performance-related payments amounted to 637,000 euros (previous year: 712,000 euros), the performance-related payments 40,000 euros (previous year: 0 euros), and the long-term benefits due 267,000 euros (previous year: 319,000 euros). The long-term benefits due involve share options/option rights as part of the performance share plan. A total of 2,739 option rights (previous year: 3,320) were awarded to the Managing Board members with a fair value of 267,000 euros (previous year: 319,000 euros).

For the Chairman of the Managing Board, Dieter Manz, there is a pension obligation (defined benefit obligation) according to IFRS totaling 214,000 euros (previous year: 162,000 euros). To cover the pension plan, a reinsurance policy has been taken out with a fair value 103,000 euros (previous year: 98,000 euros).

The former Managing Board member, Otto Angerhofer, received a pension payment in the 2010 fiscal year of 10,000 euros (previous year: 4,000 euros). There is a pension obligation towards the former Managing Board member according to IFRS totaling 177,000 euros (previous year: 140,000 euros). To cover the pension plan, a reinsurance policy has also been taken out with a fair value 88,000 euros (previous year: 94,000 euros).

The Chairman of the Managing Board, Dieter Manz, held 44.49% (previous year: 44.49%) of the shares in Manz Automation AG on the reporting date.

There has been a contribution-based pension plan for the Managing Board member, Martin Hipp, since the 2009 fiscal year and one for the Managing Board member, Volker Renz, since the 2010 fiscal year. A total of 6,000 euros p.a. is paid into an external, reinsured pension fund for this purpose.

## SUPERVISORY BOARD

Professor Heiko Aurenz (Chairman since March 6, 2010), partner at Ebner Stolz Mönning Bachem Unternehmensberatung GmbH, Stuttgart

Dr. Jan Wittig (Chairman, died on March 6, 2010), lawyer, partner at Rechtsanwälte Dr. Schaudt und Kollegen, Stuttgart

Peter Leibinger (Member since June 22, 2010, Deputy Chairman since June 28, 2010), managing partner of Trumpf GmbH & Co. KG, Ditzingen

Professor Rolf D. Schraft

Dr. Guido Quass (Member from March 17 to June 22, 2010), lawyer, partner at Menold Bezler Rechtsanwälte Partnerschaft, Stuttgart

The Chairman of the Supervisory Board, Professor Heiko Aurenz, is also a member of the Supervisory Boards of IBS AG, Know How! Aktiengesellschaft für Weiterbildung, Anna-Haag-Mehrgenerationenhaus e.V., ASB Grünland Helmut Aurenz GmbH, and Monument Vermögensverwaltung GmbH.

No services were provided by Ebner Stolz Mönning Bachem Unternehmensberatung GmbH in the 2010 fiscal year (previous year: 4,000 euros for management information system support services).

Dr. Wittig was also a member of the Supervisory Board and Advisory Board of Euwax AG, Börse Stuttgart AG, Börse Stuttgart Holding GmbH, Otto Ficker GmbH, Diakonie Stetten e.V., Zieglersche Anstalten e.V., and Anna-Haag-Haus Stuttgart e.V.

The Supervisory Board member, Peter Leibinger, is also Deputy Chairman of the Board of Directors at INDEX-Werke GmbH & Co. KG Hahn & Tessky, member of the Board of Directors at TRUMPF Laser GmbH + Co. KG, commissioner at PT TRUMPF Indonesia and member of the Advisory Board at Hüttinger Elektronik GmbH + Co. KG. Furthermore, Mr. Leibinger is a member of the Board of Directors at 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 2010 fiscal year, laser systems worth 1,624,000 euros were bought by Manz AG from subsidiaries of TRUMPF GmbH + Co. KG, where Peter Leibinger is a managing partner. On December 31, 2010, there were liabilities to the TRUMPF Group totaling 657,000 euros.

The Supervisory Board member, Professor Rolf D. Schraft, is also a member of the Executive Board of the International Federation of Robotics (IFR) as well as a member of the Research Board of Trustees of Alfred Kärcher GmbH and Hock Holding GmbH & Co. KG.

