Impulses

THE FISCAL YEAR 2015

Manz AG at a glance

2016 Financial Calendar

May 12, 2016	Publication of 2016 3-Month Report
July 12, 2016	2016 Annual General Meeting
August 11, 2016	Publication of 2016 6-Month Report
November 15, 2016	Publication of 2016 9-Month Report

Overview of Consolidated Net Profits

(in million euros)	2015	2014	Change in %
Revenues	222.0	305.9	–27.4
Total operating revenues	229.8	308.8	–25.6
EBITDA	–41.9	13.9	n/a
EBITDA margin (in %)	n/a	4.5	n/a
EBIT	–58.2	–32.8	n/a
EBIT margin (in %)	n/a	n/a	n/a
EBT	–61.7	–34.6	n/a
Consolidated net profit (loss)	–64.2	–38.2	n/a
Earnings per share (in euros)	–12.20	–7.75	n/a
Cash flow from operating activities	–57.4	10.8	n/a
Cash flow from investing activities	–22.0	–21.1	n/a
Cash flow from financing activities	90.4	–32.9	n/a

	Dec. 31. 2015	Dec. 31. 2014	Change in %
Total assets	292.5	253.6	15.3
Shareholders' equity	125.3	140.0	–10.5
Equity ratio (in %)	42.8	55.2	–22.5
Financial liabilities	82.9	32.3	156.7
Liquid funds	34.4	23.2	48.3
Net debt	48.6	9.2	428.3

THE YEAR 2015

Multiple major orders amounting to around 40 million euros spur growth in the Battery segment. → **January 7**

Manz AG expands strong market position in the printed circuit boards industry with acquisition. → **June 2**

Manz AG receives strategically important order from the e-mobility industry. → **March 31**

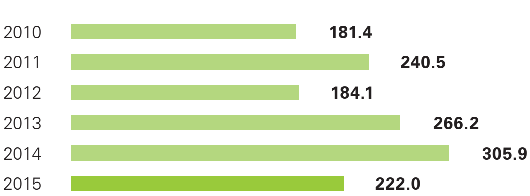
Major orders in assembly automation.

Forecast adjustment for the fiscal year 2015. → **June 30**

Managing Board approves capacity adjustments to the German and international sites.

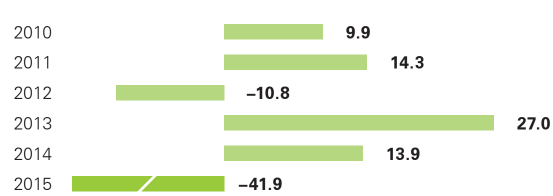
Revenues

(in million euros)



EBITDA

(in million euros)

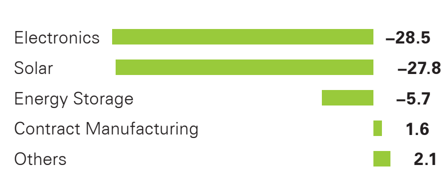


EBIT

(in million euros)

EBIT by Business Segments 2015

(in million euros)



Successful placement of the cash capital increase – gross issue proceeds of around 41.9 million euros. → **April 29**

Manz AG introduces Martin Drasch as the new Chief Operating Officer. → **July 7**

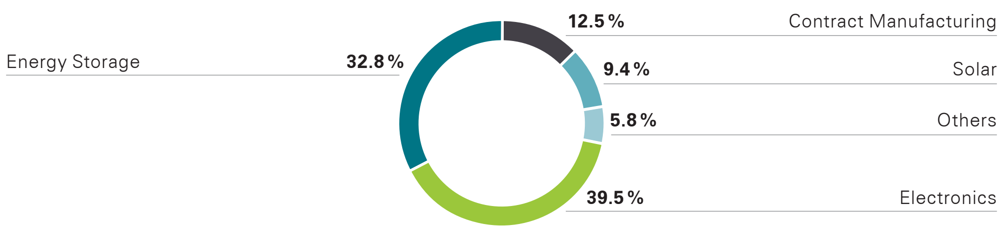
→ **August 19**

Manz and adidas sign cooperation agreement. → **October 20**

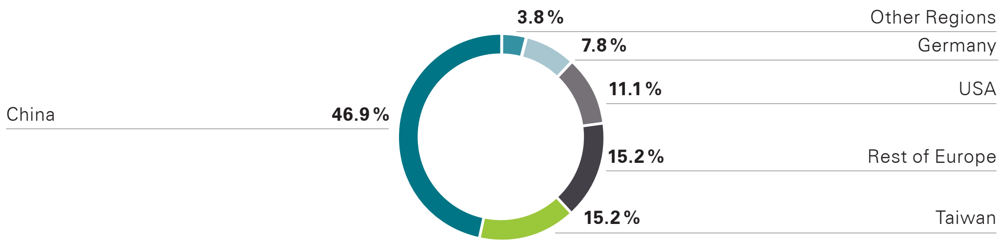
Manz AG: Managing Board lowers forecast for fiscal year 2015 and initiates restructuring program. → **October 26**

→ **December 10**

Revenues by Business Segment January 1 to December 31, 2015



Revenue Distribution by Region January 1 to December 31, 2015



MANZ AG MISSION STATEMENT

As a high-tech equipment manufacturer, our goal is to develop equipment and systems for fast-growing industries around the world. With our claim "passion for efficiency," we are making a service promise to offer our customers – companies in fast-growing future markets – increasingly efficient production equipment. Global proximity to customers and extensive technological expertise are the foundation of our company, and they enable us to continually optimize our range of products in line with industry requirements. This makes the Manz Group an important innovation leader – for breakthroughs in key technologies, such as the production of sustainable energy and stationary power storage, displays and devices for global communication needs, and e-mobility. On the basis of our extensive expertise in the technology sectors automation, laser processing, vacuum coating, printing and coating, metrology, wet chemistry, and roll-to-roll, there are application opportunities for our solutions in numerous industries. Currently we are concentrating our research and development activities on production systems for our strategic business segments Electronics, Solar,and Energy Storage.

