# ANNUAL REPORT 2008


# made by manz

# OVERVIEW OF COMPANY RESULTS

| in EUR millions | 2008 | 2007 | % |
|---|---|---|---|
| Revenues | 236.51 | 71.25 | 231.94 |
| Total operating revenues | 234.83 | 81.45 | 188.31 |
| Earnings before interest & taxes (EBIT) | 28.60 | 10.05 | 184.58 |
| EBIT margin (in % of revenues) | 12.1 | 14.1 | – |
| Earnings before taxes (EBT) | 28.49 | 10.55 | 170.05 |
| Net income | 21.17 | 8.25 | 156.61 |
| Earnings per share (EPS) | 5.04 | 2.40 | 110.0 |
| Operative cash flow | –16.76 | 4.22 | – |
| Equity ratio (in %) | 71.8 | 63.9 | +7.9 pp |
| Net debt | –47.95 | –31.94 | +50.13 |

# THE YEAR IN REVIEW 2008

**ACQUISITION OF CHRISTIAN MAJER GMBH & CO. KG, A TÜBINGEN-BASED MACHINERY MANUFACTURER**

> 80 highly qualified new employees
> Immediate use of additional capacities due to previous contract manufacturing for Manz

**ACQUISITION OF A 90% STAKE IN BÖHM ELECTRONIC SYSTEMS SLOVAKIA S.R.O.**

> Purchase price totaling 4.3 million euros
> Manufacture of complete equipment in Slovakia, a cost-efficient location
> This acquisition doubles our manufacturing and warehouse capacity

**PURCHASE OF A MAJORITY STA SHARES) IN INTECH MACHINES**

> Acquisition totaling 36 mill
> Purchased technology for processing equipment
> Considerable strengthening market position as an LCD supplier
> Enables us to increase the value in thin-film solar mod
> After a capital increase by Co. Ltd. in September of 2 in the company increased

**LARGEST NEW CONTRACT IN THE HISTORY OF THE COMPANY WITH A VALUE OF 65 MILLION EUROS**

> Laser scribing equipment – growth driver for Manz Automation
> Revenue forecast increased to between 235 and 240 million euros, more than tripling the previous year's result

**CAPITAL INCREASE AND SEGMENT SWITCH**

> Issued 896,011 new shares with a subscription ratio of 4 to 1
> Subscription price for new shares of 125 euros
> The amount raised by the sale of new shares totaled 112 million euros
> Simultaneous listing in the Prime Standard segment of the Frankfurt Stock Exchange on July 1, 2008

**PARTNERSHIP WITH BASLER**

> Exclusive partnership to int electroluminescence meas gy into our testing platform silicon solar cells as part of
> Expansion of the fully-auto range of functions using B

**ACQUISITION OF THE ASSETS OF CLS LABORAUTOMATIONSSYSTEME GMBH BY THE SUBSIDIARY COMPANY MANZ AUTOMATION TÜBINGEN GMBH**

> Purchase of a software platform that will be used both for laboratory systems and in the solar and LCD divisions

**KE (71% OF CO. LTD. IN TAIWAN**

ion euros
wet chemical

g of our worldwide
and solar industries

proportion of added
dule equipment
Intech Machines
008, our stake
to 76%

**GROUNDBREAKING CEREMONY TO EXPAND THE PRODUCTION CAPACITY OF OUR FACILITIES IN REUTLINGEN**

> Construction of a new production hall as well as additional conference rooms and office space
> Establishment of an on-site customer service center
> Total value of the project approx. 20 million euros

**EXCLUSIVE PARTNERSHIP WITH OPTOMEC**

> Integration of a technologically advanced, non-contact printing process in back-end lines for the production of crystalline solar cells
> Significantly improves the efficiency of the solar cells

tegrate Basler's
surement technolo-
n for crystalline
f the back-end line
mated cell tester's
asler technology

**DEVELOPMENTAL PARTNERSHIP WITH ROFIN-SINAR LASER AND MASDAR PV**

> Planning of a new machine concept for the manufacture of thin-film solar modules
> Integration of laser edge ablation and laser glass cutting technology into one piece of equipment to reduce costs

**PHOTOVOLTAIC TRADE FAIR IN VALENCIA AND INTEGRATION OF INTECH TECHNOLOGY**

> Acquisition of new contracts and notices of intent worth over 20 million euros
> First time a complete back-end for crystalline solar cells has been presented
> Successful exchange of expertise within the LCD industry – public presentation of cleaning technology for the thin-film sector

# TO THE SHAREHOLDERS



# GROUP MANAGEMENT REPORT



# CONSOLIDATED FINANCIAL STATEMENTS & NOTES

Manz Automation AG has a long tradition of creativity. Dieter Manz was already following the developments in the field of photovoltaics 20 years ago, and became a pioneer in automation solutions for the solar industry. In the meantime, Manz Automation AG has grown into

# big ideas by manz

one of the world's leading providers of highly specialized solutions and applications for key technologies of tomorrow, and its innovative products have set new standards. For there is one thing that, even in the future, our employees will never run out of – new ideas.

# LETTER TO THE SHAREHOLDERS

# DEAR SHAREHOLDERS,

2008 was another record year for our corporation, and by a large margin. In contrast to market trends, we were able to achieve a significant increase in revenues and earnings in the fourth quarter. The systems.solar division played a significant role in our company's success in fiscal year 2008, and posted significant growth due to dynamic growth in the solar market. In particular, we saw considerable growth in the thin-film technology segment, which is growing at an above-average rate, in large part due to our worldwide leading market position as a supplier of the laser printing equipment which this segment requires. In this best year in our company's history, we not only achieved strong operative growth, but were also able to integrate new technologies into our product portfolio, as well as to significantly increase our manufacturing capacity through the acquisition of three successful companies. We view this as a way to create a foundation for the company's medium- to long-term growth. Our newly established technology and training center, located at our facilities in Reutlingen, should also contribute to this growth by enabling us to demonstrate the benefits of our products to our clients more clearly.

We are extremely pleased to be able to present you these substantial increases in revenues and earnings. In the 2008 fiscal year, our revenues climbed to 236.5 million euros, which represents a more than threefold increase in comparison to the previous year. We were also able to significantly increase our earnings before interest in taxes [EBIT] from 10.1 million euros to 28.6 million euros. In addition, profits for the fiscal period increased twofold from 8.2 million euros to 21.2 million euros. In addition to our significant operative growth, the companies we acquired in fiscal year 2008 also contributed to this increase in revenues.

Besides our organic growth, fiscal year 2008 was characterized by a considerable expansion in our capacities as a result of our three strategically important acquisitions. It was already clear by the second half of the year that integration of the acquired companies was progressing at a rate exceeding our expectations. In the meantime, all steps relating to this process have reached their successful completion.

The existing capacity of the Manz Automation Slovakia s.r.o. is, to a large extent, now being used for the Manz solar products manufacturing program, which should contribute to strengthening our competitive positions due to the lower manufacturing costs. With this step, the entire back-end needed for the production of crystalline solar cells can now be manufactured in Slovakia. A test carried out in fall by Q-Cells, one of the largest international solar cell manufacturers, was also successful.

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For this reason, we are expecting an increase in medium-term demand for our back-end solutions.

With the acquisition of Intech Machines Co. Ltd, Manz Automation now has access to both the technology and capacity to manufacture wet chemical cleaning equipment. This expertise, along with the subsequent transfer of technology to our solar manufacturing division, was crucial to our success at the "23rd European Photovoltaic Solar Energy Conference and Exhibition 2008" in Valencia. At the exhibition we were able to introduce our first wet chemical cleaning equipment for use in the manufacture of thin-film solar modules. At the largest solar industry event in the world, Manz Automation was thus able to acquire contracts and notices of intent with a value of more than 20 million euros – clear proof of the competitive strength of our range of products.

After a year of rapid growth at Manz Automation, the entire solar industry now finds itself faced with a consolidation of the market triggered by the current global financial crisis. Due to the collapse of the financial market, some financing from investors is no longer secure. As a result, projects and shipments from manufacturers of solar cells and modules have been delayed. In addition, the legal conditions in Europe's largest markets, like Germany and Spain, have become worse. These developments will cause growth at solar cell manufacturers to slow down, and will contribute to the consolidation process as well as a reduction in margins within the solar industry. However, we believe that the reduction in these extremely high margins to lower levels can be viewed positively, as it will allow the solar industry to finally make its breakthrough. And once that happens, significantly lower prices for consumers and investors will be the result, helping solar cells to become a mass market product. As a result, the increasing demand will breathe new life into the market. This will also help to achieve "grid parity" [1 The point at which the price of photovoltaic electricity is equal to or cheaper than conventional methods of electricity.] in the first regions with many hours of sunshine and high electricity prices. For these reasons, the outlook for the solar industry over the medium and the long term is extremely positive. Photovoltaic power will become an integral part of the energy mix of the future. After the current economic crisis has ended, topics such as climate change, phasing out nuclear power, and the security of energy supplies will once again be at the top of the agenda, causing growth in the industry to accelerate once more.

During this consolidation process, we anticipate that our clients will also see a less dynamic demand for their products. That is why we plan on using this period of economic slowdown to systematically invest in research and development in order to come out of this phase even stronger. We want to further strengthen our competitive position through new, higher performance products, primarily in the solar division, but also in the LCD segment. Besides increasing the speed of our equipment, we are also focused on continuously improving its quality, which is already extremely high. In addition, we want to optimize our processing technology as well as develop a powerful turnkey production line for crystalline solar cells in cooperation with our strategic partner Roth & Rau. Our goal is to further increase the efficiency and performance of our systems. In doing so, we will be setting the stage for a significant reduction in solar cell manufacturers' production costs, which will help mitigate the coming reduction in our clients' margins. The intense competition requires solar companies to invest in new, more powerful equipment to increase the output and improve the efficiency of the modules. This is exactly the solution our company provides, which is why we look optimistically toward the future, despite the coming challenges. And thanks to the capital increase we successfully carried out in June of 2008, in contrast to many of our competitors, we have an excellent basis from which to achieve our goals and further expand our market share over the coming years.

Our unique partnership with Roth & Rau is one way to successfully achieve the aforementioned goals. We are excited about this partnership, which we hope will also contribute to the further growth of our company. Working together, we hope to be able to offer clients a fullyautomated, high-performance production line for the manufacture of crystalline silicon solar cells, all from one source. In addition, our medium-term planning also sees us launching a new generation of turnkey production lines together. These lines will enable crystalline solar cells with significantly increased efficiency to be manufactured, offering manufacturers of solar cells the potential for considerable savings. That's why this partnership is an important milestone for us strategically. Combining the knowledge of both companies enables us to offer our clients a perfect, market-oriented solution in order to effectively meet the coming cost pressure.

As a result, 2009 will be characterized by innovation and further internationalization for our corporation. Due to the effects of the financial crisis on our clients, the current economic situation, and future consumer

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investment behavior, we expect a significant decrease in our level of growth in 2009 as compared to the previous period. At the same time, emerging markets such as the USA, India, and the Middle East offer our corporation new possibilities. As a high-tech equipment manufacturer, we see growth potential in these markets, which we want to use.

As an innovative equipment manufacturer, we are also expanding our product portfolio to include equipment for the industrial manufacture of lithium-ion batteries, and are joining another highly attractive growth market in the field of "cleantech." These batteries will mainly be used in electric and hybrid vehicles, which are predicted to have significantly increased growth rates in the coming years due to higher energy prices and politically defined climate goals. Thus, many large automotive suppliers have already begun mass-producing this new, powerful drive technology. At the beginning of the year we received our first contract in this area valued at 2 million euros. The contractor is a leading manufacturer of lithium-ion cells and batteries for mobile and stationary applications. In fulfilling the contract, existing technologies from Manz Automation and the former Christian Majer GmbH & Co. KG [today a part of the systems.aico division] are being incorporated into developing innovative, powerful machines.

Due to the many partnerships in our core solar business and our entrance into another attractive growth market, we are well positioned for the future. We firmly believe that in the future we will enjoy continued success as a leading provider of system solutions in automation, quality assurance, laser processing technology, and wet chemistry, and that we will be able to achieve our ambitious goals. We would like to thank our shareholders, clients, and employees for placing their trust in Manz Automation AG, thus contributing to our company's ongoing success.

The Managing Board

| | | | |
|---|---|---|---|
| Dieter Manz<br>Chairman of the<br>Managing Board | Martin Hipp | Volker Renz | Otto Angerhofer |

Martin Hipp Volker Renz Dieter Manz Otto Angerhofer

At Manz, professionalism means that our clients are the focus of all our activities and, above all, that they can benefit from our innovative products. It is our goal to provide the best possible solutions which give our clients true value – such as value in the form of higher throughput during the in-line production of crystalline solar cells. Or

value through increasing the efficiency of individual cells. Or value through less and less time between new innovations that make the manufacture of cells and modules safer and faster. These are only a few examples which demonstrate to our clients that Manz Automation AG primarily follows one guiding principle: from pros – for pros.

# REPORT FROM THE SUPERVISORY BOARD

# DEAR SHAREHOLDERS,

Manz Automation AG looks back on a year of rapid growth. 2008 was characterized by both strong operative growth and three acquisitions. These strategic decisions were, in part, based on intensive and confidential discussions between the Managing Board and the Supervisory Board. To this effect, Manz Automation AG's Supervisory Board continually monitored the Managing Board's activities in accordance with the law and our articles of incorporation over the last fiscal year, and provided advice and support.

Based on routine, prompt, and comprehensive reporting from the Managing Board, we were able to intensively study the company's position and growth. 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 directly participated in decisions of fundamental importance to the company.

The Supervisory Board was provided with detailed information regarding the company's economic and financial growth and its business environment in a total of six Supervisory Board meetings over the past fiscal year. The Managing Board also reported on key company events independent of our formal meetings. The Supervisory Board thus received regular reports on the growth of the entire company as well as on developments in the individual divisions. All transactions and activities that required approval from the Supervisory Board – either as a result of legal stipulations or the articles of incorporation – were first discussed in detail with the Managing Board, and then subsequently decided on by the Supervisory Board.

The focus of our discussions resulted from the company's dynamic growth and the acquisitions carried out within the scope of our international expansion. Fiscal year 2008 was once again characterized by the substantial expansion of company operations. In addition to integrating the acquired companies and making technological advancements, the strengthening of existing strategic alliances played an important role in Manz Automation AG being able to successfully expand its market position. The progress made in both our operations and the acquisitions we carried out were therefore integral components of the ongoing exchange between the Managing and Supervisory Boards.

The annual financial statements and consolidated financial statements prepared by the Managing Board on December 31, 2008, were audited by alltax

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Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft in Reutlingen, and both were certified with a discretionary auditor's opinion. The annual financial statements and consolidated financial statements including the management report and auditor's opinion were presented to the Supervisory Board on March 23, 2009. The annual financial statements and consolidated financial statements including the management report were discussed together with the Management Board and the auditor at the meeting of the Supervisory Board on March 23, 2009, and no objections were made. The auditor's opinions were also noted and approved. The annual financial statements and consolidated financial statements have been adopted with a resolution dated March 27, 2009. Therefore, the yearly reports from Manz Automation AG are deemed correct.

We would like to thank the Managing Board for their cooperation, which was always open and constructive. We would also like to thank all of Manz Automation's employees, who played a crucial role in Manz Automation AG's success in the previous fiscal year.

Reutlingen, March 27, 2009

Dr. Jan Wittig, Chairman of the Supervisory Board

Dr. Jan Wittig

When people from various regions of the world come together and exchange thoughts and ideas, something incredible usually happens. Like at Manz. With years of experience combined with new minds and knowledge, we are rising to the challenges of tomorrow. In doing so, the human factor plays an essential role, as the

best technical solutions possible can only be developed when the people behind them work well together – whether in Asia, America, or Europe. Because to us, integration means first and foremost that the people at Manz feel at home.

on
manz

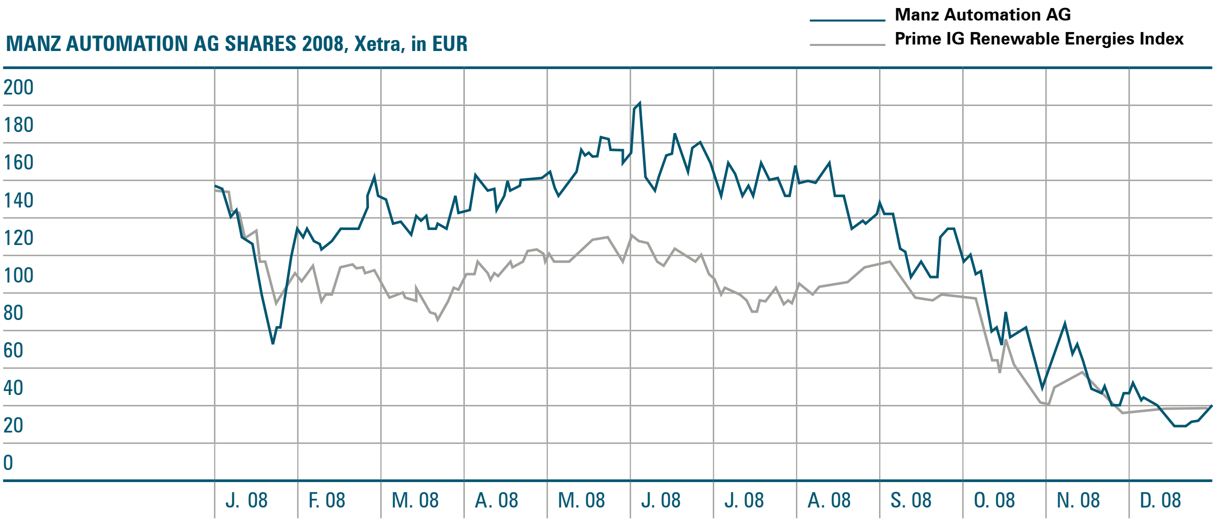
# MANZ AUTOMATION AG SHARES

**2009 FINANCIAL CALENDAR**

| Date | |
|---|---|
| May 12, 2009 | Publication of Q1 2009 figures |
| Jun. 16, 2009 | 2009 Annual General Meeting |
| Aug. 11, 2009 | Publication of Half-Year Report 2009 |
| Nov. 09, 2009 | Publication of Q3 2009 figures |
| Nov. 09–11, 2009 | German Equity Forum 2009 |

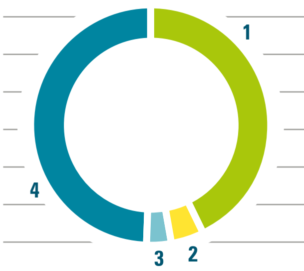
# >> OVERVIEW

**MANZ AUTOMATION AG SHARES 2008, Xetra, in EUR**




After strong increases in our share price during the previous year, Manz Automation AG shares noted a short-term decrease in value at the beginning of the year, triggered by investor worries about the state of the capital markets as a result of the approaching crisis in the financial markets. Boosted by our extremely successful operations as well as our acquisition of new companies and the related increase in capital, Manz shares again continued their upward trend in the first half of 2008. After positively revising our sales forecast for the entire fiscal year, our share price reached an all-time high of 205 euros. After announcing the capital increase carried out in June, the share price shied away from its high point and subsequently followed the trends of the volatile global markets. At the end of September, this trend accelerated due to the deepening financial crisis and its effect on the capital markets, as well as the collapse of American investment banks. Ultimately, the state of the financial markets also affected the real economy and caused a decline in stock markets worldwide. This trend in the overall market also affected the value of Manz Automation AG shares. In a direct comparison to the Prime IG Renewable Energies Index, however, our share price slightly outperformed the industry average. The closing price at the end of the year was 41.75 euros [on December 30, 2008], which represents a market capitalization of approx. 187 million euros.

**SHAREHOLDER STRUCTURE DEC 31, 2008**




| | | |
|---|---|---|
| 1 | 42.90% | Dieter Manz |
| 2 | 4.53% | Ulrike Manz |
| 3 | 3.35% | Otto Angerhofer |
| 4 | 49.22% | Free float |

# >> SHAREHOLDER STRUCTURE

As a result of the capital increase carried out in June of 2008, the percentage of free-float Manz shares increased further. At 49.22%, Manz Automation has a wide shareholder base. In addition to the founder and CEO Dieter Manz – who held a total of 42.90% of all shares on the reporting date December 31, 2008 – Managing Board member Otto Angerhofer also held 3.35% of all shares outstanding. Furthermore, Ulrike Manz holds 4.53% of Manz Automation AG shares.

# >> CAPITAL INCREASE / SEGMENT SWITCH / INCLUSION IN TECDAX

On June 27, 2008, the capital increase which we carried out was entered into the commercial register. As a result of the capital increase, equity capital increased from 3,584,043 euros to 4,480,054 euros. Through the issuance of 896,011 new shares, the corporation raised approx. 112 million euros, part of which was used to expand the service and distribution network, to refinance our new acquisitions, and to establish a technology and training center. On December 31, 2008, Manz Automation continued to have a solid level of capital resources at its disposal, holding approx. 65.9 million euros in liquid assets. This allows the corporation to sustainably finance both future growth and increased investments in research and development.

As of September 22, 2008, shares in Manz Automation are listed on the Deutsche Börse TecDAX stock index. Our company had already set the stage for this to occur in June. This stock index tracks the performance of the 30 largest German companies from the technology sector based on their free-float market capitalization as well as their trading volume. During the course of the capital increase, Manz also switched exchange segments into the Prime Standard segment of the Frankfurt Stock Exchange.

**KEY DATA**

| | |
|---|---|
| German Securities Code Number | A0JQ5U |
| ISIN/symbol | DE000A0JQ5U3/M5Z |
| Stock market segment/stock exchange | Prime Standard/Frankfurt |
| Stock category | No-par-value bearer shares each with a proportionate interest of 1.00 euros in the share capital |
| Share capital | 4,480,054 euros |
| Number of shares in circulation | 4,480,054 |

# >> INVESTOR RELATIONS

Our company wants to engage in active dialogue with investors and financial journalists. As a result of switching into the Prime Standard segment, Manz Automation is now required to comply with the highest transparency standards. In the process, we plan to continue to exceed these standards. With this goal in mind, numerous measures were implemented during the 2008 fiscal year to ensure a continual and transparent flow of information.

In addition to our legal requirements, Manz Automation carried out the following IR activities, among other things:

- Participation in 9 capital market conferences
- Participation in 17 road shows, both in Germany and abroad
- Investor day on February 2, 2008, in Reutlingen
- Regular offering of conference calls with a webcast when publishing reports
- Availability of the webcasts on the company Web site

Manz Automation AG is currently being covered by ten analysts such as LBBW, Goldmann Sachs, CA Cheuvreux, Bankhaus Lampe, Berenberg Bank, Commerzbank, Barclays Capital, HSBC, Credit Suisse, BHF-Bank.

We can only benefit from one another when we can learn from one another. Not only do we follow this approach internally, but we integrate our clients into our teams. In this way, we can exchange knowledge between employees, divisions, and individual


teamwor
made by

client needs. Because, for us, teamwork is particularly successful when our clients can benefit from the synergies that we have built using our experience. At Manz, the whole is always more than the sum of its parts – particularly in our teams.

# CORPORATE GOVERNANCE REPORT

# >> CORPORATE MANAGEMENT IN ACCORDANCE WITH THE RECOMMENDATIONS SET FORTH IN THE GERMAN CORPORATE GOVERNANCE CODE

In carrying out their duties, the Managing Board and Supervisory Board of Manz Automation AG orient themselves on the recommendations set forth in the German Corporate Governance Code. These comprise important legal provisions as well as internationally and domestically accepted standards governing corporate management, which have been created and refined by the respective government agency. Doing so should provide sound corporate management and corporate control. A further goal is to satisfy the steadily increasing demand for information by various interest groups, which creates transparency and increases the level of trust placed in members of management.

# >> COMPLIANCE STATEMENT

The Managing Board and the Supervisory Board of Manz Automation AG, in accordance with Paragraph 161 of the German Companies Act, hereby declare that since the admission of company shares to trading on the regulated stock exchange on June 30, 2008, Manz Automation AG has complied with the recommendation made within the "Government Commission on German Corporate Governance Code" as amended on June 14, 2007, and since August 8, 2008, also with those amended on June 6, 2008, which were issued in the official part of the online German Federal Gazette, with the following exceptions. In addition, Manz Automation AG has complied with the recommendations in the Code amended on June 6, 2008, with the following exceptions:

It has not yet been decided at the company's General Meeting as to whether information sent to shareholders can also be transferred electronically. [Paragraph 30b, Section 3, No. 1, clause a, Securities Trading Act.] For this reason, the company cannot comply with the recommendation made in Section 2.3.2 of the Code, which stipulates that if all approval requirements are fulfilled, then the company should inform all domestic and international financial service providers, shareholders, and shareholder associations of the convening of the General Meeting and transfer all related documents electronically. The Managing Board and the Supervisory Board plan to propose an appropriate resolution at the General Meeting.

The company has taken out an insurance policy for members of the Managing and Supervisory Boards covering financial loss for company directors [a so-called “directors and officers insurance policy”]. Insofar as the effective insurance coverage is restricted by a deductible, the deductibles amounts are lower than those commonly accepted as “appropriate” as set forth in Section 3.8 Paragraph 2 of the Code. For this reason, the company has not and does not comply with the recommendation in Section 3.8 Paragraph 2 of the Code, which sets forth that an appropriate deductible should be stipulated when a company takes out a D & O insurance policy for members of the Managing and Supervisory Boards. The Managing and Supervisory Boards plan on stipulating appropriate deductibles for members of the Managing and Supervisory Boards.

Reutlingen, February 6, 2009
Manz Automation AG

For the Managing Board

For the Supervisory Board

| | | | | |
|---|---|---|---|---|
| Dieter Manz<br>Chairman of the<br>Managing Board | Martin Hipp<br>Member of the<br>Managing Board | Otto Angerhofer<br>Member of the<br>Managing Board | Volker Renz<br>Member of the<br>Managing Board | Dr. Jan Wittig<br>Chairman of the<br>Supervisory Board |

# >> COOPERATION BETWEEN THE MANAGING BOARD AND THE SUPERVISORY BOARD

The Managing Board informs the Supervisory Board regularly, promptly, and comprehensively, both in written and verbal form, on all relevant questions regarding the company's performance, plans including current risks and risk management, and organizational compliance.

# >> MANAGING BOARD AND SUPERVISORY BOARD COMPENSATION

The company fully complies with the recommendation set forth in the German Corporate Governance Code to individually disclose compensation paid to members of the Supervisory Board. In doing so, Manz Automation AG ensures transparency with regard to the various components of compensation.

The compensation report summarizes the principles applied in determining the compensation paid to members of Manz Automation AG's Managing Board, and also explains the amount and structure of their payments.

The compensation report is based on the recommendations of the German Corporate Governance Code, contains information based on the requirements of German commercial law which was expanded by a new law governing the disclosure of Managing Board compensation, and comprises a part of the Notes in accordance with Article 285 of the German Commercial Code or the Management Report in accordance with Article 289 of the German Commercial Code.

The Supervisory Board is responsible for determining the compensation paid to the Managing Board.

The compensation paid to members of the Managing Board of Manz Automation AG is oriented on the size of the company and its global operations, its economic and financial situation, and the amount and structure of compensation paid to members of the Managing Board at similar companies. In addition, the duties of and contributions made by each member of the Managing Board are taken into account. Compensation is set at a level that is competitive on the international market for highly qualified executives and also gives an incentive to operate successfully.

The compensation paid to Managing Board members is comprises: a] a fixed monthly salary and b] a variable, performance-based bonus which is based on the company's earnings before taxes [EBT] as disclosed in the company's consolidated income statement.

Compensation paid to the Supervisory Board is determined by the General Meeting based on suggestions by the Managing Board and Supervisory Board. It is governed by the Articles of Incorporation. The level of compensation paid to the Supervisory Board is based on the size of the company, the duties and responsibilities of Supervisory Board members, and the company's economic situation.

# >> MANZ PERFORMANCE SHARE PLAN

On July 11, 2008, the Managing Board, with Supervisory Board approval and based on the authorization given by the General Meeting of Manz Automation AG on June 10, 2008, decided to grant share options to select non-executive members of management within the company as well as to members of the Managing Board or other managers in key positions at partner companies within the scope of the "Manz Performance Share Plan 2008," in the form of annual tranches. The share options will grant the beneficiary the right to purchase Manz shares without par value issued in the name of the holder. Furthermore, the Supervisory Board resolved on September 16, 2008, on the basis of this authorization, to grant members of the Managing Board share options to purchase Manz shares. The share options will be issued at the discretion of the Managing Board with the approval of the Supervisory Board, or in cases of members of the Managing Board, at the discretion of the Supervisory Board, in yearly tranches on the basis of an individual agreement entered into between the beneficiary and the company.

# >> RISK MANAGEMENT

In paying particular attention to handling potential risks to the company in a careful manner, Manz Automation fulfills the ideals of sound corporate governance. In doing so, the goal is to expose risks and optimize risky positions through systematic risk management. In a dynamic process, Manz Automation AG's risk management is continually attuned to changes in economic conditions.

# >> INSIDER TRADING BY MEMBERS OF THE MANAGING BOARD AND SUPERVISORY BOARD

In accordance with Article 15a of the German Securities Trading Act, members of the Managing Board and the Supervisory Board of Manz Automation AG are required to disclose the sale or purchase of Manz Automation AG shares or any corresponding financial instruments by them or any related parties if the value of all trade made within a calendar year equals or exceeds a total of 5,000.00 euros.

Efficiency in and through Manz Automation AG products has many faces. Whether we are talking about processing safety, quality assurance, or the establishment of new processing standards, efficiency is the lynchpin of our technology, since the right technology and the right products will be needed to make the generation

of electricity through solar energy cost-efficient. And that means making solar electricity so affordable that there are barely any other alternatives to this form of energy – to us this isn't an abstract idea, but an achievable goal. Thanks to our efficiency.

# MARKETS AND PRODUCTS

# >> INTERNATIONAL LOCATIONS AND PROFILES

Manz Automation AG is one of the world's leading technology providers of system solutions in the fields of automation, quality assurance, and laser process technology for the photovoltaic industry, as well as in the areas of automation and wet chemistry for the LCD industry. The Manz Group's core competencies are robotics, image processing, laser technology, wet chemistry, and control and drive technology. Many of our systems are already global market leaders – with respect to their technological standard as well as their performance and quality. As a result of the strategy Manz has consistently pursued over the past few years to internationalize the company, when compared to the competition, our company now has by far the most comprehensive worldwide network of its own sales, service, and manufacturing locations.