As a partner of the law firm Menold Bezler Rechtsanwälte Partnerschaft, the Supervisory Board member, Dr. Guido Quass, has provided legal consulting services for Manz AG during his membership of the Manz AG Supervisory Board totaling 34,000 euros. As of the reporting date, December 31, 2010, there were liabilities to the law firm Menold Bezler totaling 25,000 euros.

The compensation system for the Supervisory Board is also presented in the compensation report, which is part of the management report.

For the 2010 fiscal year, compensation totaling 39,000 euros (previous year: 36,000 euros) was awarded to members of the Supervisory Board. The compensation contains fixed and variable elements.

## AUDITOR'S FEE

The fees assessed by the company responsible for auditing the annual reports, alltax gmbh Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, are calculated as follows:

| (in EUR tsd.) | **2010** | **2009** |
|---|---|---|
| Auditing the annual financial statements | 116 | 106 |
| Miscellaneous certifications | 16 | 20 |
| Tax consultation services | 16 | 19 |
| Other services | 24 | 40 |

## CORPORATE GOVERNANCE CODE

Manz Automation AG's Managing Board and Supervisory Board have both submitted 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 Automation AG's Web site: www.manz.com.

# INFORMATION PURSUANT TO ARTICLE 160, PARAGRAPH 1 SENTENCE 8 OF THE GERMAN STOCK CORPORATION ACT

**The following information was published during the 2010 fiscal year pursuant to the German Securities Trading Act:**

**May 28, 2010**
On May 27, 2010, FMR LLC, Boston, USA, notified us pursuant to Section 21 (1) WpHG that its percentage of voting rights in Manz Automation AG, Reutlingen, Germany, crossed the threshold of 3% and amounted to 3.22% of the voting rights (144,241 voting rights) as of May 21, 2010.

All voting rights in Manz Automation AG were attributed to FMR LLC pursuant to Section 22 (1), Sentence 1, No. 6 in connection with Sentence 2 WpHG. The voting rights were attributed to FMR LLC from Fidelity Advisor Series I, being a shareholder holding 3% or more of the voting rights in Manz Automation AG.

**May 28, 2010**
On May 27, 2010, Fidelity Management & Research Company, Boston, USA, notified us pursuant to Section 21 (1) WpHG that its percentage of voting rights in Manz Automation AG, Reutlingen, Germany, crossed the threshold of 3% and amounted to 3.22% of the voting rights (144,241 voting rights) as of May 21, 2010.

All voting rights in Manz Automation AG were attributed to Fidelity Management & Research Company pursuant to Section 22 (1), Sentence 1, No. 6 WpHG. The voting rights were attributed to Fidelity Management & Research Company from Fidelity Advisor Series I, being a shareholder holding 3% or more of the voting rights in Manz Automation AG.

**May 28, 2010**
On May 27, 2010, Fidelity Advisor Series I, Boston, USA, notified us pursuant to Section 21 (1) WpHG that its percentage of voting rights in Manz Automation AG, Reutlingen, Germany, crossed the threshold of 3% and amounted to 3.22% of the voting rights (144,241 voting rights) as of May 21, 2010.

**September 06, 2010**

On September 2, 2010, FMR LLC, Boston, USA, notified us pursuant to Section 21 (1) WpHG that its percentage of voting rights in Manz Automation AG, Reutlingen, Germany, fell below the threshold of 3% and amounted to 2.68% of the voting rights (120,241 voting rights) as of September 1, 2010.

All voting rights in Manz Automation AG were attributed to FMR LLC pursuant to Section 22 (1), Sentence 1, No. 6 in connection with Sentence 2 WpHG.

**September 06, 2010**

On September 2, 2010, Fidelity Management & Research Company, Boston, USA, notified us pursuant to Section 21 (1) WpHG that its percentage of voting rights in Manz Automation AG, Reutlingen, Germany, fell below the threshold of 3% and amounted to 2.68% of the voting rights (120,241 voting rights) as of September 1, 2010.

All voting rights in Manz Automation AG were attributed to Fidelity Management & Research Company pursuant to Section 22 (1), Sentence 1, No. 6 WpHG.

