PASSION FOR EFFICIENCY

2012

MANZ AG ANNUAL REPORT

2013 FINANCIAL CALENDAR

Date	
May 08, 2013	Publication of 2013 Q1 financial report
July 16, 2013	2013 Annual Meeting of Shareholders
August 13, 2013	Publication of 2013 Q2 financial report
November 11–13, 2013	2013 German Equity Forum
November 11, 2013	Publication of 2013 Q3 financial report

OVERVIEW OF GROUP RESULTS

(in EUR million)	**2012**	**2011**	**Change in %**
Revenues	184.1	240.5	–23.5
Total operating revenues	188.9	266.8	–29.4
EBIT	–30.7	3.1	n/a
EBT	–32.4	2.2	n/a
Consolidated net profit (loss)	–33.5	1.2	n/a
Earnings per share (in euros)	–7.51	0.19	n/a
Total assets	299.6	318.2	–5.9
Equity	157.4	189.3	–16.9
Equity ratio (in %)	52.6 %	59.5 %	n/a
Financial liabilities	65.7	50.3	+30.6
Liquid assets	30.7	33.3	–7.8
Net debt	35.0	17.1	+104.7
Operating cash flow	20.5	–17.4	n/a
Cash flow from investment activities	–39.1	–24.7	n/a
Cash flow from financing activities	15.8	36.3	–56.4

COMPANY HISTORY

1987
Company founded by Dieter Manz

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

1994
Shipped the first automation solution for the FPD industry to Asia

2002
Shipped the first automation system for a completely automated production line for crystalline solar cells

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

2006
IPO on the Entry Standard market of the Frankfurt Stock Exchange

REVENUES

(in EUR million)	2012	2011	2010	2009	2008
	184.11	240.51	181.40	85.92	236.51

EBIT

(in EUR million)	2012	2011	2010	2009	2008
	–30.71	3.12	0.56	–15.91	28.60

EBIT BY BUSINESS UNIT 2012

(in EUR million)	Solar	Display	Battery	PCB/OEM	Others
	–47.4	14.0	1.5	0.4	0.8

2008

Became leading supplier of systems for wet-chemical processes by acquiring Intech, Taiwan

2009

Entered the market for lithium-ion batteries

2010

Manz Coating GmbH founded

2011

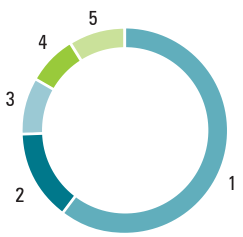
Presented a world-record-setting thin-film solar panel with efficiency of 14 %

2012

Acquired the CIGS innovation line from Würth Solar

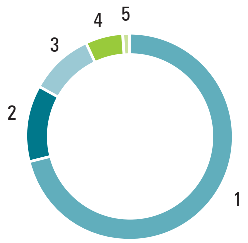
Opened facility for solar and display production systems in Suzhou, China

REVENUES BY BUSINESS UNIT 2012



1	**60.4 %**	Display
2	**14.1 %**	PCB/OEM
3	**8.9 %**	Solar
4	**7.9 %**	Battery
5	**8.7 %**	Others

REVENUES BY REGION 2012



1	**71.4 %**	Asia
2	**12.1 %**	Germany
3	**10.0 %**	Rest of Europe
4	**5.8 %**	USA
5	**0.7 %**	Other regions

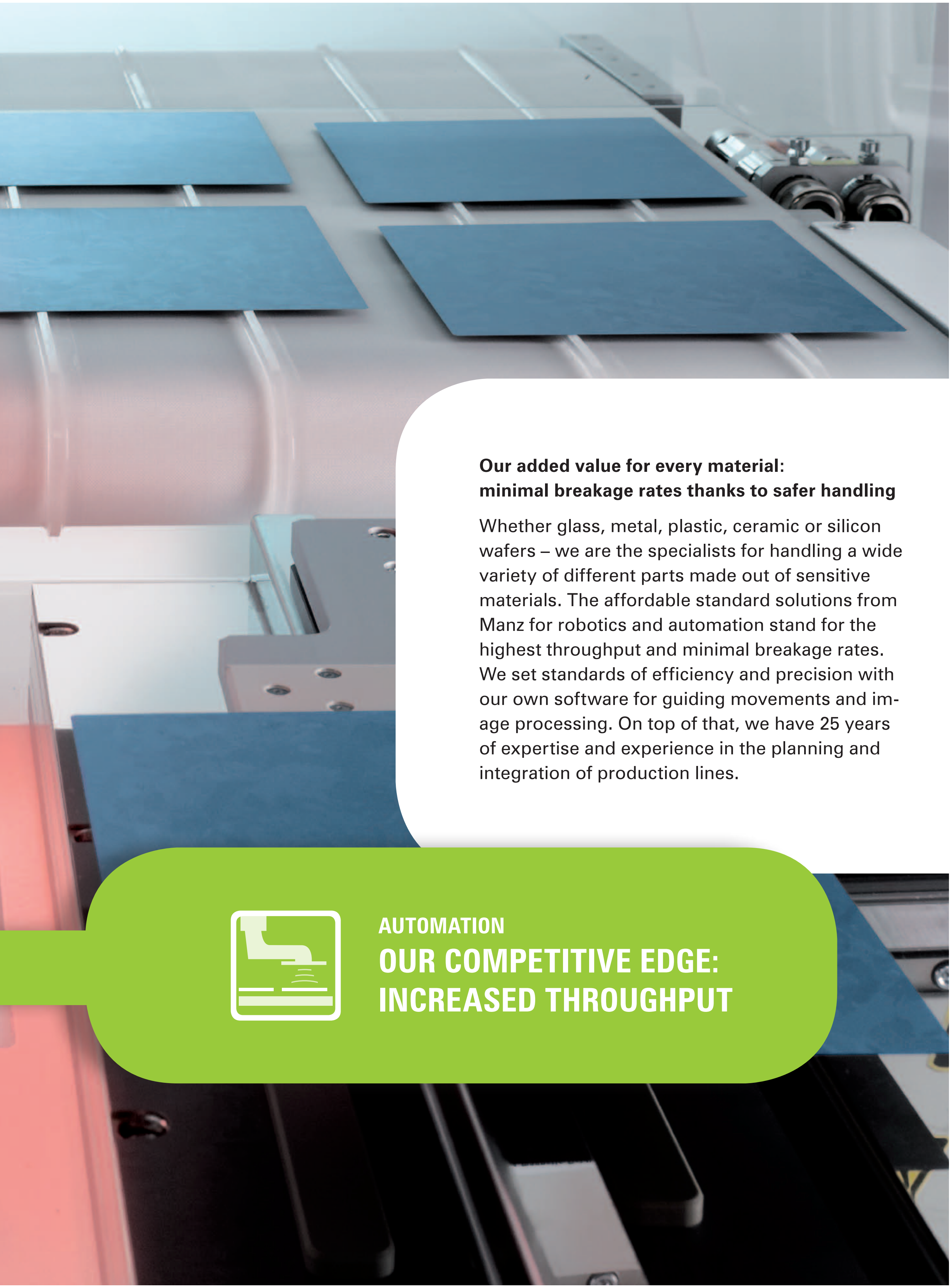
MANZ AG MISSION STATEMENT

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

EVEN GREAT EFFECTS START OFF SMALL

A half of a percent more, a couple micrometers more precise, a fraction of second faster – the most important thing is making advancements in the right place so that production processes are more efficient and the quality of the final products is constantly improved. Discovering and systematically tapping these areas of potential is what drives us each and every day – in automation, metrology, wet chemistry, laser processing technology, vacuum coating, and printing processes. Transferring our technological expertise across industries and the synergies gained from doing so make our company extremely flexible as well as less dependent on the trends in individual markets.

CONTENT



Our added value for every material:
minimal breakage rates thanks to safer handling

Whether glass, metal, plastic, ceramic or silicon wafers – we are the specialists for handling a wide variety of different parts made out of sensitive materials. The affordable standard solutions from Manz for robotics and automation stand for the highest throughput and minimal breakage rates. We set standards of efficiency and precision with our own software for guiding movements and image processing. On top of that, we have 25 years of expertise and experience in the planning and integration of production lines.

AUTOMATION

OUR COMPETITIVE EDGE: INCREASED THROUGHPUT

TO OUR SHARE-HOLDERS

LETTER FROM THE MANAGING BOARD

Dear Shareholders,

Fiscal year 2012 was characterized by different – in some cases even opposing – developments in our core markets. And this fact is also reflected in the results of the individual divisions. While we succeeded in generating significant growth in the Display and Battery divisions, the situation in the photovoltaic market remains difficult. Once again in 2012, our comprehensive technological portfolio, the successful cross-industry transfer of technologies, and our company's strategically diversified focus on several growth industries proved to be successful and correct. This allowed us to partially compensate for significant declines in the photovoltaic market, despite not succeeding in matching the results of the previous fiscal year as a result of these market developments. Group revenues in 2012 totaled 184.1 million euros, after totaling 240.5 million euros in the previous year. Earnings before interest and taxes (EBIT) were weighed upon heavily by approximately 17 million euros due to special one-time items. Depreciation and one-time charges – due to market participants' ongoing reluctance to make new investments – were predominantly related to warehousing equipment and R & D projects as well as the impairment of accounts receivable in the field of crystalline photovoltaics and serve to remove these elements of uncertainty from our balance sheet. In addition, as a result of investments made by the company – such as in the new facility in Suzhou – our scheduled depreciations on fixed assets also increased. As such, EBIT totaled approximately –30.7 million euros (previous year: 3.1 million euros), while the consolidated result totaled –33.5 million euros (previous year: 1.2 million euros).In contrast, operating cash flow improved since the lion's share of the special items was not liquidity related, and through the disposal of inventory on hand, Manz generated an operating cash flow of 20.5 million euros (previous year: –17.4 million euros). As such, our liquidity situation remains solid, and the company has equity ratio of 52.6 %, which is high for the industry.

Strategically diversified focus on multiple growth industries

During the 2012 fiscal year, the situation in the solar industry continued to be shaped by overcapacities, sharply declining sale prices for solar cells and panels, and a lack of willingness to make investments on the part of manufacturers. The associated margin pressure dramatically accelerated the consolidation process and even had an effect on the Chinese PV industry. In these market conditions, even companies whose market share has increased as a result of consolidation are not able to manufacture profitably at the present time. The willingness to make investments in the solar industry was accordingly low, and this is reflected in both the revenues and earnings generated in our Solar division. As such, revenues in 2012 declined by 77.4 % to 16.4 million euros (previous year: 72.6 million euros).

At the same time, we see significant opportunities over the medium term for our company in the current market situation, since manufacturers will have to invest in more efficient production systems in order to get back into the black. With our innovative production solutions like individual pieces of equipment for manufacturing crystalline solar cells and thin-film solar panels as well as our integrated production line for CIGS thin-film solar panels, the Manz CIGSfab, we view ourselves as extremely well positioned to take part in the upcoming investment cycle.

Record revenues and earnings in the Display division

In the Display division, we generated new record revenues and earnings in 2012. With our subsidiary Manz Taiwan, the market leader for wet-chemical systems in China and Taiwan, the new production facility with over 450 employees we opened in 2012 in Suzhou, China, and our extensive technological know-how, we possess outstanding expertise as a local high-tech mechanical engineering company and have established ourselves in the industry as a popular supplier for production systems. Compared to last year, revenues increased by 12.9 % to 111.3 million euros (previous year: 98.5 million euros) with earnings increased by 55.6 % to 14.0 million euros (previous year: 9.0 million euros). In this context, we particularly benefited from the sustained high demand for mobile devices with touch panel displays, such as smartphones and tablet computers, as well as the overall increase in the integration of touch panels into an ever-growing number of products. This dynamic growth is also reflected in the major contracts acquired in the Display division since the beginning of the 2013 fiscal year with a value of approximately 80.0 million euros. We believe Manz has excellent chances of further increasing revenues and earnings in this division in the current year.

Increased revenues and earnings expected once again for 2013 in the Battery division

It was our Battery division that recorded the highest growth rate in 2012, however. We were able to generate revenues of 14.5 million euros with the sale of production systems for manufacturing lithium-ion batteries, for the automotive industry and stationary power storage, which is equal to an increase of 52.7 % year over year (previous year: 9.5 million euros). As such, earnings in this division increased accordingly by 36.4 % to 1.5 million euros (previous year: 1.1 million euros). By focusing on this third strategic area of business, we have tapped an additional sunrise market that in the future will continue to offer us significant growth potential, and we are expecting revenues and earnings to increase further in 2013.

The previous fiscal year was certainly not an easy year for our company. Nevertheless, we are extremely confident as we look to the future: the Solar division is now only responsible for a small share of total revenues, which reflects our independence from the volatile developments of this industry. We will make systematic use of the opportunities that arise for us in this area of business but beyond that will focus on further expanding the outstanding positioning of our Display and Battery divisions. Our extensive technological expertise and the unwavering continuation of both our diversification strategy and the project we began in the second half of 2012 to optimize the Group's organizational structure and costs have created outstanding conditions for Manz AG to be successful over the medium and long term and increase our earnings power in the current year.

We would like to take this opportunity to particularly thank our employees, whose dedication, flexibility, and imagination play a critical role in making further advancements to our technologies and, as a result, open up new growth opportunities for our company.

The Managing Board

Dieter Manz

Martin Hipp

MANAGING BOARD INTERVIEW

INTERVIEW WITH DIETER MANZ AND MARTIN HIPP

Mr. Manz, Mr. Hipp, Manz AG posted significant losses in 2012. How do you plan to counteract this trend in the coming fiscal year?

Dieter Manz: The reasons for the results we achieved in 2012 are quite obvious. We have two highly profitable divisions – Display and Battery – in which we achieved extremely strong growth rates year over year. Both divisions combined now generate approximately 70 % of total revenues. At the same time, in the Solar division we were confronted with a dramatic decline in in the value of worldwide investments in production equipment and systems. While this trend led to a decline in revenues of 77.4 %, we continued to invest in R & D activities in order to benefit from the new investment cycle – which is going to occur – and once again earn money with innovative production solutions. What is most important are the opportunities that open up for us as a result of our diversification strategy. And here we see significant upside potential compared to last year in all divisions – and particularly in Solar.

Martin Hipp: Last year's results were weighed down heavily by one-time items that almost exclusively resulted from the crystalline photovoltaics segment. We are talking about approximately 17 million euros from depreciations on accounts receivable, finished and semifinished goods and equipment, and severance packages that can also be traced back to the ongoing difficult situation in the solar industry. These special depreciations for 2012 were necessary, however, because we have now removed these elements of uncertainty from the balance sheet. In addition, last year we initiated measures to optimize the entire Group's organizational structure and costs. We will continue to press ahead with these measures during the coming year in order to return to our old strength. With an equity ratio of over 50 % and orders currently on the books with a value of 128 million euros, the prospects of a successful year are significantly better than last year.

Mr. Manz, although we are seeing the first rays of hope in the solar industry, overcapacities and margin pressure continue to be a factor. In the face of these contrarian market tendencies, do you still believe in Solar as an area of business?

Dieter Manz: Yes, we do. If we examine the situation with a level head, we see that the general conditions for us are by all means positive. Because of cuts to government subsidies, low solar-cell prices, and the associated consolidation process among solar producers, a market environment is now being created in which efficient production processes

„What is most important are the opportunities that open up for us as a result of our diversification strategy. And here we see significant upside potential compared to last year in all divisions – and particularly in Solar.“ **DIETER MANZ, CEO**

are absolutely essential. In the consumer market, demand has never been higher, with 30 GW of newly installed capacity last year. Countless studies prove that this trend will continue dynamically in the coming years. With our innovative production solutions and particularly our CIGSfab, we offer manufacturers worldwide exactly the equipment they need to once again operate profitably. Overall, we currently believe the opportunities outweigh the risks, which is why we will continue to invest in this area of business. This is also despite investing much less than in 2012, since we successfully completed our key development projects already last year.

Manz's stock price fluctuated significantly during 2012. What can investors expect in the current year?

Dieter Manz: That is difficult to predict; the performance of our operative business is obviously important in this context. We are currently benefiting heavily in the Display division from the sale of equipment for manufacturing touch panel displays – the key words here are tablet computers and smartphones. Because an increasing number of manufacturers are integrating touch screen displays into their products, this market is booming. But it would be wrong to reduce Manz AG to only its Display division. We also see significant potential for our company in the field of lithium-ion batteries for the future markets of electric vehicles and stationary power storage. When viewed in absolute figures, the Battery division still generates a relatively low amount of revenue, yet it recorded the highest year-over-year growth of all three divisions with approximately 53 %. Over the medium term, our goal is to generate an equal share of revenues in all three divisions, which will make the company more resistant to fluctuating industry cycles and give our investors more security. As Manz AG's largest shareholder, I obviously hope that this will also be reflected in our share price over the medium term.

Martin Hipp: Naturally, the share price is always influenced by external factors – for example, the sovereign debt and euro crisis or the effects of cutting subsidies on the solar industry. We do not have any direct way to counteract these trends. However, the diversification strategy previously mentioned is a key component of our company's success and, as such, is also decisive when it comes to being rewarded by the capital market. By applying our wide-ranging technological portfolio across different industries, we give the entire company increasing stability and, in doing so, pursue the goal of keeping our stock price from fluctuating as turbulently in 2013 as it did last year. Although the figures for the 2012 fiscal year did not meet our expectations, we are extremely optimistic about the current year.

„By applying our wide-ranging technological portfolio across different industries, we give the entire company increasing stability." **MARTIN HIPP, CFO**

MANZ AG STOCK

OVERVIEW

In the 2012 fiscal year, Manz AG's stock opened at a value of 22.40 euros. Despite several spikes, the stock generally traded sideways until the middle of February. At this time, the share price was 22.29 euros, slightly lower than the opening price at the beginning of the year. In the following weeks, the value of the stock saw a significant increase, rising by approximately 40 %, reaching its annual high of 31.35 euros on March 8, 2012.

This stock was not able to maintain this positive performance in the following period, however. By the middle of June, the value of Manz AG's stock had once again lost approximately 37 % of its value and fell to 19.70 euros, its lowest point until that time. By the end of July, the stock had rebounded and made some short-term gains, trading in the following months between approximately 20 euros and 27 euros. After losing ground in October and November, Manz AG's stock fell to its annual low of 16.06 euros on November 23, 2012. The stock regained some ground by the end of the year, however, closing out fiscal year 2012 at a value of 17.77 euros. This equals a loss of about 20 % for the total

Manz stock trading considerably higher at the end of the year

CHART SHOWING MANZ AG STOCK 2012 (XETRA, in EUR)

year. The value of stock has been rapidly growing since the turn of the year. Compared to its value at the beginning of 2013, on March 11, 2013, Manz AG's stock was being traded at 27.00 euros, equal to a 51.9 % increase.

After trading behind the two solar industry indices World Solar Energy Index (SOLEX) and the Photovoltaik Global 30 Index (PV Global 30) as well as the TecDAX and the Philadelphia Stock Exchange's Semiconductor Sector Index (SOX) during the first two months of the year, Manz AG's stock has significantly outpaced the SOLEX and the PV Global 30 since then. Similar to the SOX and the TecDAX, Manz AG's stock clearly traded sideways during the first three quarters of 2012, despite its performance being characterized by significant fluctuations in price. After Manz's stock underperformed these two indices between the middle of October 2012 and early February 2013, at the end of the period under observation it closed the gap to the SOX and TecDAX and at the same time outperformed the SOLEX and PV Global 30.

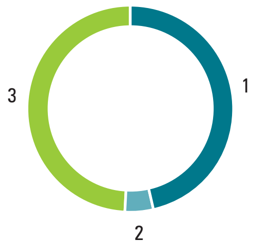
KEY DATA

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

Capital Stock	**4,480,054**
IPO	September 22, 2006
Opening Price	19.00 EUR
Stock Price at the Beginning of the Fiscal Year*	22.40 EUR
Stock Price at the End of the Fiscal Year*	17.77 EUR
Change (in percent)	**–20.67 %**
Annual High*	31.35 EUR
Annual Low*	16.06 EUR

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

SHAREHOLDER STRUCTURE



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

Currently at 49.04 %, Manz AG has a large number of shares in free float and has a wide shareholder base. At the end of the reporting period on December 31, 2012, company founder and chairman of the Managing Board, Dieter Manz, held 46.43 % of Manz's stock. In addition, Ulrike Manz holds 4.53 % of the company's shares.

INVESTOR RELATIONS

In the 2012 fiscal year, the company once again placed particular importance on an active dialog with analysts, investors, and financial journalists. The regular and prompt publication of news about the company underscores the company's goal of providing comprehensive information about the company's performance. At the same time, being listed in the Prime Standard segment already means that Manz is required to comply with the highest standards of transparency. The company plans to continue going above and beyond these standards, however, and the company remains in regular contact with the financial community. As a result, in the previous fiscal year the company carried out a number of measures to ensure that the flow of information remained steady and continuous.

Highest transparency requirements for the best communication

In addition to the legal requirements, Manz carried out the following IR activities, among others:
- Participated in seven capital market conferences
- Two road shows in Germany and abroad
- Open house on June 17, 2012, in Reutlingen
- Analysts Day on September 19, 2012, in Reutlingen
- Regularly holding conference calls with a webcast when publishing reports

During the 2012 fiscal year, Manz AG was covered by the following institutions:
- LBBW
- Bankhaus Lampe
- Berenberg Bank
- Goldman Sachs
- Warburg Research
- Close Brothers Seydler

ANNUAL GENERAL MEETING

Manz AG's 2012 Annual Meeting of Shareholders was held on June 19, 2012, in the FILharmonie in Filderstadt, Germany. 274 shareholders were present and listened to the report by the Managing Board regarding the company's performance in 2011 as well as the forecast for the current fiscal year.

At the Annual General Meeting, almost all of the represented shareholders approved of the items on the meeting's agenda. A total of 61.22 % of capital stock with voting rights was represented. Last year, this figure stood at 63.63 %. Detailed information on the voting results can be viewed at any time in the Investor Relations/Annual General Meeting section of the company's Web site: www.manz.com.

2013 FINANCIAL CALENDAR

Date	
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July 16, 2013	2013 Annual Meeting of Shareholders
August 13, 2013	Publication of 2013 Q2 financial report
November 11–13, 2013	2013 German Equity Forum
November 11, 2013	Publication of 2013 Q3 financial report

REPORT FROM THE SUPERVISORY BOARD

Dear Shareholders,

Once again in 2012, the Supervisory Board regularly advised the Managing Board with regard to the company's strategic focus and governance and continuously monitored its management activities. In doing so, we carried out our duties as set forth by law, the company's Articles of Incorporation, and our bylaws with the utmost care, and we assured ourselves that the Managing Board was operating in accordance with the law and the company's purpose. The Supervisory Board was directly involved in all decisions of fundamental importance to the company and the Group. All transactions and measures that required Supervisory Board approval were discussed in-depth with the Managing Board on the basis of the Managing Board's reports. The Supervisory Board approved the Managing Board's suggested resolutions after careful consideration of all relevant facts and a detailed examination.

