



Manz AG Corporate Governance Statement and Corporate Governance Report

for Fiscal Year 2012

As a listed company, Manz AG hereby submits the following Corporate Governance Statement for fiscal year 2012 pursuant to Article 289a of the German Commercial Code (HGB). In addition, the following report contains information from the Managing Board and Supervisory Board about corporate governance at Manz AG pursuant to Section 3.10 of the German Corporate Governance Code ("Code"),

1. Statement pursuant to Article 161 of the German stock corporation act (AktG)

Pursuant to Article 161 of the German stock corporation act (Aktengesetz – AktG), every year the Managing Board and Supervisory Board of a listed company are obligated to declare that they have complied with the guidelines of the German Corporate Governance Code that the German Federal Ministry of Justice publishes in the official section of the online German Federal Gazette and will continue to do so in the future or indicate which guidelines were not or will not be applied. All deviations from the guidelines must be justified in writing. This statement must be permanently accessible to the public on the corporation's Web site.

As per Article 161 of the German stock corporation act, the Managing Board and Supervisory Board of Manz AG submitted on March 26, 2012, the following Statement of Compliance for March 2012 relating to the guidelines of the German Corporate Governance Code Committee.

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

As per Article 161 of the German stock corporation act, the Managing Board and Supervisory Board of Manz AG submitted on March 13, 2012, the following Statement of Compliance for December 2012 relating to the guidelines of the German Corporate Governance Code Committee.

“Pursuant to Article 161 of the German stock corporation act (Aktiengesetz – AktG), the Managing Board and the Supervisory Board of Manz AG hereby declare that since submission of the last compliance statement on March 26, 2012, Manz AG has complied with the recommendations of the ‘German Corporate Governance Code Committee’ issued by the German Federal Ministry of Justice in the official section of the online German Federal Gazette as amended on May 26, 2010, and that Manz AG will, in the future, comply with the recommendations set forth in the Code as amended on May 15, 2012, with the following exception.

The company will not comply with the recommendation stipulated in Section 5.4.6, Paragraph 2, Sentence 2 of the Code, which states that performance-based compensation promised to members of a supervisory board should be based on a company’s long-term performance. As set forth in the company’s Articles of Incorporation, the members of the Supervisory Board receive a profit-sharing bonus based on the company’s earnings per share in the previous fiscal year. Calculating the bonus based on the company’s success after one fiscal year does not meet the requirements generally set forth when orienting performance-based compensation on a company’s long-term performance. The recommendation was added to the Code in its amended form dated May 15, 2012. In order to comply with the recommendation in the future, the company’s Articles of Incorporation need to be changed as the result of a resolution passed at the Annual General Meeting of shareholders, which has not yet been able to be adopted.”

II. Information on corporate governance practices applied above and beyond the legal requirements

Manz AG aspires to conduct all business operations in an ethical and legally sound fashion. The Managing Board developed a mission statement for this purpose, which will help the employees of Manz AG and its subsidiaries to act responsibly and make the right decisions when carrying out their daily activities. This corporate mission statement describes the company’s principles of sustainable and socially responsible economic activity.

The mission statement can be downloaded from Manz AG's Web site at www.manz.com in the "Company" section under "Profile." The document is named "Vision and Mission – Corporate Philosophy and Long-Term Goals of Manz AG."

III. Description of how the Managing Board and the Supervisory Board work

Manz AG is a legal corporation under German law and, in particular, is subject to the stipulations of the German stock corporation act (AktG), upon which the German Corporate Governance Code was developed. A basic principle of German stock corporation law is the dual-management system by a managing board and supervisory board. This principle sets forth that the managing board manages the company while the supervisory board advises and monitors the managing board. Simultaneous membership of both boards is not permitted. The Managing Board and Supervisory Board of Manz AG work together closely in a trusting relationship and in the best interests of the company and strive to continuously increase the value of the company for its shareholders.