### 1 GERMANY

Manz Automation AG
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Fax +49 71 21 90 00 99

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72072 Tübingen
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Fax +49 7071 948 103

### 2 HUNGARY

Manz Automation Hungary Kft.
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Fax +36 52530799

### 3 SLOVAKIA

Manz Automation Slovakia s.r.o.
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Fax +421 32 7740 243

### 4 SPAIN

Manz Automation Spain s.l.
Parque Empresarial
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de Henares, Madrid
Phone +34 91 677 1213
Fax +34 91 677 6088

### 5 USA

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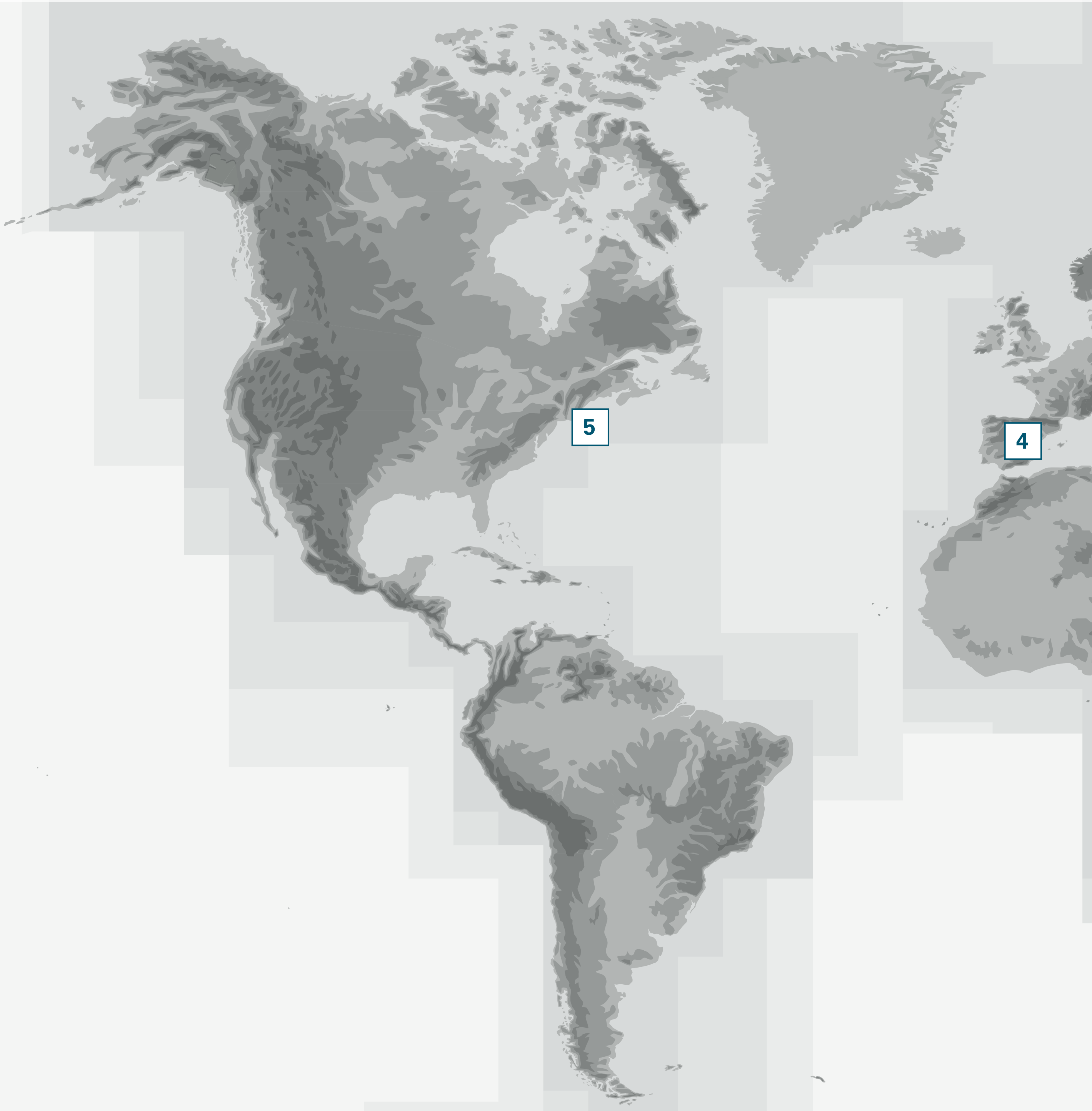

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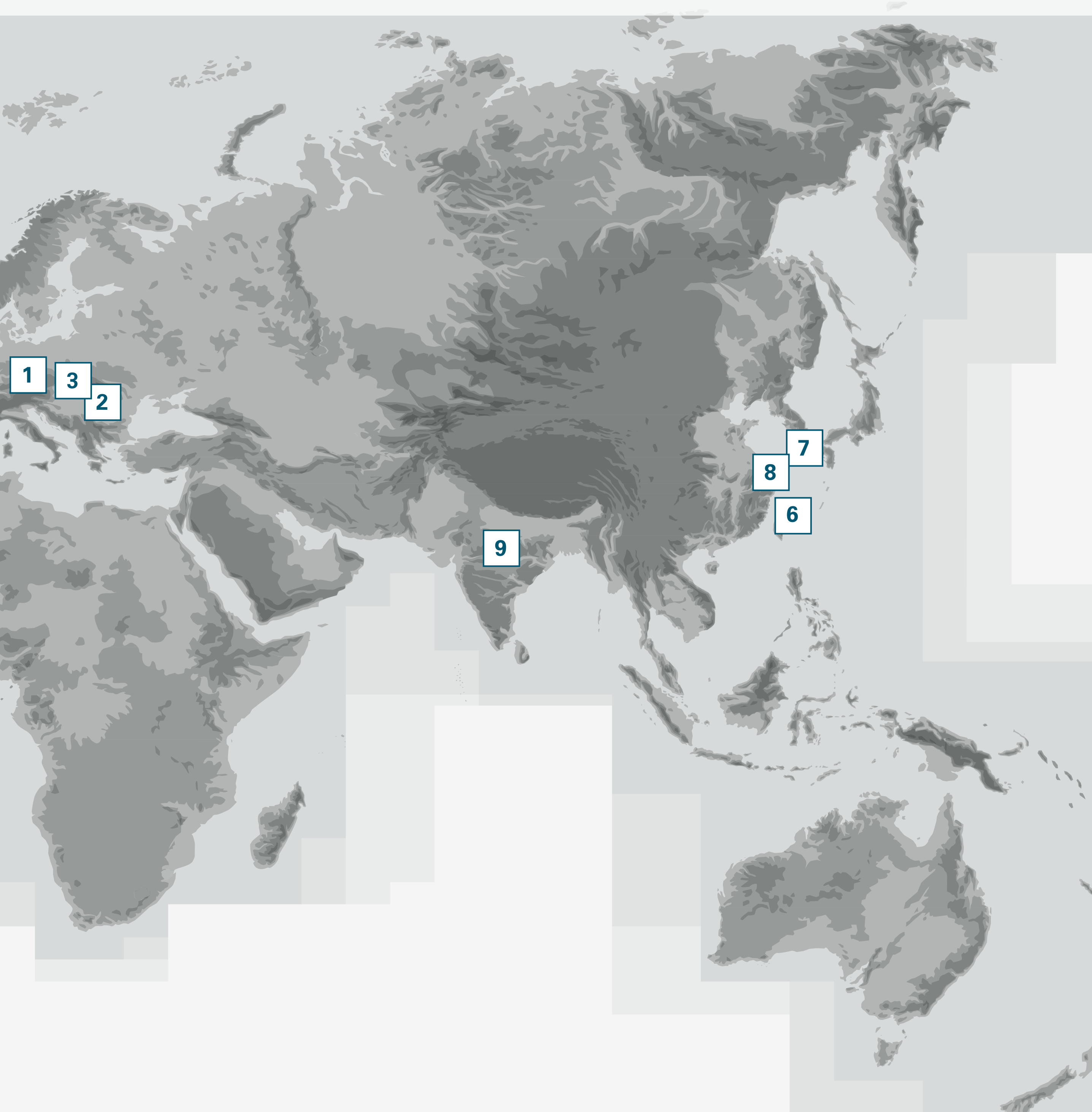


# >> PRODUCTS OF THE DIVISION SYSTEMS.SOLAR
# >>> CRYSTALLINE SOLAR CELLS SEGMENT [C-SI]

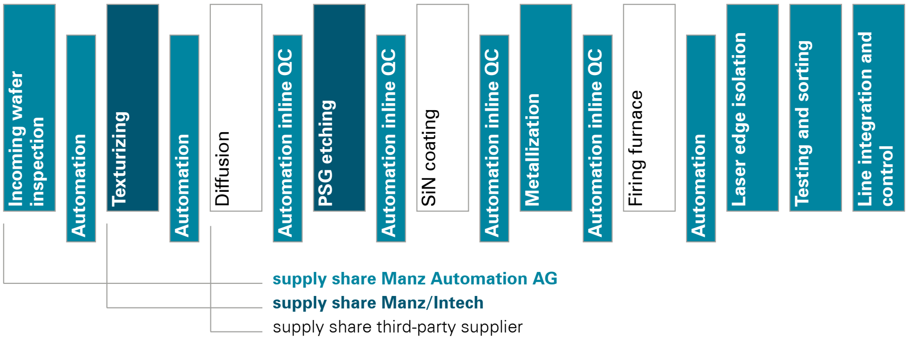
In the future, photovoltaics will become an integral part of the global energy mix used to secure the supply of energy. In addition, the use of solar technology supports the reduction of the harmful greenhouse gas carbon dioxide, in contrast to fossil fuels. By directly converting sunlight into electrical energy, a larger portion of global energy demand can be met using regenerative energy sources in the future. The conversion of sunlight into electrical energy takes place in solar cells, the core component of photovoltaic equipment. Two factors in particular play a significant role in the cost-effectiveness of solar cells as compared to traditional energy sources – low costs and, at the same time, a high level of output from the solar cells. Using systems from Manz Automation, our clients, all leading global manufacturers of solar cells, can fulfill precisely these requirements.

Crystalline solar modules [c-Si] are manufactured in a multistage process, which usually divides the value chain into five stages:

| **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 |

Within this value chain, the system solutions from Manz particularly concentrate on the crucial third stage – the manufacture of crystalline solar cells. In turn, this production process is subdivided into ten central production stages, from receiving the silicon wafers [the raw material for solar cells] through to checking the finished solar cells and packaging. The system solutions from Manz are used to efficiently link the individual production stages – for example, loading and unloading the various machines used in the production process. These solutions are based on our company's long-term core competency, namely, powerful, leading global automation technology. Our company also provides solutions for important production stages such as printing, laser edge isolation, or quality control.

## CRYSTALLINE SOLAR CELLS PROCESS STAGES



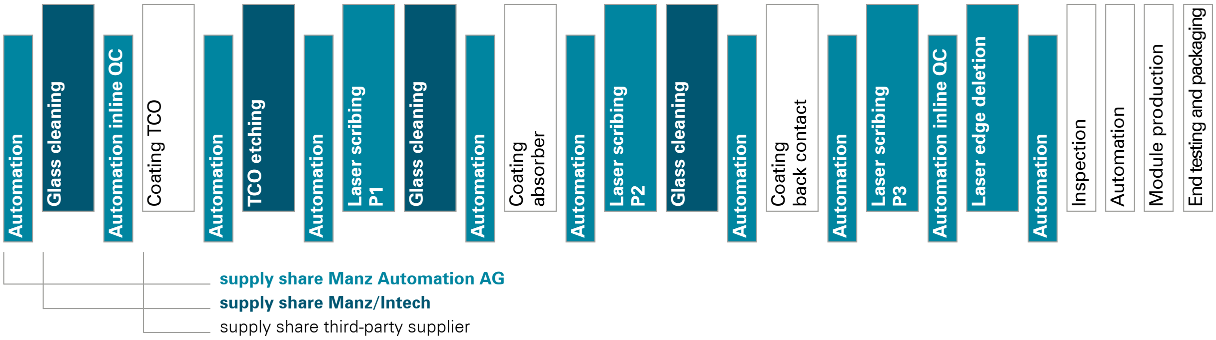

Solar cell manufacturers must invest between 12–18 million euros into the construction of a fully automated and thus cost-efficient production line with an annual production output of 60 MW. Manz Automation can currently cover a share of around 60% of this order volume, offering a wide range of services.

Over the medium term, Manz Automation will further increase its coverage of the value chain up to 70% by integrating further processing stages [texturing and PSG etching]. In doing so, Manz will establish itself as a vital partner for providers of turnkey equipment, such as our strategic partner Roth & Rau AG.

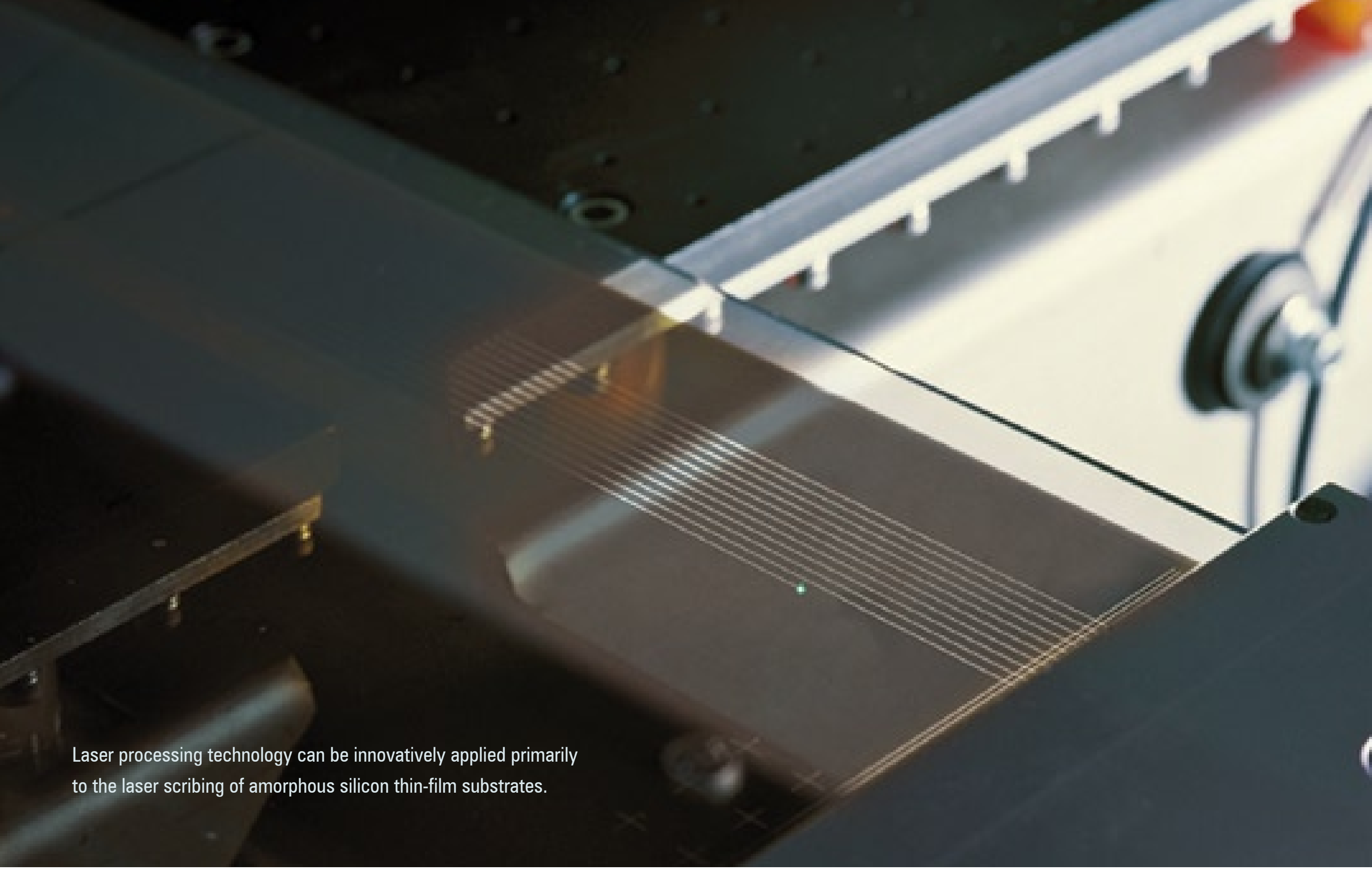
# >>> THIN-FILM SOLAR MODULE SEGMENT

Thin-film technology is characterized by its particularly favorable benefit-cost ratio. This is due to thin-film solar cells being manufactured by vapor depositing ultrathin layers of conductive and semi-conductive materials on glass substrates. This technique enables manufacturers to significantly reduce raw material costs, since high-cost crystalline silicon wafers are not required. Although thin-film technology is considerably less efficient and requires significantly more space for installing the solar equipment, the technology has the lowest cost per watt and is therefore significantly less expensive to manufacture – making it quite attractive to those operating solar equipment. The manufacturing process of thin-film solar modules is mainly made up of a multistage process to coat the glass substrates as well as a subsequent process where the substrates are laser or mechanically scribed. In addition to linking the production stages, Manz Automation also currently focuses on developing and manufacturing systems for laser scribing, mechanical scribing, and laser edge ablation. In the field of laser scribing, Manz Automation is the global market leader with an estimated market share of approx. 60%.

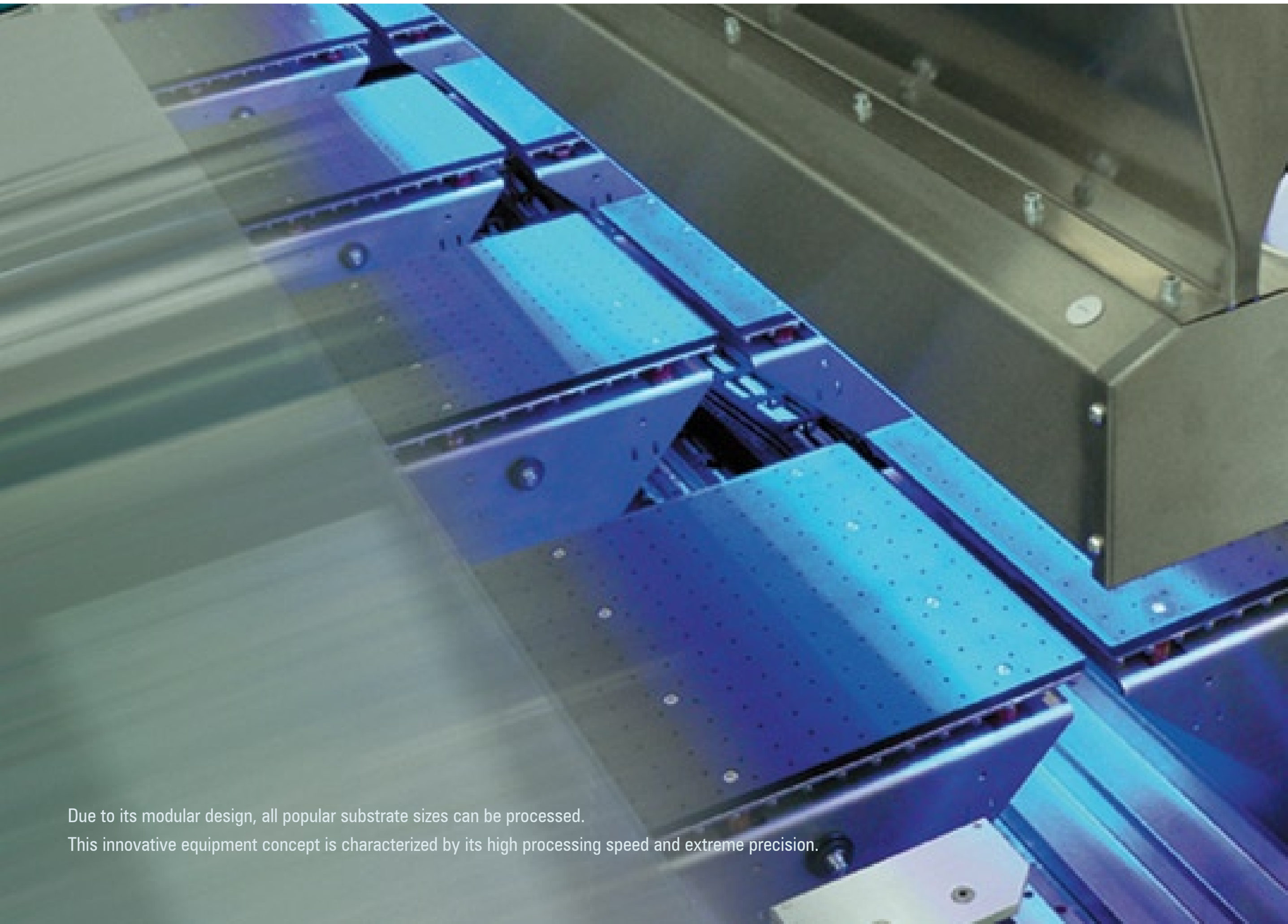
**THIN-FILM PRODUCTION LINE PROCESS STAGES**




At present, Manz Automation AG can currently provide approx. 20% of the total volume of a fully automated production line for thin-film solar modules. Manz Automation's percentage of the value chain may be lower in comparison to the production process for crystalline solar cells; however, the installation of these production lines is linked to a much higher investment volume for the manufacturers. At the present time, an end-to-end production line for thin-film solar modules with an annual production capacity of 40 MW costs around 50–80 million euros. For this reason, Manz's absolute share with regard to the installed service is already higher in the thin-film segment than it is in the crystalline segment, and will continue to rise due to the newly developed products in the wet chemistry segment.



Laser processing technology can be innovatively applied primarily to the laser scribing of amorphous silicon thin-film substrates.



Due to its modular design, all popular substrate sizes can be processed.
This innovative equipment concept is characterized by its high processing speed and extreme precision.

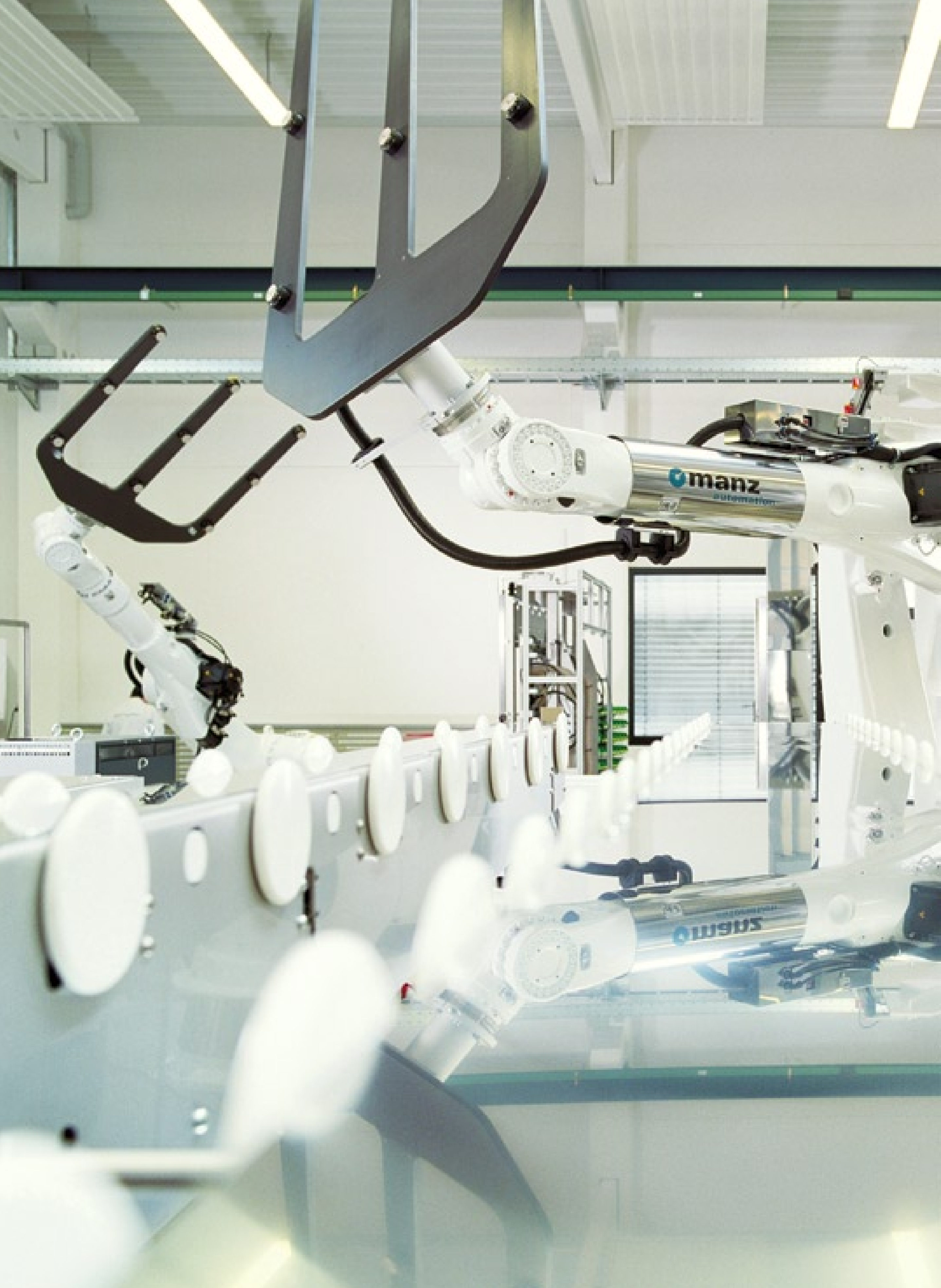
# >> PRODUCTS OF THE SYSTEMS.LCD DIVISION

Manz Automation has been supplying innovative automation systems for handling glass substrates for more than 15 years. These products are used in the manufacture of LCD flat screens. LCD flat screens must be produced under extreme clean-room conditions, and the automation systems must also fulfill these requirements. The majority of the Manz systems installed are used to load and unload the in-line sputter systems [vacuum coating systems for glass substrates]. In the past few years, automated handling has become an absolute necessity, since the glass substrates used now reach sizes of up to 6 sq m [2,200 mm x 2,600 mm] at a thickness of only 0.7 mm – making manual handling impossible. In this process, the highest demands are placed on break resistance during handling, since the airborne particles resulting from the breakage of a glass substrate would contaminate the clean room for a longer period of time, making a stoppage of production inevitable. In addition to low breakage rates, throughput speed is also a key factor for LCD manufacturers in order to keep production costs as low as possible.

The aforementioned extremely high clean-room conditions are required in order to manufacture LCD flat screens. Clean-room suitability has been verified in the laboratory of the Fraunhofer IPA Institute, and the robot system has been certified accordingly. A further key component of safe and gentle handling of glass substrates is our innovative “air-cushion” technology. This allows virtually contact-free transport of the substrates, reliably preventing impurities and damage.

In addition to automation systems for substrate handling, automation systems for laser cutting equipment and systems for transport and handling in in-line inspection systems round out our product portfolio.

Through the formation of Manz Intech Machines Co. Ltd in Taiwan, the Manz Group has expanded its product portfolio to include wet chemical processing equipment for the LCD industry. This includes processes such as etching, stripping, and cleaning for the manufacture of LCD displays. The process of recycling defective glass substrates known as rework processing is also part of the expertise we acquired. In addition, Intech manufactures systems for the printed circuit Board industry at another location in China. Besides the aforementioned processes, products for deburring and electroless deposition are also sold. These machines are used to produce circuit Boards for electronic equipment.


manz
automation

# SOCIAL RESPONSIBILITY

# GIVE SOMEONE A FUTURE

**Metal Workshop Ethiopia –**
**A Project of Manz Automation and the Evangelisches Jugendwerk**

In line with the motto "Give someone a future," Manz Automation AG is working together with the Evangelical Youth Foundation on the "metal workshop" project in Ethiopia. This project was designed to give fifteen dedicated and motivated young people between the ages of 15 and 19 from disadvantaged ethnic groups the chance to become trained as a "general metal worker." Manz is set to begin teaching at the training workshop in March of 2009.

The goal of this project is to help one of the poorest countries in the world to help itself. The first steps toward achieving this goal were taken over a year ago and were especially supported by the two members of the Managing Board, Dieter Manz and Otto Angerhofer, who have intensively participated in advancing the project over the past few months. As soon as all the necessary permits had been acquired, a container with equipment for the workshop was immediately shipped off. In addition to financial aid, specialists are supporting the Ethiopian trainers with practical assistance on site. The goal is to have the metal workshop teach the trainees the skills they need to support themselves financially, as well as enable them to help others.

Furthermore, Manz Automation is involved in a diverse range of sponsorship activities on a small scale. Manz Automation provides financial support to regional associations, the University of Tübingen, and public facilities in the municipality of Kirchentellinsfurt. Manz Automation also works together with the Evangelical Youth Foundation in CVJM Stuttgart as their main sponsor.

Wherever our clients are at home, we are at home. And that doesn‘t mean that you can only find us at airports all over the world, but that we have employees wherever our equipment is used. Since service doesn’t stop at the border. It can only be of real use


internatio
made by

when it tackles daily challenges on-site. That's why we have local employees in all our important markets – people that know the lay of the land, speak the language, and can pass our knowledge on to our clients. Truly international.

# BUSINESS REPORT

# COMPANY SITUATION AND UNDERLYING CONDITIONS

# >> GROUP STRUCTURE AND HOLDINGS

Reutlingen-based Manz Automation AG is one of the world's leading providers of technological systems and components in the fields of automation, quality assurance, and laser processing technology for the photovoltaic industry. In addition, our company offers system solutions in the fields of automation and wet chemistry for the LCD and circuit board industries. Technological market leadership is both secured and expanded through ongoing research and development projects as well as by bundling the Group's expertise.

Our company is divided into the following divisions: photovoltaic [systems.solar], LCD [systems.lcd], and components and OEM systems [systems.aico] for automation in various industry sectors. A new "others" division has also been established as a result of our new acquisitions.

The Reutlingen-based parent company Manz Automation AG focuses primarily on the final assembly of systems and their technological advancement, as well as the administrative management of the entire Group. The strength of the Manz Group's research and development division is particularly noteworthy. In recent years, due to technological advancements, our company was able to reach a number of milestones. Laser scribing equipment for the production of thin-film solar modules is just one example of our company's many successes.

>>

The Center for Product Development is located at the headquarters in Reutlingen, since this division plays an important role in our company's performance. As the Group's parent company, Manz Automation AG holds a 100% interest in six international subsidiaries, two domestic subsidiaries located in Tübingen, and three second-tier subsidiaries in Taiwan, China, and Hungary. Two of these subsidiaries are based in Hungary, and one subsidiary each is located in the United States, in Spain, in India, and in Hong Kong. All of the subsidiaries are included in Manz Automation's consolidated financial statements and are fully consolidated accordingly. Furthermore, Manz holds a 90% interest in a Slovakian subsidiary with headquarters in Nove Mesto nad Vahom. In order to further internationalize the company, a branch office was established in Spain in October of 2008.

The new company Manz India is a promising project due to the predominant energy supply in India and its favorable geographic location. In a country with many hours of sunlight, an enormous demand for energy, and a decentralized energy supply, photovoltaics can play an important role in the future. Up to 3,200 hours of sun per year form a sufficient basis for an effective use of solar energy. That's why the response from businesses, politicians, and future clients was so impressive at the official opening ceremony on November 3, 2008. In addition to India's largest solar manufacturer, Moser Baer, the Indian Minister for Renewable Energy, Shri Vilas Baburao Muttenwar, also attended the festivities. Our partner in India is the AKC Group, which owns Amity University, the largest private university in India, with 12 locations and over 60,000 students.

