

MANZ

AUTOMATION

AG

ELECTRIFYING PERSPECTIVES/...

MANZ AUTOMATION AG  
ANNUAL REPORT 2007/...

### → **Manz Automation AG**

Manz Automation AG develops and manufactures systems and components for automation, quality assurance and laser process technology. The company's core competences are to be found in robotics, image processing, laser technology and control technology. Manz Automation AG thus unites bundled expertise from elementary technology areas to achieve optimum results for its customers.

#### FINANCIAL KEY FIGURES 2006 – 2007

in EUR million	2006	2007
Revenues	43.8	71.2
Total operating revenues	44.2	81.4
EBIT	4.9	10.0
EBIT margin (in % of revenues)	11.1	14.1
EBT	4.1	10.6
Net income	2.8	8.2
Earnings per share (in EUR)	1.77	2.40
Equity ratio (in %)	53.0	63.9

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.../  
The sun.

It shines for free and  
supplies more than 99%  
of the world's energy.

...  
/\*



WHO, LIKE  
MANZ, CAN  
OCCUPY  
A KEY  
POSITION...



.../  
Manz Automation AG  
in Reutlingen.

A new day begins.

...  
/\*



INTRO >

... AT THE  
BEGINNING  
OF A NEW  
AGE/...

... AT THE BEGINNING OF A NEW AGE/... >



.../  
With us for  
the next 4 billion years.

The sun.

...  
/\*



.../  
Employees at Manz  
headquarters

start work every morning.

...  
/\*



INTRO >

# ...HAS GLITTERING PERSPECTIVES TWICE.

## ELECTRIFYING PERSPECTIVES

.../We are one of the world's leading providers of systems and components for the photovoltaic industry. We thus play a key role in establishing this clean source of energy worldwide. With a sustained effect for the market. And for us. .../The pictures in this annual report take you on a visit to introduce you to our company's headquarters in Reutlingen – from dawn to dusk. .../That's where it all started. And where we are today. Prepared for the challenges of the photovoltaic age.

... HAS GLITTERING PERSPECTIVES. >

The Solar/... Sun/Lexicon is a small lexical compendium that explains topics about the sun, our greatest source of energy, and solar energy. It aims to give you, our shareholders, a greater insight into solar energy and topics connected therewith./...

## AL/PHA [noun]

[*Knowledge:Light*]

→ **First letter of the Greek alphabet, also the beginning. Everything began 13.7 billion years ago./...** With a big **bang**/... space expanded [it's still expanding] and made space for irregular **collections of gas**, that formed into galaxies and solar systems as a result of gravity/... → **Tremendous forces** resulted in such enormous compression that hydrogen turned into helium as a result of nuclear fusion. **Radiation was created.** Also: **Light./\***...

## AN/TI-RE/FLEC/TIVE COAT/ING [noun]

[*Photovoltaics:crystalline silicon solar cells*]

→ **No electricity can be created from the sun's reflected rays, and as a result,/...** solar cells are coated with a thin-film [mostly silicon nitride], in order to **minimize reflection in the solar cell** and maximize the absorption of light. This substantially increases the effectiveness of the solar cell./\*...

## AU/TO/MA/TION SYS/TEMS [noun]

[*Photovoltaics:crystalline silicon solar cells*]

→ **Politicians and consumers /...** are demanding lower prices for photovoltaics systems in no uncertain terms. Manz Automation AG's automation systems play a key role in **reducing costs.** These systems are setting standards on the market with their **precision** and their **throughput figures** – with minimum **breakage rates./\***...

# To our shareholders

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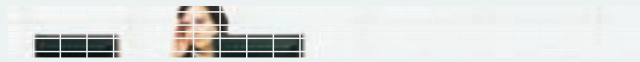
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<b>REPORT OF THE SUPERVISORY BOARD</b>	<b>0031</b>
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page 0021/...



9:48 am/ Getting the systems perfect. That's how the day starts.

page 0029/...



10:35 am/ More than half of our employees are engineers and technical staff.

**Dear shareholders,** We are very pleased to be able to present you with this annual report – for the best year yet in Manz Automation AG’s history. We more than fulfilled our expectations with record-breaking revenues and earnings. Manz Automation AG was able to increase revenues to EUR 71.2 million last fiscal year, up more than 62 % year-on-year. EBIT increased even more clearly, up from EUR 4.9 million to EUR 10.0 million, with net income even soaring from EUR 2.8 million to EUR 8.2 million, up almost 200 %.

This means that we have succeeded in further continuing our strong growth from last year. We used the funds from the capital increases during the IPO and in the summer of 2007 to further expand our technology leadership in many areas and we have made specific acquisitions to form the foundations for dynamic growth in the coming years.

In addition to a positive economic environment, in particular the highly dynamic growth on the photovoltaic market contributed to this result – highly specialised solutions and applications for the solar cell industry and the key technology for the future are thus among the central value drivers in our business strategy. The very pleasing growth in our operating business was driven by successful improvements to the system for the production of crystalline solar cells, but also by new developments, including the laser scribing equipment presented in 2007 for the production of thin-film modules. This allowed us to acquire a key order from Applied Materials in the spring with a volume

of approx. EUR 18 million. This order includes the delivery of laser scribing equipment for the provision of turnkey thin-film production lines. The follow-on order totaling around EUR 45 million was already received in August 2007. In just a brief period, our company has, in our own opinion, become established as the global market leader for this technology with a share of around 60%. This technology leadership is an excellent starting point for Manz Automation AG, as growth in the photovoltaic sector will be even more dynamic in future.

The market is still in its infancy: experts are forecasting annual global growth through to 2015 of 50% for the entire photovoltaic sector.

Manz was able to rapidly penetrate the thin-film market as a result of the substantial technology synergies between the systems.solar and systems.lcd divisions, as thin-film technology systems are based on existing solutions in the LCD sector. This opens up advantageous cost and development synergies within the group, with the result that we will be able to further increase our growth and profitability.

The fast-growing Asian market has proved to be the company's most important region. The recent acquisition of a 70% interest in Intech Machines Co., Ltd. in Taiwan means that we have taken a key step, reinforcing our market position for LCD and solar and also our customer proximity in Asia. Intech is by far the leading Taiwanese manufacturer of wet chemical process equipment



for the LCD and PCB industries. Access to this technology will allow us to further increase our value added in the production of thin-film solar modules over the short term, and to develop additional sales and earnings potential. The acquired wet chemical plant technology will also play a key role in future in the production of crystalline solar cells. This means that we have reinforced our existing market leadership for crystalline technology. As a result we are already the only provider in the world to be able to supply all of the back end machines for an annual output of 50 MW per production line.

In order to secure capacity required for dynamic growth, we have been able to acquire two other companies in addition to Intech. We were able to acquire 80 additional employees and around 5,000 m<sup>2</sup> of production space with the acquisition of Christian Majer GmbH&Co. KG. Our systems.aico division is to be bundled at this location in future. The acquisition of a 90 % interest in Böhm Electronic Systems Slowakei s.r.o. has secured additional capacity for us, with the result that we can set up the production of components and assemblies for the systems.solar division at this location, with more than 270 additional employees. In addition, we will further expand the Reutlingen facility this year, hire new employees and create additional space. In 2008 we are forecasting almost 1,600 employees worldwide, with production and administrative space totaling approx. 74,700 m<sup>2</sup>. This means that we have increased our number of employees and space more than ten fold in less than three years!

The newly created capacity and the highly dynamic market growth, in particular in the photovoltaic segment, mean that we are looking to the future with optimism. We are forecasting organic growth to almost double in the current fiscal year as a result of extensive follow-on orders from existing master agreements and new orders to EUR 135–140 million. This underscores the order book of around EUR 116 million [April 2008]. Taking the recently acquired companies in Tübingen and Slovakia into account and also Intech in Taiwan, we are forecasting revenues for 2008 of EUR 210–215 million. We believe that the successful acquisitions will also lead to a sustained increase in EBIT.

We believe that our position offers an excellent starting point to be able to be a leading provider of system solutions for automation, quality assurance, laser process technology and wet chemicals in future. We would like to thank our shareholders, customers and employees for placing their trust in Manz Automation AG and thus contributing to the success of our company.

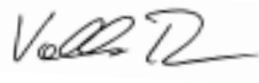
## The Managing Board



**Dieter Manz**  
CEO



**Martin Hipp**



**Volker Renz**



**Otto Angerhofer**



.../\* Martin Hipp, Volker Renz, Dieter Manz, Otto Angerhofer

# Our shares

## SUMMARY

Manz Automation AG's shares were able to combat the global trend on the capital markets during the past fiscal year. The shares enjoyed some of the most successful performance on the German capital market, up more than 580%. In addition, the company's dynamic growth was further boosted by the capital increase implemented in mid-2007. In particular the stable shareholder base will allow the company's long-term, sustained growth. **P 0020** By participating in numerous capital markets conferences and roadshows, Manz Automation AG has substantially expanded its investor relations activities. To date, the company has more than fulfilled the publicity requirements for Entry Standard companies, and it is currently reviewing a change to the Prime Standard as a next step to increase transparency.

## OVERVIEW

Last fiscal year, Manz Automation AG shares were able to significantly outperform the general trend, despite the turbulence on the international capital markets. Bolstered by a rapidly expanding market and reinforced by the highly successful operating business, our share price was characterized by an almost constant upwards movement in 2007. Since initial listing on September 22, 2006, Manz Automation AG's shares have enjoyed dynamic growth – and the price again increased significantly in 2007. Our shares reached a high of EUR 164.99 on December 28, 2007, up a convincing 580 % year-on-year. This means that Manz Automation AG's shares are among the most successful on the German capital market. [graph: 1.1](#) [graph: 1.2](#)

.../1

## CORPORATE ACTIONS

During fiscal year 2007, the share capital increased from EUR 3,257,250 to EUR 3,582,900. The capital increase from authorized capital was performed in line with the resolution by the General Meeting on July 6, 2006 as part of a private placement. A total of 325,650 new no-par value bearer shares were issued at a price of EUR 70.00 per share. As a result, gross proceeds from the issue totaling EUR 22.8 million accrued to Manz Automation AG.

.../2

## SHAREHOLDER STRUCTURE

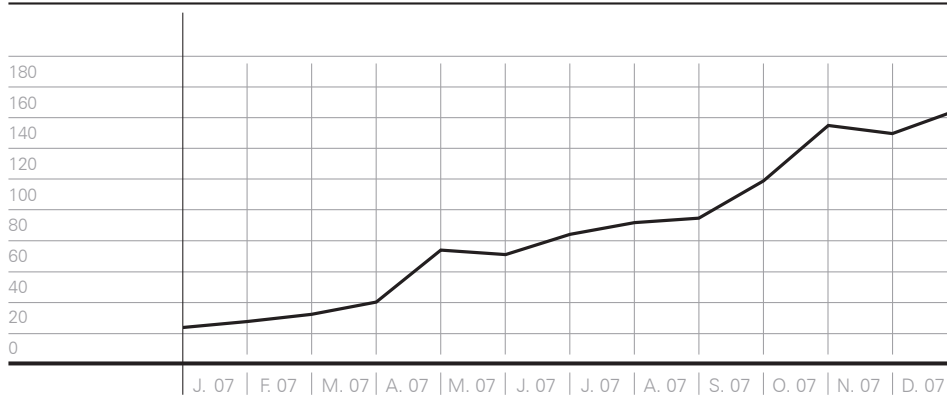
At the end of 2007, Manz Automation AG had a stable shareholder base, which allows long-term, sustainable growth for the company. The company's founder and CEO Dieter Manz currently holds a 53.64 % interest. Otto Angerhofer, member of the Managing Board, holds a 4.19 % interest, Ulrike Manz holds a 5.45 % interest in the company. The company's free float totaled 36.72 % at the end of fiscal year 2007. [graph: 1.3](#)

.../3

[graph: 1.1](#)

.../[graph]

MANZ SHARE CHART 2007, Xetra, in EUR



## INVESTOR RELATIONS

The Managing Board has engaged in regular dialog with investors and financial journalists since going public. The up-to-the-minute, transparent, end-to-end communication, participation in four capital market conferences and numerous roadshows in Germany and abroad allowed the company to further strengthen its contacts with investors. Manz Automation AG also plans to report in detail on its business growth in fiscal year 2008. The company aims to further increase transparency, and in this regard it is reviewing a possible transition to the Prime Standard.

.../4

## FINANCIAL CALENDAR

.../5

Date	
May 2008	Publication of Q1 2008 figures
June 10, 2008	Annual General Meeting
August 2008	Publication of Half-Year Report 2008
November 2008	Publication of Q3 2008 figures

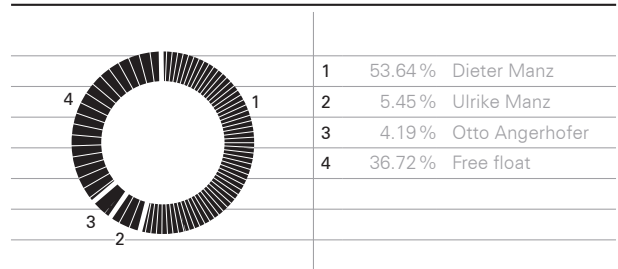
graph: 1.2

### KEY DATA

German Securities Code Number	A0JQ5U
ISIN/symbol	DE000A0JQ5U3/M5Z
Stock market segment/ Stock exchange	OTC [Entry Standard]/Frankfurt
Stock category	No-par value bearer shares each with a proportionate interest of EUR 1.00 in the share capital
Share capital	EUR 3,582,900
Number of shares in circulation	3,582,900

graph: 1.3

### SHAREHOLDER STRUCTURE



.../[graph]

09:48 AM

.../  
Getting the systems  
perfect.

That's how the day starts.

...  
/\*



## AU/TO/MA/TION SYS/TEMS [noun]

[Photovoltaics: thin-film solar modules]

→ **Manz Automation AG can benefit from/...** its great and **long-standing experience** in the LCD sector for thin-film modules. This experience allows the company to perfectly master the handling of even very **large glass substrates**. → **6-axis robots** /... with an **arm length of 3,100 mm**, cleanroom category 100. → **The robot grippers/...** made of **carbon fiber** hold the glass substrates using their flexible **vacuum suction** with high stability and low vibration. .../1/\*...

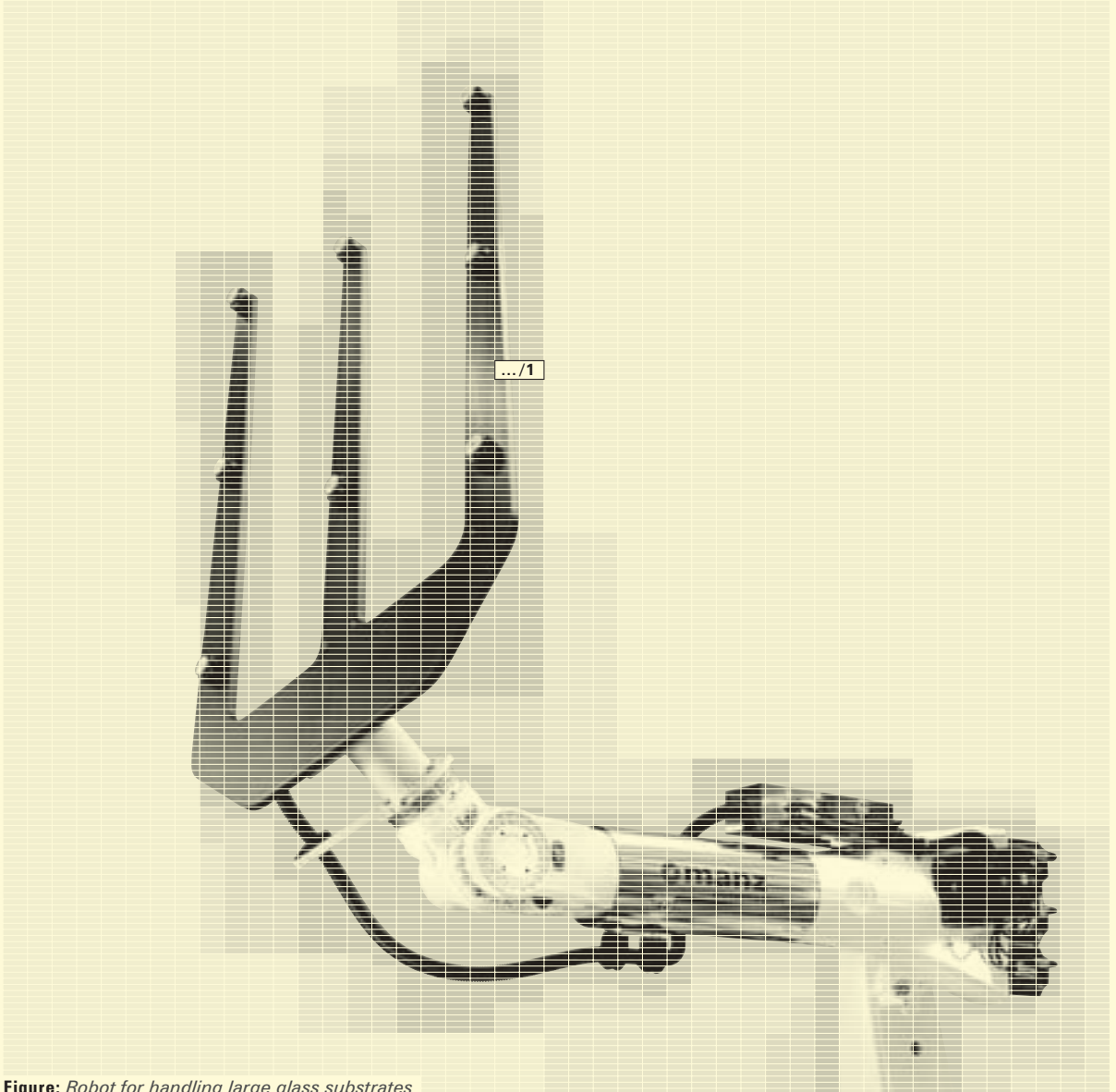


Figure: Robot for handling large glass substrates

## A/VAIL/A/BIL/I/TY [noun]

[Knowledge: Technology]

→ **A decisive criterion/...** for the economic efficiency of a production line. Availability shows **the percentage of a line available for production**. It is mostly impacted by the **quality** and **reliability of the machines**, but also the maintenance of the machines./\*...



# Business model and course of business

## SUMMARY

Business activities focus on the development and production of end-to-end systems for both the photovoltaic and LCD industries as well as for the hard metal production and laboratory automation sectors. Many of Manz Automation AG's developments now rank among the world's leading system solutions with regard to performance and quality.

In particular, Manz Automation AG believes that the photovoltaic sector will undergo a real boom in future, as this is a key technology to secure the global energy supply. Manz Automation AG enjoys an excellent position on this market for crystalline solar cells and thin-film solar modules as the technology market leader. In addition, the company benefits from synergies between the thin-film and LCD sectors as well as from its many years' experience. **P 0024**

2007 was the most successful fiscal year to date in Manz Automation AG's history. In addition to the strong organic growth, the company also made acquisitions, organizational changes including adding members to the Managing Board, and an extensive expansion of its Reutlingen facility. The capital increase in mid-2007 provided Manz with the foundations required for the acquisitions and the access to complementary technology, which again accelerated the company's dynamic growth.

## GROUP GROWTH

**2007 was characterized by growth for Manz Automation AG – both organic growth and from acquisitions. For example, in order to meet the increased requirements for additional capacity, the expansion of the facility in Reutlingen by adding an new production hall with offices was completed two years earlier than planned. The company also bore witness to its rapid growth by increasing its Managing Board, and appointed Martin Hipp as CFO. He is responsible for finance, HR and organization. Volker Renz was the fourth member to join the Managing Board. As COO he is responsible for procurement, logistics, production and assembly. In addition, a second management tier was put in place at Manz Automation. This second tier has far-reaching competences.**

.../1

**The two major orders for laser scribing equipment from Applied Materials played a major part in the company's success. The cooperation with this strategic alliance partner, which was already close, has become even more intense: in addition to automating vacuum coating equipment for the LCD industry, the cooperation now also spans the photovoltaic industry – an advantageous alliance which shows the technology synergies between the LCD and photovoltaic divisions.**

.../2

**After a successful start to the year, it was possible to substantially increase the revenue and earnings forecast in June 2007. Financing for the continued, strong growth was secured by a capital increase in the middle of the year, with gross proceeds of around EUR 22.8 million accruing to the company. This created the foundations for future acquisitions, which give Manz Automation access to complementary technologies and additional resources in Germany and in other countries.**

.../3

**After the acquisition of the engineering company Christian Majer GmbH&Co. KG in Tübingen at the end of 2007 [with effect from January 1, 2008], Manz went on to acquire a company in Slovakia at the start of 2008. Finally, the acquisition of a 70% interest in Intech Machines Co., Ltd. in Taiwan meant that the third successful acquisition in the space of just a few months was successfully concluded. This has created the foundations for Manz Automation AG's continued dynamic growth with new capacities and further technologies.**

.../4

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## PRODUCTS AND AREAS OF APPLICATION

**Manz Automation AG is one of the world’s leading providers of system solutions for automation, quality assurance and laser process technology. It focuses in particular on developing and producing end-to-end systems for the photovoltaic, LCD, hard metal production and laboratory automation segments. Many of the systems are already global market leaders – both with regard to their standard of technology as well as their performance and quality. All of Manz Automation AG’s system solutions are based on the underlying technologies of robot technology, image processing, laser technology and control technology. The company has built up far-reaching competence in these areas during the past 20 years.**

.../5

### PRODUCTS IN THE SYSTEMS.SOLAR DIVISION CRYSTALLINE SOLAR CELLS SEGMENT [C-SI]

**The photovoltaic is one of the key technologies that will play a major role in the future supply of energy and reducing pollution. Electrical energy from sunlight will allow renewable sources to increasingly cover energy requirements in future.**

.../6

**Sunlight is transformed to electrical energy in solar cells, the core element of photovoltaic systems. Two factors in particular are responsible for the economic efficiency of solar cells compared to traditional energy sources: low production costs with the simultaneous high performance. Manz Automation AG’s system development activities focus on fulfilling precisely these requirements.**

.../7

**Crystalline solar modules [c-Si] are produced in a multi-stage process. As a rule, there is a five-stage value chain. [graph: 2.1](#)**

.../8

**In this value chain, Manz Automation has focused its system solutions on the key third stage in particular – manufacturing crystalline solar cells. In turn, this production process is broken down into ten central production stages, from the receipt of silicon wafers [the raw material for solar cells] through to checking the finished solar cells and packaging. Manz Automation AG’s system solutions are used, in particular, to efficiently link the**

.../9

[graph: 2.1](#)

.../[graph]

Silicon producers/...	Wafer producers/...	Solar cell manufacturers/...	Module production/...	System service providers/...
Production of pure silicon	Production of silicon wafers made of pure silicon	Processing silicon wafers into photovoltaic cells	Connecting solar cells and module production	Combination of modules, accessories [inverters, cables, etc.] and assembly solutions; sales

Source: Ernst & Young, "Photovoltaic in Germany – market study 2005", January 2006

individual production stages, for example, loading and unloading the various machines in the production process. The company's portfolio also includes solutions for individual production stages, such as quality assessments and the necessary laser edge isolation.

[graph: 2.2](#)

The investment costs for a fully-automated and thus cost-efficient production line with an annual production output of 50 MW are between EUR 12 and 18 million. Manz Automation can currently cover a share of around 60 % of this order volume. This shows the breadth of Manz Automation's services – and this offers promising potential for further expansion. Over the medium term, Manz Automation will further increase its coverage of the value chain, thus making it a vital partner for providers of turnkey equipment, such as its strategic alliance partner Roth & Rau.