WE ARE PIONEERS OF INNOVATIVE TECHNOLOGIES AND PRODUCTS.

More powerful displays, printed circuit boards, and other core components for smartphones, notebooks and tablet computers; more efficient lithium-ion batteries for stationary energy storage, e-mobility- and consumer electronics; and solar modules with the highest degree of efficiency: With our solutions we are creating vital impulses so that new technologies and products can become quickly established and inexpensively produced. We focus on fast-growing markets where product life cycles are short and continuous innovation is a must. In this annual report, we will discuss the markets in which we play a key role in terms of future viability: electronic devices and components, energy storage, and solar technology – and completely new areas that are still on the starting block today but will be indispensable to everyday life tomorrow.

INDEX

THE HISTORY OF MANZ AG

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

Company founded by Dieter Manz → 1987

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

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

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

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

Entered the market for lithium-ion batteries

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

1987

Acquisition of mechanical engineering division of Kemet Electronics Italy (formerly Arcotronics) for enlargement of technology portfolio in Battery division → 2014

→ 2008

Acquisition of KLEO Halbleitertechnik GmbH, a company of the Zeiss Group, expansion of the technology portfolio by the addition of "laser direct imaging" → 2015

Manz Coating GmbH founded – development center for vacuum-coating technology → 2010

Acquired the CIGS innovation line from Würth Solar

Opened facility for solar and display production systems in Suzhou, China → 2012

→ 2009

Manz becomes global leading equipment supplier for the touch panel production

First order from AMOLED display industry → 2013

2015

TO OUR SHAREHOLDERS

LETTER FROM THE MANAGING BOARD

Dear Shareholders,

During the past year we found ourselves confronted with far reaching challenges such as we have had to master to date only at the beginning of the solar crisis. Then as now, we actively tackled the tasks, did a thoroughgoing strategic realignment of Manz AG and, with the Electronics and Energy Storage segments, opened up for ourselves two additional attractive business segments alongside the solar industry.

Entrepreneurial spirit and innovative strength were again called for in the past year. For since the middle of the year, the 2015 fiscal year was crucially characterized by order postponements and delays with a total volume of around 140 million euros. Since then, we have made every effort to counter this disappointing development. Today, at the beginning of 2016, we are very confident that with the restructuring measures initiated and the planned participating interest and strategic cooperation with Shanghai Electric, we have succeeded in again laying a solid foundation for our future corporate development.

The significant effects of the order cancellations and delays on our revenue and earnings development forced us two times to revise our original forecast of an increase in revenues to 320 to 340 million euros and clearly positive earnings before interest and taxes (EBIT). Our revised expectations for the full year of 2015 were for revenues between 200 and 210 million euros and negative earnings before interest and taxes (EBIT) in the mid tens of millions range. On the revenue side, at 222.0 million euros we have slightly exceeded the final forecast, and with an EBIT of –58.2 million euros are in the framework of our adjusted earnings forecast. The negative operating earnings is primarily due to the low revenue base. At the beginning of the year 2015, we were still assuming a growth year and aligned our corporate structures accordingly. Associated with this were also future investments such as increased personnel expenses as a result of intensified sales activities and the acquisition of a pioneering technology through the takeover of KLEO Halbleitertechnik GmbH.

In view of this constellation – significantly less revenues than planned and simultaneously increased cost basis – we as a direct consequence of the unsatisfactory revenue trend of our company initiated, with external support, a restructuring program. The core of this program is the optimization of our global cost structure with the goal of achieving a return in this fiscal year to operational profitability (EBITDA). Alongside the personnel reduction already carried out in December at the German and international locations, we will also improve our cost basis through further optimization of the processes, structures and capacities within the Group. For example, we are setting up our subsidiaries in Taiwan and China more profitably through an even clearer focusing of their tasks and a reduction of personnel costs. This will involve more consistent shifting of production from Taiwan and Germany to the Chinese location in order to effectively improve its utilization, increase cost

advantages and take advantage of opportunities for direct access to customers. Further potentials can be raised through optimized sales and marketing processes.

Alongside the optimization of our cost basis, the planned participating interest and cooperation with the Chinese Shanghai Electric Group Co., Ltd. forms a central component of our future corporate development. Shanghai Electric is the largest manufacturer of power plants for electricity production in China and is majority-owned by the City of Shanghai. This company focuses its operations essentially on the business segments energy efficiency, clean energy production and the manufacture of industrial equipment. In view of these commonalities, a strategic cooperation is planned not only in the solar segment, but also in the energy storage segments and in other fields of automation technology. In order to facilitate for Shanghai Electric its entry into Manz, we prospectively will carry out a capital increase of around 43 % of the current capital stock during the first half of 2016. Shanghai Electric has agreed to subscribe all shares that are not subscribed by the existing old shareholders in the framework of their subscription right. The capital increase as well as the participating interest of Shanghai Electric will strengthen our liquidity as well as our financing accordingly.

In Shanghai Electric we have found a partner with long-term interests. This is reflected in particular by the intended major participating interest of around 30 %. Together with Dieter Manz as major shareholder, our future Chinese partner as a financially strong anchor investor will provide additional stability for Manz AG. No changes in the management of the company are connected with the planned entry of Shanghai Electric; we as managing directors will continue to determine the fortunes of the company. The continuity of management is just as important to Shanghai Electric as is the retention entrepreneurial independence of Manz AG as a listed company in Germany.

We continue to assess our prospects in our strategic target industries as positive and see definite opportunities for our company to be able to grow again in the future in this environment. The planned cooperation with Shanghai Electric, through improved access to the market in China, offers us already in the short term significant development prospects in our strategic business segments. We therefore also decided to continue our Solar segment and to fully and completely concentrate on the further development and commercialization of our world-leading CIGS technology. Thus we also did not have to make any special write-offs on our CIGS technology.