On January 1, 2008, Tübingen-based Christian Majer GmbH & Co. KG was acquired, and as of July 18, 2008, operates under the name Manz Automation Tübingen GmbH. Its integration into the Manz Group was rapid and straightforward due to the company's close proximity to Reutlingen and the long-standing business relationship Manz had with the company [it carried out contract production for Manz]. The systems.aico division was relocated there in April of 2008.

On October 7, 2008, the subsidiary company expanded its expertise in the field of laboratory automation with the purchase of all assets belonging to CLS Laborautomationssysteme GmbH, a former subsidiary of CyBio AG. As a result of this purchase, Manz acquired a software platform that will be used in the future in both the solar and LCD divisions. In addition, eleven employees were acquired from the company, most of which are development engineers.

The integration of Manz Automation Slovakia s.r.o. into the Manz Group was also successful. The subsidiary now solely manufactures Manz Automation products, and as a result, the back-end for the production of crystalline solar cells is now completely manufactured in Slovakia. This includes the manufacture and processing of entire production series including sourcing components and bringing equipment into service. In the future, contract manufacturing will be successively reduced in order to increase production of products from the systems.solar division. As a result, resources at the Reutlingen location will be freed up, allowing them to be used for technologically demanding engineering. At the same time, expanding production in Slovakia will allow Manz Automation to realize savings and further strengthen its competitive position.

On September 30, 2008, the subsidiary Intech Machines Co. Ltd. carried out a capital increase which raised the Manz Group's interest in Manz Automation Asia Ltd. from 71 to 75.6%. The core business of Intech Machines Co. Ltd. is the construction of wet chemical processing equipment for the LCD and PCB industries. Manz Automation integrated these technologies and existing capacities for the manufacture of wet chemical cleaning equipment into the corporation, and has already generated its first sales. In the future, this expertise will play an important role in the production process of both thin-film solar modules and crystalline solar cells. In fact, the first wet chemical processing equipment has already been shipped to Asian clients.

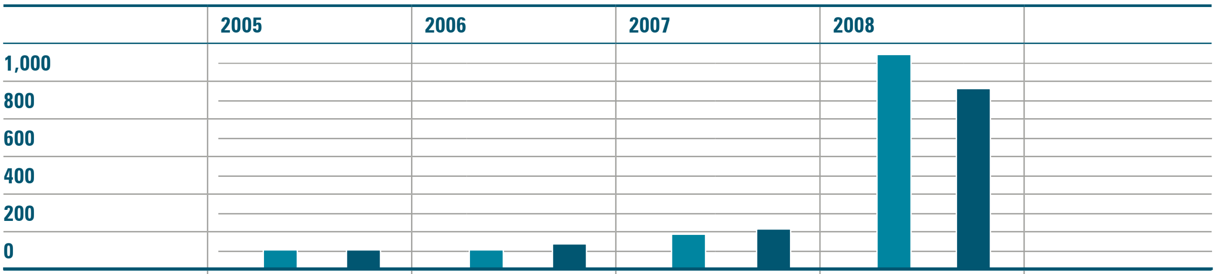
Manz Automation thereby increases its share of wallet, as a ratio of the entire investment amount needed for one production line, to approx. 20% for thin-film solar module equipment and in the future to approx. 70% of crystalline solar cell production lines. The new management team at Intech Machines Co. Ltd. has already established itself in the Manz Group as a result of their rapidly progressing integration. In addition, the systems.lcd division has been relocated from Reutlingen to Taiwan as planned, in order to profit from the close proximity to LCD manufacturers. As a result, delivery times and costs will be reduced in the future and the ability to directly interact with clients will be improved.

# >> EMPLOYEES

Manz Automation AG's strong growth was also evident in our number of employees. On December 31, 2008, a total of 1,513 individuals were employed by our company in Germany and abroad, of which 351 are employed at our headquarters in Reutlingen. This corresponds to a total of 1,191 more employees than at the same time last year, of which 105 new employees work at the company headquarters. The majority of this increase in employees was the result of the acquisitions carried out during the last year, in particular the acquisition of Intech in Taiwan and China. In addition, Manz Automation is also a company that trains apprentices, and we currently have 18 apprentices training to become mechatronics engineers, industrial mechanics, and electronics engineers, among others.

The largest company in the Manz Group based on the number of employees is Intech Machines Co. Ltd. in Taiwan, with 662 employees. In addition to Manz Automation Slovakia s.r.o. with 252 employees, Manz Tübingen GmbH also has 121 active employees.

**CAPACITY EXPANSION 2005–2008 in %**




| | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|
| Area [in m²] | 6,635 | 6,635 | 11,740 | 74,030 |
| Employees | 159 | 206 | 322 | 1,513 |

# >> RESEARCH AND DEVELOPMENT

The Manz Automation AG research and development division was once again able to make important advancements in 2008. For example, the systems. solar division benefited from strategic partnerships with Optomec, Basler AG, Rofin-Sanar Laser, and Masdar PV. As a result, innovative technologies from our partners were integrated into existing equipment as well as developed jointly, which led to improvements in the efficiency of solar cells.

## >>> OPTOMEC

Optomec developed a technologically advanced, non-contact print process for crystalline solar cells. By integrating it into our back-end production lines, we were able to significantly increase the performance and desirability of these systems. This is all made possible by Optomec's M³D aerosol deposition system for printing metallic contacts onto crystalline solar cells. This new system can print significantly finer lines on the solar cells compared with traditional screen printing techniques. The finer collector lines are both more conductive and have a lower shadow effect which together increases the overall efficiency of the solar cells. And because the process is non-contact, M³D systems can print on thinner wafers and with less breakage than screen printing techniques. In connection with a subsequent electroplating process, the Optomec system can increase the efficiency of solar cells by 0.5% to 1.0% – a clear improvement to the efficiency of crystalline solar cells.

# >>> BASLER

As a result of our strategic partnership with Basler AG, a specialist in the field of optical quality control, their newly developed electroluminescence measurement process is now being used exclusively in Manz Automation's cell testers.

Basler has optimized the process for use in the inline production of crystalline silicon solar cells. The method applies an electrical current to the solar cell. As a result of the generated current, the solar cell emits a small amount of radiation. This "glow" can be recorded and evaluated using ultrasensitive optical measuring systems. The result is that for the first time, defects in solar cells such as microscopic cracks or circuits missing contacts can be detected with a cell tester.

Despite the elaborate testing process, through close cooperation with Basler the inspection technique was integrated into our production process while still allowing a throughput of more than 2,400 solar cells per hour. This technology, which is being used in photovoltaic cell production equipment for the first time, is helping to further reduce the breakage rate during module production. Integrating this solution has now made it possible to reliably detect microscopic cracks in solar cells, thus reducing breakage rates. Previous experiments have shown that in addition to the microscopic cracks, which are relevant to breakages, other defects in the solar cells can also be easily detected.

This process increases the performance of Manz's back-end lines, taking a further step towards grid parity. Our company thus enables solar manufacturers to cut costs and increase the efficiency of solar modules, both of which are extremely relevant to the competitiveness of solar electricity.

# >>> ROFIN-SINAR LASER AND MASDAR PV

An important component of Manz Automation's future position as a market leader in the field of thin-film technology is the strategic developmental alliance with Rofin-Sinar Laser and Masdar PV. The goal of this partnership is the development of a new type of equipment to manufacture thin-film solar modules. Using innovative system solutions, the process for laser edge ablation and a new process in the photovoltaic sector for cutting glass using a laser will be integrated into one piece of equipment. In combining production stages which had previously been carried out one after the other, we both believe that the result will be a significant reduction in costs as well as far-reaching improvements in the quality of the solar modules.

In addition, the advancement of existing machines is also a focus of our research and development. For example, in the field of laser scribing, we plan on shortening the takt time, allowing us to offer a completely new generation of these machines toward the end of the year. Our back-end lines are also being adjusted to enable better integration into turnkey equipment. At the same time, our company is expanding its expertise in the wet chemistry processing segment at an accelerated rate in order to achieve further advancements to the products we presented last year. For this purpose, our company is making targeted investments in strategic alliances with universities and research institutes so as to further strengthen our position as market leader in the coming years.

By entering into new, highly attractive markets, Manz Automation is fulfilling its duties as an innovative equipment manufacturer. One such step is the expansion of our range of products to include machines for the industrial manufacture of lithium-ion batteries, which are primarily designed for use in electric and hybrid vehicles. Alternative vehicle power systems are predicted to have significantly increased growth rates in the coming years due to increased energy prices and politically defined climate goals. As a result, many large automotive suppliers have already begun mass-producing this new, powerful drive technology. This is why our company plans to expand its know-how in this field through increased R&D activities, in order to gain lasting expertise in the “cleantech” segment.

As a result of the downbeat economic forecasts, our company’s primary focus in 2009 will be on research and development. Manz Automation will consistently work on new solutions with sustained expansion of research activities through substantial investments. In the process, we will develop more powerful products for the solar and LCD divisions to further strengthen our market position. Increasing the speed of our machines, their safety, and achieving lower breakage rates of crystalline solar cells are important attributes that will also be taken into consideration during the advancement of our equipment. In the future, increasing the efficiency of solar cells will be the central focus of all our activities. Currently, crystalline solar cells only have an output of between 15% and 17% – that is, only this part of the light which penetrates the cell can be converted into electricity. In addition, we will work on optimizing the process technology and pursue the development of more powerful, integrated turnkey production equipment with our strategic partners. Our company will therefore create a range of products for our clients which will effectively counteract the coming reduction in solar cell manufacturers’ margins.

In total, Manz Group had a ratio of research costs to sales of 4.4% in fiscal year 2008 [previous year: 5.1%]. If we only consider capitalized development costs, the research cost ratio totals 1.6%.

# >> CLIENTS OF THE SYSTEMS.SOLAR DIVISION

Our systems.solar division supplies products to manufacturers of crystalline silicon solar cells [systems.solar/cSi] and thin-film solar modules [systems.solar/tfs]. Outside of Japan, Manz Automation AG's clients include almost all of the key manufacturers of silicon solar cells worldwide. In the crystalline field this includes our strategic alliance partner Roth & Rau as well as key accounts such as Q-Cells, Schott Solar, and Suntech. Top clients of our systems.solar/tfs division include Applied Materials, Q-Cells, Würth Solar, and Moser Baer. In serving such clients, our company has established itself [and its high-tech equipment] as a preferred equipment supplier to leading global providers in the photovoltaic market.

In addition, the 23rd European Photovoltaic Solar Energy Conference and Exhibition in Valencia was a huge success, during which our company acquired new orders and notices of intent worth more than 20 million euros. This influx of orders from new and existing customers has allowed our company to further diversify its customer base and develop additional opportunities for growth. In pursuing new acquisitions we primarily focused on major clients that are establishing fully automated factories for the manufacture of solar modules.

# >> CLIENTS OF THE SYSTEMS.LCD DIVISION

Due to the leading position of Asian manufacturers on the global market, Manz Automation AG supplies all of its systems.lcd products to countries in Eastern Asia. In particular, our primary Asian markets are Taiwan and South Korea. Manz Automation's clients currently include four of the world's five largest manufacturers of LCD flat-screen displays, including Chi Mei Optoelectronics and AU Optronics. Some orders are also acquired jointly with our strategic alliance partner Applied Materials. However, Manz always stays in direct contact with our clients in order to provide support services and allow us to market new products.

# >> CLIENTS OF THE SYSTEMS.AICO DIVISION

Fiscal year 2008 was once again successful for the systems.aico division of our company. This third segment serves to diversify the Manz Group's position and utilize synergies. Existing customers mainly include manufacturers of powder presses and grinding machines for the manufacture of hard metal tools and sintering materials. Almost all of the leading providers of hard metal tools rank among our company's customers.

# >> SALES AND MARKETING

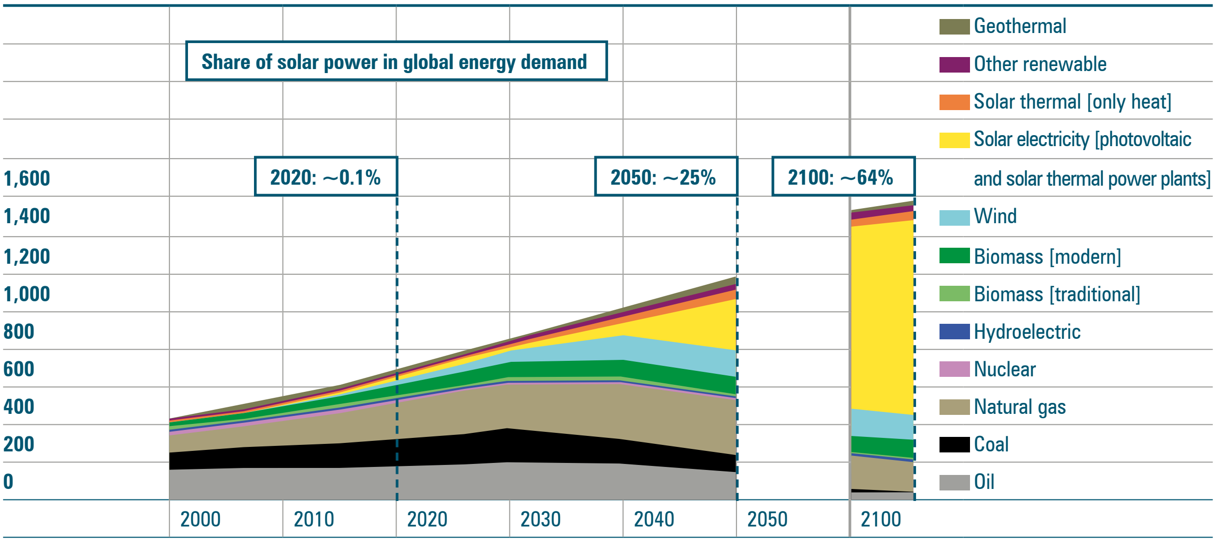
Sales and marketing activities should increase the visibility of Manz products and demonstrate their high quality and performance to clients. In addition to wide-ranging marketing activities, participation in specialist trade fairs, and a regular customer newsletter, our company's sales and marketing activities also include the continued use of online and print advertising. By participating in both domestic and international trade fairs, such as the Photovoltaic Technology Show 2008 Europe in Munich, the 23rd European Photovoltaic Solar Energy Conference and Exhibition [EUPVSEC] in Valencia, the Solar Power International in San Diego, as well as the Photovoltaic Technology Show 2008 Asia in Shenzen, Manz was able to directly interact with existing and potential clients. As a result, our company acquired new orders valued in the double-digit millions.

In order to secure and expand sales volume in the future, the sales department was further reinforced by the addition of two experienced employees. The new employees will back up and assist the management team by supporting clients of the thin-film division. Our company now has a sales team of five highly qualified and dedicated specialists who are particularly focused on selling products from the systems.solar division. In addition, we opened the new technology and training center in May of 2008. With the opening of this center, the benefits of Manz products can now be demonstrated to clients firsthand. The goal of this investment was to increase client loyalty as well as the trust placed in the quality of Manz products. Furthermore, over the course of the previous year, marketing activities were optimized and an independent marketing division was established to professionally support the sales team in its endeavors.

Proximity to clients, an extensive range of support services, and fast response times are all particularly important to sales. As a result, equipment is only delivered to markets outside of Europe where there are also service points nearby. On-location support services include equipment maintenance, the supply of replacement parts, and, in particular, response times of no longer than two hours in the event of a malfunction. These support services are one of the basic elements of sales – they ensure that interaction with clients is ongoing and, as a result, offer our company numerous competitive advantages. In addition, Manz also makes indirect sales through its long-standing strategic alliances with Applied Materials and Roth & Rau. These sales once again made a substantial contribution to growth last year, and will be further maintained and intensified in the future.

# >> MARKET AND COMPETITIVE ENVIRONMENT

**GROWTH IN THE SOLAR MARKET, 2000–2100**




[Source: Wissenschaftlicher Beirat der Bundesregierung Globale Umweltveränderungen [WBGU], 2003]

# >>> ECONOMIC ENVIRONMENT

According to the International Monetary Fund [IMF], the underlying general economic conditions in 2008 were characterized worldwide by high growth rates despite the current global financial crisis. Thus, the IMF indicates worldwide growth in the past fiscal year at 3.4%, but is only forecasting growth of 0.5% in 2009. The global downturn began with the bursting of the subprime mortgage bubble. As a result, the US economy has been in a recession since the beginning of 2008. Due to the collapse of a number of American investment banks, the situation and relationships on the interbank market has grown worse. Because of this, both the slowdown in the flow capital and the loss of faith in the markets must first be turned around.

Although the economic boom in Germany continued in the first quarter of 2008, the downturn hit soon after. In total, economic growth as measured by gross domestic product [GDP] in 2008 totaled 1.3% according to preliminary calculations by the German Federal Statistics Office. Adjusted to the 2008 calendar year, GDP only grew in real terms by 1.0%, after growth of 2.6% in 2007 and 3.2% in 2006.

Due to the financial market crisis and its effects on the real economy, expectations for 2009 are incredibly downbeat. Although the German government predicts a decline in GDP of only 2.25%, experts at Deutsche Bank anticipate a decline in GDP in Germany of over 5%. As is evident, analysts forecasts for fiscal year 2009 are all over the map. The effects of the various economic stimulus packages, monetary and fiscal policies, and falling commodities prices will take quite some time to set in, and are therefore extremely difficult to predict accurately.

Based on information provided by the Association for German Machine and Plant Manufacturers [VDMA], the production of machines in Germany in 2008 grew 5.4% to 194 billion euros. The manufacture of machines for export played a decisive role and reached a record high of 147 billion euros. In comparison, the forecasts for 2009 are much more cautious, since in December 2008 order volume was already 40% lower than the year before, and this trend continued in January with a 42% decline. For this reason, the association anticipates a decline in production in the coming year of 7% on average, although this number fluctuates within the individual sectors. It is evident that many domestic and international clients reacted to the economic situation with extreme caution and have therefore postponed making investments.

# >>> SYSTEMS.SOLAR DIVISION

Industry experts forecast significantly slower growth in the photovoltaic industry in 2009 as compared to 2008. In order to counteract this trend, solar companies must take a wide variety of steps to reduce costs. Personnel and material costs as well as uptimes must be reduced, while simultaneously increasing the efficiency of solar modules. This is possible – primarily through the use of more efficient, fully automated equipment, while at the same time expanding production capacities to realize economies of scale. As a provider of highly innovative solutions, Manz can profit from this need for investments over the medium term. [2 Germany Trade & Invest – Significantly weaker growth expected for the global photovoltaic market in 2009]

According to the solar market specialists from the Swiss bank Sarasin, new PV installations will only increase by 17% worldwide in 2009, compared to growth of 73% in 2008. Europe will even see a slight decline as a result of the dismal outlook in Spain, Europe's second largest market behind Germany. A royal decree from September 2008 both reduced feed-in tariffs and set the upper limit on the amount of energy which can be fed back into the system at 500 MW. Similarly, an amendment to the German Renewable Energy Law from January 1, 2009, also reduces the feed-in tariffs by between 8% and 10%. However, this effect will be compensated for by the reduction in price of PV systems, meaning investments can still be rewarding. [3 Bank Sarasin & Cie AG – Study: "Solarindustrie erwartet stürmische Zeiten", 2008]

Even though the outlook for 2009 is somewhat subdued, significant growth is still being forecast for the following years. Reaching grid parity is essential. Once this happens, renewable energy will be more attractive than fossil fuels, particularly since government subsidies will no longer be necessary over the medium term. Within this context, the advancements to thin-film solar modules are particularly noteworthy, since this technology is steadily gaining market share. It is characterized by its economical use of silicon, and as a result, its lower initial costs. Experts forecast an increase in the market share of thin-film technology from 12% currently to 23% by 2012. With regard to the global market, Sarasin Bank anticipates growth of 48% by 2020, resulting in 125 GW of power from new installations. [see 3]

Developments in the United States are being watched with great anticipation, since in October of 2008, the US Congress extended the tax breaks to those who purchase solar energy equipment for another eight years within the scope of the Emergency Economic Stabilization Act. At the same time, the requirements placed on the use of subsidies have been significantly reduced, meaning that investing in solar equipment will become more attractive for commercial and individual investors. This measure has been assessed by the industry as the most important action ever taken by the United States federal government for the solar industry. It will even make it profitable for energy suppliers to operate their own solar power plants. In addition, the new US president Barack Obama has pushed to increase the country's share of renewable energy from 9% to 25%. As a result, 150 billion dollars will be used for new energy technologies in the coming ten years, primarily to work on increasing their efficiency. Most of all, the power-supply system in the United States must be overhauled and expanded. The solar market can therefore benefit from the planned infrastructure investments. [4 Thüringer Allgemeine – Solarmarkt USA, 2009; Die Welt – Obama Effekt in Norddeutschlands Ökobranche, 2009]

Manz Automation has been able to establish itself on the market as a leading supplier of high-quality technological solutions. By successfully combining long-term experience in system solutions for wet chemistry, in the field of LCD production, and with applications for the production of thin-film solar modules, the Manz Group will gain market share in the future and further expand its leading position as an equipment supplier accepted worldwide. The Manz Group is already a worldwide leader in the field of laser scribing equipment, with a 60% market share. The company is the only supplier outside of Asia with long-term experience in safely handling large glass substrates in clean-room conditions.

Using quality control and automation systems from the Manz Group, production quality and efficiency is significantly increased, which means a significant increase in value to the client. Within this segment, Manz has been able to set internationally accepted standards. The company offers solar cell manufacturers worldwide the ability to counteract the price pressure and profit from the growing global demand for photovoltaic equipment. Manz was able to form trend-setting strategic partnerships with Optomec, Basler, Rofin-Sinar, Masdar, and Roth & Rau, which, in the future, will set the stage for increases in efficiency in existing equipment and significant potential savings.

# >>> SYSTEMS.LCD DIVISION

LCD market trends are primarily driven by the sale of modern LCD flat screens. Declining prices thereby boost the sales of products. Due to the financial crisis, experts are making very careful forecasts for 2009 in particular. For example, the market analysts from iSuppli forecast a decline in growth in 2009 as well as sales of only 112.6 million units, as opposed to the previous forecast of 124 million units. [5 Elektroniknet.de – Despite the crisis, growth in the LCD TV market expected]

The advancements made to LCD televisions, the spread of HDTV [high-definition television], and declining prices for larger units are the important factors currently driving the market. Experts see a clear trend toward increasingly larger units. [6 inside-digital.de – Market research: LCD TV sales numbers will double by 2012.] For this reason, manufacturers must invest in state-of-the-art production equipment. However, market analysts from DisplaySearch anticipate a decline in sales of up to 16% in 2009, down to 64 billion dollars, as well as a decline in demand, due to the financial crisis. [7 PRAD – LCD television market on the brink of collapse]

As a leading global supplier of equipment for handling glass substrates and wet chemical cleaning equipment, Manz Automation will be able to profit from trends in the LCD market over the medium term. At the present time, however, the market is quite challenging, and we are primarily focused on preparing ourselves for the next investment cycle. The company therefore plans on consistently investing in research and development for the LCD division, so that we will be well-positioned once this phase of market consolidation ends.

# >>> SYSTEMS.AICO DIVISION

Our systems.aico division is characterized by its utilization of synergies and economies of scale. This division sells components and systems that were developed for the LCD and photovoltaic divisions or which were also additionally purchased as components. The higher purchasing volumes allow our company to benefit from purchasing advantages and, at the same time, we can increase our returns from in-house developments. This division serves various market sub-segments such as the packaging industry or tool manufacturers. In addition, the subdivision systems.lab offers innovation solutions for laboratory automation in the field of life science.

Our long-standing relationships with clients – for example, with the manufacturer Agathon [Switzerland] – contribute to stable, constant revenues within the Manz Group. On the whole, growth in these sub-segments is impacted by economic developments and a wide range of investment cycles in the various industries. As a result, systems.aico has a stabilizing effect, in contrast to the systems.solar and systems.lcd divisions, whose levels of growth are highly dynamic. Looking toward the future, we anticipate continued growth in sales and earnings in this area, thereby enhancing our business model.

# >> COMPANY TARGETS AND STRATEGY

Manz Automation AG pursues the strategic objective of expanding its leading global position in the fields of automation, wet chemistry, quality assurance, and laser process technology. In pursuing this objective, the company wants to establish itself as an indispensable partner for manufacturers of solar cells and modules. Focusing on the industries of the future allows Manz Automation AG to participate in the dynamic international growth of both its clients and the market. This strategy will generate substantial revenue and earnings potential for our company. Manz Automation AG aims to continually optimize its sales and support services in all industries in order to secure or increase its market share.

# >>> AUTOMATION TAKEN TO THE NEXT LEVEL

> We want to make continual advancements in innovative technologies through both our own research and development as well as together with strategic partners. In addition, we want to offer new solutions with increased efficiency and therefore lower manufacturing costs based on market demand.

> Our goal is to achieve a strong position as a “preferred supplier” in the photovoltaic market. Innovative new products and continuous advancement of our existing range of products, above all, play an important role in achieving this goal.

# >>> INVESTMENT IN TECHNOLOGY

> In addition to acquiring new technologies to expand our range of products, developing new high-tech products in all of our divisions will lead to an increase in the value added to our production lines. These steps will allow our company to further expand its position as a global market leader.

> In order to secure and expand our existing competitive advantages, and therefore our position as market leader, Manz plans to further extend its technological lead. We will acquire specialized knowledge by purchasing additional technologies and making targeted acquisitions. This will provide our company with an even broader foundation, as well as reinforce its competitive position.

> To increase profitability, we will further increase the proportion of high-price, technologically sophisticated systems that we ship. In addition, the manufacture of simple components and component groups is increasingly being outsourced to other companies, allowing our research and development team to focus completely on engineering.

# FINANCIAL POSITION AND RESULTS OF OPERATIONS

# >> RESULTS

Manz Automation's profit and loss statement is based on the total cost method. When comparing with the previous year's figures, one must take into account that three acquisitions were made in fiscal year 2008, which were included in the consolidated financial reports in accordance with the acquisition dates. For this reason, a comparison from a purely operative standpoint is only possible to a limited extent.

In fiscal year 2008, Manz Automation achieved new record high levels of revenues and earnings. The Manz Group's revenues rose from 71.2 million euros in the previous year by approx. 232% to 236.5 million euros in 2008. Revenues of 77.2 million euros were achieved in the fourth quarter of 2008 alone [previous year: 24.5 million euros]. This was the result of strong operative growth in our solar division as well as the successful integration of three companies acquired in fiscal year 2008.

Our systems.solar division was a particular growth driver in the previous fiscal year, where revenues increased from 51.1 million euros to 141.5 million euros. Thus, 59.8% of our revenues stemmed from this division alone. The systems.lcd division also played a significant role in our revenue growth, contributing 46.5 million euros or 19.7% of total revenues [previous year: 8.7 million euros], especially as a result of the consolidation of Manz Intech Machines Co. Ltd in April 2008. The systems.aico division recorded revenues of 12.9 million euros after achieving revenues of 11.5 million euros in the previous year. The new "others" division, which was established as a result of the acquisitions, contributed 35.5 million euros to the company's total revenues. This division includes wet chemical equipment for the PCB and semiconducter industry as well as equipment for the packaging industry, although these revenues will presumably see a decline in the future as we switch our range of products over to solar equipment, which is more profitable.

Taking into account both inventory changes totaling –5.6 million euros and capitalized assets totaling 3.9 million euros, Manz achieved close to a threefold increase in its total operating revenues, from 81.4 million euros to 234.8 million euros. The reduction in inventory primarily stems from a large number of deliveries made in the fourth quarter of 2008. The capitalized assets contain pure development costs that are only marginally capitalized and will be amortized accordingly in the coming years.

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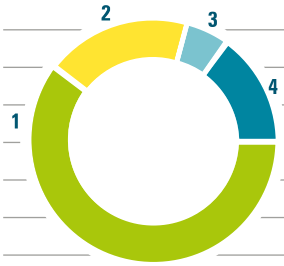
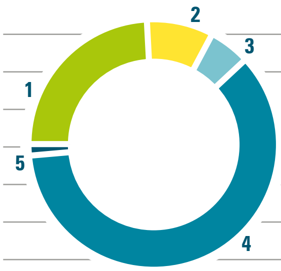
### REVENUE STRUCTURE BY DIVISION 2008




| | | |
|---|---|---|
| 1 | 59.8% | systems.solar |
| 2 | 19.7% | systems.lcd |
| 3 | 5.5% | systems.aico |
| 4 | 15.0% | others |

### REVENUE STRUCTURE BY REGION 2008




| | | |
|---|---|---|
| 1 | 24.1% | Germany |
| 2 | 8.6% | Rest of Europe |
| 3 | 5.2% | USA |
| 4 | 61.0% | Asia |
| 5 | 1.0% | Other regions |

The remaining operative revenues of 4.8 million euros are essentially the result of currency gains from our regular operations. In addition, Manz profited from the introduction of the euro in Slovakia, whereby accounting profits from loans made to Slovakian subsidiary companies resulted.

In accordance with the significant increase in revenues, material expenditures also increased from 46.6 million euros to 130.4 million euros. At 55%, the material cost rate was significantly lower than it was in the previous year, at 65%. This was chiefly the result of the solar segment's significant share of sales and the high level of added value at both subsidiary companies in Taiwan and Slovakia. Thus, gross profits across the Group totaled 109.2 million euros [previous year: 35.7 million euros].

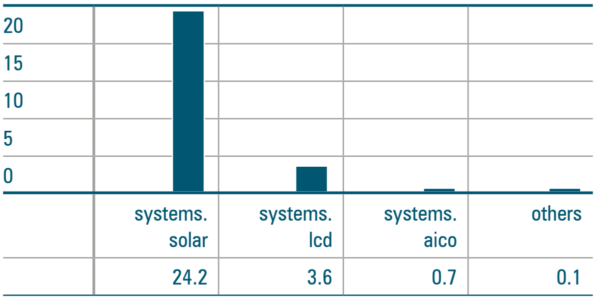
Despite the acquisitions and the significant increase in employees, the percentage of personnel costs as a function of total costs decreased from 23.2% last year to 17.7% this year. This was primarily due to the lower wage level in Taiwan and Slovakia, which allowed Manz Automation to improve its total cost structure. Amortization in fiscal year 2008 totaled 5.5 million euros [previous year: 1.6 million euros] and was primarily allocated to development activities as well as property, plant, and equipment including machines.

Miscellaneous operative costs also increased from 7.5 million euros to 33.4 million euros as a result of acquisitions. In addition to rent and leasing costs, this also includes freight and packaging costs, travel expenses, exchange losses, and value adjustments to receivables.

Thus, our company was able to note a significant increase in earnings before interest and taxes [EBIT] from 10.1 million euros to approximately 28.6 million euros, almost tripling last year's result. In relation to our net revenues, this corresponds to an EBIT margin of 12.1%. The reduction in comparison to last year [14.1%] stems from the three acquired companies whose range of products had low margins in fiscal year 2008.