.../10

#### THIN-FILM SOLAR MODULE SEGMENT

A technology breakthrough has recently been made in finding an alternative to silicone, the valuable and scarce material needed to make crystalline solar cells – thin-film solar modules. In this technology, solar cells are manufactured by vapor depositing ultra-thin layers of conductive and semi-conductive materials on glass substrates, thus replacing high-cost crystalline silicon wafers. After they have been coated in a multi-layer process, the glass substrates are laser or mechanically scribed, which creates the required electrical voltage in the module. In addition to linking the production stages, Manz Automation focuses on developing and producing laser scribing systems. [graph: 2.3](#)

.../11

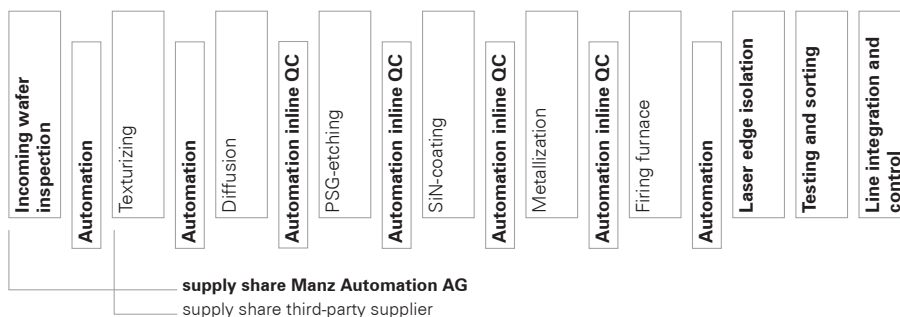
At present, Manz Automation AG can currently provide approx. 15 % of the total volume of a fully automated production line for thin-film solar modules. In future it aims to cover approx. 20 % – Manz Automation's percentage is lower than in the production process for crystalline solar cells, however installing these production lines is linked to a much higher volume of investment for the manufacturers: At present, an end-to-end production line for thin-film solar modules with an annual production capacity of 50 MW costs around EUR 50–80 million.

.../12

[graph: 2.2](#)

.../[graph]

#### CRYSTALLINE SOLAR CELLS PROCESS STAGES



PRODUCTS IN THE SYSTEMS.LCD DIVISION

Manz Automation has been supplying innovative automation systems for handling glass substrates – the material used to produce LCD flatscreens – for more than 15 years. The majority of the Manz systems installed are used to load and unload the in-line sputter systems [vacuum coating systems for glass substrates] delivered by Applied Materials. Automated handling is now a must-have: glass substrates now reach sizes of almost 6 m<sup>2</sup> [2,200 mm × 2,600 mm] with a thickness of just 0.7 mm – making manual handling impossible. In addition to low breakage rates, the throughput speed is also a key factor for LCD manufacturers.

.../13

LCD flatscreens have to be produced under extreme cleanroom conditions, and the automation systems also have to fulfill these requirements. Manz Automation’s robot systems have been certified for handling glass substrates in cleanroom conditions by the Fraunhofer IPA institute. The innovative “air cushion” technology is an additional key factor for careful and secure handling. As a result, it is possible to transport the substrates with practically no contact, thus avoiding contamination and damage.

.../14

In addition to these automation systems for substrate handling, Manz Automation AG also develops and sells automation systems for laser cutting equipment.

.../15

PRODUCTS IN THE SYSTEMS.AICO DIVISION

In its systems.aico [automation intelligence components] division, the company sells systems and components that are based on the basic technology for a broad market. The sale of OEM systems and components allows a significant increase in quantities for basic components, such as robots. This allows Manz Automation AG to realize economies of scale and enjoy cost advantages.

.../16

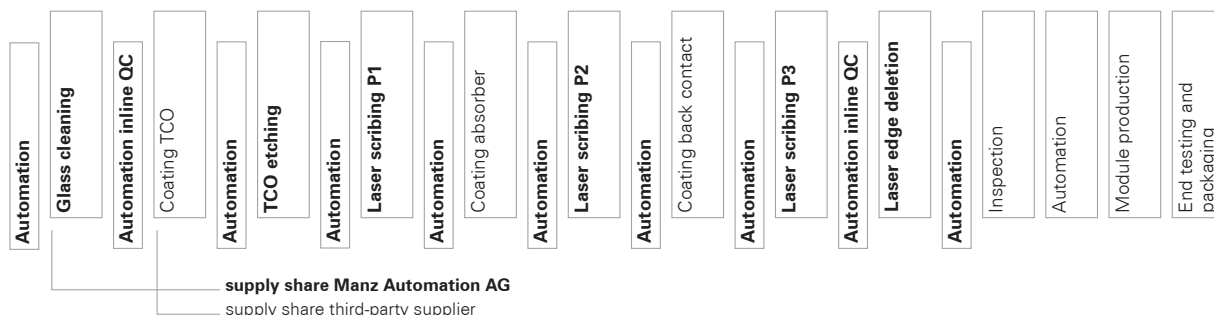
The OEM systems include an end-to-end range of robotic equipment that is used in producing hard metal tools, sintering materials and electronic products. The focus is on handling hard metal indexable inserts for metal, stone and woodworking.

.../17

.../[graph]

graph: 2.3

THIN-FILM PRODUCTION LINE PROCESS STAGES



**In terms of components, Manz Automation offers a product range that allows users to work with a wide range of automation solutions, such as industrial robots, grippers, industrial computers, control software and image processing systems. For example, the use of optical positioning instead of mechanical centering and orientation units allows even the smallest lot sizes to be produced economically.**

.../18

**Automation systems for the life science sector comprise a further field of activities in the systems.aico division. This includes products for laboratory automation such as the handling of ultra-small items [sampling bottles and plate systems] as well as customer-specific solutions. Thanks to its industrial experience and background, Manz Automation AG is setting new standards in process security and the reliability of the developed systems.**

.../19

10:35 AM

.../  
More than half of our  
employees are engineers  
and technical staff.

...  
/\*



## BER/NOUL/LI GRIP/PER [noun]

[Photovoltaics : crystalline silicon solar cells]

→ **This gripper system**, /... launched by **Manz** many years ago for the first time in the solar industry for solar cells has now become the **standard**, as our competitors have also recognized the advantages offered by this ultra-gentle gripper method./\*...

## BREAK/AGE RATE [noun]

[Photovoltaics : crystalline silicon solar cells]

→ **Wafers and solar cells** /... are particularly high-quality high-tech products. As a result, the breakage rate during handling should be as low as possible, for example during wafer testing [.../see wafer](#) or when processing solar cells [.../see solar cells](#). The **minimal breakage rates using Manz equipment** cut production costs, and thus help to ensure that the lines are **amortized** faster./\*...

## CELL TEST/ING AND SORT/ING SYS/TEM [noun]

[Photovoltaics : crystalline silicon solar cells]

→ **This refers to testing systems** /... that automatically test and sort the cells for example for edge breakout, screen printing quality, electrical output. → **Only perfect cells give perfect results. Manz Automation's cell testers** work in a correspondingly reliable, precise and efficient manner, testing all of the relevant points electrically and optically with a **throughput of 2,400 cells per hour**. From the printed image, contour and color through to electrical voltage and 3D inspections for impurities and bowing./\*...

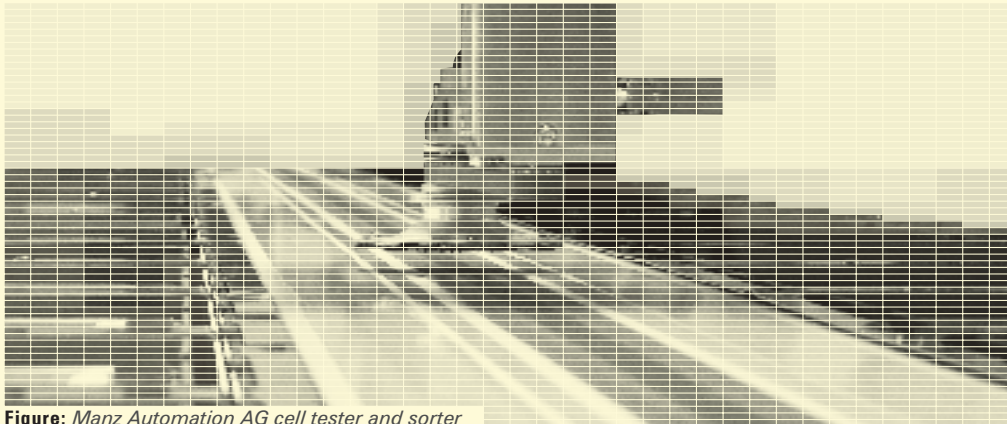


Figure: Manz Automation AG cell tester and sorter

## CRYS/TAL/LINE SIL/I/CON SO/LAR CELL [noun]

[Photovoltaics : crystalline silicon solar cells]

→ **Solar cells of monocrystalline silicon** /... enjoy a large-scale **high efficiency of more than 20 %**. However, producing this aligned crystalline structure consumes a lot of energy. That means that these systems have a correspondingly long amortization period. → **Solar cells made of polycrystalline silicon** /... have an **efficiency of more than 16 %**. Lower-cost production of this non-aligned crystalline structure would make the energy return period or the amortization period shorter. **That is why these solar cells have the best price/benefits ratio for the foreseeable future**. These solar cells are based on so-called **wafers** [.../see wafer](#). /\*...



# Report of the Supervisory Board

## SUMMARY

The Supervisory Board provides the management with constant advice and supports the continued, strong growth by augmenting the Managing Board. This thus created the foundations at an operating level for the company's sustained and dynamic growth. As a result, the international expansion and the increase in strategic alliances have a broad base to stand on in pursuit of the company's on-track growth. A total of five meetings of the Supervisory Board enabled the ongoing exchange between the Managing Board and the Supervisory Board on current developments.



.../\* Dr. Jan Wittig

Dear shareholders,

**Last fiscal year, Manz Automation AG's Supervisory Board constantly monitored the Managing Board's work in line with the law and the articles of incorporation, and provided advice and support.**

.../1

**Regular, up-to-the-minute reporting by the Managing Board have allowed us to deal in detail with the company's position and growth – as was the case in previous years. When reporting on the course of business and company policy, the Managing Board dealt with all relevant issues concerning forecasting, business growth, risks and risk management. The Supervisory Board was included directly in decisions of fundamental importance for the company.**

.../2

**In a total of five meetings [of which one was an extraordinary meeting] of the Supervisory Board last fiscal year, we were informed in detail of the economic and financial growth of the company and its environment.**

.../3

**The Managing Board reported on key business events between the meetings. The Supervisory Board thus received regular reports on the growth of the entire company as well as on developments in the individual divisions. In addition, information was also exchanged between the Managing and Supervisory Boards outside the meetings.**

.../4

**All of the transactions and activities that require the Supervisory Board's approval by law or according to the articles of incorporation, were discussed in detail with the Managing Board and the necessary resolutions were passed by the Supervisory Board.**

.../5

**The focus of our discussions resulted from the company's dynamic growth. Fiscal year 2007 was again characterized by a substantial expansion in operating business. Manz Automation AG was able to record dynamic growth as a result of the increasing international expansion, new technology developments and the strengthening of existing strategic alliances. In addition, there was an increased focus on acquisitions at the end of 2007. The progress in the operating business and the planned acquisitions were thus integral components of the ongoing exchange between the Managing and Supervisory Boards.**

.../6

---/(graph)

Manz Automation AG's Managing Board grew in size last fiscal year. The long-standing commercial manager Martin Hipp was appointed as CFO with effect from February 16, 2007. Volker Renz then also joined the Managing Board as COO on May 1, 2007. By making these appointments, in view of the constant increase in the company's business, the Supervisory Board has put the necessary staff in place and created the conditions required for the company to further expand its revenues and earnings in the coming years.

.../7

The annual financial statements and consolidated financial statements prepared by the Managing Board as of December 31, 2007 were audited by alltax Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft Reutlingen, and were both issued with an unqualified auditor's opinion. The Supervisory Board discussed the annual financial statements and consolidated financial statements with the auditor to the extent required and was informed of the audit reports. After an in-depth review by the Supervisory Board, there were no objections raised to the annual financial statements and the consolidated financial statements for fiscal year 2007. The Supervisory Board thus approved the management report and the group management and the annual financial statements and consolidated financial statements as of December 31, 2007 in a resolution dated April 22, 2008. The annual financial statements and the consolidated financial statements have thus been adopted.

.../8

We would like to thank the Managing Board and all of Manz Automation's employees for their excellent work and dedication to our customers, the company and our shareholders.

.../9

Reutlingen, April 22, 2008



Dr. Jan Wittig  
Chairman of the Supervisory Board

# Group management report

<b>BUSINESS REPORT</b>	<b>0037</b>
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<b>- company structure and underlying conditions</b>	<b>0038</b>
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group structure and participations	<b>0038</b>
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market and competitive environment	<b>0049</b>
company targets and strategy	<b>0055</b>

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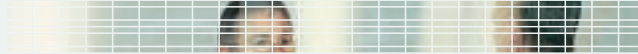
earnings	<b>0059</b>
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<b>- company risks</b>	<b>0070</b>
<b>- opportunities from future growth</b>	<b>0073</b>
<b>- outlook</b>	<b>0079</b>

page 0041 / ...



11:06 am / Really giving our customers what they want. That's one of Manz Automation's strengths.

page 0047 / ...



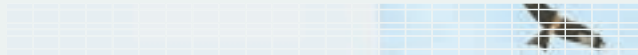
12:20 pm / System production is in full swing.

page 0057 / ...



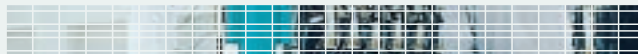
12:34 pm / Internal training is standard at Manz.

page 0067 / ...



1:09 pm / A bird soaring on thermals. Also a result of the sun.

page 0077 / ...



2:17 pm / An employee checks the systems again.

# Business report

## SUMMARY

Manz Automation AG is pursuing ambitious growth as a global company. In just its second year after going public – a year characterized by expansion – we already recorded highly successful growth. Staff levels and production capacities were increased time and time over. This upswing was supported by the technology breakthrough, in particular for laser scribing equipment for thin-film solar modules. Based on the company's own estimates, Manz Automation AG's market share in this subsection is around 60%. In addition, metallization lines for crystalline solar cells are now market ready.

A large number of follow-on orders confirm that the quality of Manz' products is a success. The high level of technology and the equipment's extraordinary performance play a key role. Manz Automation AG has already become established as a "preferred supplier" and "global automation partner" for one of the world's leading manufacturers of solar cells.

During fiscal year 2007, Manz Automation AG recorded revenues of more than EUR 71 million, up around 63% year-on-year. This allowed EBIT more than double to around EUR 10 million. Compared to sales, the EBIT margin of 14.1% is thus a significant year-on-year improvement.

The focus in future will be on key accounts in particular that require fully automated factories to produce solar cells. Thanks to the acquisitions it has made to date, Manz Automation AG will be able to substantially increase its value added in production lines to produce solar cells in future, thus creating the foundations for future growth.

## COMPANY STRUCTURE AND UNDERLYING CONDITIONS

### GROUP STRUCTURE AND PARTICIPATIONS

Reutlingen-based Manz Automation is one of the world’s leading providers of automation, quality assurance and laser process technology for the photovoltaic and LCD industry. The group’s core competences are robotics, image processing, laser and control technology. The group’s technology leadership is secured and expanded thanks to ongoing research and development work as well as by bundling its expertise.

.../1

The company has three divisions: photovoltaic [systems.solar], LCD [systems.lcd] and components and OEM systems [systems.aico] for automation in various branches of industry and the life sciences sector. [graph: 3.1](#)

.../2

Manz Automation AG focuses on the final assembly of systems and their technological further development as well as the administrative management of the entire group. As the group’s parent company, at the end of the year it held 100% interests in each of the four foreign subsidiaries. Two of these companies are based in Hungary, with one subsidiary in the US and one in Hong Kong. All of the subsidiaries are included in Manz Automation’s consolidated financial statements and are fully consolidated accordingly.

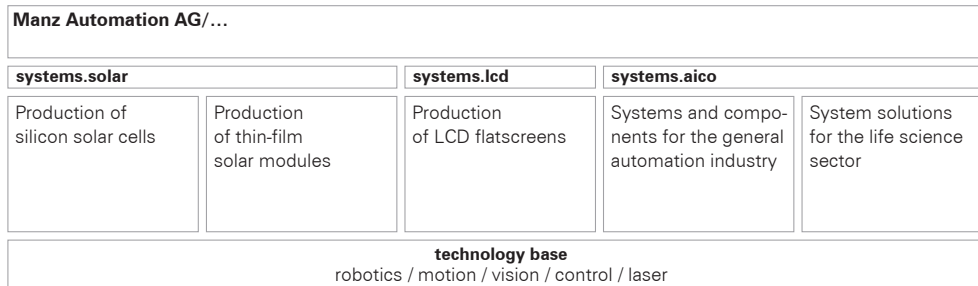
.../3

The Hungarian subsidiary, Manz Automation Hungary Kft. is based in Debrecen. Components, assemblies and certain standard machines are also fully manufactured at the Hungarian facility. MVG Hungary Kft. focuses exclusively on renting and managing the property used by Manz Automation Hungary Kft., and was primarily founded for liability reasons. Manz IMMO Hungary Kft. holds and manages the plot of land adjacent to Manz Automation Hungary Kft’s production facility. Manz is currently preparing to merge the Hungarian companies.

.../4

[graph: 3.1](#)

.../[graph]





**The US subsidiary Manz Automation, Inc. is based in North Kingstown [Rhode Island, USA]. In addition to sales, this company is responsible for installation and the subsequent provision of services such as repair and maintenance on the US market. Its proximity to customers means that this subsidiary ensures the fastest possible reaction times, which gives the Manz group a key competitive advantage.**

.../5

**The fourth subsidiary, Manz Automation Asia Ltd., Hongkong, has similar tasks. In addition to selling original products in the East Asian region [in particular Taiwan, South Korea and China], it also provides installation and services and ensures the supply of replacement parts. In addition, it coordinates the sales and service offices in Hsinchu and Tainan [both Taiwan] and Seoul in South Korea. What is more, since 2007 this subsidiary has held a 100% interest in each case in Manz Automation Taiwan Ltd., based in Hsinchu [Taiwan] as well as Manz Automation [Shanghai] Co., Ltd., based in Shanghai [China]. These two companies also serve to improve penetration of the Asian market and ensure ongoing high-quality services for Asian customers. In addition, Manz Automation AG has acquired a 24.0% interest in Axsystems Ltd., which develops and produces control systems. [graph: 3.2](#) This participating interest also secures key control systems for Manz in the event of a crisis.**

.../6

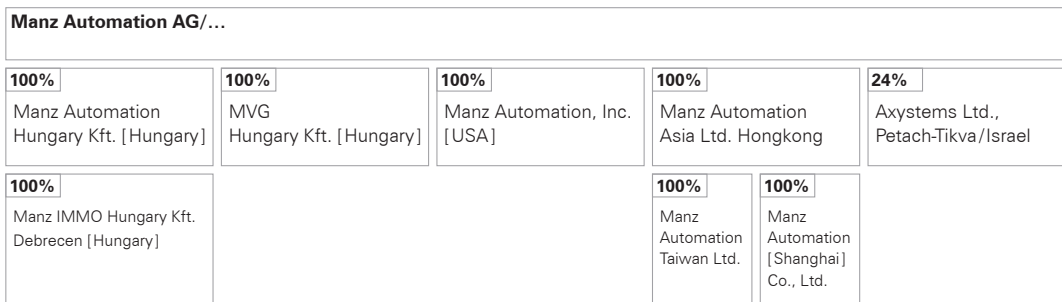
**After the balance sheet date, December 31, 2007, there were key changes in the company's structure as a result of the acquisition of other companies.**

.../7

[see report on events after the balance sheet date](#)

[graph: 3.2](#)

.../[graph]



## EMPLOYEES AND ORGANIZATIONAL STRUCTURE

In order to meet the strong increase in orders and the positive growth, a large number of new employees were hired in fiscal year 2007. During the course of the year, the average number of employees increased from 182 to 260. As of December 31, 2007, a total of 322 employees worked for the company in Germany and abroad, with the majority being employed at the Reutlingen headquarters. At the same time, Manz Automation AG is also dedicated to training new employees and had four apprentices and twenty interns and students writing their theses as of December 31, 2007. In total, the company's access to well qualified staff has improved substantially. Manz Automation AG's IPO increased awareness of the company, and its close links to the photovoltaic industry offer a wide range of opportunities for employee development. The number of employees grew again significantly after December 31 as a result of the company's acquisitions.

.../8

see report on events after the balance sheet date/outlook

Extensive changes were made to adapt the company's organizational structure to its dynamic growth in fiscal year 2007. The aim is to achieve the intended growth with the greatest possible degree of efficiency. As a result, the experienced consulting firm Management Engineers GmbH & Co. KG was engaged to support Manz Automation AG in its restructuring. The result was a shift away from the traditional matrix-based organization and the introduction of new positions and areas of responsibility. Some of the Managing Board members' tasks were also redefined. CEO Dieter Manz is responsible for technology, sales of systems in the systems.solar and systems.lcd divisions as well as research and development. Martin Hipp, CFO, is responsible for finance as well as HR, organization and IT. Volker Renz, COO, is responsible for procurement, logistics, production and assembly. Otto Angerhofer is responsible for the systems.aico division. A second-tier management level of divisional managers has been established, reporting to the Managing Board. Department and group managers will provide Managing Board members with effective, direct support in future. The administrative structure has thus been adapted to meet the new requirements and workflows have been tightened by adding process owners to allow efficient control of the company.

.../9

---{graph}

.../  
Really giving our  
customers what they want.

That's one of Manz  
Automation's strengths.

...  
/\*



**DEL/TA RO/BOT** [noun]

[Photovoltaics : crystalline silicon solar cells]

- **Innovative robot kinematics** /... characterized by their very low amount of mass moved. As a result, very rapid movements and thus high throughput figures can be realized./\*...
- **Delta robot** /... Flexible **robot kinematics** .../1 with **Bernoulli gripper** .../2 for rapid and careful handling of solar cells./\*...

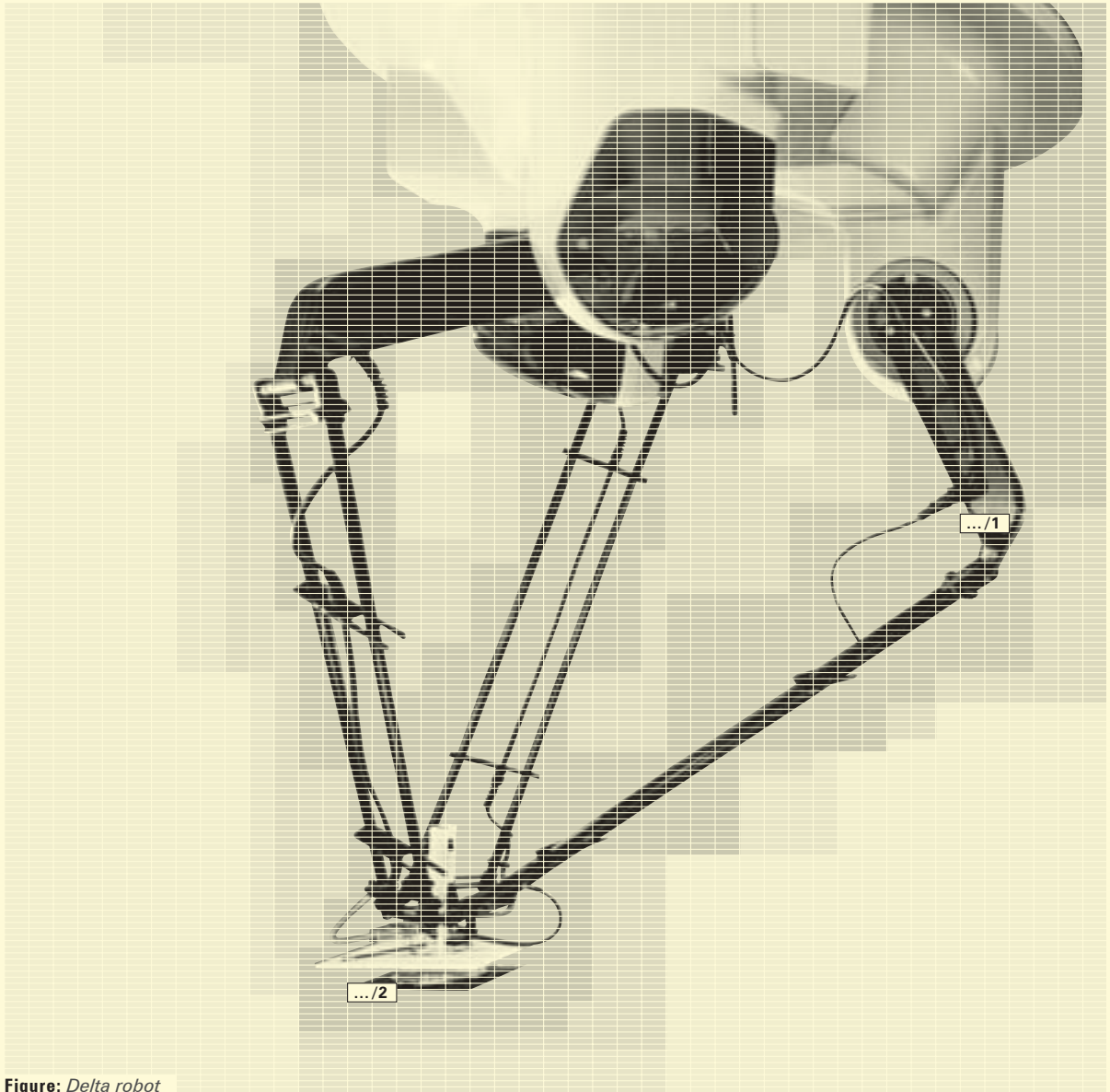


Figure: Delta robot

**DIF/FU/SION FUR/NACE** [noun]

[Photovoltaics : crystalline silicon solar cells]

- **Phosphorus atoms are added to the surface** /... of the silicon wafer in a high temperature process, the **silicon** is doped .../see doping. This results in the **P/N junction** .../see P/N junction in the solar cell. This process, which is called diffusion, is performed in the **diffusion oven**./\*...