The Managing Board and Supervisory Board remained in close contact throughout the entire 2012 fiscal year, holding many intense discussions. In this context, the Managing Board fulfilled its duty to provide information as set forth in the applicable legal provisions and the company's bylaws by submitting regular, comprehensive, and timely reports in written and verbal form to the Supervisory Board about all measures and events relevant to the company. As a result, the Supervisory Board was always abreast of information pertaining to the company's business situation and performance; the intended corporate policies; short-term, medium-term, and long-term planning (including investment, financial, and human resources planning as well as the company's profitability); organizational measures; and the Group's overall situation. In addition, the Managing Board regularly provided information regarding the company's risks and risk management activities.

The chairman of the Supervisory Board also remained in close contact with the Managing Board above and beyond the Supervisory Board's meetings and informed the rest of the board regarding the company's current business performance and key events.

Focus of Supervisory Board Meetings

During the 2012 fiscal year, the Supervisory Board met a total of five times in person and also conducted one meeting by conference call. All members of the Managing Board and Supervisory Board were present for five meetings. The Supervisory Board's regular discussions focused on the development of revenues, earnings, and orders of Manz AG, the individual divisions, and the entire Group as well as the overall financial and earnings situation. The Managing Board provided regular and comprehensive information to the Supervisory Board regarding the company's plans, strategic development, how business was progressing, and the company's current situation.

In the meeting on February 22, 2012, the Supervisory Board and the Managing Board discussed Manz AG's performance at the time as well as the company's prospects and financial planning for the 2012 fiscal year. Furthermore, we spoke on the current status of the activities to fill the vacant COO position, the progress of construction projects in Suzhou, China, and possible acquisitions.

During the meeting on March 26, 2012, we primarily focused on the annual financial statements and the consolidated annual financial statements dated December 31, 2011, including the management report and the Group management report. Furthermore, the Supervisory Board adopted the Supervisory Board report on the Annual General Meeting, the Corporate Governance Report, and the suggested resolutions for the Annual General Meeting. In addition, at the meeting we discussed the company's performance at the time, the report on opportunities and risks, and planning and financing for the 2012 fiscal year. Besides that, the Supervisory Board also spent time discussing the recommendations in the German Corporate Governance Code and adopted the March 2012 compliance statement pursuant to Article 161 of the German stock corporation act (Aktiengesetz).

In our meeting on May 22, 2012, the Managing Board reported on the company's performance and financial situation after completing the first quarter of 2012. Furthermore, we also discussed the opening of the production facility in Suzhou, China, the current activities to fill the COO position, and extending Mr. Martin Hipp's tenure as CFO.

The subject of the report by the Managing Board in the meeting on July 24, 2012, was the company's performance and financial situation at the time as well as additional prospects after completing the first half of 2012. In addition, we discussed the possible effects of centrotherm photovoltaics AG's preinsolvency restructuring proceedings on Manz AG, the company's financing, possible acquisitions at the time, and the status of the activities to fill the COO position. In addition, the extension of Mr. Martin Hipp's tenure as CFO was approved.

At the meeting on October 24, 2012, we discussed the preliminary figures after the close of the third quarter of 2012 as well as the company's performance and further prospects at the time. Additional topics touched upon at the Supervisory Board meeting were possible optimizations to the company's organizational structure, possible acquisitions, and the status of activities to fill the COO position.

At the meeting on December 13, 2012, the Managing Board provided information on the company's performance as of November 30, 2012. In addition, the following topics were also discussed at the meeting: possible optimizations to the company's organizational structure, the company's financing, the recommendations of the German Corporate Governance Code and the December 2012 compliance statement pursuant to Article 161 of the German stock corporation act, possible acquisitions, and the status of the activities to fill the COO position.

Conflicts of Interest

Supervisory Board member Peter Leibinger holds an executive position at a company that provides services to Manz. No specific conflicts of interest resulted from this business relationship.

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

Corporate Governance

In the 2012 fiscal year, the Managing Board and Supervisory Board once again delved deeply into the further development of the company's Corporate Governance policies. At the meetings on March 26, 2012, and December 13, 2012, we discussed the German Corporate Governance Code's recommendations, particularly with regard to the independence of Supervisory Board members. Furthermore, the Supervisory Board tailored the goals for its composition to the changes in the code, and determined that in the board's opinion, the board is comprised of a sufficient number of independent members. The Managing Board and Supervisory Board issued a joint compliance statement pursuant to Article 161 of the German stock corporation act in both March and December 2012, according to which the company will adhere to the recommendations in the code with only one exception. The compliance statements were made permanently available to the public on Manz AG's Web site.

The Supervisory Board of Manz AG consists of three members, the minimum number of members allowed by law. Due to the number of Supervisory Board members, forming committees would not have served any purpose and would have only made the board's work more difficult. As a result, the board did not form any committees during the 2012 fiscal year.

Annual Financial Statements and Consolidated Financial Statements for 2012

The annual financial statements and consolidated financial statements prepared by the Managing Board for the 2012 fiscal year dated December 31, 2012, were audited by the company's and Group's auditing firm, BEST AUDIT GmbH Wirtschaftsprüfungsgesellschaft, and both statements were certified without restriction in an auditor's report. The auditor conducted the audit in accordance with Article 317 of Germany's Commercial Code while taking into account the German principles of proper auditing as set forth by the German Institute of Chartered Accountants (Institut der Wirtschaftsprüfer in German, or IDW for short).

The Supervisory Board reviewed the annual financial statements and the consolidated financial statements dated December 31, 2012, as well as the Management Report for both Manz AG and the consolidated Group for the 2012 fiscal year and included the report submitted to its members by the auditing firm prior to the meeting in this review. At the Supervisory Board meeting held for the purpose of reviewing the annual financial statements on March 27, 2013, the Managing Board provided detailed information about Manz AG's financial statements, the consolidated financial statements, and the company's risk management system. During this meeting, the auditing firm reported on the scope and focus as well principles and results of their audit. In addition, they reported that, based on their audit, the company's internal monitoring system and risk management system do not exhibit any major weaknesses.

The Supervisory Board agrees with the results of the audit. Based on the final result of the Supervisory Board's review, there are no objections to be made. The annual financial statements and consolidated financial statements dated December 31, 2012, were approved by the Supervisory Board in a resolution dated March 27, 2013. As a result, Manz AG's annual financial statements dated December 31, 2012, have been officially adopted.

„With the positive trends in the Display and Battery divisions in fiscal year 2012, Manz AG impressively demonstrated the success of the company's strategy. This is an excellent basis for the company's long-term success." **PROF. DR. HEIKO AURENZ**

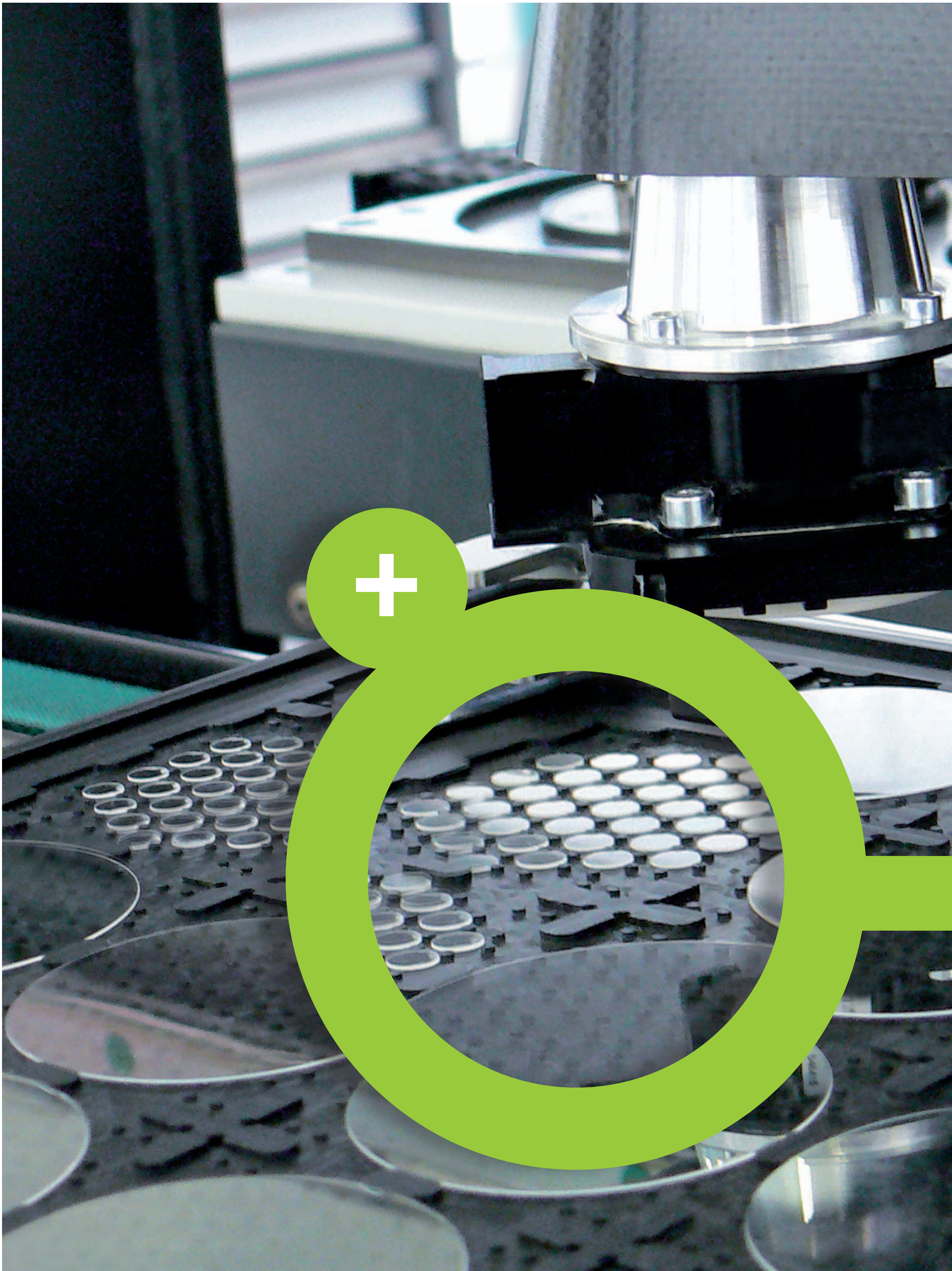
Thanks and Appreciation

The Supervisory Board would like to thank the Managing Board, employees, and employee representatives of Manz AG and its subsidiaries for their work.

Reutlingen, March 27, 2013

Aurenz

Prof. Dr. Heiko Aurenz
Chairman of the Supervisory Board



Our added value for every requirement: unrivaled precision and process stability

With decades of expertise, Manz is the market leader for laser machining processes for a variety of different applications. Our core competency is designing optical systems for beam shaping, beam splitting, and beam control. In this context, we work very closely with research institutes and suppliers of laser sources. With our ability to develop and build integrated laser systems, including the automation, optical alignment, and subsequent inspection, we can offer our customers affordable standard solutions whose ever-increasing precision and stability constantly improves the quality of the final products.

LASER PROCESSING TECHNOLOGY

OUR STRENGTH: HIGH PRECISION

GROUP MANAGEMENT REPORT

BUSINESS REPORT

BUSINESS ENVIRONMENT

Market Environment and Basic Financial Conditions

Economic Development

Overall global economic growth over the course of 2012 was weaker than in the previous year, although the experts from the Kiel Institute for the World Economy (IfW) believe that the general decline in economic activity bottomed out at the turn of the year from 2012 to 2013. Among other factors, growth in 2012 was slowed down by the recession in Europe and rather slow growth in the United States. In addition, emerging market economies grew less dynamically than in previous years. The Kiel Institute for the World Economy (IfW) expects global GDP growth in 2013 of 3.4 % after recording 3.2 % growth last year. In Asia, the Chinese market is of particular importance, and this is the region where Manz AG generates the lion's share of sales. In view of the light global economic recovery in 2013 and increasing private consumption, the GDP of the People's Republic of China is expected to grow by 8.0 % (GDP growth in 2012: 7.8 %). In contrast, the euro zone is forecast to post a decline in economic activity of –0.2 % (GDP growth in 2012: –0.5 %).

Positive economic prospects for Asia in 2013, the company's main sales region.

The difficult situation in the euro zone also left its mark on Germany in the reporting period – over the course of the year, the German economy became less dynamic and, despite remaining significantly above the European average, recorded price-adjusted GDP growth of 0.7 % for the entire year of 2012. In 2013, however, the IfW expects the European sovereign debt crisis to have an effect on the German economy. In its current forecast, the economists expect GDP growth in Germany of 0.3 %.

Display Division

In its Display division, Manz AG focuses on innovative production solutions for manufacturing flat panel displays (FPD) and touch-sensitive displays. As the interface for interactions between humans and electronic devices, FPDs are now indispensable and equally ubiquitous – whether as monitors for computers (including laptops) televisions, displays for operating industrial applications, or touchscreen panels for mobile devices such as smartphones, navigation devices, or tablet computers.

The experts from the market research firm NPD DisplaySearch forecast significant growth potential for this field, particularly for the touch-panel display segment. Total global revenues for touch-screen modules reached nearly 16 billion USD in 2012 and are predicted to almost double to 31.9 billion USD by 2018. NPD DisplaySearch believes growth will be driven by the high demand for thin and light devices with touch screens, particularly smartphones, tablet computers, and notebooks. In this context, the tablet computer segment is growing the fastest.

Demand for devices with touchscreens remains high

After recording more than 130 million units sold in 2012, sales in 2013 are expected to grow once again, reaching more than 190 million units. When it comes to touch screens for tablet computers, experts are expecting year-over-year sales growth of more than 3 billion USD for 2013. And the notebook and all-in-one PC segments also continue to grow unabated. NPD DisplaySearch expects to see a significant increase in the share of devices with touch screens. The experts from the market research institute are forecasting an increase from approximately 2 % in 2011 to approximately 8 % in 2013.

According to NPD DisplaySearch, approximately 3.8 billion USD was invested in production equipment in the FPD industry during fiscal year 2012; this is equal to a year-over-year decline in investment volume of 69%. Due to the recovering market for LCD televisions as well as the additional revenue potential from technological innovations in mobile devices, televisions, and new applications for FPD technology, the market researchers believe industry revenues in 2013 will continue to grow. For the coming year experts estimate investments in production equipment to total approximately 8.3 billion USD, a significant increase of 118 % compared to last year.

Solar Division

In 2012, the photovoltaic industry was shaped by a variety of developments. According to information from the market research firm IHS, the newly installed capacity in 2012 of 32 GW exceeded the top value of approximately 28 GW achieved the previous year and played a role in further reducing existing overcapacities. At the same time, producing PV companies faced further declining panel prices and the corresponding cost pressure, which in turn was felt by manufacturers of production equipment in the form of a strong reluctance on the part of panel producers to make new investments.

IHS is also forecasting a further increase in new global PV installations for 2013. In this context, they expect new systems to be installed with a total capacity of 35 GW. The experts at Deutsche Bank believe that expected declines in countries like Germany and Italy will be overcompensated for with significant growth in China, India, and the United States. In

2013, they expect new systems to be installed in the People's Republic of China with a total capacity of 10 GW (2012: 4 GW), in India with 4 GW (2012: 1.3 GW), and in the United States with 4.5 GW (2012: 3.5 GW).

Overcapacities, declining prices, and panel manufacturers' inability to reliably plan for the future had a significant effect on the number of orders received by manufacturers of production systems in 2012. According to information from the market research firm NPD Solarbuzz, new investments in equipment declined year over year in 2012 by 72 % to 3.6 billion USD. The rapid cutback in the number of orders on hand is also due to the above-average level of investments made in 2010 and 2011, however. For the current year of 2013, the experts still view the market situation as difficult and are expecting a further decline in investment volume to 2.2 billion USD. At the same time, they believe it is absolutely essential that equipment manufacturers tap the potential for efficiency increases in order to gain market shares during the next investment cycle.

Positive outlook on trends in the solar industry

The industry experts from IHS expect panel prices to stabilize in the second half of 2013. This development, together with the number of new installations worldwide continuing to reach new record highs, will bring about a dramatic increase in revenue in the industry. As a result of these trends, experts see increasing signs that 2013 will mark a positive turnaround for the solar industry.

Battery Division

In its Battery division, Manz AG focuses its decades of expertise as a high-tech engineering company on production technologies and optimized manufacturing processes for lithium-ion batteries. In this context, in addition to the automotive industry, particularly stationary energy storage systems for renewable energy are becoming increasingly important.

The market research firm Pike Research is forecasting growth in the total market for lithium-ion batteries for passenger and light commercial vehicles from 1.6 billion USD in 2012 to approximately 22 billion USD in 2020. In this context, Pike Research expects the Asia and Pacific region to continue to lead the world in the production and use of lithium-ion batteries as a result of government subsidies. Japan is expected to overtake China in 2015 as the leading producer of lithium-ion batteries for the automotive industry. The advancement of this future industry is also subsidized by the United States government as well. Pike Research expects that the US Department of Energy will continue the significant financial support for this industry until at least 2015 in order to significantly increase the American share of the global market for lithium-ion batteries.

The industry experts from Roland Berger also see additional potential in the use of stationary storage systems. The reason for this is that, as a result of the increasing share of renewable energy fed into the grid and the associated higher volatility in the grid, the need for load-balancing technologies such as battery storage will increase. Potential buyers of stationary storage systems include private operators of PV systems as well as companies operating large plants. Roland Berger assumes that the demand for batteries for storing renewable energy will increase by 2015 to 2.8 GWh (2011: 1.9 GWh). By 2020 demand is expected to jump to 5.7 GWh.

Significant potential in the Battery division in the field of electric vehicles and storage technologies

Printed circuit board/OEM reporting segment

According to the latest forecast by the German Electrical and Electronic Manufacturers' Association (Zentralverband Elektrotechnik- und Elektronikindustrie e.V., or ZVEI for short), the global market for printed circuit boards had a total value of 59.1 billion USD in 2012, remaining predominantly stable year-over-year. Key market participants were once again China and the South East Asia region, with a total market value of 36.12 billion USD (2011: 35.5 billion USD), as well as Japan with approximately 10 billion USD (2011: 10.6 billion USD). The American market stagnated at around 5.8 billion USD. In contrast, the European market shrank by 4 % to about 6.4 billion euros (2011: 6.7 billion euros). As in 2011, vehicle electronics and industrial electronics were responsible for the lion's share of production. For the experts from ZVEI, the stagnation is largely due to the debt crisis in the United States and Europe and the associated loss of consumer confidence.

Overall view of the business environment

In the 2012 fiscal year, Manz AG successfully implemented its diversification and integration strategy between the Display, Solar, and Battery divisions. With this strategy, the company views itself as being well positioned for the current 2013 fiscal year. In the Display segment, the investment boom of recent years continues unabated. As the market leader for innovative production solutions in the field of wet-chemical processing steps in Taiwan and China, Manz AG also sees excellent opportunities for additional revenue and earnings growth in this division in 2013.

How the solar industry will develop in the future remains unclear. In any case, with its innovative production solutions, Manz AG is extremely well positioned to profit in the fullest extent from the upcoming investment cycle. Due to further intensified research and development activities for battery technologies in the field of electric vehicles as well as for stationary power storage, Manz AG also sees significant growth opportunities in the Battery division. Manz AG assumes stable market development in the PCB/OEM reporting segment.

COMPANY SITUATION

Group Structure and Holdings

A total of 19 companies are included in Manz AG's consolidated financial statements dated December 31, 2012, and are therefore fully consolidated. At the end of the reporting period, Manz AG, as the Group's parent company, held a 100 % interest in six international subsidiaries and three domestic subsidiaries located in Reutlingen, Tübingen, and Schwäbisch Hall. Two of the foreign subsidiaries are based in Hungary, and one subsidiary each is located in the United States, Slovakia, Israel, and Hong Kong. In addition, the company holds a 100 % stake in three second-tier subsidiaries in China and two in Taiwan. Furthermore, the company holds a 75 % stake in a second-tier subsidiary in India. Besides that, Manz AG has a 100 % stake in two third-tier subsidiaries in the British Virgin Islands and a third-tier subsidiary in China.

In the 2012 fiscal year, Manz AG's products and services were grouped into the "Display," "Solar," and "Battery," divisions, as well as the "Printed Circuit Board/OEM" and "Others" reporting segments. The Printed Circuit Board/OEM segment was retroactively established in the 2010 fiscal year to take the corresponding share of earnings resulting from our third-party semiconductor business and the resulting obligation to report this segment individually pursuant to IFRS 8 into account. If the Printed Circuit Board/OEM reporting segment's share of total revenues declines in the future, however, Manz AG may no longer be required to report this segment. In contrast, the Others segment does not need to be reported since it does not fulfill the key requirements set forth in IFRS 8.


MANZ AG
100 %
Manz Tübingen GmbH
Tübingen/Germany
100 %
Manz Coating GmbH
Reutlingen/Germany
100 %
Manz CIGS Technology GmbH
Schwäbisch Hall/Germany
100 %
Manz Asia Ltd.
Hongkong/China
100 %
Manz Hungary Kft.
Debrecen/Hungary
100 %
MVG Hungary Kft.
Debrecen/Hungary
100 %
Manz Slovakia, s.r.o.
Nove Mesto nad Vahom/
Slovakia
100 %
Manz USA Inc.
North Kingstown/USA
100 %
Manz Israel (T.A.) Ltd.
Petach Tikva/Israel
100 %
Manz Chungli Ltd.
Chungli/Taiwan
97,2 %
Manz Taiwan Ltd.
Chungli/Taiwan
100 %
Manz China Suzhou Ltd.
Suzhou/China
100 %
Manz China Shanghai Ltd.
Shanghai/China
75 %
Manz India Pvt. Ltd.
New Delhi/India
100 %
Manz China WuZhong Ltd.
Suzhou/China
100 %
Manz (B.V.I.) Ltd.
Road Town/British Virgin Islands
100 %
Intech Machines
(B.V.I.) Co., Ltd.
Road Town/British Virgin Islands
100 %
Intech Machines
(Shenzhen) Co., Ltd.
Shenzhen/China

INTERNATIONAL LOCATIONS AND PROFILES

27 **NATIONS**

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

1,939 **EMPLOYEES**

Compared to 2011, the company increased its workforce by 27 people.

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

2 **Hungary**
Debrecen
Production & Service

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

4 **USA**
North Kingstown
Sales & Service

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

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

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

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

9 **Israel**
Petach-Tikva
Development

Employees

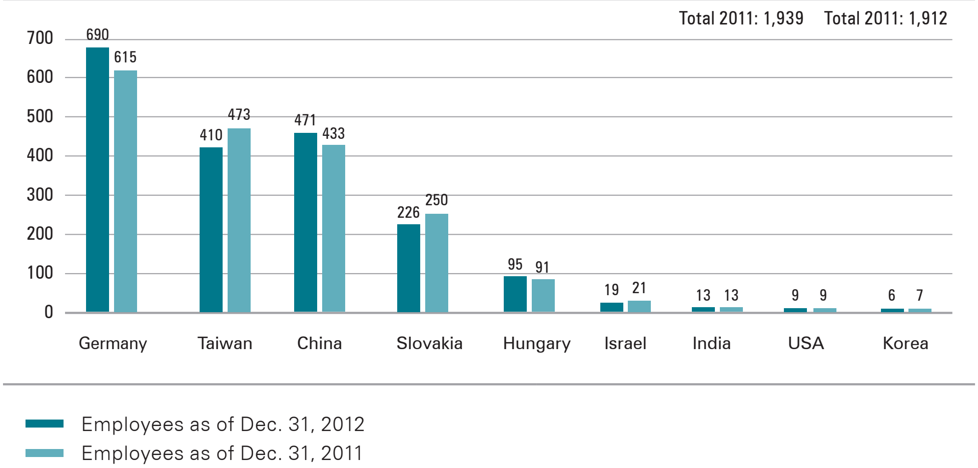
Employee Structure

Qualified and motivated employees form the foundation of Manz AG's long-term success. On December 31, 2012, a total of 1,939 employees (previous year: 1,912) worked for the company both in Germany and abroad, including 401 of which were employed at our company's headquarters in Reutlingen.