When examining our individual segments, the systems.solar division tripled its EBIT from 7.9 million euros to 24.2 million euros. The EBIT margin also increased in this extremely profitable segment from 15.4% to 17.1%. This increasingly resulted in economies of scale – for instance, in the production of laser scribing equipment and the further standardization of individual product solutions. The systems.lcd division improved its EBIT from 1.1 million euros last year to 3.6 million euros this year. As a result of the consolidation of Intech Machines Co. Ltd in Taiwan,

**EBIT CONTRIBUTIONS BY DIVISION 2008 in million euros**




this division has a comparatively low EBIT margin with 7.7% [previous year: 13.1%], since the current core business with wet chemical solutions for the LCD and PCB industries was less profitable. The operative result in the systems.aico division totaled 0.7 million euros after 1.05 million euros last year. Similarly, the reduction in the EBIT margin from 9.1% to 5.2% was the result of the acquisition of Christian Majer GmbH & Co. KG in Tübingen. In the new "others" division, which was created from the product portfolios of the acquired companies, the EBIT margin was low with 0.4%. In the future, Manz Automation plans to switch these product portfolios to solar products with wider margins to improve results.

The financial result was slightly negative at – 112 thousand euros. This included profits from Manz Automation's minority stake in an Israeli company. In addition, as a result of our high level of liquid assets, the company earned 2.0 million euros from interest. In contrast to this result were interest payments totaling 2.1 million euros. These costs stemmed from short-term loans to finance the acquisitions which have already been paid back as well as from existing loans to the newly consolidated subsidiary companies. Thus, earnings before taxes increased from 10.6 million euros last year to 28.5 million euros in the 2008 fiscal year. After factoring out taxes totaling 7.3 million euros, which primarily contain deferred taxes resulting from the differences between values in the tax balance sheet and the IFRS values, the Manz Group achieved Group-wide earnings of 21.2 million euros. This corresponds to earnings per share of 5.04 euros, more than double last year's result of 2.40 euros. The result by Manz Automation AG which is relevant to the allocation of profits as stipulated by the German Commercial Code in fiscal year 2008 totaled 5.9 million euros [previous year: 0.6 million euros].

**BALANCE SHEET EQUITY 2008 in EUR**

| Date | Share capital prior to capital increase | Issuing amount | Share capital after increase |
|---|---|---|---|
| 06.27.2008 | 3,584,043.00 | 125.00 | 4,480,054.00 |

# >> NET ASSETS

As of the end of the reporting period, total assets significantly increased from 82.4 million euros to 266.5 million euros. The capital increase carried out during the 2008 fiscal year as well as the extremely positive results were the primary causes of the increase in equity capital to 191.2 million euros [previous year: 52.6 million euros]. The result was an improvement in the equity ratio on the balance sheet date of 71.7%. This gives Manz Automation an extremely solid investment position, which gives the company long-term stability and additional capacity to make investments, even in difficult market situations.

Long-term debt increased from 6.3 million euros to 18.3 million euros. This increase is primarily the result of the newly consolidated subsidiary companies. Only a small percentage of this amount totaling 4.8 million euros is interest-bearing, whereby only 1.5 million euros thereof is carried by Manz Automation AG in Reutlingen. A significant item in the list of long-term liabilities is, among other things, the pension reserves of Manz Tübingen [formerly Christian Majer GmbH & Co. KG] totaling 3.7 million euros. The other long-term liabilities are predominantly reserves for warranty claims. Another 7.5 million euros are accounted for as deferred taxes.

Short-term liabilities also increased significantly, and on the reporting date totaled 57.0 million euros from 23.5 million euros in the previous year. This includes interest-bearing, short-term financial debts totaling 13.0 million euros. These are all contained within the subsidiary companies and primarily serve to pre-finance our operations. Due to the significant increase in revenues, our accounts payable also increased to 24.0 million euros [value on last year's reporting date: 5.4 million euros], which are always paid on time using any applicable discounts. The partial payments we received by the end of the year totaled 3.3 million euros. The significant reduction in comparison to the previous year [14.3 million euros] stems from the large number of deliveries made in the fourth quarter of 2008. In addition, as a result of the POC method of accounting, initial payments are booked in such a way that their value on the reporting date is correspondingly lower. Finally, a positive change in the method of payment used by our key client Applied Materials over the course of the year led to a reduction in this amount. Other short-term liabilities increased to 6.4 million euros, and primarily include provisions for vacation and overtime hours, which will likely be used up over the course of 2009, as well as provisions for reworking and outstanding invoices. The rest of our liabilities totaling 6.5 million euros are made up of taxes [payroll taxes, church taxes, as well as value-added taxes], and social security contributions.

On the asset side, the value of our fixed assets increased six fold from 9.1 million euros to 60.6 million euros. As a result of the three acquisitions carried out in fiscal year 2008, the value of our intangible fixed assets increased to 42.9 million euros [previous year: 5.8 million euros]. An impairment test carried out at the end of the year showed that our intangible fixed assets held their value, which meant that they did not have to be amortized. In addition, a further result of the acquisitions was the increase in the value of our tangible fixed assets to 16.1 million euros [previous year: 3.0 million euros], which includes equipment and machines and Manz Taiwan's [formerly Intech] property assets.

Our liquid assets also increased significantly in comparison to the previous year, rising from 73.2 million euros to 205.9 million euros. As a result of our significant operative growth, our reserves increased from 14.7 million euros to 33.0 million euros. Accounts receivable as of the reporting date also increased significantly to 101.4 million euros [previous year: 23.0 million euros]. In particular, this increase was the result of our high sales volume in the fourth quarter of 2008, and the value of our accounts receivable has already decreased over the past few months. In addition, as stipulated by the POC method, the amount of accounts receivable also contains a proportionate amount of revenues that have not yet been invoiced. The value of derivative financial instruments contained in current assets increased to 2.7 million euros; these comprise hedging transactions. In addition, securities comprise a significant portion of our current assets, which include essentially safe investments in money market funds and bonds, as well as liquid assets. These items total 65.9 million euros and are largely the result of the capital increase carried out in the summer of 2008.

# >> LIQUIDITY

Net profit adjusted for amortization as well as the change in long-term liabilities led to a true cash flow of 28.3 million euros, whereby this value tripled in comparison to last year [9.9 million euros]. Due to our significant growth and the corresponding need for working capital, especially in the fourth quarter of 2008, our operative cash flow amounted to –16.8 million euros [previous year: 4.2 million euros]. As a result of the likely slowdown in operative growth over the course of the 2009 fiscal year, this effect should reverse, resulting in a significant increase in cash flow from daily operations.

As a result of the acquisitions, cash flow from investment activities amounted to –73.7 million euros [previous year: –19.9 million euros]. This total partly comprises of payments amounting to 43.4 million euros. The Manz Group invested another 12.1 million euros in intangible fixed assets, including, for example, research and development costs, licenses, and other fixed assets. The purchase of securities – primarily shares in money market funds and bonds – lead to an outflow of 69.1 million euros. This outflow is offset by inflows from the disposal of securities totaling 50.3 million euros.

Cash flow from financing activities was significantly more positive, which increased from 22.0 million euros last year to 105.4 million euros this year. Deducting the financing costs totaling 4.1 million euros, the capital increase brought our company liquid assets valued at 108.3 million euros, which was reinvested by our company for the acquisitions and for further research and development activities, among other things. Another 2.3 million euros was used by the subsidiary companies to repay long-term loans. Under consideration of fluctuations in value as a result of changes in exchange rates, the value of our liquid assets on December 31, 2008, increased from a previous amount of 18.9 million euros to 33.9 million euros. If one compares liquid assets including short-term securities to long- and short-term financial debts, Manz Automation had net cash totaling around 48 million euros. Thus, Manz Automation is in an excellent position to press ahead with research and development activities independent of external financing, and can also take advantage of opportunities that may present themselves within the scope of potential acquisitions.

# >> COMPENSATION REPORT
## >>> COMPENSATION STRUCTURE – MANAGING BOARD

The compensation paid to members of the Managing Board is disclosed individually in the notes to the Group's consolidated financial statements in accordance with the applicable legal provisions. It is divided into both performance-based components and components which are not performance-based, as well as components with long-term incentives.

The Managing Board's compensation system has the goal of adequately compensating the members of the Managing Board based on their scope of functions and sphere of responsibility, taking not only the personal performance of the respective member of the Managing Board, but also the success of the company as a whole into account.

Compensation paid to members of the Managing Board comprises fixed and variable components. The fixed components consist of a monthly salary and other perks. The variable, performance-based components contain components which repeat each year and are tied to the company's success, as well as components which have long-term incentive effects and a measure of risk involved. The fixed salary is paid in twelve fixed partial payments every month. The perks for Managing Board members primarily consist of being able to use a company car.

The variable component is granted in relation to the Group's earnings before taxes. With regard to members of the Managing Board, Dieter Manz and Otto Angerhofer, their variable, performance-based bonus is equal to 2.5% of the Group's earnings before taxes, limited to a maximum of 25% of their respective total yearly compensation. For Martin Hipp and Volker Renz, this bonus is equal to 1.5% of the Group's earnings before taxes [EBT], limited to a maximum of 15% [plus a variable portion of at the most 5%] of their respective total yearly compensation after calculation of the bonus. The amount of the variable portion is determined by the Supervisory Board.

Furthermore, our company has taken out Directors and Officers Liability Insurance policies covering the members of the Managing Board, which is paid for by the company.

Should Dieter Manz's or Otto Angerhofer's duties as a member of the Managing Board come to an end, pension benefits exist which grant them a lifetime

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retirement benefit after their 65th birthday or as a result of occupational disability. Reinsurance policies have been taken out covering both pension commitments.

With respect to members of the Board, Martin Hipp and Volker Renz, our company has pledged to set up a pension fund after two years of employment respectively, and pay yearly premiums of 6,500 euros.

In the year in review, Manz Automation AG established the Manz Performance Share Plan 2008 for members of the Managing Board and other eligible employees. Within its scope, share options are granted with a vesting period of 3 years and a maximum total duration of 6 years. After the vesting period has expired, the recipient has the right to purchase a Manz share at a price of 1.00 euro. The share options are forfeited when the employee resigns or is terminated. The number of total shares to be issued is based on the number of employees entitled to shares per tranche, on the level that the performance targets have been reached [success factor], and on the holding period of the options [loyalty factor]. The success factor is based on the company's respective EBIT margin in the annual report for the individual tranches. The loyalty factor is determined by the holding period of the options and can increase to a maximum factor of 2.00 if the options are first exercised in the 6th calendar year after receiving the share options. The total number of share options available is currently equal to 24,000 shares.

On September 16, 2008, as a result of the authorization given by the General Meeting of Manz Automation AG on June 10, 2008, the Supervisory Board decided to grant 1,092 share options to members of the Managing Board. The fair value of these share options at the time they were granted totaled 221,000 euros.

# >>> COMPENSATION STRUCTURE – SUPERVISORY BOARD

The compensation paid to members of the Supervisory Board is defined in Article 12 of the Articles of Incorporation. This compensation takes both the responsibility and scope of activities carried out by members of the Supervisory Board as well as the economic situation and the success of the company into account. In addition to a fixed salary, the members of the Supervisory Board also receive a performance-based payment which is oriented on the Group's earnings per share. The Chairman and the Deputy Chairman of the Supervisory Board are taken into account in the compensation paid to the Supervisory Board.

In fiscal year 2008, each member of the Supervisory Board received a fixed salary paid at the end of the fiscal year totaling 8,000 euros, and a bonus based on the IFRS-consolidated annual reports amounting to 25.00 euros per 0.01 euros of Group earnings per share [undiluted], which extends over a Group earnings per share [undiluted] of 0.04 euros, not to exceed 8,000 euros.

The Chairman of the Supervisory Board receives double, the Deputy Chairman 1.5 times the regular compensation. The members of the Supervisory Board also receive compensation for expenses resulting from the execution of their duties. In fiscal year 2008, total compensation paid to members of the Supervisory Board amounted to 72,000 euros [previous year: 28,000 euros].

In accordance with the applicable legal provisions, compensation paid to members of the Supervisory Board is disclosed in the notes to the Group's consolidated financial statements divided into individual components.

Furthermore, our company has taken out Directors and Officers Liability Insurance policies covering the members of the Supervisory Board, which is paid for by the company.

# >>> INFORMATION IN ACCORDANCE WITH PARAGRAPH 315 SECTION 4 OF THE GERMAN COMMERCIAL CODE AND EXPLANATIONS

**Composition of subscribed capital:** The subscribed capital of the company totaled 4,480,054.00 euros on December 31, 2008. It is divided into 4,480,054 shares without par value issued to the holder. All shares are associated with the same rights and duties, with the exception of its own shares held by Manz Automation AG. The company has no rights from these shares. On December 31, 2008, the company held 2,500 of its own shares.

**Restriction regarding voting rights and the transfer of shares:** In cases where Manz Automation AG issues Manz shares instead of payment of the voluntary annual profit-share to its employees or employees of consolidated companies, they are required to hold the shares they received for a period of 6 months. In fiscal year 2008, 1,143 shares were governed by this rule. As of December 31, 2008, no restrictions on divesting shares exist.

The Managing Board of Manz Automation AG is not aware of the existence of any agreements regarding restrictions pertaining to the use of voting rights or the transfer of shares.

**Shareholders with more than 10% of all voting rights:** The following list contains all direct and indirect interests in the assets of the company with more than 10% of all voting rights [this includes all notices received by the company in accordance with Paragraph 15 of the German Securities Trade Act until completion of the financial reports]: see chart above.

**Shares with special rights that confer to the holder controlling power:** There are no shares with special rights that confer to the holder controlling power.

**Type of voting rights control, when employees hold an interest in share capital and do not make use of their control rights:** In cases where Manz Automation AG issues Manz shares instead of payment of the voluntary annual profit-share to its employees or employees of consolidated companies, these employees can exercise all control rights granted to them as holder of said shares in accordance with the articles of incorporation and applicable legal provisions.

Should Manz Automation AG issue shares to members of the Managing Board at partner companies, or non-executive members of management within the company or at partner companies within the scope of the Manz Performance Share Plan 2008 which was passed by General Meeting resolution on June 10, 2008, the shares will be immediately transferred to the beneficiaries.

| | Number of voting rights | Percentage of voting rights |
|---|---|---|
| | | |
| Dieter Manz | 1,922,088 | 42.90% |

They can exercise all control rights granted to them as holder of said shares in accordance with the Articles of Incorporation and applicable legal provisions.

**Legal provisions governing the appointment and replacement of members of the Managing Board and changes to the Articles of Incorporation:** The appointment and dismissal of members of the Managing Board is governed by Paragraph 84 and 85 of the German Companies Act. In accordance with Paragraph 5 of the company's Articles of Incorporation, the Managing Board can comprise of one or more persons. The Supervisory Board appoints members of the Managing Board in accordance with the Companies Act, and determines their number.

The Articles of Incorporation can only be changed via resolution of the General Meeting in accordance with Paragraph 119 of the Companies Act. However, the Supervisory Board is authorized, in accordance with Paragraph 7, Section 2 of the Articles of Incorporation, to make changes to the Articles of Incorporation that only affect its framework. Further legal provisions regarding changes to the Articles of Incorporation, particularly regarding the required majorities, can be found in Paragraphs 133 and 179 of the German Companies Act. In accordance with Paragraph 16, Section 1 of the company's Articles of Incorporation, resolutions by the General Meeting are passed with a simple majority, as long as the provisions of the Companies Act do not specifically stipulate otherwise. In cases where the Companies Act further stipulates that a majority of the capital stock represented is required to pass resolutions, then a simple majority of represented capital stock is sufficient insofar as legally allowable.

**Authority of the Managing Board to issue or repurchase shares:** The Managing Board is required to manage the company on its own authority pursuant to Paragraph 76, Section 1 of the Companies Act. It is responsible for managing the company in accordance with the law, the provisions of the Articles of Incorporation and the internal rules of procedure for the Managing Board, and under consideration of resolutions passed by the General Meeting and the Supervisory Board. The Managing Board can only issue shares on the basis of resolutions passed by the General Meeting regarding increasing share capital or using authorized and contingent capital. The repurchases of own shares in governed by Paragraph 71 ff. of the Companies Act, and is allowed in particular cases by virtue of law or authorization by the General Meeting.

**Authorized capital:** The Managing Board, in accordance with Paragraph 3, Section 3 of the Articles of Incorporation, with approval of the Supervisory Board, is authorized to increase capital stock until August 10, 2011, one or more times by up to a total of 405,821.00 euros through the issue of new shares in return for cash or assets in kind [authorized capital]. In doing so, current shareholders will be given preemptive rights. However, the Managing Board, with approval of the Supervisory Board, is authorized to exempt shareholders from using their pre-emptive rights in certain cases.

**Contingent capital I:** Via General Meeting resolution from June 10, 2008, the Managing Board, with Supervisory Board approval, is authorized to issue from the capital stock of the company convertible bonds and/or bond options, profit-sharing rights and/or profit-participating bonds [or combinations of these instruments] [together: "bonds"] to bearers or registered holders with or without term restrictions, with a total nominal value up to 300 million euros, once or multiple times, until June 09, 2013. In addition, the Managing Board is authorized to grant owners or creditors of bonds convertible or options rights to company shares with a proportional amount of the company's capital stock of up to 1,433,160.00 euros, in accordance with the terms and conditions of the bonds. As a matter of principle, shareholders have pre-emptive rights to purchase these bonds. However, the Managing Board, with approval of the Supervisory Board, is authorized to exempt shareholders from using their pre-emptive rights in certain cases. In accordance with Paragraph 3, Section 4 of the company's Articles of Incorporation, share capital was increased contingently by up to 1,433,160.00 euros through the issue of up to 1,433,160 new shares [contingent capital I]. The contingent capital increase serves to grant shares that will be issued as a result of the aforementioned authorization to owners and holders of convertible bonds which grant convertible and/or options rights to company shares and/or set forth a requirement to convert.

**Contingent capital II:** The Managing Board is also authorized until May 31, 2013, with Supervisory Board approval, to grant pre-emptive rights to 50,400 company shares without par value issued in the name of the holder one or more times to members of the Managing Board at partner companies as well as non-executive members of management within the company and at partner companies, both in Germany and abroad. The Supervisory Board is authorized until May 31, 2013, to grant pre-emptive rights to 21,600 company shares without par value issued in the name of the holder to members of the Managing Board one or more times. In total, 24,000 pre-emptive rights can be issued. The pre-emptive rights will be granted, designed, and exercized according to the provisions set forth in the resolution of the General Meeting passed on June 10, 2008. In accordance with Paragraph 3, Section 5 of the company's Articles of Incorporation, share capital was increased contingently by up to 72,000.00 euros through the issue of up to 72,000 new shares [contingent capital II]. The contingent capital increase serves to secure the rights granted to holders of pre-emptive rights as a result of the aforementioned authorization.

**Authorization to purchase own shares:** The company is authorized until December 9, 2009, with approval of the Supervisory Board, and in accordance with Paragraph 71, Section 1, Number 8 of the German Companies Act, to purchase its own shares with a total computed value of 10% of the current capital stock. This purchase can be carried out on the stock exchange or through a publicly issued purchase offer sent to shareholders. The Managing Board was authorized, with approval of the Supervisory Board, to divest the own shares it purchased in specific cases in ways other than on the stock exchange or through an offer to all shareholders, while excluding the pre-emptive rights of shareholders.

**Significant agreements which take effect upon a change of control of the company following a takeover bid:** The company has not entered into any agreements which take effect upon a change of control of the company following a takeover bid.

**Agreements the company has entered into with the members of the Managing Board or employees with regard to compensation in case of a takeover bid:** The company has not entered into any agreements with the members of the Managing Board or employees which provide compensation in case of a takeover bid.

# EVENTS AFTER THE BALANCE SHEET DATE

No events took place after the balance sheet date of December 31, 2008, which had a significant impact on our financial situation or results.

# RISK ANALYSIS AND FORECAST

# COMPANY RISKS

# >> RISK MANAGEMENT

Manz Automation AG consciously takes corporate risks in order to profit accordingly from the market's opportunities. By establishing a comprehensive risk management system, the company has the ability to recognize, control, and minimize risks at an early stage. This is documented extensively in the risk management handbook, and is optimized on an ongoing basis. Each risk is allocated to one person, who is then responsible for evaluating the risk at least once per year, monitoring the risk, and developing potential countermeasures to minimize the risk. Once per year, these measures are reviewed and a decision is made jointly regarding their implementation. This risk evaluation process also analyzes new potential risks, which are then included in the catalog of risks for further control and monitoring.

# >> INTEGRATION RISKS FROM ACQUISITIONS

As part of our growth strategy, companies are acquired in order to increase production 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 rate of attrition possible. In order to accomplish this, the new employees need to be educated and trained. Next, the production locations must be reorganized into the individual company divisions and organization structure. Within the scope of this integration, problems resulting from changes in production or difficulty in upholding deadlines may occur. In addition, the acquisition could result in liability risks stemming from the acquired company's business activities. The occurrence of any such events could have a negative impact on our company's revenues and earnings.

# >> RISKS FROM INCREASING COMPETITION

The uncertain growth forecasts for the photovoltaic market and the market for LCD flat screens notwithstanding, in the future new competitors could enter the market for automation and quality assurance systems. In addition, existing competitors could expand their production capacity or engage in aggressive pricing, thus offering our clients better terms than our company does. There is a particular risk from the manufacture of knockoffs in the Asian region. This could have a direct impact on Manz Automation's margins and our company's market share. In order to minimize these risks, Manz Automation AG continually invests in research and development projects in order to maintain and expand its position as a market leader in technology.

# >> RISKS FROM THE CONSOLIDATION OF THE SOLAR INDUSTRY

Important clients could cease to exist as a result of the consolidation of the solar industry. In addition, increasing cost pressure and the resulting impact on margins can have an effect on Manz Automation AG's earnings situation. Furthermore, a possible postponement of reinvestments as well as a longer period of consolidation would also negatively impact our company's earnings situation.

# >> RISKS FROM DEPENDENCY ON COOPERATION PARTNERS

Manz Automation AG works closely together with strategic partners in both its photovoltaic and LCD divisions. Although our company has long-standing business relationships with these strategic partners, and the OEM systems that our company manufactures cannot be substituted by systems from competitors without great effort and expense, there is no guarantee that these relationships will exist on a permanent basis. The end of one or several business relationships, regardless of the reason, could thus have a negative impact on Manz Automation AG's revenues or earnings. However, the company carries out its own sales activities in all of its divisions, and also closely interacts with the world's leading manufacturers of solar cells and key manufacturers of LCD flat-screen displays. As a result, our company will be able to compensate for a potential loss in revenues over the medium term.

# >> RISKS FROM RAPID TECHNOLOGICAL ADVANCEMENTS AND FROM LAUNCHING NEW PRODUCTS

Further research and development is of key importance to our company's range of products. This is because of the constant technological advancements being made, particularly in the photovoltaic and LCD sectors. Within this process, there is no guarantee that our company will always be able to provide the technologies that the market demands over the long term. In addition, there is also the risk that the cost of developing new technologies and products may exceed the original budgets, meaning that our company may suffer losses stemming from individual development projects. There is also no guarantee that new products that we launch will be successful, which could put our company's revenues and earnings at further risk. In order to control these risks, Manz Automation AG interacts closely with its clients in order to recognize new trends at an early stage. In addition, our company carefully examines possible market potential beforehand in order to estimate the returns on our development projects, thereby utilizing our resources in an optimal fashion.

# >> CURRENCY RISKS

The Manz Group is subject to currency risks as a result of its operations and investments. If they have an impact on the Group's cash flow, the risks from foreign currencies are hedged. On the other hand, currency risks that do not affect the Group's cash flow remain unhedged. These are risks that result from converting the currency of assets and liabilities of foreign subsidiaries into the currency used in the Group's reports, since exchange rates fluctuate.

The individual companies in the Group primarily conduct their business activities in their country's respective currency. For this reason, currency risks to subsidiary companies as a result of daily operations is normally considered low. However, the Manz Group is subject to foreign currency risks in connection with transactions in foreign currencies that are already planned and booked. These pertain exclusively to transactions in US dollars as a result of the sale of our products. The resulting risks are hedged using derivative financial instruments [primarily forward foreign exchange contracts, and to some extent foreign exchange options and currency swaps]. The planned transactions all fulfill the requirements for hedge accounting [cash flow hedges]. However, the risk still exists that delivery dates can be postponed, leading to possible losses from extending the derivative financial products.

On the reporting date, the investment activities of the Manz Group were not subject to any significant risks from transactions being conducted in a foreign currency.

# >> DEPENDENCY ON QUALIFIED EMPLOYEES IN KEY POSITIONS

Our company's success depends on having qualified managers and employees – in particular, the members of our Executive Board and our second-tier managers. The loss of executives or employees in key positions could have a negative influence on our company's development, and thus impact our financial position and the results of our operations. At the same time, there is no guarantee that our 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 widespread attention from potential employees and can therefore enhance its attractiveness as an employer. In addition, being listed also enables our company to increase employee loyalty over the medium term by issuing stock options, thus allowing our employees to share in the company's profits.

# >> RISKS FROM CONTRACTUAL PENALTIES

Risks for Manz Automation can also result from contractual penalties. A fixed delivery date is agreed upon in all order contracts, and both parties must regard this date as binding. If Manz is not able to deliver the stipulated quantity on the contractually stipulated date – as a result, for example, of delivery problems or supply shortages – this could reduce income from the project. This would have a direct impact on the company's earnings situation. However, in order to control this risk, available resources are monitored at an early stage and, if required, adjusted to the respective order volume. This allows our company to limit earnings risks to a maximum of 1% of total sales volume.

# >> RISKS FROM INNOVATIVE PRODUCTS

Risks can develop as a result of launching numerous products with innovative characteristics. Technical difficulties can cause long developmental periods and delayed deliveries. In addition, complications or compatibility problems arising at a future date cannot always be prevented.

# >> RISKS AS A RESULT OF THE CRISIS IN THE FINANCIAL MARKETS

The financial market crisis is having a negative impact on the real economy, and therefore on the solar industry. As a result of financing shortfalls, investments in solar technology could be postponed, resulting in a reduction in solar module sales. In addition, listed companies may have significantly more difficulty refinancing on the capital market going forward. In particular, companies active in the solar industry run the risk of not having the capital necessary to invest in new equipment. This would noticeably slow down growth in the solar market. In such a case, our company may not be able to achieve growth targets as planned.

# >> RISKS FROM LCD MARKET TRENDS

Analysts anticipate declining growth in the LCD market. As a result, manufacturers may postpone making reinvestments. In addition, declining prices of LCD equipment can have an impact on manufacturer's margins, which could also be passed on to suppliers. These developments may negatively affect our sales and earnings situation, especially with regard to Manz Intech Machines Co. Ltd.

# OPPORTUNITIES FROM FUTURE GROWTH

# >> SIGNIFICANT MARKET GROWTH IN THE PHOTOVOLTAIC INDUSTRY

The photovoltaic industry has enjoyed dynamic growth over the past few years. Experts now predict a decline in the Spanish solar market. Germany will remain Europe's largest market in terms of demand, and will further expand its position. In the United States, development of the solar market largely depends on the recently passed economic package. In addition, other markets outside of Europe – such as countries in the Middle East – are becoming increasingly interesting. Analysts from the market research company Lux Research see a good foundation for more growth and an increase in the competitiveness of solar technology in the coming shakeout.

Out of both technologies, crystalline solar cells and thin-film solar modules, an increase in market share is primarily being forecast in the thin-film area, with growth from 12% to 23% by 2012. [8 Bank Sarasin & Cie AG – Study: "Solarindustrie erwartet stürmische Zeiten", 2008] Due to increased efficiency, low material usage, and the resulting lower costs, thin-film solar modules have become a serious alternative. Lux Research expects strong growth in the future for thin-film technologies. Laser scribing equipment is used in the manufacture of these modules, and with a global market share of 60%, Manz Automation is a leading supplier.

Analysts from Lux Research already forecast a total market volume in 2013 of close to 55 billion euros or 18.5 GW of manufactured solar cells and modules. In comparison to 2009 with approx. 28 billion euros or 5.5 GW, this means a doubling of the market volume and a tripling of the manufactured output. At the same time, Sarasin Bank experts predict dynamic growth in the industry over the medium term. They expect the global market to grow by 48% by 2020, resulting in 125 GW of newly installed output from photovoltaic equipment. [see 8]

# >> SYNERGIES IN THE SYSTEMS.SOLAR AND SYSTEMS.LCD DIVISIONS ESTABLISH COMPETITIVE ADVANTAGES

Particular synergies exist between the systems.solar and systems.lcd divisions which will make an increasing contribution to the company's growth, while at the same time boosting its profitability. Synergies result particularly from the similar technological requirements for both automating LCD production lines and for automating production lines for thin-film solar modules. This particularly applies to the handling of large-area glass substrates, an area in which Manz Automation has been building up a high level of expertise for many years, giving our company clear competitive advantages in the high-growth market for thin-film technology. As a result, it is possible to utilize technologies that have already been fully developed in new high-growth sectors [thin-film solar modules]. For example, the takt time of LCD machines in their established area of application is only 35 seconds, yet close to three minutes for the automation of thin-film solar modules. This is an example of an area where synergy effects can still be realized. The acquisition of Intech gives Manz Automation access to technology for the wet chemical cleaning of glass substrates. This technology represents a key production stage for both the manufacture of LCD displays and thin-film solar modules. This will allow our company to reinforce its competitive position in both segments, and develop additional revenue and earnings potential.

# >> INNOVATIVE PRODUCTS FROM STRATEGIC PARTNERSHIPS

Through its numerous partnerships, our company has been able to launch a variety of new products as well as advance our existing range of products. In the future, we will have the chance to further expand our technological lead as a result of these exclusive alliances. In addition, we may have set the stage for soon achieving the increases in efficiency which the industry demands. As a result, Manz Automation AG is in the perfect position to come out of the current crisis as a winner.

# >> INCREASING THE DEPTH OF ADDED VALUE THROUGH RESEARCH AND DEVELOPMENT PROJECTS

At present, Manz Automation AG can provide around 60% of the total order volume for the installation of production lines for manufacturing crystalline solar cells [this share will be expanded to 70% over the medium term]. Our share of production lines for thin-film solar modules is currently around 20%. To further optimize the depth of added value, our company is working on various R&D projects so that in the future we can offer equipment for other necessary production stages. Increasing the speed of our machines, their safety, and achieving lower breakage rates of crystalline solar cells are important attributes that will also be taken into consideration during the advancement of our equipment. In the future, increasing the efficiency of solar cells will be the central focus of all our research. By expanding the depth of added value, we will be able to further improve our market position as well as our position working with strategic partners. Both can have a positive impact on our company’s revenues and earnings.