## RESEARCH AND DEVELOPMENT

Manz Automation AG again enjoyed substantial progress in its research and development activities. A metallization line was brought to the market in the systems.solar division for production lines for crystalline silicon solar cells after spending around 1.5 years in development. These are screen printing machines used to create the electrical contacts on the front and rear sides of the solar cells. The newly developed systems are by far the fastest on the market with a gross throughput speed of 2,400 cells/hour. This development means that Manz Automation AG can supply the entire back end for the production of crystalline solar cells. As a result, it has further underscored its technology leadership and its USP in developing high speed equipment with continuous performance of 50 MW/year and more. The metallization lines are scheduled to be launched on the market in fiscal year 2008. In addition to this new, patented in-house development, existing systems were further developed and the foundations for solar cell production lines of up to 80 MW has been created.

.../10

The company succeeded in making a further technological breakthrough by developing a laser scribing line. This scribes the thin-film substrate into individual solar cells with integrated series circuits. The high precision of 20  $\mu\text{m}$  for substrate sizes of up to 2,200 mm  $\times$  2,600 mm allows a substantial increase in the effectiveness of the thin-film solar modules. This development is a technology USP on the global market. As a result, the company was able to gain a global market share of an estimated 60 % in just a brief period.

.../11

Producing solar modules demands a large number of process stages. At present, in terms of the total investment volume, Manz produces approx. 60 % of the machines required to produce a production line for crystalline solar cells. It currently covers approx. 15 % of production lines used for thin-film modules, covered by automation and the newly developed laser scribing machines. The R&D strategy aims to further increase the value added in the individual production lines. At the same time, the company aims to further increase the market-leading speed of its systems and to offer production capacities of 100 MW per line over the medium term. To this end, Manz is driving the further development of control and applications [speed, precision and image recognition]. This is why the company is specifically investing in cooperations with universities and research institutes in order to further expand its market lead in the coming years.

.../12

---/(graph)

**In total, Manz Automation had a ratio of research costs to sales of 5.1% in fiscal year 2007 [previous year: 5.2%]. If we only consider capitalized development costs, the research cost ratio totals 3.4%.**

.../13

## CUSTOMERS, SALES AND MARKETING

### CUSTOMERS IN THE SYSTEMS.SOLAR DIVISION

**Products in the systems.solar division are supplied to the producers of solar cells made of crystalline silicon and thin-film solar modules. Outside Japan, Manz Automation's customers include almost all of the key manufacturers of silicon solar cells world wide. These include the strategic alliance partners Applied Materials and Roth & Rau as well as key accounts such as Q-Cells, Yingli and Würth Solar. The company acquired key strategic orders last fiscal year from customers including Applied Materials and from a leading global manufacturer of solar cells, which selected the company as its "preferred supplier" and "global automation partner". The first order from Applied Materials in the spring of 2007 was for the delivery of the newly developed laser scribing equipment for the production of thin-film solar modules with an order volume of around EUR 17 million. In August, Applied Materials underscored its trust in Manz Automation's machines' technology, performance and quality with a follow-on order for EUR 45 million. In addition, the 22nd European Photovoltaic Solar Energy Conference and Exhibition in Milan was also a great success. Manz acquired a large number of new orders with a total volume of EUR 17 million at this trade fair. This order intake from new and existing customers has allowed to the company to further diversify its customer base and develop additional opportunities for growth. New customer acquisitions focus in particular on key accounts that are setting up fully automated factories for solar module production.**

.../14

#### CUSTOMERS IN THE SYSTEMS.LCD DIVISION

**As a result of the excellent position of Far-Eastern manufacturers on the global market, Manz Automation AG supplies all of its systems.lcd products to countries in Eastern Asia. The primary East Asian markets are, in particular, Taiwan and South Korea. At present, Manz Automation's customers include the world's five largest manufacturers of LCD flat-screen displays, including Chi Mei Optoelectronics and AU Optronics. Some orders are acquired together with the strategic alliance partner Applied Materials. However, the company is always in direct contact with the customer to provide services and to be able to market new products.**

.../15

#### CUSTOMERS IN THE SYSTEMS.AICO DIVISION

**In fiscal year 2007 the company also enjoyed successful business in its systems.aico division, with the result that this division recorded new record-breaking results. Existing customers include, in particular, manufacturers of powder presses and grinding machines for the production of hard metal tools and sintering materials. Almost all of the leading providers of hard metal tools rank among the company's customers. A major order for 48 machines was realized for Agathon, a Switzerland-based manufacturer which is a long-standing customer of Manz. In total, the company produced and delivered more than 142 machines for customers in 2007. The systems.lab division which had been planned last year initially grew out of the systems.aico division as a result of the photovoltaic boom as part of the systems.aico division, and was initially not established as an independent division. Its potential customers include companies in the pharmaceuticals and life science sectors that require, in particular, products for laboratory automation.**

.../16

---/(graph)

## SALES AND MARKETING

**A balanced marketing mix with an extensive package of activities also ensured successful sales of Manz Automation AG's products last fiscal year. In addition to online and print advertising and a regular customer newsletter, the company's sales and marketing activities included, in particular, participating in specialist trade fairs. Participating at trade fairs in Germany and abroad, such as Semicon in Stuttgart, the 22nd European Photovoltaic Solar Energy Conference and Exhibition in Milan and Solar Power Expo in Long Beach gave Manz direct contact to its customers and allowed it to acquire new orders totaling double-digit millions.**

.../17

**As part of its 20-year company anniversary, the company held an open day for customers, suppliers and stake holders as well as the 5th Manz Robot Symposion for the company's customers.**

.../18

**The sales department was further reinforced by the addition of several experienced employees. The new employees focus on the sale of production lines for crystalline solar cells in the systems.solar division. Key accounts and thin-film modules are given active support directly from the Managing Board. Customer proximity, the extensive services and fast reaction times are of particular importance for sales. As a result, equipment is only delivered to markets where there are also service points. On-location services include machine maintenance, the supply of replacement parts and, in particular fast reaction times of at most two hours in the event of a defect. Services are one of the basic elements of sales – they make sure that there is ongoing contact with customers and thus also offer the company competitive advantages. In addition, Manz also has indirect sales via its long-standing strategic alliances with Applied Materials and Roth & Rau. These again made a substantial contribution to growth last year and are to be further maintained and intensified in future.**

.../19



teco pm

.../  
System production

is in full swing.



## DOPING [noun]

[Photovoltaics: crystalline silicon solar cells]

→ **This refers to/...** the **addition of a few different atoms**, such as boron or phosphorus, to the silicon to create a **boundary layer** with a different electrical charge [\[.../see P/N junction\]](#)./\*...

## DRYING FURNACE [noun]

[Photovoltaics: crystalline silicon solar cells]

→ **The metal paste added using screen printing/...** has to be dried before being further processed. The solvent in the paste is evaporated in a **continuous furnace**. The metal is left behind, which is later burned into the cell./\*...

## EFFICIENCY [noun]

[Knowledge: Photovoltaics]

→ **The amount of output produced/...** compared to input. A **photovoltaics module** with 20% efficiency can thus convert **one fifth of the sunshine hitting the module** into electricity./\*...

## ELECTRICITY CONSUMPTION [noun]

[Knowledge: Energy]

→ **A typical German 4-person household/...** has an annual consumption of approx. **5,000 kWh of electricity**. This output can be produced with **40 m<sup>2</sup> of solar modules**. This size of system would fit on a medium-sized house./\*...

## EMITTER [noun]

[Photovoltaics: crystalline silicon solar cells]

→ **Term used for the upper layer of the solar cell doped with phosphorus/...** In contrast to the boron-doped, **positive [p] conductive base of** the solar cell, the **emitter has a strong negative current [n]**. The P/N junction is at the boundary between the base and the emitter [\[.../see P/N junction\]](#)./\*...

## ENERGY ALTERNATIVE [noun]

[Knowledge: Energy]

→ **This term/...** describes all of the energy sources that exist as alternatives to traditional energy sources such as oil, coal and gas, and mostly refers to energy from **renewable sources** such as wind power or hydroelectricity, or the sun's rays./\*...

## ENERGY REQUIREMENTS IN FUTURE [compound noun]

[Knowledge: Energy]

→ **At present, the world's energy consumption totals approx. 500 exajoules/...** or 500 times 34.12 million tons of hard coal units. **Requirements through to 2050 are estimated to grow to 1,000 to 1,100 exajoules**. However, this figure could still increase substantially if other emerging nations participate in the industrial boom in addition to China, India and Brazil. **By 2075 solar electricity will account for roughly the same proportion as gas.**/\*...

## ENERGY MIX [noun]

[Knowledge: Energy]

→ **This term refers to the mix of the various sources of energy/...** used in the energy supply. At present, oil, coal and gas account for the lion's share. However this will undergo radical change from 2040 to 2050. Then, **electricity from photovoltaics and solar-thermal systems will be the world's most important source of energy.**/\*...

## EXPANSION [noun]

[Knowledge: Company]

→ **If Manz wants to satisfy demand the company has to expand/...** The following steps are suitable in this regard, and the company plans to take them: → **Increasing production area**, for example with a new building at the Reutlingen facility. **Building up a qualified workforce**. This purpose is also furthered by the acquisitions of Majer, Böhm and Intech. **Expanding the global sales and service network**, expanding the product range by **acquiring new technologies** [e.g. for wet chemical processes for thin-film solar and silicon solar, **developing new products** in all divisions to increase the proportion of production lines supplied. **Expanding the technology lead**, in order to secure Manz Automation's competitive advantages. **Increasing the proportion of high-priced, technologically demanding systems supplied.**/\*...

## MARKET AND COMPETITIVE ENVIRONMENT

### COMPETITIVE ENVIRONMENT

**The underlying general economic conditions in 2007 were characterized worldwide by high growth rates. The International Monetary Fund [IMF] stated growth in 2007 as being 4.9 % and is forecasting growth of 4.1 % in 2008. This downturn is due to factors including the so-called sub-prime crisis, which was sparked off by lending at too high a risk in the US. In spite of this, however, the global economy is enjoying robust growth. In Germany, the positive economic climate was not dented by the VAT increase at the start of the year. According to figures from the German Federal Statistics Office [Destatis], the German economy grew by 2.5 % in 2007 after adjustment for prices [previous year: 2.9 %]. Growth is based on factors including the increase in price-adjusted exports, which were up 8.3 %, and the increase demand for investment goods, which was up 4.9 %. Experts are forecasting the overall economy to cool slightly in 2008, the federal government is forecasting the economy to grow by around 1.7 %. On the whole, high-tech engineering companies such as Manz Automation AG benefited from the market's positive growth and believe that this growth will also continue in 2008.**

.../20

**According to figures from the VDMA association, the engineering sector grew by 8.3 % in real terms in 2007. Europe was a key growth driver at 14.8 %, followed by solid growth on Asian markets at approx. 7.5 % in China and 11.2 % in India. This makes Asia one of the key sales regions for the German engineering sector. Machine exports totaled EUR 135.8 billion in 2007.**

.../21

### SYSTEMS.SOLAR DIVISION

**The market environment for the systems.solar division continues to be characterized by developments in energy prices, which are increasing around the world, and the underlying political conditions for renewable energy. Price increases for crude oil in particular, which almost doubled in 2007 to around USD 100 per barrel, made renewable energies increasingly attractive for end consumers. The date on which grid parity will be reached is coming even closer, in particular for thin-film solar modules. Grid parity means that it is possible to generate electricity from photovoltaic equipment at the same price as from conventional energy sources. Provisional calculations for 2007 already show that renewable energies account for more than 14 % of German gross electricity consumption, and this is set to increase. In Germany, solar electricity is supported by the likes of the German Renewable**

.../22

---/(graph)

**Energy Act [EEG], which ensures that end consumers receive a fixed price for a 20-year period for feeding electricity from renewable sources into the grid. However, this price paid for feeding electricity into the grid decreases each year the later the investment in renewable energies is made. If the current draft reform is implemented, this remuneration will fall between 5% and 8% each year, initially until 2011. In 2009 the feed-in tariffs will even fall by up to 20% on one occasion only depending on the size of the system. As a result, market players are forecasting that the German photovoltaic market will lose some of its dynamism next year. The lower feed-in tariff will cut returns from these systems significantly, and demand in 2008 will be boosted by orders being pulled forwards, which is expected to lead to lower demand in 2009. As Manz Automation AG's sales regions are spread all over the world, it is not, however, dependent on the German market. It is much rather the case that Manz offers manufacturers exactly the solutions that are needed to cut production costs and reach the aim of grid parity.**

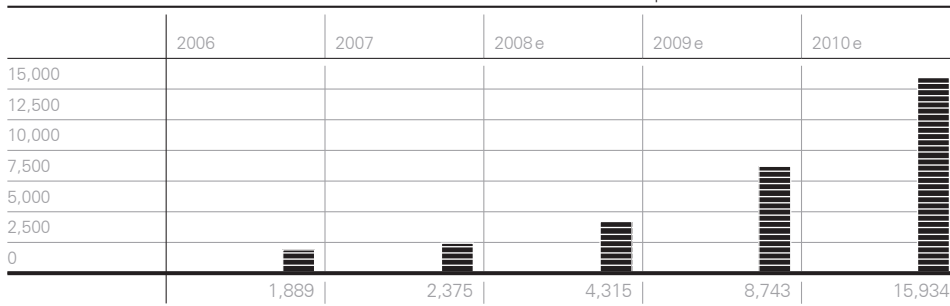
**60% average growth is being forecast for the global production of solar cells in the coming years. According to analysts' estimates, the production of crystalline solar cells will increase from approx. 2.4 GW in 2007 to around 16 GW in 2010 [source: LBBW photovoltaic market model]. In order to meet this demand, experts believe that 200 to 250 new production lines [of 40–60 MW/year] will have to be set up for crystalline solar cells. Depending on these lines' performance [40 – 60 MW], manufacturers will have to invest EUR 12 – 18 million per production line. This results in a market potential for new systems for crystalline production alone of more than EUR 3 billion through to 2010. At present, Manz currently covers approx. 60% of the production lines. In addition, the growth of fully automated factories and high-speed automation systems is being driven. This is the company's core technology with a global market share of more than 50% based on the company's own estimates. On the whole, Manz Automation AG is excellently positioned in this segment in order to be able to use future opportunities for growth. [graph: 3.3]**

.../23

[graph: 3.3]

.../[graph]

**POTENTIAL PRODUCTION OF CSI-SOLAR MODULES 2006–2010 in MWp**



source: LBBW photovoltaic market model

As a result of the low costs of materials, thin-film solar modules are a true alternative for solar cell manufacturers. These modules currently account for around 16 % of the total market, with crystalline silicon solar modules accounting for the remaining 84 %. [graph: 3.4](#)

.../24

[source: LBBW photovoltaic market model](#) Thin-film solar technology allows significant reductions or even avoidance of silicon requirements and the modules' low costs offer high returns for investors. As a result, experts are forecasting an increasing market share for thin-film modules. The company believes that the 20 % market share forecast by experts may even be exceeded in the coming three years. In this connection, an average global growth rate of 80 % p.a. is being forecast for the global production of thin-film solar modules, with the result that annual production could increase almost ten-fold from around 0.5 GW in 2007 to 4.9 GW in 2010. [graph: 3.5](#) [source: LBBW photovoltaic market model](#) This increase in production is also only possible given new investments by manufacturers. In order to realize this ramp-up, at least 100 new thin-film production lines with an investment volume of between EUR 50 – 80 million per line are required world wide. This means a relevant market volume of at least EUR 5 billion for Manz Automation AG. Manz currently covers around 15 % of this volume. This includes high-performance automation for production lines and the laser scribing of substrates. The acquisition of Intech Machines Co. Ltd. [see report on events after the balance sheet date](#) and the technology thus acquired for the wet-chemical cleaning of glass substrates means that in future Manz will cover approx. 20 % of the thin-film value chain. The company is a global market leader for all of its technologies as a result of the substantial synergies from its existing LCD technology, with the result that it will be possible to generate significant growth in this segment in future.

The photovoltaic market in Germany is the world's largest single market accounting for a share of 50 %, and enjoyed dynamic growth last year. The new capacity installed globally was 2.3 GWp in 2007 according to figures from the European Photovoltaic Industry Association [EPIA]. At present, according to EPIA, around 9.0 GWp have been installed world-wide, and in the coming three years a growth rate of up to 40 % given corresponding underlying political conditions is expected. This means that solar cell manufacturers will have to install additional production lines to be able to meet the increasing demand. At the same time, the resulting forecast bottleneck for silicon, the raw material needed for crystalline solar cells, and the resulting higher module prices will force solar cell manufacturers to constantly increase production efficiency.

.../25

[graph: 3.4](#)

.../[graph]

DISTRIBUTION THIN-FILM/CSI SOLAR MODULES 2006 – 2010 in %

	2006	2007	2008 e	2009 e	2010 e
Thin-film solar	5.9	16.3	20.3	21.8	23.3
Silicon solar	94.1	83.7	79.7	78.2	76.7

source: LBBW photovoltaic market model

Manufacturers also believe that Germany's Renewable Energy Act – which is a global vanguard and which has been introduced in a similar form in many other countries – will place them under increasing cost pressure. Developments in the USA are particularly interesting in this regard. If costs fall further for investors, above-average growth may result in the USA, thus resulting in a successful breakthrough for solar technology. Attractive returns are conceivable above all from thin-film solar modules. In addition, this development could be accelerated thanks to corresponding underlying political conditions that are currently being discussed.

.../26

In Asia, photovoltaics play a major role in China in particular. China passed a renewable energy act in 2006 with the aim of increasing the proportion of renewable energy to 16 % of primary energy generation by 2020, and to 30 % of electricity generation. Photovoltaic capacity is to be increased from the current total of 70 MW to 2 GW in 2020. Solar power is to be used to provide remote villages, in particular in North-West China, with electricity to secure their basic supply. At present, approx. 30 million people in China do not have grid access. The so-called Township and Village Electrification Program aims to connect 23 million Chinese inhabitants to the electricity supply thanks to photovoltaics and micro hydro-generators. [see Bundesagentur für Außenwirtschaft](#)

.../27

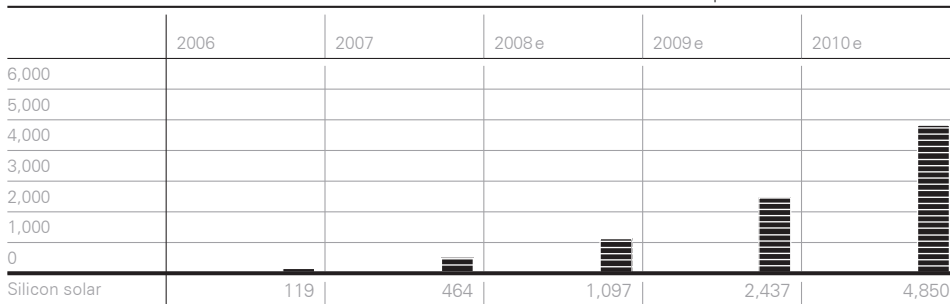
High price levels means that demand for solar modules in India is low. A new act has created an incentive for manufacturers to choose India as a production location. Renewable energy in India is primarily being increased by subsidizing wind power, and India now ranks fourth in the world for this energy source. Similar positive growth could thus also be possible for photovoltaics – not just because of the fact that there is a wide range of opportunities to use these systems in rural regions in particular. [see Bundesagentur für Außenwirtschaft](#)

.../28

graph: 3.5

.../[graph]

POTENTIAL PRODUCTION OF THIN-FLM SOLAR MODULES 2006–2010 in MWp



source: LBBW photovoltaic market model

**These factors mean that the constellation on the market is excellent for Manz Automation AG. Its quality assurance and automation systems allow substantial increases in production quality and efficiency, allowing solar module manufacturers to counter the reduction in costs that is required. In addition, the company is benefiting from shifts in market share in favor of the regions in which Manz Automation AG already operates. High-growth markets include, above all, China, India, Spain, and over the medium term also the USA, the Middle East and other emerging nations. According to a forecast by the Federal Government's Scientific Council on Global Environmental Change [WBGU], over the long term solar power will be the key primary energy source in the global energy mix. According to this forecast, solar electricity will already account for 24 % of the global energy supply in 2050, and even 63 % in 2100.**

.../29

#### SYSTEMS.LCD DIVISION

**Growth on the LCD market is driven, in particular, by the increasing proportion of LCD TFT flat screen displays for TVs and desktop and notebook displays. Reserved demand for LCD TVs by end consumers means that the market's expectations have not been fulfilled, resulting in lower investments by manufacturers. The excess capacity built up over the course of the past few years means that new and replacement investments for production equipment have, to some extent, been shifted to later dates, with stocks initially being reduced. However, in future, demand for HDTV-ready, LCD TVs is expected to drive the market. Increasing investments in TFT LCD equipment is expected in the coming two years, after these bottomed out in 2007. In addition, substantial growth has been seen in the total area of all flatscreens produced. 17 inch laptops are now the market standard for laptops, and 42 inch TV screens are now the strongest growing segment on the TV market. As a result, manufacturers will then prefer to acquire latest-generation production systems in particular, that will allow them to produce larger glass substrates. Manz Automation AG will benefit from this investment behavior as one of the world's leading providers of systems for handling glass substrates. The company's long-standing strategic alliance with Applied Materials will secure its market lead for automating inline sputter equipment under cleanroom conditions.**

.../30

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**According to estimates by Display Search, in 2007 the total market for LCD flat screens totaled USD 78 billion, thus down year-on-year [USD 85 billion]. Of this total, LCD TVs accounted for USD 33.5 billion, thus up 33 % year on year. Displaybank's experts found that 107 million large-size LCD panels were supplied. The trend is clearly moving towards larger equipment. A total of 85.6 million LCD TVs were sold in 2007. In addition, in the fourth quarter of 2007 more flat screen TVs than direct view sets were sold. Direct view sets fell to 46 %, and LCD TVs now account for 47 % of all new TVs.**

.../31

#### SYSTEMS.AICO DIVISION

**systems.aico focuses on exploiting synergies and economies of scale. This division sells components and systems that were originally developed for the LCD and photovoltaic divisions or which were bought in as components. The higher purchasing volumes allow the company to benefit from procurement advantages and, at the same time, it can increase its returns from in-house developments. It serves various sub-markets such as the packaging industry or tool manufacture. Long-standing customer relationships, e.g., with Agathon [Switzerland] are characterized by stable, constant revenues. On the whole, growth in these sub-markets is impacted by economic developments and a wide range of investment cycles in the industries. As a result, systems.aico has a stabilizing effect, in contrast to systems.solar and systems.lcd, which are characterized by high levels of dynamism. In future, slight sales and earnings growth is expected, thus rounding off the business model.**

.../32

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## COMPANY TARGETS AND STRATEGY

**Manz Automation AG pursues the strategic objective of expanding its leading global position for automation, quality assurance and laser process technology. Focusing on future-proof industries means that Manz Automation AG can participate in the dynamic international growth of both its customers and the market. This results in substantial revenue and earnings potential for the company. Manz Automation AG aims to constantly optimize its sales and services in all industries in order to secure or increase its market share.**

.../33

### COMPANY GROWTH:

- **Together with its existing and new customers, Manz Automation AG will consistently drive its organic growth in its core business. It will further expand capacity in terms of both regions and staff levels in line with the market's requirements. In particular, expansion in countries that allow attractive margins and which secure customer proximity plays a key role.**
- **Companies already acquired are to be integrated** see report on events after the balance sheet date **into the Manz group quickly and with the least possible amount of frictional losses. This includes adjusting existing organizational structures as well as training and further educating the employees taken over.**
- **Manz Automation AG aims to offer the necessary services in the highest quality on all of the markets on which it is present, and to constantly expand its global sales network.**
- **Developing production capacity on high-growth markets will further drive the company's growth and further reduce reaction times.**

.../34

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INVESTMENT IN TECHNOLOGY:

- **In addition to the acquisition of new technologies to expand the product portfolio, the development of new high-tech products in all of Manz' divisions will increase the value added in its production lines. The company will thus expand its market leadership.**
- **In order to secure and expand the existing competitive advantages and thus its market leadership, Manz will further increase its technology lead. It will acquire specialist expertise by buying in technology and by making specific acquisitions. This will provide the company with even broader foundations and reinforce its competitive position.**
- **It will further increase the proportion of high-price, technologically demanding systems to increase profitability. In contrast, simple components and the production of assemblies are increasingly being outsourced or shifted to lower-cost locations in Eastern Europe and Asia.**
- **Research and development staffing levels will be increased greatly. There is in-depth cooperation with institutes and research facilities, which is to be further maintained and expanded.**

.../35

...{graph}

.../  
Internal training  
is standard

at Manz.