Managing Board

The Managing Board of Manz AG was comprised of two members in 2012. Information about the members of the Managing Board can be found on Manz AG's Web site at www.manz.com in the "Company" section under "Group Structure" in the "Management" subsection.

The Supervisory Board has passed internal rules of procedure for the Managing Board that assigns specific central management areas to members of the Managing Board to manage independently. This notwithstanding, all members of the Managing Board bear joint responsibility for the overall management of the company. The entire Managing Board decides on matters of particular importance. Furthermore, specific measures of company management also require Supervisory Board approval. The internal rules of procedure also contain stipulations on the procedures for meetings and resolutions of the Managing Board, as well as the tasks of the chairman and his deputy.

According to the internal rules of procedure, the Managing Board is obliged to create a report on future business policy and corporate planning for the respective following year and two additional fiscal years and present it to the Supervisory Board for approval. Furthermore, the reporting obligations of the Managing Board vis-à-vis the Supervisory Board are described in detail in the internal rules of procedure. Accordingly, the Managing Board is to inform the Supervisory Board of all issues involving planning and business development, the risk situation and risk management, and compliance with legal regulations and internal guidelines relevant to the company and the Manz

Group regularly, promptly, and in full. In particular, it must report on the profitability of the company annually and the company's overall situation at regular intervals.

Supervisory Board

The Supervisory Board of Manz AG consists of three members, who were elected by the shareholders during the Annual General Meeting. The names of the members of the Supervisory Board can be found on Manz AG's Web site at www.manz.com in the "Company" section under "Group Structure" in the "Management" subsection. No Supervisory Board committees have been formed.

In addition to monitoring and advising the Managing Board, the Supervisory Board has the tasks of appointing and dismissing the members of the Managing Board and specifying the compensation system for the Managing Board and the level of compensation for the individual members of the Managing Board. Furthermore, it checks the annual statement and consolidated financial statement created by the Managing Board and reports on the results of the examination at the Annual General Meeting.

The Supervisory Board has also passed internal rules of procedure for itself that regulate the internal organization of the Supervisory Board. The internal rules of procedure contain stipulations on the selection and tasks of the chairman of the Supervisory Board and his deputy. Furthermore, they regulate how meetings are convened and held as well as how resolutions are adopted by the Supervisory Board. As a rule, the Supervisory Board of Manz AG convenes for a planned meeting five times a year, at least once each quarter, and holds additional ad hoc meetings as required. In urgent cases, it can also adopt resolutions by means of written correspondence or conference calls.

The internal rules of procedure stipulate that members of the Supervisory Board must disclose conflicts of interest and that significant, non-temporary conflicts of interests shall lead to withdrawal from office.

The Supervisory Board has also stipulated targets for its composition and, in particular, qualification profiles for Supervisory Board members in its internal rules of procedure. The Supervisory Board should always be composed of members who, taken as a whole, have the required special skills and experience from different fields that are of relevance to the company.

The Supervisory Board checks the efficiency of its own activity on a regular basis with a questionnaire. According to the internal rules of procedure, particular elements of this

examination include the procedures within the Supervisory Board and the supply of information to the Supervisory Board, in addition to qualitative criteria.

IV. Implementation of the German Corporate Governance Code

The Code presents essential statutory regulations for the management and supervision (governance) of German listed companies and contains internationally and nationally recognized standards for good and responsible governance. The Code aims to increase the confidence international and national investors, customers, employees, and the general public have in the management and supervision of publicly traded German stock corporations.

The Managing Board and Supervisory Board of Manz AG are guided by the recommendations set forth in the Code. The Managing Board and the Supervisory Board view themselves as having an obligation to safeguard the company's continued existence and its sustainable creation of value in harmony with the principles of a social market economy. In the 2012 fiscal year, the Managing Board and Supervisory Board once again spent a great deal of time addressing the recommendations in the Code.