We are convinced that following a difficult 2015 year, we in the past months thus have created the conditions for being able in the coming year, under conservative anticipated sales, to operate profitably again on the EBITDA level.

At this point we would like to thank above all our employees who through their commitment and flexibility have made a crucial contribution to maneuvering our company even through difficult times and to advancing it further in the future.

Reutlingen, March, 2016

The Managing Board

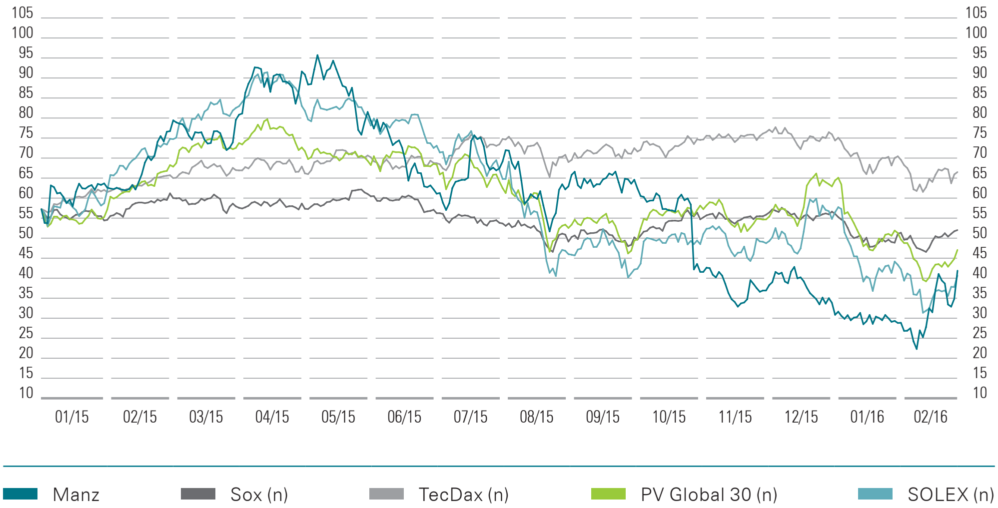
Dieter Manz Martin Hipp Martin Drasch

MANZ AG STOCK

CHANGE IN SHARE PRICE (JANUARY 2, 2015 – FEBRUARY 29, 2016)

The Manz AG share began the 2015 fiscal year on January 2, 2015, with a closing price of 57.66 euros. The development of the share during the first quarter of 2015 was characterized by an upward trend, with the exception of a consolidation phase from mid-January to mid-February and another consolidation phase in March. At the end of the quarter, the Manz AG share experienced another marked upturn, reaching a high of 79.98 euros on March 31, 2015; i.e., within the first three months of the 2015 fiscal year. This positive trend initially continued into the second quarter, pushing the share to its high for the 2015 fiscal year on May 11, 2015, when the price reached 96.12 euros. The share price subsequently fell, reaching an interim low of 57.45 euros on July 8, 2015. The share price recovered and traded at 76.10 euros on July 21, 2015. The share was not able to continue this upward trend, however, and dropped to 52.10 euros by August 24, 2015. Following a slight upturn at the end of August, the share price moved sideways until the middle of October 2015. At the end of the month, the share price dropped to 42.61 euros on October 27, 2015. By the middle of November, the share price decreased again and hit its low for the year on November 16, 2015, at 33.34 euros. The Manz AG share closed the fiscal year at 34.30 euros. This corresponds to a market capitalization of 185.9 million euros. At the beginning of 2016, the share price initially continued to fall, hitting an interim low of 22.75 euros on February 9, 2016. It subsequently recovered, closing the month of February 2016 at 42.00 euros.

Chart Showing Manz AG Stock (XETRA, in EUR)



By mid-May, the Manz AG share had left the TecDAX of Deutsche Börse – the index of Germany's largest technology companies in terms of market capitalization and trading volume listed in the Prime Standard – in its wake. From the middle of June 2015 to the end of

September, the TecDAX and the Manz share experienced virtually identical developments. However, starting in October 2015, the TecDAX began to overtake the Manz share by a significant margin, as the Manz share price fell. This trend also continued into early 2016.

During the first three quarters of the 2015 fiscal year, the Manz share also surpassed the Semiconductor Sector Index (SOX) of the Philadelphia Stock Exchange. But the index beat the performance of the Manz share starting in October 2015 and closed the year much higher than the Manz share. At the beginning of the 2016 fiscal year, this distance remained more or less the same.

Compared to the solar industry indices World Solar Energy Index (SOLEX) of the Société Générale and the Photovoltaik Global 30 Index (PV Global 30) of Deutsche Börse AG, the Manz share experienced virtually identical developments until the first quarter of 2015. SOLEX continued this trend in the second quarter of 2015, while the Manz share outperformed the PV Global 30. In the third quarter of 2015, the Manz share returned to virtually identical development rates as the two solar industry indices, and surpassed them slightly towards the end of the quarter. However, as the Manz share price fell, the solar industry indices generated a better performance as of the end of October 2015. This development is also evident at the beginning of 2016.

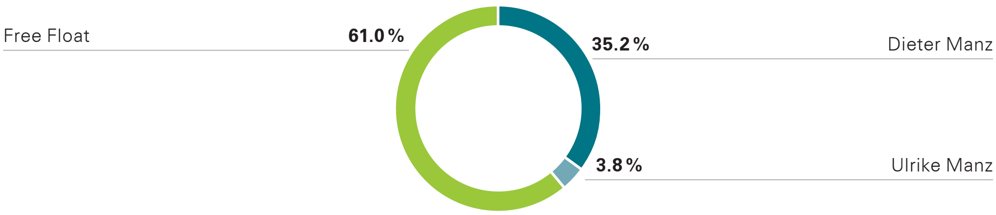
Stock Key Data and Performance Indicators

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	**5,420,864 EUR**
IPO	September 22, 2006
Opening Price	19.00 EUR
Stock Price at the Beginning of the Fiscal Year*	57.66 EUR
Stock Price as to February 29, 2016*	42.00 EUR
Change (in percent)	**–27.16%**
Annual High	96.12 EUR
Annual Low	33.34 EUR

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

At 61.0 % as of the reference date of December 31, 2015, Manz AG has a large number of shares in free float and has a wide shareholder base. As of December 31, 2015, company founder and chairman of the Managing Board, Dieter Manz, holds a total of 35.2 % of Manz's stock. In addition, Ulrike Manz holds 3.8 % of the company's shares.