**September 15, 2010**

On September 10, 2010, Fidelity Advisor Series I, Boston, USA, notified us pursuant to Section 21 (1) WpHG that its percentage of voting rights in Manz Automation AG, Reutlingen, Germany, fell below the threshold of 3% and amounted to 2.68% of the voting rights (120,241 voting rights) as of September 1, 2010.

**September 28, 2010**

On September 27, 2010, FMR LLC, Boston, USA, notified us pursuant to Section 21 (1) WpHG that its percentage of voting rights in Manz Automation AG, Reutlingen, Germany, crossed the threshold of 3% and amounted to 3.20% of the voting rights (143,302 voting rights) as of September 22, 2010.

All voting rights in Manz Automation AG were attributed to FMR LLC pursuant to Section 22 (1), Sentence 1, No. 6 in connection with Sentence 2 WpHG.

**September 28, 2010**

On September 27, 2010, Fidelity Management & Research Company, Boston, USA, notified us pursuant to Section 21 (1) WpHG that its percentage of voting rights in Manz Automation AG, Reutlingen, Germany, crossed the threshold of 3% and amounted to 3.20% of the voting rights (143,302 voting rights) as of September 22, 2010.

All voting rights in Manz Automation AG were attributed to Fidelity Management & Research Company pursuant to Section 22 (1), Sentence 1, No. 6 WpHG.

**October 28, 2010**

On October 28, 2010, FMR LLC, Boston, USA, notified us pursuant to Section 21 (1) WpHG that its percentage of voting rights in Manz Automation AG, Reutlingen, Germany, crossed the threshold of 5% and amounted to 5.04% of the voting rights (225,771 voting rights) as of October 20, 2010.

All voting rights in Manz Automation AG were attributed to FMR LLC pursuant to Section 22 (1), Sentence 1, No. 6 in connection with Sentence 2 WpHG.

**October 28, 2010**

On October 28, 2010, Fidelity Management & Research Company, Boston, USA, notified us pursuant to Section 21 (1) WpHG that its percentage of voting rights in Manz Automation AG, Reutlingen, Germany, crossed the threshold of 5% and amounted to 5.04% of the voting rights (225,771 voting rights) as of October 20, 2010.

All voting rights in Manz Automation AG were attributed to Fidelity Management & Research Company pursuant to Section 22 (1), Sentence 1, No. 6 in connection with Sentence 2 WpHG.

**December 15, 2010**

On December 15, 2010, FMR LLC, Boston, USA, notified us pursuant to Section 21 (1) WpHG that its percentage of voting rights in Manz Automation AG, Reutlingen, Germany, fell below the threshold of 5% and amounted to 4.95% of the voting rights (221,641 voting rights) as of December 9, 2010.

All voting rights in Manz Automation AG were attributed to FMR LLC pursuant to Section 22 (1), Sentence 1, No. 6 in connection with Sentence 2 WpHG.

**December 15, 2010**

On December 15, 2010, Fidelity Management & Research Company, Boston, USA, notified us pursuant to Section 21 (1) WpHG that its percentage of voting rights in Manz Automation AG, Reutlingen, Germany, fell below the threshold of 5% and amounted to 4.95% of the voting rights (221,641 voting rights) as of December 9, 2010.

All voting rights in Manz Automation AG were attributed to Fidelity Management & Research Company pursuant to Section 22 (1), Sentence 1, No. 6 WpHG.

# 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 11, 2011

The Managing Board of Manz Automation AG

Dieter Manz
Chief Executive Officer

Martin Hipp

Volker Renz

# 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 Automation 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, 2010. 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 11, 2011

alltax gmbh
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Klatte
Certified Public Accountant