Diversity in executive positions at the company

When filling management positions at the company, the Managing Board pays attention to diversity in accordance with the recommendation in Section 4.1.5 of the Code and, in particular, strives to give women an appropriate amount of consideration. These goals should be strived for in addition to a well-balanced level of technical qualifications. As an international company, the Manz Group has a large number of foreign employees and managers, particularly in Asia. Employees and managers from 27 countries work at the Group's various subsidiaries, and employees from 23 different countries work at Manz AG alone. The Managing Board also took further measures to promote a greater degree of international diversity at the senior level of management. For example, in addition to two annual international strategy meetings, the Managing Board drew up and implemented a wide range of tools for employee management and their development at the international level.

At the end of the 2012 fiscal year, women accounted for more than 17,5% of all Manz Group employees. Unfortunately, women are not yet adequately represented in management positions. The company offers flexible working hours, which make both part-time and flextime schedules possible. Furthermore, the company has spots available in two daycare facilities where trained early childhood educators take care of employees'

children that are between one and three years of age during their parents' working hours.

Diversity in the composition of the Managing Board

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

Goals pertaining to the composition of the Supervisory Board

Furthermore, pursuant to Section 5.4.1, Paragraph 2, Sentence 1 of the Code, the Supervisory Board has named the following specific goals pertaining to its composition and has incorporated them into the Supervisory Board bylaws. Under consideration of the company's specific situation, these goals take the company's international activities, potential conflicts of interest, the number of independent Supervisory Board members as defined in Section 5.4.2 of the Code, a predefined age limit for Supervisory Board members, and diversity into account and, in particular, set forth an appropriate number of women on the board:

- The Supervisory Board generally strives to ensure that it consists of members who together have the knowledge, skills, and technical experience required to properly carry out its duties.
- Basic requirements for members of the Supervisory Board include personal integrity, a sufficient level of life and professional experience, independence, and good communication skills. Furthermore, the members must have a basic knowledge of business, corporate law, and industry-specific technical information as well as knowledge of the Manz Group or be willing to acquire this knowledge at the beginning of their term as member. In addition, the members of the Supervisory Board must clearly demonstrate that they have enough time to devote to their duties as a member of the company's Supervisory Board under consideration of their other professional responsibilities and seats on other boards.
- The Supervisory Board should always be composed of members who, taken as a whole, have the required special skills and experience from different fields that are of relevance to the company. During the process of nominating potential members of the Supervisory Board at the Annual General Meeting of Sharehold-

ers, the Supervisory Board must strive to ensure that at least one member fulfills each the following requirements:

- Experience as a member of senior management at a medium-sized company
 - Knowledge and experience in the application of accounting principles and internal control procedures
 - Knowledge and experience in the mechanical engineering industry or in other industries in which the Manz Group is active
 - Experience in management at internationally active companies
- In most cases, only people that have not yet reached 70 years of age should be nominated for a position in the Supervisory Board.
 - The Supervisory Board will make an effort to ensure that, given the necessary qualifications, the nominations for members of the Supervisory Board made at the Annual General Meeting of Shareholders also include women.
 - The Supervisory Board should include at least two independent members as defined in the German Corporate Governance Code.

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

V. Preventing conflicts of interest and independence of Supervisory Board members

Supervisory Board member Dr. Peter Leibinger is also deputy chairman of TRUMPF GmbH + Co. KG, whose subsidiaries supply laser systems to the company. Companies in the TRUMPF Group received a total of 19.5 million euros from the company during the 2012 fiscal year for their products and services. No specific conflicts of interest resulted from this business relationship.

Supervisory Board member Dr. Michael Powalla is the photovoltaics business manager and a member of the Board of Directors at the Centre for Solar Energy and Hydrogen Baden-Württemberg (ZSW). Based on a contract signed back in 2011, ZSW granted in the 2012 fiscal year patent licenses and expertise in the field of thin-film photovoltaics to Manz CIGS Technology GmbH, a subsidiary of Manz AG, and received licensing fees from Manz CIGS Technology GmbH amounting to 1.4 million euros in exchange. Also in this case there has not been a specific conflict of interest resulting 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.