This means that Manz continued to expand its workforce in 2012. Nevertheless, as a result of the continued low number of new investments in the solar industry as well as to optimize the Manz Group's organizational structures and processes, a total of 62 jobs were cut at the German locations in Reutlingen, Tübingen, and Karlstein. The significant increase in employees in Germany despite these cuts resulted from the acquisition of the CIGS innovation line at the Schwäbisch Hall location.
The continuous expansion of our technology and product portfolio through research and development as well as having a strong local presence in Asia, where we generate the lion's share of sales, both remain central components of the company's strategic positioning.

Based on the number of employees, the largest subsidiary in the Group is Manz China Suzhou Ltd. in China with 461 employees, followed by Manz Taiwan Ltd. in Taiwan with 410 employees, and Manz Automation Slovakia s.r.o. with 226 employees.

EMPLOYEES BY COUNTRY



Research & Development

Research and development represents a key component of successfully expanding Manz AG's cross-industry technology and product portfolio. As such, in order to further strengthen the Manz's position as a company driving innovation in growth industries, in 2012 the company also continued its strategic focus on intensive research and development. With over 500 engineers, technicians, and scientists at its development facilities, Manz AG focused on making cross-industry advancements to its technological core competencies, particularly in the fields of vacuum coating (Karlstein, Germany), automation, metrology, laser technology, and screen printing (Reutlingen, Germany), CIGS technology (Schwäbisch Hall, Germany), wet-chemical processes (Taiwan), and process control software (Reutlingen and Israel). Manz AG's goal is to make advancements to the company's technologies for fields of application in a variety of industries by bringing together experience gained across different industries and, as a result, utilize synergies and economies of scale.

Innovation and growth through research and development

Manz AG had a total ratio of research costs to sales of 18.3 % in the reporting period (previous year: 10.2 %). If only considering capitalized development costs, the ratio of research costs to sales totaled 8.1 % (previous year: 5.6 %). This increase is due to the intense research and development activities in the field of vacuum technology at the Karlstein location and in the field of CIGS technology at the facility in Schwäbisch Hall. In the future, Manz will continue down this path in order to further strengthen its position as the technological market leader. Several examples of product developments in the field of vacuum technology and wet chemistry successfully launched in fiscal year 2012 are listed below.

Vacuum technology

With the launch of the Vertical Coating System (VCS) 1200 for the front- and reverse-side passivation of crystalline solar cells at the EU PVSEC in Frankfurt in September 2012, Manz now offers the industry an innovative vacuum-coating process that stands out thanks to vertical handling and coating of solar cells free of shadowing effects. In this context, passivation is achieved through plasma-enhanced chemical vapor deposition (PECVD). With this piece of equipment, Manz both increases the efficiency of monocrystalline and polycrystalline solar cells as well as the throughput rate of the entire production process and, as a result, helps cut manufacturers' production costs. The system is also designed so that it can be easily integrated into existing production lines, significantly improving their profitability.

An innovative, vertical vacuum system for coating substrates – for example, thin-film substrates – was also presented at the EU PVSEC in Frankfurt for the first time. This is an in-line sputter system (ISS) that operates based on the principle of physical vapor deposition (PVD) and makes high throughput rates with a low level of maintenance possible. Thanks to its modular design, the system can also be integrated into existing production lines and help PV manufacturers further cut production costs. The vacuum technology has a wide range of applications in other high-tech sectors above and beyond the PV industry. For example, significant revenue potential for Manz AG results from customers in the FPD industry, who were also the first buyers of these sputtering systems. In this field, the technology is used for display manufacturing or for manufacturing touch panels and OLEDs.

Wet chemistry

Wet-chemical processes are an elementary production step in manufacturing LCD displays as well as thin-film solar panels and crystalline solar cells. By acquiring Intech Machines Co. Ltd. in 2008, Manz AG gained access to this technology and since then has made continuous advancements to it. In the 2012 fiscal year, Manz released the IPSG CEI 4800, a system for wet-chemical processes in the solar industry that is based on technological expertise from display manufacturing. This system chemically removes the highly doped layer from the reverse side and edges of a silicon wafer and isolates the emitter from the reverse side; it also removes the phosphosilicate glass layer from the front side in a second step. Thanks to the increasing integration of individual process steps into one system, Manz makes it possible for customers to cut manufacturing costs. In this context, the IPSG CEI 4800 is the first system from Manz AG that was developed and produced completely and China, and at the same time, it reflects Manz's success in transferring technology between divisions as well as its successful research and development activities. When it comes to wet-chemical systems for manufacturing flat panel displays, Manz Taiwan is the market leader in Asia and, with more than 2,000 installed systems, offers its customers an outstanding level of technological expertise.

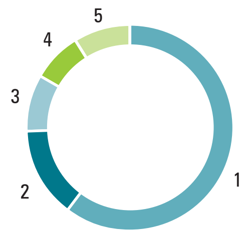
NOTES TO THE RESULTS AND ANALYSIS OF THE FINANCIAL SITUATION

Earnings Position

In fiscal year 2012, Manz AG's revenue and earnings position was particularly shaped by contrasting developments in the relevant target markets, which is reflected in the figures of the individual divisions. In this context, the continued reluctance to make new investments in the solar industry and the associated significant decline in revenues generated in the Solar division were partially compensated for by the positive trends in the Display and Battery divisions, with revenues totaling 184.1 million euros after totaling 240.5 million euros in the previous year.

In fiscal year 2012, the Display division exhibited strong growth, generating largest share of revenues for the company. The positive trend in this division was driven by the sustained high demand for mobile devices with touch panel displays, such as smartphones and tablet computers, as well as the overall increase in the integration of touch panels into an ever-growing number of products. Revenues increased in this division year-over-year by 12.9 % to 111.3 million euros in the fiscal year (previous year: 98.5 million euros). This is equal to approximately 60.4 % of total group revenues. As a result of the general business environment, which remains difficult, as well as the reluctance to make new investments, the Solar division saw a significant decline in revenues of around 77.5 % year-over-year – from 72.6 million euros last year to 16.4 million euros. As a result, the division's share of total revenues declined to 8.9 % in 2012. The company saw the highest growth rates in the Battery division. Revenues from the sale of equipment for manufacturing lithium-ion batteries increased year-over-year by 52.6 % from 9.5 million euros to 14.5 million euros in 2012; the division's share of total revenues was 7.9 %. In addition to the aforementioned divisions, the Printed Circuit Board/OEM reporting segment generated 25.9 million euros (previous year: 41.9 million euros), contributing 14.1 % of total revenues, and the Others reporting segment generated 16.0 million euros (previous year: 18.0 million euros), responsible for 8.7 % of total revenues.

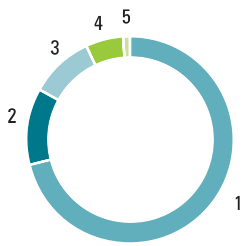
REVENUES BY BUSINESS UNIT 2012



1	**60.4 %**	Display
2	**14.1 %**	PCB/OEM
3	**8.9 %**	Solar
4	**7.9 %**	Battery
5	**8.7 %**	Others

Broken down by regions, Manz AG's revenues in the reporting period were generated as follows: With 131.4 million euros or 71.4 %, Manz generated the lion's share of revenues in Asia (previous year: 171.7 million euros, or 71.4 %). In Germany, the company generated 22.2 million euros, equal to 12.1 % of total revenues (previous year: 25.1 million euros, equal to 10.4 %). Approximately 18.5 million euros, or 10.0 % of total revenues, was generated in the remainder of Europe in the reporting period, after the company generated 31.8 million euros, equal to 13.2 %, here in the same period last year. Revenues generated in the United States in fiscal year 2012 totaled 10.7 million euros, equal to a 5.8 % share of total revenues (previous year: 11.6 million euros, equal to 4.8 %). In all other regions of the world, Manz generated revenues of 1.3 million euros, equal to 0.7 % of total revenues (previous year: 0.337 million euros, equal to 0.1 %).

REVENUES BY REGION 2012



1	**71.4 %**	Asia
2	**12.1 %**	Germany
3	**10.0 %**	Rest of Europe
4	**5.8 %**	USA
5	**0.7 %**	Other regions

Taking changes to our inventory of finished goods as well as internally produced and capitalized assets into account, Manz AG's total operating revenues decreased as a result of the overall decline in total revenues to 188.9 million euros in fiscal year 2012 (previous year: 266.8 million euros). While the company added to the amount of inventory on hand in 2011, the value of finished and unfinished goods in stock declined in the reporting period by 10.1 million euros (previous year: increase of 13.1 million euros). This decline is the result of systematically reducing inventory as well as one-time effects from the depreciation of finished and unfinished equipment in the field of crystalline photovoltaics. These depreciations were caused by the ongoing difficult situation in the solar industry in fiscal year 2012. Besides that, the value of Manz AG's internally produced and capitalized assets totaled 14.9 million euros (previous year: 13.2 million euros). They are the result of the acquisition of the CIGS innovation line in Schwäbisch Hall and the resulting increase in capitalized development costs for the CIGSfab, as well as research and development costs in the field of vacuum coating technology, among other areas.

Furthermore, other operating income increased significantly year over year from 4.5 million euros to 15.5 million euros. This is the result of funds Manz AG is receiving from Würth Solar as part of the agreement to acquire the location in Schwäbisch Hall as well as a year-over-year increase in public funds for Manz AG's innovation projects. Cost of materials declined significantly to 100.9 million euros (previous year: 158.5 million euros), while the cost of materials ratio improved significantly to 53.4 % (previous year: 59.4 %). The company's "Rohergebnis" (a German accounting term similar to gross profit or loss that includes total revenues, changes in inventory of finished and unfinished goods, cost of materials, and other operating income) declined from 112.8 million euros in the previous year to 103.5 million euros in fiscal year 2012, the "Rohmarge" (gross profit margin) from 57.7 % to 45.2 %.

Personnel expenses increased in the reporting period to 71.6 million euros (previous year: 64.6 million euros), due to additional personnel costs incurred at the acquired location in Schwäbisch Hall as well as from hiring additional employees at our location in Suzhou, China. In addition, one-time severance payments for workers laid off due to the ongoing difficult situation in the solar industry also had an effect on personnel expenses. As a result, the company had a personnel costs ratio of 37.9 % (previous year: 24.2 %). As a result of the scheduled depreciation of fixed assets and the increase in internally produced and capitalized assets (development costs) associated with the CIGSfab, as well as one-time depreciations totaling 2.7 million euros in the crystalline photovoltaics department, the value of total depreciations increased considerably year over year to

19.9 million euros (previous year: 11.2 million euros). Other operating expenses increased to 42.7 million euros (previous year: 33.8 million euros). This development stems from the acquisition of the innovation line from Würth Solar as well the impairment of accounts receivable from Chinese customers in the field of crystalline photovoltaics in the amount of 6.0 million euros. Due to the decline in revenue as well as the significant additional strain from one-time special items from the field of crystalline photovoltaics, this resulted in an operating loss (EBIT) of 30.7 million euros. Before deducting the special items, EBIT totaled –13.7 million euros (previous year: 3.1 million euros).

In the Display division, Manz was once again able to significantly increase EBIT to 14.0 million euros after posting an EBIT of 9.0 million euros in the same period last year. Due to the extremely low number of investments made in the solar industry in the previous fiscal year as well as the special items, EBIT in the Solar division totaled –47.4 million euros in the reporting period (previous year: –9.9 million euros). Earnings before interest and taxes in the Battery division totaled 1.5 million euros after totaling 1.1 million euros last year. The Printed Circuit Board/OEM reporting segment generated an EBIT of 0.390 million euros (previous year: 1.3 million euros), while the Others segment recorded an EBIT of 0.781 million euros after recording earnings of 1.7 million euros the previous fiscal year.

When it comes to Manz AG and Manz China, several hold interest-bearing financial liabilities, some of them long term. The interest payments resulting from these long-term, interest-bearing financial liabilities exceeded earned interest in the reporting period. This resulted in a financial loss of 1.7 million euros in fiscal year 2012 (previous year: loss of 0.9 million euros). As a result, the company generated a pretax loss of 32.4 million euros after generating earnings before taxes (EBT) of 2.2 million euros in the previous fiscal year.

After deducting taxes on income, Manz AG posted a total loss of 33.5 million euros for fiscal year 2012 (previous year: earnings of 1.2 million euros). Based on an average of 4,480,054 shares outstanding, this corresponds to a loss per share of 7.51 euros (previous year: earnings per share of 0.19 euros).

Asset Position

Total assets on December 31, 2012 decreased year-over-year by 18.6 million euros to 299.6 million euros (previous year: 318.2 million euros). The company’s equity declined significantly as a result of the after-tax loss to 157.4 million euros, after totaling 189.3 million euros at the end of the reporting period last year. This resulted in an equity ratio of 52.6 % at the end of fiscal year 2012, down from 59.5 % at the end of the previous fiscal year – which remains high compared to other companies in the industry.

Noncurrent liabilities increased significantly from 12.0 million euros to 35.9 million euros, primarily as a result of an increase in non-current financial liabilities to 22.3 million euros (previous year: 4.9 million euros). This contains a long-term component of a loan from the KfW development bank with a value of EUR 17.5 million euros. This increase was also caused by loans taken out to finance the buildings at Manz AG's new production facility in Suzhou, China. In addition, other non-current liabilities totaled 6.5 million euros (December 31, 2011: 0 euros). These liabilities stem from the earnout component for Würth which becomes payable by Manz AG in the event that the company successfully sells a CIGSfab system.

Current liabilities declined at the end of the 2012 reporting period to a total of 106.3 million euros, after totaling 116.9 million euros at the end of the 2011 fiscal year. On the one hand, this was result of decline in accounts payable. These decreased to 38.7 million euros as a result of the low number of orders received compared to the previous year (December 31, 2011: 46.3 million euros). In addition, current financial liabilities decreased to 43.4 million euros at the end of the 2012 fiscal year (December 31, 2011: 45.4 million euros). Current financial liabilities comprise lines of credit drawn upon to finance working capital and fixed assets. At 7.7 million euros on December 31, 2012, the value of advance payments received was below the value at the end of previous fiscal year, 10.4 million euros, as a result of lower total revenues. Other current provisions increased at the end of the 2012 reporting period to 5.7 million euros (December 31, 2011: 3.2 million euros). This increase is the result of provisions for severance payments for laid-off workers that will become payable during the current fiscal year. Manz's remaining liabilities increased slightly as of December 31, 2012 to 8.8 million euros (December 31, 2011: 8.0 million euros). This figure is comprised of income taxes as well as social security liabilities.

On the asset side, the value of non-current fixed assets increased from 130 million euros to 155.1 million euros, which is related, on the one hand, to an increase in the value of intangible assets as a result of capitalized development costs to 100.8 million euros (December 31, 2011: 95.3 million euros). In addition, the value of tangible fixed assets increased significantly and totaled 51.3 million euros on December 31, 2012, after totaling 31.4 million euros at the end of the previous fiscal year. The increase is primarily due to the new production facility in Suzhou, China, as well as the reclassification of the prototype CIGS coevaporation system (5.5 million euros) as a tangible fixed asset.

In contrast, current assets declined to 144.5 million euros at the end of the reporting period (December 31, 2011: 188.2 million euros). In this context, the value of inventory on hand decreased to 54.5 million euros (December 31, 2011: 66.4 million euros) as a result of reclassifying the CIGS coevaporation system as a tangible fixed asset, the one-time impairment totaling 8.5 million euros, as well as the overall decline in business operations in fiscal year 2012. Due to the decline in business operations while at the same time receiving payments from customers of Asian subsidiaries on outstanding invoices, accounts receivable on December 31, 2012 declined significantly to 54.4 million euros (December 31, 2011: 84.2 million euros). Other current receivables, which primarily encompass income tax receivables, totaled 4.9 million euros at the end of fiscal year 2012, after totaling 3.9 million euros at the end of the previous fiscal year. In addition, liquid assets declined to 30.7 million euros (December 31, 2011: 33.3 million euros). This decrease is due to payments for investments in development activities and the new location in Suzhou, China.

Financial Situation

Our company's cash flow in the narrower sense (annual net profit plus write-downs on fixed assets as well as an increase/decrease in long-term pension provisions) in the 2012 fiscal year totaled –10.8 million euros (previous year: 14.5 million euros). In contrast with the previous year, operating cash flow in the 2012 fiscal year was considerably positive, totaling 20.5 million euros (previous year: –17.4 million euros). This development was primarily the result of significantly reducing inventory on hand by 11.9 million euros compared the same period last year while at the same time reducing the value of accounts payable by 29.8 million euros.

After posting a cash flow from investment activities of –24.7 million euros in the 2011 fiscal year, cash flow in this area totaled 39.1 million euros in the 2012 fiscal year. This was primarily the result of investments in intangible assets and fixed assets, namely in development activities for CIGS technology as well as the production facility in Suzhou, China.

In contrast, cash flow from financing activities decreased significantly to 15.8 million euros after totaling 36.3 million euros in the same period last year. This is especially due to the declining use of short-term lines of credit in the reporting period while at the same time increasing non-current loans as a result of financing the buildings at the new production facility in Suzhou, China. Taking changes in exchanges rates into account, Manz AG held liquid assets on December 31, 2012, with a value of 30.7 million euros (December 31, 2011: 33.3 million euros).

Financial Management's Principles and Goals

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

Overall View of Our Company's Economic Situation

Through the successful implementation of our diversification strategy, the positive conditions in the flat panel display industry's consumer market as well as the industry's considerable willingness to make investments, and the dynamic growth in the Battery division, Manz AG was able to partially compensate for the cutback in investments in the photovoltaic industry. Due to the considerable decline in revenues generated in the Solar division, total revenues declined from 240.5 million euros to 184.1 million euros. EBIT in 2012 was sharply affected by one-time special items totaling 17 million euros that were caused by the ongoing reluctance to make investments in the PV sector. These resulted primarily from depreciations and one-time charges from warehousing equipment and R&D projects in the field of crystalline photovoltaics as well as the impairment of accounts receivable. As a result, EBIT totaled approximately –30.7 million euros. Through these special one-time depreciations, Manz AG removed elements of uncertainty from its balance sheet in 2012. Thanks to measures that were initiated last year to optimize costs and organizational structures throughout the entire group, the company has excellent prospects for returning to its former strength. Furthermore, Manz AG recorded a significantly positive cash flow in fiscal year 2012 of 20.5 million euros, and at the end of 2012 held liquid assets valued at 30.7 million euros. As a result, Manz AG's liquidity remains solid. The group's net debt at the end of the reporting period on December 31, 2012 totaled 35.0 million euros. In addition to a high equity ratio of approximately 52.6 %, this also means that financially, we have sufficient leeway to seize future growth opportunities.

COMPENSATION REPORT

The following compensation report presents the basic principles of the compensation systems for the Managing Board and Supervisory Board of Manz AG, as well as the salaries earned by the members of the Managing Board and Supervisory Board in the 2012 fiscal year.

System of compensation for the Managing Board

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

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

Fixed elements of compensation

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

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

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

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

Variable elements of compensation

General

Variable compensation is comprised of both an annual component calculated on the basis of the company's performance and provided in the form of a cash bonus (short-term variable compensation) and a stock-based component calculated on a multiyear basis and provided in the form of annual stock options as stipulated in the Manz Performance Share Plan 2012 (long-term variable compensation).

The variable components complement the fixed elements of compensation and serve as a specific incentive to achieve sustained corporate growth while contributing to the Managing Board members' accumulation of personal assets and financial independence. In the interest of aligning Managing Board members' variable compensation with sustained corporate growth, the fair value of the stock options granted as a result of the Manz Performance Share Plan 2012 (calculated using accepted mathematical finance methods) outweighs the annual cash bonus.

Annual cash bonuses

The goal of the annual cash bonus is to allow the members of the Managing Board to participate in the company's success or failure in a given fiscal year as a result of their own personal management performance.

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

The annual cash bonus is only paid out upon achieving an EBT return of at least 4.1 %. At a EBT return of 4.1%, each member of the Managing Board receives a cash bonus valued at 1 % of their fixed compensation. For every 0.1 percentage point above an EBT return of 4.1 %, the percentage of fixed compensation used to calculate the cash bonus increases by one percentage point. As such, at a EBT return of 5.0 %, each member of the Managing Board would receive a cash bonus equal to 10 % of their fixed compensation, and at an EBT return of 14 % the fixed bonus would equal 100% of each Managing Board member's fixed compensation. The upper limit is set at an EBT return of 20.0 %, in which case each member of the Managing Board would receive a cash bonus valued at 160 % of their fixed compensation.

In order to calculate the ratio between the individual elements of compensation, the Supervisory Board defined an EBT return of 10.0 % as the middle target of short-term variable compensation. At this middle value, the cash bonus would equal 60.0 % of fixed compensation.

Variable compensation for executives acts as an incentive for sustainable growth

Manz Performance Share Plan 2011 and Manz Performance Share Plan 2012

The goal of the options to shares of Manz stock granted in 2011 pursuant to the stipulations of the Manz Performance Share Plan 2011 and those to be granted annually on the basis of the Manz Performance Share Plan 2012 is to encourage the members of the Managing Board to effect a lasting increase in the company's internal and external value, effectively tying their interests to the interests of the company's shareholders as well as other stakeholders.

The Supervisory Board previously granted options to shares of Manz AG stock to the members of the Managing Board as a variable, performance-based component of compensation with a long-term incentive effect and a risk element in the 2008, 2009, and 2010 fiscal years on the basis of the Manz Performance Share Plan 2008 as well as in fiscal year 2011 on the basis of the Manz Performance Share Plan 2011. However, the stock options issued in the 2008, 2009, and 2010 fiscal years cannot be exercised and have been declared null and void (and without replacement) because the minimum target (EBIT margin of 9%) was not achieved in the 2010, 2011, and 2012 fiscal years.

A new Manz Performance Share Plan 2012 was adopted at the 2012 Annual General Meeting held on June 19, 2012. The Supervisory Board, with the consent of the Managing Board, did not grant the members of the Managing Board any new options to shares of Manz AG stock in fiscal year 2012.

Concrete information about the Manz Performance Share Plan 2011 and the Manz Performance Share Plan 2012 are included in the Manz AG Corporate Governance Statement and Corporate Governance Report for Fiscal Year 2012, which is available on Manz AG's Web site at www.manz.com in the "Investor Relations" section under "Corporate Governance."