...  
/\*



## FIRE [noun]

[Knowledge: Energy]

→ **The first man-made source of light.** /... It is the result of chemical combustion. / \*...

## FIR/ING FUR/NACE [noun]

[Photovoltaics: crystalline silicon solar cells]

→ **Part of the Manz backend line.** /... The contacts in the silicon solar cells are .../see solar cells burned at temperatures of up to **900 °C.** / \*...

## GLASS CLEAN/ING E/QUIP/MENT [noun]

[Photovoltaics: thin-film solar modules]

→ **In thin-film technology** /... the cleanliness of the glass substrate is critically important. This ensures **excellent layer adhesion and high efficiency.** Intech is the leading manufacturer of glass equipment for the LCD sector. Manz will also offer this equipment for the **thin-film solar industry.** / \*...

## GRID PA/RI/TY [noun]

[Knowledge: Photovoltaics]

→ **Grid parity is used to refer to** /... the moment from which electricity from photovoltaics systems costs the same for end users as “traditional” electricity from the socket, which is mostly produced **from non-renewable energy sources such** as coal, oil, nuclear power, etc. This is expected to be the case in around 2010 in sunny Spain, and between 2015 and 2020 in central Europe. / \*...

## IN/NO/VA/TI/ON [noun]

[Knowledge: Company]

→ **Innovation plays a key role on this technologically highly demanding market** /... in particular. Manz Automation’s success is based on its ability to be the technology leader in many areas. For example in the **laser scribing of thin-film solar modules** [throughput and precision]. In this area, Manz is – in its own opinion – **the global market leader** with a share of more than 60%. / \*...

## IM/AGE PROC/ESS/ING [noun]

[Photovoltaics: crystalline silicon solar cells]

→ **A central component of all of the Manz automation and inspection systems.** /... A camera is used to record an **image of the solar cell**, which is then processed using a computer. For example, this can be used to calculate the **position of the solar cell**, control the gripper or test the cell edge **for damage.** / \*...

## LA/SER EDGE DE/LE/TION SYS/TEMS [noun]

[Photovoltaics: thin-film solar modules]

→ **This Manz system guarantees the electrical isolation** /... of the module from the edge. Dynamic linear motors, high-ablation lasers, efficient vacuuming and seamless integration into the process chain, as well as the processing of larger substrate dimension allow top values for precision and throughput. / \*...

## LA/SER EDGE I/SO/LA/TION [noun]

[Photovoltaics: crystalline silicon solar cells]

→ **In order to make the solar cell more efficient** /... and to exploit its full potential performance, **the front and rear of the silicon solar cell are separated electrically.** /... This is performed by removing a small track along the edge of the cell using a laser. With the utmost precision, minimum breakage rates and high throughput: **2,400 cells/h reach the Manz laser edge isolation systems**, which are thus among the fastest on the market. / \*...

## FINANCIAL POSITION AND RESULTS OF OPERATIONS

### EARNINGS

The company has prepared its income statement using the total cost [nature of expense] method. .../1

Last year, Manz Automation recorded an approx. 50 % increase in revenues, and in 2007 it again enjoyed accelerated growth. Consolidated revenues were up by around 63 % from EUR 43.8 million to EUR 71.2 million in fiscal year 2007. .../2

This significant growth was again primarily driven by the strong expansion on the photovoltaic market. Revenues in the systems.solar division totaled EUR 18.6 million in 2006, and these nearly tripled to EUR 51.1 million in 2007. As a result, this division accounted for around 72 % of total revenues. This strong growth was due in particular to the successful development of laser scribing equipment for the production of thin-film solar modules. This in-house development and the rapid marketing by our strategic alliance partner Applied Materials, allowed revenues on the thin-film solar sub-market to more than quadruple from EUR 3.4 million to EUR 15.3 million. This pace will be continued in 2008 given the current order book. .../3

Manz Automation AG's revenues in its systems.lcd division fell. As manufacturers had built up substantial over-capacity in previous years, their readiness to make investments and thus also their demand for the company's automation solutions fell. As a result, revenues in this division fell from EUR 14.5 million to EUR 8.7 million [12.3 % of consolidated revenues]. However, this over capacity is expected to be reduced in the coming years, with Asian manufacturers being more ready to invest. The acquisition of Intech Machines Co. Ltd., which was successfully acquired after the balance sheet date, means that Manz can now offer the wet chemical cleaning of LCD [\[see report on events after the balance sheet date\]](#) displays, resulting in additional potential for revenues. .../4

The systems.aico division enjoyed pleasing growth, with segment revenues up from EUR 10.6 million to EUR 11.5 million. As a result, this division accounted for around 16 % of total revenues, with the company benefiting from its leading OEM solutions for the production of hard metal tools. [graph: 4.1](#)

.../5

In terms of regions, Manz Automation AG recorded substantial revenue growth world-wide. Revenues in Germany lifted from EUR 15.7 million to EUR 30.3 million in fiscal year 2007 [42.5 % of total revenues]. The renewed increase in revenues in Germany [previous year: 35.9 % of total revenues] is primarily due to major orders from Conergy and Q-Cells. In total, Manz Automation AG has also been able to increase its position on the European and Asian markets. Revenues in the rest of Europe were up from EUR 9.2 million to EUR 13.7 million. Revenues in Asia were up from EUR 17.4 million last year to EUR 24.4 million. The downturn in LCD investments is having a clear impact in this region in particular, with substantial growth being recorded by the systems.solar division. 34.3 % of revenues were thus recorded in Asia. Revenues totaling around EUR 2.3 million were recorded in the USA [previous year: EUR 0.8 million] and EUR 0.5 million was recorded in other regions [previous year: EUR 0.7 million]. [graph: 4.2](#)

.../6

Taking into account the changes in finished goods and own-work capitalized, total operating revenue increased to EUR 81.4 million in fiscal year 2007. After a record-breaking result of EUR 44.2 million last year, this constitutes renewed growth of around 84 %.

.../7

Manz Automation AG's gross profits increased in fiscal year 2007 from EUR 22.6 million to EUR 35.7 million. The fact that components were increasingly bought in and simple assembly work was outsourced, caused the cost of materials to increase significantly from EUR 21.9 million to EUR 46.6 million. The gross profit margin was thus lower than in the previous year at 43.9 % [51.0 %].

.../8

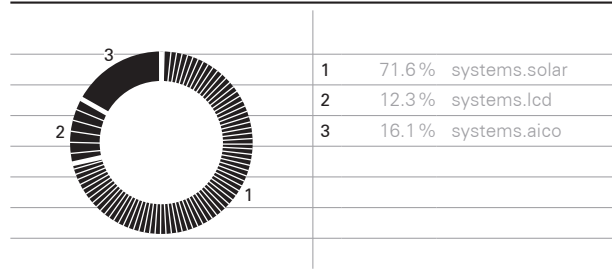
The expansion of production capacity at the Reutlingen facility and the associated new hires meant that the average number of employees increased over the course of the year from 174 to 250. As a result, personnel expenses increased from EUR 11.3 million to EUR 16.6 million. At the same time, the personnel expenses ratio fell from 25.6 % to 20.4 %, thus expressing the further improvement in the group's productivity. Amortization and depreciation in fiscal year totaled EUR 1.6 million [previous year: EUR 1.2 million]. This was primarily for property, plant and equipment and for own work capitalized in prior periods.

.../9

.../[graph]

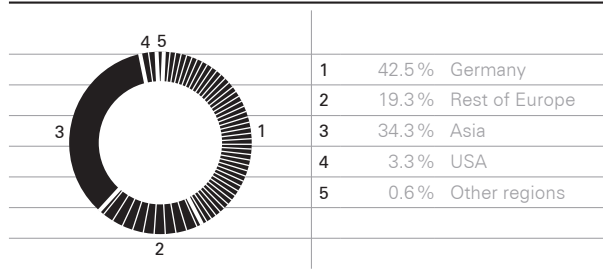
[graph: 4.1](#)

REVENUE STRUCTURE BY DIVISION 2007



[graph: 4.2](#)

REVENUE STRUCTURE BY REGION 2007



Other operating expenses included, for example, sales and marketing costs, in particular logistics costs, administrative costs and consulting costs. These totaled EUR 7.5 million and only increased moderately compared to total operating revenue [previous year: EUR 5.2 million].

.../10

Over the course of the year the increased standardization of equipment and the economies of scale thus recorded made themselves felt, resulting in a disproportionate increase in the group's profitability. EBIT more than doubled from EUR 4.85 million to EUR 10.05 million. In terms of revenues, this correspond to an EBIT margin of 14.1 %, a significant year-on-year improvement [EBIT margin 11.1 %].

.../11

Taken individually, the systems.solar division recorded EBIT totaling EUR 7.86 million – up four-fold year-on-year from EUR 1.92 million, and there was also a simultaneous improvement in the EBIT margin from 10.3 % to 15.4 %. EBIT in the systems.lcd division fell as a result of the downturn in sales to EUR 1.14 million [previous year: EUR 1.94 million], however the EBIT margin was stable year-on-year at 13.1 %. systems.aico was also stable with an EBIT margin of 9.1 %. This corresponds to EBIT of EUR 1.05 million after EUR 0.99 million in the previous year. [graph: 4.3](#)

.../12

The increase in EBT was very pleasing – this lifted from EUR 4.1 million by 158 % to EUR 10.6 million. This is due to factors including, in particular, the positive financial result of EUR 0.5 million. This is mostly due to the substantially reinforced capitalization and the high amounts of cash and cash equivalents, which allowed current interest income to be recorded. As a result, parts of the cash and cash equivalents were used together with borrowing to make acquisitions after the end of the fiscal year.

.../13

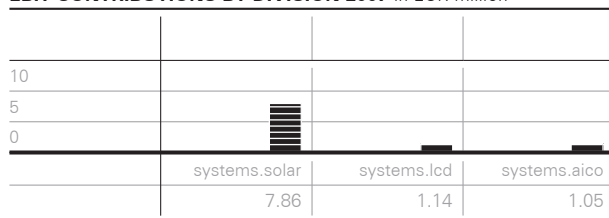
Net income after taxes totaled EUR 8.2 million or a return on sales of 11.6 % [previous year: 6.3 %] – almost triple the same period of the previous year [EUR 2.8 million]. This corresponds to earnings per share of EUR 2.40 given an average number of 3,430,025 shares in circulation [previous year: EUR 1.77 per share].

.../14

[graph: 4.3](#)

.../[graph]

**EBIT CONTRIBUTIONS BY DIVISION 2007** in EUR million



Dividends are based on the net profits [HGB] from the single-entity financial statements which totaled EUR 0.6 million. As a result of the dynamic market environment and the planned expansion, the Managing Board will make a proposal to the General Meeting to carry the net profits forward to new account.

.../15

## NET ASSETS

Compared to December 31, 2006, as of the end of the fiscal year total assets more than doubled from EUR 40.9 million to EUR 82.4 million. Equity in particular increased from EUR 21.7 million to EUR 52.6 million. This is due to the positive earnings situation and also, in particular, the capital increase successfully placed in June 2007. As part of the transaction, 325,650 new, no-par value bearer shares with a theoretical interest of EUR 1.00 were placed at a price of EUR 70.00 with institutional investors in Germany and abroad. This led to gross proceeds from the issue of EUR 22.8 million, which was booked to the share premium after the deduction of costs. As a result, the share premium increased from EUR 13.5 million to EUR 35.6 million. In total, this improved the equity ratio on the balance sheet date from 53.0 % to 63.9 %. This ratio fell after the balance sheet date, as additional borrowing was drawn down to finance acquisitions. [see also report on events after the balance sheet date](#)

.../16

[graph: 4.4](#)

Non-current assets fell as of the end of 2007 from EUR 9.8 million to EUR 6.4 million. This downturn was primarily due to a lease agreement concluded in 2007 for the newly constructed building in Reutlingen. The existing building was also included in this lease, with the result that this property is no longer capitalized on the balance sheet, but rather the rent is carried in the income statement under "other operating expenses". As a result, financial liabilities from leasing fell from EUR 5.7 million to EUR 19 thousand. Non-current financial liabilities are constant year-on-year at EUR 1.5 million, as these will only be repaid in June 2010 with the bullet payment. Deferred tax liabilities increased, primarily as a result of the positive IFRS earnings, from EUR 2.4 million to EUR 4.3 million. This was primarily due to the percentage of completion method used in IFRS accounting. This method stipulates that orders are only carried as revenues if completion is 40 % or more, which is not the case in the tax base or HGB accounting.

.../17

[graph: 4.4](#)

.../[graph]

### BALANCE SHEET EQUITY 2007 in EUR

Date	Share capital prior to capital increase	Issuing amount	Share capital after capital increase
June 20, 2007	3,257,250	70.00	3,582,900



**Current liabilities increased during the past fiscal year from EUR 9.4 million to EUR 23.5 million. This was due to factors including the increase in trade accounts payable, which increased from EUR 3.0 million to EUR 5.4 million. This increase is due to the expansion of operating business. In addition, as a result of the significant increase in its order book and the strong German business, the company also received higher advance payments. These totaled around EUR 14.3 million on December 31, 2007 [previous year: EUR 4.2 million]. Current provisions as a component of current liabilities totaled EUR 3.4 million [previous year: EUR 1.2 million]. In addition to increased provisions for contractual penalties, this item also includes the employee bonus for the past fiscal year. There were no current financial liabilities as a result of the company's very positive liquidity.**

.../18

**On the assets side, non-current assets fell from EUR 11.3 million to EUR 9.1 million. The development costs capitalized [less scheduled amortization] increased from EUR 3.6 million to EUR 5.4 million. However the changed lease meant that the capitalized rental costs for the company's premises at its Reutlingen headquarters were no longer carried. As a result, property, plant and equipment fell from EUR 7.4 million to EUR 3.0 million.**

.../19

**Current assets increased compared to December 31, 2006 from EUR 29.6 million to EUR 73.2 million as of December 31, 2007. Inventories increased as a result of the high order book from EUR 5.4 million to EUR 14.7 million. At the same time, receivables from customers also increased from EUR 11.0 million to EUR 23.0 million as a result of the substantial increase in revenues. Cash and cash equivalents and marketable securities also exhibited strong growth, improving from EUR 12.5 million to EUR 33.4 million as of December 31, 2007 as a result of the cash flows and the capital increase.**

.../20

---/(graph)

## LIQUIDITY

**Manz Automation AG's cash flow in the narrower sense [net income less amortization/depreciation of non-current assets and increase/decrease in non-current provisions for pensions] in 2007 totaled EUR 9.9 million. This corresponds to an increase of around 145.0% over the previous year [EUR 4.0 million]. Taking the change in working capital into account, the company recorded a cash flow from operating activities of EUR 4.2 million, also up EUR 1.8 million year-on-year. In this regard it must be noted that the strong growth in revenues goes hand in hand with increased requirements for working capital.**

.../21

**The cash flow from investing activities totaled EUR – 19.9 million compared to EUR – 2.0 million in 2006. Of this total, EUR 14.6 million was for the acquisition of securities, i. e. current funds that were also used after the balance sheet date to make acquisitions. The majority of investments [payments for investments in intangible assets and property, plant and equipment: EUR – 4.9 million] was used for ongoing development projects as well as for the acquisition of IT and licenses.**

.../22

**The net cash provided by the capital increase was reflected in the cash flow from financing activities. This thus increased from EUR 11.9 million in 2006 to EUR 22.0 million in fiscal year 2007. Taking slight changes in the value of the cash and cash equivalents into account that were caused by exchange rates, cash and cash equivalents thus increased by EUR 6.4 million to EUR 18.9 million.**

.../23

---{graph}

# Report on events after the balance sheet date

The group made far-reaching changes to its structure after December 31, 2007. The acquisition of Tübingen-based Christian Majer GmbH&Co. KG was already announced in December 2007. This company was consolidated for the first time as of January 1, 2008, with the result that revenues and earnings will be included in the consolidated financial statements from that date. This acquisition gives Manz access to additional capacity which will allow it to successfully continue its dynamic growth. Christian Majer GmbH&Co. KG currently has almost 80 employees, of which more than 50 are involved in the production and installation of machines. To date the company has concentrated on engineering for processing paper, films and packaging. After the acquisition, the production range is to be migrated, step by step, to include the production of components and machinery for Manz Automation. In addition to the manufacture of mechanical parts, the company also has additional warehouse and assembly halls available with a total area of around 5,200 m<sup>2</sup>. As the company already assembles component groups for Manz Automation AG on a job-order basis and is located less than 10 kilometers from Manz Automation AG's headquarters in Reutlingen, the Managing Board believes that expanding the production range will progress rapidly. In addition, Manz plans to fully relocate its systems.aico division to Tübingen in April 2008, together with an expansion of the facilities at this location.

.../1

Negotiations for the successful acquisition of a 90 % interest in Böhm Electronic Systems Slowakei s.r.o. were concluded in February 2008 with a purchase price of EUR 4.3 million. Acquiring this Slovakian engineering company has doubled Manz Automation's production and warehouse capacity, enabling it to produce entire systems in Slovakia, a low-cost location. The company based in Nove Mesto nad Vahom [Slovakia] is a former Steag Hamatech AG production facility and currently has 270 employees. The Slovakian company will take over parts of production for Manz Automation AG, in particular for the systems. solar division. This includes the production and processing of complete systems, including

.../2

---/{graph}

procuring the components and taking the systems into operation. In future, the entire back end for the production of crystalline solar cells is to be produced in Slovakia, with the Reutlingen facility increasingly focusing on technically demanding engineering. Increased production in Slovakia will also allow Manz Automation AG to realize cost advantages, further increasing its competitive ability. The acquisition of Böhm Electronic Systems Slowakei s.r.o. means that the Manz group has an additional 11,400 m<sup>2</sup> of assembly and warehouse space, of which around 1,300 m<sup>2</sup> is for cleanroom assembly, with an additional 3,800 m<sup>2</sup> of office space.

Manz Automation AG also made an acquisition offer for the listed company Intech Machines Co., Ltd. in Taiwan in February 2008. Manz Automation AG had already made an advance agreement with a major investor to acquire a 27 % interest in Intech Machines Co., Ltd. The company was able to finally conclude the acquisition offer on April 1, 2008. In total, Manz Automation AG acquired a 70 % interest in Intech, taking the transaction volume to EUR 36 million. Intech Machines Co., Ltd.'s core business is the construction of wet-chemical process lines for the LCD and PCB industries. The company recorded revenues of approx. EUR 50 million in fiscal year 2007 with more than 800 employees in Taiwan and China. The acquisition of Intech Machines Co., Ltd. gives Manz Automation AG access to the technology and capacity to produce wet-chemical cleaning lines, which cover a major section of the production process in both the LCD and thin-film solar industries.

.../3

At the start of 2008, the Managing Board also passed a resolution to further expand the Reutlingen facility as a result of the continued high order book. The company plans to construct another production hall with offices by the end of 2008. The new building will develop an additional area of approx 9.100 m<sup>2</sup>. This will result in 3,800 m<sup>2</sup> of production space and a store with 2,800 m<sup>2</sup> as well as 2,500 m<sup>2</sup> of office space. During the course of this expansion, the use of space in the existing building is to be restructured and a technology and training center for employees and customers is to be set up. In addition, Manz plans to build a customer center. In order to optimize the amount of capital locked up, Manz Automation AG will lease the new building, as is the case for the existing building.

.../4

There were no further events that could have had a substantial impact on the financial position and results of operations after the end of the fiscal year.

.../5

---{graph}

.../  
A bird soaring  
on thermals.

Also a result  
of the sun.

...  
/\*



## LA/SER SCRIB/ING [noun]

[Photovoltaics: thin-film solar modules]

→ **This system** /... guarantees high throughput even for substrate sizes of 2.200 x 2.600 mm as four lasers working in parallel can pick out **highly precise structures**. They are aided by a bundle of high-tech features. This includes **dynamic linear motors** as well as **image processing** [.../see image processing] to measure and compensate, efficient vacuuming and highly stable heat balancing./\*...

## MAR/KET PO/TEN/TIAL [noun]

[Knowledge: Market data photovoltaics]

→ **There are mostly three reasons** /... behind the enormous boom on the photovoltaics market. → **Firstly**: Resources for non-renewable energy sources such as oil and gas are becoming exhausted, which is allowing prices to rise significantly. → **Secondly**: The environment is demanding non-polluting energy sources. → **Thirdly**: Solar technology is becoming increasingly refined, and can be offered at significantly lower prices as a result of optimized automation./\*...

## ME/CHAN/I/CAL SCRIB/ING [noun]

[Photovoltaics: thin-film solar modules]

→ **Key functional structures are** /... engraved in the module using a stylus. Linear motors, image processing, various stylus heads, efficient suction cleaning, highly precise structure, etc. allow high throughputs and the processing of **substrates with very large dimensions**. It is practically only used for **CIS modules** as laser scribing is not possible here for physical reasons./\*...

## MES MAN/U/FAC/TURING EX/E/CUTION SYS/TEM [noun]

[Knowledge: Technology]

→ **Software to control** /... an entire production line. This software forms three interfaces between the control of the individual machines and the company's top-level ERP system./\*...

## MET/AL/LI/ZATION [noun]

[Photovoltaics: crystalline silicon solar cells]

→ **Double-sided metal contacts** /... are needed **as contacts in the solar cells**. In addition, a layer of metal covering the entire rear is also needed. These are added onto the solar cells in three successive **screen printing machines**./\*...

## MI/CRO CRACK [noun]

[Photovoltaics: crystalline silicon solar cells]

→ **As silicon is an** /... extremely brittle material, mechanical strain results in **minute cracks inside the solar cells** [.../see solar cells]. These lead to the cell breaking along these so-called micro cracks at a later stage in the production line. Manz Automation's **innovative inspection system** allows these micro cracks to be seen. Sorting out pre-damaged cells reduces breakage rates and cuts machine downtime significantly./\*...

## PEAK WATT [noun]

[Knowledge: Photovoltaics]

→ **Shows the performance of solar modules** /... Shows the electrical performance of the module given maximum sunshine. The **energy produced** mostly depends on the **intensity of the sunshine** and the **duration of the sunshine** at the location over the course of a year. In Germany, **1.000 peak watt** allows around **900 – 1.000 kWh of energy to** be produced. In the Nevada dessert, this figure is more than twice as high./\*...

# Risk report and forecast

## SUMMARY

The continued boom in the photovoltaic sector has created the conditions required for Manz Automation AG's continued strong growth. The successful capacity expansion and the acquisitions made mean that the company has laid the foundations required for future growth. As a result, the Managing Board is looking to the future with optimism, aiming for revenues of EUR 210 – 215 million and a sustained increase in EBIT for the current fiscal year.

In future, the driving force will continue to be the systems.solar division. The greatest expectations are being pinned, in particular, on growth in the thin-film solar market. The company will further reinforce its leadership on the market by implementing its strategy for acquisitions and growth.

## COMPANY RISKS

Manz Automation AG consciously enters into entrepreneurial risks in order to be able to gain corresponding benefits from the market's opportunities. The company has put an end-to-end risk system in place which allows it to recognize risks at an early stage, and to control and minimize these risks. This is documented extensively in the risk management manual and is optimized on an ongoing basis. Each risk is allocated to an owning process, which measures the risk at least once per year, monitors the risk and names potential activities to minimize the risk. Implementation of these activities is reviewed at least once per year, and joint decisions are taken in this regard. This risk evaluation also analyzes new, potential risks and these are included in the catalog of risks for further control and monitoring.