Shareholder Structure



INVESTOR RELATIONS

Manz AG places a high value on an active dialogue with investors, analysts, and financial journalists and maintained a constant exchange of information with its shareholders and stakeholders in the 2015 fiscal year. The regular and prompt publication of reports relevant to the company underscores its goal of providing comprehensive information on the company's developments. In so doing, Manz AG, with its listing in the Prime Standard of the Frankfurt Stock Exchange, fully complies with highest requirements for transparency. Manz AG strives to exceed this standard.

In addition to the statutory obligations, the IR activities performed by Manz AG in 2015 include the following:

- Participation in 9 capital market conferences
- Eleven roadshows in Germany and abroad
- Regular offers of conference calls with a webcast when publishing the financial reports and online audio replays offered on the company's website
- Publishing of 14 editions of Corporate News

In the course of fiscal year 2015, Manz AG was covered by the following institutions:

- Bankhaus Lampe
- Warburg Research
- Oddo Seydler (formerly Close Brothers Seydler)
- Equinet Bank
- montega AG
- Landesbank Baden-Württemberg
- quirin Bank AG
- Steubing AG

ANNUAL GENERAL MEETING

The FILharmonie in Filderstadt, Germany, hosted Manz AG's 2015 Annual General Meeting on July 7, 2015. A total of 284 shareholders attended and heard the report of the Managing Board on the development of business in the year 2014 and the outlook for the 2015 fiscal year.

Almost all the shareholders represented in the Annual General Meeting approved the meeting's agenda. A total of 56.06 % of capital stock with voting rights was represented (previous year: 61.99 %). Detailed voting results can be retrieved at any time from the company's website www.manz.com under Investor Relations/Annual General Meeting.

2016 Financial Calendar

May 12, 2016	Publication of 2016 3-Month Report
July 12, 2016	2016 Annual General Meeting
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November 15, 2016	Publication of 2016 9-Month Report

REPORT FROM THE SUPERVISORY BOARD

Dear Shareholders,

In the 2015 reporting year as in the past, the Supervisory Board advised the Managing Board on a regular basis with regard to the company's strategic orientation and governance and continuously monitored its management activities. In so doing, we meticulously carried out the duties incumbent upon us by law, the company's Articles of Incorporation, and our rules of procedure, satisfying ourselves that the Managing Board's work was legally compliant, orderly, and appropriate. The Supervisory Board was involved in all decisions of fundamental importance to the company and the Group.

The Managing Board and Supervisory Board remained in close and intensive contact throughout the 2015 fiscal year. In this context, the Managing Board complied with its duty to provide information as set out in the law and the rules of procedure, notifying us in a regular, detailed, and timely manner in both written and oral form about all measures and events relevant to the company. The Managing Board also discussed deviations of the business performance from the plans and goals that had been set up and gave reasons for the deviations. As a result, the Supervisory Board was always kept informed with respect to the company's business situation and performance, the company's intended business policy, and the 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, information regarding the company's risks and risk management activities was regularly provided. The members of the Supervisory Board always had sufficient opportunity to critically discuss the reports presented and the resolutions proposed by the Managing Board, and to present its own suggestions. In particular, we intensively discussed all transactions significant to the company on the basis of the Managing Board's reports, and examined them for plausibility. The Supervisory Board gave its approval of individual transactions to the extent that this was necessary for the Managing Board under the law, the Articles of Incorporation, or the rules of procedure.

The chairman of the Supervisory Board was in regular contact with the Managing Board above and beyond the Supervisory Board meetings and always obtained information concerning the current development of the business situation and significant business transactions.

Focus of Deliberations in the Supervisory Board

As of the middle of the year, the 2015 fiscal year for Manz AG was characterized by unexpected order delays and cancellations by customers totaling approximately 140 million euros, which created a number of special challenges for the company. The effects of these actions, and the measures subsequently instituted by the Managing Board, formed the main focus of the reports submitted by the Managing Board and the intensive controlling and advisory activities that were carried out by the Supervisory Board.

During the reporting year, the Supervisory Board held a total of four face-to-face meetings and two conference calls, which, with the exception of one face-to-face meeting, were always attended by all members of the Supervisory Board. Members of the Managing Board also attended Supervisory Board meetings, insofar as these meetings did not include discussions of the members' personal matters. In addition, five resolutions of the Supervisory Board were adopted by written procedure.

Following the selection process carried out in the previous year, on January 7, 2015, we appointed Martin Drasch to the Managing Board of Manz AG in the area of Operations with an effective date of August 1, 2015, by written procedure, and also approved the management contract with Mr. Drasch.