Severance cap in the event of early termination of Managing Board duties

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

Provisions in the event of a change of control

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

In the event of a member of the Managing Board resigning, the member has a right to a severance payment equal to the value of the fixed compensation as well as cash bonuses for the remainder of the contractually stipulated employment term. In order to calculate the cash bonus in this case, the average of the EBT return in the prior fiscal year and the anticipated EBT return for the fiscal year in which the member resigns (according to the company's financial plans) is to be used. The severance payment is limited, however, to the amount that would have resulted from a remaining employment term of three years.

If the remaining employment term on the date the resignation becomes effective totals more than two years, the severance payment is reduced, insofar as it is being granted for the exceeding period, by an additional 75 % for the purposes of offsetting the severance payment with a lump sum equal to the member's expected income from other sources after ending employment. In addition, the amounts used in the calculation of the severance payment must also be reduced by an interest rate of 3 % p.a. on the date the severance payment is due. If the employment agreement with a member of the Managing Board is effectively terminated for cause, said member has no right to a severance payment.

Managing Board compensation in fiscal year 2012

In the 2012 fiscal year, the members of the Managing Board received total compensation of 505,000.00 euros for carrying out their duties (previous year: 971,000.00 euros).

The following table provides an overview of the compensation paid to each member of the Managing Board for performing their duties in the 2012 fiscal year (values from the previous year are in parentheses):

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

	Fixed components		Performance-based components (short-term incentive)	Performance-based components (long-term incentive)	
(in EUR tsd.)	**Fixed salary**	**Other benefits***	**Cash bonuses**	**Stock options (at fair value)**	**Total**
Dieter Manz, CEO	288 (274)	21 (20)	0 (0)	0 (118)	**309** (412)
Martin Hipp, CFO	174 (144)	22 (20)	0 (0)	0 (63)	**196** (227)
Volker Renz, COO**	- (308)	- (13)	- (11)	- (0)	**-** (332)
Total	**462** (726)	**43** (53)	**0** (11)	**0** (181)	**505** (971)

* Particularly fringe benefits and contributions to an employer-based retirement plan (pension fund)**
** Until September 30, 2011, including a severance package to compensate for lost earnings from the remaining term of the employment agreement

Options to shares of Manz AG stock issued on the basis of the Manz Performance Share Plan 2011 (2011 tranche) were valued at their fair value on the date of issue using recognized mathematical finance methods. Fair value is equal to the market value of Manz's stock on the issue date minus the issue price of 1.00 euros per share. In making this calculation, with regard to the performance component, it was assumed that the standard target (factor of 1.0) of an EBIT margin of 10.0 % (2011 tranche) had been achieved and, with regard to the loyalty component, that the stock options will only be exercised shortly before the end of the vesting period (factor of 2.0) within the eighth calendar year (2011 tranche) after issuing the stock options.

Supervisory Board compensation

Compensation paid to the Supervisory Board is governed by our company's Articles of Incorporation. In addition to reimbursing expenses, it stipulates that each member of the Supervisory Board is to receive fixed compensation of 12,000.00 euros, payable at the end of each fiscal year, as well as a bonus equal to 25.00 euros per 0.01 euros of consolidated earnings per share (undiluted) above consolidated earnings per share of 0.04 euros, up to a maximum of 12,000.00 euros. This bonus is calculated after the Group's IFRS consolidated annual financial statements are approved at the Annual General Meeting. Furthermore, the chairman of the Supervisory Board receives double the compensation paid to other members. The deputy chairman of the Supervisory Board receives a bonus of 50 % of compensation. Supervisory Board members that are only members during a portion of a fiscal year receive proportionately less compensation. Our company will also reimburse Supervisory Board members for any VAT they are required to pay on their compensation. Moreover, the company can insure Supervisory Board members at its own expense against civil and criminal recourse in connection with the execution of their official duties; the company can also contract corresponding liability insurance against legal expenses and property loss (D & O insurance).On the basis of the consolidated financial statements from December 31, 2012, the members of the Supervisory Board will receive compensation valued at a total of 54,000 euros for the 2012 fiscal year (previous year: 56,000 euros).

The following table provides an overview of the compensation paid to each individual member of the Supervisory Board for performing their duties in the 2012 fiscal year (values from the previous year are in parentheses):

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

(in EUR tsd.)	Fixed Compensation	Variable Compensation	Total
Prof. Dr. Heiko Aurenz, Chairman	24 (24)	0 (1)	**24** (25)
Dr.-Ing. E.h. Dipl.-Ing. Peter Leibinger, Vice Chairman (since June 22, 2010)	18 (18)	0 (1)	**18** (19)
Prof. Dr.-Ing. Michael Powalla (since June 29, 2011)	12 (6)	0 (0)	**12** (6)
Prof. Dr.-Ing. Dr. h.c. mult. Rolf D. Schraft (until June 28, 2011)	- (6)	- (0)	**-** (6)
Total	**54** (54)	**0** (2)	**54** (56)

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

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement required by Article 289a of the German Commercial Code (HGB) has been published on the company's website www.manz.com in the "Investor Relations" section under "Corporate Governance." Pursuant to Article 317, Section 2, Clause 3 of the Commercial Code, the information required by Article 289a was not incorporated into the audit by the audit company.

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

Composition of Subscribed Capital

Manz AG's subscribed capital is valued at 4,480,054.00 euros and is comprised of 4,480,054 registered, common, no-par shares. All shares of stock are associated with the same rights and duties. Each share of stock grants its owner one vote at the Annual General Meeting. Each share of stock offers the same share of profits. This excludes treasury shares held by Manz AG, which do not entitle our company to any rights. At the present time, our company does not hold any treasury shares. Shareholders' individual rights and duties also result from the provisions of the German stock corporation act, particularly articles 12, 53a ff, 118 ff, and 186.

Restrictions Which Apply to Voting Rights or the Transfer of Shares

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

Shareholders with more than 10.0 % of Voting Rights

As a result of the aforementioned notifications regarding significant holdings pursuant to Article 21 of the German securities trading act (Wertpapierhandelsgesetz – WpHG) and transactions involving company shares executed by company executives pursuant to Article 15 of the German securities trading act, the Managing Board is aware of the following direct and indirect shareholders with more than 10.0 % of all voting rights:

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

Shares with Special Rights That Confer an Authority to Exercise Control

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

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

Employees granted shares of Manz stock can make immediate use of any control rights that result from the shares transferred to them in accordance with the company's Articles of Incorporation and applicable laws.

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

The appointment and dismissal of members of the Managing Board is governed by articles 84 and 85 of Germany's stock corporation act. These articles stipulate that members of the Managing Board are appointed by the Supervisory Board for a period lasting a maximum of five years. Members may be repeatedly appointed or have their term extended, in either case for another period lasting a maximum of five years. Pursuant to Article 5 of the company's Articles of Incorporation, the Managing Board may consist of one or more persons. The Supervisory Board appoints the members of the Managing Board pursuant to the provisions of Germany's stock corporation act and determines their number. The Supervisory Board can appoint a member as Chairperson of the Managing Board (CEO). Pursuant to Article 84, Paragraph 3 of Germany's stock corporation act, the Supervisory Board can revoke the appointment of a member of the Managing Board and the appointment of a chairperson of the Managing Board for cause.

Making changes to the Articles of Incorporation is governed by Article 133 and the following as well as Article 179 and the following of Germany's stock corporation act. In general, changes require a resolution passed by the Annual General Meeting of Shareholders. The resolution passed at the Annual General Meeting requires a majority comprised of at least three-quarters of capital stock represented at the time the resolution is adopted. The Articles of Incorporation can select another capital majority; however for a change to the purpose of the company, only a higher capital majority can be selected.

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

Authority of the Managing Board to Issue or Purchase Company Shares

The Managing Board can only issue new shares on the basis of resolutions passed at the Annual General Meeting pertaining to increasing capital stock through an equity offering or through the use of authorized or conditional capital. Purchasing the company's own shares is governed by Article 77 ff of Germany's stock corporation act and is permissible in certain cases by law or as a result of authorization given at the Annual General Meeting of Shareholders.

Authorized Share Capital

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

In principle, the new shares are to be offered to shareholders. The Managing Board is authorized, however, to disallow shareholders' preemptive rights with Supervisory Board approval

- when in the event of an equity offering for cash, the face value of the new shares is not significantly below the trading price of similar company shares at the time the face value is determined (which should be determined as close as possible to the issue date of the new shares) pursuant to Article 203, paragraphs 1 and 2, and Article 186, Paragraph 3, Sentence 4 of the German stock corporation act. This authorization to suspend shareholders from preemptive subscription rights only applies in cases where the shares to be issued within the scope of the equity offering apply to a proportional amount of share capital not exceeding 448,005.00 euros and not more than 10.0 % of total share capital at the time the authorization is exercised. A proportionate amount of capital stock, equal to shares that were issued or sold during the term of this authorization as a result of other authorizations pursuant to Article 186, Paragraph 3, Sentence 4 of the German stock corporation act (Aktiengesetz – AktG) under exemption of subscription rights, is to be credited against this maximum amount of exempted subscription rights;

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

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

- to exclude subscription rights for fractional amounts.

Authorization to issue convertible and/or warrant bonds as well as conditional capital I

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

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

However, if bonds with convertible and/or options rights or a convertible obligation are issued in return for cash payments, the Managing Board is authorized, with Supervisory Board approval, to issue bonds with convertible and/or options rights or a convertible obligation pursuant to Article 186, Paragraph 3, Sentence 4 of the German stock corporation act while disallowing shareholders' preemptive subscription rights. This applies only if the issue price does not fall significantly below the theoretical market value of the bonds with convertible and/or options rights or a convertible obligation calculated using accepted financial accounting and valuation methods. This authorization to disallow shareholders' preemptive subscription rights only applies in cases where the shares to be issued in order to fulfill the convertible or options rights or fulfill the convertible obligation do not apply to a total proportion of capital stock valued at over 358,290.00 euros and not more than 10.0 % of total capital stock at the time the authorization is exercised. A proportionate amount of capital stock, equal to the value of the shares that were issued or sold during the term of this authorization under immediate or corresponding application of Article 186, Paragraph 3, Sentence 4 of the German stock corporation act, is to be credited against this maximum value of exempted subscription rights.

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

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

Authorization to issue stock options within the scope of the Manz Performance Share Plan 2008 as well as conditional capital II

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

Authorization to issue stock options within the scope of the Manz Performance Share Plan 2011 as well as conditional capital III

At the Annual General Meeting held on June 28, 2011, a resolution was passed granting the Managing Board authorization to issue a total of up to 15,000 options for a total of up to 60,000 shares of company stock to executives of affiliated companies as well as Manz's own managers below the executive level and managers of affiliated companies, both domestic and foreign, one or more times, with Supervisory Board approval until May 31, 2016. Furthermore, the Supervisory Board was given authorization to issue a total of up to 15,000 options for a total of up to 60,000 shares of company stock to members of Manz's Managing Board, one or more times, until May 31, 2016. Granting, organizing, and exercising these options is to be carried out according to the stipulations of the resolutions passed at the Annual General Meeting on June 28, 2011. The authorizations were rescinded at the Annual General Meeting on June 19, 2012, as long as no option rights have been issued based on the authorization.

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

Authorization to issue stock options within the scope of the Manz Performance Share Plan 2012 as well as conditional capital IV

At the Annual General Meeting held on June 19, 2012, a resolution was passed granting the Managing Board authorization to issue a total of up to 27,000 options for a total of up to 108,000 shares of Manz stock to executives of subsidiaries as well as Manz's own managers below the executive level and managers of subsidiaries, both domestic and foreign, one or more times, with Supervisory Board approval until May 31, 2017. Furthermore, the Supervisory Board was given authorization to issue a total of up to 37,000 options for a total of up to 148,000 shares of stock to members of Manz's Managing Board, one or more times, until May 31, 2017. Issuing, drafting, and exercising these options is to be carried out according to the stipulations of the resolutions adopted at the Annual General Meeting on June 19, 2012.

Pursuant to Article 3, Paragraph 7 of our Articles of Incorporation, our company's capital stock has been conditionally increased by up to 256,000.00 euros through the issue of up to 256,000 new individual shares made out to their holders (conditional capital IV). This conditional increase serves to secure the rights of the owners of options that were granted as a result of the aforementioned authorization.

Authorization to purchase and sell shares of Manz's own stock

Pursuant to Article 71, Paragraph 1, Sentence 8 of the German stock corporation act, at the Annual General Meeting held on June 22, 2010, the Managing Board was given authorization to purchase shares of Manz stock with a total calculated value of up to 10.0 % of the value of the company's current capital stock until June 21, 2015. Such a purchase can either be transacted on the stock exchange or through a publicly issued purchase offer sent to shareholders and/or a public call to submit sales offers.

The Managing Board was authorized, with Supervisory Board approval, to sell treasury shares purchased, while disallowing shareholders' preemptive subscription rights, in other ways as over the stock exchange or through an offer made to shareholders, should the treasury shares be sold at a price or on international exchanges on which the company is not listed, which does not significantly fall below the market price of similar company shares at the time of the sale. This exemption from subscription rights is restricted to a maximum of 10 % of the company's capital stock at both the time this authorization becomes effective and the time this authorization is exercised. The amount of capital stock apportionable to shares which must be issued to satisfy convertible and/or warrant bonds, profit-sharing rights and/or profit-sharing bonds (or combinations of these instruments) issued during the term of this authorization pursuant to the appropriate application of Article 186, Paragraph 3, Sentence 4 of the German stock corporation act while disallowing preemptive subscription rights, or which will be issued during the term of this authorization under immediate or appropriate application of Article 186, Paragraph 3, Sentence 4 of the German stock corporation Act while disallowing preemptive subscription rights, must be credited against the aforementioned limit.

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

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

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

Key company agreements that take effect in the event of a change of control as a result of a takeover bid

Besides the agreements with member of the Managing Board Martin Hipp disclosed in the following section, the company has not entered into any key agreements that take effect as a result of a change of control due to a takeover bid.

Compensation agreements our company has entered into with members of the Managing Board or with employees in the event of a takeover bid

The employment agreement with Managing Board member Martin Hipp set forth that in the event of a change of control (notice by a registrant in accordance with Article 21, Paragraph 1, Sentence 1 of the German securities trading act that the registrant has reached or exceeded a voting share of 25% or higher in the company) the Managing Board member is authorized to terminate their employment contract with three months' notice effective at the end of the calendar month, and to resign from their position as member of the Managing Board with the same notice period. These rights may only be exercised within six months after the change of control has occurred. The Managing Board member receives a severance payment consisting of the full amount of the fixed salary that is owed for the time remaining in the employment agreement as well as the full amount of the cash bonus that is owed for the time remaining in the employment contract. The severance payment is limited to the amount that would have resulted from a remaining employment term of three years. If the remaining employment term on the date the resignation becomes effective totals more than two years, the severance payment is reduced, insofar as it is being granted for the exceeding period, by 75.0 % for the purposes of offsetting the severance payment with a lump sum equal to the expected income from other sources after ending employment. In addition, the amounts used in the calculation of the severance payment must also be reduced by an interest rate of 3.0 % p. a. on the date the severance payment is due.

Apart from the aforementioned agreements, the company has not entered into any agreements with members of the Managing Board or employees that grant compensation in the event of a takeover bid.

WET CHEMISTRY

OUR ADVANCEMENT: INCREASED EFFICIENCY

Our added value for every substrate: optimal cost-efficiency thanks to unbeatable experience

More than 2,000 installed systems and more than 20 years of experience – when it comes to wet-chemical processing of substrates for display and touch panel manufacturing, we are light-years ahead of the competition! Because our systems transport materials gently, we guarantee extremely lowest breakage rates and extremely high quality. With standardized platforms for all substrate sizes and complete integration of all processes for cleaning, developing, etching, stripping, and reworking the substrates, our customers achieve maximum efficiency at an extremely low cost.

SUSTAINABILITY REPORT

For Manz, sustainability in the sense of future generations means acting in a financially, ecologically, and socially responsible way. As a company, accepting responsibility for the environment is, in the company's opinion, the critical foundation for long-term economic success. As a highly innovative high-tech engineering company that today is already making a significant contribution to the profitable use of renewable energy sources and increasing the cost-effectiveness of electric vehicles, Manz AG has an outstanding opportunity to play a key role in shaping both its own future and that of its customers.

BUSINESS

Economy, environmental protection, and social commitment as integral components of sustainability

It is the company's opinion that operating a successful business and acting in a responsible manner cannot be mutually exclusive. On the contrary, the economy, environmental protection, and social commitment are integral components of sustainability that are mutually dependent. Manz actively lives out this principle through the company's activities in target markets that play a key role in active environmental protection while simultaneously offering outstanding growth potential over the medium term.

Economic, environmental, and social aspects also play a role in Manz AG's partnership with Amity University in India. As part of this partnership, Manz provides support for the Solar Engineer degree program – the only program of its type on the entire Indian subcontinent. A total of 15 students benefit from the program's high level of practical relevance and a wide variety of available internships. As a result of many different factors, India offers exceptional future prospects for the photovoltaic industry and could develop into an important core market. By partnering with universities, Manz sparks the enthusiasm and interest of potential aspiring engineers and simultaneously earns the company an excellent initial position from which to cover the need for well-trained, specialized engineers.

In addition, with its Manz Academy, the company offers a wide range of training and advanced education opportunities that are geared toward employees as well as customers of Manz AG. In the previous fiscal year, the company offered 290 seminars that were attended by 1,476 employees. In addition to that, the company offered language courses on 104 occasions that were attended by a total of 483 employees. Manz Academy training seminars for German managers and CEOs of European subsidiaries create a unified understanding of management. Furthermore, the company also offers seminars for the purpose of acquiring additional qualifications that include training in specific fields and products as well as advanced training sessions. This not only creates optimal conditions for achieving the company's goals but also makes further personal development possible for each individual employee.

ENVIRONMENTAL PROTECTION

As a high-tech engineering company with proven technological expertise in the field of green technologies, Manz AG already plays a clear role in making the world's supply of power sustainable and environmentally friendly. For Manz AG, production and administrative activities that use resources efficiently is not simply an abstract concept but an essential component of the company's corporate philosophy. Accordingly, it goes without saying that the company generates electricity from photovoltaics for its own use. As such, Manz installed solar panels on the roofs and facades of the assembly shop at the headquarters in Reutlingen, which are used to generate electricity. With two large systems, over 340,000 kWh of electricity were generated there each year. These solar power systems are owned by the employees of Manz AG that financed their purchase and installation. This is an expression of their bond with Manz AG as well as their belief in the viability of photovoltaics. At the same time, they profit from the compensation they receive for feeding the power generated by the system back into the grid. This power concept is supplemented by two smaller systems on the facade that generate 8 kW and 16 kW, which are owned by the company. They are a perfect example of architecturally sophisticated facade-integrated solar panels.

Manz contributes to a more sustainable and environmentally friendly power supply

SOCIAL COMMITMENT

Manz AG exercises its corporate and social responsibility and takes part in social projects together with the company's employees. In the reporting year, for example, approximately 29 young people completed a qualified vocational training program at Manz AG's locations in Germany. In addition to supporting local associations, the University of Tübingen, and public facilities in the municipality of Kirchentellinsfurt, the company also regularly donates money to charity.

At the same time, Manz has also been able to successfully continue the Metalworking Shop – Give the Gift of a Future project in Ethiopia, which was launched together with the Evangelical Youth Organization and the Ethiopian YMCA in 2008. The goal of this project is to help the participants help themselves by offering interested and motivated young people from disadvantaged ethnic groups the ability to train to become general metalworkers. For this purpose, Manz AG built its own metalworking training workshop in Ethiopia's capital, Addis Ababa. In 2012, the fourth class successfully completed their training, and now the graduates have the skills they need to join the work force.

Supporting young people through training in Ethiopia

Another aspect of social responsibility practiced by Manz AG is the company's day-care program for the children of employees. Children between one and three years of age are cared for during working hours in two different facilities. In this context, the company also supports young families financially, which means overall this is an important argument the company can make when looking to attract qualified employees.

EVENTS AFTER THE BALANCE SHEET DATE

On February 7, 2013, the company announced that it received two major contracts in the Display division valued at a total of 56 million euros, which will be reflected in revenues and earnings in the first half of 2013. These follow-up orders by established Asian suppliers to the electronics industry are comprised of equipment for manufacturing touch-panel displays and additional components for mobile devices.

In addition, on March 12, 2013, the company announced that the Display division received another follow-up order valued at 24 million euros. This order is for systems and equipment for producing touch-panel displays as well as components for smartphones and tablet computers.

Furthermore, in order to both further increase efficiency and cut costs, the company is striving to dissolve Manz Tübingen GmbH and Manz Coating GmbH within the scope of a merger, and transfer their assets, including all rights and obligations, to Manz AG. The mergers were announced on March 22, 2013, in Germany's online Federal Gazette, and they will be entered into the commercial registry and become effective from the beginning of May at the latest.

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

REPORT ON OPPORTUNITIES AND RISKS

RISK MANAGEMENT AND INTERNAL MONITORING SYSTEM

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

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

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

- Management
- Natural disasters and pandemics
- Attacks and fraud

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

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

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

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

The goal of Manz AG's risk management system as it pertains to the accounting process is to identify and assess risks that could conflict with the consolidated financial statements' conformity with applicable regulations. The risk management activities encompass all the organizational regulations and measures to detect risks and to deal with the risks of carrying out business operations. With regard to the accounting process, Manz has implemented the following structures and processes:

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

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

The company has been using the SAP tool BCS for its consolidation process since the 2010 fiscal year. For the purposes of analyzing data consistency, this tool already carries out automatic plausibility checks when entering data. Members of the consolidation department carry out consolidation measures and monitor the adherence of schedule and process-related requirements at the Group level.

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

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

Further monitoring activities include analyzing and conducting plausibility checks on transactions as well as continuously monitoring project calculations. The aforementioned structures, processes, and characteristics of the internal monitoring and risk management system ensure that Manz AG's accounting processes are carried out in a uniform manner in harmony with the applicable legal provisions, generally accepted accounting principles, international accounting standards, and the Group's internal guidelines.

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

RISKS TO THE COMPANY

Industry Risks

Macroeconomic Risks

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

Risks from Increasing Competition

The financing conditions for system solutions – particularly in the photovoltaic industry – have worsened in the past year. Overcapacities in the solar market and solar manufacturers' increased margin pressure can both work as an incentive for existing and potential competitors to gain market share through aggressive pricing policies. This strategy is used by manufacturers in Asia in particular. The manufacture of plagiarism in this region presents an additional risk. This could have a direct impact on Manz AG's revenues and earnings as well the company's market share. In order to effectively combat these risks, Manz AG strives to maintain and further expand its position as the market's current technological leader through its research and development activities. In addition, with the "Follow the Market" strategy, Manz AG strengthens its own local presence in the vicinity of its customers and fights against losing them to local competitors by offering production costs that are competitive for the local area and by remaining in direct contact with them.

Risks from the Consolidation of the Solar Industry

The solar industry's consolidation process could reduce the number of potential customers. In addition, a possible postponement of reinvestments and a longer period of consolidation could also negatively impact the company's earnings situation. To minimize these risks and as a reaction to the market's changed needs, the company has focused its research and development activities on solutions that offer manufacturers an increase in efficiency and, as a result, lower production costs. Furthermore, the company counters the risks of such a development by systematically implementing its own diversification strategy.