.../1

### INTEGRATION RISKS FROM ACQUISITIONS

As part of the growth strategy, companies have been acquired to increase capacity and to give Manz access to new technologies. The initial aim is to integrate these companies into the Manz group quickly and with the lowest possible frictional losses. The new employees have to be trained and qualified. The production locations in the individual divisions and the organizational structure are being reorganized. As a result of the integration, bottlenecks resulting from changes in production or problems in upholding deadlines cannot be fully ruled out. In addition, the acquisition could result in liability risks from the acquired company's business activities. The occurrence of any such events could have a negative impact on the company's revenues and earnings.

.../2

### RISKS FROM INCREASING COMPETITION

Irrespective of the insecurities surrounding growth forecasts for the photovoltaic market and the market for LCD flat screens, in future competition for automation and quality assurance systems may increase. In addition, existing competitors could expand their production capacity or engage in aggressive pricing, and they could offer customers better conditions than the company. There is a particular risk from the production of imitations in the Asian region. This could have a direct impact on Manz Automation's margins and the company's market shares. In order to minimize these risks, Manz Automation AG makes ongoing investments in research and development projects in order to maintain and expand its technology leadership.

.../3

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## RISKS FROM DEPENDENCY ON COOPERATION PARTNERS

In both its systems.solar and systems.lcd division, Manz Automation AG works closely together with its strategic alliance partners. Strategic alliances with Roth & Rau and Applied Materials resulted in revenues of around EUR 24.6 million in fiscal year 2007. Although there are long-standing business relationships with the company's business partners, and the OEM systems that the company produces cannot be substituted by competitors' systems without great effort and expense, the sustained continued existence of the business relationships is not guaranteed. The end of one or several business relationships – for whatever reason – could thus have a negative impact on Manz Automation AG's revenues or earnings. However, the company has its own sales activities in all of its divisions, and is in close contact with the world's leading manufacturers of solar cells and key manufacturers of LCD flatscreen displays. Over the medium term, this will allow the company to compensate for any possible lost revenues.

.../4

## RISKS FROM RAPID TECHNOLOGY CHANGES AND THE MARKET LAUNCH OF NEW PRODUCTS

Further research and development is of key importance for the company's product range. This is because of a constant technology migration – in particular in the photovoltaic and LCD sectors. There is no guarantee in this process that the company will always be able to offer the technologies that the market demands over the long term. In addition, there is also the risk that new developments may be associated with higher costs than had originally been budgeted, with the result that losses may result from individual development projects. There is also no guarantee that new products that are launched will be successful on the market, which could result in further risks for the company's revenues and earnings. In order to control these risks, Manz Automation AG is in close contact with its customers, and can thus recognize new trends at an early stage. In addition, the company carefully examines possible potential on the market in advance, in order to be able to estimate the returns on its development projects and thus optimally deploy its resources.

.../5

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## CURRENCY RISKS

Changes in exchange rates mean that there may be currency translation risks for the company. However, the use of derivative financial instruments [cash flow hedges] minimizes these risks. The exchange rate risk is eliminated as a corresponding delivery date is also agreed for each order. There is only the danger that the acceptance date may be postponed, resulting in costs from the extension of the hedges. However, the underlying exchange rates are adjusted if orders are postponed.

.../6

## DEPENDENCY ON QUALIFIED EMPLOYEES IN KEY POSITIONS

The company's success depends on qualified managers and employees, in particular the members of its Managing Board and its second tier managers. The loss of executives or employees in key positions could have a negative impact on the company's development, and thus impact its financial position and results of operations. At the same time, there is no guarantee that the company will be able to hire a sufficient number of new, suitable executives or additional employees. However, as a listed company, Manz Automation AG enjoys greater attention from potential employees and can thus enhance its attractiveness as an employer. In addition, over the medium term, the listing also gives the company the opportunity of increasing employee loyalty by issuing shares and allowing its employees to participate correspondingly in its success.

.../7

## RISKS FROM CONTRACTUAL PENALTIES

Contractual penalties could also result in risks for Manz Automation AG. A fixed delivery date is agreed when orders are issued – both parties regard this date as being binding. If Manz Automation is not able to make delivery of the agreed quantity on the agreed date, for example as a result of delivery bottlenecks or scarce resources, this could reduce income from the project. This would have a direct impact on the group's earnings. However, in order to control this risk, the available resources are monitored at an early stage and, if required, adjusted to the respective order volume. This allows the company to restrict the earnings risks to a maximum of 1 % of the volume of revenues.

.../8

## OPPORTUNITIES FROM FUTURE GROWTH

### SIGNIFICANT MARKET GROWTH IN THE PHOTOVOLTAIC SECTOR

**The photovoltaic sector has enjoyed dynamic growth over the past few years. According to estimates by the market research institutes IFO in Munich and EuPD-Research in Bonn, the German photovoltaic sector is also expected to continue to enjoy strong growth in the coming years. German photovoltaic production is expected to double from its current total of EUR 5.5 billion to more than EUR 10 billion in the coming three years. Exports are also forecast to increase to more than 50 % over the same period.**

.../1

**During the past few years, Manz has become established as the global market leader for inline automation and wafer testing for crystalline silicon solar cell manufacture. The company believes that in-house developments have allowed it to secure a market share of around 60 % for laser scribing equipment for thin-film solar modules in the shortest of periods. In addition, the company is the only engineering company outside Asia to offer many years of experience in the secure handling of large glass substrates in a cleanroom environment. The company enjoys particular benefits from its long-standing, well established strategic alliances with Applied Materials and the resulting access to customers around the world. At the same time, the successive decrease in subsidization means that the industry will have to constantly improve the efficiency of the existing production lines in order to increase quality and at the same time cut the costs per watt. This means that both market growth and the continued pressure to increase efficiency result in significant growth potential for Manz Automation AG.**

.../2

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## SYNERGIES IN THE SYSTEMS.SOLAR AND SYSTEMS.LCD DIVISIONS OPEN UP COMPETITIVE ADVANTAGES

There are special synergies between the systems.solar and systems.lcd division which will make an increasing contribution to the company's growth and, at the same time, to boosting its profitability. There are comparable technical requirements for both automating LCD production lines and for production lines for thin-film solar modules. These relate to, in particular, the handling of large-area glass substrates, where Manz Automation AG has been building up a high level of expertise for many years, and which thus give it clear competitive advantages in the high-growth market for thin-film technology. As a result, it is possible to employ technologies in new high-growth sectors [thin-film solar modules] that have already been fully developed. As LCD technology is already significantly more developed, and is thus a pioneer for thin-film technology, the LCD segment will also be of key importance in future. For example, the slotting of LCD machines in the established area of use is just 35 seconds, and around three minutes for the automation of thin-film solar modules. This is an example for the synergy effects that can still be realized. The acquisition of Intech gives Manz Automation AG access to technology for the wet-chemical cleaning of glass substrates. This technology is a key production stage for both the production of LCD displays and thin-film solar modules. This will allow the company to reinforce its competitive position in both segments, and develop additional revenue and earnings potential. Finally, the technology synergies on the LCD and solar markets will cushion potential hiccups in growth, as the markets have different cycles and different growth rates.

.../3

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## CROSS-SELLING EFFECTS FROM EXPANDING STRATEGIC ALLIANCES

**Manz Automation AG has long-standing strategic alliances with companies such as Roth & Rau and Applied Materials. Whereas the alliance with Applied Materials has only covered the LCD market to date, this company plans the strategic penetration of the photovoltaic market, opening up attractive opportunities for Manz Automation AG. In fiscal year 2007, three laser scribing lines were supplied to Applied Materials from an initial joint project for the production of thin-film solar systems. Based on the successful course of the project to date, the cooperation in this market segment can also be intensified in the coming years.**

.../4

## VALUE ADDED INCREASED WITH RESEARCH AND DEVELOPMENT PROJECTS

**At present, Manz Automation AG can provide around 60 % of the order volume for the installation of production lines for the manufacture of crystalline solar cells. This share is currently around 15 % for thin-film solar modules, and will increase to around 20 % from the integration of wet-chemical cleaning systems. In order to be able to further optimize value added, the company is working on various R&D projects to allow it to offer machines for further production stages that will be required in future, further optimizing its value added. By expanding its value added, the company will be able to further improve its position on the market and also its position in its cooperation with its strategic alliance partners. Both can have a very positive impact on the company's revenues and earnings.**

.../5

## SIGNIFICANT OPPORTUNITIES FOR GROWTH FROM THE PENETRATION OF NEW MARKETS

**There are medium-term opportunities in the systems.solar division in particular to expand into high-growth markets. In addition to the Asian market, in particular the US market should be noted as being what is probably one of the largest high-growth markets in future. In line with current legislative developments, it is possible that the US will also pass an act similar to the German Renewable Energy Act, which could result in a solar boom. If costs fall further for investors, above-average growth may result in the USA, thus resulting in a successful breakthrough for solar technology. In addition, a re-orientation**

.../6

---/(graph)

is also taking place in the Middle East, in order to be able to cover the increasing requirements for energy once the fossil fuels era has drawn to a close. In addition, emerging markets in Asia, and India in particular, are growth markets. Successfully developing these markets can thus have a very positive impact on the company's revenues and earnings.

#### MARKET OPPORTUNITIES FROM ACQUISITIONS

**Making specific acquisitions will give the company additional competitive advantages, allowing it to even more consistently use opportunities on the market that may present themselves. In particular, it also provides access to new technologies, expertise and qualified staff [and thus also scarce factors that are also key in competition]. In addition, pertinent acquisitions can allow Manz Automation AG to significantly increase its production capacity over a comparatively short period. What is more, the company is planning to develop new customers and product groups and to further diversify its product range by making attractive acquisitions. The company will thus have broad foundations which will stabilize its revenues and earnings.**

.../7

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.../  
An employee  
checks the systems

again.

...  
/\*



## PHO/TO/VOL/TA/ICS [noun]

[Knowledge: Photovoltaics]

→ **Making light useable** /... by converting it into electrical energy. Becquerel observed the photovoltaics effect for the first time in **1839. 1954** was the year in which this phenomenon **was used to generate electricity for the first time**. Cell efficiency ranges from 6% (thin-film modules) to 20% (monocrystalline modules) and 35% (laboratory tests)./\*...

## P/N JUNCTION [noun]

[Knowledge: Photovoltaics]

→ **The P/N junction** /... is located between the positive conductive base wafer material and the negative conductive upper surface layer resulting from phosphorus diffusion [emitter]. **It ensures that the electrons created from light hitting the cell are collected in the emitter**. This results in voltage given off by the solar cell./\*...

## PSG ETCH/ING [noun]

[Photovoltaics: crystalline silicon solar cells]

→ **The diffusion of phosphorus atoms** /... creates the so-called **phosphorus glass [PSG] layer**. This is removed in a **wet chemical line** using hydrofluoric acid, as it cannot conduct electricity and thus hampers contacting the cell./\*...

## QUAL/I/TY [noun]

[Knowledge: Company]

→ **Ensuring a constant high level of product quality** /... is becoming one of the key competitive factors for solar cell manufacturers. Manz plays a key role in supporting its customers thanks to its **innovative inspection systems** and its **line-integrated measuring systems** to control the key characteristics required for quality./\*...

## RE/NEW/A/BLE EN/ER/GY [the]

[Knowledge: Energy]

→ **This term is used to mean** /... wind power, hydroelectricity as well as solar energy and geothermal energy. **Energy sources** that are **“renewable”** and which can be reformed – unlike oil and coal – at least within a human timescale./\*...

## SCAR/CI/TY OF FOS/SILE FUELS [noun]

[Knowledge: Energy]

→ **Over the next ten years** /... roughly half of the world’s crude oil deposits will have been used up. Then the curve will plummet, in particular because the up-and-coming industrial nations such as China, India and Brazil are consuming increasing quantities. **In 2050 it will only be possible to pump 50 million barrels a day** – half of the current quantity and around the same as in 1975. As a result, in **2075** this figure will total just **20 to 25 million barrels**. → **Gas deposits will not be used up quite so quickly**, /... however the gas curve will also plummet like the crude oil curve. Only significant coal resources remain. At present, an annual total of **approx. 5,000 million tons** of this fuel is mined, with estimated deposits of around 900 billion tons. However, coal has a very negative environmental impact, with the result that consumption will undergo a strong decline./\*...



## OUTLOOK

In fiscal year 2008 a further increase in dynamic growth in the photovoltaic industry is expected, which will have a positive impact on Manz Automation AG's business. Extensive follow-on orders from existing master agreements and newly acquired orders mean that the Managing Board is expecting organic growth to almost double in the current fiscal year to EUR 135 – 140 million. This forecast is supported by the current order book of EUR 116 million [as of April 2008]. Taking the recently acquired companies in Tübingen and Slovakia and the majority interest in Taiwan-based Intech into account, revenues are expected to grow to EUR 210 – 215 million. The Managing Board believes that the successful acquisitions will also result in a sustained increase in EBIT.

.../1

In particular the acquisitions made at the start of the year have led to a substantial increase in capacity. For example, the available production and office space of around 11,700 m<sup>2</sup> at the end of the year has increased to more than 74,700 m<sup>2</sup>. At the same time, the number of employees has grown from a little more than 300 to around 1,600 employees. Although integrating the new companies is initially a challenge, the Managing Board is optimistic that it has created solid foundations for further growth. In order to implement its objectives, the company is planning to hire more than 140 specialist employees and engineers worldwide despite the increased capacity. [graph: 5.1](#)

.../2

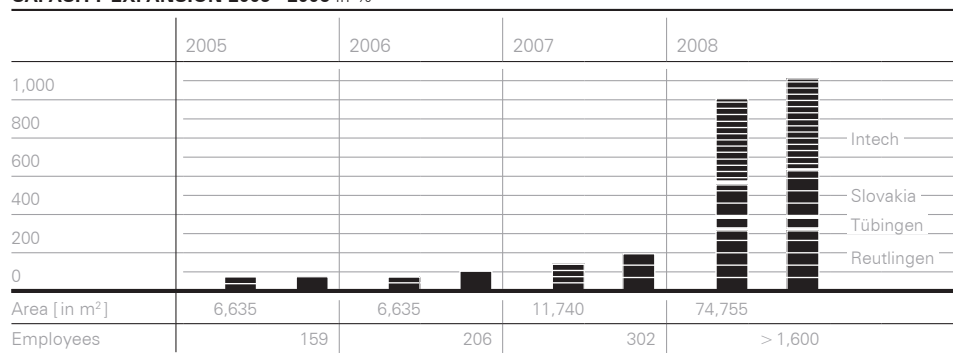
Together with the acquisitions, the individual locations will focus on specific divisions and production stages. In future, the Reutlingen facility will focus on high-tech engineering for solar and LCD machines, while backend production lines will be produced in Slovakia in particular. The assemblies required for this will be supplied by the subsidiary in Hungary. Over the medium-term, LCD equipment is to be produced by the recently acquired Intech Machines Co., Ltd. in Taiwan. This guarantees proximity to the customers located exclusively in Asia. In addition, Intech's existing technology means that it is already a leading provider in the LCD industry, with the result that the production facilities in Taiwan and China have excellently qualified personnel. The third division systems.aico [OEM systems and component trading] is to be bundled at the Tübingen facility in future.

.../3

[graph: 5.1](#)

.../[graph]

**CAPACITY EXPANSION 2005 – 2008 in %**



**This will provide a stable pillar in the group's operations which also provides high earnings, allowing employees at the Reutlingen facility to focus in greater detail on research and development projects to secure the group's market position.**

.../4

**Manz Automation AG's Managing Board is confident that the organizational changes will allow it to further increase its growth in the individual divisions. Growth will again be driven by the systems.solar division. The thin-film solar market in particular is propelling the company's growth. This division recorded revenues of around EUR 15.3 million in 2007, and the company has already recorded orders for thin-film solar systems with a volume of approx. EUR 64 million that will be reflected in revenues and earnings in 2008. The order book for production equipment for crystalline solar cells is at almost EUR 40 million and is already higher than for 2007 as a whole. This growth is driven by Germany, as the amendment to the German Renewable Energy Act in 2008 is expected to result in a substantial increase in investment. This could already cool down in 2009 when the new Renewable Energy Act comes into effect. Manz Automation is already excellently equipped to deal with this scenario as a result of its successful internationalization – which will allow it to more than compensate for a downturn in investment on the German market thanks to its foreign customers.**

.../5

**The Managing Board is also forecasting an improvement in revenues and earnings in the divisions systems.lcd and systems.aico. Excess capacity is being reduced in the LCD industry, with the result that LCD manufacturers will make increased investments in new equipment generations in future. In addition, the systems.aico division will be able to further increase its growth by bundling the technologies and customers acquired as part of the acquisitions, and use the resources offered at the Tübingen location for its own growth.**

.../6

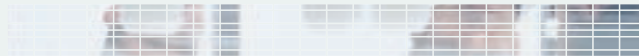
**To summarize – the Managing Board is thus looking to the coming fiscal years with great optimism. The coming years promise high order intake which goes hand in hand with increasing sales and earnings. In connection with its targetted acquisition strategy, in the coming years Manz Automation AG will thus further reinforce its current market lead.**

.../7

# Consolidated financial statements and notes

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page 0089/...



3:10 pm/Brief project discussion with international participation.

page 0101/...



3:46 pm/Employees get machines ready for shipping.

page 0121/...



4:07 pm/More than 55% of our systems are exported.

page 0127/...



4:27 pm/It looks idyllic, but inside they're hard at work.

# Consolidated financial statements

## CONSOLIDATED INCOME STATEMENT in EUR

	Note	Dec. 31, 2007	Dec. 31, 2006
Revenues	01	71,249,074	43,812,644
Change in finished goods		7,774,403	- 1,085,585
Own work capitalized	02	2,424,730	1,516,021
<b>Total operating revenues</b>		<b>81,448,207</b>	<b>44,243,080</b>
Other operating income	03	914,807	211,476
Cost of materials	04	- 46,644,681	- 21,896,265
<b>Gross margin</b>		<b>35,718,333</b>	<b>22,558,291</b>
Personnel expenses	05	- 16,593,882	- 11,325,254
Amortization/depreciation		- 1,595,555	- 1,152,781
Other operating expenses	06	- 7,483,245	- 5,229,198
<b>Operating result [EBIT]</b>		<b>10,045,651</b>	<b>4,851,058</b>
Income from financial investments accounted for at equity	12	28,542	0
Net financial income/net finance costs	07	479,955	- 743,288
Profit transfer due to partial profit transfer agreement	08	0	- 12,500
<b>Pre-tax earnings [EBT]</b>		<b>10,554,148</b>	<b>4,095,270</b>
Income tax expense	09	- 2,309,436	- 1,316,085
<b>Net income</b>		<b>8,244,712</b>	<b>2,779,185</b>
Weighted average number of shares		3,430,025	1,573,748
Earnings per share, in EUR [diluted = basic]	10	2.40	1.77

**CONSOLIDATED BALANCE SHEET [IFRS] in EUR**

	Note	Dec. 31, 2007	Dec. 31, 2006
<b>Assets</b>			
<b>Non-current assets</b>			
		9,141,287	11,254,664
Intangible assets	12	5,830,062	3,854,230
Property, plant and equipment	12	2,987,439	7,365,758
Financial assets	12	289,458	0
Deferred taxes	09	34,328	34,676
<b>Current assets</b>			
		73,234,581	29,624,455
Inventories	13	14,711,932	5,361,655
Trade receivables	14	23,019,956	11,034,392
Income tax receivables		262,218	366,600
Derivative financial instruments	15	444,903	0
Other current receivables	16	1,191,967	243,763
Securities	17	14,553,660	0
Cash and cash equivalents	18	18,888,477	12,541,616
Prepaid expenses	19	161,468	76,429
<b>TOTAL ASSETS</b>		<b>82,375,868</b>	<b>40,879,119</b>
<b>Liabilities and shareholder's equity</b>			
<b>Equity</b>			
	20	52,647,321	21,665,862
Subscribed capital		3,582,900	3,257,250
Share premium		35,554,845	13,529,065
Retained earnings		565,984	166,605
Currency translation		12,542	26,604
Consolidated net retained profits		12,931,050	4,686,338
<b>Non-current liabilities</b>			
		6,277,984	9,792,196
Non-current financial debt	21	1,500,000	1,500,000
Deferred investment subsidies	22	90,848	0
Financial liabilities from leases	23	18,813	5,650,950
Provisions for pensions	24	59,141	49,367
Other non-current provisions	25	321,000	221,000
Deferred taxes	09	4,288,182	2,370,879
<b>Current liabilities</b>			
		23,450,563	9,421,061
Trade payables	26	5,424,704	2,968,293
Advance payments received	27	14,281,560	4,185,563
Tax liabilities	28	64,796	17,106
Other current provisions	29	3,359,307	1,242,471
Other liabilities	30	315,046	480,704
Financial liabilities from leases	23	5,150	526,924
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>82,375,868</b>	<b>40,879,119</b>

**CONSOLIDATED CASH FLOW STATEMENT** in EUR

	2007	2006
<b>Cash flow from operating activities</b>		
Net income	8,244,712	2,779,185
Amortization/depreciation of non-current assets	1,595,555	1,152,780
Profit from equity-accounted investment	- 28,542	0
ZIncrease [+] / decrease [-] in provisions for pensions and other non-current provisions	109,774	70,368
<b>Cash flow</b>	<b>9,921,499</b>	<b>4,002,333</b>
Gains [-] / losses [+] from disposal of assets	- 5,112	0
Increase [-] / decrease [+] in inventories, trade receivables and other assets	- 22,690,595	- 6,268,579
Increase [+] / decrease [-] in trade payables and other liabilities	16,995,245	4,736,548
Cash flow from operating activities	4,221,037	2,470,302
<b>Cash flow from investing activities</b>		
Proceed from the disposal of assets	84,882	0
Payments to acquire intangible assets and property, plant and equipment	- 4,902,799	- 1,980,766
Payments for the acquisition of consolidated companies	- 478,661	- 57,023
Payments to acquire securities	- 14,553,660	0
Cash flow from investing activities	- 19,850,238	- 2,037,789
<b>Cash flow from financing activities</b>		
Proceeds from additions to equity	22,795,500	15,045,000
Capital procurement costs [pre-tax]	- 701,865	- 1,039,539
Payments for the redemption of finance leases	- 85,474	- 161,573
Payments to shareholders	0	- 225,000
Payments for the repayment of non-current loans	0	- 65,315
Payments for the redemption of the silent partnership	0	- 1,000,000
Change in overdraft facilities	0	- 662,150
Cash flow from financing activities	22,008,161	11,891,423
<b>Cash and cash equivalents – end of period</b>		
Cash change in cash and cash equivalents [sub-total 1–3]	6,378,960	12,323,936
Net change in cash and cash equivalents due to currency translation	- 32,099	- 15,237
Cash and cash equivalents on Jan. 1	12,541,616	232,917
Cash and cash equivalents on Dec. 31	18,888,477	12,541,616
<b>Composition of cash and cash equivalents</b>		
Cash and cash equivalents	18,888,477	12,541,616
Cash and cash equivalents on Dec. 31	18,888,477	12,541,616

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR FISCAL YEAR 2007** in EUR

	Subscribed capital	Share premium	Revenue reserves		Currency translation	Consolidated net retained	Total equity
			Retained profits	Market valuation			
<b>As of Jan. 1, 2006</b>	450,000	146,782	172,236	0	4,563	3,964,089	<b>4,737,670</b>
Disbursements for 2005						- 225,000	- 225,000
Net income for the period						2,779,185	2,779,185
Consolidation-related currency losses/gains [net]					22,041		22,041
Disposal of minority interests share of loss						- 29,686	- 29,686
Capital increases	1,005,000	14,040,000					15,045,000
Capital increase from company funds	1,802,250					- 1,802,250	0
Capital procurement costs [after tax]		- 657,717					- 657,717
Valuation of financial instruments				- 5,631			- 5,631
<b>As of Dec. 31, 2006</b>	<b>3,257,250</b>	<b>13,529,065</b>	<b>172,236</b>	<b>- 5,631</b>	<b>26,604</b>	<b>4,686,338</b>	<b>21,665,862</b>
Capital increases	325,650	22,469,850					22,795,500
Capital procurement costs [after tax]		- 444,070					- 444,070
Net income for the period						8,244,712	8,244,712
Consolidation-related currency losses/gains [net]					- 14,062		- 14,062
Valuation of financial instruments				399,379			399,379
<b>As of Dec. 31, 2007</b>	<b>3,582,900</b>	<b>35,554,845</b>	<b>172,236</b>	<b>393,748</b>	<b>12,542</b>	<b>12,931,050</b>	<b>52,647,321</b>