The focus areas of the first meeting in the reporting year on March 26, 2015, were the annual financial statements and the consolidated financial statements of Manz AG as of December 31, 2014, including the management report and the Group management report, as well as the audit report of the auditor. Following a discussion with the auditor, we approved the annual and the consolidated financial statements for the fiscal year 2014. In addition, the Managing Board reported on the current business developments in the first quarter of 2015 and the medium-term prospects. Additional topics were the current financing situation and a possible capital increase, as well as financial planning and the business prospects for the year 2015. Moreover, we also spent considerable time discussing the planning activities for the fiscal year 2015 with the Managing Board, which were subsequently approved. Furthermore, the Supervisory Board discussed and approved the report of the Supervisory Board to the Annual General Meeting and the Corporate Governance Report. Against the background of the absent incentive effect from the existing Manz Performance Share Plan 2012, the Supervisory Board also discussed the revision of this long-term oriented compensation component. The draft resolutions for the 2015 Annual General Meeting were discussed at the meeting, but were subsequently revised and were adopted by the Supervisory Board on May 18, 2015, by written procedure. In addition, the Managing Board also presented the intended purchase of a technology for the laser direct imaging of printed circuit boards with the acquisition of KLEO Halbleitertechnik GmbH, which the Supervisory Board approved subject to positive due diligence outcome. The Supervisory Board also approved the planned sale of the packaging machine segment. Finally, the members of the Supervisory Board, within the framework of the annual efficiency review, discussed the results from the review of the organizational flow of the Supervisory Board's work and possible conflicts of interest.

With the written resolution of April 28, 2015, the Supervisory Board approved the decision of the Managing Board to increase the capital stock from the authorized capital against cash deposits, in exclusion of the shareholders' subscription rights, and made the corresponding amendments to the Articles of Incorporation.

» The Supervisory Board was involved in all decisions of fundamental importance to the company and the Group. «

Heiko Aurenz,
Chairman of the Supervisory Board

During a telephone Supervisory Board meeting on May 19, 2015, the Managing Board explained the information provided to the Supervisory Board regarding the intended takeover of KLEO Halbleitertechnik GmbH, which the Supervisory Board approved with a written resolution on May 20, 2015, following a discussion of the associated opportunities and risks.

The meeting on June 30, 2015, focused on the report by the Managing Board regarding the end of the first quarter of 2015 and a discussion of the current business and financial performance. At this meeting, the Managing Board informed us that as a result of a canceled order and resulting lack of follow-up orders, the revenue contributions that were included in the annual budget (for a volume in the upper double-digit million euro range) would not be achieved, and that delays had occurred with regard to an incoming order in the Energy Storage segment. This meant that the originally targeted annual revenues would not be attained, forcing the Managing Board to adjust its forecast and initiate optimization measures with external support. The measures presented to the Supervisory Board included in particular structural adjustments and cost reductions, with the objective of maintaining the company's long-term profitability. The Managing Board also reported on the integration of KLEO Halbleitertechnik GmbH into the Manz Group, the negotiations regarding the sale of the packaging machine segment, and a planned joint venture in Taiwan with a leading US manufacturer of equipment for the semiconductor industry, which we viewed favorably in light of the positive business outlook. Finally, the Supervisory Board reviewed the compensation system for the Managing Board, particularly with regard to the compensation structure, as well as the new Manz Performance Share Plan 2015 proposed at the Annual General Meeting, and decided to continue with an updated version of the compensation system.

At the meeting on September 22, 2015, the Managing Board reported on the interim financial statements for the first six months of 2015, as well as the current business and financial performance and business outlook for the second half of 2015. In this context, we also discussed the engagement of a consulting company to supervise a structural and process optimization project, as well as personnel measures at the management level of the Asian subsidiaries. The status of bank financing comprised another focus area of these discussions. The Managing Board also reported additional details regarding the planned joint venture in Taiwan, a planned joint venture in Poland, and the respective status of negotiations, as well as the successful sale of the packaging machine segment. The Supervisory Board also resolved to re-appoint Martin Hipp to the company's Managing Board; this appointment was approved by the Supervisory Board, together with the subsequent adjustment to the management contract on October 12, 2015, by written procedure. In addition, the Supervisory Board adopted a new allocation of duties schedule for the Managing Board, which now has an additional member with Mr. Drasch as COO. In view of the new provisions under the law for the equal participation of women and men in executive positions, the Supervisory Board also adopted the required resolutions regarding the targets for the proportion of women in the Supervisory Board and the Managing Board. Moreover, a limit for the tenure of Supervisory Board members was also added to the rules of procedure for the Supervisory

Board due to the revision of the German Corporate Governance Code. Finally, the Supervisory Board adopted the terms for the Manz Performance Share Plan 2015 approved in the Annual General Meeting, and on this basis granted the members of the Managing Board Performance Shares (subscription rights) for shares in the company in accordance with the applicable Managing Board compensation system. The Supervisory Board also approved the issue of Performance Shares to other executives of the Manz Group.

In view of the possible further deterioration of the Manz Group's financial situation, on October 22, 2015, the Supervisory Board held a telephone meeting, which was called on short notice, in which the Managing Board reported on the expected revenue losses in the Energy Storage and Electronics segments, which could result in the need to make additional adjustments to the current forecast for the 2015 fiscal year. These losses may be incurred as a result of the additional postponement of orders, mainly by customers in Asia; at the time, this development was believed to be possible but was not yet certain. Following a lengthy discussion, the Managing Board and Supervisory Board agreed to initiate the necessary measures if such postponements did in fact occur, in particular the initiation of restructuring measures. In addition, the possible negative effects on financing and the required review of strategic options for the Solar segment were also discussed. Furthermore, both the Managing Board and the Supervisory Board agreed on the importance of securing liquidity and ensuring that the Supervisory Board is regularly informed about the current business and financial performance in shorter time intervals. Once the postponements were confirmed a few days later, the agreed measures were implemented by the Managing Board in close coordination with the Supervisory Board.

During the last meeting of the reporting year, on December 15, 2015, the Managing Board reported on the interim financial statements for the third quarter of 2015, and the current business and financial performance. In this vein, the Managing Board presented the current business outlook for the various business segments in great detail. Another focus area of discussions were the measures designed to improve performance through structural adjustments and cost reductions in line with the implementation of the restructuring program, in particular by reducing the workforce at German and Asian locations, shifting production from Germany and Taiwan to China, and optimized sales and purchasing processes. On the basis of the reports submitted by the Managing Board, the Supervisory Board also discussed the budget planning for 2016, as well as bank financing and possible equity capital measures against the background of current business developments. Finally, the Supervisory Board verified Manz AG's compliance with the recommendations of the German Corporate Governance Code, and together with the Managing Board adopted the unqualified statement of compliance pursuant to Section 161 AktG.