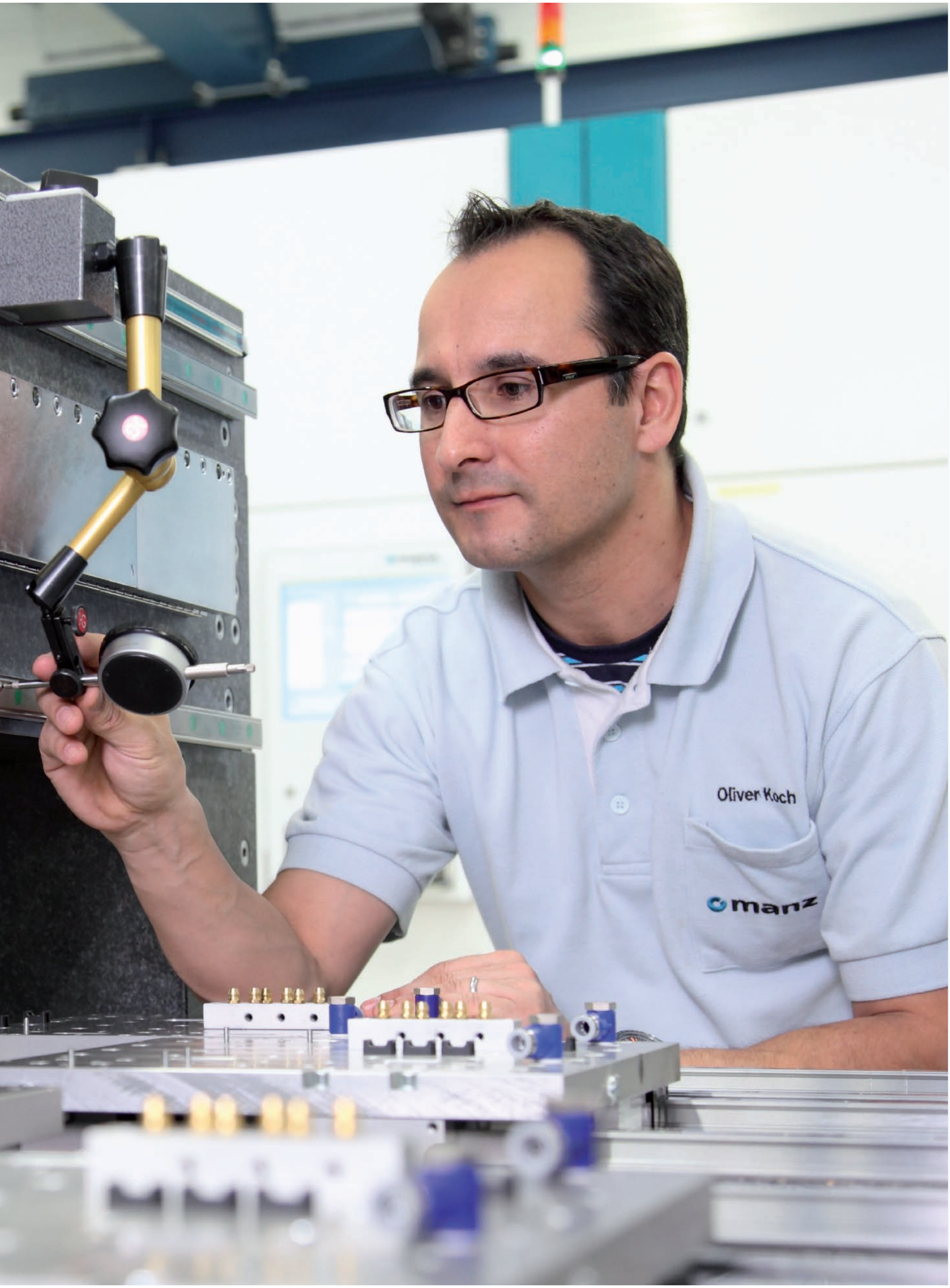
Schäuffele
Certified Public Accountant

# LOVE OF DETAIL PROVIDES STABILITY

**WE WORK METICULOUSLY ON EVEN THE SMALLEST OF DETAILS. BECAUSE TO US, PRECISION AND DILIGENCE AREN'T JUST WORDS.**

**MANZ – PASSION FOR EFFICIENCY**

**OLIVER KOCH, ASSEMBLY MECHANIC, MANZ REUTLINGEN**


Oliver Koch
manz

# GLOSSARY

# GLOSSARY OF SOLAR AND TECHNICAL TERMS

## A

### AirCushion Technology

Within the context of handling large as well as extremely thin glass substrates, AirCushion technology serves as a means of transporting the substrates in an almost contact-free manner, which reduces contamination.