**SEGMENT REPORTING FOR DIVISIONS [PRIMARY REPORTING FORMAT] AS OF DECEMBER 31, 2007** in EUR thousand

	systems.solar		systems.lcd		systems.aico		Central functions/ other		Group	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenues with third parties	51,052	18,641	8,736	14,530	11,461	10,642	0	0	<b>71,249</b>	<b>43,813</b>
EBIT	20,499	4,797	2,822	4,201	1,577	1,590	-14,852	-5,737	<b>10,046</b>	<b>4,851</b>
EBIT [after allocation of central functions/other]	7,860	1,915	1,141	1,943	1,045	993			<b>10,046</b>	<b>4,851</b>
Segment assets	33,508	10,181	4,846	4,989	8,000	7,327	36,022	18,382	<b>82,376</b>	<b>40,879</b>
Segment liabilities	15,490	5,145	2,414	1,268	919	741	10,906	12,060	<b>29,729</b>	<b>19,214</b>
Net assets	18,018	5,036	2,432	3,721	7,081	6,586	25,116	6,322	<b>52,647</b>	<b>21,665</b>
Additions to assets	3,277	297	297	222	1,293	437	325	1,028	<b>5,192</b>	<b>1,984</b>
Amortization/depreciation	523	246	276	223	616	557	181	127	<b>1,596</b>	<b>1,153</b>
Employees [annual average]	122	42	23	30	68	61	37	41	<b>250</b>	<b>174</b>

**SEGMENT REPORTING FOR REGIONS [SECONDARY REPORTING FORMAT] AS OF DECEMBER 31, 2007** in EUR thousand

	Germany		Rest of Europe		Asia		America		Other Regions		Group	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Third-party revenues by customer location	30,295	15,711	13,726	9,242	24,432	17,363	2,340	788	456	709	<b>71,249</b>	<b>43,813</b>
Carrying amount of segment assets by asset location	78,579	38,172	1,947	1,297	915	732	646	678	289	0	<b>82,376</b>	<b>40,879</b>
Investments in non-current assets by asset location	4,428	1,932	389	26	39	22	47	4	289	0	<b>5,192</b>	<b>1,984</b>

**CHANGES IN CONSOLIDATED NON-CURRENT ASSETS AS OF DECEMBER 31, 2007** in EUR

	Intangible assets				Property, plant and equipment					Financial assets		Total consolidated non-current assets
	Licences, software and similar rights and assets	Capitalized development costs	Goodwill	Total intangible assets	Land and buildings including buildings on third-party land	Plant and machinery	Other equipment, operating and office equipment	Advance payments	Total property, plant and equipment	Participating interests		
<b>Acquisition/ production costs</b>												
Jan. 1, 2007	756,431	4,341,738	30,398	<b>5,128,567</b>	6,820,225	780,624	1,553,651	0	<b>9,154,500</b>	0	<b>14,283,067</b>	
Currency translation adjustments	-163	0	0	<b>-163</b>	-2,918	-4,286	-5,440	0	<b>-12,644</b>	0	<b>-12,807</b>	
Change group of consolidated companies	0	0	0	<b>0</b>	423,584	0	0	0	<b>423,584</b>	0	<b>423,584</b>	
Additions	311,174	2,424,730	0	<b>2,735,904</b>	65,913	865,124	945,855	290,005	<b>2,166,896</b>	289,458	<b>5,192,259</b>	
Disposals	0	0	0	<b>0</b>	6,595,760	0	0	0	<b>6,595,760</b>	0	<b>6,595,760</b>	
Dec. 31, 2007	1,067,442	6,766,468	30,398	<b>7,864,308</b>	711,044	1,641,462	2,494,066	290,005	<b>5,136,577</b>	289,458	<b>13,290,343</b>	
<b>Accumulated depreciation</b>												
Jan. 1, 2007	485,168	789,169	0	<b>1,274,337</b>	360,294	373,544	1,054,904	0	<b>1,788,743</b>	0	<b>3,063,081</b>	
Currency translation adjustments	-146	0	0	<b>-146</b>	-700	-2,332	-6,778	0	<b>-9,810</b>	0	<b>-9,956</b>	
Additions	149,926	610,129	0	<b>760,055</b>	148,854	196,744	489,902	0	<b>835,499</b>	0	<b>1,595,555</b>	
Disposals	0	0	0	<b>0</b>	465,294	0	0	0	<b>465,294</b>	0	<b>465,294</b>	
Dec. 31, 2007	634,948	1,339,298	0	<b>2,034,246</b>	43,154	567,956	1,538,028	0	<b>2,149,138</b>	0	<b>4,183,384</b>	
<b>Carrying amounts</b>												
Dec. 31, 2007	432,494	5,367,170	30,398	<b>5,830,062</b>	667,890	1,073,506	956,038	290,005	<b>2,987,439</b>	289,458	<b>9,106,959</b>	
Dec. 31, 2006	271,263	3,552,569	30,398	<b>3,854,230</b>	6,459,931	407,080	498,747	0	<b>7,365,758</b>	0	<b>11,219,988</b>	

Brief project  
discussion

with international  
participation.



## SCREEN PRINT/ING [noun]

[Photovoltaics: crystalline silicon solar cells]

→ **Screen printing is part of the metallization process**, /... and is used to add the conductive tracks to the cells. A screen and blade are used to **print electrically conductive silver aluminum paste** separately onto the **front and rear of the solar cell**. These are each dried separately. The paste is then burned into the solar cell. Manz Automation's screen printing systems can achieve **high throughput figures of 2,400 cells/h** including automated paste dosage, integrated print image control, built-in drier to dry the paste and a standardized interface to the burning oven. → **Screen printer** /... **The silver aluminum paste** is printed on to the solar cell using the **screen** [.../1] and the **blade** [.../2]./\*...

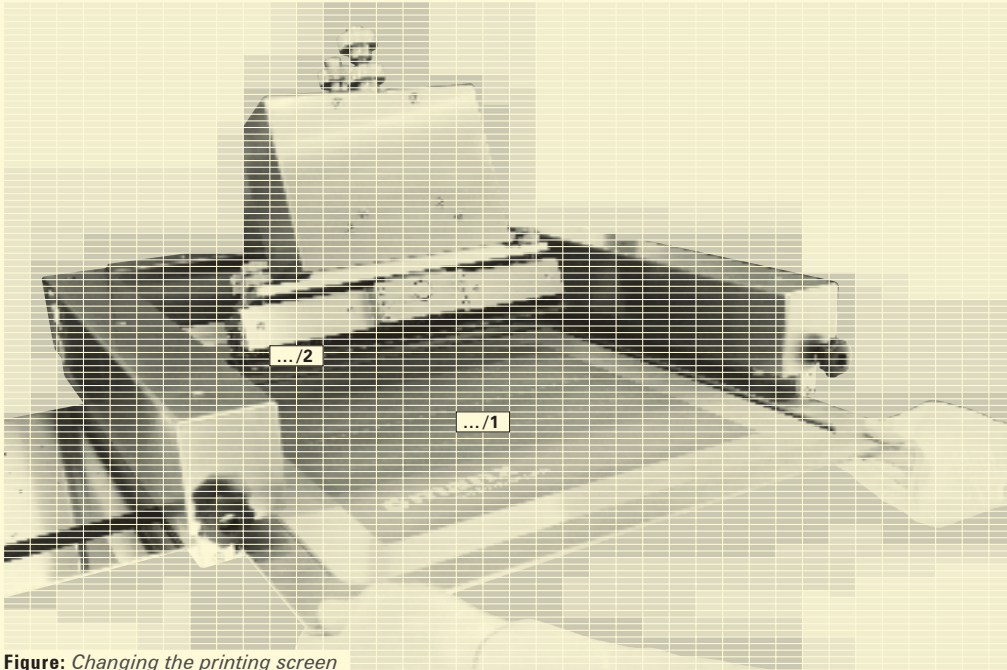


Figure: Changing the printing screen

## SCRIB/ING [noun]

[Photovoltaics: thin-film solar]

→ **Thin-film solar modules** /... can be scribed both using mechanical methods [stylus] or laser. The laser or the stylus ablate thin tracks in the various layers previously applied. **Scribing causes integrated series connections between neighboring cells**. This results in a higher voltage, thus making the module useable. Reducing the distance between these tracks allows the **efficiency of a thin-film module** to be increased. However, at the same time, ultra-precise control must be used to make sure that the lines do not touch; this would result in a short-circuit./\*...

# Notes to the consolidated financial statements

## SUMMARY

The focus in fiscal year 2007 was primarily on the capital increase successfully placed in the middle of the year and Manz Automation AG's successful expansion. In June 2007, the company increased its capital, bringing gross proceeds from the issue of EUR 22.8 million and thus laying the foundations for continued dynamic growth during the remainder of the year. 325,650 new shares were issued during the transaction, taking the share capital to 3,582,900.

As a result, the company was increasingly able to drive its acquisition projects and buy its first companies after the end of the year. In addition to Christian Majer GmbH & Co. KG in Tübingen, which will include the systems.aico division in future, Manz was also able to acquire Böhm Electronic Systems Slowakei s.r.o. In addition, Manz also succeeded in concluding its takeover offer for Intech Machines Co., Ltd. in Taiwan in April 2008. This has substantially increased the group's production, warehouse and staff capacity, and sustainably reinforced the company's global market leadership in the LCD and solar industry.

## I. GENERAL EXPLANATIONS

**Manz Automation AG [Manz AG] has its registered office in Steigaeckerstrasse 5 in 72768 Reutlingen, Germany. The business activities of Manz Automation AG and its subsidiaries [Manz group] comprise the development and manufacture of systems and components for automation and quality assurance. The systems are primarily used in the production of solar cells and LCD flat screen displays.**

.../1

**Manz Automation AG prepared its consolidated financial statements as of December 31, 2007 in accordance with International Financial Reporting Standards [IFRS] as these are to be applied in the EU and the supplementary provisions of the HGB as stipulated by Section 315 [1] of the Handelsgesetzbuch [HGB – German Commercial Code]. All of the standards and interpretations for which application was mandatory were taken into account. IFRS for which application was not yet mandatory were not applied.**

.../2

THE FOLLOWING STANDARDS AND INTERPRETATIONS AND MAJOR CHANGES WERE TO BE APPLIED FOR THE FIRST TIME IN FISCAL YEAR 2007:

- **IAS 1 Presentation of Financial Statements**
- **IFRS 7 Financial Instruments: Disclosures**
- **IFRIC 7 Applying the restatement approach under IAS 29  
Financial reporting in hyperinflationary economies**
- **IFRIC 8 Scope of IFRS 2**
- **IFRIC 9 Reassessment of Embedded Derivatives**
- **IFRIC 10 Financial Reporting and Impairment**

.../3

**First-time application of the changes to IAS 1 and IFRS 7 leads to increased information in the notes to the consolidated financial statements for fiscal year 2007. The other interpretations named did not impact the consolidated financial statements. In 2006 and 2007, the IASB passed various standards, additions to standards and interpretations to be applied from 2008 or 2009. Some of these, such as IAS 1 Presentation of Financial Statements and IFRS 8 Operating Segments only affect information in the notes. Others, such as IFRIC 11 IFRS 2 Group and Treasury Share Transactions, IFRIC 12 Service Concession Agreements, IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction are not currently used by the group and are not expected to be applied in 2008. In total, the company is thus not expecting any material impact on its financial position and results of operations from these new regulations.**

.../4

**The impact of the new versions of IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements, which are to be applied for the first time from July 1, 2009, depends on the extent – which cannot be forecasted – to which the company acquires or sells interests in other companies in 2009.**

.../5

**We believe that the possible impact from the application of the accounting standard not yet taken over by the EU into European law IFRIC 13 Customer Loyalty Programs and the changes to IAS 23 Borrowing Costs will be minor.**

.../6

**To ease transparency, individual items are compounded in the balance sheet and income statement. These are listed and discussed separately in the notes. The Manz group's fiscal year is from January 1 to December 31. The consolidated financial statements are prepared in euros. The information in the notes is in thousands of euros [EUR thousand] if not otherwise stated. The income statement has been prepared using the total cost [nature of expense] method.**

.../7

## II. BASIS OF PRESENTATION

### GROUP OF CONSOLIDATED COMPANIES

**Manz AG's consolidated financial statements include all of the companies for which Manz AG can either directly or indirectly determine the financial and business policy [controlling relationship].** .../1

**In addition to Manz Automation AG, the group of consolidated companies includes the following foreign subsidiaries:** .../2

	Interest in %
<b>Fully consolidated companies</b>	
Manz Automation Inc., North Kingstown/USA	100
Manz Automation Hungary Kft., Debrecen/Hungary	100
MVG Hungary Kft., Debrecen/Hungary	100
Manz Automation Asia Ltd., Hongkong	100
Manz IMMO Hungary Kft., Debrecen/Hungary	100
Manz Automation Taiwan Limited, Hsinchu/Taiwan	100
Manz Automation [Shanghai] Co., Ltd., Shanghai/China	100
<b>Consolidation at equity</b>	
Axsystems Ltd., Petach-Tikva/Israel	24

### NEW FORMATIONS

**The following new company formations are not corporate acquisitions within the meaning of IFRS 3, as no business operations were acquired.** .../3

**The subsidiary Manz Asia Ltd., Hong Kong, formed Manz Automation Taiwan Limited in December 2007 and has held a 100 % interests since then. The share capital totals NTD 500,000.00. This company has the purpose of further developing the Asian market and securing the high quality of service.** .../4

**Manz Asia Ltd., Hong Kong also formed Manz Automation [Shanghai] Co., Ltd., in Shanghai/China in December 2007, and it has held a 100 % interest since then. The share capital totals USD 140,000.00. This company also serves to improve penetration of the Asian market and to provide service support.** .../5

### ACQUISITION OF BUSINESS OPERATIONS

**Manz Automation Hungary Kft. acquired a 100 % interest in Reichert Kft., Debrecen/Hungary [now: Manz IMMO Hungary Kft.] in September 2007. Manz IMMO Hungary Kft's sole purpose is to hold and administer a plot of land directly adjacent to Manz Automation Hungary Kft's production building. The share capital totals HUF 50,000.00.** .../6

### ACQUISITIONS OF MINORITY INTERESTS

**In September 2007, Manz Automation AG acquired a 24.0 % interest in Axsystems Ltd., Israel, as part of a capital increase. This company's activities span the development and production of control systems. For information on the equity-accounted financial investments see section [12](#).** .../7



**The subsidiaries' financial statements are prepared as of the date of the consolidated financial statements, Manz AG's balance sheet date.**

.../8

#### PRINCIPLES OF CONSOLIDATION

**Capital is consolidated according to IFRS 3 [Business Combinations] according to the purchase method. In so doing, the assets and liabilities acquired are measured at their fair values on the date of their acquisition. The acquisition costs of the interest acquired is then netted with the proportionate newly valued equity of the subsidiary. Any remaining positive difference from netting the purchase price with the identified assets and liabilities is carried under intangible assets as goodwill.**

.../9

**Expenses and income as well as receivables, liabilities and provisions between consolidated companies are netted. The requisite deferred taxes are formed for consolidation.**

.../10

#### CURRENCY TRANSLATION

**The financial statements prepared in foreign currencies of the subsidiaries included in the group are translated to euros according to IAS 21. The functional currency of the consolidated currency is the respective national currency, as these subsidiaries conduct their business activities independently in financial, economic and organizational respects. Assets, liabilities and contingent liabilities are carried at the mean rate of exchange on the balance sheet date, equity is translated at historical rates. Currencies in the income statement are translated at the annual average rate. Exchange rate differences resulting from the translation of the annual financial statements are carried under equity as a separate item until the subsidiary is no longer part of the group.**

.../11

**Items denominated in foreign currency in the financial statements of the companies included in the consolidated financial statements are measured at the exchange rate prevailing on their date of acquisition. Cash items are valued at the mean rate of exchange on the balance sheet date. Currency gains and losses on the balance sheet date are recognized in income.**

.../12

#### ACCOUNTING AND VALUATION POLICIES

**The assets and liabilities of Manz AG and the fully consolidated subsidiaries are carried and measured according to the uniform accounting and valuation methods in the Manz group as of December 31, 2007.**

.../13

**Comparable information for fiscal year 2006 is based on the same accounting and valuation methods that were applied in fiscal year 2007.**

.../14

**Estimates and assumptions are required to prepare the consolidated financial statements. These impact the carrying amounts, measurement and disclosure of assets, liabilities, income and expenses. All of the facts available at the time are considered in this regard. Major assumptions and estimates are used for the useful lives which are uniform throughout the group, as well as the recoverable amounts for assets, the ability to collect receivables, the identification of the degree of completion for non-current construction contracts and the accounting for and measurement of provisions. The values which actually occur may differ from the estimates in individual cases. The carrying amounts of the assets and liabilities affected by estimates can be seen in the classification of the individual items in the accounts.**

.../15

**NON-CURRENT ASSETS**

**Licenses, software and similar rights and assets, capitalized development costs and goodwill with a limited useful life are carried under intangible assets. These are carried if there is a probability of a future economic benefit and to the extent that it is not clearly possible to allocate these to expenses.**

.../16

**Licenses, software and similar rights are capitalized at cost in line with IAS 38 and amortized over their useful lives using the straight line method, to the extent that there is no impairment. Useful lives are generally between three and five years.**

.../17

**Development costs for systems and system components are capitalized if the conditions of IAS 38 have been met. Costs comprise all costs that can be directly allocated to the development process as well as reasonable amounts of the development-related overheads. Capitalized development costs are written down using the straight line method from the start of production over the anticipated product life cycle. As a rule this is between four and eight years. Research costs and development costs that cannot be capitalized are recognized as expenses when they are incurred.**

.../18

**In line with IAS 36 and IFRS 3, goodwill is subject to an annual impairment test. There were no write-downs in 2007. Goodwill totals EUR 30 thousand.**

.../19

**Property, plant and equipment is measured at cost less scheduled depreciation in line with the useful lives and extraordinary write-downs due to impairment. Costs for repairs and maintenance are carried as ongoing expenses. Straight-line depreciation is performed in line with the anticipated consumption of the future economic benefit. Scheduled depreciation is mostly based on the following useful lives:**

.../20

	Years
Real property, equivalent rights and buildings	15 to 30
Plant and machinery	6 to 10
Other equipment, operating and office equipment	4 to 13

**In finance leases, economic ownership is assigned to the lessee in the event that the lessee bears all of the opportunities and risks associated with ownership [IAS 17]. If economic ownership is to be allocated to the Manz group, the assets are capitalized at their fair value or the lower cash value of the minimum lease payments on the date the lease is concluded. Depreciation is performed using the straight line method based on the useful life or the term of the lease if shorter. The payment obligations resulting from future lease installments are carried as a financial liability.**

.../21

**Equity-accounted investments are initially carried at cost, and in subsequent years adjusted for the proportionate earnings, distributed dividends and other changes to equity as well as the hidden reserves and liabilities uncovered upon acquisition. Balance sheet goodwill is included in the carrying amount, it is not subject to scheduled amortization. An impairment test is performed if there are any indicators that the interest is impaired. Any write-downs that may be necessary are initially deducted from the goodwill on the balance sheet.**

.../22

#### IMPAIRMENT OF ASSETS

**Intangible assets and property, plant and equipment are subject to non-scheduled amortization/depreciation on the balance sheet date in line with IAS 36 [Impairment of Assets] if specific events or market developments indicate a correction of the anticipated useful life or a loss of value. Assets are impairment tested by comparing their capitalized carrying amounts with their recoverable amounts. The recoverable amount is defined as being the higher of the fair value and the cash value of the anticipated future cash flows from the asset. Writing an asset down to its recoverable amount is pertinent if this is lower than the capitalized book value of the respective asset. If the reason for previous impairment no longer applies, the asset is written up to amortized cost. During fiscal year 2006 no non-scheduled write-downs and write-ups were required.**

.../23

#### INVENTORIES

**Inventories are carried at cost or their lower net realizable value in line with IAS 2 [Inventories]. Costs include unit costs and reasonable amounts of the necessary material and production overheads as well as production-related write-downs and proportionate administrative overheads that can be allocated directly to the production process. If required, averages are used to simplify valuations.**

.../24

#### NON-CURRENT CONSTRUCTION CONTRACTS

**Non-current construction contracts are accounted for using the percentage of completion method [PoC method] in line with IAS 11. The percentage of completion used to ascertain the amount of partial profits realized is determined by the ratio of the contract costs incurred on the balance sheet date and the calculated total costs [cost-to-cost method].**

.../25

**If the total of the incurred order costs and the gains disclosed exceeds advance payments, construction contracts are carried as assets under future receivables from long-term construction orders under trade receivables. A negative balance is carried under trade payables. During fiscal years 2006 and 2005 no negative balances had to be carried. The principles of loss-free valuation were taken into account.**

.../26

#### TRADE RECEIVABLES

**Receivables from customers are carried at their nominal values. Recognizable individual risks are taken into account via reasonable write-downs. Receivables in foreign currency – to the extent that these exist – are measured at the mean rate of exchange on the balance sheet date.**

.../27

#### DERIVATIVE FINANCIAL INSTRUMENTS

**Manz Automation AG only uses derivative financial instruments to hedge against the currency risks resulting from its operating activities.**

.../28

**According to IAS 39, derivative financial instruments are carried at their fair values upon initial recognition and in subsequent valuations. The fair values of traded derivative financial instruments correspond to their market prices. Non-traded derivative financial instruments are calculated using recognized valuation models based on discounted cash flow analyses and using current market parameters.**

.../29

**The decisive factor in recording changes in fair values – recognized in profit and loss or taken directly to equity – is whether the derivative financial instrument is included in an effective hedge within the meaning of IAS 39. If there is no hedge accounting, the changes in the fair values of the derivative financial instruments are recognized in income immediately. In contrast, if there is an effective hedge within the meaning of IAS 39, the hedge is booked as such.**

.../30

**Manz applies the requirements under IAS 39 for hedge accounting to secure future cash flows from future cash flows [cash flow hedges]. In this regard, at the start of the hedge the relationship between the underlying transaction and the hedge are documented, including the risk management objectives. In addition, the company documents whether the hedge instrument designated in the hedge is effective with regard to compensating for the change in the cash flow for the underlying transaction both when a hedge is entered into and during the term of the hedge.**

.../31

**The effective portion of the change in the fair value of a derivative or an original financial instrument which has been designated as a hedge is recorded under equity under revenue reserves. The gains or losses due to the ineffective portion is recognized immediately in income under Other operating income or Other operating losses.**

.../32

**Amounts recorded under equity are transferred to the income statement in the period in which the underlying transaction is also recognized in income.**

.../33

OTHER CURRENT RECEIVABLES

**As a rule, other receivables are carried at their nominal amounts. Recognizable individual risks are taken into account with corresponding value adjustments. There are no non-interest bearing or low-interest receivables with terms of more than one year.**

.../34

SECURITIES

**Marketable securities mostly comprise annuities, equities and real estate fund units as well as fixed-income securities that have a remaining term of more than three months and less than one year when they are acquired. The securities are all, without exception, in the available-for-sale category, and are carried at their fair values. Upon initial valuation, transaction costs are taken into account that are to be directly allocated to the acquisition of the financial asset; first-time valuation is on the date of fulfillment. Unrealized gains and losses are recorded under revenue reserves taking deferred taxation into account. The gains or losses are recognized in income when they are sold. If there are major objective indicators that suggest that an asset is impaired, this is written of and recognized in income.**

.../35

CASH AND CASH EQUIVALENTS

**Cash and cash equivalents are held as accounts and current investments with banks which have a remaining term of up to three months when they are received. These are measured at amortized cost.**

.../36

DEFERRED INVESTMENT SUBSIDIES

**The investment subsidies received are deferred according to IAS 20 [Accounting for Government Grants and Disclosure of Government Assistance] and reversed and recognized in income over the useful life of the respective assets. As a result, this item is distributed over the useful lives of the subsidized assets that successively increase earnings in future fiscal years. This increase in earnings is offset by depreciation expense in a corresponding amount, which is thus neutralized when netted.**

.../37

DEFERRED TAXES

**Deferred taxes are formed on all temporary differences between the carrying amounts in the tax base and the IFRS carrying amounts. Deferred taxes are capitalized for losses carried forward if it is assumed that it will be possible to use these.**

.../38

**When measuring deferred taxes, the tax rates on the date of realization are used that apply or are expected based on the current legal situation in the individual countries. Deferred tax assets and liabilities are netted as far as permissible.**

.../39

PROVISIONS FOR PENSIONS

**Provisions for pensions are calculated based on the projected unit credit method according to IAS 19. During this process, future increases in salaries and pensions are taken into account as well as the pensions and commitments known on the balance sheet date. If pension commitments are covered by plan assets, the net amount is disclosed.**

.../40

**Calculations are based on actuarial surveys based on biometric information. Actuarial gains and losses are recognized in income when the actuarial gains and losses not recognized at the start of the year exceed ten percent of the higher of the projected unit credit and the plan assets [corridor method]. Past service cost is carried under personnel expenses, interest on the addition to provisions is carried under the financial result.** .../41

#### PROVISIONS FOR TAXES AND OTHER PROVISIONS

**Provisions for taxes and other provisions are formed if there is a current legal or de facto obligation to third parties that will probably lead to an outflow of resources in future and if these resources can be reliably estimated. Provisions for warranties are formed taking into account the previous or estimated future claim history.** .../42

#### INCOME AND EXPENSES

**As a rule, revenues are recorded on the date on which the products or merchandise are delivered or the service was performed and risk was transferred to the customer. Revenues are reduced by discounts, customer bonuses and rebates. In the case of long-term construction contracts, revenues are recorded according to the percentage of completion.** .../43

**Production-related expenses are recorded upon delivery or when the service is used, all other expenses are recorded as expenses when they are incurred. This also applies to development costs that cannot be capitalized. Provisions for warranties are formed when the products are sold. Interest and other borrowing costs are booked as expenses for the period.** .../44

#### EXPENSES FOR CAPITAL INCREASES

**Expenses incurred as part of capital increases, less all of the associated income tax benefits, are taken directly to equity according to IAS 32.** .../45

#### CONTINGENT LIABILITIES

**Contingent liabilities are possible liabilities to third parties that result from past events and for which existence still has to be confirmed by the occurrence or non-occurrence of one or several uncertain future events that are not fully within the Manz group's control. In addition, contingent liabilities result from a current obligation that is due to past events but which, however, is not accounted for as the outflow of resources is not probable or the amount of the obligation cannot be sufficiently reliably estimated.** .../46

.../  
Employees

get machines ready  
for shipping.