Risks from Rapid Technological Advancements and When Launching New Products

Research and development activities as well as offering an innovative range of products are of key importance to the company as a technological leader. This is due to the continuous technological changes taking place in the core industries of FPD, photovoltaics, and lithium-ion batteries. Within this process, there is no guarantee that the 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 the company may incur losses as a result of individual development projects. There is also no guarantee that newly launched products will be successful in the market, putting the company's revenues and earnings at further risk. Moreover, because the target sectors are highly dynamic from a technological perspective, the danger exists that the equipment and systems the company develops could see only little demand on the market. In order to control these risks, Manz AG remains in close contact with customers, which enables the company to recognize new trends early on. In addition, the company carefully examines possible market potential beforehand in order to estimate the returns on development projects and thus utilize resources in an optimal fashion.

Risks from an absence of demand in the field of CIGS technology and for the Manz CIGSfab

Despite positive talks with customers from Asia, South Africa, and Middle Eastern countries, the company cannot completely rule out the risk of insufficient demand in the market for the CIGSfab or that customers will not be able to secure financing for this technology. The consequence would be a loss of the investment payments the company has made as part of the exclusive know-how licensing and partnership agreement with Würth Solar GmbH & Co. KG. In addition, the company's future revenue and earnings potential would be significantly reduced.

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

Financial Risks

Liquidity Risk

In order for the company to maintain its current growth trends, it is extremely vital that there are sufficient funds to make the payments required for ongoing operations as well as for strategically sensible investments in maintenance and upgrades. The cash flows required for these purposes could be influenced by a decline in business or by external factors such as banks pursuing more restrictive lending practices. Both now and in the future, the liquidity needed to finance the company's operations will continue to be secured through lines of credit. Currently Manz AG is in close talks with the banks that provide these lines of credit. Existing lines of credit were confirmed and will continue to be extended to the company at their current levels.

Risks from Fluctuating Exchange and Interest Rates

Manz AG's currency risks result from operational activities. Risks from foreign currencies are hedged insofar as they influence the company's cash flow. In 2011 and 2012, Manz AG was exposed to foreign currency risks due to already fixed and planned transactions in foreign currency. These only affected transactions in US dollars in connection with the sale of products. Derivative financial instruments (primarily forward exchange transactions and, to a lesser extent, currency option and currency swap transactions) helped protect against the associated risks. The conditions for hedge accounting (cash flow hedge) existed for the planned transactions. The risk that delivery dates could change still exists, however, and this would result in losses or gains from extending the derivative financial instruments. On the reporting date, there were neither essential open foreign currency positions nor planned foreign currency transactions. The risk from interest rate fluctuations on variable loans was limited through interest rate swaps.

Risks from Customer Insolvency

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

Personnel Risks

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

Contract Risks

Risks from Contractual Penalties

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

Risks from Contracts with Suppliers

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

OPPORTUNITIES FOR FUTURE GROWTH

Diversifying the business model for stable growth opportunities in dynamic markets

The cross-industry transfer of technology and diversification are the company's keys to success

The successfully implemented diversification strategy is a fixed component of Manz AG's business model, and the company developed from an automation specialist to a high-tech engineering company. Thanks to an extensive technological portfolio in the fields of automation, laser technology, wet-chemical processes, vacuum coating, printing and metrology as well as the application of these technologies across different industries, Manz AG succeeded in establishing itself as a popular supplier of integrated production systems in the three growth industries of flat panel displays, photovoltaics, and lithium-ion batteries. This diversification gives the company the chance to take part in the growth potential in several dynamic target markets. At the same time, it also allows Manz AG to tailor its own production capacities within the Group to the individual industries' investment cycles, which provides for additional economic stability.

Synergies between divisions open up competitive advantages

When developing its production systems, Manz AG actively transfers technologies between the relevant target industries of displays, photovoltaics, and lithium-ion batteries. By utilizing its extensive technological expertise across different industries, Manz AG can offer its customers innovative production solutions. As a result, Manz plays a key role in cutting the production costs of the final products and decisively helps young growth industries – the lithium-ion battery industry, for example – develop industrial and profitable production processes. At the same time, the synergies achieved between divisions contribute to revenue growth and increased profitability within the company. For example, these synergies result from the technologically comparable requirements in the production process for flat panel displays and thin-film solar panels as they pertain to automation, wet-chemical processes, or coating using vacuum technology. Technologies that have already been completely developed can be used in both the Solar and the Display divisions. As a result of transferring technology between the individual Display, Solar, and Battery divisions, Manz AG's business model is positioned to flexibly respond to new growth trends and sales markets with additional revenue and earnings potential, while at the same time it further strengthens the company's competitive position in all its divisions as an innovation leader.

Synergies contribute to revenue growth and increasing profitability

Significant growth opportunities as a result of international expansion and the "Follow the Market" strategy

Manz AG is a high-tech engineering company that operates internationally with close customer relationships worldwide. In order to further strengthen the company's position in international markets, Manz AG operates an extensive service and sales network in the strategic target markets for flat panel displays, photovoltaics, and lithium-ion batteries in China, India, the United States, and Europe. Thanks to the company's "Follow the Market" strategy, Manz also operates its own production facilities in all key markets, which allows the company to offer the German art of engineering at local prices to its customers – particularly those in Asia, which is currently the region responsible for the lion's share of Manz's sales. Thanks to the company's production, research, and development facilities in Taiwan and China, which together employ about 900 workers, Manz enjoys outstanding access to Asia's largest growth market. With two-thirds of employees based outside of Germany, Manz offers its customers extremely high availability and at the same time guarantees close, trusting customer relationships. This puts the company in the position to recognize technological trends in a timely fashion, anticipate the production technologies necessary on the basis of this information, set new standards, and gain additional

Recognizing technological trends early on to increase market share market share as a result. This closeness to customers and the company's production solutions oriented around real-world applications strengthen Manz's competitive advantages in its international target markets and offer the company opportunities for revenue and earnings growth.

New investments necessary within the photovoltaic industry

In the previous fiscal year, the situation in the photovoltaic market was characterized by overcapacities and increased price pressure, which primarily resulted in declining prices for solar panels.The company anticipates both this trend slowing down and the beginning of a new investment cycle at the same time. Over the medium term, this could lead to a considerable increase in growth rates in the solar industry since companies must make new investments in order to maintain a profitable production process. This is one of the key reasons why Manz AG continues to make advancements to CIGS technology. This technology offers the highest potential for increasing efficiency in the future and, as a result, the lowest costs per watt. Today it is already possible to manufacture panels on the integrated production line for CIGS thin-film solar panels, the Manz CIGSfab, which generate power that costs between 0.04 euros (in Spain) and 0.08 euros (in Germany) per kilowatt-hour. This means the solar power costs about the same as power from fossil fuel sources and significantly less than power generated by offshore wind parks. As a result, solar power's ability to compete with other sources of power (known as grid parity) is now close at hand. Thin-film technology can particularly capitalize on its advantages over alternative technologies in extremely sunny countries such as India, China, and in North America, which means that the medium- to long-term prospects for this division remain positive and offer additional upside potential for Manz AG's future performance.

Market opportunities from acquisitions

New technologies and expertise through acquisitions

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

OVERALL STATEMENT ON OPPORTUNITIES AND RISKS

As an innovative high-tech engineering company, Manz AG sees itself with regard to opportunities and risks as being well positioned for securing the long-term existence of the company and utilizing opportunities for additional growth. The company views all of the risks that Manz AG consciously takes to make use of these opportunities as controllable. In particular, there are no perceivable risks that individually or collectively jeopardize the continued existence of the company.

FORECAST REPORT

OUTLOOK

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

As had already become apparent at the end of the third quarter of 2012, we were not able to achieve our revenue and earnings targets for the fiscal year. At the beginning of 2012 we still expected to generate revenues at the same level as the year prior as well as a positive EBIT overall. Yet as a result of a significant downturn in the Solar division – which we were in fact able to partially compensate for with positive growth in the Display and Battery divisions – in 2012 we generated consolidated revenues of 184.1 million euros, after generating 240.5 million euros the year before. Our operating result (EBIT) in 2012 was sharply affected by one-time special items totaling 17 million euros, which were caused by the ongoing reluctance to make investments in the PV sector. These items were predominantly the result of depreciations and one-time expenses for inventory and R&D projects in the field of crystalline photovoltaics as well as the impairment of accounts receivable. As a result, EBIT totaled approximately –30.7 million euros (previous year: 3.1 million euros).

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

Worldwide and particularly in Asia, our most important region with the People's Republic of China, economic earning power is expected to increase compared to last year. According to information from the Kiel Institute for the World Economy (IfW), global gross domestic product (GDP) will prospectively grow by 3.4 % overall, including in China by 8.0 %. We see good general conditions for our company to grow during the current year in the expected economic market forecasts.

In addition to these general economic conditions, developments in the display, photovoltaic, and lithium-ion battery sub-markets also play a decisive role in Manz AG's further operative performance.

For the current 2013 fiscal year, we expect operations in our Display division to continue growing. This assumption is based on the sustained high demand for devices with touch panel displays, such as smartphones and tablet computers. Furthermore, we expect to see a positive effect in this field from the launch of Windows 8, and are seeing increased integration of touch panels into a growing number of product groups. It is our belief that the increased demand as well as the additional areas of application will lead to new and replacement investments in production systems, which Manz AG can benefit from. The contracts acquired by the Display division in the first three months of 2013 with a total value of 80 million euros support this expectation. The value of orders on the books increased to 93.7 million euros as of March 21, 2013 (previous year: 67.8 million euros)

When it comes to our Solar division, due to the first rays of hope we saw at the beginning of the year, we are somewhat optimistic that the market for crystalline PV will recover slightly in the current 2013 fiscal year, and that this will have a correspond effect on our revenues and earnings in this field. Despite the continued reluctance to make new investments and the associated risks in the field of thin-film technology, we see good prospects for our business particularly with regard to the sale of CIGSfab, since this technology offers the highest potential for further increases in efficiency and cuts to production costs and as such, the lowest costs per watt for manufacturing companies.The revenue potential of a CIGSfab ranges from 50 – 350 million euros, depending on capacity. As a result, the sale of the first turnkey, fully-integrated CIGS production line remains our top priority. In this context, the Solar division has orders on hand valued at around 3.6 million euros (previous year: 9.0 million euros), and as such, is only responsible for about 3.0 % of total orders on the books.

In addition, we expect to see consistently positive growth in our third division, Battery. With our production systems for manufacturing lithium-ion batteries for the automotive industry and stationary power storage, we have entered into another future market that will offer us significant upside potential in the future. As such, we also expect to see an increase in revenue and earnings in 2013 in this division. Orders on the books as of March 21, 2013 had a value of 7.1 million euros, after totaling 5.3 million euros in the previous year.

Due to the increasing use of electronic devices in daily life, communication applications' increased level of penetration, and the sustained demand for mobile devices such as smartphones and tablet PCs, the PCB/OEM reporting segment will most likely continue to see stable growth in the future, whereby the business conducted in this segment, which generally sees Manz in the role of an OEM, particularly serves to improve the utilization of our production capacities. In the current year we have orders on the books as of March 21, 2013 with a value of 16.8 million euros (previous year: 7.2 million euros). In the Others reporting segment, orders on the books as of March 21, 2013 have a value of 6.5 million euros (previous year: 7.1 million euros)

Besides the systematic continuation of our diversification strategy, the transfer of technologies across different industries, and our own production and service locations in our customers' local markets, investments in R&D activities are the foundation for sustainable growth. In this context, we want strengthen and expand our outstanding market position in all through divisions by making advancements to our extensive portfolio of technologies. This is why we plan to invest approximately 16 million euros in research and development activities during the current fiscal year at our German locations alone. The critical role research plays at our company is underscored by our ratio of research costs to sales in fiscal year 2012 of 18.3 %.

Due to the extremely positive outlook in the Display and Battery divisions as well as orders on the books on March 12, 2013, with a value of around 128 million euros, for the current fiscal year we expect to post two-digit revenue growth and a positive EBIT. We believe the first signs of a slight recovery in PV market as confirmation of this assumption, although uncertainty continues to exist with regard to this trend. We are, however, extremely well-positioned to make systematic use of the opportunities that present themselves and see positive growth in this area in 2013 as well.

As a result of our excellent position in the fast-growing future markets for displays and lithium-ion batteries, the increasing willingness to make investments in the solar industry, and the project we initiated to optimize the entire group's organizational structure and costs, overall we are confident that we have significant opportunities to continuously increase our sales and earnings power in 2014 as well.

FORWARD-LOOKING STATEMENTS

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

Reutlingen, March 21, 2013

The Managing Board

Our added value for every coating: maximum homogeneity with minimal material input

In the field of vacuum coating, our customers benefit from extremely low operating costs thanks to state-of-the-art system design and process control. We offer solutions for physical vapor deposition (PVD), plasma-enhanced chemical vapor deposition (PECVD), and evaporation. In our fully equipped technical center, we develop standardized system platforms for vertical and horizontal substrate processing. In this context, we pay close attention to a particularly efficient use of high-priced coating materials while at the same time achieving maximum homogeneity of the coating.

VACUUM COATING

OUR ACHIEVEMENT: INCREASED EFFICIENCY

CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF INCOME

(in EUR tsd,)	Notes	2012	2011
Revenues	1	184,107	240,509
Changes in inventory		–10,118	13,088
Internally produced and capitalized assets	2	14,888	13,173
Total operating revenues		**188,877**	**266,770**
Other operating income	3	15,495	4,451
Material expenditures	4	–100,870	–158,466
Gross profit/loss		**103,502**	**112,755**
Personnel expenses	5	–71,591	–64,648
Write-downs		–19,907	–11,195
Other operating expenses	6	–42,712	–33,795
Earnings before interest and taxes (EBIT)		**–30,708**	**3,117**
Financial income	7	211	378
Financial expenses	8	–1,919	–1,283
Earnings before taxes (EBT)		**–32,416**	**2,212**
Taxes on income	10	–1,064	–1,049
Comprehensive income		**–33,480**	**1,163**
Income allocated to minority interests	11	163	300
Income allocated to Manz AG shareholders		–33,643	863
Weighted average number of shares		4,480,054	4,480,054
Earnings per share (diluted = undiluted) in euros per share	12	–7,51	0,19

CONSOLIDATED INCOME STATEMENT FOR TOTAL PERIOD

(in EUR tsd.)	**2012**	**2011**
Comprehensive income	**–33,480**	**1,163**
Other comprehensive income		
Differences as a result of currency translation	1,492	684
Changes to the fair value of cash flow hedges	203	–288
Tax effects from other comprehensive income	–48	73
	1,647	**469**
Total comprehensive income for the period	**–31,833**	**1,632**
Income allocated to minority interests	121	318
Income allocated to Manz AG shareholders	–31,954	1,314

CONSOLIDATED BALANCE SHEET

ASSETS (in EUR tsd.)	Notes	**Dec, 31, 2012**	**Dec, 31, 2011**
Non-current assets			
Intangible assets	14	100,755	95,325
Property, plant, and equipment	15	51,331	31,380
Deferred taxes	10	2,180	2,438
Other non-current assets		808	864
		155,074	**130,007**
Current assets			
Inventories	16	54,452	66,393
Accounts receivable	17	54,351	84,175
Income tax receivables		45	282
Derivative financial instruments	18	43	109
Other current receivables	19	4,919	3,924
Liquid assets	20	30,708	33,288
		144,518	**188,171**
Total assets		**299,592**	**318,178**

LIABILITIES AND SHAREHOLDER'S EQUITY (in EUR tsd.)	Notes	**Dec, 31, 2012**	**Dec, 31, 2011**
Equity	21		
Capital stock		4,480	4,480
Capital reserves		143,986	144,006
Revenue reserves		–4,649	28,835
Currency translation		11,777	10,243
Manz AG shareholders		155,594	187,564
Minority Interests		1,853	1,754
		157,447	**189,318**
Non-currents liabilities			
Non-current financial liabilites	22	22,303	4,934
Non-current deferred subsidies	23	262	338
Financial liabilities from leases	24	36	70
Pension provisions	25	4,066	3,903
Other long-term provisions	26	2,387	1,958
Other non-current liabilities	27	6,500	0
Deferred taxes	10	302	803
		35,856	**12,006**
Current liabilities			
Current financial liabilities	28	43,374	45,399
Accounts payable and payments	29	38,705	46,335
Advance payments received	17	7,654	10,434
Income tax liabilities		1,910	3,124
Other current provisions	30	5,728	3,236
Derivative financial instruments	18	128	288
Other liabilities	31	8,756	7,996
Financial liabilities from leases	24	34	42
		106,289	**116,854**
Total shareholders' equity and liabilities		**299,592**	**318,178**

CONSOLIDATED CASH FLOW STATEMENT

(in EUR tsd.)	2012	2011*
Cash flow from operations		
Earnings before taxes (EBT)	–30,708	3,117
Amortization/depreciation of non-current assets	19,907	11,195
Increase (+) / Decrease (–) in pension provisions and other non-current provisions	17	378
Other non-cash income (–) and expenses (+) particularly deferred taxes	–21	–207
Cash flow	**–10,805**	**14,483**
Gains (+) / losses (–) from disposals of assets	37	–62
Increase (+) / Decrease (–) in inventories, accounts receivable, and other assets	42,156	–32,946
Increase (+) / Decrease (–) in pension provisions and other liabilities	–7,488	1,862
Income tax paid	–1,943	–110
Interest paid	–1,622	–986
Interest received	186	371
	20,521	**–17,388**
Cash flow from investments		
Incoming payments from the sale of non-current assets	161	723
Payments for investments in intangible assets and property, plant, and equipment	–39,530	–25,420
Payments for the acquisition of consolidated companies, minus liquid assets received	286	0
	–39,083	**–24,697**
Cash flow from financing activities		
Purchase of own shares	–45	0
Payments toward the repayment of finance lease agreements	–12	–6
Deposits from borrowing non-current loans	20,960	4,584
Payments toward the repayment of non-current loans	–152	–525
Change in overdraft loans	–4,930	32,280
	15,821	**36,333**
Cash and cash equivalents at the end of the period		
Cash change in cash and cash equivalents (subtotal 1–3)	–2,741	–5,752
Net change in cash and cash equivalents due to currency conversion	161	138
Cash and cash equivalents on January 1	33,288	38,902
Cash and cash equivalents on December 31	**30,708**	**33,288**
Composition of cash and cash equivalents		
Liquid assets	30,708	33,288
Cash and cash equivalents on December 31	**30,708**	**33,288**

*Previous year adjusted to current year's presentation

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

CONSOLIDATED STATEMENT OF CHANGES TO EQUITY

for fiscal year 2012

				Revenue reserves					
(in EUR tsd.)	**Capital stock**	**Capital reserves**	**Treasury shares**	Accummulated results	Cashflow hedges	**Currency translation**	**Manz AG shareholders**	**Minority shares**	**Total equity**
As of Jan. 1, 2011	**4,480**	**144,213**	**0**	**28,182**	**0**	**9,577**	**186,452**	**1,476**	**187,928**
Net profit (loss) for the period				863	–215	666	1,314	318	1,632
Share-based compensation		–207					–207		–207
Changes in minority interests as a result of increased interests				5			5	–40	–35
As of Dec. 31, 2011	**4,480**	**144,006**	**0**	**29,050**	**–215**	**10,243**	**187,564**	**1,754**	**189,318**
As of Jan. 1, 2012	**4,480**	**144,006**	**0**	**29,050**	**–215**	**10,243**	**187,564**	**1,754**	**189,318**
Net profit (loss) for the period				–33,643	155	1,534	–31,954	121	–31,833
Purchase of own shares			–45				–45		–45
Use of treasury shares			45				45		45
Share-based compensation		–20					–20		–20
Changes in minority interests as a result of increased interests				4			4	–22	–18
As of Dec. 31, 2012	**4,480**	**143,986**	**0**	**–4,589**	**–60**	**11,777**	**155,594**	**1,853**	**157,447**

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

SEGMENT REPORTING FOR DIVISIONS

as of Dec. 31, 2012

(in EUR tsd.)	Revenues with third parties	Revenues with other segments	EBIT	Segment assets	Segment liabilities	**Net assets**	Additions to assets	Amortization/ depreciation	Employees (annual average)
Solar									
2011	72,637		–9,912	146,348	10,917	**135,431**	20,096	4,830	508
2012	16,359		–47,352	128,380	16,246	**112,134**	25,042	11,086	398
Display									
2011	98,535		9,011	76,429	38,799	**37,630**	759	1,488	438
2012	111,268		13,997	72,480	31,635	**40,845**	8,390	2,201	597
Battery									
2011	9,492		1,050	7,940	1,316	**6,624**	1,448	416	41
2012	14,497		1,476	10,720	2,110	**8,610**	1,274	799	49
PCB/OEM									
2011	41,883		1,277	31,703	21,392	**10,311**	818	1,529	453
2012	25,948		390	28,325	15,979	**12,346**	2,469	1,855	421
Others									
2011	17,962	12,761	1,691	8,314	7,005	**1,309**	419	415	95
2012	16,035	11,344	781	10,903	9,263	**1,640**	643	732	106
Central functions/other									
2011	0			47,444	49,431	**–1,987**	1,880	2,517	334
2012	0			48,784	66,912	**–18,128**	1,712	3,234	349
Consolidation									
2011		–12,761							
2012		–11,344							
Group									
2011	240,509	0	3,117	318,178	128,860	**189,318**	25,420	11,195	1,869
2012	184,107	0	–30,708	299,592	142,145	**157,447**	39,530	19,907	1,920

SEGMENT REPORTING FOR REGIONS

as of Dec. 31, 2012

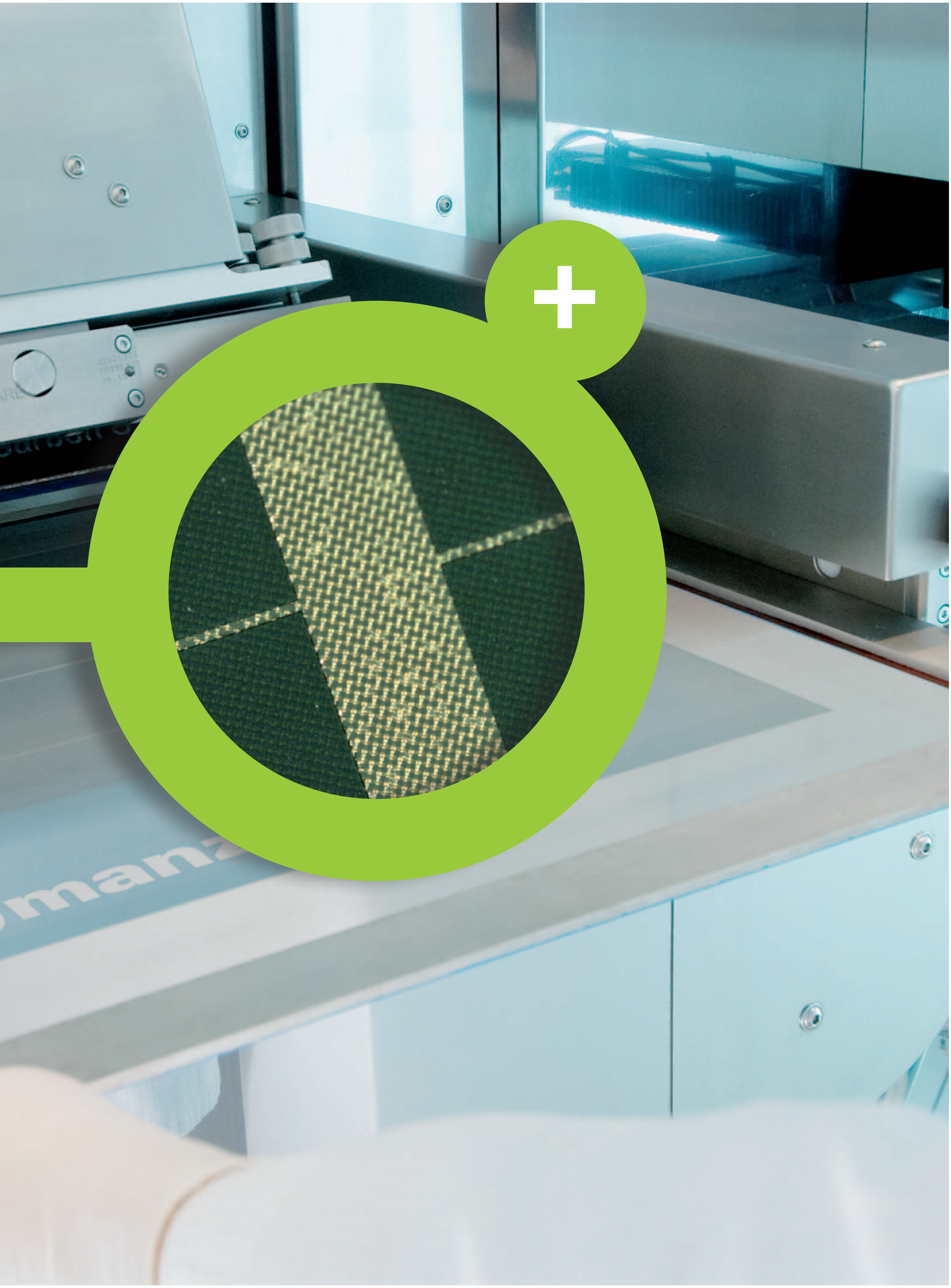
(in EUR tsd.)	Third-party revenues by customer location	Non-current assets (without deferred taxes)
Germany		
2011	25.056	70.901
2012	22.196	89.877
Rest of Europe		
2011	31.793	12.314
2012	18.475	11.562
Asia		
2011	171.720	42.382
2012	131.415	49.675
USA		
2011	11.603	103
2012	10.702	72
Other Regions		
2011	337	1.869
2012	1.319	1.708
Group		
2011	240.509	127.569
2012	184.107	152.894

METALLIZATION/PRINTING

OUR ADVANTAGE: LOWER MANUFACTURING COSTS

Our added value for every print: best-possible quality thanks to maximum precision

Using standardized printing platforms from Manz, small substrates can be printed particularly fast. By aligning the substrates optically, we set standards when it comes to precision and printing quality. Integrated automation systems are responsible for rapid loading and unloading and, in addition to high throughput rates, make a particularly cost-efficient production process possible. The optical inspection also integrated into the process as well as the process control software developed in-house ensure that the quality of printing process remains high.