# >> SIGNIFICANT OPPORTUNITIES FOR GROWTH THROUGH FURTHER INTERNATIONALIZATION

In particular, the systems.solar division has the opportunity to expand into high-growth markets over the medium term. In addition to the Asian market, the US market should particularly be noted as probably one of the largest high-growth markets of the future. The US government has pushed to increase the country's share of renewable energy from 9% to 25%. As a result, 150 billion dollars will be used over the next ten years for new energy technologies, primarily to increase their efficiency. If equipment costs continue to fall, the result may be above-average growth in the USA, thereby allowing solar technology to successfully break through into the mainstream. In addition, the Middle East is currently going through a period of reorientation in order to cover the increase in energy demand once the era of fossil fuels has drawn to a close. Successfully developing these markets can thus have a positive impact on our company's revenues and earnings.

# >> MARKET OPPORTUNITIES THROUGH ACQUISITIONS

Targeted acquisitions will give our company additional competitive advantages, allowing us to more consistently use market opportunities that may present themselves. In particular, acquiring companies gives us access to new technologies, expertise, and qualified staff [and at the same time access to scarce factors as well as factors that are essential to our competitive edge]. Furthermore, through sensible acquisitions, our company is planning to open up new groups of clients and products and to further diversify its product range. This will give our company a broad foundation, which will have a stabilizing effect on our revenues and earnings.

# >> MARKET OPPORTUNITIES FROM REACHING GRID PARITY

Solar industry experts predict that solar grid parity will be reached sooner than previously forecast. Grid parity may be reached as soon as 2010 in countries like the USA, with many hours of sunlight and high electricity prices as well as a heavy demand for energy [for example, due to air-conditioning units]. Continual increases in efficiency can be achieved through the use of new technologies – for example, those that utilize thin-film solar modules. A pressure to innovate will be the result, which solar companies can only fulfill by investing in new equipment. As a supplier of highly efficient system solutions for the solar industry, Manz Automation can profit from this investment behavior.

# >> MARKET OPPORTUNITIES FROM ENTERING NEW MARKETS

By entering a further highly attractive "Clean Tech" market, Manz Automation is paving the way for new growth potential. Currently, our product portfolio is being expanded to include equipment for the industrial manufacture of lithium-ion batteries. The main use of these batteries will be electric and hybrid vehicles, which are predicted to have significantly increased growth rates in the coming years due to increased energy prices and climate goals which have been called for politically. Potential clients are large suppliers in the automotive industry who have already begun mass-producing this new, powerful drive technology.

# OUTLOOK

The financial market crisis has had a significant impact on the solar industry. In particular, the severely limited financing options available to our clients lead to projects being implemented with delays or being postponed indefinitely. However, we do not believe that the financial market crisis will change the long-term prospects in the solar industry. Although the climate debate has moved to the background, the problems of energy scarcity, increased $CO_2$ emissions, and global warming still exist. Worldwide political attitudes will cause the solar industry to again see significant growth rates over the medium and long term, as was the case in the past. This is based on changes occurring in the USA, where the use of photovoltaic power will increase significantly. Especially in states like California, where high electricity costs – particularly during peak hours in the middle of the day – and many hours of sunlight meet, photovoltaic energy will likely reach grid parity as early as next year. This means that solar electricity will become competitive with other conventional types of electricity. According to industry experts, this will lead to a renewed boost in growth rates, which we will profit from as a leading global supplier to solar manufacturers. In addition, photovoltaic power will also play a more important role in emerging markets. Many of these countries such as India, China, the Middle East, and South Africa do not have access to a closed power network, as is the case in European countries. Instead, local power plants, such as solar plants, will be responsible for supplying electricity in the future. This also offers Manz Automation significant opportunities for further international growth.

The financial market crisis has put pressure on solar industry margins faster than originally anticipated. Due to the intense competition for consumers and Chinese manufacturers, module prices, among other things, are falling at a rapid rate. This means that the solar cell manufacturers must significantly reduce their production costs and, therefore, their costs per watt over the short and medium term. This is only possible by investing in new equipment. As a result of the rapid advancement in processing speed and efficiency of the modules, investment cycles of one to two years will be commonplace in the future. We want to participate in these dynamics as an equipment supplier.

>>

Lower prices per watt and the stabilization of the global economy will lead to a dramatic increase in demand. Since the feed-in tariffs are guaranteed over a longer period of time in many countries and, at the same time, investment costs are decreasing, the profits gained by the operators of solar equipment is increasing. This fact, in combination with high certainty of the profits, is making solar energy an attractive sector, especially since the impact of subsidies will become less important once grid parity is reached.

Overall, however, the financial market crisis will undoubtedly lead to a shake-out in the industry. Only financially well-positioned and technologically advanced market participants who can weather the current storm will be able to survive in this sector over the medium and long term. Manz Automation is clearly in exactly such a position! Additionally, we will use opportunities this year to further optimize our product and technological portfolio through selective acquisitions. A number of attractive investment opportunities are available particularly as a result of the significantly lower values of companies. That is why we are optimistic that we will overcome the current challenges and emerge from this crisis even stronger.

We base this claim on our order volume totaling 107 million euros on December 31, 2008, which is still solid. The influx of orders was at a comparatively low level in the fourth quarter of 2008 and the first quarter of 2009 so that we cannot expect significant growth in terms of turnover and results for fiscal year 2009. However, we continue to assume that the market will have recovered by 2010 in such a way that we will again be able to count on operative growth for Manz Automation AG. Our strategic partnerships, predominantly the recently agreed-upon partnership with Roth & Rau, lead us to be confident that we can further expand our market share in the future. In addition, the past acquisitions have given us an increased capacity to improve our market position. We want to use this capacity this year to significantly advance our research and development activities, allowing us to continue to offer technologically advanced products well into the future. The focus of our work will be on increasing the speed of our equipment, integrating various processes into one piece of equipment, and using our technology to play a role in increasing efficiency. These are decisive factors in remaining competitive once the market recovers. In addition, our existing capacities give us the ability to increase our internal value chain, which in turn plays a role in keeping our cost structure stable. Since a market upturn will likely proceed at a rapid rate, free capacities are important in profiting from such an upturn.

However, when the market will precisely make its recovery is yet to be foreseen. There have not been any signs as yet, and the level of unknown factors is still extremely high. For this reason, the Managing Board has made the decision not to release a forecast for the coming year. This will only be possible after an increase in visibility, since it is our opinion that investors should be able to rely on the targets we put forth. However, based on the previously described outstanding prospects over the medium and long term, as well as our strong market position, we are confident that we will be able to achieve growth rates such as those in past years.

Our engineers don’t only think in millimeters, but also in $\mu$. That means that “made by Manz” precision is a true competitive advantage. In particular, our precision is an ace in the hole when it comes to our laser scribing equipment for the manufacture of thin-film solar modules. Since at the end of the day, the more precise

our processes are carried out, the higher the efficiency of the module. And because we are extremely exact with all of our processes, our clients benefit. Whether in the production of crystalline solar cells or the manufacture of thin-film solar modules – to us, a hair's breadth is already much too much.

# CONSOLIDATED FINANCIAL STATEMENTS & NOTES

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT in EUR tsd

| | Anhang | 2008 | 2007 |
|---|---|---|---|
| Revenues | 01 | 236,513 | 71,249 |
| Change in finished goods | | –5,559 | 7,774 |
| Own work capitalized | 02 | 3,872 | 2,425 |
| **Total operating revenues** | | **234,826** | **81,448** |
| Other operating income | 03 | 4,755 | 915 |
| Cost of materials | 04 | –130,387 | –46,645 |
| **Gross margin** | | **109,194** | **35,718** |
| Personnel expenses | 05 | –41,731 | –16,594 |
| Amortization/depreciation | | –5,493 | –1,596 |
| Other operating expenses | 06 | –33,369 | –7,483 |
| **Operating result [EBIT]** | | **28,601** | **10,045** |
| Income from financial investments accounted for at equity | 14 | 24 | 29 |
| Net financial income/net finance costs | 07 | 1,957 | 829 |
| Profit transfer due to partial profit transfer agreement | 08 | –2,093 | –349 |
| **Pre-tax earnings [EBT]** | | **28,489** | **10,554** |
| Income tax expense | 10 | –7,315 | –2,309 |
| **Net income** | | **21,174** | **8,245** |
| Share of profits – minority interests | 11 | 794 | 0 |
| Share of profits – shareholders | | | |
| Manz Automation AG | | 20,380 | 8,245 |
| Earnings per share in EUR | | | |
| Earnings per share [basic] | 12 | 5,04 | 2,40 |
| Earnings per share [diluted] | 12 | 5,04 | 2,40 |

## CONSOLIDATED BALANCE SHEET [ IFRS] in EUR tsd

| | Notes | Dec. 31, 2008 | Dec. 31, 2007 |
|---|---|---|---|
| | | | |
| **ASSETS** | | | |
| **Non-current assets** | | **60,562** | **9,140** |
| Intangible assets | 14 | 42,858 | 5,830 |
| Property, plant, and equipment | 15 | 16,147 | 2,987 |
| Financial assets | 16 | 313 | 289 |
| Deferred taxes | 10 | 1,055 | 34 |
| Other non-current assets | | 189 | 0 |
| | | | |
| **Current assets** | | **205,941** | **73,236** |
| Inventories | 17 | 33,034 | 14,712 |
| Trade receivables | 18 | 101,352 | 23,020 |
| Incom tax receivables | | 53 | 262 |
| Derivative financial instruments | 19 | 2,685 | 445 |
| Other current receivables | 20 | 2,934 | 1,354 |
| Securities | 21 | 31,945 | 14,554 |
| Cash and cash equivalents | 22 | 33,938 | 18,889 |
| | | | |
| **TOTAL ASSETS** | | **266,503** | **82,376** |
| | | | |
| **LIABILITIES AND SHAREHOLDER'S EQUITY** | | | |
| **Equity** | 23 | **191,228** | **52,647** |
| Subscribed capital | | 4,480 | 3,583 |
| Share premium | | 144,122 | 35,555 |
| Own shares | | –203 | 0 |
| Retained earnings | | 32,634 | 13,497 |
| Currency translation | | 614 | 12 |
| Manz Automation AG shareholders | | 181,647 | 52,647 |
| Minority Interests | | 9,581 | 0 |
| | | | |
| **Non-current liabilities** | | **18,261** | **6,278** |
| Non-current financial debt | 24 | 4,820 | 1,500 |
| Non-current deferred investment subsidies | 25 | 68 | 91 |
| Financial liabilities from leases | 26 | 29 | 19 |
| Provisions for pensions | 27 | 3,720 | 59 |
| Other non-current provisions | 28 | 2,105 | 321 |
| Deferred taxes | 10 | 7,519 | 4,288 |
| | | | |
| **Current liabilities** | | **57,014** | **23,451** |
| Current financial liabilities | 29 | 13,002 | 0 |
| Trade payables | 30 | 24,038 | 5,425 |
| Advance payments received | 31 | 3,320 | 14,282 |
| Tax liabilities | | 3,529 | 65 |
| Other current provisions | 32 | 6,379 | 3,359 |
| Derivative financial instruments | 19 | 188 | 0 |
| Other liabilities | 33 | 6,512 | 315 |
| Financial liabilities from leases | 26 | 46 | 5 |
| | | | |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **266,503** | **82,376** |

**CONSOLIDATED CASH FLOW STATEMENT in EUR tsd**

| | 2008 | 2007 |
|---|---:|---:|
| | | |
| **Cash flow from operating activities** | | |
| Net income | 21,174 | 8,245 |
| Amortization/depreciation of non-current assets | 5,493 | 1,596 |
| Profit from equity-accounted investment | –24 | –29 |
| Increase [ + ] / decrease [ – ] in provisions for pensions and other non-current provisions | 1,580 | 110 |
| Other non-cash income [ – ] and expenses [ + ] | 63 | 0 |
| **Cash flow** | **28,286** | **9,922** |
| Gains [ – ] / losses [ + ] from disposal of assets | –78 | –5 |
| Increase [ – ] / decrease [ + ] in inventories, account receivable and other assets | –41,660 | –22,691 |
| Increase [ + ] / decrease [ – ] in trade payables and other liabilities | –3,303 | 16,995 |
| Increase [ + ] / decrease [ – ] in trade payables | **–16,755** | **4,221** |
| | | |
| **Cash flow from investing activities** | | |
| Proceed from the disposal of assets | 579 | 85 |
| Payments to acquire intangible assets and property, plant, and equipment | –12,131 | –4,903 |
| Payments for the acquisition of consolidated companies minus liquid assets acquired | –43,357 | –478 |
| Inflows from the disposal of securities | 50,336 | 6,956 |
| Outflows from the purchase of securities | – 69,092 | –21,510 |
| Cash flow from investing activities | **–73,665** | **–19,850** |
| | | |
| **Cash flow from financing activities** | | |
| Proceeds from additions to epuity | 112,322 | 22,796 |
| Purchase of own shares | –203 | 0 |
| Capital procurement costs [ pre-tax ] | –4,061 | –702 |
| Payments for the redemption of finance leases | –20 | –86 |
| Payments for the repayment of non-current loans | –2,266 | 0 |
| Change in overdraft facilities | –337 | 0 |
| Cash flow from financing activities | **105,435** | **22,008** |
| | | |
| **Cash and cash equivalents – end of period** | | |
| Cash change in cash and cash equivalents [ subtotal 1 – 3 ] | 15,015 | 6,379 |
| Net change in cash and cash equivalents due to currency translation | 35 | –32 |
| Cash and cash equivalents on Jan. 1 | 18,888 | 12,541 |
| Cash and cash equivalents on Dec. 31 | **33,938** | **18,888** |
| | | |
| **Composition of cash and cash equivalents** | | |
| Cash and cash equivalents | 33,938 | 18,888 |
| Cash and cash equivalents on Dec. 31 | 33,938 | 18,888 |

## CONSOLIDATED STATEMENT OF CHANCES IN EQUITY FOR FISCAL YEAR 2008 in EUR tsd

| | Subsrcibed capital | Share premium | Own shares | Revenue reserves | | | Currency translation | Shareholders of Manz Automatio AG | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Retained profits | Market valuation | Cashflow Hedges | | | | |
| **As of Jan. 1, 2008** | **3,583** | **35,555** | **0** | **13,103** | **70** | **323** | **13** | **52,647** | **0** | **52,647** |
| Net profit from cash flow hedges | | | | | | 1,478 | | 1,478 | | 1,478 |
| Market value of securities | | | | | –2,720 | | | –2,720 | | –2,720 |
| Currency differences | | | | | | | 601 | 601 | 50 | 651 |
| **Total profit/loss recorded directly in equity** | **0** | **0** | **0** | **0** | **–2,720** | **1,478** | **601** | **–641** | **50** | **–591** |
| Profit/loss – period | | | | 20,380 | | | | 20,380 | 794 | 21,174 |
| **Total profit/loss – period** | **0** | **0** | **0** | **20,380** | **–2,720** | **1,478** | **601** | **19,739** | **844** | **20,583** |
| Issue of subscribed capital | 897 | 111,425 | | | | | | 112,322 | | 112,322 |
| Cost of the capital increase [after taxes] | | –2,921 | | | | | | –2,921 | | –2,921 |
| Purchase of own shares | | | –203 | | | | | –203 | | –203 |
| Share-based payments | | 63 | | | | | | 63 | | 63 |
| Minority interests from business combinations | | | | | | | | 0 | 8,737 | 8,737 |
| **Status December 31, 2008** | **4,480** | **144,122** | **–203** | **33,483** | **–2,650** | **1,801** | **614** | **181,647** | **9,581** | **191,228** |
| | | | | | | | | | | |
| **As of Jan. 1, 2007** | **3,257** | **13,529** | **0** | **4,858** | **–6** | **0** | **27** | **21,665** | **0** | **21,665** |
| Net profit from cash flow hedges | | | | | | 323 | | 323 | | 323 |
| Market value of securities | | | | | 76 | | | 76 | | 76 |
| Currency differences | | | | | | | –14 | –14 | | –14 |
| **Total profit/loss recorded directly in equity** | **0** | **0** | **0** | **0** | **76** | **323** | **–14** | **385** | **0** | **385** |
| Profit/loss – period | | | | 8,245 | | | | 8,245 | 0 | 8,245 |
| **Total profit/loss – period** | **0** | **0** | **0** | **8,245** | **76** | **323** | **–14** | **8,630** | **0** | **8,630** |
| Issue of subscribed capital | 326 | 22,470 | | | | | | 22,796 | | 22,796 |
| Cost of the capital increase [after taxes] | | –444 | | | | | | –444 | | –444 |
| **As of Dec. 31, 2007** | **3,583** | **35,555** | **0** | **13,103** | **70** | **323** | **13** | **52,647** | **0** | **52,647** |

**SEGMENT REPORTING FOR DIVISIONS [ PRIMARY REPORTING FORMAT ] AS OF DECEMBER 31, 2008 in EUR tsd**

| | systems.solar | | systems.lcd | | systems.aico | | others | | Central functions/other | | Consolidation | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** | **2008** | **2007** | **2008** | **2007** | **2008** | **2007** | **2008** | **2007** | **2008** | **2007** |
| Revenues with third parties | 141,526 | 51,052 | 46,545 | 8,736 | 12,904 | 11,461 | 35,538 | | 0 | 0 | | | 236,513 | 71,249 |
| Revenues with other segments | | | | | | | 15,756 | | | | –15,756 | | | |
| EBIT | 63,140 | 20,499 | 10,826 | 2,822 | 1,252 | 1,577 | 2,264 | | –48,881 | –14,852 | | | 28,601 | 10,046 |
| EBIT [ after allocation of central functions/ other] | 24,173 | 7,860 | 3,602 | 1,141 | 669 | 1,045 | 157 | | | | | | 28,601 | 10,046 |
| Segment assets | 108,371 | 33,508 | 45,133 | 4,846 | 9,570 | 8,000 | 24,323 | | 79,106 | 36,022 | | | 266,503 | 82,376 |
| Segment liabilities | 11,411 | 15,490 | 4,660 | 2,414 | 1,592 | 919 | 4,896 | | 52,716 | 10,906 | | | 75,275 | 29,729 |
| Net assets | 96,960 | 18,018 | 40,473 | 2,432 | 7,978 | 7,081 | 19,427 | | 26,390 | 25,116 | | | 191,228 | 52,647 |
| Additions to assets | 21,902 | 3,277 | 13,448 | 297 | 3,992 | 1,293 | 4,280 | | 1,672 | 325 | | | 45,294 | 5,192 |
| Amortization/ depreciation | 2,196 | 523 | 835 | 276 | 1,398 | 616 | 552 | | 512 | 181 | | | 5,493 | 1,596 |
| Primarily non-cash expenses | 197 | 0 | 2,863 | 0 | 3 | 0 | 431 | | 0 | 0 | | | 3,494 | 0 |
| Employees [ annual average ] | 213 | 122 | 317 | 23 | 76 | 68 | 458 | | 322 | 37 | | | 1,386 | 250 |

**SEGMENT REPORTING FOR REGIONS [ SECONDARY REPORTING FORMAT ] AS OF DECEMBER 31, 2008 in EUR tsd**

| | Germany | | Rest or Europe | | Asia | | America | | Ohter Regions | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** | **2008** | **2007** | **2008** | **2007** | **2008** | **2007** | **2008** | **2007** |
| Third-party revenues by customer location | 57,093 | 30,295 | 20,434 | 13,726 | 144,329 | 24,432 | 12,348 | 2,340 | 2,309 | 456 | 236,513 | 71,249 |
| Carrying amount of segment assets by asset location | 166,154 | 78,579 | 18,426 | 1,947 | 81,143 | 915 | 467 | 646 | 313 | 289 | 266,503 | 82,376 |
| Investments in non-current assets by asset location | 12,419 | 4,428 | 5,814 | 389 | 26,976 | 39 | 85 | 47 | 0 | 289 | 45,294 | 5,192 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2008

# I. GENERAL NOTES >>

The Manz Automation AG ["Manz AG"] headquarters are located in Steigaeckerstrasse 5 in 72768 Reutlingen, Germany. The business operations of Manz Automation AG and its subsidiary companies ["Manz Group" or "Manz"] consist of developing and manufacturing systems and components for automation and quality control. The systems are primarily used for the manufacture of solar cells and LCD flat screens. Shares in Manz Automation AG are traded in the Prime Standard segment of the Frankfurt Stock Exchange.

Manz Automation AG prepared its consolidated financial statements as of December 31, 2008, in accordance with International Financial Reporting Standards [IFRS] as they are to be applied in the EU as well as the supplementary provisions set forth in Paragraph 315, Section 1 of the German Commercial Code. All required standards and interpretations were applied. Standards set forth in the IFFS but not yet effective as of the reporting date were not applied. The consolidated financial statements were approved for submission to the Supervisory Board on March 23, 2009, through a resolution by the Managing Board.

For purposes of clarity, individual items are compounded in the balance sheet and income statement. These items are listed and explained individually in the notes. The Manz Group's fiscal year runs from January 1 to December 31 of each year. The values listed in the consolidated financial statements are in euros. The values listed in the notes are in thousands of euros if not otherwise stated. The income statement has been prepared using the total cost method of accounting.

# II. ACCONTING PRINCIPLES >>

## BASIS OF CONSOLIDATION

Manz AG's consolidated financial statements include all of the companies whose financial and operational policies can be either directly or indirectly determined by Manz AG [purchase method].

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

| FULLY CONSOLIDATED COMPANIES | | Interest in % |
|---|---|---|
| Manz Automation Tübingen GmbH | Tübingen/Germany | 100.0 |
| Helmut Majer Verwaltungsgesellschaft mbH | Tübingen/Germany | 100.0 |
| Manz Automation Inc. | North Kingstown/USA | 100.0 |
| Manz Automation Hungary Kft. | Debrecen/Hungary | 100.0 |
| Manz Immo Hungary Kft. 1] | Debrecen/Hungary | 100.0 |
| MVG Hungary Kft. | Debrecen/Hungary | 100.0 |
| Manz Automation Slovakia s.r.o. | Nove Mesto nad Vahom/Slovakia | 90.0 |
| Manz Automation Spain S.L. | Madrid/Spain | 100.0 |
| Manz Automation Asia Ltd. | Hong Kong | 100.0 |
| Manz Automation Taiwan Ltd. 2] | Hsinchu/Taiwan | 100.0 |
| Manz Automation [Shanghai] Co. Ltd. 2] | Shanghai/China | 100.0 |
| Manz Automation India Private Limited 2] | New Delhi, India | 75.0 |
| Manz Intech Machines Co. Ltd. 2] | Chungli/Taiwan | 75.6 |
| Intech Enterprises [B.V.I.] Co. Ltd. 3] | Road Town/British Virgin Island | 75.6 |
| Intech Machines [B.V.I.] Co. Ltd. 3] | Road Town/British Virgin Island | 75.6 |
| Intech Machines [Suzhou] Co. Ltd. 4] | Suzhou/China | 75.6 |
| Qinhuangdao Intech Machines Ltd. 4] | Qinhuangdao/China | 75.6 |
| Intech Technical [Shenzhen] Co. Ltd. 4] | Shenzhen/China | 75.6 |
| **CONSOLIDATION AT EQUITY** | | |
| Axystems Ltd. | Petach-Tikva/Israel | 24.0 |

1] via Manz Automation Hungary Kft.
2] via Manz Automation Asia Ltd.
3] via Manz Intech Machines Co. Ltd.
4] via Intech Machines [B.V.I.] Co. Ltd.

## COMPANIES ACQUIRED IN FISCAL YEAR 2008

### Acquisition of Christian Majer GmbH & Co. KG, Tübingen, Germany [now: Manz Automation Tübingen GmbH]

As of January 1, 2008, 100% of the shares in Christian Majer GmbH & Co. KG, located in Tübingen, Germany, were purchased. The focus of the company is on the manufacture of machines for the processing of paper, film, and packaging materials.

The fair value of the identified assets and debts of Manz Automation Tübingen GmbH on the acquisition date are as follows:

| | Fair value on acquisition date EUR tsd | Carrying amount EUR tsd |
|---|---|---|
| | | |
| Intangible assets | 12 | 12 |
| Property, plants, and equipment | 473 | 473 |
| Deferred tax assets | 191 | 191 |
| Inventories | 2,282 | 2,282 |
| Accounts receivable | 1,324 | 1,324 |
| Other current assets | 617 | 617 |
| Securities | 1,425 | 1,425 |
| Cash and cash equivalents | 931 | 931 |
| | **7,255** | **7,255** |
| | | |
| Retirement benefit obligations | –3,641 | –3,641 |
| Accounts payable | –376 | –376 |
| Current liabilities | –2,529 | –2,529 |
| | **–6,546** | **–6,546** |
| | | |
| **Net assets acquired** | **709** | **709** |
| Goodwill acquired | 2,728 | |
| **Acquisition costs affecting cash flow** | **3,437** | |
| | | |
| **The value of goodwill is determined as follows:** | | |
| | | |
| Purchase price | | 1,700 |
| Acquisition expenses | | 25 |
| Repayment of loan obligations | | 1,712 |
| | | **3,437** |
| Net assets acquired | | –709 |
| **Goodwill** | | **2,728** |

The goodwill comprises the fair value of expected synergies resulting from the acquisition, the value of all employees, and the expertise acquired. Synergies are anticipated primarily in the areas of purchasing and administration. Due to a lack of separability, a separate valuation in accordance with IAS 38 cannot be carried out.

| **NEGATIVE CASH FLOW AS A RESULT OF THE ACQUISITION** | EUR tsd |
|---|---|
| | |
| Cash acquired in the scope of the acquisition | 931 |
| Negative cash flow | –1,725 |
| Repayment of loan obligations | –1,712 |
| **Total negative cash flow** | **–2,506** |

Manz Automation Tübingen has contributed 691,000 euros to the Group's annual result from the date of acquisition, January 1, 2008, until December 31, 2008.

### Acquisition of Böhm Electronic Systems Slowakei s.r.o., nove Mesto nad Vahom, Slovakia [now: Manz Automation Slovakia s.r.o.]

90% of the shares in Böhm Electronic Systems Slowakei s.r.o. were purchased effective February 1, 2008. The production plant formerly belonging to Steag Hamatech AG has 11,400 square meters of assembly and storage space, 1,300 square meters of which is for cleanroom assembly.

The fair value of the identified assets and debts of Manz Automation Slovakia on the acquisition date are as follows:

| | Fair value on acquisition date EUR tsd | Carrying value EUR tsd |
|---|---|---|
| | | |
| Intangible assets | 225 | 225 |
| Property, plant, and equipment | 1,100 | 1,100 |
| Inventories | 8,824 | 8,824 |
| Accounts receivable | 4,085 | 4,085 |
| Other current assets | 635 | 635 |
| Cash and cash equivalents | 331 | 331 |
| | **15,200** | **15,200** |
| | | |
| Long-term debts | –392 | –392 |
| Deferred taxes | –37 | –37 |
| Current liabilities | –7,716 | –7,716 |
| Accounts payable | –4,805 | –4,805 |
| Other current liabilities | –564 | –564 |
| | **–13,514** | **–13,514** |
| | | |
| **Net assets** | **1,686** | **1,686** |
| Minority shares [10%] | –169 | |
| Total value of acquired assets | **1,517** | |
| Goodwill acquired | 3,695 | |
| **Acquisition costs affecting cash flow** | **5,212** | |
| | | |
| **The value of goodwill is determined as follows:** | | |
| | | |
| Purchase price | | 4,300 |
| Acquisition expenses | | 42 |
| Repayment of loan obligations | | 870 |
| | | **5,212** |
| Net assets acquired | | –1,517 |
| **Goodwill** | | **3,695** |

Goodwill comprises the fair value of expected synergies resulting from the acquisition, the value of all employees, and the expertise acquired. Synergies are anticipated primarily in purchasing. Due to a lack of separability, a separate valuation in accordance with IAS 38 cannot be carried out.

| NEGATIVE CASH FLOW AS A RESULT OF THE ACQUISITION | EUR tsd |
|---|---|
| | |
| Cash acquired in the scope of the acquisition | 331 |
| Negative cash flow | –4,342 |
| Repayment of loan obligations | –870 |
| **Total negative cash flow** | **–4,881** |

From the acquisition date of February 1, 2008, until December 31, 2008, Manz Automation Slovakia has contributed –381,000 euros to the Group's annual result.

### Acquisition of Intech Machines Co. Ltd., Chungli, Taiwan [now: Manz Intech Machines Co. Ltd.]

On January 28, 2008, the subsidiary company Manz Automation Asia Ltd. submitted a takeover bid for Intech Machines Co. Ltd., which is listed on the Taiwan Stock Exchange. The acquisition was successfully completed on April 6, 2008, with the purchase of 70.92% of all outstanding shares. The core business of Intech Machines Co. Ltd. is the construction of wet chemical processing equipment for the LCD and PCB industries. With the acquisition of Intech Machines, Manz secured access to technologies and capacities for the manufacture of wet chemical processing equipment which covers an important production stage in both the LCD industry as well as in the manufacture of thin-film solar modules.

The fair value of the identified assets and debts of Manz Intech Machines on the acquisition date are as follows:

| | Fair value on acquisition date EUR tsd | Carrying value EUR tsd |
|---|---|---|
| | | |
| Intangible assets | | |
| Wet chemical processing technology | 5,931 | 0 |
| Brand | 3,293 | 0 |
| Employees | 2,049 | 0 |
| Miscellaneous | 64 | 64 |
| Property, plant, and equipment | 8,598 | 9,280 |
| Deferred taxes | 512 | 860 |
| Other long-term assets | 768 | 768 |
| Inventories | 5,385 | 5,385 |
| Accounts receivable | 32,066 | 32,066 |
| Other current assets | 1,063 | 1,063 |
| Cash and cash equivalents | 4,216 | 4,216 |
| | **63,945** | **53,702** |
| | | |
| Retirement benefit obligations | –454 | –454 |
| Long-term liabilities | –8,554 | –8,554 |
| Other long-term liabilities | –220 | –220 |
| Deferred taxes | –491 | –491 |
| Current liabilities | –5,623 | –5,623 |
| Accounts payable | –16,861 | –16,861 |
| Other current liabilities | –2,978 | –2,827 |
| | **–35,181** | **–35,030** |
| | | |
| **Net assets** | **28,764** | **18,672** |
| Minority shares [29.08 %] | –8,365 | |
| Total value of acquired assets | **20,399** | |
| Goodwill acquired | 14,596 | |
| **Acquisition costs affecting cash flow** | **34,995** | |
| | | |
| **The value of goodwill is determined as follows:** | | |
| | | |
| Pruchase price | | 33,959 |
| **Acquisition expenses** | | 1,036 |
| | | **34,995** |
| Net assets acquired | | –20,399 |
| **Goodwill** | | **14,596** |

Goodwill comprises the fair value of expected synergies resulting from the acquisition, the value of all employees, and the expertise acquired. Synergies are anticipated primarily in the areas of research and development as well as purchasing. Due to a lack of separability, a separate valuation in accordance with IAS 38 cannot be carried out.

| NEGATIVE CASH FLOW AS A RESULT OF THE ACQUISITION: | EUR tsd |
|---|---|
| Cash acquired in the scope of the acquisition | 4,216 |
| Negative cash flow | –34,995 |
| **Total negative cash flow** | **–30,779** |

The expected useful life and residual value of the other intangible assets acquired with Manz Intech Machines as of December 31, 2008, is as follows:

| | Fair value EUR tsd | Useful life YEARS |
|---|---|---|
| Wet chemical processing technology | 5,376 | 8 years |
| Employees | 1,857 | 8 years |
| Brand | 3,293 | unlimited |

From the acquisition date of April 6, 2008, until December 31, 2008, Manz Intech Machines has contributed 1,561,000 euros to the Group's annual result.