Conflicts of Interest

Supervisory Board member Dr. Peter Leibinger is the Managing Partner of one of the company's suppliers. No concrete conflict of interest resulted from this business relationship. Supervisory Board member Prof. Dr.-Ing. Michael Powalla is a member of a research institute that grants licenses to a subsidiary of the company and renders development services for the same. Also in this case, no concrete conflict of interest occurred as a result of this business relationship.

Otherwise, there were no conflicts of interest on the part of members of the Managing or Supervisory Boards that must be disclosed to the Supervisory Board and about the handling of which the Annual General Meeting must be informed.

German Corporate Governance Code

In the 2015 fiscal year, the Managing Board and Supervisory Board once again gave careful consideration to the further development of the company's corporate governance policies. At the meeting on December 15, 2015, we discussed the recommendations of the German Corporate Governance Code, and in particular those recommendations that have been amended by the new version of the Code. The Managing Board and Supervisory Board issued a joint statement of compliance pursuant to Section 161 of the German Stock Corporation Act, according to which the company complies with and will comply with the recommendations in the code without exception. The statement of compliance from December 2015 is permanently available to the public on the Manz AG website.

The Supervisory Board of Manz AG consists of three members, the minimum number of members laid down by law. Due to the number of Supervisory Board members, forming committees does not serve any purpose and would unnecessarily hamper the Board's work. Therefore committees were also not formed during the 2015 fiscal year.

Annual Financial Statements and Consolidated Financial Statements for 2015

The annual financial statements and consolidated financial statements as of December 31, 2015, prepared by the Managing Board, and the management report and Group management report for the 2015 fiscal year were audited by the company's and Group's auditor, BEST AUDIT GmbH Wirtschaftsprüfungsgesellschaft, and given an unqualified audit opinion. The auditor conducted the audit in accordance with Section 317 of the HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW).

The Supervisory Board reviewed the annual financial statements and the consolidated financial statements as of December 31, 2015, as well as the management reports for Manz AG and the Group for the 2015 fiscal year, including the audit reports of the auditor submitted to the members of the Supervisory Board prior to the meeting. At the Supervisory Board meeting held for the purpose of reviewing the annual financial statements on March 24, 2016, the Managing Board commented on the financial statements for Manz AG and the Group, and the risk management system. At this meeting, the auditor reported on the scope and focus areas, as well as the principles and major results of his audit, and made himself available for further information. He also provided information about his findings regarding internal control and risk management in relation to the accounting process.

After examining and discussing the annual financial statements and the consolidated financial statements, as well as the management reports for Manz AG and for the Group in addition to the audit reports submitted by the auditor, the Supervisory Board approved the result of the audit by the auditor. No objections are raised based on the definitive finding of the Supervisory Board's review. In a resolution dated March 24, 2016, the Supervisory Board approved the annual financial statements and consolidated financial statements as of December 31, 2015. Manz AG's annual financial statements as of December 31, 2015, are thereby adopted.

Thanks and Acknowledgment

The Supervisory Board wishes to thank the Managing Board for the constantly open and constructive collaboration in the past fiscal year. We would also like to express our gratitude to our employees for the commitment they have demonstrated during the 2015 fiscal year. And last but not least, we would like to thank you, our valued shareholders, for the trust that you have placed in us and for your willingness to shape the future of Manz AG together with us.

Reutlingen, March 24, 2016

Prof. Dr. Heiko Aurenz
Chairman of the Supervisory Board

Markets

KNOW-HOW · INNOVATION · VISION

With our trend-setting ideas,
we help bring our era's key technologies
to light. We are trailblazers for
innovative products in the fast-growing
markets of the future.


Due to rapidly
growing demand for
end products,
market growth of up to
+15%
is expected by
2017.

» We are making it possible to continuously increase the performance parameters of the end products. «

Displays and touch panels

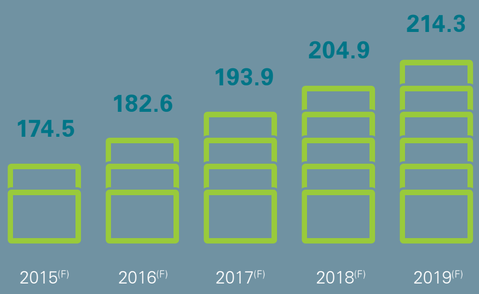
Higher resolution, better color saturation, a wider viewing angle – the properties of displays are largely determined by the equipment on which they are produced. As a leading high-tech equipment manufacturer for displays and touch sensors, Manz never stops bringing new technologies to the fore. Together with our customers we are already working on tomorrow's standards, and we ensure that complex production processes work more efficiently, manufacturing costs are reduced and end products become more cost-effective.

Printed circuit boards

From PCs to mobile phones – from cars to planes. There is barely an application in our daily life that does not involve a printed circuit board or PCB for short. With close to 30 years of experience in developing high-tech equipment for producing high-efficiency printed circuit boards, we have earned an outstanding reputation as a provider of wet chemical process equipment.

Our production technology provides customers with ultimate precision while ensuring significantly shorter production cycles and greatly improved flexibility.

Forecast for flat panel displays:
Annual sales of flat panel displays
(in million square meters)
Source: IHS © 2015 IHS



CAGR '15(F)–19(F)
Flat panel displays
5.27 %

ELECTRONIC COMPONENTS

Our production technologies for manufacturing displays, touch sensors and printed circuit boards are indispensable for many customers worldwide.