NOTES

GENERAL EXPLANATORY INFORMATION

Manz AG's ("Manz AG") headquarters are located on Steigäckerstrasse 5 in 72768 Reutlingen, Germany. Manz AG and its subsidiaries (Manz Group) has amassed expertise in six areas of technology, including automation, laser processes, vacuum coating, printing, metrology and wet chemical processes. The technologies are deployed in three strategic fields, the "Display", "Solar" and "Battery" segments and continuously further developed. Manz AG's stock is traded on the regulated market of the Frankfurt Stock Exchange (Prime Standard segment).

Manz AG's annual consolidated financial statements dated December 31, 2012, were prepared in accordance with International Financial Reporting Standards (IFRS) as approved for use in the EU and the additional commercial legal regulations set forth in Article 315a, Section 1, of the German Commercial Code. All compulsory standards and interpretations were taken into consideration. International Financial Reporting Standards which are not yet compulsory were not applied. On March 21, 2013, the Managing Board passed a resolution approving the presentation of these annual consolidated financial statements to the Supervisory Board.

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

ACCOUNTING PRINCIPLES

BASIS OF CONSOLIDATION

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

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

FULLY CONSOLIDATED COMPANIES

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

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

The list of holdings is published in the online German Federal Gazette.
Manz Tübingen Gmbh, Manz Coating GmbH, and Manz CIGS Technology GmbH are making use disclosure and reporting exemption as set forth in Article 264, Section 3 of the German Commercial Code.

Changes to the Basis of Consolidation in Fiscal Year 2012

Increased interest in Manz Taiwan Ltd, Chungli, Taiwan

In fiscal year 2012, we increased our interest in Manz Taiwan Ltd. (formally: Manz Intech Machines Co. Ltd), by 0.01 % – from 97.15 % to the present level of 97.16 %. The additional interest we acquired is accounted for using the equity method. In this case, the additional interest acquired is only recorded in equity as a shift between majority and minority shareholders. The values of assets and debt on the balance sheet remain unchanged.

CIS Technology GmbH (now: Manz CIGS Technology GmbH)

Effective January 1, 2012, Manz AG purchased a 100.0 % stake in CIS Technology GmbH, Stuttgart. This company owns the licenses, expertise, and a production line for the manufacture of CIGS thin-film solar panels (CIGSfab). As a result of this acquisition, the licensing and partnership agreement Manz entered into with Würth Solar GmbH & Co. KG in July 2010 was annulled. All of the services set forth in this agreement, which had not yet been rendered, are considered rendered upon completion of the acquisition of CIS Technology GmbH. The fair value of the annulled licensing and partnership agreement totaling 24.9 million euros corresponds to a purchase price of the same amount. No funds were transferred as payment for this acquisition. In addition, the agreement contains an earnout component that is dependent on the future sale of CIGS systems. The calculation of the earnout is based on the production capacities achieved (in megawatts) with the CIGS systems sold. In this context, the first 60 megawatts of production capacity apply for an unlimited period of time, while the production capacities above and beyond this are limited to a period of 36 months (until December 31, 2014). The earnout component was recognized as a liability in the amount of the estimated future cash outflow (6.5 million euros). Goodwill value increased correspondingly by an equal amount. The earnout's contractually stipulated spectrum has a lower limit of 0 euros and theoretically has no upper limit until December 31, 2014, subject to the sales of CIGS systems. The transaction costs incurred in the years 2011 and 2012 totaling 0.130 million euros were recorded as an expense.

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

(in EUR tsd.)	**Fair value**	**Carrying value**
Intangible assets	**22.518**	**0**
Tangible assets	2.337	7
Cash and cash equivalents	286	286
	25.141	**293**
Current liabilities	161	161
Non-current liabilities	575	575
	736	736
Fair value of net assets	**24.405**	**–443**
Net assets	24.405	–443
Acquisitions costs (including earnout provision)	31.348	
Goodwill	**6.943**	

The CIGS production line at the Schwäbisch Hall location was converted into an innovation line used for making advancements to CIGS production and process technology. As part of its acquisition, a total of 118 employees from Würth Solar were integrated into the company. The innovation facility is used for research and development – and in this context, the focus is on accelerating technological advancements, thus cutting production costs and increasing panel efficiency. In addition to the manufacturing facility, Manz also acquired the licenses and know-how from Würth Solar and the research partnership with the Baden-Württemberg Center for Solar Energy and Hydrogen Research (ZSW) without incurring any additional fees.

Goodwill totaling 6.943 million euros is comprised of the value of expected synergies from the acquisition that was not added separately. This goodwill is assigned in its entirety to the "Solar" segment. The company assumes that the calculated goodwill is not tax deductible.

Through the inclusion of Manz CIGS Technology, in fiscal year 2012 revenues increased by 817 million euros and the earnings before interest and taxes decreased by 4.164 million euros.

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

CONSOLIDATION PRINCIPLES

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

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

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

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

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

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

CURRENCY CONVERSION

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

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

EXCHANGE RATES OF THE MOST IMPORTANT CURRENCIES

		Rate at the End of the Period		Average Rate	
(in EUR)		Dec. 31, 2012	Dec. 31, 2011	2012	2011
USA	USD	1.3218	1.2950	1.28608	1.3928
Taiwan	TWD	38.4908	39.4288	38.14149	41.0836
Hong Kong	HKD	10.2538	10.0612	9.9819	10.8510
China	CNY	8.3487	8.2424	8.12766	9.0169
Hungary	HUF	291.1230	312.7680	289.85111	279.9614

ACCOUNTING AND VALUATION PRINCIPLES

Manz AG's assets and liabilities and those of the subsidiaries included in the course of full consolidation are consistently accounted and valued according to the accounting and valuation principles applicable in the Manz Group as of December 31, 2012.

Data from the 2011 fiscal year which serves as a point of comparison was calculated using the same accounting and valuation principles which were used for the 2012 fiscal year.

ADJUSTING THE PREVIOUS YEAR'S FIGURES

The presentation of the statement of cash flows was changed in 2012 to the effect that paid or received tax payments as well as paid or received interest payments are now reflected in the company's operative cash flow. As a result, earnings before interest and taxes (EBIT) is now used as the output variable. The previous year's figures were adjusted to the new presentation.

FIXED ASSETS

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

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

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

The useful life of intangible assets with a finite useful life are set forth as follows:

	Years
Software	3 to 5
Patents	8
Technologies	8
Customer relationships	8

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

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

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

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

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

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

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

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

IMPAIRMENT TEST

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

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

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

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

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

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

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

INVENTORIES

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

CONSTRUCTION CONTRACTS

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

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

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

FINANCIAL INSTRUMENTS

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

For valuation purposes, IAS 39 divides financial assets into the following categories:
- Financial assets at fair value through profit or loss
- Available-for-sale financial assets
- Loans and receivables
- Held-to-maturity investments

Financial liabilities are divided into the following two categories:
- Financial liabilities at fair value through profit or loss and available-for-sale financial liabilities
- Other financial liabilities measured at amortized cost using the effective interest method

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

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

PRIMARY FINANCIAL INSTRUMENTS

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

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

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

Value adjustments are carried out using an adjustment account.

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

LIQUID ASSETS

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

SHARE-BASED COMPENSATION

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

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

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

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

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

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

TREASURY SHARES

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

GOVERNMENT GRANTS

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

CURRENT INCOME TAX

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

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

DEFERRED TAXES

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

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

PENSION PROVISIONS

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

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

OTHER PROVISIONS

Other provisions are set aside if an event in the past results in a present legal or constructive obligation to third parties, which will probably lead to an outflow of resources in future that can be reliably estimated. As a matter of principle, provisions are valued at the anticipated settlement amount taking into account all foreseeable risks. The settlement amount is calculated on the basis of best-possible estimation. The settlement amount also covers expected cost increases.
Provisions for warranties are set aside taking into account previous claims experience or the estimated future level of claims. Long-term provisions are accounted for using their settlement amount discounted on the accounting date. A pretax rate of interest is used that reflects current market expectations with regard to the interest effect and the specific risks. The interest expense resulting from the accrued interest is reported in financial expenses.

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

LIABILITIES

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

INCOME AND EXPENSES

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

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

CONTINGENT LIABILITIES

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

ESTIMATES AND JUDGEMENTS BY THE MANAGEMENT

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

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

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

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

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

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

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

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

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

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

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

CHANGES TO ACCOUNTING AND VALUATION PRINCIPLES

First-Time Application of Amended Accounting Standards

The IASB issued the following amendments to standards which must be applied from the 2012 fiscal year onwards, yet which do not have any significant impact on Manz's Consolidated Annual Financial Statements:

Amendment to IFRS 7 (2010) "Financial Instruments: Disclosures - Transfer of Financial Assets": The changes lead to increased information in the notes pertaining to the transfer of financial assets and are intended to give users of financial statements a better understanding of such transactions.

EFFECTS OF NEW, NOT YET APPLICABLE ACCOUNTING STANDARDS

The IASB and the IFRIC have already published the following standards and interpretations, whose application is not yet mandatory for the 2012 fiscal year, however. Their future application is partly conditional on them being adopted by the EU into European law.

Collective Standard to Amend Various IFRS (2012) “Improving the 2009-2011 IFRS Cycle”: These amendments are the result of the IASB’s annual improvement process and affect a number of individual IFRS. The amendments are intended to substantiate the content of the regulations and remove unintended inconsistencies between the standards. These amendments are applicable to annual reporting periods beginning on or after January 1, 2013. They have not yet been adopted into European law. The effects on Manz AG’s consolidated financial statements are currently being checked.

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

Furthermore, the term used in IAS 1 for OCI is being changed into “Statement of Comprehensive Income and Other Income.” The amendments are applicable to annual reporting periods beginning on or after July 1, 2012. The amendments have not yet been adopted into European law. The amendments are not expected to have an effect on the presentation of the statement of comprehensive income in Manz AG’s consolidated financial reports.

Amendment to IAS 12 (2010) “Deferred Taxes: Recovery of Underlying Assets”: This amendment at least partly clarifies how to treat temporary tax differences in connection with the application of the fair value model set forth in IAS 40 “Investment Property.” As a further consequence, the amendment to IAS 12 leads to an adjustment of SIC 21 “Income Taxes – Recovery of Revalued, Non-Depreciable Assets.” These amendments are applicable to annual reporting periods beginning on or after January 1, 2013. The amendments have not yet been adopted into European law. The standard has no effect on Manz AG’s consolidated financial reports.

Amendment to IAS 19 (2011) “Employee Benefits”: The most important change to IAS 19 is that future unexpected fluctuations in net defined benefit liabilities and actuarial gains and losses must immediately be recognized in equity (cumulative changes not reflected in profit or loss). The previous option of immediately recognizing these changes in profit and loss, recognizing these changes outside profit and loss, or deferring gains or losses using the “corridor approach” has been eliminated. These amendments are applicable to annual reporting periods beginning on or after January 1, 2013. The changes to IAS 19 will lead to the following effects on our company: Since the Manz Group currently makes use of the corridor method, the changes – when applied to the situation on December 31, 2012 – will lead to an increase in the value of pension provisions of 1.603 million euros.

Complete Revision of IAS 27 (2011) "Separate Financial Statements": This standard was completely revised within the scope of the comprehensive project to reform consolidation methods. IAS 27 now only contains the unchanged requirements for separate financial statements pursuant to IFRS. The revised standard is applicable to annual reporting periods beginning on or after January 1, 2014. The standard has not yet been adopted into European law. The standard is not expected to have any effect on Manz AG's consolidated financial reports.

Complete Revision of IAS 28 (2011) "Investments in Associates and Joint Ventures": IAS 28 was revised in 2011 within the scope of the IASB project on joint arrangements. Most of the changes result from the inclusion of joint ventures in IAS 28. The underlying approach to accounting using the equity method was not changed. The amendments are applicable to annual reporting periods beginning on or after January 1, 2014. The standard is not expected to have any effect on Manz AG's consolidated financial reports.

Amendment to IAS 32 (2011) "Offsetting Financial Assets and Financial Liabilities": As a result of this amendment, the requirements for offsetting financial assets and financial liabilities are set forth more clearly thanks to additional application guidelines. The amendment is applicable to annual reporting periods beginning on or after January 1, 2014. The standard is not expected to have any effect on Manz AG's consolidated financial reports.

Amendment to IFRS 1 (2010) "First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters": The first amendment replaces references to a fixed transition date of "January 1, 2004" with "the date of transition to IFRSs." The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRS after a period when the entity was unable to comply with IFRS because its functional currency was subject to severe hyperinflation. The amendments are applicable to annual reporting periods beginning on or after January 1, 2014. The amendments will have no effect on Manz AG's consolidated financial reports.

Amendment to IFRS 7 (2011) "Disclosures – Offsetting Financial Assets and Financial Liabilities": In conjunction with the amendment to IAS 32 "Financial Instruments: Presentation" pertaining to offsetting financial instruments, the scope of the information required in the notes was expanded. The changes to IFRS 7 are first applicable to annual reporting periods beginning on or after January 1, 2013. The amendments are not expected to lead to any additional information in the notes to Manz AG's consolidated financial statements.

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

IFRS 10 "Consolidated Financial Statements": IFRS 10 supersedes the consolidation provisions set forth in the former IAS 27 "Consolidated and Separate Financial Statements" and in SIC-12 "Consolidation – Special Purpose Entities" and creates a uniform definition of control. IFRS 10 is applicable to annual reporting periods beginning on or after January 1, 2014. The standard is not expected to have any effect on Manz AG's consolidated financial reports.

IFRS 11 "Joint Arrangements": IFRS 11 supersedes IAS 31 "Interests In Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers" and contains instructions for identifying, classifying, and accounting for joint arrangements. IFRS 11 is applicable to annual reporting periods beginning on or after January 1, 2014. The amendments are not expected to have an effect on Manz AG's consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities": This new standard stipulates which information entities must disclose in the notes to consolidated financial statements regarding interests in subsidiaries, joint arrangements, and associates. IFRS 12 is applicable to annual reporting periods beginning on or after January 1, 2014. The amendments are not expected to have an effect on Manz AG's consolidated financial statements.

Amendments to IFRS 10, IFRS 11, and IFRS 12 (2012) "Transitional Requirements": These amendments result in clarifying the transition guidance in IFRS 10 as well as granting additional relief when transitioning to IFRS 10, IFRS 11, and IFRS 12. The amendments are applicable to annual reporting periods beginning on or after January 1, 2014. The amendments have not yet been adopted into European law. The effects on Manz AG's consolidated financial statements are currently being examined.

IFRS 13 "Fair Value Measurment": IFRS 13 standardizes the definition of fair value and the requirements for the measurement and disclosure of fair value across all accounting standards. IFRS 13 is applicable to annual reporting periods beginning on or after January 1, 2014. The amendments are not expected to have an effect on Manz AG's consolidated financial statements.

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

NOTES TO THE INCOME STATEMENT

REVENUES (1)

The distribution of revenue by objective and region is reflected in the segment report. Please refer to our notes on the segment report.

Total revenues include revenue from construction contracts with a value of 154.231 million euros (previous year: 227.754 million euros).

INTERNALLY PRODUCED AND CAPITALIZED ASSETS (2)

In fiscal year 2012, development costs were capitalized particularly from the following projects:

Solar

- CIGS thin-film technology
- Vacuum coating for crystalline solar cells and thin-film solar modules
- Development of the back-end CIGSfab
- Automation solutions for a thin-film factory
- Development of wet-chemical processing technology

Display

- Advancements in the field of display handling
- Vacuum coating for the field of FPD
- Advancements to the metallization process
- Development of laser processing technology
- Development of testing procedures

Battery

- Developments in the area of lithium-ion batteries

OTHER OPERATING INCOME (3)

(in EUR tsd.)	2012	2011
Capital gains	2,044	721
Income from the reduction of reserves	894	998
Income from the release of provisions	232	104
Income from the sale of investments	33	62
Subsidies	3,798	404
Changes to write-downs on accounts receivable	46	119
Investment grants	122	116
Third-party allowances	6,240	0
Other	2,086	1,927
	15,495	**4,451**

MATERIAL EXPENDITURES (4)

(in EUR tsd.)	2012	2011
Cost of raw materials, and supplies, and for purchased goods	88,142	145,713
Expenditure on third-party services	12,728	12,753
	100,870	**158,466**

PERSONNEL EXPENSES (5)

(in EUR tsd.)	2012	2011
Wages and salaries	59,687	55,174
Severance payments	1,624	445
Social security and other pension costs	10,280	9,029
	71,591	**64,648**
Employees (yearly average)		
Manufacturing	1,124	1,365
Administrative/Technical	795	504
Trainees	39	31
	1,958	**1,900**

OTHER OPERATING EXPENSES (6)

(in EUR tsd.)	2012	2011
Outgoing freight, packaging	2,139	2,476
Advertising and travel expenses	8,236	6,718
Commissions	905	1,840
Rent and leasing	6,084	5,242
Legal and consulting costs	1,500	1,276
IT costs	1,273	949
Other personnel expenses	1,724	1,773
Insurance	605	447
Capital losses	378	1,794
Appropriation to other reserves (primarily reworking, warranty, and loss-making contracts)	1,415	789
Repairs and maintenance	954	569
Losses on accounts receivable	53	50
Changes to write-downs on accounts receivable	6,220	330
Licensing fees	1,218	738
Other operating costs	2,018	1,392
Other	7,990	7,413
	42,712	**33,795**

FINANCIAL INCOME (7)

(in EUR tsd.)	2012	2011
Other interest and similar income		
Bank interest and the like	211	378
	211	**378**

FINANCIAL EXPENSES (8)

(in EUR tsd.)	2012	2011
Interest and similar expenses		
Long-term liabilities	472	142
Current liabilities	1,097	842
Interest component of non-current provisions	277	222
Other interest expenses	73	77
	1,919	**1,283**

SHARE-BASED COMPENSATION (9)

Performance Share Plan

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

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

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

As a result of the earnings situation, no stock options were awarded in the 2012 fiscal year. In the 2011 fiscal year, 20 employees and members of the Managing Board received a total of 14,256 stock options. Of this total, 4,279 were granted to the Managing Board.

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

	(in pcs.)	(in EUR)
	Stock Awards/ Stock Options Number	**Weighted average grant date fair value**
Balance at the beginning of the year (not vested)	14,256	35.65
Lapsed during the reporting period	0	0.00
Awarded during the reporting period	0	0.00
Balance at the end of the year (not vested)	**14,256**	**35.65**

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

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

	2012	**2011**
Exercise price (in EUR)	NA	1.00
Risk-free annual interest rate	NA	2.02 %
Volatility	NA	71.70 %
Expected dividend (in EUR)	NA	0.00
Fair value of each stock award (in EUR)	NA	35.65

No expenses were recorded as a result of the Performance Share Plan 2011 during the reporting period (previous year: personnel expenses of 0.021 million euros). Because of a change to an estimate during the reporting period regarding the onset of the company's requirement to award stock options, to date expenses totaling 0.020 million euros from the 2011 tranche which had been cumulatively recognized in capital provisions have been liquidated in profit and loss and reported as personnel expenses.

INCOME TAXES (10)

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

Income taxes consist of the following items:

(in EUR tsd.)	2012	2011
Actual tax expense		
Current period	1,278	2,414
Previous periods	132	549
Deferred tax liabilities/income (–) from temporary differences	573	6,128
Deferred tax liabilities/income (–) from tax loss carry-forwards	–919	–8,042
	1,064	**1,049**

The current income tax expense is calculated using the tax rates effective at the end of the reporting period. When calculating deferred taxes for domestic subsidiaries, the domestic tax rate of 29.13 % (previous year: 29.13 %) was applied. For foreign subsidiaries, tax rates between 13.0 % - 25.0 % were used (previous year: 17.0 % - 25.0 %).