## PRO FORMA INFORMATION

Had the two acquisitions [Manz Automation Slovakia und Manz Intech Machines] been carried out at the beginning of the fiscal year, Group revenues totaling 255.7 million euros and Group earnings of 20.9 million euros would have been the result

## NEW FORMATIONS

The following new company formations do not constitute corporate acquisitions in terms of IFRS 3, as no businesses were acquired.

In October of 2008, the subsidiary company Manz Automation Asia Ltd. founded Manz Automation India Private Limited and since then holds 75% of all shares outstanding. The nominal capital totals 5,250,000 Indian rupees and was made in the form of a cash deposit. The goal of the company is to increase Manz's share of the Indian market, among other things. In October of 2008, Manz Automation AG founded the 100% subsidiary company Manz Automation Spain in Madrid. The nominal capital totals 3,100.00 euros and was made in the form of a cash deposit. The goal of the company is to increase Manz's share of the Spanish market and provide support services.

The annual reports of the subsidiary companies are posted on the Group's reporting date, which is the reporting date of Manz AG.

# PRINCIPLES OF CONSOLIDATION

Capital is consolidated according to the purchase method. This method stipulates that the valuation of acquired assets and liabilities is set at their fair value as of the date of their acquisition. The acquisition costs stemming from the acquired shares are then offset against the proportionate amount of equity of the subsidiary at its newly determined value. Any remaining positive difference from offsetting the purchase price with the identified assets and liabilities is listed as goodwill in the intangible assets.

Inter-company expenditures and earnings as well as receivables, liabilities, and reserves are off-set and eliminated. The required tax deferrals will be carried out on the consolidation transactions.

Minority interests represent the portion of earnings and equity that is not owned by the Group. Minority interests are listed separately in the Group's consolidated financial reports. It is listed under equity in the balance sheet, separate from the equity attributed to the shareholders of the parent company.

# CURRENCY CONVERSION

The financial statements of Manz Group subsidiaries that are prepared in foreign currencies have been converted into euros according to IAS 21. The currency used by the included companies is almost always the respective national currency, as these subsidiaries conduct their business activities independently in financial, economic, and organizational respects. Subsidiaries use euros when not conducting business in the national currency. Assets, liabilities, and contingent liabilities are converted using the average rate of exchange on the balance sheet date; equity is converted at historical rates. The income statement is converted at the annual average rate. Exchange rate differences resulting from the conversion of the annual financial statements are posted under equity as a separate item until the subsidiary is no longer part of the Group.

Items denominated in foreign currency in the financial statements of the companies included in the consolidated financial statements are valued at the exchange rate on their date of acquisition. Monetary items are valued at the average exchange rate on the balance sheet date. Currency gains and losses up to the balance sheet date are included in the income statement.

**EXCHANGE RATES OF THE MOST IMPORTANT CURRENCIES IN EUR**

| | | Rate on balance sheet date | | Average rate | |
|---|---|---|---|---|---|
| | | Dec. 31, 2008 | Dec. 31, 2007 | 2008 | 2007 |
| | | | | | |
| USA | USA | 1,4097 | 1,4729 | 1,4713 | 1,3707 |
| Taiwan | TWD | 46,2668 | 47,8971 | 46,3252 | 45,0619 |
| Hong Kong | HKD | 10,9458 | 11,4878 | 11,4624 | 11,6949 |
| Slovakia | SKK | 30,1260 | 33,6650 | 31,0740 | 33,8505 |
| China | CNY | 9,6626 | 10,7726 | 10,2480 | 10,4347 |
| Hungary | HUF | 267,5910 | 255,4580 | 252,4326 | 252,0525 |

# ACCOUNTING AND VALUATION PRINCIPLES

The assets and liabilities of Manz AG and the subsidiary companies included as a result of full consolidation are uniformly determined and valued according to the Manz Group's accounting and valuation methods effective as of December 31, 2008.

Comparable information for fiscal year 2007 is based on the same accounting and valuation methods that were applied in fiscal year 2008.

# FIXED ASSETS

Intangible assets that are not purchased within the course of an acquisition are recorded for the first time as purchase or manufacturing costs. The acquisition costs of intangible assets acquired within the scope of a company takeover are recorded at their fair value on the acquisition date. In subsequent reporting periods, the intangible assets are recorded with their purchase or manufacturing costs minus cumulative amortizations and cumulative depreciations. Costs for intangible assets produced internally are not capitalized and included in the income statement in the period they accrue, with the exception of capitalizable development costs.

Intangible assets with a limited useful life and those with an unlimited useful life are differentiated from one another.

Intangible assets with a limited useful life are amortized over the course of their useful life and evaluated for possible depreciation if there is evidence that the value of the intangible asset could have depreciated. In case of intangible assets with a limited useful life, both the amortization period and amortization method are evaluated at least once at the end of each fiscal year. Any changes to the amortization method or amortization period which may be necessary as a result of changes to the expected useful life or expected consumption of future economic benefit of an asset are treated as changes to estimates.

In case of intangible assets with unlimited useful life, an impairment test will be carried out at least once a year for the individual asset or for the entire cash-generating unit [CGU] to which that asset belongs. These intangible assets are not amortized according to a regular schedule. An intangible asset with unlimited useful life will be evaluated once a year as to whether the assessment of said asset having an unlimited useful life is still applicable. If this is not the case, a prospective change to the assessment of the useful life of the asset from unlimited to limited useful life will be carried out.

The development costs for equipment and equipment components are capitalized if the conditions of IAS 38 have been met. Acquisition and manufacturing costs comprise all costs that can be directly attributed to the development process as well as a reasonable portion of the development-related fixed costs. Capitalized development costs are amortized on schedule according to the straight line method beginning at the start of production over the anticipated product life cycle, usually between 3 and 7 years. Research costs and development costs that cannot be capitalized are recorded as expenses when they are incurred.

Goodwill is tested for recoverability within the scope of an annual impairment test in accordance with IAS 36 and IFRS 3. There were no write-downs in fiscal year 2008.

Property, plant, and equipment is initially valued at its acquisition or manufacturing cost and subsequently reduced by scheduled amortization amounts based on the asset's useful life as well as by unscheduled amortization amounts as a result of write-downs. Costs for repairs and maintenance are recorded as ongoing expenses. The straight line amortization method is carried out based on the anticipated consumption of the asset's future economic benefit. Scheduled amortization is based on the following economic life spans in most cases:

| | YEARS |
|---|---|
| | |
| Buildings | 25 to 50 |
| Technical equipment and machines | 6 to 10 |
| Other factory and office equipment | 4 to 13 |

An asset's residual value, remaining useful life, and method of amortization will be evaluated at the end of each fiscal year and adjustments will be made, if necessary.

Within the scope of finance leasing contracts, 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 can be attributed to the Manz Group, the assets are capitalized at their fair value or, if lower, at the cash value of the minimum lease payments as of the date the lease was concluded. Amortization is carried out using the straight line method based on the asset's useful life, or if shorter, the term of the lease. The financial obligations stemming from future lease installments are recorded as financial liabilities under "leasing liabilities."

In case of investments recorded using the equity method, the acquisition costs are initially recorded, and in subsequent years they are adjusted for the proportionate earnings, distributed dividends, and other changes to equity as well as for the hidden reserves and liabilities discovered upon acquisition. Balance sheet goodwill is included in the valuation of the investment; it is not subject to scheduled amortization. An impairment test will be performed if there are any indications that the investment should be written down. Any necessary devaluation is initially deducted from the goodwill on the balance sheet.

# IMPAIRMENT TEST

With regard to goodwill and intangible assets with an unlimited useful life, an impairment test will be carried out at least once a year. With regard to capitalized development costs and other intangible assets with a limited useful life as well as fixed assets and investments, an impairment test will only be carried out on the basis of concrete indications.

Depreciations will be recognized on the balance sheet insofar as the recoverable amount of the asset falls below the carrying amount. The recoverable amount will be estimated for each and every asset. If this is not possible, the amount will be estimated based on a Group of assets that form a cash-generating unit [CGU]. The recoverable amount is the higher amount from fair value minus disposal costs and value in use.

The fair value minus disposal costs is equal to the selling price of an asset under normal market conditions minus disposal costs. Value in use is determined based on the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life using the discounted cash flow method or the income valuation method. An interest rate before taxes which corresponds to market conditions will be used as the discount rate.

As a matter of principle, the value in use of the cash-generating unit in question is used to determine the recoverability of goodwill and intangible assets with unlimited useful life. The basis for this are the current projections created by the management team. The detailed projection period covers a period of three years.

For subsequent years, plausible assumptions will be made regarding future development. These assumptions will be continuously adjusted to reflect the current level of knowledge. In doing so, suitable assumptions regarding macroeconomic trends as well as historical developments will be taken into account.

Should there be any indication that an impairment loss recognized for an asset in prior years may no longer exist or may have decreased, the carrying amount should be increased, except in cases of goodwill. The increased carrying amount of an asset due to a reversal of an impairment loss should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

# INVENTORIES

In accordance with IAS 2 [Inventories], inventories should be measured at the lower of purchase of manufacturing cost and net realizable value. In addition to unit costs, manufacturing costs include reasonable portions of the necessary material and production overheads as well as production-related write-downs and proportionate administrative overheads that can be directly attributed to the production process. If necessary, averages can be used to simplify valuations.

# CONSTRUCTION CONTRACTS

Construction contracts are accounted for using the percentage-of-completion method [POC method] in accordance 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].

If the total of contract costs incurred and profits recognized exceeds the amount of advance payments, construction contracts are recorded as assets under future receivables from long-term construction contracts as part of the item trade receivables. A negative balance is recorded under trade payables. No negative balances were recorded during the current and previous fiscal years. Manz adheres to the principles of a loss-free valuation.

# FINANCIAL INSTRUMENTS

As set forth in IAS 39, financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Provided that the trading date and settlement date of financial assets do not fall on the same date, the settlement date is significant for initial accounting. The initial measurement of a financial instrument is equal to its acquisition cost. Transaction costs are included. Within the scope of subsequent measurements, financial instruments are either carried at fair value or at amortized cost determined using the continuing involvement method.

For the purpose of measuring a financial asset after initial recognition, IAS 39 sets for the following categories:
> financial assets at fair value through profit or loss and
  financial assets held for trading purposes
> held-to-maturity investments
> available-for-sale financial assets and
> loans and receivables

Financial liabilities are organized into the following categories:
> financial liabilities at fair value through profit and loss and
  financial liabilities held for trading purposes
> financial liabilities measured at amortized cost using the continuing-involvement method

Depending on the categorization of the financial instrument, the measurement is carried out at fair value or at amortized cost using the continuing involvement method.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted market prices in an active market are the best evidence of fair value and should be used, where they exist, to measure the financial instrument. If a market for a financial instrument is not active, an entity establishes fair value by using a valuation technique that makes maximum use of market inputs and includes recent arm's-length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models. The amortized costs are equal to the acquisition costs minus amortization, write-downs, and a difference between the acquisition costs and the amount due on the settlement which is accounted for using the effective interest method. Financial instruments are recorded as soon as Manz becomes a party to the contractual provisions of the instrument. As a matter of principle, derecognition only occurs when the contractual right to cash flows expires or this right is transferred to a third party.

## NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments include accounts receivable, securities, and liquid assets as well as financial debts and accounts payable. Non-derivative financial instruments are initially recorded at fair value. In the initial measurement, fair value is equal to the transaction price, i.e. the consideration paid or received.

After the initial approach, non-derivative financial instruments are valued at their fair value or at amortized cost using the continuing involvement method, depending on the category to which they belong.

As a matter of principle, loans and receivables that are not held for trading purposes are carried at amortized cost minus write-downs. Write-downs are carried out when objective indications for doing so arise. Indications for write-downs can exist when there is evidence that a debtor or a group of debtors are experiencing significant financial difficulties, when interest payments or loan repayments are either not forthcoming or are late, when bankruptcy is probable, and when observed data points to a measurable reduction in expected future cash flows, such as changes to provisions and economic conditions which are correlated to shortages. With respect to the Manz Group, this category primarily covers all accounts receivable and other receivables.

Available-for-sale financial assets are measured at fair value. With respect to the Manz Group, this category primarily covers securities. The difference between acquisition costs and fair value is charged directly to equity under consideration of deferred taxes and is recorded as a transfer to the valuation reserves from the market appraisal of securities. If fair value is continuously or significantly lower than the carrying value, the write-down is reported in the income statement. With regard to securities, the fair value is usually a market price.

Assets held for trading purposes are measured at fair value. The Manz Group does not hold any of these non-derivative financial instruments.

Held-to-maturity investments are measured at amortized cost using the continuing involvement method. Profit or loss resulting from subsequent measurements are included in the income statement. The Manz Group does not hold any of these non-derivative financial instruments.

In subsequent measurements, financial liabilities are valued at their continuing involvement costs under application of the effective interest method.

## DERIVATIVE FINANCIAL INSTRUMENTS

Manz AG only uses derivative financial instruments to hedge against the currency risks resulting from its operations.

According to IAS 39, derivative financial instruments are carried at fair value upon initial recognition as well as in subsequent measurements. 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.

The decisive factor in recording changes in fair values – both those included in the income statement and those recorded directly to equity – is whether the derivative financial instrument is included in an effective hedging relationship as set forth in IAS 39. If hedge accounting is not applicable, the changes in fair value of the derivative financial instruments are immediately included in the income statement. If an effective hedging relationship does exist in accordance with IAS 39, the hedging relationship is recorded as such.

Manz complies with the provisions of hedge accounting as set forth in IAS 39 to secure future cash flows [cash flow hedges]. In this regard, at the start of the hedging relationship the relationship between the underlying transaction and the hedge are documented, including the risk management objectives. In addition, the effectiveness of the designated hedging instrument in the hedging relationship is documented with regard to compensation for changes in the cash flows of the hedged item, both at the inception of a hedge and over the course of the relationship.

The effective portion of the change in fair value of a derivative or non-derivative financial instrument which has been designated as a hedge is recorded to equity as valuation reserves from cash flow hedges, after deduction of deferred taxes. The gains or losses as a result of the ineffective portion is immediately included in the income statement under "other operating income" or "other operating expenses."

Any gain or loss on the hedging instrument that was previously recognized directly in equity is "recycled" into profit or loss in the same period[s] in which the financial asset or liability affects profit or loss. If the forecast transaction is no longer expected to occur, the cumulative gains and losses deferred in equity up until that point must be taken to the income statement immediately.

## SECURITIES

Shares in exchange-traded, primarily short-term investment funds, fixed-interest securities and stocks that have a remaining life of more than three months but less than a year are recorded as current securities. The securities are all, without exception, in the available-for-sale category, and are carried at their fair values. In the initial valuation, transaction costs are taken into account that can be directly attributed to the acquisition of the financial asset; the initial valuation is carried out on the date of fulfillment. Unrealized gains and losses are recorded under revenue reserves under consideration of deferred taxes. The gains or losses are included in the income statement when they are sold. If there are major objective indicators suggesting that an asset should be written-down, it is amortized and recognized on the income statement.

## LIQUID ASSETS

Liquid assets comprise cash and cash equivalents in the form of cash accounts and current investments held at banking institutions which have a remaining term under three months when they are received. They are measured at amortized cost using the continuing involvement method.

# SHARE-BASED PAYMENTS

As a reward for services provided, company employees [including executives] receive a share-based payment in the form of equity instruments. This so-called “performance share plan” was first introduced in fiscal year 2008 [for more information see note 9].

The expenditures and the corresponding increase in equity resulting from granting equity instruments are recorded over the period of time in which the performance targets must be met [vesting period]. This period ends on the day of the first opportunity to exercise these options, i.e. the point in time when the respective employee has an irrevocable right to the options. The cumulative expenditures resulting from granting equity instruments which are recorded on each reporting date until the first opportunity to exercise these options reflect the portion of the vesting period which has already lapsed as well as the number of equity instruments which are actually exercisable after the vesting period ends based on the best possible estimates by the company. The gains or losses recorded on the balance sheet for that period correspond to the cumulative expenditures at the beginning and at the end of the reporting period.

No expenditures are recorded for options that are not yet exercisable. This excludes payment options that can only be exercised if certain market conditions are fulfilled. These options are regarded as exercisable regardless of whether the market conditions are fulfilled as long as all other performance targets have been met.

If the terms of a salary agreement are changed so that compensation is offset with equity instruments, expenditures are recorded at least at the level they would have been had the contractual terms not been changed. Furthermore, our company records the effect of changes that increase the total fair value of share-based salary agreements or are those that have another benefit for the employee, measured at the time the change occurs.

If a salary agreement in which payment is offset by equity instruments is rescinded, they will be treated as though they were exercised on the day the agreement was rescinded. The expenditures not recorded up until that point are immediately recorded. This applies to all compensation agreements when non-exercising conditions are not fulfilled over which neither the company nor the other party have control. However, if the rescinded compensation agreement is replaced with a new compensation agreement and the new compensation agreement is declared as a replacement for the rescinded compensation agreement on the day it is granted, the rescinded and new compensation agreement will be recorded like a change to the original compensation agreement [compare to the section above].

The diluting effect of outstanding share options is taken into account as an additional dilution when calculating diluted earnings per share [for more information see note 12].

# OWN SHARES

If the company purchases its own shares, these are carried at their acquisition cost and deducted from equity. The purchase, sale, and issue or redemption of own shares are not recognized as income or expenses.

## DEFERRED INVESTMENT SUBSIDIES

Investment subsidies received are deferred according to IAS 20 [Accounting for Government Grants and Disclosure of Government Assistance] and are written-off over the useful life of the respective assets. As a result, this item is distributed over the useful lives of the subsidized assets, which successively increases earnings in future fiscal years. This earnings increase is offset by a corresponding amortization expenditure which cancels each other out in the balance.

## DEFERRED TAXES

Deferred taxes are formed on all temporary differences between the valuations in the tax balance sheet and the consolidated balance sheet. Deferred taxes are capitalized for losses carried forward if it is assumed that it will be possible to use these.

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 taxes that correspond with items listed directly under equity are recorded in equity. Active and passive deferred taxes are offset against each other when the company would have an enforceable claim to offsetting actual claims to tax refunds against actual tax debt and these claims apply to taxes on earnings from the same taxable entity and levied by the same tax authority.

## PROVISIONS FOR PENSIONS

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

Calculations are based on actuarial surveys under consideration of biometric information. Actuarial gains and losses are included in the income statement when the actuarial gains and losses not recognized at the start of the year exceed ten percent of the higher 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. The interest rate used for the discount of reserves is set according to the rate of return of long-term, first-class corporate bonds on the reporting date.

## OTHER PROVISIONS

Other provisions are set aside if there is a current legal or de facto obligation to third parties that will presumably lead to a future outflow of resources and if these resources can be estimated reliably. Provisions for warranties are set aside under consideration of the previous or estimated future claim history.

## INCOME AND EXPENSES

As a matter of principle, revenues are recorded on the date on which the products or merchandise are delivered or the service was performed and the risk is passed 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.

Production-related expenses are recorded upon receipt or when the service is used; all other expenses are recorded as expenses when they are incurred. This also applies to non-capitalizable development costs. Provisions for warranties are set aside when the products are sold. Interest and other borrowing costs are booked as expenses for the period.

## EXPENSES FOR CAPITAL INCREASES

Expenses incurred within the scope of capital increases are carried directly to equity in accordance with IAS 32, less all associated income tax benefits.

## CONTINGENT LIABILITIES

Contingent liabilities represent possible obligations to third parties that result from past events and whose 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. Furthermore, contingent liabilities can result from a current obligation that was caused by past events but are not accounted for since an outflow of resources is not probable or the amount of the obligation cannot be reliably estimated.

## MANAGEMENT ESTIMATIONS AND ASSESSMENTS

In order to prepare the company's annual reports, assumptions and estimates must made that have an effect on the inclusion, measurement, and accounting of assets, debts, revenues, expenditures, contingent assets, and contingent liabilities. The essential issues affected by these types of discretionary decisions and estimates are related to the useful life expectancies of an asset and the values achievable used across the Group, the liquidability of receivables, the assessment of the level of completion of long-term production contracts, assumptions regarding future cash flows of cash-generating units and development projects, and the accounting and measuring of provisions. The values which actually occur can differ from the estimates in individual cases. The carrying values of the assets and debts affected by the estimates are listed in the breakdown of the individual balance sheet items.

The assumptions and estimates are based on all the information available at the time they were made. In particular, both the current situation at the time the annual reports are drawn up as well as realistic presumptions regarding future global and industry-wide trends are used as the basis for estimating future company performance. Due to the current crisis in both the financial and business markets, the assumptions and estimates are currently exposed to a high level of uncertainty. Due to trends in the general business environment which cannot be controlled by the Managing Board and may differ from the assumptions made, the company's actual performance can differ from the estimate values originally expected. If actual performance does differ from that which is expected, the assumptions and, if necessary, the carrying values of the assets and debts in question will be adjusted accordingly.

In the reporting year, write-downs valued at 1,055,000 euros were carried out within the scope of the yearly review of capitalized development costs. The write-downs were the result of changes to amortization periods as well as changes to the expected consumption of economic benefits of assets.

The estimates and evaluations by the Managing Board were based on assumptions that are explained in detail in the forecast report.

## CHANGES TO ACCOUNTING REGULATIONS

### a] Regulations applied for the first time

#### IFRIC 11 "IFRS 2 – Share-based payment involving an entity's own shares or shares of subsidiary entities"

This regulation covers the questions regarding how share-based payments should be accounted for, what effects employee changes within the Group have on IFRS 2, and how share-based payments are to be handled in cases when the company gives out its own shares of shares purchased from a third party. IFRIC 11 was first required to be applied to the fiscal year beginning or after January 1, 2008. The changes had no significant effects on the Manz Group's consolidated financial statements.

### b] Newly issued and EU-accepted regulations that were not applied ahead of schedule

The following accounting statements were published by the IASB and must be applied to fiscal years beginning on or after January 1, 2009. These have no significant effects on the Manz Group's financial situation as presented in the annual report. There will be additional disclosure requirements, however.

#### IFRS 8 "Operating Segments"

IFRS 8 governs which financial information a company must present in its reports regarding its operating segments. IFRS 8 replaces IAS 14 "Segment Reporting" and follows the so-called management approach with regard to segment reporting. This stipulates that information regarding operating segments must be published on the basis of internal reporting. IFRIC 8 must first be applied to the fiscal years beginning or after January 01, 2009.

#### Changes to IAS 23 "Borrowing Costs"

The changes call for the capitalization of borrowing costs that can be directly attributed to the purchase, construction, or manufacture of a qualifying asset. The main change from the previous version is the removal of the option of immediately recognizing borrowing costs as an expense. The change must first be applied to fiscal years beginning or after January 01, 2009.

### Revision of IAS 1 “Presentation of Financial Statements”

A revised version of IAS 1 was published in September of 2007. The main changes require an entity to present changes in equity resulting from transactions with owners in separate statements. In addition, the titles of certain parts of financial statements were changed. The new standard must first be applied to fiscal years beginning or after January 01, 2009.

### Change to IFRS 2 “Share-based Payments”

This change clarifies that vesting conditions are service conditions and performance conditions only. In addition, the change stipulates that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The change must first be applied to fiscal years beginning or after January 01, 2009.

### IFRIC 13 “Customer loyalty programs”

This interpretation addresses accounting by customer loyalty programs that grant loyalty award credits [points or awards] to customers. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services to customers who redeem award credits. IFRIC 13 must first be applied to fiscal years that begin on or after July 1, 2008.

### IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”

This interpretation defines how to measure defined benefit assets of pension plans when a minimum funding requirement exists. A defined benefit asset always exists when the fair value of the plan assets exceed the present value of the defined benefit obligation. IFRIC 14 was first required to be applied to fiscal years beginning or after January 1, 2009.

The other standards which were passed but are not yet required to be applied will prospectively have no significant effects on the Group’s financial situation and cash flow.

# III. NOTES TO THE CONSOLIDATED INCOME STATEMENT >>

## [1] REVENUES

The breakdown of revenue by divisions and regions is included in the segment report. Please see the comments in the segment report in section IV.

## [2] INTERNALLY PRODUCED AND CAPITALIZED ASSETS

Internally produced and capitalized assets result primarily from the capitalization of development costs for the non-contact printing process as well as further advancements to the cell tester in the systems.solar division and to laser edge isolation in the systems.lcd division for LCD handling.

## [3] OTHER OPERATING INCOME

| | 2008<br>EUR tsd | 2007<br>EUR tsd |
|---|---|---|
| Exchange gains | 3,443 | 647 |
| Remuneration in kind | 291 | 150 |
| Income from the liquidation of reserves | 371 | 0 |
| Profit on asset disposal | 78 | 0 |
| Subsidies | 122 | 74 |
| Miscellaneous | 450 | 44 |
| | **4,755** | **915** |

## [4] PURCHASES

| | 2008<br>EUR tsd | 2007<br>EUR tsd |
|---|---|---|
| Cost of raw materials and supplies and for purchased goods | 84,380 | 29,016 |
| Cost of third-party services | 46,007 | 17,629 |
| | **130,387** | **46,645** |

# [5] PERSONNEL COSTS

| | 2008<br>EUR tsd | 2007<br>EUR tsd |
|---|---|---|
| | | |
| | | |
| Wages and salaries | 35,350 | 14,401 |
| Social security contributions and benefits | 6,381 | 2,193 |
| | **41,731** | **16,594** |
| **Average annual number of employees** | | |
| Manufacturing | 782 | 105 |
| Business/technical areas | 604 | 145 |
| Trainees | 18 | 4 |
| | **1,404** | **254** |

# [6] OTHER OPERATING EXPENSES

| | 2008<br>EUR tsd | 2007<br>EUR tsd |
|---|---|---|
| | | |
| | | |
| Outgoing freights, packaging | 3,781 | 959 |
| Advertising and travel expenses | 3,563 | 1,924 |
| Commissions | 911 | 56 |
| Rent and leasing | 3,341 | 1,094 |
| Legal and consulting costs | 1,158 | 790 |
| Insurance | 469 | 190 |
| Exchange rate losses | 8,134 | 294 |
| Allocations to miscellaneous provisions [reworking and warranty] | 2,020 | 0 |
| Repairs and maintenance | 416 | 65 |
| Changes to the value of receivables | 3,460 | 31 |
| Miscellaneous | 6,116 | 2,080 |
| | **33,369** | **7,483** |

# [7] FINANCIAL GAINS

Disclosure of financial income and expenses is carried out separately for both items for the year in review. In the previous year, both items were compounded in the financial results. The previous year's disclosure has been adjusted accordingly.

The financial gains comprised of the following:

| | 2008<br>EUR tsd | 2007<br>EUR tsd |
|---|---|---|
| | | |
| Other interest and similar income | | |
| Interest on deposits [restricted cash and the like] | 786 | 675 |
| Income from securities | 774 | 154 |
| Net profit from the disposal of securities | 397 | 0 |
| | **1,957** | **829** |

# [8] FINANCIAL EXPENSES

| | 2008<br>EUR tsd | 2007<br>EUR tsd |
|---|---|---|
| | | |
| Interest and similar expenses | | |
| Non-current liabilities | 294 | 286 |
| Current liabilities | 1,299 | 54 |
| Interest component of pension provisions | 212 | 9 |
| Other interest expenses | 30 | 0 |
| Net loss from the disposal of securities | 258 | 0 |
| | **2,093** | **349** |

# [9] SHARE-BASED PAYMENTS

## Performance share plan

Our company established a performance share plan for members of the Managing Board and other eligible employees during the year in review. Share options are granted with a vesting period of three years and a maximum total duration until August of 2014. After the vesting period has expired, the recipient has the right to purchase a Manz share at a price of 1.00 euro. Share options are forfeited when the employee resigns or is terminated. The owner of the share options does not have a right to dividends during the vesting period. Manz AG can use newly issued shares, shares it already owns, or a cash payment to satisfy its obligation stemming from the share options. The type of compensation used is determined by the Managing and Supervisory Boards.

The share options will be issued at the discretion of the Managing Board with the approval of the Supervisory Board, or in cases of members of the Managing Board, at the discretion of the Supervisory Board, in yearly tranches within a period of three months after the company's General Meeting.

The number of total shares to be issued is based on the number of employees entitled to shares per tranche, on the level that the performance targets have been reached [success factor], and on the holding period of the options [loyalty factor]. The success factor is based on the company's respective EBIT margin in the annual report for the individual tranches. The loyalty factor is determined by the holding period of the options and can increase to a maximum factor of 2.00 if the options are first exercised in the 6th calendar year after receiving the share options.

In fiscal year 2008, our company issued 16 employees and members of the Managing Board 2,388 share options. Of these, 1,092 were issued to the Managing Board. In fiscal year 2007, no share options were issued.

The following chart shows the changes to the share options with the respective weighted average fair values for each share promised on the date of issue:

| | Number of share options | Weighted average fair value on the date of issue EUR |
|---|---|---|
| | | |
| Balance at the beginning of the year [not vested] | 0 | 0,0 |
| Issued in the reporting period | 2,388 | 212,69 |
| **Balance at the end of the year [not vested]** | **2,388** | **212,69** |

The fair value of the shares promised is calculated as the difference between the market price of Manz shares and the cash value of the expected dividend within the vesting or loyalty period. The cash value of the expected dividend was calculated under the assumption of a dividend yield of 1% and an interest rate of 5% beginning in fiscal year 2010. The fair value of each share option issued in fiscal year 2008 totals 212.69 euros. The fair value of all share options issued in the year in review totals 508,000 euros. Distribution over the vesting period lead to personnel costs from share-based payment transactions settled using equity instruments amounting to 63,000 euros for fiscal year 2008.

## [10] INCOME TAXES

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

Income taxes comprise the following:

| | 2008 EUR tsd | 2007 EUR tsd |
|---|---|---|
| | | |
| Actual tax expense | | |
| Current period | 3,863 | 540 |
| Previous period | 169 | 1 |
| Deferred tax expense from temporary differences | 3,275 | 1,769 |
| Deferred tax expense / revenue [–] from tax loss carry-forward | 8 | – 1 |
| | **7,315** | **2,309** |

In 2007, commercial tax laws in Germany were reformed. Beginning on January 1, 2008, the corporate tax rate was reduced from 25% to 15%. With regard to trade tax, the base amount was reduced from 5% to 3.5%, and the ability to deduct trade tax as an operating expense was repealed. The effects of these changes to the tax law were to be taken into account in 2007.

Calculation of the current income tax expense is carried out using the tax rates applicable on the balance sheet date. The domestic tax rate of 28.08% was applied for the calculation of deferred taxes.