### Amorphous Silicon (a-Si)

Amorphous silicon (a-Si) is a non-crystalline form of the pure semiconductor silicon. It has a high absorptive capacity and, as a result, can be used in solar modules with particularly thin layers. Due to structure, however, such solar modules exhibit a comparably low efficiency of about 6 to 8 %.

### Aperture Area

The aperture area is the glass area of a collector through which the sun can shine. If, for example, mirrors are used to concentrate solar radiation on a collector or one point, the mirror is considered the aperture area.

### Automation

The term automation is used to describe the transfer of functions in a production process – particularly process management and control duties, from humans to technical systems. Manz Automation AG's automation systems serve to link individual stages of production and, as a result of their precision and high throughput rates, play a significant role in cutting the costs of photovoltaic systems.

## B

### Back End/Back-End Line

The last stages of a production line for crystalline solar cells which Manz can offer all from one source.

### BIPV (Building-Integrated Photovoltaics)

BIPV stands for building-integrated photovoltaics. While conventional solar technology is primarily installed on existing roofs, BIPV allows photovoltaic products – primarily thin-film modules – to be integrated directly into a building's facade. As a result, the building has a more aesthetically pleasing overall look.

## C

### Cadmium-Telluride (CdT)

Cadmium-Telluride (CdT) is an absorbing material used in thin-film solar modules. CdT is particularly well suited for use in thin-film solar modules because of its physical and chemical properties, since its high absorptive capacity means that thin layers only a few micrometers thick are sufficient for comparably high efficiency rates. In addition, solar modules made from CdT can be manufactured in affordable processing stages.

### CIGS

CIGS is a thin-film technology and stands for the elements used: copper, indium, gallium, sulfur, and selenium). In contrast to crystalline silicon solar cells, CIGS solar modules have an absorber with a direct band gap. Thanks to the thin width of the CIGS layer, it is possible to use significantly less semiconductive material. In addition, the demands placed on the absorber material are lower. The efficiency of these modules currently lies in the vicinity of 10 % to 12 % (world record under laboratory conditions: 20.3 %).

### CIGSfab

With its CIGSfab, Manz Automation AG offers an integrated, turnkey production line for the manufacture of CIGS thin-film solar modules, which combine the highest efficiency and low production costs.

### Conductor/Conductive Material

A conductor is a material that contains freely movable charge carriers and, as a result, can be used to transport charged particles (electricity).

### Contact Finger/Busbar

Contact fingers conduct electricity from the solar cell to the busbars, which are used to connect the cells into one module.

### Crystalline Silicon Solar Cells

There are two types of silicon solar cells: those made from a single crystal (monocrystalline), and those made from several crystals (polycrystalline). Monocrystalline solar cells are up to 20 % more efficient than polycrystalline solar cells of the same size.

## G

### Glass Substrate

In the LCD industry and in the field of thin-film solar modules, the glass panel used is also called a substrate.

### Grid Parity

Grid parity describes the moment when electricity generated by photovoltaic equipment costs the consumer just as much as "conventional" electricity which is not generated from renewable energy sources.

## H

### HAP (High Accuracy Printer)

Using an HAP (High Accuracy Printer) with a special image-processing system and precision automation, preprocessed structures are recognized and deposited with a positional accuracy of +/- 10 $\mu$m. In order to tap the full potential for increasing efficiency, the conductive traces must be etched exactly on top of the selective emitter's thin stripes so as to achieve the least amount of shadowing possible.

## I

### IPCS (Inline Precision Control System)

IPCS (Inline Precision Control System) is an innovative control system from Manz Automation for manufacturing thin-film solar modules. What makes IPCS so noteworthy is a rapid cycle, which continuously follows the position of the bottom line using optical components and adjusts the position of the etching laser accordingly.

### In-Line Production

The term in-line production refers to a continuous manufacturing process, traditionally using an assembly line. This is in contrast to batch production, which is the manufacturing technique of creating individual batches at a workstation before moving to the next step in production.