The income tax expense in the reporting period totaling 1.064 million euros (previous year: 1.049 million euros) is derived as follows from an "expected" income tax expense which would have resulted when applying the statutory income tax rate of the parent company to earnings before income taxes:

(in EUR tsd.)	**2012**	**2011**
Earnings before taxes on income	–32,416	2,212
Manz AG income tax rate	29.13 %	29.13 %
Expected income tax expense	**–9,443**	**644**
International tax rate differences	–224	–1,769
Change in tax rate	–48	0
Non-deductible expenses	329	620
Taxes in other accounting periods	132	549
Tax credits	–230	–267
Adjustment of the value of deferred tax assets	2,832	0
Non-entry of tax loss carry-forward	7,580	1,480
Other	136	–208
Reported income tax expense	**1,064**	**1,049**
Effective tax rate	**–3.28 %**	**47.44 %**

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

	Deferred tax assets		**Deferred tax liabilities**	
(in EUR tsd.)	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
Intangible assets	0	0	11,020	9,846
Tangible assets	0	0	81	73
Inventories	4,595	6,214	0	0
Receivables	219	190	4,973	10,270
Pension provisions	166	73	0	0
Accounts payable	7	177	7	0
Provisions	181	191	0	197
Tax loss carry-forward	**12,791**	**15,176**	**0**	**0**
Gross value	17,959	22,021	16,081	20,386
Balancing	–15,779	–19,583	–15,779	–19,583
Balance according to the consolidated financial statements	**2,180**	**2,438**	**302**	**803**
Net amount of deferred tax assets (previous year: liabilities)	**1,878**	**1,635**		

The increase in the net value of deferred tax assets totaling 0.243 million euros (previous year: 2.004 million euros) is composed of the following:

(in EUR tsd.)	**2012**	**2011**
Deferred tax income in the income statement	346	1,914
Neutral reduction of deferred taxes on derivative financial instruments	–36	73
Currency conversion	–67	17
	243	**2,004**

Deferred taxes are only applied for tax loss carry-forwards if there is sufficient certainty that they will be recognized. During the reporting period, no deferred taxes were accumulated from tax loss carry-forwards, insofar as the deferred tax assets exceeded the deferred tax liabilities of the respective company.

Tax loss carry-forwards totaled 88.428 million euros (previous year: 57.869 million euros) at the end of the reporting period, and can be carried forward indefinitely. Due to declining liquidation opportunities, no deferred tax assets were set aside for loss carry-forwards totaling 43.616 million euros (previous year: 5.300 million euros).

In accordance with IAS 12, deferred taxes for temporary differences arising from shares of consolidated companies must be recognized (outside basis differences). No deferred tax liabilities were formed for outside basis differences totaling 25.1 million euros (previous year: 22.2 million euros), since a reverse of the temporary differences is not expected in the foreseeable future.

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

The minority shareholders' share of earnings is comprised of earnings attributed to non-controlling interests with a value of 0.163 million euros (previous year: 0.300 million euros). These are from non-controlling interests held by Manz Taiwan Ltd. and Manz India Limited.

EARNINGS PER SHARE (12)

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

Earnings per share are calculated pursuant to IAS 33.

	2012	2011
Consolidated profit/loss attributed to Manz AG's Consolidated net result (EUR)	–33,642,379	863,512
Weighted average number of outstanding shares (Number)	4,480,054	4,480,054
Effect from share-based compensation (Number)	0	57,024
Weighted average number of outstanding shares (diluted) (Number)	**4,480,054**	**4,537,078**
Earnings per share (diluted = undiluted) (EUR)	–7,51	0,19

NOTES TO THE SEGMENT REPORT

Within the scope of segment reporting, Manz discloses the results of operations grouped by division and region in accordance with the provisions of IFRS 8 (Operating Segments). This grouping is based on internal management activities and takes the divisions' different risk and earnings structures into account. The Manz Group continues to operate in five areas of business: Display, Solar, Battery, PCB/OEM, and Miscellaneous. The company's activities in the five areas of business remain unchanged from last year, only the names of two segments were changed – from FPD to Display and from New Business to Battery.

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

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

In the "Battery" division, Manz develops system solutions for the industrial manufacture of lithium-ion batteries.

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

The "Miscellaneous" segment primarily encompasses system solutions for the packaging industry as well as equipment for the automated handling of small components.

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

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

Of the total revenues generated in the 2012 fiscal year, one customer was responsible for 48.808 million euros in revenue (previous year: 44.092 million euros), which was generated in the Display division.

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

NOTES TO THE CASH FLOW STATEMENT (13)

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

Compared to last year's annual report, as of this reporting period income tax payments and refunds as well as interest payments and earnings are openly recognized in operating cash flow. Last year this information was provided solely in the notes. As a result of this change, the statement of cash flows begins with the operating result (EBIT). The presentation of last year's figures was adjusted to reflect this change for the purposes of comparison.

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

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

In contrast, cash inflows and outflows from ongoing operations is derived indirectly starting at earnings before interest and taxes (EBIT). For this purpose, EBIT is corrected to include non-cash expenses and income, which are primarily depreciations and changes to long-term provisions and deferred taxes, and adjusted to include changes to operating assets and liabilities.

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

NOTES TO THE BALANCE SHEET

INTANGIBLE ASSETS (14)

(in EUR tsd.)	Licenses, trade-mark rights, software, and similar rights	Capitalized development costs	Goodwill	Construction in progress/ Advance pay-ments made	Total
Acquisition costs					
As of January 1, 2011	42,560	31,000	24,960	8,818	107,338
Currency adjustment	–77	–5	–179	0	–261
Additions	514	13,173	0	346	14,033
Disposals	–288	–49	0	0	–337
Reclassifications	18	1,704	0	–1,722	0
As of December 31, 2011	**42,727**	**45,823**	**24,781**	**7,442**	**120,773**
Write-downs					
As of January 1, 2011	7,839	9,081	0	419	17,339
Currency adjustment	–3	51	0	0	48
Additions	4,659	3,496	0	0	8,155
Disposals	–94	0	0	0	–94
As of December 31, 2011	**12,401**	**12,628**	**0**	**419**	**25,448**
Acquisition costs					
As of January 1, 2012	42,727	45,823	24,781	7,442	120,773
Currency adjustment	13	9	543	0	565
Changes to the basis of consolidation	4,347	0	6,943	–6,676	4,614
Additions	752	14,888	0	147	15,787
Disposals	–13	–4,714	0	–738	–5,465
Reclassifications	19	0	0	–19	0
As of December 31, 2012	**47,845**	**56,006**	**32,267**	**156**	**136,274**
Write-downs					
As of January 1, 2012	12,401	12,628	0	419	25,448
Currency adjustment	10	2	0	0	12
Additions	5,524	9,671	0	0	15,195
Disposals	–7	–4,710	0	–419	–5,136
As of December 31, 2012	**17,928**	**17,591**	**0**	**0**	**35,519**
Residual value as of December 31, 2011	30,326	33,195	24,781	7,023	95,325
Residual value as of December 31, 2012	**29,917**	**38,415**	**32,267**	**156**	**100,755**

Within the scope of our annual measurement of capitalized development costs of projects with residual value, additional impairments were carried out in the Solar division totaling 2.748 million euros (previous year: 1.336 million euros). The additional write-downs are the result of amended depreciation periods and modified expectations about the use of the asset's economic benefit.

GOODWILL AND TRADEMARKS

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

	Goodwill		Trademark rights	
(in EUR tsd.)	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
Solar	19,665	12,478	1,643	1,604
Display	7,586	7,342	1,643	1,604
PCB/OEM	2,527	2,473	822	802
Others	2,488	2,488	0	0
	32,267	**24,781**	**4,108**	**4,010**

A total of 6.943 million euros of the change to goodwill totaling 7.486 million euros overall resulted from the initial consolidation of Manz CIGS Technology (also see the information provided in Changes to the Basis of Consolidation in 2012, located in section II, Accounting Principles). The remaining changes to the value of goodwill and trademark rights resulted solely from currency translations.

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

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

Cash flows are predicted individually based on revenue and cost planning for each division that has goodwill attributed to it. Growth rates were fixed at values between 1.0 %

and 2.0 %.(previous year: between 1.0 % and 2.0 %). The pre-tax discount rates used for discounting purposes (weighted average cost of capital (WACC)) ranged from 13.1 % to 15.8 % (previous year: 18.0 %). In this context, the cost of equity is calculated on the basis of a comparable group (peer group). In the 2012 reporting period, individual peer groups were formed for the Solar, Display, and PCB/OEM segments in order to make an allowance for the revenue distribution within the group. The discount rates and growth rates are listed in the following table:

	Pre-tax discount rate		**Growth rate**	
(in %)	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
Solar	13.4	18.0	2.0	2.0
Display	13.1	18.0	1.5	1.5
Battery	13.4	18.0	1.0	1.0
PCB/OEM	15.8	18.0	1.0	1.0
Others	13.4	18.0	1.0	1.0

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

Goodwill is considered impaired when the carrying amount of a division exceeds its value in use. For the 2012 and 2011 fiscal years, we did not need to impair balance sheet goodwill or intangible assets with an indefinite useful life.

A WACC that is 1.0 % higher and a calculation without assumed growth in perpetuity does not influence the intrinsic value of the goodwill. A subsequent additional 10.0 % reduction of the EBIT margin over the entire planning period would have led to an impairment of goodwill in fiscal year 2012 in the Solar division of 16.0 million euros (previous year: 0.0 million euros) and in the PCB/OEM segment of 1.6 million euros (previous year: 1.5 million euros).

The impairment test for valuing brand equity is carried out using the use value on the basis of the "license fee analogy model" with a licensing rate of 3.0 % annually and a discount rate of 5.84 % (previous year: 5.88 %) annually as well as a planning horizon of five years and an assumed growth rate of 0.0 %.

Of total research and development costs incurred in the 2012 fiscal year, 14.888 million euros (previous year: 13.173 million euros) fulfill the criteria for capitalization pursuant to IFRS.

The following amounts were offset in profit and loss:

(in EUR tsd.)	**2012**	**2011**
Research and development costs total	–33,711	–24,490
Write-downs on development costs	–9,671	–3,496
Capitalized development costs	14,888	13,173
Offset research and development costs recognized as expenses	**–28,494**	**–14,813**

TANGIBLE ASSETS (15)

(in EUR tsd.)	Properties and buildings	Technical equipment and machines	Other equipment, fixtures, and furnishings	Construction in progress/ Advance payments made	Total
Acquisition costs					
As of January 1, 2011	15,798	6,457	7,834	114	30,203
Currency adjustment	–181	42	29	1	–109
Additions	3,177	574	1,444	6,190	11,385
Disposals	–536	–111	–652	0	–1,299
Reclassifications	75	215	29	–319	0
As of December 31, 2011	**18,333**	**7,177**	**8,684**	**5,986**	**40,180**
Write-downs					
As of January 1, 2011	1,066	1,700	3,801	0	6,567
Currency adjustment	–13	31	56	0	74
Additions	557	1,060	1,422	0	3,039
Disposals	–245	–101	–534	0	–880
As of December 31, 2011	**1,365**	**2,690**	**4,745**	**0**	**8,800**
Acquisition costs					
As of January 1, 2012	18,333	7,177	8,684	5,986	40,180
Currency adjustment	239	11	11	–45	216
Changes to the basis of consolidation	0	2,333	0	0	2,333
Additions	1,581	14,534	1,939	5,685	23,739
Disposals	–438	–1,342	–1,089	–51	–2,920
Reclassifications	8,881	1,446	1,176	–11,503	0
As of December 31, 2012	**28,596**	**24,159**	**10,721**	**72**	**63,548**
Write-downs					
As of January 1, 2012	1,365	2,690	4,745	0	8,800
Currency adjustment	34	580	96	0	710
Additions	894	2,245	1,573	0	4,712
Disposals	–438	–774	–793	0	–2,005
As of December 31, 2012	**1,855**	**4,741**	**5,621**	**0**	**12,217**
Residual value as of December 31, 2011	16,968	4,487	3,939	5,986	31,380
Residual value as of December 31, 2012	**26,741**	**19,418**	**5,100**	**72**	**51,331**

Properties and buildings belonging to Manz Taiwan Ltd. with a carrying value of 7.850 million euros (previous year: 7.355 million euros), Manz China Suzhou Ltd. with a value of 12.525 million euros (previous year: 0.00 euros), as well as Manz Slovakia s.r.o with a value of 4.685 million euros (previous year: 4.839 million euros) serve as collateral for bank loans.

INVENTORIES (16)

(in EUR tsd.)	Dec. 31, 2012	Dec. 31, 2011
Raw materials and supplies	25,877	27,198
Goods in process, work in progress	25,804	36,845
Finished goods, products	2,740	708
Advance payments	31	1,642
	54,452	**66,393**

As a result of market and mobility risks, inventory on hand was impaired by 13.450 million euros (previous year: 5.396 million euros). The increase in impairments carried out in the reporting year of 8.054 million euros (previous year: 2.838 million euros) was recognized in profit and loss under cost of materials.

ACCOUNTS RECEIVABLE (17)

(in EUR tsd.)	Dec. 31, 2012	Dec. 31, 2011
Future receivables from noncurrent construction contracts	19,066	49,234
Accounts receivable	35,285	34,941
	54,351	**84,175**

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

(in EUR tsd.)	Dec. 31, 2012	Dec. 31, 2011
Manufacturing costs including outcome of the contract for noncurrent construction contracts	36,941	107,385
Minus advance payments received	–17,875	–58,151
	19,066	**49,234**

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

(in EUR tsd.)	Dec. 31, 2012	Dec. 31, 2011
Manufacturing costs including outcome of the contract for noncurrent construction contracts	5,389	17,765
Minus advance payments received	–13,043	–28,199
	–7,654	**–10,434**

(in EUR tsd.)	Dec. 31, 2012	Dec. 31, 2011
Allowance for specific doubtful debts		
Accounts receivable	799	96
Future receivables from non-current construction contracts	4,702	0
Allowance for general doubtful debts	2,533	1,731
	8,034	**1,827**

The allowances changed as follows:

(in EUR tsd.)	2012	2011
As of January 1	1,827	1,616
Currency conversion	33	–8
Use	0	14
Release	46	107
Allocations	6,220	340
As of December 31	**8,034**	**1,827**

DERIVATIVE FINANCIAL INSTRUMENTS (18)

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

(in EUR tsd.)	Dec. 31, 2012		Dec. 31, 2011	
	Currency hedge	Interest derivatives	Currency hedge	Interest derivatives
Face value	9,708	16,745	10,479	16,745
Market value (net)	27	–87	–94	–12
Remaining term	6/2013 max,	12/2015 max,	4/2012 max,	12/2015 max,

In the previous fiscal year, 0.155 million euros (previous year: 0.215 million euros) from current cash flow hedges, minus deferred taxes with a value of 0.048 million euros (previous year: 0.073 million), was allocated to revenue reserves and not recognized in profit and loss.

In the 2011 fiscal year, the company incurred a loss of 0.302 million euros from the ineffectiveness of cash flow hedges due to the postponement of the underlying transactions. These losses are recognized in other operating expenses. In the 2012 fiscal year, the company incurred neither gains nor losses as a result of ineffectiveness.

OTHER CURRENT RECEIVABLES (19)

(in EUR tsd.)	**Dec. 31, 2012**	**Dec. 31, 2011**
Tax receivables (not income taxes)	2,942	1,712
Receivables, personnel	369	313
Other accruals and deferrals (primarily from insurance)	220	290
Other	1,388	1,609
	4,919	**3,924**

Other current receivables are neither past due nor written down.

LIQUID ASSETS (20)

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

EQUITY (21)

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

CAPITAL STOCK

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

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

AUTHORIZED CAPITAL STOCK

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

CONDITIONAL CAPITAL I

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

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

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

CONDITIONAL CAPITAL II

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

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

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

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

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

A resolution passed at the Annual General Meeting on June 28, 2011, nullified the authorization to grant stock options as set forth in the Performance Share Plan 2008, insofar as no stock options were granted on the basis of this authorization.

No stock options from Conditional Capital II were issued as of the end of the reporting period (previous year: 0) (see Annotation 9).

CONDITIONAL CAPITAL III

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

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

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

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

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

CONDITIONAL CAPITAL IV

At the Annual General Meeting held on June 19, 2012, authorization to grant stock options as set forth in the Manz Performance Share Plan 2012 was approved.

The Managing Board was authorized to issue a total of up to 27,000 stock options for a total of up to 108,000 shares of company stock to executives of affiliated companies, Manz's own managers below the executive level, and managers of affiliated companies, both domestic and foreign, one or more times with Supervisory Board approval in the period until May 31, 2017.

Furthermore, the Supervisory Board was given authorization to issue a total of up to 37,000 options for a total of up to 148,000 shares of stock to members of Manz's Managing Board, one or more times, until May 31, 2017. Issuing, drafting, and exercising these options is to be carried out according to the stipulations of the resolutions adopted at the Annual General Meeting on June 19, 2012.

Pursuant to Article 3, Section 6 of our Articles of Incorporation, our company's capital stock has been conditionally increased by up to 0.256 million euros through the issue of up to 256,000 new individual share certificates made out to their holders (conditional capital IV). This conditional increase serves to secure the rights of the owners of options that were granted as a result of the aforementioned authorization.

No stock options from Conditional Capital IV were issued as of the end of the reporting period (see Annotation 9).

CAPITAL RESERVES

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

TREASURY SHARES

In a resolution passed at the Annual General Meeting on June 22, 2010, the company was authorized to purchase its own shares up to a computed value of 10.0 % of the company's capital stock as of the day of the meeting pursuant to Article 71, Paragraph 1, Clause 8 of the German Securities Trading Act. The resolution grants the company authorization to execute these purchases until June 21, 2015.

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

In the 2012 fiscal year, the company purchased 1,599 of its own shares (previous year: 0) at an average price of 28.00 euros (previous year: 0.00 euros) per share with a total market value of 0.045 million euros (previous year: 0.00 euros). The company purchased its own shares in the reporting period to meet obligations from employee profit sharing and for employee anniversaries. The company did not hold any treasury shares at the end of the reporting periods on December 31, 2012, and December 31, 2011.

REVENUE RESERVES

Revenue reserves are reserves comprised of accumulated earnings and reserves for cash flow hedges. Accumulated profits contain profits generated by Manz AG and its consolidated subsidiaries during the current year or previous years that have not yet been distributed.

In each of the 2011 and 2012 fiscal years, our interest in Manz Taiwan Ltd. increased. This was accounted for as an equity transaction between majority and minority shareholders and was not recognized in profit and loss. In each case a positive difference of 0.004 million euros resulted (previous year: 0.005 million), which is recognized in reserves for accumulated profits.

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

CURRENCY CONVERSION

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

MINORITY INTERESTS

The minority interests pertain to Manz Taiwan Ltd., in which Manz Asia Ltd. holds a 97.16 % (previous year: 97.15 %) stake. Furthermore, a 25.0 % non-controlling interest is held in Manz India Private Limited, which was founded during the 2008 fiscal year. The share of equity and annual profit/loss which is attributed to the minority shareholders is disclosed separately in the balance sheet and/or income statement.

PROPOSED APPROPRIATION OF PROFITS

Pursuant to Article 58, Section 2, of the German Stock Corporation Act, the distribution of dividends by Manz AG is based on the net earnings disclosed in the annual financial statements (individual financial statement) dated December 31, 2012. Manz AG’s net loss of 50,881,466.09 euros as of December 31, 2012, will be carried forward to new account.

ADDITIONAL INFORMATION REGARDING CAPITAL MANAGEMENT

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

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

The Supervisory Board and Managing Board have defined a minimum equity ratio of 40.0 % and gearing of less than 50 % as targets.

OVERVIEW OF CAPITAL MANAGEMENT

(in EUR tsd.)	**Dec. 31, 2012**	**Dec. 31, 2011**
Liquid assets	30,708	33,288
Financial liabilities	66,009	50,783
Net financial liabilities	35,301	17,495
Total Manz AG shareholders' equity	**155,594**	**187,564**
Equity ratio	51.9 %	58.9 %
Gearing	22.7 %	9.3 %

The two key performance indicators of equity and gearing became worse in the reporting year. The equity ratio declined to 51.9 % (previous year: 58.9 %) due a higher level of external financing. Gearing worsened to +22.7 % (previous year: +9.3 %) as a result of the significant increase in financial liabilities. Both key figures are still well above the targets set, however.

In the reporting period, 17.000 million euros in financial liabilities (previous year: 20.000 million euros) were governed by a covenant agreement, which stipulated an equity ratio of 30.0 % and orders on the books disclosed in the consolidated financial reports with a value of 100.00 million euros. The stipulation of the covenant agreement regarding the orders on the books valued at 100.00 million euros was not fulfilled on the reporting date. Non-compliance with the stipulations of the covenant agreement generally leads to a requirement to provide additional collateral. The company is currently in an ongoing dialog with the banks that provided the loans about entering into new agreements with regard to collateral. At the time the financial reports were prepared (March 2013), the covenants governing orders on the books have been met. In addition, financial liabilities held by Manz Slovakia valued at 2.905 million euros (previous year: 3.325 million euros) were also subject to a covenant agreement in the reporting period pertaining to Manz Slovakia's individual financial statement. The provisions of this agreement stipulate an equity ratio of more than 10 % and an EBITDA-to-revenue ratio of more than 5.0 %. These two stipulations were not fulfilled in the 2011 and 2012 fiscal years. As a result, the financial liabilities with a value of 2.905 million euros (previous year: 3.325 million euros) are recognized under current financial liabilities.

NON-CURRENT FINANCIAL LIABILITIES (22)

(in EUR tsd.)	Dec. 31, 2012	Dec. 31, 2011
Non-current liabilities to credit institutes	22,303	4,934
	22,303	**4,934**

Non-current liabilities to credit institutes contain a loan from the KfW development bank granted within the scope of the ERP innovation program with a long-term component value at 17.5 million euros and a term until December 30, 2020, as well as non-current loan taken out by Manz China to finance construction of its new production facility.

NON-CURRENT DEFERRED INVESTMENT SUBSIDIES (23)

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

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

FINANCIAL LIABILITIES FROM LEASES (24)

Leasing liabilities result from assets which must be capitalized in accordance with IAS 17. These pertain to automobile finance lease agreements with a carrying value of 0.071 million euros (previous year: 0.115 million euros) which are disclosed under "other equipment, fixtures, and furnishings."