The income taxes in the year in review amounting to 7,315,000 euros [previous year: 2,309,000 euros] are derived as follows from an "expected" income tax expense, which would have resulted if the statutory income tax rate of the parent company was applied to earnings before taxes:

| | 2008 EUR tsd | 2007 EUR tsd |
|---|---|---|
| | | |
| Earnings before income taxes | 28,489 | 10,554 |
| Manz Automation AG's income tax rate | 28.08% | 36.73% |
| **Expected income tax expense** | **8,000** | **3,876** |
| | | |
| International tax rate differences | –518 | –154 |
| Differing tax assessment basis | 36 | 5 |
| Taxes for previous years | 169 | 1 |
| Tax credits | –310 | 0 |
| Effects of changes to the tax rate [corporate tax reform 2008] | 0 | –1,321 |
| Other | –62 | –99 |
| **Declared income tax expense** | **7,315** | **2,309** |
| **Effective tax charge** | **25.68%** | **21.88%** |

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

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| | Dec. 31, 2008 EUR tsd | Dec. 31, 2007 EUR tsd | Dec. 31, 2008 EUR tsd | Dec. 31, 2007 EUR tsd |
| | | | | |
| Intangible assets | | | 1,975 | 1,507 |
| Inventories | 4,007 | 1,269 | | |
| Receivables | 671 | | 8,541 | 3,889 |
| Derivative financial instruments | 53 | | 754 | 125 |
| Securities | 11 | | 52 | 29 |
| Provisions for pensions | 183 | | | 7 |
| Accounts payable | 201 | | 295 | |
| Tax loss carry-forward | 27 | 34 | | |
| Gross value | **5,153** | **1,303** | **11,617** | **5,557** |
| Net balance | –4,098 | –1,269 | –4,098 | –1,269 |
| **Total [consolidated balance sheet]** | **1,055** | **34** | **7,519** | **4,288** |

Deferred taxes from derivative financial instruments [cash flow hedges] and the market value of securities totaling 742,000 euros [previous year: 154,000 euros] is offset in equity against revenue reserves.

Deferred taxes are only carried for tax loss carry-forwards if it is sufficiently certain that these will be realized. The Managing Board believes that this is permanently the case, 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 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 carry-forwards on the balance sheet date totaled 167,000 euros with no restrictions on carrying these forward.

## [11] SHARE OF PROFITS FROM MINORITY INTERESTS

The minority shareholders' share of profits comprises the earnings attributed to the minority interests totaling 794,000 euros [previous year: 0 euros].

## [12] EARNINGS PER SHARE

The undiluted earnings per share is calculated by dividing the Manz Automation AG shareholders' share of earnings and the weighted average number of shares outstanding during the fiscal year. Earnings per share can become diluted as a result of potential shares outstanding. These include share options, when these options cause shares to be issued at a value under the average market price of the share. Earnings per share became diluted as a result of share options granted within the scope of the performance plan [see section 9].

Earnings per share were calculated according to IAS 33.

| | | **2008** | **2007** |
|---|---|---|---|
| | | | |
| The portion of Group earnings assigned to shareholders | EUR | 20,380,974 | 8,244,712 |
| | | | |
| Weighted average number of shares outstanding | Number | 4,041,079 | 3,430,025 |
| Effect of share-based payments | Number | 2,511 | 0 |
| **Weighted average number of shares outstanding [diluted]** | Number | **4,043,590** | **3,430,025** |
| | | | |
| Earnings per share [undiluted] | EUR | 5.04 | 2.40 |
| Earnings per share [diluted] | EUR | 5.04 | 2.40 |

# IV. NOTES TO THE SEGMENT REPORTING >>

Within the scope of segment reporting, the activities of the Manz Group are broken down into divisions [primary] and regions [secondary] in accordance 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 divisions. Manz Automation AG's primary segments are its systems.solar, systems.lcd, systems.aico, and "others" divisions.

The "others" division was established in fiscal year 2008 as a result of the new acquisitions. This division primarily comprises the field of wet chemical processing equipment for the PCB industry for Manz Intech Machines Co. Ltd, as well as the field of manufacturing machines for the processing of paper, film, and packaging for acquired Christian Majer GmbH & Co. KG [now: Manz Automation Tübingen GmbH]. Manz Intech Machines Co. Ltd's segment covering the manufacture of wet chemical processing equipment for the LCD industry is assigned to the systems.lcd division.

The secondary segments are broken down according to regions.

Activities in the systems.solar division range from automation solutions for the production of solar cells to system solutions for quality control and sorting of solar cells.

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

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

The segment reports present the income, earnings, assets, and liabilities of the Group's individual segments. With the exception of the Administrative/Other segment, there are only marginal delivery and service relationships between the individual segments. The delivery and service relationships within segments are consolidated. The exchange of services between the segments is carried out at prices as they would have been determined in arm's length transactions.

# V. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS >>

## [13] NOTES TO THE STATEMENT OF CASH FLOWS

The statement of cash flows shows how the Manz Group's cash and cash equivalents have changed over the course of the year in review as a result of cash inflows and outflows. In accordance with IAS 7 [Statement of Cash Flows], cash flows are broken down into operating activities, investing activities, and financing activities. The effects of changes to the basis of consolidation and exchange rates are eliminated in the individual items. Changes to liquid assets as a result of exchange rate changes are listed separately.

The cash and cash equivalents in the statement of cash flows include all of the cash and cash equivalents carried on the balance sheet, which comprises cash balances, bank balances, and securities that can be liquidated rapidly with a term of up to three months, and whose value fluctuates minimally.

Cash flows from investing and financing activities are shown using the direct method. The inflows and outflows from investing activities from ongoing business include additions to intangible assets as well as additions to property, plant, and equipment as well as changes to the amount of funds in securities. Payments made for the purchase of subsidiary companies are reduced by the amount of liquid assets acquired. Financing activities include cash outflows from the repayment of loans as well as cash inflows from increases to equity capital and the issue of other financial liabilities.

In contrast, the cash inflows and outflows from operations are indirectly derived from earnings after taxes. In this regard, earnings after taxes are adjusted for non-cash expenses, primarily comprising amortizations and changes in provisions, as well as non-cash expenses and income, and amended to include the change in operating assets and liabilities.

The cash inflows and outflows from operations include:

| | 2008<br>EUR tsd | 2007<br>EUR tsd |
|---|---:|---:|
| | | |
| Interest paid | –1,609 | –128 |
| Interest received | 1,458 | 794 |
| Income tax paid | –703 | –743 |
| Income tax refunded | 1,061 | 0 |

Investing and financing activities which did not cause a change in cash and cash equivalents are not included in the cash flow statement.

# VI. NOTES TO THE CONSOLIDATED BALANCE SHEET >>

## [14] INTANGIBLE ASSETS

| | Licenses, software, and similar rights | Capitalized development costs | Goodwill | Advance payments made | Total |
|---|---|---|---|---|---|
| | EUR tsd | EUR tsd | EUR tsd | EUR tsd | EUR tsd |
| | | | | | |
| Acquisition costs | | | | | |
| Status January 01, 2007 | 757 | 4,341 | 30 | 0 | 5,128 |
| Inflows | 311 | 2,425 | 0 | 0 | 2,736 |
| **Status December 31, 2007** | **1,068** | **6,766** | **30** | **0** | **7,864** |
| | | | | | |
| Amortizations | | | | | |
| Status January 01, 2007 | 485 | 789 | 0 | 0 | 1,274 |
| Inflows | 150 | 610 | 0 | 0 | 760 |
| **Status December 31, 2007** | **635** | **1,399** | **0** | **0** | **2,034** |
| | | | | | |
| Acquisition costs | | | | | |
| Status January 01, 2008 | 1,068 | 6,766 | 30 | 0 | 7,864 |
| Currency adjustments | 39 | 0 | 0 | 0 | 39 |
| Changes to the basis of consolidation | 11,548 | 64 | 21,883 | 0 | 33,495 |
| Inflows | 628 | 3,872 | 0 | 2,841 | 7,341 |
| **Status December 31, 2008** | **13,283** | **10,702** | **21,913** | **2,841** | **48,739** |
| | | | | | |
| Amortizations | | | | | |
| Status January 01, 2008 | 635 | 1,399 | 0 | 0 | 2,034 |
| Currency adjustments | 15 | 0 | 0 | 0 | 15 |
| Inflows | 1,102 | 2,730 | 0 | 0 | 3,832 |
| **Status December 31, 2008** | **1,752** | **4,129** | **0** | **0** | **5,881** |
| | | | | | |
| Residual value December 31, 2007 | 433 | 5,367 | 30 | 0 | 5,830 |
| **Residual value December 31, 2008** | **11,531** | **6,573** | **21,913** | **2,841** | **42,858** |

## Impairment test – goodwill and intangible assets with unlimited useful life

To evaluate recoverability, goodwill and brand names with unlimited useful life acquired within the scope of a business combination are attributed to the following cash-generating units, which also represent segments reported on:

| | systems.solar 2008 | systems.lcd 2008 | systems.aico 2008 | others 2008 | Total 2008 |
|---|---|---|---|---|---|
| | EUR tsd | EUR tsd | EUR tsd | EUR tsd | EUR tsd |
| Carrying value of the goodwill | 11,187 | 6,050 | 2,488 | 2,188 | **21,913** |
| Carrying value of the brand names with unlimited useful life | 1,317 | 1,317 | | 659 | **3,293** |

In fiscal year 2007, goodwill totaled 30,000 euros and was allocated to the systems.aico segment.

A cash-generating unit to which goodwill has been allocated shall be tested for impairment at least annually by comparing the carrying amount of the unit, including the goodwill, with the value in use of the unit. The value in use is determined using the discounted cash flow method. The current three-year plans for the respective division will be used as the source of information.

Expected market trends in relation to trends within the Manz Group, changes to crucial manufacturing and miscellaneous costs, as well the discount factor are the primary factors which form the basis for planning. General market forecasts, current trends, and historic experience are all used to form assumptions.

For each division that has goodwill attributed to it, the cash flows are forecast individually on the basis of revenue and cost planning. Growth rates have been assessed at rates between 1.0% and 2.0%. Discounting is carried out using WACC before taxes of 11.3%. Goodwill will be written down when the value in use is less than the carrying value of the division.

There were no write-downs on balance sheet goodwill or intangible assets with unlimited useful life in the 2007 and 2008 fiscal years.

Of the total research and development costs in 2008, 3,871,000 euros [previous year: 2,425,000 euros] fulfill the criteria for capitalization in accordance with IFRS.

The following amounts were balanced in the income statement:

| | 2008 EUR tsd | 2007 EUR tsd |
|---|---|---|
| Research costs and non-capitalized development costs | –6,464 | –1,209 |
| Write-offs on development costs | –2,730 | –610 |
| Capitalized development costs | 3,871 | 2,425 |
| **Research and development costs balanced in the income statement** | **–5,323** | **606** |

# [15] PROPERTY, PLANT, AND EQUIPMENT

| | Properties and buildings | Technical equipment and machines | Other equipment factory, and office equipment | Advance payments made | Total |
|---|---|---|---|---|---|
| | EUR tsd | EUR tsd | EUR tsd | EUR tsd | EUR tsd |
| | | | | | |
| Acquisition costs | | | | | |
| Status January 01, 2007 | 6,820 | 781 | 1,554 | 0 | 9,155 |
| Currency adjustments | –3 | –4 | –6 | 0 | –13 |
| Changes to the basis of consolidation | 424 | 0 | 0 | 0 | 424 |
| Inflows | 66 | 865 | 946 | 290 | 2,167 |
| Outflows | –6,596 | 0 | 0 | 0 | –6,596 |
| **Status December 31, 2007** | **711** | **1,642** | **2,494** | **290** | **5,137** |
| | | | | | |
| Amortizations | | | | | |
| Status January 01, 2007 | 360 | 374 | 1055 | | 1,789 |
| Currency adjustments | –1 | –2 | –7 | | –10 |
| Inflows | 149 | 197 | 490 | | 836 |
| Outflows | –465 | 0 | 0 | | –465 |
| **Status December 31, 2007** | **43** | **569** | **1,538** | **0** | **2,150** |
| | | | | | |
| Acquisition costs | | | | | |
| Status January 01, 2008 | 711 | 1,642 | 2,494 | 290 | 5,137 |
| Currency adjustments | –5 | 1 | 134 | –1 | 129 |
| Changes to the basis of consolidation | 7,328 | 1,721 | 4,210 | 85 | 10,712 |
| Inflows | 131 | 2,576 | 1,578 | 147 | 4,797 |
| Outflows | –183 | –891 | –168 | –278 | –1,520 |
| **Status December 31, 2008** | **7,982** | **5,049** | **5,981** | **243** | **19,225** |
| | | | | | |
| Amortizations | | | | | |
| Status January 01, 2008 | 43 | 569 | 1,538 | 0 | 2,150 |
| Currency adjustments | 4 | –7 | 61 | 0 | 58 |
| Inflows | 177 | 615 | 870 | 0 | 1,662 |
| Outflows | –27 | –627 | –108 | 0 | –762 |
| **Status December 31, 2008** | **197** | **550** | **236** | **0** | **3,108** |
| | | | | | |
| Residual value December 31, 2007 | 668 | 1,073 | 956 | 290 | 2,987 |
| **Residual value December 31, 2008** | **7,785** | **4,499** | **3,620** | **243** | **16,147** |

Property and buildings belonging to Manz Intech Machines with a carrying value of 7,023,000 euros serve as collateral for a bank loan.

# [16] EQUITY-ACCOUNTED FINANCIAL INVESTMENTS

Manz Automation AG holds a 24% interest in Axystems Ltd., Israel. The business operations of the company consist of the development and manufacture of control systems. Axystems was accounted for in the Group's consolidated financial statements as an associated company using the equity method in accordance with IAS 28, since significant influence can be exerted. The portion of earnings in the year in review which was allotted to Manz AG totaled 24,000 euros.

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

| | Dec. 31, 2008 EUR tsd | Dec. 31, 2007 EUR tsd |
|---|---:|---:|
| | | |
| Proportionate assets | 249 | 220 |
| Proportionate liabilities | 94 | 128 |
| Proportionate revenues | 484 | 367 |
| Proportionate annual profit | 24 | 29 |
| | | |
| **Carrying value of the interest** | **313** | **289** |

# [17] INVENTORIES

| | Dec. 31, 2008 EUR tsd | Dec. 31, 2007 EUR tsd |
|---|---:|---:|
| | | |
| Raw materials and supplies | 13,602 | 1,794 |
| Work in progress, unfinished services | 12,165 | 10,579 |
| Finished goods, merchandise | 4,518 | 1,082 |
| Advance payments made | 2,749 | 1,257 |
| | **33,034** | **14,712** |

With regard to inventories, write-offs due to risks in the market and movement rates were carried out totaling 1,768,000 euros [previous year: 0 euros]. They are disclosed under raw materials and supplies.

# [18] ACCOUNTS RECEIVABLE

| | Dec. 31, 2008 EUR tsd | Dec. 31, 2007 EUR tsd |
|---|---|---|
| | | |
| Future receivables from construnction contracts | 29,658 | 13,852 |
| Accounts Receivable | 71,694 | 9,168 |
| | **101,352** | **23,020** |

The receivables from non-current construction contracts based on percentage of completion are calculated as follows:

| | Dec. 31, 2008 EUR tsd | Dec. 31, 2007 EUR tsd |
|---|---|---|
| | | |
| Manufacturing costs including profit/loss on construction contracts | 50,462 | 32,808 |
| minus advance payments received | – 20,804 | – 18,956 |
| | **29,658** | **13,852** |
| | | |
| Provisions for specific doubtful debts | 4,155 | 0 |
| General provisions for doubtful debts | 918 | 82 |
| | **5,073** | **82** |

The provisions for doubtful debts have changed as follows:

| | 2008 EUR tsd | 2007 EUR tsd |
|---|---|---|
| | | |
| Status January 1 | 82 | 51 |
| Changes to the basis of consolidation | 1,714 | 0 |
| Consumption | 181 | 0 |
| Dissolution | 2 | 0 |
| Inflows | 3,460 | 31 |
| **Status December 31** | **5,073** | **82** |

For future receivables from construction contracts, no provisions for doubtful debts are required. The provisions for doubtful debts are deducted directly from receivables.

# [19] DERIVATIVE FINANCIAL INSTRUMENTS

On the balance sheet date, the following forward exchange contracts, forward exchange options, and currency swaps were used within the scope of hedge accounting as exchange hedges against income in US dollars anticipated during the coming fiscal year:

| | Dec. 31, 2008 | | Dec. 31, 2007 | |
|---|---|---|---|---|
| **Assets** | **Nominal values** | **Market values** | **Nominal values** | **Market values** |
| | **EUR tsd** | **EUR tsd** | **EUR tsd** | **EUR tsd** |
| **Cashflow hedges** | | | | |
| Forward exchange contracts | 33,231 | 1,927 | 15,928 | 405 |
| Foreign exchange options | 11,387 | 87 | 0 | 0 |
| Foreign exchange options | 8,809 | 671 | 2,335 | 40 |
| | **53,427** | **2,685** | **18,263** | **445** |

| | Dec. 31, 2008 | | Dec. 31, 2007 | |
|---|---|---|---|---|
| **Liabilities** | **Nominal values** | **Market values** | **Nominal values** | **Market values** |
| | **EUR tsd** | **EUR tsd** | **EUR tsd** | **EUR tsd** |
| **Cashflow hedges** | | | | |
| Forward exchange contracts | 14,757 | 155 | 0 | 0 |
| Foreign exchange options | 1,957 | 33 | 0 | 0 |
| | **16,714** | **188** | **0** | **0** |

The nominal volume is the total of all buy and sell amounts of derivative financial transactions. 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.

The maturity dates of the derivative financial transactions are from January 2, 2009, until June 26, 2009.

In the fiscal year, net valuation earnings from ongoing cash flow hedges amounting to 2,497,000 euros, with deductions of deferred taxes totaling 696,000 euros, were transferred to profit reserves and not recognized in the income statement. In this period, net profits totaling 323,000 euros [previous year: 0 euros] were reclassified as other operative income.

As a result of scheduling-related postponements in the underlying transactions, losses totaling 7,498,000 euros [previous year: 0 euros] occurred in fiscal year 2008 as a result of ineffectiveness. This amount is disclosed under other operating expenses as exchange rate losses.

## [20] OTHER CURRENT RECEIVABLES

| | Dec. 31, 2008<br>EUR tsd | Dec. 31, 2007<br>EUR tsd |
|---|---|---|
| | | |
| Tax receivables [not taxes on income or earnings] | 854 | 869 |
| Receivables – personnel | 119 | 14 |
| Accrued interest | 483 | 189 |
| Other miscellaneous accruals [mainly insurances] | 458 | 161 |
| Miscellaneous | 1,020 | 121 |
| | **2,934** | **1,354** |

In the previous year, other miscellaneous accruals were posted under the separate balance sheet item “Prepaid expenses.” As of this reporting year, these items are disclosed under “Other current receivables.” The previous year’s disclosure has been adjusted accordingly.

The “other current receivables” are neither delinquent nor written-off.

## [21] SECURITIES

Securities comprise shares in exchange-traded, primarily short-term investment funds, fixed-interest securities, and stocks, all of which are categorized as “available-for-sale current financial assets.”

# [22] LIQUID ASSETS

Liquid assets comprise cash and cash equivalents in the form of cash accounts and current investments held at credit institutions which have a remaining term of up to three months from when they are received. They are measured at amortized cost using the continuing involvement method.

# [23] EQUITY

Changes in the Group's individual equity items are disclosed separately in the "Statement of Changes in Shareholder's Equity".

## Subscribed share capital

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

Subscribed share capital increased from the previous year to 4,480,054.00 euros [previous year: 3,582,900.00 euros] and is divided in 4,480,054 shares without par value in the name of the holder. The par value of the shares is therefore equal to 1.00 euro.

The share capital of the company was increased on April 21, 2008, by 1,143.00 euros from 3,582,900.00 to 3,584,043.00 using part of the approved capital and with approval from the Supervisory Board. The increase was carried out by issuing 1,143 new shares without par value issued in the name of the holder to 61 company employees as compensation for claims to profit sharing or performance-based payments. The capital increase was carried out on May 6, 2008, and was entered into the commercial registry at the district court of Stuttgart. The employees are required to hold the 1,143 new shares until October 17, 2008 [holding period].

On June 10, 2008, based on the powers granted in the resolution passed by the General Meeting of the company on August 11, 2006, and in accordance with Paragraph 3, Section 3 of the articles of incorporation [approved capital] and in conjunction with Paragraph 202ff. of the German Companies Act, with approval by the Supervisory Board on June 10, 2008, the Managing Board decided to increase the share capital of the company by 896,011.00 euros from 3,584,043.00 euros to 4,480,054.00. This was done by issuing 896,011 new shares without par value issued in the name of the holder with profit sharing rights beginning January 1, 2008 by way of cash deposit. The new shares were offered to the shareholders of the company at a ratio of 4 to 1 with the exception of a residual amount of 0.25 euros, corresponding to 0.25 new shares. The capital increase was entered into the commercial registry on June 27, 2008.

The number of shares outstanding comprise the following:

| | Number of shares |
|---|---|
| | |
| Number of shares without par value issued on December 31, 2007 | 3,582,900 |
| Capital increase in return for stock | 1,143 |
| Capital increase by cash contributions | 896,011 |
| **Number of shares without par value issued on December 31, 2008** | **4,480,054** |

## Authorized capital

In the General Meeting on August 11, 2006, the Managing Board, with approval from the Supervisory Board, was given authorization to increase capital stock in the period until August 10, 2011 one or more times up to a total of 1,628,625.00 euros through the issue of new shares without par value in return for cash or assets in kind [authorized capital stock]. In doing so, existing shareholders must be given subscription rights; however, the Managing Board can nullify these rights with approval from the Supervisory Board. As of December 31, 2008, authorized capital still totals 405,821.00 euros.

## Contingent capital I

In the General Meeting on June 10, 2008, a resolution was passed authorizing a contingent increase in share capital by up to 1,433,160.00 euros through the issue of up to 1,433,160 new shares without par value issued in the name of the holder [contingent capital I].

The contingent capital increase will serve to grant shares without par value issued in the name of the holder to owners and holders of convertible bonds and/or share options, profit-sharing rights and/or profit-sharing bonds [or a combination of these instruments].

Via a General Meeting resolution from June 10, 2008, the Managing Board, with Supervisory Board approval, is authorized to issue from the capital stock of the company convertible bonds and/or bond options, profit-sharing rights and/or profit-sharing bonds [or combinations of these instruments] to bearers or registered holders with or without term restrictions, and with a total nominal value up to 300 million euros, once or multiple times, until June 09, 2013. In addition, the Managing Board is authorized to grant owners or creditors of these instruments company shares without par value issued in the name of the holder equal to a proportional amount of the company's capital stock, up to 1,433,160.00 euros, in accordance with the terms and conditions of the bonds.

## Contingent capital II

In the General Meeting on June 10, 2008, a resolution was passed authorizing a contingent increase in share capital of up to 72,000.00 euros through the issue of up to 72,000 new shares without par value issued in the name of the holder [contingent capital II, Manz Performance Share Plan 2008].

This contingent capital increase serves the exclusive purpose of granting pre-emptive rights [share options] to members of the Managing Board of the company, to members of the Managing Board at partner companies, as well as non-executive level members of management within the company and at partner companies, both in Germany and abroad.

The Managing Board is also authorized until May 31, 2013, with Supervisory Board approval, to grant pre-emptive rights to 50,400 company shares without par value issued in the name of the holder one or more times to members of the Managing Board at partner companies as well as non-executive level members of management within the company and at partner companies, both in Germany and abroad.

The Supervisory Board is authorized until May 31, 2013, to grant pre-emptive rights to 21,600 company shares without par value issued in the name of the holder to members of the Managing Board on one or more occasions.

In total, 24,000 pre-emptive rights can be issued.

The number of pre-emptive rights issued until the reporting date totaled 2,388 [see Note 9].

## Capital reserves

The capital reserves consist primarily of the payments from shareholders in accordance with Paragraph 272, Section 2, Clause 1 of the German Commercial Code, minus the costs of raising capital after taxes.

## Own shares

In a resolution passed by the General Meeting on June 10, 2008, the company was given authorization to purchase its own shares until December 9, 2009, equaling up to 10% of the subscribed capital which existed on the day of the resolution.

This purchase can be carried out on the stock exchange or through a publicly issued purchase offer sent to shareholders. The sale of the shares purchased can be carried out using methods other than the stock exchange or by making an offer to all shareholders, and under the exclusion of shareholders' pre-emptive rights, if the own shares purchased are sold at a price which is not significantly lower than the market price of similar company shares. The Managing Board is also authorized to divest the own shares purchased to third parties within the scope of acquisitions of whole companies, parts of companies, or stakes in companies, while excluding existing shareholders' pre-emptive rights and using methods other than over the stock exchange or by making an offer to shareholders. Furthermore, the Managing Board is authorized to use own shares purchased to fulfill pre-emptive and conversion rights which arise as a result of exercising options or convertible rights.

During the 2008 fiscal year, the company purchased 2,500 of its own shares at an average price of 81.03 euros per share [market value: 203,000.00 euros]. The supply of own shares is unchanged as of December 31, 2008.

## Revenue reserves

Revenue reserves are reserves consisting of retained profits, reserves for a market assessment of available-for-sale securities, and reserves for cash flow hedges. The retained profits contain profits earned by Manz AG and includes subsidiaries in the current and previous years that have not yet been distributed. In the previous year, retained profits were disclosed separately under "equity" as "consolidated net retained profits." The previous year's disclosure was adjusted to the new format.

Changes to the fair value of securities are recorded in the reserves for a market assessment of available-for-sale securities.

In the reserves for cash flow hedges, the portion of profits or losses on a hedging instrument which was determined to be an effective hedge is recorded.

## Currency conversion

The reserves for currency conversion serve to record the differences from the conversion of annual reports of international subsidiaries.

## Minority interests

Minority interests pertain to Manz Automation Slovakia s.r.o., in which Manz Automation AG holds a 90% stake, as well as Manz Intech Machines Co. Ltd., in which Manz Automation Asia Ltd. holds a 75.6% stake. Furthermore, in the newly formed company Manz Automation India Private Limited, a minority interest of 25% is held. The portion of equity and annual earnings which is apportioned to the minority shareholders is disclosed separately on the balance sheet and the income statement.

## Proposed appropriation of profits

Dividends are disbursed by Manz Automation AG based on the net earnings legally disclosed in the annual report on December 31, 2008, in accordance with Paragraph 58, Section 2 of the German Companies Act. At the General Meeting it will be proposed that the net earnings of Manz Automation AG as of December 31, 2008, totaling 5,932,042.16 euros should be carried forward to the next fiscal year.

### Additional information on capital management

The primary goal of capital management within the Manz Group is to continually increase the value of the company over the long term and to secure its liquidity. A high credit rating and an adequate level of equity are both important factors in achieving this goal. The Group controls its capital structure and makes adjustments under consideration of changes to the overall economic environment.

The Manz Group monitors its capital regularly using a wide variety of data. Within this scope, both the gearing ratio [debt to equity ratio] and the equity ratio are two important figures. Net liabilities are calculated as the sum of all financial and leasing liabilities minus liquid assets and securities.

The Supervisory Board and the Managing Board have set goals of a minimum equity ratio of 40% and a gearing ratio of less than 50%.

| | Dec. 31, 2008 EUR tsd | Dec. 31, 2007 EUR tsd |
|---|---|---|
| | | |
| Liquid assets and securities | 65,883 | 33,443 |
| Financial liabilities | 17,936 | 1,524 |
| Net financial liabilities | –47,947 | –31,919 |
| Total shareholder's equity – Manz Automation AG | 181,647 | 52,647 |
| | | |
| Equity ratio | 68.7% | 63.9% |
| Gearing ratio | –26.4% | –60.6% |

Total equity has risen by an absolute amount of 130,370,000.00 euros. The equity ratio rose to 68.7% [previous year: 63.9%] despite an increase in funds tied down on the asset side. Gearing decreased as a result of the significant increase in equity to –26.2% [previous year: –60.6%], but still remains well below the defined maximum of +50%.

1,500,000.00 euros of financial liabilities are subject to covenant agreements which stipulate an equity ratio of 25% in the individual annual report of Manz Automation AG, among other things. These financial requirements are fulfilled.

## [24] LONG-TERM FINANCIAL LIABILITIES

| | Dec. 31, 2008 EUR tsd | Dec. 31, 2007 EUR tsd |
|---|---|---|
| | | |
| Promissory notes | 1,500 | 1,500 |
| Long-term liabilities – credit institutions | 3,320 | 0 |
| | **4,820** | **1,500** |

The promissory note with a bullet repayment on June 15, 2010, accrues interest at 5.4% annually. It is governed by a covenant agreement.

The other long-term liabilities with credit institutions pertain to Manz Intech Machines Taiwan. They accrue interest at rates between 1.0% and 2.85% annually. Properties in Taiwan with buildings on them have been registered as collateral.

## [25] DEFERRED INVESTMENT SUBSIDIES

This item includes deferred investment subsidies as far as they are required to be used in the following year, as they exclusively pertain to property, plant, and equipment. They pertain exclusively to Manz Automation Hungary.

Investment subsidies are associated with many conditions. As far as the company is currently aware, these conditions are all fully met, meaning that we do not expect to have to pay back any of the subsidies received.

## [26] FINANCIAL LIABILITIES FROM LEASING

Leasing liabilities result from assets which must be capitalized in accordance with IAS 17. These pertain to automobile leasing agreements with a carrying value of 73,000.00 euros [previous year: 24,000.00 euros] which are disclosed in the item "other equipment, factory, and office equipment."

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

| | minimum leasing payments 2008 | Cash value of minimum leasing payments 2008 | minimum leasing payments 2007 | Cash value of minimum leasing payments 2007 |
|---|---|---|---|---|
| | EUR tsd | EUR tsd | EUR tsd | EUR tsd |
| | | | | |
| Up to 1 year | 46 | 46 | 5 | 4 |
| 1 to 5 years | 29 | 23 | 19 | 15 |
| Total – minimum leasing payments | **75** | | **24** | |
| Minus the interest component | –6 | | –5 | |
| **Cash value of the minimum leasing payments** | **69** | **69** | **19** | **19** |

## [27] PENSION RESERVES

The pension reserves increased from 59,000.00 euros on December 31, 2007, to 3,720,000.00 euros on December 31, 2008. This increase was primarily the result of the acquisition of Manz Automation Tübingen GmbH on January 1, 2008. The cash value of pension obligations from a company pension plan which was agreed upon for new employees on July 15, 1997, amounts to 3.6 million euros. As of December 31, 2008, 105 retirees and 76 claimants still have a right to a retirement pension. Pension payments by Manz Automation Tübingen in fiscal year 2008 totaled 215,000.00 euros.

The other newly acquired subsidiary – Manz Intech Machines – has both a performance-based and contribution-based pension plan for employees. Those employed since July 1, 2005, can only enter into a contribution-based pension plan. Those that were employed before July 1, 2005, had the choice between both pension plans. The cash value of the performance-based obligations on December 31, 2008, totaled 828,000.00 euros.