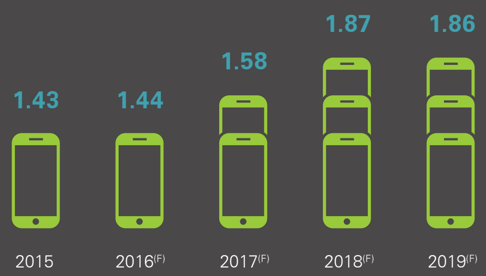

Smartphones and tablet computers are firmly established in our everyday life. It is expected that
more than 8.5 billion new devices
will be sold over the next four years alone.

» With *simultaneous engineering,*
we detect and remove
possible error sources early on.
That saves money! «

Smartphones and tablet computers

With our comprehensive technological expertise, we can help in a variety of ways to ensure that the smartphones and tablet computers made on our equipment meet the highest quality standards.

Market trend for smartphones:
(in billions of units)
Source: IDC © Statista 2016



As an established partner of industry, we use our fully integrated and automated production systems to decrease the "human risks", thus increasing the quality of the end products and contributing to improved work conditions. Moreover, the consistent use of new processes significantly extends the life of the end product.

Laptops and consumer electronics

With our modular assembly systems, which are optimally tailored to industry requirements, we address the growing trend toward automated assembly brought on by rising wage costs in countries like China, demand for consistent product quality or issues such as the protection of intellectual property.

Whether they manufacture laptops, smart watches, navigation devices or digital cameras, our customers place their trust in our comprehensive technological expertise, our long-standing experience, our ideas, and our implementation of their concepts and requests.

CAGR '15–19
Smartphone
6.79%

ELECTRONIC DEVICES

With our high-tech equipment, our customers meet the existential challenges of their market.

In more than

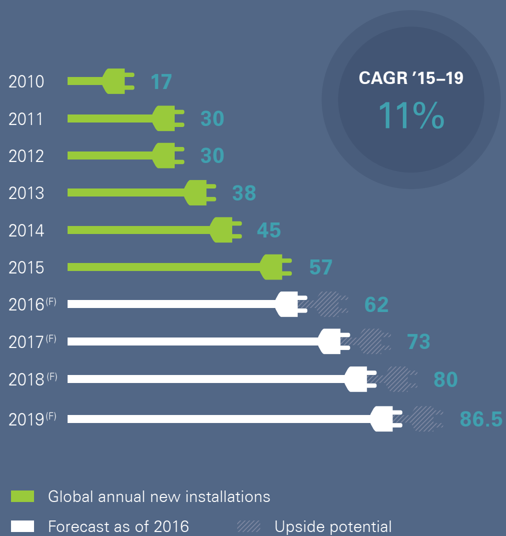
50%

of countries, solar power has now reached grid parity – the costs for solar energy thus are already at the same level as for conventionally produced energy, or even lower.

» Today, solar companies are producing their products at a fraction of their original costs. And we are playing a part. «

Market forecast for photovoltaics:
Global annual new installations (in megawatts)

Internal representation based on: Global Market Outlook 2015–2019, Solar Power Europe, Bloomberg New Energy Finance



Thin-film solar modules

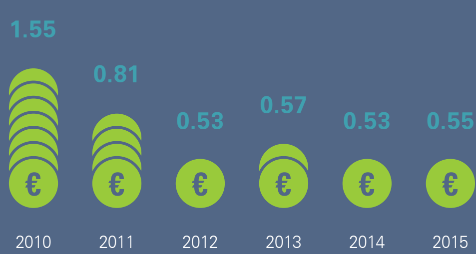
Solar producers can beat the constant cost pressure in their industry only by increasing solar cell efficiency while lowering manufacturing costs. In manufacturing thin-film solar modules, our comprehensive product portfolio sets international standards for increased efficiency and lower production costs. Under the concept of "Total Fab Solution", we bring together our entire range of services, from automation, laser equipment and wet chemical processes to vacuum coating.

CIGS*fab*

With CIGS*fab*, Manz is the world's only provider of a fully integrated, turnkey production line for manufacturing CIGS thin-film solar modules. This represents an outstanding investment opportunity in today's most profitable and most efficient solar technology.

Trend in module prices ex works
(in euros/wattpeak)

Source: pvxchange



SOLAR

Even without subsidies, photovoltaics are becoming more attractive in many countries. As a pioneer in photovoltaic engineering, we are making a crucial contribution.

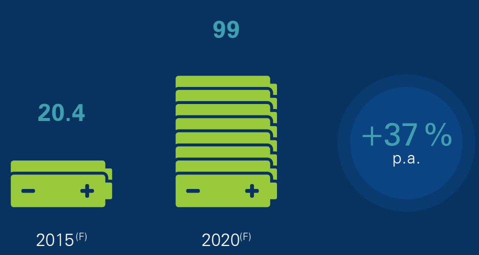
The storage of energy is one of the current hot topics. Successful energy transition and emission-free mobility require an efficient storage medium. Even in consumer electronics the quality of the battery determines the lifespan of the final product. With close to 30 years of experience, Manz is a leading provider of production equipment for lithium-ion battery cells, battery systems and capacitors.

» Our system concepts stand out for their high production speed and optimal precision and reliability. «

E-mobility

Using efficient production processes for stacked and wound battery cells, Manz is creating cell structures that are increasingly stable and precise, with the corresponding positive effects on the performance parameters of the battery. In this way, we are making an important contribution to breakthroughs in alternative drive systems.

Market growth forecast:
E-vehicles (in GWh)
Source: p3 group 2016



Stationary energy storage

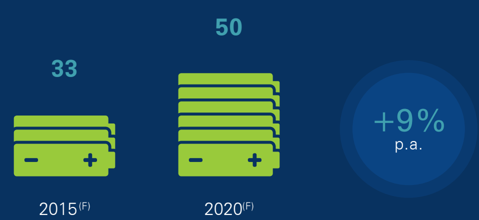
Storage technologies ensure power supply independence and flexibility. When developing and producing high-precision production systems for capacitors and battery cells, we employ our comprehensive expertise in process control, automation and laser technology. In this way, we ensure that ever higher-performing storage systems can be produced at a lower cost.