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

(in EUR tsd.)	**minimum leasing payments 2012**	**Cash value of minimum leasing payments 2012**	**minimum leasing payments 2011**	**Cash value of minimum leasing payments 2011**
Up to 1 year	36	36	42	42
1 to 5 years	34	31	70	61
Total minimum payments	70		112	
minus the interest component	–3		–9	
Cash value of the minimum payments	**67**	**67**	**103**	**103**

PENSION PROVISIONS (25)

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

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

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

PENSION PROVISIONS

(in EUR tsd.)	2012	2011
Change to the Cash Value of Benefits		
Cash value of performance-based obligations as of Jan. 1	5,922	6,161
Changes to the basis of consolidation	45	0
Service cost	54	57
Interest cost	232	224
Benefits paid	–641	–382
Actuarial losses (+) / gains (–)	1,372	–114
Currency differences from international plans	52	–24
Cash value of performance-based obligations at Dec. 31	**7,036**	**5,922**
Change to Plan Assets		
Value of plan assets as of Jan. 1	1,710	1,788
Expected income from plan assets	24	29
Company contributions	59	62
Benefits paid	–471	–154
Actuarial losses (+) / gains (–)	12	2
Currency differences from international plans	33	–17
Value of plan assets as of Dec. 31	**1,367**	**1,710**
Financing Status	**5,669**	**4,212**
Actuarial gains (+) / losses (–) not yet taken into account	–1,603	–309
Pension Provisions	**4,066**	**3,903**
which apply to:		
Manz Automation Tübingen GmbH, Tübingen	3,472	3,441
Manz Taiwan Ltd., Taiwan	433	356
Manz AG, Reutlingen	105	106
Manz CIGS Technology, Schwäbisch Hall	56	0

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

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

The following amounts are included in the income statement:

(in EUR tsd.)	**2012**	**2011**
Service cost	–54	–57
Interest cost	–232	–224
Expected income from plan assets	24	29

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

Expected income from plan assets is calculated on the basis of current market prices for the period within which the obligation will be fulfilled. Actual income from plan assets totaled 0.031 million euros in the reporting year (previous year: 0.027 million euros).

In the coming fiscal year, employer contributions to the fund's assets are expected to total 0.031 million euros (previous year: 0.036 million euros). The fund's assets comprise reinsurance policies (Germany) and trust assets (Taiwan), which make up 25.0 % and 75.0 % of the fund's total assets, respectively.

For contribution-based pension plans, payments were made totaling 0.909 million euros (previous year: 0.447 million euros). Furthermore, pursuant to federal regulations, our companies based in Germany made contributions to the federal pension fund totaling 3.339 million euros (previous year: 2.919 million euros).

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

	Germany		**Taiwan**	
(in %)	**2012**	**2011**	**2012**	**2011**
Discount rate	3.53	5.20	1.50	1.75
Salary and wage increases	2.50	2.50	2.00	2.00
Pension increases	2.00	2.00	2.00	2.00
Expected returns on plan assets	3.00	3.00	1.75	1.75

In the 2012 fiscal year, developments in the capital markets led to a reduction in interest rates on first-class, fixed-interest corporate bonds. The resulting decline in interest rates, particularly in Germany, from 5.2 % to 3.53 % would have led to an increase in actuarial losses of 1.486 million euros.

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

(in EUR tsd.)	**2012**	**2011**	**2010**	**2009**	**2008**
Cash value of all pension promises	–7,036	–5,922	–6,161	–4,736	–224
Plan assets	1,367	1,710	1,788	1,495	149
Financing status	**–5,669**	**–4,212**	**–4,373**	**–3,241**	**–75**
Adjustments to plan debts based on experience	–399	705	681	296	–23
Adjustments to plan assets based on experience	–1	–5	–10	–14	26

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

OTHER NON-CURRENT PROVISIONS (26)

Other non-current provisions changed in the reporting year as follows:

(in EUR tsd.)	**Jan. 1, 2012**	**Currency adjustments**	**Changes to the basis of consolidation**	**Use**	**Release**	**Addition of accrued interest**	**Alloca-tion**	**Dec. 31, 2012**
Personnel	159	0	133	75	0	7	53	277
Disposal obligation	0	0	396	0	0	10	13	419
Warranties	1,799	10	0	572	187	18	623	1,691
	1,958	**10**	**529**	**647**	**187**	**35**	**689**	**2,387**

Non-current personnel obligations contain obligations stemming from employees working part-time prior to full retirement as well as the anniversary obligations which resulted from the acquisition of Manz CIGS Technology GmbH. Provisions for part-time employment prior to retirement totaling 0.100 million euros (previous year: 0.144 million euros) were disclosed with the plan assets.

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

CURRENT FINANCIAL LIABILITIES (27)

Other non-current liabilities with a value of 6.500 million euros contain earnout components from the acquisition of CIS Technology GmbH. For more details, please refer to the information disclosed in section II, Changes to the Basis of Consolidation in 2012.

CURRENT FINANCIAL LIABILITIES (28)

Current financial liabilities pertain to various short-term lines of credit and overdraft credit accounts for financing operations; they are due within a period of one year. Standard interest rates have been agreed upon for current loans. In addition, a non-current loan held by Manz Slovakia with a value of 2.905 million euros (previous year: 3.325 million euros) is disclosed under current financial liabilities as a result of non-compliance with the provisions of a covenant agreement (see item 21). Furthermore, this also contains the current component (maturity in the following year) of the non-current financial liabilities.

ACCOUNTS PAYABLE (29)

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

OTHER CURRENT PROVISIONS (30)

Other current provisions have changed as follows:

(in EUR tsd.)	**Jan. 1, 2012**	**Currency adjustments**	**Use**	**Release**	**Allocation**	**Dec. 31, 2012**
Reworking	741	0	741	0	287	287
Other	2,495	28	2,337	45	5,300	5,441
	3,236	**28**	**3,078**	**45**	**5,587**	**5,728**

Other provisions primarily include provisions for impending losses from client orders, commissions, and the cost of preparing the annual financial statements. In addition, in the reporting period current provisions also contain provisions for severance pay with a value of 1.438 million euros.

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

OTHER LIABILITIES (31)

On the reporting date, other liabilities comprised the following:

(in EUR tsd.)	**Dec. 31, 2012**	**Dec. 31, 2011**
Tax liabilities (not taxes on income or earnings)	1,622	432
Personnel-related liabilities	7,016	6,746
Others	118	818
	8,756	**7,996**

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

REPORT ON FINANCIAL INSTRUMENTS

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

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

CARRYING VALUES BY MEASUREMENT CATEGORY 2012

(in EUR tsd.)	Fair value	Loans and receivables	Designated security instruments (cash flow hedges)	Not within the scope of IFRS 7, IAS 39	Carrying value Dec. 31, 2012
Assets as of Dec. 31, 2012					
Other non-current assets	808	808			808
Accounts receivable	54,320	35,285	-	19,066	54,351
Derivative financial instruments	43	-	43	-	43
Other current receivables	4,919	1,977		2,942	4,919
Liquid assets	30,708	30,708	-	-	30,708
	90,798	**68,778**	**43**	**22,008**	**90,829**

CARRYING VALUES BY MEASUREMENT CATEGORY 2012

(in EUR tsd.)	Fair value	Measured at amortized cost	Carrying value according to IAS 17	Designated security instruments (cash flow hedges)	Not within the scope of IFRS 7, IAS 39	Carrying value Dec. 31, 2012
Liabilities as of Dec. 31, 2012						
Financial liabilities	65,477	65,477	-	-	-	65,677
Financial liabilities from leases	74	-	74	-	-	70
Accounts payable	38,705	38,705	-	-	-	38,705
Derivative financial instruments	128	-	-	128	-	128
Other liabilities	15,256	7,134	-	-	8,122	15,256
	119,640	**111,316**	**74**	**128**	**8,122**	**119,836**

CARRYING VALUES BY MEASUREMENT CATEGORY 2011

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

CARRYING VALUES BY MEASUREMENT CATEGORY 2011

(in EUR tsd.)	Fair value	Measured at amortized cost	Carrying value according to IAS 17	Designated security instruments (cash flow hedges)	Not within the scope of IFRS 7, IAS 39	Carrying value Dec. 31, 2011
Liabilities as of Dec. 31, 2011						
Financial liabilities	50,535	50,535	-	-	-	50,333
Financial liabilities from leases	119	-	119	-	-	112
Accounts payable	46,335	46,335	-	-	-	46,335
Advance payments received	288	-	-	288	-	288
Other liabilities	7,996	7,564	-	-	432	7,996
	105,273	**104,434**	**119**	**288**	**432**	**105,064**

FAIR VALUE HIERARCHY PURSUANT TO IFRS 7.27

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

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

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

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

On December 31, 2012, derivative financial instruments disclosed in current assets with a value of 0.043 million euros (previous year: 0.109 million euros) as well as derivative financial instruments disclosed in current liabilities with a value of 0.128 million euros (previous year: 0.288 million euros) fall under level 2 of the fair value hierarchy within the scope of IFRS 7.27.

NET EARNINGS BY MEASUREMENT CATEGORIES SET FORTH IN IAS 39

(in EUR tsd.)	**Net gains/ losses**	**Total interest earnings/ expenses**
Fiscal Year 2012		
Loans and receivables	–5,331	172
Available-for-sale assets (derivate financial instruments)	–109	0
Available-for-sale financial liabilities (derivate financial instruments)	203	0
Financial liabilities measured at amortized cost Liabilities	–8	1,642
	–5,245	**1,814**
Fiscal Year 2011		
Loans and receivables	–468	378
Available-for-sale (derivate financial instruments)	–99	0
Available-for-sale financial assets	–517	0
Financial liabilities measured at amortized cost Liabilities	34	–1,032
	–1,050	**–654**

The net gains and losses from loans and receivables primarily include gains and losses from currency translations and changes to allowances for doubtful accounts receivable. Changes to allowances for doubtful accounts receivable totaled 6.207 million euros (expense) on December 31, 2012 (previous year: 0.211 million euros expense) .

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

FINANCIAL RISK MANAGEMENT AND FINANCIAL DERIVATIVES

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

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

The sensitivity analyses in the following sections each refer to the situation on December 31, 2012, or December 31, 2011. The sensitivity analyses were carried out based on the hedging relationships which existed on December 31, 2012, and under the premise that net debt, the relationship between the fixed and variable interest rates of debts and derivatives, and the share of financial instruments held in foreign currencies will remain constant.

The sensitivity analyses were prepared based on following assumptions:
- The sensitivity of the statement of financial position relates to available-for-sale derivatives and debt instruments.
- The sensitivity of the relevant items on the statement of income reflects the effect of assumed changes to the corresponding market risks. This is based on financial assets

and financial liabilities held on December 31, 2012, and December 31, 2011, including the effect of the hedging relationship.

- The sensitivity of equity is calculated by considering the effect of associated cash flow hedging relationships as of December 31, 2012 and December 31, 2011, on the assumed changes to the underlying transaction being hedged.

CREDIT RISKS

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

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

Financial assets' maximum credit risk (including derivatives with a positive market value) corresponds to the carrying value recognized in the statement of financial condition. At the end of the reporting period on December 31, 2012, the company's maximum credit risk totaled 90.798 million euros (previous year: 122.360 million euros).

The maturity of accounts receivable not individually impaired is presented in the following table:

(in EUR tsd.)	2012	2011
Not overdue and not written down	20,715	17,583
Overdue and not individually written down		
up to 30 days	3,671	2,006
between 31 and 60 days	1,469	2,413
between 61 and 90 days	70	3,141
between 91 and 180 days	1,360	2,943
more than 180 days	9,741	6,712
Individually written-down receivables	**37,026**	**34,798**

Non-impaired accounts receivable showed no signs of requiring impairment. The recoverability of receivables neither overdue nor written down is seen as very high. This assessment is derived above all from the long-standing business relationship with most buyers and the credit rating of our customers. The historic default rates in the Group are very low.

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

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

LIQUIDITY RISKS

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

On the reporting date, the company held unused overdraft facilities/lines of credit at banks with a value of 78.049 million euros (previous year: 67.354 million euros); these can either be used as an overdraft facility and/or as a surety line of credit (lines of credit used as of December 31, 2012: 39.773 million euros (previous year: 43.360 million euros)). In addition, the company held unused lines of credit at credit insurance companies and credit institutes with a value of 8.212 million euros (previous year: 23.752 million); the company has drawn on these lines of credit in the amount of 12.684 million euros (previous year: 3.248 million euros).

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

(in EUR tsd.)	**Total**	**2013**	**2014**	**> 2015**
Dec. 31, 2012				
Financial liabilities	68,454	44,232	5,628	18,594
Finance leasing	74	36	38	
Accounts payable and payments	38,705	38,705		
Derivative financial instruments	128	128		
Other liabilities	14,134	7,134	7,000	
	121,495	**90,235**	**12,666**	**18,594**

(in EUR tsd.)	**Total**	**2012**	**2013**	**> 2014**
Dec. 31, 2011				
Financial liabilities	50,535	45,399	140	4,996
Finance leasing	117	42	40	35
Accounts payable and payments	46,335	46,335		
Derivative financial instruments	288	288		
Other liabilities	7,996	7,996		
	105,271	**100,060**	**180**	**5,031**

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

CURRENCY RISKS

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

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

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

If the value of the euros had been 10.0 % higher against the US dollar on December 31, 2012 (2011), consolidated income would have been 1.132 million euros (1.615 million euros) lower, and group equity would have been 0.415 million euros (previous year: 0.827 million euros) lower. If the value of the EUR had been 10.0 % lower against the US dollar on December 31, 2012 (2011), consolidated income would have been 1.386 million euros (1.974 million euros) higher, and group equity would have been 0.666 million euros (previous year: 1.211 million euros) higher.

INTEREST RATE RISKS

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

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

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

If the base interest rate on December 31, 2012 (2011), had been 100 points higher (lower), consolidated profit/loss would have been 0.193 million euros (0.040 million euros) higher (lower), and group equity would have be 0.164 euros (0.024 euros) higher (lower).

CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

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

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

DUE DATES OF MINIMUM LEASE PAYMENTS

(in EUR tsd.)	2012	2011
Minimum lease payment		
Remaining term up to 1 year	4,609	3,859
Remaining term of 1–5 years	15,374	12,503
Remaining term of more than 5 years	28,178	31,036

In the 2012 fiscal year, rent and lease payments totaling 6.084 million euros (previous year: 5.242 million euros) were recorded under other operating expenses.

In connection with an existing agreement, in fiscal year 2011 an obligation existed, subject to the occurrence of a condition, to make a payment of 5.185 million euros. It was assumed that the condition would occur within the next 18 months. This obligation no longer exists as of the current reporting year.

Within the scope of acquiring a company, an obligation to continue operations and other obligations exist. The financial obligations resulting from this obligation are expected to total a maximum of 0.900 million euros (previous year: 11.914 million euros).

The company did not have any obligations to make investments in fixed assets in the 2012 fiscal year (previous year: 8.614 million euros in connection with the new facility in China).

EVENTS AFTER THE END OF THE REPORTING PERIOD

In February and March 2013, the company acquired three major contracts in the Display division with a total value of 80 million euros. The orders are for systems and equipment for producing touch panel displays and additional components for smartphones and tablet computers.

Otherwise, no further events have occurred after the end of the reporting period on December 31, 2012, which would have a significant impact on our financial situation.

RELATED PARTIES

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

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

COMPENSATION PAID TO THE MANAGING BOARD AND SUPERVISORY BOARD

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

Total compensation of 0.505 million euros was paid to the members of the Managing Board in the 2012 fiscal year (previous year: 0.971 million euros). The non-performance-based components totaled 0.505 million euros (previous year: 0.779 million euros), the performance-based payment components 0 euros (previous year: 0.011 million euros), and the long-term payable components 0 euros (previous year: 0.181 million euros). Long-term components of compensation are comprised of stock awards/stock options granted within the scope of the Performance Share Plan. During the reporting year, no stock options were granted to members of the Managing Board; in the previous year 4,279 stock options with a total fair value of 0.181 million euros were granted.

The company has a a pension obligation (defined benefit obligation) to CEO Dieter Manz as set forth in IFRS with a total value of 0.267 million euros (previous year: 0.171 million euros). To cover this pension obligation, a reinsurance policy has been taken out with a fair value of 0.115 million euros (previous year: 0.109 million euros).

The former Managing Board member, Otto Angerhofer, received a pension payment in the 2012 fiscal year of 0.01 million euros (previous year: 0.01 million euros). Manz has a pension obligation to the former Managing Board member as set forth in IFRS totaling 0.161 million euros (previous year: 0.138 million euros). To cover this pension obligation, a reinsurance policy has been taken out with a fair value of 0.104 million euros (previous year: 0.091 million euros).

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

As of the 2009 fiscal year, a contribution-based pension plan exists for the member of the Managing Board Martin Hipp. A total of 6,000 euros annually is paid into an external, reinsured pension fund to cover these obligations.

As in the previous year, no advance payments or loans were granted to members of the Managing Board during the reporting year.

SUPERVISORY BOARD

Prof. Dr. Heiko Aurenz, Partner at Ebner Stolz Mönning Bachem Unternehmensberatung GmbH, Stuttgart, Chairman

Dr. Peter Leibinger, Managing Director of TRUMPF GmbH & Co. KG, Ditzingen, Vice Chairman

Prof. Dr. Michael Powalla, Head of the Solar Division and Member of the Board of the Baden-Württemberg Center for Solar Energy and Hydrogen Research (ZSW) and professor of thin-film photovoltaics at the Karlsruhe Institute of Technology (KIT), Light Technology Institute, Faculty of Electrical Engineering and Information Technology

The chairman of the Supervisory Board, Prof. Dr. Heiko Aurenz, is also a member of the supervisory board of IBS AG and the Know How! corporation for advanced training. Furthermore, Dr. Aurenz is a member of the advisory board of Anna-Haag-Mehrgenerationenhaus e.V., ASB Grünland Helmut Aurenz GmbH, and Monument Vermögensverwaltung GmbH.

Supervisory Board member Peter Leibinger is also a member of the Managing Board of TRUMPF Laser GmbH + Co. KG and a member of the Advisory Board of Hüttinger Elektronik GmbH + Co. KG. Furthermore, Dr. Leibinger is a member of the board of directors of SPI Lasers plc, TRUMPF Korea Co. Ltd., TRUMPF Management Consulting (Shanghai) Co. Ltd., TRUMPF Pte. Ltd., Singapore, and TRUMPF Taiwan Industries Co. Ltd.

In the 2012 fiscal year, Manz AG purchased laser systems with a value of 19.500 million euros (previous year: 2.970 million euros) from TRUMPF GmbH + Co. KG, of which Peter Leibinger is managing partner. As of December 31, 2012, Manz AG holds liabilities to TRUMPF GmbH + Co KG with a value of 2.284 million euros (previous year: 0.445 million euros).

Supervisory Board member Dr. Michael Powalla does not hold any other positions on mandatory supervisory boards or comparable supervisory boards of domestic or international companies.

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

For the 2012 fiscal year, compensation was paid to members of the Supervisory Board totaling 0.054 million euros (previous year: 0.056 million euros). The compensation paid for the current reporting period only contains a fixed component, in the previous year compensation also contained a variable component totaling 2,000 euros.

As in the previous year, no advance payments or loans were granted to members of the Supervisory Board during the reporting year.

AUDITOR'S FEE

The fees assessed by the company responsible for auditing the annual reports, BEST AUDIT GmbH Wirtschaftsprüfungsgesellschaft, for its services are calculated as follows:

(in EUR tsd.)	2012	2011
Auditing the annual financial statements	150	126
Other auditing services (audit of the interim financial statements)	24	20
Tax consultation services*	19	43
Other services*	18	30

*These services are provided by alltax gmbh Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (network partner).

CORPORATE GOVERNANCE CODE

Manz AG's Managing Board and Supervisory Board have both issued a compliance statement pursuant to Article 161 of the German Stock Corporation Act, and both statements are available to shareholders and can be viewed at any time by visiting Manz AG's Web site, www.manz.com.

PUBLICATIONS IN ACCORDANCE WITH ARTICLE 160, PARAGRAPH 1, NO. 8, OF THE GERMAN SECURITIES TRADING ACT

The following information was published during the 2012 fiscal year pursuant to the German Securities Trading Act:

March 13, 2012

"On March 13, 2012, Universal-Investment Gesellschaft mbH, Frankfurt am Main, Germany informed us pursuant to Article 21, Section 1 of the German Securities Trading Act that as a result of shares held, its voting rights in Manz AG, Reutlingen, Germany, fell below the 3.0 % threshold on March 12, 2012, and on that day amounted to 2.89 % (corresponding to 129,268 voting rights).

According to Article 22, Section 1, Clause 1, No. 6 of the German Securities Trading Act, 0.12 % of voting rights (corresponding to 5,500 voting rights) are now held by the company."

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the Manz Group's assets, liabilities, financial position, and profit or loss, and the Manz Group's management report includes a fair review of the trends and performance of the business and the position of the Group as well as a description of the principal opportunities and risks associated with the Group's expected performance.

Reutlingen, March 21, 2013

The Managing Board of Manz AG

Dieter Manz Chief Executive Officer	Martin Hipp

AUDITOR'S REPORT

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

We have audited the consolidated financial statements of Manz AG, headquartered in Reutlingen, Germany – which consist of an income statement, a statement of comprehensive income for the period, a statement of financial position, a consolidated statement of cash flows, a consolidated statement of changes in equity, and the notes to the consolidated financial statements – as well as the group management report for the fiscal year from January 1 to December 31, 2012. Preparing these consolidated financial statements and group management report in accordance with both IFRS as approved for use in the EU as well as with the additional commercial legal regulations set forth in Article 315a, Section 1 of the German Commercial Code is the responsibility of the legal representatives of the company. Our responsibility is to furnish an opinion on the annual consolidated financial statements and the consolidated management report based on our audit.

We conducted our audit in accordance with Article 317 of the German Commercial Code in compliance with the German principles of proper auditing as set forth by the Institut der Wirtschaftsprüfer (IDW, German Institute of Chartered Accountants). These standards require that we plan and perform the audit in such a way as to obtain adequate assurance that inaccuracies and violations of applicable accounting standards will be identified that could have a significant effect on the portrayal of the company's net assets, financial position, and results of operations as presented in the annual consolidated financial statements and the management report. When defining the auditing procedures, knowledge of the business activities and the economic and legal environment of the company as well as expectations of possible errors are taken into consideration. Within the scope of the audit, both the effectiveness of the group's internal control system and the evidence supporting the information disclosed in the annual consolidated financial statements and the management report is evaluated on the basis of random samples.

Our audit also includes assessing the annual financial statements of the consolidated companies, the definition of the basis of consolidation, the accounting and consolidation principles used, and the important estimates made by management, as well as evaluating the overall presentation of the annual consolidated financial statements and the group management report. We are confident that our audit provides a sufficiently sound basis from which to make an assessment in this regard.

Our audit did not lead to any objections.

In our opinion, based on the knowledge we gained from our audit, the consolidated financial statements comply with IFRS as they are to be applied in the EU as well as the provisions of the German Commercial Code as stipulated in Article 315a, Section 1, and convey a true and fair view of the group's net assets, financial position, and results of operations. The group management report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the group's position and adequately presents the opportunities and risks associated with the group's future performance.

Reutlingen, March 21, 2012

BEST AUDIT GmbH
Wirtschaftsprüfungsgesellschaft
Regional Office Reutlingen

Neele Wehmeyer	Ulrich Britting
Certified Public Accountant	Certified Public Accountant

Our added value for every production line: maximum flexibility thanks to complete integration

Everything from one source, perfectly integrated and coordinated – Manz's measurement and testing technology guarantees maximum performance parameters and short development times, even with complex requirements. Our portfolio encompasses systems for optical control and electrical measurement, solutions for image recognition, integrated analysis instruments, and much more. Valuable services, such as studies conducted in a fully equipped laboratory, round out our complete offering in this field.

MEASUREMENT AND TESTING

OUR TRUMP: MAXIMUM PRECISION

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