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

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

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

| | 2008<br>EUR tsd | 2007<br>EUR tsd |
|---|---|---|
| | | |
| **Changes to benefit obligations** | | |
| Value of performance-based obligations on Jan. 1 | 224 | 182 |
| Changes to the basis of consolidation | 4,445 | 0 |
| Service cost | 63 | 33 |
| Interest cost | 253 | 9 |
| Benefits paid-out | –268 | 0 |
| Actuarial losses / gains [–] | 10 | 0 |
| Currency differences from international plans | 9 | 0 |
| **Value of performance-based obligations on Dec. 31** | **4,736** | **224** |
| | | |
| **Changes to plan assets** | | |
| Plan assets at fair value on Jan 1. | 149 | 135 |
| Changes to the basis of consolidation | 1,249 | 0 |
| Expected income from plan assets | 41 | 5 |
| Company contributions | 127 | 9 |
| Benefits paid-out | –96 | 0 |
| Actuarial losses / gains [–] | 13 | 0 |
| Currency differences from international plans | 12 | 0 |
| **Plan assets at fair value on Dec. 1** | **1,495** | **149** |
| | | |
| **Financing status** | **3,241** | **75** |
| | | |
| Actuarial gains [ + ] / losses [ – ] not yet taken into account | 479 | –16 |
| | | |
| **Pension reserves** | **3,720** | **59** |

The following amounts are included in the income statement:

| | 2008<br>EUR tsd | 2007<br>EUR tsd |
|---|---|---|
| | | |
| Service cost | –63 | –33 |
| Interest cost | –253 | –9 |
| **Expected income from plan assets** | **41** | **5** |

The service cost is disclosed under personnel expenses; the interest cost and expected income from plan assets, on the other hand, are disclosed under financial expenses.

Expected income from plan assets is calculated on the basis of currently effective market prices for the period within which the obligation will be fulfilled. The actual income from plan assets amounted to 54,000.00 euros in the year in review [previous year: 4,000.00 euros]. This increase was caused by changes to the basis of consolidation.

In the coming fiscal year, employer contributions to the fund's assets will prospectively total 128,000.00 euros. The fund's assets comprise reinsurance policies [Germany] and trust assets [Taiwan], which make up 25% and 75% of the fund's total assets, respectively.

Payments amounting to 226,000.00 euros [previous year: 0 euros] have been made to contribution-based pension plans. Furthermore, due to legal requirements, the companies based in Germany have made contributions to the social pension fund totaling 1,993,000.00 euros.

The following assumptions were used in calculating the pension provisions:

| | Germany | | Taiwan | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Discount factor | 6.20% | 5.60% | 2.25% | – |
| Salary and wage increases | 3.00% | – | 1.00% | – |
| Pension increases | 2.00% | – | 1.00% | – |
| Expected returns on plan assets | 3.00% | 3.10% | 2.25% | – |

In the past five years, the financing status, which comprises the cash value of all benefit obligations and the present value of the plan assets, has changed as follows:

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| | EUR tsd | EUR tsd | EUR tsd | EUR tsd | EUR tsd |
| Value of all benefit obligations | –4,736 | –224 | –184 | –175 | –150 |
| Plan assets | 1,495 | 149 | 136 | 123 | 111 |
| **Financing Status** | **–3,241** | **–75** | **–48** | **–52** | **–39** |
| Adjustments to plan debts based on experience | –23 | –18 | 12 | –4 | –4 |
| Adjustments to plan assets based on experience | 26 | 1 | 2 | 1 | 0 |

The adjustments based on experience represent the differences between the expected changes to obligations and asset values based on actuarial assumptions and the actual changes that will occur.

## [28] OTHER LONG-TERM PROVISIONS

Other long-term provisions pertain to provisions for warranties and long-term personnel obligations from part-time employment prior to retirement. They have changed as follows over the course of the year in review:

| | Jan. 1, 2008 | Changes to the basis of consolidation | Consumption | Allocations | DEC. 31, 2008 |
|---|---|---|---|---|---|
| | EUR tsd | EUR tsd | EUR tsd | EUR tsd | EUR tsd |
| Personnel | 0 | 79 | 0 | 25 | 104 |
| Warranties | 321 | 347 | 321 | 1,654 | 2,001 |
| | **321** | **426** | **321** | **1,679** | **2,105** |

The provisions for warranties are formed on the basis of past empirical values. It is to be expected that these costs will be incurred over the next two fiscal years.

## [29] CURRENT FINANCIAL LIABILITIES

Current financial liabilities pertain to various short-term lines of credit and overdraft credit for financing operating activities. These current liabilities are charged interest at standard interest rates.

## [30] ACCOUNTS PAYABLE

The accounts payable are recorded at amortized cost. Their carrying values usually correspond to their fair values. They are payable within one year.

## [31] OTHER CURRENT PROVISIONS

The other current provisions have changed as follows:

| | Jan. 1, 2008 | Changes to the basis of consolidation | Consumption | Dissolution | Inflow | Dec. 31, 2008 |
|---|---|---|---|---|---|---|
| | EUR tsd | EUR tsd | EUR tsd | EUR tsd | EUR tsd | EUR tsd |
| | | | | | | |
| Personnel | 1,327 | 440 | 1,651 | 0 | 2,296 | 2,412 |
| Personnel profit sharing | 1,000 | 0 | 741 | 259 | 840 | 840 |
| Reworking | 0 | 37 | 24 | 0 | 1,045 | 1,058 |
| Other areas | 1,033 | 632 | 1,111 | 112 | 1,627 | 2,069 |
| | **3,360** | **1,109** | **3,527** | **371** | **5,808** | **6,379** |

Provisions for personnel primarily cover obligations stemming from vacation entitlements, overtime, and bonuses.

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

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

## [32] OTHER LIABILITIES

The other liabilities on the recording date comprise the following:

| | Dec. 31, 2008 EUR tsd | Dec. 31, 2007 EUR tsd |
|---|---|---|
| | | |
| Tax liabilities [not taxes on income or earnings] | 4,041 | 284 |
| Liabilities stemming from social security as well as wages and salaries | 1,950 | 26 |
| Miscellaneous | 521 | 5 |
| | **6,512** | **315** |

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

# VII. REPORT ON FINANCIAL INSTRUMENTS >>

The following table shows the connection between balance sheet items and financial instruments, grouped by the carrying values and fair values of the financial instruments.

Accounts receivable, other current receivables, liquid assets, accounts payable, and the bulk of other liabilities covered in the scope of IFRS 7 usually have short remaining terms. It is therefore assumed that the carrying values of these financial instruments approximately equal their present values.

The securities are carried at their fair values, with the result being that there are no differences between their carrying amounts and their fair values.

The carrying values of derivative financial instruments pertain exclusively to transactions included in hedge accounting, and are therefore not classified using the categories set forth in IAS 39.

| | | Carrying values according to measurement categories | | | |
|---|---|---|---|---|---|
| | Fair value | Available for sale | Loans and receivables | Not in scope of IFRS 7, IAS 39 | Carrying value Dec. 31, 2008 |
| | EUR tsd | EUR tsd | EUR tsd | EUR tsd | EUR tsd |
| **Assets as of Dec. 31, 2008** | | | | | |
| | | | | | |
| Accounts receivable | 101,352 | - | 71,694 | 29,658 | 101,352 |
| Other current receivables | 2,934 | - | 2,080 | 854 | 2,934 |
| Securities | 31,945 | 31,945 | - | - | 31,945 |
| Liquid assets | 33,938 | - | 33,938 | - | 33,938 |
| | **170,169** | **31,945** | **107,712** | **30,512** | **170,169** |

| | Carrying values | | | |
|---|---|---|---|---|
| | Fair value | Measured at amortized cost | Not in the scope of IFRS 7, IAS 39 | Carrying value Dec. 31, 2008 |
| | EUR tsd | EUR tsd | EUR tsd | EUR tsd |
| **Liabilities as of Dec. 31, 2008** | | | | |
| | | | | |
| Financial liabilities | 17,806 | 17,822 | - | 17,822 |
| Financial liabilities – leasing | 75 | 75 | - | 75 |
| Accounts payable | 24,038 | 24,038 | - | 24,038 |
| Derivative financial instruments | 188 | 188 | - | 188 |
| Other liabilities | 6,512 | 2,471 | 4,041 | 6,512 |
| | **48,619** | **44,594** | **4,041** | **48,635** |

| | | Carrying values according to measurement categories | | | |
|---|---|---|---|---|---|
| | Fair value | Available for sale | Loans and receivables | Not in the scope of IFRS 7, IAS 39 | Carrying value Dec. 31, 2007 |
| | EUR tsd | EUR tsd | EUR tsd | EUR tsd | EUR tsd |
| **Assets as of Dec. 31, 2007** | | | | | |
| | | | | | |
| Accounts receivable | 23,020 | - | 9,168 | 13,852 | 23,020 |
| Other current receivables | 1,354 | - | 1,192 | 162 | 1,354 |
| Securities | 14,554 | 14,554 | - | - | 14,554 |
| Liquid assets | 18,889 | - | 18,889 | - | 18,889 |
| | **57,817** | **14,554** | **29,249** | **14,014** | **57,817** |

| | Carrying values | | | |
|---|---|---|---|---|
| | Fair value | Measured at amortized cost | Not in the scope of IFRS 7, IAS 39 | Carrying value Dec. 31, 2008 |
| | EUR tsd | EUR tsd | EUR tsd | EUR tsd |
| **Liabilities as of Dec. 31, 2007** | | | | |
| | | | | |
| Financial liabilities | 1,500 | 1,500 | - | 1,500 |
| Financial liabilities – leasing | 24 | 24 | - | 24 |
| Accounts payable | 5,425 | 5,425 | - | 5,425 |
| Other liabilities | 315 | 315 | - | 315 |
| | **7,264** | **7,264** | **-** | **7,264** |

# NET RESULTS ACCORDING TO THE CATEGORIES SET FORTH IN IAS 39

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

| | Net earnings/ losses | Total Interest earnings/ expenses |
|---|---|---|
| | EUR tsd | EUR tsd |
| | | |
| **Fiscal year 2008** | | |
| Loans and receivables | –2,976 | 648 |
| Available-for-sale financial assets | 139 | 809 |
| Financial liabilities measured at amortized costs | 1,783 | –1,582 |
| | **–1,054** | **–125** |
| | | |
| **Fiscal year 2007** | | |
| Loans and receivables | 316 | 618 |
| Available-for-sale financial assets | –16 | 170 |
| Financial liabilities measured at amortized costs | 0 | –127 |
| **Liabilities** | **300** | **661** |

The net gains and losses from loans and receivables primarily include gains and losses from currency conversions and value adjustments on receivables.

The net gains and losses from the available-for-sale financial assets primarily include gains and losses from the disposal of securities.

The interest result for financial instruments in the category “available-for-sale financial assets” pertains to interest earnings on securities.

Interest earnings on financial instruments in the category “loans and receivables” stem from the investment of liquid assets. The interest result in the category “financial liabilities measured at cost” primarily pertains to interest expenses from long-term financial liabilities and financial liabilities to banks.

During the fiscal year, 445,000.00 euros [previous year: 0 euros] was transferred from the provisions for cash flow hedges to the category “other operating income” and included in the income statement. In addition, during the fiscal year 103,000.00 euros [previous year: –8,000 euros] was transferred from provisions for the market assessment of securities to financial income.

# FINANCIAL RISK MANAGEMENT AND FINANCIAL DERIVATIVES

As a company that operates internationally, the Manz Group is subject to credit, liquidity, and market risks as part of its normal business activities. Market risks result particularly from changes in exchange rates and interest rates. The goal of financial risk management is to control and limit these market risks via ongoing operational and financial activities. Depending on the assessment of risks, derivative hedges are used, whereby, as a matter of principle, only cash flow risks are hedged. Derivative financial instruments are used exclusively for hedging purposes and, for this reason, are not held for trading or speculation. In order to reduce the risk of default, hedges are only entered into with leading banks that have perfect credit ratings.

The fundamentals of the company's financial policies are regularly fine-tuned by the Managing Board and monitored by the Supervisory Board.

# CREDIT RISKS

A credit risk is the risk that business partners will not fulfill their contractual obligations, thus resulting in a financial loss for the Manz Group. Within the scope of its operations, the Group is subject to nonpayment risks especially with regard to accounts receivable, as well as risks within the scope of its financing activities, including funds in banks and derivative financial instruments.

The credit risk from accounts receivable is controlled on a company level [locally] and is monitored continuously. The risk of nonpayment is reduced when working on specific projects thanks to advance payments. As soon as nonpayment risks are identifiable with regard to financial assets, the risks are recorded using value adjustments. The risk of nonpayment with regard to funds in banks and derivative instruments is reduced by spreading the investments over a number of banking institutions.

The maximum credit risk on the reporting date is equal to the carrying value of all financial assets.

The age of accounts receivable is listed in the following table:

| | **2008** | **2007** |
|---|---|---|
| | **EUR tsd** | **EUR tsd** |
| | | |
| Not overdue and not value-adjusted | 24,213 | 6,537 |
| Overdue and not value-adjusted | | |
| up to 30 days | 246 | 1,239 |
| between 31 and 60 days | 18,883 | 229 |
| between 61 and 90 days | 7,194 | 266 |
| between 91 and 180 days | 2,808 | 86 |
| more than 180 days | 888 | 729 |
| Value-adjusted | 17,462 | 82 |
| | **71,694** | **9,168** |

There is no evidence that the accounts receivable that are not value-adjusted need to be value-adjusted. The ability of the accounts receivable that are neither overdue nor value-adjusted to retain their value is viewed as quite high. This assessment is based primarily on the long-term business relationships with most of our clients as well as their reliability. The historic level of nonpayment in the Group is extremely low. The Group is subject to an increased concentration of risk due to the purchase of Taiwan-based Manz Intech Machines, since a sizable portion of its revenues are earned from only a few key clients.

# LIQUIDITY RISKS

Liquidity risks – namely, the risk that Manz will not be able to fulfill its financial obligations – are reduced by creating the necessary financial flexibility as well as through effective cash management. Manz uses suitable financial planning instruments to control its future liquidity situation. Based on our current forecasts, we do not foresee any liquidity issues.

On the reporting date, overdraft protection/lines of credit at banks which were not fully used exist totaling 39,432,000.00 euros [previous year: 9,795,000.00 euros], which can be used either as overdraft protection or lines of credit [amount of credit used as of December 31, 2008: 8,618,000.00 euros [previous year: 2,505,000.00 euros]. Furthermore, lines of credit at loan insurers which are not fully used exist totaling 11,326,000.00 euros [previous year: 4,557,000.00 euros], of which 3,674,000.00 euros have been used [previous year: 10,443,000.00 euros].

The following list shows the contractually stipulated, undiscounted interest and principal repayments for all non-derivative financial liabilities falling within the scope of IFRS 7. If the maturity date is not fixed, the liability is recorded at the earliest maturity date. Interest payments with a variable interest rate are recorded according to the terms applicable on the reporting date.

| | Total | 2009 | 2010 | >2011 |
|---|---|---|---|---|
| | EUR tsd | EUR tsd | EUR tsd | EUR tsd |
| | | | | |
| **Undiscounted cash flows up to Dec. 31, 2008** | | | | |
| Financial liabilities | 18,644 | 13,661 | 3,739 | 1,244 |
| Financial liabilities – leasing | 75 | 31 | 31 | 13 |
| Accounts payable | 24,038 | 24,038 | | |
| Derivative financial instruments | 188 | 188 | | |
| Other liabilities | 2,471 | 2,471 | | |
| | **45,416** | **40,389** | **3,770** | **1,257** |

| | Total | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| | EUR tsd | EUR tsd | EUR tsd | EUR tsd |
| | | | | |
| **Undiscounted cash flows up to Dec. 31, 2007** | | | | |
| Financial liabilities | 1,702 | 81 | 81 | 1,540 |
| Financial liabilities – leasing | 24 | 10 | 10 | 4 |
| Accounts payable | 5,425 | 5,425 | | |
| Other liabilities | 315 | 315 | | |
| | **7,466** | **5,831** | **91** | **1,544** |

The factory building belonging to Manz Intech Machines in Taiwan has been provided as collateral for the loans and lines of credit extended by credit institutions to the Manz Group which exist as of the reporting date. No other collateral has been provided. The promissory note with a bullet repayment is governed by covenant agreements.

# CURRENCY RISKS

A currency risk is the risk stemming from the fact that the fair value or future cash flow of a financial instrument fluctuates due to changes in exchange rates. The Manz Group is primarily subject to this risk as a result of normal operations [when revenues and/or expenses are payable in a currency other than those normally used within the Group]. This risk is reduced using foreign exchange contracts, foreign exchange options, and currency swaps, when it is economically sound to do so. The hedging of value fluctuations of future cash from expected transactions pertains to revenues planned to be received in a foreign currency. Differences stemming from exchange rates when converting annual reports to the Group's currency are not taken into consideration.

IFRS 7 requires sensitivity analyses be carried out to show market risks, which illustrate the possible effects of changes to relevant risk variables [i.e. exchange rates, interest rates] on earnings and equity. In order to determine the effects for the period, possible changes to risk variables are analyzed with regard to financial instruments held on the reporting date. In doing so, it is assumed that the holdings at the end of the year are representative of the entire fiscal year. Foreign exchange derivatives are always attached to non-derivative underlying transactions so that no currency risks develop for these instruments.

The following currency scenario arises for the Manz Group with regard to the US dollar as an important foreign currency.

If the euro was worth 10% more compared to the US dollar on December 31, 2008 [2007], the Group's earnings would have been 601,000.00 euros [2,000.00 euros] lower [higher]. If the euro was worth 10% less compared to the US dollar on December 31, 2008 [2007], the Group's earnings would have been 735,000.00 euros [1,000.00 euros] higher [lower].

If the euro was worth 10% more compared to the US dollar on December 31, 2008 [2007], provisions for cash flow hedges would have been 4,277,000.00 euros [2,043,000.00 euros] larger. If the euro was worth 10% less compared to the US dollar on December 31, 2008 [2007], provisions for cash flow hedges would have been 5,032,000.00 euros [1,545,000.00 euros] smaller.

# INTEREST RATE RISKS

An interest rate risk is the risk stemming from the fact that the fair value or future cash flow of a financial instrument fluctuates due to changes in market interest rates. The risk from fluctuations in market interest rates which the Group is subject to result primarily from short-term monetary investments [restricted cash investments] and loans with variable interest rates.

The company reduces its interest rate risks with regard to financial liabilities by holding a diversified portfolio of fixed-interest and variable-interest loans. Derivative financial instruments are not used.

In accordance with IFRS 7, interest rate risks are determined using a sensitivity analysis. This analysis shows the effects of risk variables associated with market interest rates on the Group's financial result.

If the base interest rate on December 31, 2008, was 100 points higher [lower], the Group's earnings would have been 123,000.00 euros [previous year: 0 euros] lower [higher].

# VIII. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS>>

There were no contingent liabilities as of the reporting date.

The Manz Group has entered into various rental agreements for premises as well as lease agreements for operating and office equipment and cars. The settlement dates of the minimum lease payments from operating leases and rental agreements that cannot be terminated are as follows:

| | 2008<br>EUR tsd | 2007<br>EUR tsd |
|---|---|---|
| | | |
| Minimum lease payment | | |
| Remaining term up to 1 year | 3,380 | 1,195 |
| Remaining term 1–5 years | 11,525 | 3,957 |
| Remaining term more than 5 years | 34,125 | 13,035 |

In fiscal year 2008, rent and lease payments totaling 2,514,000.00 euros [previous year: 734,000.00 euros] were recorded under other operating expenses.

# IX. EVENTS AFTER THE BALANCE SHEET DATE>>

## PARTNERSHIP WITH ROTH & RAU AG

On January 19, 2009, Manz Automation AG announced a partnership with Roth & Rau AG, located in Hohenstein-Ernstthal, Germany. The goal of the partnership is to be able to offer clients a fully automated, high-performance production line for the manufacture of crystalline silicon solar cells, all from one source. Our mid-term planning also sees us launching a new generation of turnkey production lines together.

There were no further events of particular importance which occurred after the end of fiscal year 2008.

# X. RELATED PARTY DISCLOSURES>>

As set forth in IAS 24, persons and companies must be disclosed that can be significantly influenced by the company reporting or that can significantly influence the company reporting, insofar as they are not already included in the Group's consolidated financial statements as a consolidated company.

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.

Delivery and service relationships exist between Manz Automation AG and the company balanced at equity Axystems Ltd., based in Israel. Manz Automation AG received goods and services totaling 1,392,000.00 euros [previous year: 315,000.00 euros]. As of the reporting date December 31, 2008, Manz owes Axystems Ltd. 95,000.00 euros [previous year: 22,000.00 euros].

## MANAGING BOARD REMUNERATION IN 2008

| | Fixed salary EUR tsd | Variable cash bonuses EUR tsd | Shares [expenses 2008] EUR tsd | Total EUR tsd | Granted shares quantity [number] | Fair Value EUR tsd |
|---|---|---|---|---|---|---|
| Dieter Manz, Dipl. Ing. [FH], Graduate Engineer [UAS] – Chief Executive Officer | 283 | 94 | 13 | 390 | 546 | 111 |
| Martin Hipp, Dipl.-Kaufmann, Graduate Businessman – Chief Financial Officer | 170 | 42 | 6 | 218 | 273 | 55 |
| Volker Renz, Dipl. Ing. [FH], Graduate Engineer [UAS] – Chief Operations Officer | 163 | 41 | 6 | 210 | 273 | 55 |
| Otto Angerhofer, Dipl. Ing. [FH], Member of the Executive Board | 153 | 51 | 0 | 204 | 0 | 0 |

The chairman of the Managing Board Dieter Manz held 42.90% [previous year: 59.00%] of Manz Automation AG shares as of the reporting date.

For the two members of the Managing Board, Dieter Manz and Otto Angerhofer, pension benefits with a current value of 249,000.00 euros [previous year: 208,000.00 euros] exist as of the reporting date. The expenses stemming from the allocation to reserves totaled 24,000.00 euros, of which 11,000.00 euros [previous year: –8,000.00 euros] are from service time portion and 13,000.00 euros [previous year: 8,000.00 euros] from the interest portion. Dieter Manz's pension benefits include a lifetime retirement benefit which totals 36,813.00 euros per year. Otto Angerhofer's pension benefits include a lifetime retirement benefit which totals 15,339.00 euros per year. Pension plan reinsurance policies have been taken out for both benefit plans.

In fiscal year 2007, total compensation paid to the Executive Board totaled 572,000.00 euros, and to the Supervisory Board 28,000.00 euros.

## SUPERVISORY BOARD

Dr. Jan Wittig [Chairman], Attorney, Partner at Dr. Schaudt und Kollegen,
Attorneys at law, Stuttgart

Prof. Dr. Heiko Aurenz, Dipl. oec., [Deputy Chairman], Partner at Ebner Stolz Mönning,
Bachem Unternehmensberatung GmbH, Stuttgart

Prof. Dr.-Ing. Dr. h.c. mult. Rolf D. Schraft

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

Member of the Supervisory Board, Prof. Dr. Heiko Aurenz, is also a member of the Supervisory Board of IBS AG, Know-How AG, Anna Haaghaus e.V., and ASB Grünland GmbH. Prof. Dr. Aurenz assisted Manz Automation AG in fiscal year 2007 with the establishment of a management information system as a partner at the firm of management consultants Ebner Stolz Mönning. In fiscal year 2008, support services were carried out valued at 5,000.00 euros. As of December 31, 2008, Manz AG owes Ebner Stolz Mönning Bachem Unternehmensberatung GmbH the amount of 15,000.00 euros stemming from Supervisory Board remuneration.

Member of the Supervisory Board, Prof. Rolf D. Schraft, is also a member of the Scientific Advisory Board of TRAPO AG, a member of the Executive Board of the International Federation of Robotics [IFR], and also a member of the Board of Trustees of Alfred Kärcher GmbH.

## SUPERVISORY BOARD REMUNERATION

| | Fixed salary EUR tsd | Variable salary EUR tsd | Total EUR tsd |
|---|---|---|---|
| Dr. Jan Wittig, Rechtsanwalt [Attorney] – Chairman of the Supervisory Board | 16 | 16 | 32 |
| Prof. Dr. Heiko Aurenz, Dipl. oec. | 12 | 12 | 24 |
| Prof. Dr.-Ing. Dr. h.c. mult. Rolf D. Schraft, Engineer | 8 | 8 | 16 |

## AUDITOR’S FEE

The fees assessed in fiscal year 2008 by the company responsible for auditing the annual reports – alltax gmbh Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft – totaled 110,000.00 euros for auditing services, 114,000.00 euros for miscellaneous opinions and evaluations, 7,000.00 euros for accounting services, and 32,000.00 euros for other miscellaneous services.

The fees for miscellaneous opinions and evaluations resulted primarily from services provided within the scope of the capital increase and switching stock exchange segments.

## CORPORATE GOVERNMENT CODE

The Managing Board and Supervisory Board have both submitted their Declaration on the Corporate Governance Code, in accordance with Paragraph 161 of the German Companies Act. Both the declarations by the Managing Board and the Supervisory Board were published on the Manz Automation AG Web site, and can be viewed at www.manz-automation.com.

## INFORMATION ACCORDING TO PARAGRAPH 160, SECTION 1, CLAUSE 8 OF THE GERMAN COMPANIES ACT

The following notices were published during fiscal year 2008 in accordance with the German Securities Trading Act:

### July 7, 2008

As a result of shares of Manz Automation AG, with headquarters in Reutlingen, being accepted for trade in the regulated market and, at same time, accepted into the Prime Standard segment of Frankfurt Stock Exchange in accordance with Paragraph 21, Section 1a of the German Securities Trading Act, Mr. Dieter Manz [Germany] informed us that his portion of voting rights on June 30, 2008, totaled 42% [1,362,866 voting rights]. Furthermore, he informed us that his portion of voting rights on July 2, 2008, totaled 42.90% [1,922,088 voting rights].

### July 7, 2008

As a result of shares of Manz Automation AG, with headquarters in Reutlingen, being accepted for trade in the regulated market and, at same time, accepted into the Prime Standard segment of Frankfurt Stock Exchange in accordance with Paragraph 21, Section 1a of the German Securities Trading Act, Mrs. Ulrike Manz [Germany] informed us that her portion of voting rights on June 30, 2008, totaled 4.36% [195,517 voting rights]. Furthermore, she informed us that her portion of voting rights on July 2, 2008 totaled 4.53% [203,113 voting rights].

### July 7, 2008

As a result of shares of Manz Automation AG, with headquarters in Reutlingen, being accepted for trade in the regulated market and, at same time, accepted into the Prime Standard segment of Frankfurt Stock Exchange in accordance with Paragraph 21, Section 1a of the German Securities Trading Act, Mr. Otto Angerhofer [Germany] informed us that his portion of voting rights on June 30, 2008, totaled 3.35% [150,000 voting rights].

### July 7, 2008

COMMERZBANK AG, with headquarters in Frankfurt am Main [Germany], informed us that their portion of voting rights on July 30, 2008 totaled 25.02% [1,121,035 voting rights]. Of those, 4.78% [214,365 voting rights] were attributed to COMMERZBANK in accordance with Paragraph 22, Section 1, Clause 1.5. The following shareholder, whose portion of voting rights in Manz Automation AG exceeds 3% or more, was attributed voting rights: Ulrike Manz [Germany]. At the same time, the Commerzbank AG informed us, that on July 2, 2008, its voting rights fell under the levels of 25%, 20%, 15%, 10%, 5%, and 3%, and afterwards totaled 0% [0 voting rights].

### July 7, 2008

William Blair & Company, LLC, with headquarters in Chicago [Illinois/USA], informed us that their portion of voting rights on July 30, 2008, totaled 3.14% [140,867 voting rights]. These voting rights are attributed to William Blair & Company, LLC, in accordance with Paragraph 22, Section 1, Clause 1.5.

# DECLARATION BY THE LEGAL REPRESENTATIVES

We hereby affirm that to the best of our knowledge, and in accordance with the applicable accounting standards and principles, these consolidated financial statements give a true and fair view of the Group's net assets, financial position, and results of operations, and the Group management report includes a fair review of the course and performance of the business and the position of the Group, as well as a description of the most important opportunities and risks associated with the expected development of the Group.

Reutlingen, March 12, 2009

The Managing Board of Manz Automation AG

Dieter Manz
Chairman of the Board

Martin Hipp

Volker Renz

Otto Angerhofer

# AUDITOR'S OPINION

We have issued the following auditor's opinion regarding the Consolidated Financial Statements and Management Report:

We have audited the consolidated financial statements of Manz Automation AG, located in Reutlingen, Germany, which consist of a consolidated income statement, a consolidated balance sheet, a consolidated cash flow statement, a consolidated statement of changes in equity and the notes to the consolidated financial statements, as well as the Group Management Report for the fiscal year from January 1 to December 31, 2008. Preparation of the consolidated financial statements and the consolidated management report in accordance with both IFRS as they are to be applied in the EU and the supplementary provisions of Paragraph 315a, Section 1 of the German Commercial Code is the responsibility of the company's legal representatives. Our responsibility is to furnish an opinion on the annual consolidated financial statements and the consolidated management report based on our audit.

We conducted our audit in accordance with Section 317 of the German Commercial Code in compliance with the German principles of proper auditing as set forth by the Institut der Wirtschaftsprüfer [IDW, Institute of Chartered Accountants, Germany]. These standards require that we plan and perform the audit in such a way as to obtain adequate assurance regarding whether inaccuracies and violations have been identified that could have a significant effect on the portrayal of the financial position and results of operations as presented in the annual consolidated financial statements and the Group Management Report with regard to the applicable accounting standards. The process of defining the auditing procedures takes both knowledge of the business activities and the economic and legal environment of the company as well as expectations of possible errors into account. Within the scope of the audit, both the effectiveness of the Group's internal control system and the evidence supporting the information disclosed in the annual consolidated financial statements and the management report is evaluated on the basis of random samples. Our audit also included assessing the annual financial statements of the consolidated companies, the definition of the scope of consolidation, the accounting and consolidation principles used, and the important estimates made by management, as well as evaluating the overall presentation of the annual consolidated financial statements and the Group Management Report. We are confident that our audit provides a sufficiently sound basis from which to make an assessment.

Our audit did not lead to any objections.

In our opinion, based on the results of the knowledge we gained from our audit, the consolidated financial statements comply with IFRS as they are to be applied in the EU as well as the supplementary provisions of the German Commercial Code as stipulated in Paragraph 315a, Section 1, 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 adequately presents the opportunities and risks associated with the Group's future business operations.

Reutlingen, March 18, 2009

**alltax gmbh**
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

**Klaiber**
Financial Auditor

**Aigner**
Financial Auditor

In the next ten years, approximately half of the earth's raw oil supplies will be consumed. And even if there are large quantities of other fossil fuels available, climate change is forcing us to change our way of thinking and acting. With our innovative products, we are

helping to prevent the impending collapse and make solar energy competitive. After all, there is a bit of good news – the sun will be available to us for free for the next four to five billion years.

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