### In-line Sputter System –> see Sputter System

### In-line System Solution –> see System Solution

## L

### Laser Edge Deletion

An extremely reliable laser edge deletion process is required to manufacture high-quality thin-film solar modules. This process, which is carried out prior to laminating the glass cover, ensures that the coated glass is well insulated. The laser edge deletion system unites dynamic linear motors, powerful ablation lasers, an efficient extraction system, and the ability to seamlessly integrate it into process chains.

### Laser Edge Isolation

In order for a solar cell to work and to make full use of its entire range of performance, the back and front sides of a silicon solar cell must be separated electrically. This is carried out by scribing a small groove along the edge of the cell using a laser.

### Laser Scribing

By (laser)scribing thin-film solar modules, they become electrically connected.

### Lithium-Ion Battery (Li-Ion Battery)

Out of all the different rechargeable battery systems, lithium-ion batteries have the highest battery density and, as a result, can store and transmit the most energy (based on a specific amount of volume or weight). That's why lithium-ion is the secondary battery system of choice when the application's focus is on a high energy density (e.g. in the field of cellular communications and notebooks). When it comes to large-sized batteries, lithium-ion systems are primarily used in hybrid and electric vehicles.

## M

### Mechanical Scribing

In this process, structures necessary for a module to function properly are scribed using an engraver. Linear motors, image processing, various engraving heads, efficient extraction, high-precision assembly, etc. all allow for maximum throughput and the processing of extremely large substrates.

### Metallization

Contacts made of metal are required on both sides of the solar cell. In addition, a layer of metal covering the entire back side is required. These contacts are applied to the solar cell using three sequential screen printing machines.

## O

### OneStep Selective Emitter Technologie –> see Selective Emitter

## P

### Photovoltaics

Generally speaking, photovoltaics is a term used to describe the process of converting light into electricity. The photovoltaic effect was first used to generate electricity in 1954. The efficiency of solar cells ranges from approximately 6 to 35 % (in laboratory tests).

### Printed Circuit Board/PCB

PCB is the abbreviation for Printed Circuit Board. Printed circuit boards are made of electrically insulating material with conductive connections attached to them (known as traces), and are found in almost every technological device. They serve to form electrical connections and as a means of physically attaching components.

## S

### Selective Emitter/OneStep Selective Emitter Technology

In Manz's OneStep Selective Emitter process, the selective emitter structures are created using a laser process. To ensure that the emitter, which is the layer of a solar cell facing the sun, is as conductive as possible, it is first intentionally contaminated with phosphorus atoms (a process known as doping). Doing so significantly increases the conductivity between the silicon wafer and the contact fingers. This technology increases the efficiency of a crystalline solar cell by up to 0.5 %, which corresponds to an increase from 16.5 to 17 % in today's conventional cells.

### Semiconductor/Semiconductive Material

A semiconductor is a solid compound that has a particular electrical conductivity between that of a conductor and an insulator. Semiconductors are divided into two groups: those comprising one element, and compound semiconductors comprising more than one element. Solar cells are an example of a semiconductor.

### Solar Module

A solar module (or solar panel) is a packaged, interconnected assembly of solar cells. The number of solar cells determines the module's output.

### Solar Cell

A solar cell, or rather photovoltaic cell, is an electrical component. It converts radiation energy from the sun which strikes it directly into electricity.

### SpeedPicker

The SpeedPicker is an automation system from Manz Automation used for loading and unloading machines used in the production process, with integrated buffer systems and a connection to central production computer systems, and which was specially designed to meet the needs of the solar market. The SpeedPicker makes it possible to process crystalline cells at high throughput rates with low breakage rates during loading and unloading, allowing manufacturers to further cut production costs.

### Sputter System

The sputter process is a well-known method of coating in the industry, which is used to apply thin layers of material. Sputter systems are a type of vacuum coating system used by laboratories and for industrial applications such as for silicon wafers, displays, CDs, etc.

## T

### TCO Layer

TCO stands for Transparent Conductive Oxide; TCO etching is a manufacturing process for texturing TCO layers. In a thin-film solar module, this process causes less light to be reflected and more electricity to be generated.