After thorough examination, the Supervisory Board believes that the business relationships named above do not affect the judgment of the members concerned and do not interfere with the independent consultation with and monitoring of the Managing Board by the Supervisory Board. It is the opinion of the Supervisory Board that these do not constitute significant, non-temporary conflicts of interest. The Supervisory Board believes that it includes a sufficient number of independent members.

VI. Manz stock held by members of the Managing and Supervisory boards

On March 20, 2013, CEO Dieter Manz held 2,079,984 shares in the company, corresponding to 46.43% of the capital stock of Manz AG. At the same time, Dieter Manz's wife held 203,154 shares, corresponding to 4.53% of capital stock. On the same date, CFO Martin Hipp held 522 shares of the company, which corresponds to 0.01% of capital stock.

On March 20, 2013, the members of the Supervisory Board held a total of 4,300 shares in the company, corresponding to 0.10% of the capital stock of Manz AG.

VII. Manz Performance Share Plan

Overview

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 which will be granted on the basis of the Manz Performance Share Plan 2012 is to encourage the members of the Managing Board and additional members of management 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. In addition, the Managing Board granted options to shares of Manz AG stock to members of the Managing Board of subsidiaries and members of Manz AG management below the Managing Board level and members of management of subsidiaries below the executive level 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 on the basis of the Manz Performance Share Plan 2008 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.

The following table provides an overview of options to shares of Manz AG stock issued on the basis of the Manz Performance Share Plan 2011:

Stock options issued	Options issued in 2011 (exercisable beginning in 2016, if not previously declared null and void)	Fair value of the exercisable stock options, if not previously declared null and void (on the issue date)
	Quantity	In EUR thousand
Dieter Manz CEO	2,788	118

Martin Hipp CFO	1,491	63
Members of the managing boards of subsidiaries	3,572	139
Members of management below the managing board level and of subsidiaries below the executive level	6,405	188
Total	14,256	508

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. Furthermore, the Supervisory Board, did not grant any other members of management within the Manz Group any new options to shares of Manz AG stock in fiscal year 2012.

Manner of functioning

The Manz Performance Share Plan 2011 and the Manz Performance Share Plan 2012 are essentially the same.

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

These stock options can only be exercised if and when the respective target has been achieved (performance component). The target for each individual tranche of options is comprised of the average of the EBIT margin (ratio of earnings before interest and taxes to revenue) disclosed in the Manz Group's audited and approved Consolidated Annual Report pursuant to IFRS for the fiscal year in which the vesting period ends as well as the previous three fiscal years. The stock options can only be exercised if the company achieves an EBIT margin of at least 5% (minimum target). If the minimum target is achieved or exceeded, a success factor will be applied when calculating the number of shares to be granted for each stock option. This factor increases progressively above the standard target as detailed in the Manz Performance Share Plan. The success factor ranges from a factor of 0.5 upon achieving the minimum target to a fac-

tor of 1.00 when achieving an EBIT margin of 10% (standard target) and up to a factor of 2.0 upon achieving an EBIT margin of at least 15% (stretch target).

The legal stipulation that sets forth that variable components of compensation should be calculated on a multiyear basis is implemented by determining the success factor on the basis of the EBIT margin from the Consolidated Annual Reports in the four fiscal years after issuing the stock options. The goal of this stipulation is to motivate the recipients of stock options to focus their actions on the goal of achieving sustained positive growth of the EBIT margin. This motivation is further reinforced as a result of the fact that a new tranche of stock options is generally issued to members of the Managing Board and other members of management each year, which continually perpetuates their focus on the company's future EBIT margin.

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

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

The Managing Board and Supervisory Board included the ability to limit members of the Managing Board and other members of management from exercising granted stock options in the event of extraordinary developments. It may be necessary to limit income from long-term variable compensation in order to comply with the legal stipulations that

call for an appropriate level of compensation. This could result from extraordinary developments that cause the company to generate windfall profits.

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

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

Reutlingen, March 2013

Manz AG

The Managing Board

The Supervisory Board