...  
/\*



## SI/LANE [noun]

[Photovoltaics: thin-film solar]

→ **Term used to designate the gaseous silicon-hydrogen compound.** /... Used as a process gas in the production of silicon thin-film modules: a thin silicon layer is deposited on the glass **using chemical vapor deposits** [CVD]./\*...

## SIL/I/CON SO/LAR TECH/NOL/O/GY [noun]

[Photovoltaics: crystalline silicon solar cells]

→ **A semiconductor is needed,** /... to generate electricity from the sun's rays. Silicon, a semi-metal and the second most common chemical element on earth after oxygen, is the first choice in this regard, as it is relatively cheap. However it has to be extremely carefully cleaned for use in **solar technology** [purity 99.99%]. **As a rule, a differentiation is made between crystalline and thin-film solar technology.** → **Crystalline silicon solar cells** need significantly more material, however they are more effective. → **Thin-film silicon solar cells** need less material and are thus cheaper, however they are less effective./\*...

## SIN COAT/ING [noun]

[Photovoltaics: crystalline silicon solar cells]

→ **Silicon nitride is the most common material** /... for anti-reflective coatings and gives the solar cells their **blue color.** It is generally deposited in vacuum processes from the vapor phase./\*...

## SO/LAR MOD/ULE [noun]

[Knowledge: Photovoltaics]

→ **A solar module** /... comprises solar cells connected in series. The number of solar cells determines the module's output./\*...

## SO/LAR CELL [noun]

[Knowledge: Photovoltaics]

→ **A solar cell or photovoltaics cell** /... is an electrical component. It converts the sunshine hitting the cell directly into **electrical energy** [.../see photovoltaics]. **This conversion takes place in a semi-conductive material** such as silicon, cadmium telluride, copper-indium-diselenid./\*...

## SO/LAR TECH/NOL/O/GY [noun]

[Knowledge: Photovoltaics]

→ **This term is used to summarize all of the techniques** /... that use the sun's rays as an energy source. The most important are solar collectors to heat water and other heat sources. And above all **photovoltaics**, [.../see photovoltaics] which is used to convert the radiation into electricity. In addition, there are also industrial methods such as **solar thermal power plants** and **thermic power plants** [that use heated or rising air]. This future-proof market will be determined, in particular, by the photovoltaics sector./\*...



### III. NOTES TO THE CONSOLIDATED INCOME STATEMENT

#### 01 REVENUES

The breakdown of revenue by divisions and regions is included in the [P 0087](#) segment report. Please refer to our comments in the segment report in section IV [P 0107](#).

.../1

#### 02 OWN WORK CAPITALIZED

Own work capitalized mostly results from the capitalization of development costs for the metalization process, the platform for scribing machines and further developments in the systems.solar division and for LCD handling.

.../2

#### 03 OTHER OPERATING INCOME

.../3

in EUR thousand	2007	2006
Non-cash income	150	111
Exchange rate gains	647	90
Miscellaneous other operating income	118	10
	<b>915</b>	<b>211</b>

#### 04 COST OF MATERIALS

.../4

in EUR thousand	2007	2006
Cost of raw materials and consumables used and of merchandise	29,016	14,711
Cost of purchased services	17,629	7,185
	<b>46,645</b>	<b>21,896</b>

#### 05 PERSONNEL EXPENSES

.../5

in EUR thousand	2007	2006
Wages and salaries	14,401	9,682
Social security, pension and other benefit costs	2,193	1,643
	<b>16,594</b>	<b>11,325</b>
Average annual number of employees	250	174

**06 OTHER OPERATING EXPENSES**

.../6

in EUR thousand	2007	2006
Sales expenses	959	1,141
Advertising and travel expenses	1,924	1,140
Commission	56	170
Rent and leasing	1,094	396
Legal and consulting costs	790	574
Insurance	190	141
Exchange rate losses	294	80
Other	2,176	1,587
	<b>7,483</b>	<b>5,229</b>

**07 FINANCIAL RESULT**

.../7

in EUR thousand	2007	2006
Other interest and similar income		
Bank interest	675	108
Income from securities	154	0
Interest and similar expenses		
Non-current liabilities	-286	-440
Current liabilities	-54	-262
Expenses equivalent to interest	-9	-149
	<b>480</b>	<b>-743</b>

**Non-current interest expenses relate, in particular, to interest from finance leases as well as non-current financial liabilities [promissory notes]. Current interest expenses mostly comprise current account interest. During the year under review, expenses equivalent to income included the proportionate interest from pension expenses; during the previous year in particular the fixed fee and early repayment penalty for the silent partnership.**

.../8

**08 PARTIAL PROFIT TRANSFER**

**The expenses from partial profit and loss transfer agreements in 2006 relate to the variable profits for the silent partnership.**

.../9

**09 INCOME TAXES**

**Income taxes include both actual and deferred income taxes from temporary differences and existing tax losses carried forwards.**

.../10

.../11

in EUR thousand	2007	2006
Actual tax expense	541	134
Deferred tax liabilities from temporary differences	1,769	1,183
Deferred tax income from tax loss carryforwards	-1	-1
	<b>2,309</b>	<b>1,316</b>

**Income tax expenses are calculated using the tax rates which apply on the balance sheet date. As a result of the reform of corporate taxation which applies from 2008 in Germany, a tax rate of 28.08 % was taken into account when calculating deferred taxes. The resulting tax effect had an impact in 2007 increasing deferred taxes in the income statement to increase earnings in the amount of EUR 1,321 thousand.**

.../12

**The income tax expense disclosed in fiscal year 2007 in the amount of EUR 2,309 thousand is EUR 1,567 thousand lower than the forecast income tax expense in the amount of EUR 3,876 thousand, which would theoretically have resulted if the German tax rate of 36.73 % had been used for the company's pre-tax earnings. This tax rate is a combined income tax rate comprising the uniform corporation tax rate of 25 % plus the 5.5 % solidarity surcharge, and an effective trade tax rate of 14.06 %.**

.../13

**The difference between the forecast and disclosed income tax expense is due to the following:**

.../14

in EUR thousand	2007	2006
Earnings before income taxes	10,554	4,095
Manz Automation AG's income tax rate	36.73 %	36.73 %
Anticipated income tax expense	3,876	1,504
Tax rate differences – rest of world	-154	-137
Tax impact on non-deductible operating expenses	5	159
Non-period tax expense	65	32
Impact of changes in the tax rate [corporate tax reform 2008]	-1,321	0
Tax income for the IPO expenses offset with the share premium	-163	-242
Disclosed income tax expense	2,309	1,316
Effective taxation	21.88 %	32.14 %

**The following overview shows deferred tax assets and liabilities at an individual balance sheet item level:**

.../15

in EUR thousand	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006
Non-current assets			1,507	1,305
Current assets			2,774	1,057
Tax losses carried forward	35	35		
Provisions			7	9
Total [consolidated balance sheet]	35	35	4,288	2,371

**Deferred taxes are only carried for tax losses carried forwards if it is sufficiently certain that these will be realized. The Managing Board believes that this is the case across the board, as the business plans, which are updated on an ongoing basis, and the group's underlying strategic orientation mean that sufficient positive future earnings can be**

.../16

**expected. As a result, the value of the deferred tax assets has not been adjusted. Deferred tax assets relate to Manz Automation Hungary Kft. and MVG Hungary Kft., both located in Hungary. The tax loss carryforwards on the balance sheet date totaled EUR 215 thousand with no restrictions on carrying these forwards.**

.../17

**10 EARNINGS PER SHARE**

**Earnings per share are calculated according to IAS 33.**

.../18

.../19

in EUR	2007	2006
Consolidated earnings due to the shareholders of Manz AG	8,244,712	2,779,185
Weighted average number of shares in circulation	3,430,025	1,573,748
Earnings per share	2.40	1.77

.../20

**Earnings per share are calculated as the consolidated earnings divided by the weighted average number of shares in circulation during the fiscal year. There were no activities that would have had a dilutive effect.**

## IV. NOTES TO THE SEGMENT REPORTING

In its segment reporting, the activities of the Manz group are broken down into divisions [primary] and regions [secondary] in line with IAS 14 [Segment Reporting]. This breakdown is based on the company's internal management and takes into account the various risk and earnings structures in the division. Manz Automation AG's primary segments are its systems.solar, systems.lcd and systems.aico divisions. The systems.lab division, which had been planned last year for applications in the life science sector, was initially not established as an independent division as a result of the boom in systems.solar, but was further developed in the systems.aico division. The secondary segments are broken down according to regions.

.../1

Activities in the systems.solar division span automation solutions for the production of solar cells and system solutions for the quality assessment and sorting of solar cells.

.../2

In the systems.lcd segment, the company produces end-to-end lines for handling sensitive products in cleanroom conditions. The focus here is on substrate handling for the production of LCD flat screen displays.

.../3

The systems.aico division deals with the handling of small parts for the production of hard metal parts and the sale of robot and control systems.

.../4

The segment reports show the income, earnings, assets and liabilities for the group's individual segments. With the exception of Central functions/other, there are only marginal delivery and performance relationships between the individual segments. The delivery and segment relationships within segments are consolidated. The exchange of performance between the segments is at the prices that would have been agreed in arm's length transactions.

.../5

Segment reporting can be found in the P 0087.

.../6

## V. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### 11 INFORMATION ON THE CASH FLOW STATEMENT

The cash flow statement shows how the Manz group's cash and cash equivalents have changed over the course of the year under review as a result of cash inflows and outflows. In line with IAS 7 [Cash Flow Statements], cash flows are broken down into operating activities, investing activities and financing activities. .../1

The cash and cash equivalents in the cash flow statement include all of the cash and cash equivalents carried on the balance sheet, comprising cash in hand, bank balances and securities that can be liquidated short-term with a term of up to three months. .../2

Cash flows from investing and financing activities are shown using the direct method. The cash flows from investing activities from ongoing business include, additions to intangible assets as well as additions to property, plant and equipment as well as payments for financial investments in securities. Financing activities include cash outflows from dividend payments and the redemption of loans as well as cash inflows from issuing other financial liabilities. .../3

In contrast, the cash flows from operating activities are derived based on earnings after taxes. In this regard, earnings after taxes are adjusted for non-cash expenses, mostly amortization/depreciation and changes in provisions as well as non-cash income, and the change in operating assets and liabilities is added. .../4

in EUR thousand	2007	2006
Interest paid	- 128	- 485
Interest received	794	108
Income tax paid	- 743	- 451
Income taxes refunded	0	2

.../5

Investments and financing which did not lead to a change in cash and cash equivalents are not included in the cash flow statement. .../6

## VI. NOTES TO THE CONSOLIDATED BALANCE SHEET

### 12 NON-CURRENT ASSETS

The changes in the group's acquisition and historical costs and amortization/depreciation is shown in the Statement of Changes in Non-Current Assets P 0088.

.../1

#### LEASED ASSETS [FINANCE LEASE]

During the year under review, as part of the expansion of the production facility in Reutlingen, the previous finance lease agreement for the new building dating from 2005 was redrafted. In particular, the existing right to buy for Manz Automation or the option to sell on the part of the lessor was reworked, with the effect that this no longer classifies as a finance lease. The carrying amounts capitalized under land and buildings as of August 1, 2007 totaling EUR 6,051 were booked as a disposal. The corresponding current and non-current financial liabilities from leasing were netted with this amount. This transaction thus did not impact earnings.

.../2

There are thus just two remaining finance leases in fiscal year 2007 for two cars that are carried under Other equipment, operating and office equipment with a carrying amount of EUR 24 thousand [previous year: EUR 11 thousand].

.../3

During the year under review, lease instalments were paid totaling EUR 308 thousand.

.../4

The following table shows the lease payments due in future at their cash values:

.../5

in EUR thousand	Remaining period		
	to 1 year	2 – 5 years	Total
Minimum lease payments	5	19	24
Interest	1	4	5
Cash value	4	15	19

#### EQUITY-ACCOUNTED FINANCIAL INVESTMENTS

In September 2007, Manz Automation AG acquired a 24.0% interest in Axsystems Ltd., Israel, as part of a capital increase. This company's activities span the development and production of control systems. Axsystems was carried under associated companies using the equity method in the consolidated financial statements, as it is possible to exercise a significant influence. The proportion of profits due to Manz AG in the year under review totaled EUR 29 thousand.

.../6

The following table summarizes financial information for the equity-accounted financial investments:

.../7

in EUR thousand	2007
Proportionate assets	220
Proportionate liabilities	128
Proportionate revenues	367
Proportionate net income	29

**13** INVENTORIES

.../8

in EUR thousand	2007	2006
Raw materials and production supplies	1,794	1,570
Work in progress	10,579	2,803
Finished goods/merchandise	1,082	691
Advance payments made	1,257	298
	<b>14,712</b>	<b>5,362</b>

**14** TRADE RECEIVABLES

.../9

in EUR thousand	Dec. 31, 2007	Dec. 31, 2006
Future receivables from non-current construction contracts	13,852	5,438
Trade receivables	9,168	5,596
	<b>23,020</b>	<b>11,034</b>

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

.../10

in EUR thousand	Dec. 31, 2007	Dec. 31, 2006
Production costs including outcome of the contract for non-current construction contracts	32,808	9,295
Less advance payments received	- 18,956	- 3,857
	<b>13,852</b>	<b>5,438</b>

**15** DERIVATIVE FINANCIAL INSTRUMENTS

**On the balance sheet date, the following currency forwards and currency swaps were used as hedges for USD income anticipated during the coming fiscal year using hedge accounting:**

.../11

in EUR thousand	Nominal volume		Market value	
	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006
Forward exchange transactions	15,928	0	405	0
Foreign exchange swaps	2,335	0	40	0
	<b>18,263</b>	<b>0</b>	<b>445</b>	<b>0</b>

**The nominal volume is the total of all buy and sell amounts for derivative financial transactions. The market values are given by the valuation of the outstanding items at market prices without taking contradictory changes in value from the underlying transactions into account.**

.../12

**The derivative financial transactions have terms of up to January 4, 2008 to March 12, 2008.**

.../13

**During the fiscal year, valuation gains totaling EUR 445 thousand from ongoing cash flow hedges, after the deduction of deferred taxes totaling EUR 125 thousand, were taken directly to equity and included in the revenue reserves. There were no material gains/losses from ineffective cash flow hedges**

.../14



**16 OTHER CURRENT RECEIVABLES**

.../15

in EUR thousand	Dec. 31, 2007	Dec. 31, 2006
Tax receivables [ not income taxes ]	869	83
Receivables – staff	14	19
Interest deferrals	189	70
Rent deposits	84	42
Other	36	30
	<b>1,192</b>	<b>244</b>

**17 SECURITIES**

.../16

in EUR thousand	Dec. 31, 2007	Dec. 31, 2006
Real estate	3,390	0
Promissory notes	3,000	0
Pension funds	2,657	0
Mixed funds	2,290	0
Equity funds	2,007	0
Bond and investments similar to bonds	1,210	0
	<b>14,554</b>	<b>0</b>

**18 CASH AND CASH EQUIVALENTS**

**Cash and cash equivalents are held as accounts and current investments with banks which have a remaining term of up to three months when they are received. These are measured at amortized cost.**

.../17

**19 PREPAID EXPENSES**

**This relates to deferred insurance premiums and trade fair costs.**

.../18

**20 SHAREHOLDERS' EQUITY**

**The changes in the group's individual equity items are shown separately in the Statement of Changes in Consolidated Equity [P 0086].**

.../19

**SUBSCRIBED CAPITAL**

**The share capital of the parent company Manz Automation AG is carried as subscribed capital.**

.../20

**Subscribed capital increased year-on-year to EUR 3,582,900.00 [previous year: EUR 3,257,250.00] and comprises 3,582,900 no-par value bearer shares. Each no-par value share has thus has a nominal value of EUR 1.00.**

.../21

**In partial use of the authorized capital and with the approval of the Supervisory Board on June 20, 2007, the company's share capital was increased from EUR 3,257,250.00 by EUR 325,650.00 to EUR 3,582,900.00. The increase was performed by issuing 325,650 new no-par value shares with an issuing amount of EUR 1.00 per share and carrying profit participation rights from January 1, 2007, excluding shareholders' statutory subscription rights. The increase in the share capital was entered in the commercial register on June 27, 2007. Landesbank Baden Württemberg, Stuttgart, was authorized to subscribe to and acquire the new shares subject to the condition that the new shares were offered as part**

.../22

**of a private placement at a placement price of EUR 70.00 per share, with the total placement price thus amounting to EUR 22,795,500.00.**

**The number of shares in circulation is as follows:**

.../23

	Number of shares
Number of shares issued on December 31, 2006	3,257,250
Capital increase against cash contributions	325,000
Number of shares issued on December 31, 2007	3,582,900

**SHARE PREMIUM**

**The share premium mostly includes shareholders' contributions within the meaning of Section 272 [2] No. 1 of the Handelsgesetzbuch [HGB – Germany Commercial Code], less the costs of procuring capital after taxes.**

.../24

**REVENUE RESERVES**

**Revenue reserves include, in the amount of EUR 172 thousand, the impact of conversion to IFRS as of January 1, 2003.**

.../25

**The market valuation of financial instruments [= available-for-sale securities and derivative financial instruments included in hedge accounting] led to a loss of EUR 547 thousand, which was taken directly to equity under retained earnings according to IAS 39. Deferred tax liabilities on this amount totaling EUR 154 thousand were also added to the revenue reserves according to IAS 12.61. The differences from the currency translation for financial statements of foreign subsidiaries in the amount of EUR 12 thousand [previous year: EUR 27 thousand] were disclosed separately under equity.**

.../26

**[21] NON-CURRENT FINANCIAL DEBT**

**Non-current financial liabilities relate to a promissory note with a nominal amount of EUR 1,500,000.00 and bullet redemption on June 15, 2010. The loan bears interest of 5.4 %.**

.../27

**[22] DEFERRED INVESTMENT SUBSIDIES**

**This item include deferred investment subsidies, including to the extent that these are to be reversed in the coming year, as these are exclusively in connection with property, plant and equipment. They exclusively relate to Manz Automation Hungary**

.../28

**Investment subsidies are associated with many conditions. As far as the company is currently aware, these conditions are all fully met, with the result that no repayments are expected.**

.../29

**[23] FINANCIAL LIABILITIES FROM LEASES**

**The lease liabilities result from the assets to be capitalized according to IAS 17 [see Note [12]].**

.../30

**The strong downturn in the year under review is due to the change in the previous finance lease for the new building at the company's headquarters in Reutlingen. This lease was redrafted as part of the new lease agreement for the extension in 2007 in Reutlingen, and is now to be classified as an operating lease.**

.../31

**24** PROVISIONS FOR PENSIONS

**Provisions for pensions changed in the fiscal year as follows:**

.../32

in EUR thousand	Jan. 1, 2007	Taken up	Additions	Dec. 31, 2007
Provisions for pensions from direct commitments	49	0	10	59

**The cash value of the obligation from two direct commitments to the Managing Board members Dieter Manz and Otto Angerhofer has been identified using the projected unit credit method according to IAS 19. The pension commitments each include a fixed monthly amount after reaching the age of 65 or as a result of professional disability. Figures were based on an interest rate of 5.6 % in 2007 [previous year: 4.6 %].**

.../33

**Provisions for pensions were calculated taking into account biometric information according to Prof. Klaus Heubeck's 2005G mortality tables. The calculations are based on actuarial surveys. The balance-sheet related fluctuations within the thresholds set out by IAS 19 [+/- 10 % of the higher of the projected unit credit and the plan assets] are not taken into account.**

.../34

**The plan assets exclusively comprises re-insurance policies. The anticipated income from the plan assets is around 3.1 % [previous year 3 %]. The anticipated payments into the plan assets for fiscal year 2008 total EUR 9 thousand.**

.../35

**The plan assets spun off into re-insurance policies was compared with the projected unit credit at the end of the year [financing status]. Provisions for pensions result after deducting the actuarial gains and losses not yet taken into account.**

.../36

in EUR thousand	2007	2006
<b>Projected unit credit Jan. 1</b>		
Past service cost	182	175
Interest expense	33	-2
Projected unit credit December 31	9	9
Anwartschaftsbarwert 31.12.	224	182
<b>Change in plan assets</b>		
Plan assets at fair value Jan. 1	135	123
Income from plan assets	5	3
Contributions by company	9	9
Plan assets at fair value Dec. 31	149	135
<b>Financing status</b>	75	47
Actuarial gains [ + ] / losses [ - ] not yet taken into account	-16	2
<b>Provisions for pensions</b>	59	49

.../37

The following table shows the breakdown of the amounts included in the income statement.

.../38

in EUR thousand	2007	2006
Past service cost	33	-2
Interest expense	9	9

.../39

Past service cost is carried under personnel expenses, however interest expenses are carried under the financial result.

.../40

**25** OTHER NON-CURRENT PROVISIONS

Other non-current provisions relate to provisions for warranties. These changed as follows during the fiscal year:

.../41

in EUR thousand	Jan. 1, 2007	Taken up	Additions	DEC. 31, 2007
Provisions for warranties	221	221	321	321

**26** TRADE PAYABLES

Trade accounts payable are carried at amortized cost. Their carrying amounts are mostly in line with market values; they are due within one year.

.../42

**27** ADVANCE PAYMENTS RECEIVED

In this regard, please also refer to Note **14** Future receivables from non-current construction contracts and the comments on the accounting and valuation methods.

.../43

**28** TAX LIABILITIES

The disclosed amount include ongoing income tax liabilities. This mostly relates to subsequent payments for corporation tax and trade tax from the external tax audit for Manz Automation AG.

.../44

in EUR thousand	Jan. 1, 2007	Taken up	Additions	Dec. 31, 2007
Tax liabilities	17	17	65	65

.../45

**29** OTHER SHORT-TERM PROVISIONS

Other current provisions changed as follows:

.../46

in EUR thousand	Jan. 1, 2007	Taken up	Additions	Dec. 31, 2007
Personnel	1,142	1,142	2,327	2,327
Other areas	100	86	1,018	1,032
	<b>1,242</b>	<b>1,228</b>	<b>3,345</b>	<b>3,359</b>

Provisions for personnel mostly include obligations for vacation entitlements and overtime as well as profit participation and bonuses.