### Thin-Film Solar Module

In this technology, a thin film of material such as amorphous silicon or cadmium-telluride is applied to a glass substrate. Depending on the technology used, the efficiency of these modules lies somewhere in the range of 6 % to 12 %, although CIGS technology has even achieved an efficiency of 20.3 % in laboratory testing. Since the layer's thickness is only one-hundredth that of crystalline silicon, the use of thin-film technology is quite attractive for the solar industry. By adding a coating of micro-crystalline silicon, the efficiency of these modules can be increased even further.

### Total Fab Solution

Manz Automation AG unites its entire range of services for the efficient manufacture of thin-film solar modules under the "Total Fab Solution" concept. In addition to a wide range of products for glass handling, storing and buffering glass panels, as well as conveyor systems, this also includes systems for mechanically scribing and laser cutting glass substrates. Wet chemical etching equipment to clean or pre-etch the TCO layer completes this overall concept.

## U

### Utility-Scale Photovoltaics

Utility-scale photovoltaics is a term used to describe commercial solar power plants, and is one of the industry's fastest-growing market segments. Power-plant-sized photovoltaic systems also place particular demands on the manufacturer – for example, the need for large-sized modules, MW inverters, or special system solutions.

V

### Vacuum Coating

The conductive, absorptive layers of a thin-film solar module are applied to a glass substrate in a vacuum process consisting of a multi-stage coating process and subsequent laser scribing. Vacuum coating is considered the heart of production systems for thin-film solar modules.

W

### Wafer

The wafer is the raw material used to make a silicon solar cell. Wafers are made from highly pure monocrystalline or polycrystalline silicon, which is cast into ingots and then sliced into 0.2-mm-thick wafers, which are then used to manufacture solar cells.

### Wet Chemistry

Wet chemical processing technology has a number of applications within the process chain for manufacturing crystalline silicon solar cells. Important processing steps particularly include texturing, cleaning, as well as removing dielectric layers.

# TABLE OF ACRONYMS AND ABBREVIATIONS

| | |
|---|---|
| AktG | Aktiengesetz (German Stock Corporation Act) |
| CAGR | Compound annual growth rate |
| CIGS | Cu(In,Ga)(S,Se)2 – Copper, indium, gallium, sulfur, and selenide |
| CO2 | Carbon dioxide (chem.) |
| cSi | Crystalline silicon |
| DAX | Deutscher Aktienindex (German stock index) |
| EBIT | Earnings before interest and taxes |
| EBT | Earnings before taxes |
| EEG | Erneuerbare Energien Gesetz (Germany's Renewable Energies Act) |
| EUR | Euro |
| FPD | Flat Panel Display |
| GDP | Gross domestic product |
| GW | Gigawatt |
| HAP | High Accuracy Printer |
| HDTV | High-definition television |
| IAS | International Accounting Standards |
| IFRIC | International Financial Reporting Interpretations Committee |
| IFRS | International Financial Reporting Standards |
| ISIN | International Securities Identification Number |
| kWh | Kilowatt hour |
| LCD | Liquid crystal display |
| LED | Light emitting diode |
| MDAX | German stock index for mid-cap companies |
| MENA | Middle East and North Africa |
| MW | Megawatt |
| PC | Personal computer |
| PCB | Printed circuit board |
| PoC | Percentage of Completion |
| PV | Photovoltaic |
| Si | Silicon (chem.) |
| TCO | Transparent and conductive oxide layers |
| TecDAX | Stock index consisting of the 30 largest German technology companies |
| TFS | Thin-film solar |
| USD | US dollars |
| VDMA | Verband Deutscher Maschinen- und Anlagenbauer e.V. (German Engineering Federation) |
| Wh | Watt-hour |
| WKN | Wertpapierkennnummer (German securities identification code) |
| Wp | Watt-peak |
| WpHG | Wertpapierhandelsgesetz (Germany's Securities Trading Act) |
| XETRA | Exchange Electronic Trading |

# IDEALISM CREATES SUSTAINABILITY

**WE ALREADY KNOW TODAY WHAT THE INNOVATIONS OF TOMORROW WILL BE. BECAUSE WE UNDERSTAND THE NEEDS OF OUR CUSTOMERS.**

**MANZ – PASSION FOR EFFICIENCY**

DAPHNE CHEN, MARCOM MANAGER, MANZ ASIA

# IMPRINT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