.../47

**Other areas include provisions for outstanding invoices, contractual penalties, costs of preparing the annual financial statements and remuneration for the Supervisory Board.**

.../48

**30 OTHER LIABILITIES**

**Other liabilities on the balance sheet date were composed as follows:**

.../49

in EUR thousand	Dec. 31, 2007	Dec. 31, 2006
Tax liabilities [ not income taxes ]	284	288
Social security liabilities and liabilities from wages and salaries	26	11
Other	5	182
	<b>315</b>	<b>481</b>

**The tax liabilities [ not income taxes ] primarily comprise VAT liabilities and liabilities from payroll and church tax. Social security liabilities include, in particular, the contributions for social insurance still to be paid.**

.../50

**VII. REPORT ON FINANCIAL INSTRUMENTS**

**Carrying amounts and fair values of financial instruments:**

.../1

in EUR thousand	Dec. 31, 2007		Dec. 31, 2006	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	23,020	23,020	11,034	11,034
Derivative financial instruments	445	445	0	0
Other current receivables	1,192	1,192	244	244
Securities	14,554	14,554	0	0
Cash and cash equivalents	18,888	18,888	12,542	12,542
<b>Total financial assets</b>	<b>58,099</b>	<b>58,099</b>	<b>23,820</b>	<b>23,820</b>
Non-current financial debt	1,500	1,500	1,500	1,500
Financial liabilities from leases	19	19	5,650	5,650
Non-current provisions	321	321	221	221
Trade payables	5,425	5,425	2,968	2,968
Other current provisions	3,359	3,359	1,242	1,242
Other liabilities	315	315	481	481
Financial liabilities from leases	5	5	527	527
<b>Total financial liabilities</b>	<b>10,944</b>	<b>10,944</b>	<b>12,589</b>	<b>12,589</b>

**The carrying amounts of the financial instruments, broken down into valuation categories according to IAS 39, were as follows:**

.../2

in EUR thousand	Dec. 31, 2007	Dec. 31, 2006
<b>Assets</b>		
Trade receivables	23,020	11,034
Other current receivables	1,192	244
Cash and cash equivalents	18,888	12,542
Loans and receivables	43,100	23,820
Available-for-sale financial assets	14,554	0
<b>Liabilities and shareholders' equity</b>		
Trade payables	5,425	2,968
Financial debt	1,500	1,500
Provisions	3,680	1,463
Other liabilities	315	481
Financial liabilities measured at cost	6,925	4,468

**Trade receivables include receivables from construction orders totaling EUR 13,852 thousand [previous year: EUR 5,438 thousand].**

.../3

**Trade receivables, other current receivables, cash and cash equivalents, trade payables and the bulk of other liabilities from the scope of IFRS 7 mostly have short remaining terms. As a result, their carrying amounts on the balance sheet date approximate their fair values.**

.../4

**Securities are carried at their fair values, with the result that there are no differences between their carrying amounts and fair values.**

.../5

NET RESULTS ACCORDING TO THE VALUATION CATEGORIES IN IAS 39

**The following table shows the net gains and losses as well as total interest income and expense for financial instruments included in the income statement [without derivative financial instruments that are included in hedge accounting]:**

.../6

**FISCAL YEAR 2007**

in EUR thousand	Net gains/ losses	Total interest income/ expenses
Loans and receivables	316	618
Available-for-sale financial assets	-16	170
Financial liabilities measured at cost	0	-127
	<b>300</b>	<b>661</b>

**FISCAL YEAR 2006**

in EUR thousand	Net gains/ losses	Total interest income/ expenses
Loans and receivables	2	68
Available-for-sale financial assets	0	40
Financial liabilities measured at cost	0	-343
	<b>2</b>	<b>-235</b>

**The net gains and losses from loans and receivables mostly include gains and losses from currency translation and changes in value adjustments for receivables.** .../7

**The net gains and losses from the available-for-sale financial assets mostly include gains and losses from the disposal of securities.** .../8

**The interest result for financial instruments in the category available-for-sale financial assets relates to interest income from securities.** .../9

**Interest income for financial instruments in the category Loans and receivables is from the investment of cash and cash equivalents. The interest result in the category Financial liabilities measured at cost mostly relates to interest expenses from non-current financial liabilities and financial liabilities to banks.** .../10

FINANCIAL RISK MANAGEMENT AND FINANCIAL DERIVATIVES

**As an international company, the Manz Group is subject to credit, liquidity and market risks as part of its ordinary business activities. Market risks result in particular from changes in exchange rates and interest rates. Financial risk management's task is to control and limit these market risks via ongoing operational and financial activities. Depending on the assessment of risks, derivative hedges are used. As a rule only cash flow risks are hedged. Derivative financial instruments are exclusively used for hedging purposes and are thus not held for trading or speculation. In order to reduce the risk of default, hedges are only concluded with leading banks with immaculate credit ratings.** .../11

**In order to minimize risks when investing cash and cash equivalents, investments are restricted to financial investments which can be allocated to the money market, bonds market and real estate market in terms of their risk structure. In addition, the central control and broad diversification of the securities portfolio with regard to various market risks combats the formation of risk clusters.** .../12

**The Managing Board regularly agrees the fundamentals of the Group's financial policy, and these are also monitored by the Supervisory Board.** .../13

CREDIT RISKS

**Credit risk is the risk that business partners will not fulfill their contractual obligations, thus resulting in a financial loss for the Manz Group. The risk of default from operating business is determined by the customer's credit rating. The company manages risk in its operating business by constantly monitoring trade receivables. To the extent that default** .../14

**risks can be recognized for the financial assets, these risks are covered by write-downs. There is only a very slight risk from receivables, as our customers have excellent credit ratings. In addition, orders are pre-financed with advance payments. No significant bad debt losses were recorded in the past. The amount of the financial assets gives the maximum risk of default.**

.../15

**The following table shows the ages of the trade receivables:**

.../16

in EUR thousand	2007	2006
Not overdue and not written down	6,537	3,980
Overdue and not written down		
to 30 days	1,239	807
between 31 and 60 days	229	49
between 61 and 90 days	266	57
between 91 and 180 days	86	595
more than 180 days	729	57
Written down	82	51
	<b>9,168</b>	<b>5,596</b>

**There were no indicators that write-downs have to be performed for trade receivables that have not been written-down.**

.../17

**Write-downs developed as follows:**

.../18

in EUR thousand	2007	2006
Balance Jan. 1	51	40
Taken up	0	0
Additions	31	11
Balance Dec. 31	82	51

#### LIQUIDITY RISKS

**Liquidity risks, i. e., the risk that Manz cannot fulfill its financial obligations, are restricted by creating the necessary financial flexibility as well as via effective cash management. Manz uses suitable financial planning instruments to control the future liquidity situation. Our current forecasts do not show any liquidity bottlenecks.**

.../19

**On the balance sheet date, there were unused overdraft/guarantee facilities totaling EUR 9,795 thousand [previous year: EUR 4,503 thousand], which could be used as either overdrafts or guarantee facilities [use of guarantees as of December 31, 2007: EUR 2,205 thousand]. In addition, there are unused guarantee facilities with credit insurance companies totaling EUR 4,557 thousand [previous year: EUR 846 thousand]; these had been taken up in the amount of EUR 10,443 thousand [previous year: EUR 6,154 thousand].**

.../20



**The following tables show the contractually agreed, un-discounted interest and redemption payments for the financial instruments under IFRS 7:**

.../21

in EUR thousand	Total	2008	2009	2010
Dec. 31, 2007				
Non-current financial debt	1,202	81	81	1,040
Liabilities from finance leases	24	8	8	8
Trade payables	5,425	5,425		
Other liabilities	315	315		
	<b>6,966</b>	<b>5,829</b>	<b>89</b>	<b>1,048</b>

in EUR thousand	Total	2007	2008	2009ff.
Dec. 31, 2006				
Non-current financial debt	1,283	81	81	1,121
Liabilities from finance leases	22,568	527	524	21,517
Trade payables	2,968	2,968		
Other liabilities	481	481		
	<b>27,300</b>	<b>4,057</b>	<b>605</b>	<b>22,638</b>

**There is no collateral for the Manz group's loans drawn down and guarantee facilities vis-a-vis banks used as of the balance sheet date. The bullet redemption promissory note is subject to covenants. For information on the reduction in liabilities from finance leases in 2007, please refer to Note [13](#).**

.../22

#### CURRENCY RISKS

**There are only material currency risks for the Manz Group from revenues invoiced in US dollars. USD forward sales are used to hedge these as cash flow hedges. Material is purchased to a minor extent in US dollars. These purchases are not hedged.**

.../23

**The following sensitivity analyses show the effects that a fluctuation of 10% in the US dollar would have on annual earnings and equity. The analysis is based on the respective impact of fluctuations in the exchange rate on the balance sheet date:**

.../24

in EUR thousand	Dec. 31, 2007		Dec. 31, 2006	
	Exchange rate +10%	Wechselkurs -10%	Exchange rate +10%	Wechselkurs -10%
<b>Changes in profit and loss and equity</b>				
Trade receivables	- 18	23	0	0
Trade payables	20	- 24	0	0
<b>Changes in equity</b>				
Fluctuations in market value for derivative financial instruments [cash flow hedges]	2.041	- 1.545	0	0

**INTEREST RATE RISKS**

**The risks from changes in the interest rate for the Manz Group are mostly from financial liabilities totaling EUR 1.5 million. There is a fixed interest agreement for these liabilities through to final maturity in June 2010. There is thus no risk from fluctuations in the interest rate. A sensitivity analysis is thus not required.** .../25

**OTHER PRICE RISKS**

**There are no other price risks from financial instruments. It is thus not necessary to identify sensitivities.** .../26

**VIII. CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS**

**There were no contingent liabilities on the balance sheet date.** .../1

**The Manz group has concluded various rental agreements for premises and leases for operating and office equipment and cars. The minimum lease payments from operating leases and rental agreements that cannot be terminated are as follows:** .../2

in EUR thousand	2007	2006
Minimum lease payments		
Residual term of up to 1 year	1,195	161
Residual term 1–5 years	3,957	205
Residual term > 5 years	13,035	0

**In fiscal year 2007, rental and leasing payments totaling EUR 734 thousand [previous year: EUR 311 thousand] were recorded under other operating expenses.** .../3

**This does not include liabilities from finance leases [see Note 12].** .../4

.../  
More than 55%  
of our systems  
are exported.



E-TON SOLAR TECH, CO., LTD.  
3F., NO. 498, SEC. 2, BENTIAN R  
AN-NAN DIST., TAINAN 70955, TA  
L/C NO. F8AAAN2/0094/1  
P.O.: EQ20070501-1  
MANZ PROJECT NO. 461003  
C/C NO.: 3-3  
GROSS WEIGHT: 850KG  
MADE IN GERMANY



## TEX/TUR/ING [noun]

[Photovoltaics : crystalline solar cells]

→ **A wet chemical process** /... is used to roughen the surface of the solar cell. The rough surface means that **less light is reflected** thus allowing it to better penetrate the solar cell. This allows more light to be used to generate electricity, increasing the cell's efficiency./\*...

## THIN-FILM SO/LAR MOD/ULE [noun]

[Photovoltaics : thin-film solar modules]

→ **This technology is used** /... for example, to add amorphous silicon to a **glass substrate** [aSi]. The **efficiency** is around 6 to 8%. As the **layer thickness** is just a hundredth of crystalline silicon, the use of **thin-film technology** is of great interest for the solar industry. A coating of micro-crystalline silicon [ $\mu\text{cSi}$ ] also makes it possible to increase these modules' efficiency. → **Thin-film modules** are also available with additional, efficient semi-conductor coatings. For example made of: → **copper-indium-sulfur or selenium compounds** [CIS] or → **Cadmium-Telluride compounds** [CdTe]. These ultra-thin semi-conductor layers have the advantage that they are more efficient in some cases [up to 12%]. However at higher prices. This is coupled with the fact that some of them are based on toxic base materials./\*...

## WA/FER [noun]

[Photovoltaics : crystalline silicon solar cells]

→ **Silicon solar cells are wafer-based** /... Wafers are made of ultra-pure **monocrystalline or polycrystalline silicon**, that first has to be pulled or poured [polycrystalline] or grown [monocrystalline]. The approx. **0.2 mm thick wafers are then cut** out of the resulting **sheets or cylinders** and these are then used to make the solar cells./\*...

## WA/FER IN/SPEC/TION SYS/TEM [noun]

[Photovoltaics : crystalline silicon solar cells]

→ **These systems automatically test the wafers** /... for defects and allocate these to various categories. The starting material, in particular the wafer, must be perfect. → **Testing the silicon discs optically and electronically using Manz Automation's inspection systems** is thus ultra-precise and comprehensive. With minimum breakage rates and a throughput of 2,400 wafers/h./\*...

## ZE/NITH [noun]

[Knowledge : Energy]

→ **The highest point in the sky of a celestial body** /... This point is still to come for the photovoltaics sector. Traditional sources of energy damage the environment and are becoming increasingly expensive. In contrast, the costs of photovoltaics equipment are falling, and their efficiency will climb to more than 20%. Photovoltaics systems do not damage the landscape and are practically maintenance-free. And there's even more **good news**: The sun will keep on providing us with its energy for the next **4 to 5 billion years**, absolutely free of charge./\*...

## IX. EVENTS AFTER THE BALANCE SHEET DATE

### ACQUISITION OF CHRISTIAN MAJER GMBH&CO. KG

**A 100% interest in Christian Majer GmbH&Co. KG in Tübingen was acquired as of January 1, 2008. This company currently has almost 80 employees, of which more than 50 are involved in the production and installation of machines. The acquisition gives Manz access to additional capacity. In addition to the manufacture of mechanical parts, the company also has additional warehouse and assembly halls available with a total area of around 5,200 m<sup>2</sup>.**

.../1

### ACQUISITION OF BÖHM ELECTRONIC SYSTEMS SLOWAKEI S.R.O.

**Manz acquired a 90% interest in Böhm Electronic Systems Slowakei s.r.o. in Nove Mesto vad Nahom as of February 1, 2008. Acquiring this Slovakian engineering company has doubled Manz Automation's production and warehouse capacity, enabling it to produce entire systems in Slovakia, a low-cost location.**

.../2

### ACQUISITION OF INTECH MACHINES CO., LTD

**Manz Automation AG made an acquisition offer for the listed company Intech Machines Co., Ltd. in Taiwan in February 2008. As of April 1, 2008, Manz AG had acquired an interest totaling 70%.**

.../3

**There were no further events of particular importance after the end of fiscal year 2007.**

.../4

## X. RELATED PARTIES REPORT

**Manz Automation AG's related parties are: the members of the Managing and Supervisory Boards including their family members and companies over which Manz AG, the members of the Managing and Supervisory Boards and their close family members can exercise a significant influence.** .../1

### MANAGING BOARD

**Dieter Manz [engineering graduate] – CEO** .../2  
**Martin Hipp [business administration graduate], CFO from March 1, 2007**  
**Volker Renz, [engineering graduate], COO since May 1, 2007**  
**Otto Angerhofer [engineering graduate]**

### SUPERVISORY BOARD

**Dr. Jan Wittig [Chairman], Attorney [Dr. Schaudt und Kollegen – Attorneys, Stuttgart]** .../3  
**Dr. Heiko Aurenz, [Deputy Chairman], [Managing Partner of Ebner Stolz Mönning Unternehmensberatung GmbH, Stuttgart]**  
**Prof. Rolf D. Schraft, [former Head of Fraunhofer Institute for Production Technology and Automation, Stuttgart]**

### CONSULTING SERVICES FROM EBNER STOLZ MÖNNING UNTERNEHMENSBERATUNG GMBH

**Dr. Aurenz supported Manz Automation AG in introducing and maintaining a management information system and during the implementation of due diligence as a partner at the firm of management consultants Ebner Stolz Mönning. There were no liabilities to Ebner Stolz Mönning Unternehmensberatung GmbH as of December 31, 2007. Consulting costs totaling EUR 95 thousand were incurred with Ebner Stolz Mönning management consultants in fiscal year 2007.** .../4

### REMUNERATION FOR MEMBERS OF THE MANAGING AND SUPERVISORY BOARDS

**The members of the Managing Board received remuneration totaling EUR 572 thousand in fiscal year 2007. The Supervisory Board's remuneration for 2007 totaled EUR 28 thousand.** .../5

### PROPOSAL ON THE APPROPRIATION OF PROFITS

**According to Section 58 [2] of the AktG, Manz Automation AG's dividend disbursement is geared to the net retained profits in Manz Automation AG's financial statements prepared according to HGB accounting as of December 31, 2007.** .../6

**The Managing Board proposes to carry the net profits of Manz Automation AG as of December 31, 2007 forward to new account in the full amount of EUR 632,801.90** .../7

RELEASE OF THE CONSOLIDATED FINANCIAL STATEMENTS

**Manz Automation AG's Managing Board released these IFRS consolidated financial statements to be passed on to the Supervisory Board on April 5, 2008. The Supervisory Board's task is to review the consolidated financial statements and declare whether it approves the consolidated financial statements.**

.../8

**Reutlingen, April 5, 2008**

**Manz Automation AG – The Managing Board**



**Dieter Manz**  
**CEO**



**Martin Hipp**



**Volker Renz**



**Otto Angerhofer**

# Auditor's opinion

We have audited the consolidated financial statements of Manz Automation AG, Reutlingen, comprising the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, 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, 2007. The preparation of the consolidated financial statements and the consolidated management report in accordance with IFRSs, as they are to be applied in the EU, and the supplementary provisions of Section 315a [1] of the Handelsgesetzbuch [HGB – German Commercial Code] are the responsibility of the company's legal representatives. Our responsibility is to express an opinion, based on our audit, on the annual consolidated financial statements and the consolidated management report.

.../1

We conducted our audit in accordance with Section 317 of the HGB and in compliance with the principles of proper auditing adopted by the Institut der Wirtschaftsprüfer [IDW]. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether inaccuracies and violations are identified that could have a material effect on the view of the financial position and results of operations presented by the annual consolidated financial statements with due regard to the accounting standards to be applied and by the group management report. The process of defining the audit procedures takes account of knowledge about the business activities and the economic and legal environment of the company, as well as expectations of possible errors. An audit includes examining, largely on a test basis, the effectiveness of the internal control system and evidence supporting the amounts and disclosures in the annual consolidated financial statements and the Group management report. An audit also includes assessing the annual financial statements of the companies included in consolidation, the definition of the scope of consolidation, the accounting principles used and significant 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 on which to make an assessment.

.../2

Our audit led to no objections.

.../3

In our opinion, based on the results of our audit, the consolidated financial statements comply with IFRSs as these are to be applied in the EU and the supplementary provisions of the HGB as stipulated by Section 315a [1] of the HGB, and convey a true and fair view of the group's 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 suitably presents the opportunities and risks of future development.

.../4

Reutlingen, April 10, 2008

alltax gmbh  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Klaiber  
Wirtschaftsprüfer

Aigner  
Wirtschaftsprüfer



.../  
It looks idyllic,

but inside  
they're hard at work.

...  
/\*



OUTRO >

...IF YOU CAN  
RELY ON A  
SOURCE OF  
ENERGY  
THAT NEVER  
RUNS DRY...

...IF YOU CAN RELY ON A SOURCE OF ENERGY THAT NEVER RUNS DRY / ... >

.../  
On the way  
to a meeting.  
...  
/\*



OUTRO >

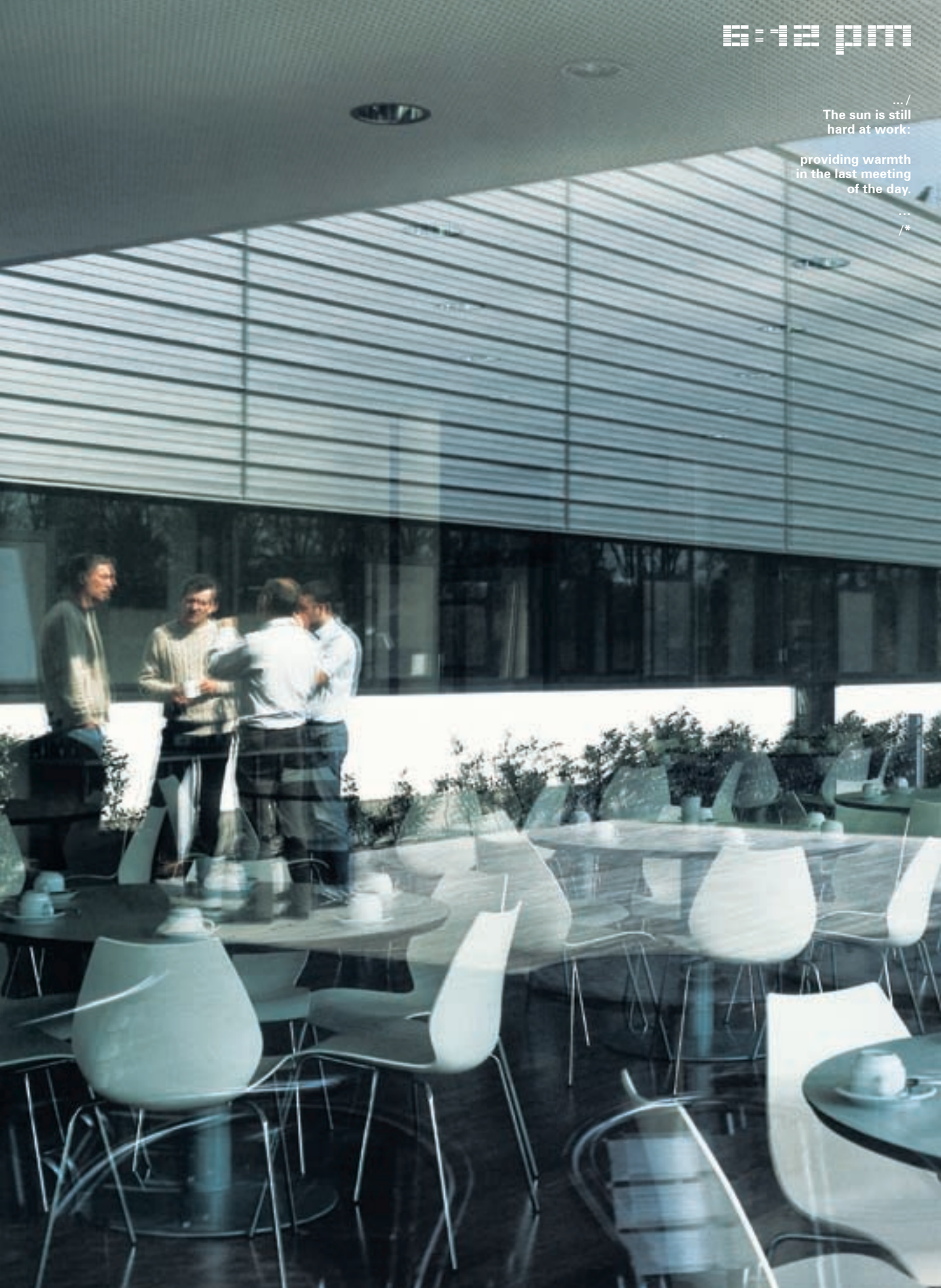
...AND IF YOU  
HAVE A KEY  
ADVANTAGE  
WHEN USING  
THAT  
SOURCE OF  
ENERGY/...

... AND IF YOU HAVE A KEY ADVANTAGE WHEN USING THAT SOURCE OF ENERGY/... >

.../  
The sun is still  
hard at work:

providing warmth  
in the last meeting  
of the day.

...  
/\*



.../  
A day at Manz

draws to a close.

...  
/\*



OUTRO >

... THEN YOU  
HAVE A  
GREAT  
OPPORTUNITY.

ELECTRIFYING PERSPECTIVES

.../If you can rely on a source of energy that never runs dry and if you have a key advantage when using that source of energy, then you have a great opportunity. .../But there's more. You have many opportunities. Innovational potential, coupled with the growth potential of the solar energy market, allows us to anticipate developments that will give us very good opportunities in future. And secure our growth.

... THEN YOU HAVE A GREAT OPPORTUNITY. >





.../  
The sun's going down?  
Not quite.

It's coming up again  
16,000 km to the west.

...  
/\*





– **May 2008**

Publication of key figures Q1/2008

– **June 10th 2008**

Annual General Meeting  
Location: Filharmonie Filderstadt,  
Tübinger Straße 40, 70794 Filderstadt  
Start: 10.00 a.m.

– **August 2008**

Publication of key figures Q2/2008

– **November 2008**

Publication of key figures Q3/2008

– **Published by**

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