Stationary storage (in GWh)
Source: p3 group 2016

Consumer electronics

A battery’s life, size and weight are crucial factors for the lifespan and acceptance of products in the consumer electronics segment. With its innovative production equipment, Manz now gives the industry advancement possibilities previously unheard of.

Consumer electronics (in GWh)
Source: p3 group 2016



ENERGY STORAGE

Our unique technology portfolio for today‘s cell concepts is crucial to the further development of lithium-ion battery technology.

The objective of our New Business unit is

to identify new growth markets

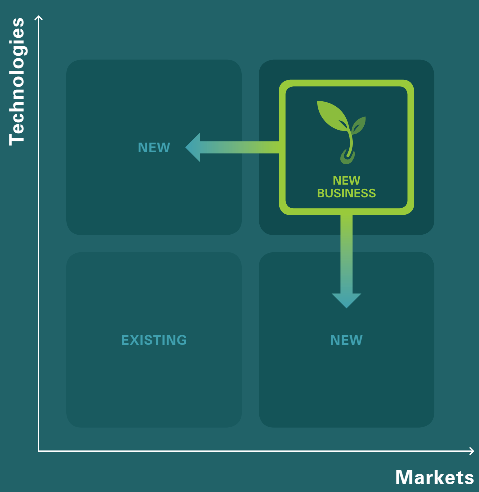
that have the size and potential to form a new Manz business segment in the future.

» Diversifying our customer and product portfolio strengthens the company. We therefore pursue a business idea only if it is 100 percent suited to us technologically and commercially. «

Lightweight design

Lightweight design with fiber-reinforced plastics saves raw materials and energy and is advancing in many industries. It allows faster acceleration in Formula 1 cars, longer ranges for airplanes and electric vehicles, and greater load capacities in trucks and trains.

At this time, the only factor stopping the success of lightweight design are the production costs, which are still very high. We are addressing this with our production technologies, applying our expertise in materials processing, automation and process technology to sustainably lower manufacturing costs in this important future segment.



Sports items

As part of an exclusive collaboration with adidas, we develop automated production technologies especially for sports shoes and sports clothing. They provide adidas with an opportunity to create customized products for customers in regional markets using a rapid, flexible and cost-effective process.

The additive manufacturing methods we have developed for this purpose can also be transferred to the manufacture of skis, surf boards, helmets and many other sports items.

Functional glass

Glass is one of the oldest materials and even today offers many possibilities for functional applications. For processing and refining glass, we develop innovative, customer-specific production equipment that covers the full spectrum of processes: Wet chemical/vacuum coating, laser annealing/cutting, cleaning, and much more.

The manufacture of architectural and automotive glass represents just a few of the possible applications.

NEW BUSINESS

Unimaginable today, on the market tomorrow. We identify the trends of the future and rigorously implement technologies that set new standards.

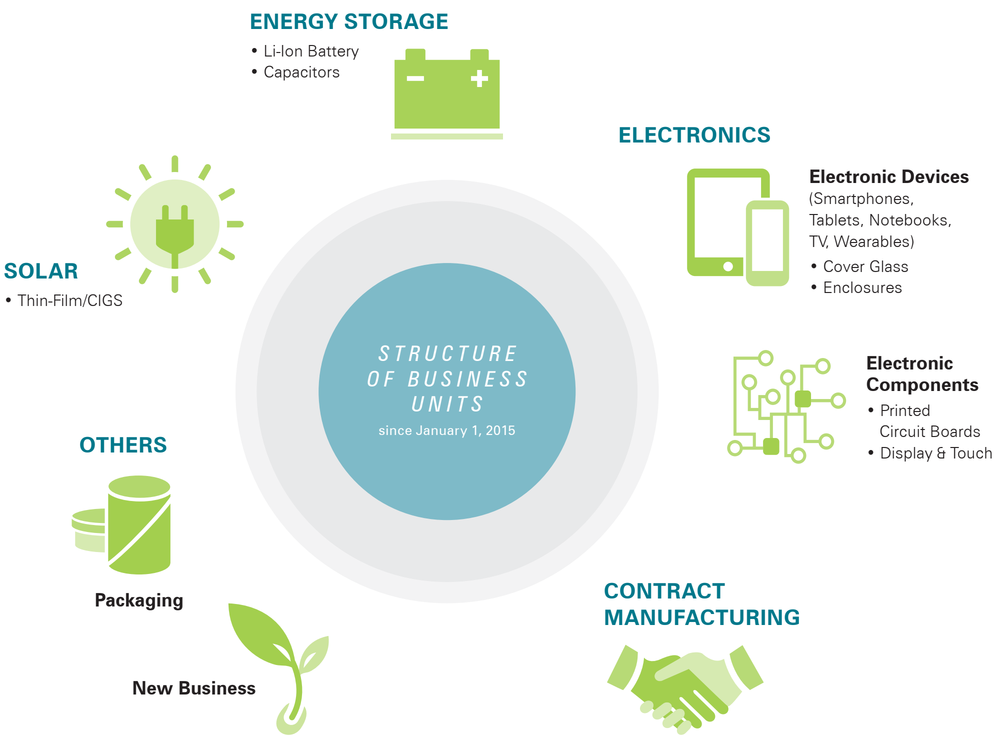
GROUP MANAGEMENT REPORT

BASIC INFORMATION ON THE GROUP

BUSINESS MODEL AND STRATEGY

Founded in 1987, Manz AG is a high-tech equipment manufacturer with a global presence and a comprehensive technology portfolio. The company offers its customers in growth and sunrise industries highly efficient production systems and in recent years has successfully established itself as a sought-after development partner of industry. With its innovative production systems, Manz AG is a pioneer in developing and introducing key technologies for today's world. With extensive expertise in automation, metrology, laser processing, vacuum coating, wet chemistry, printing and coating and roll-to-roll processes, Manz AG focuses on the three strategic business segments Electronics, Solar and Energy Storage.

To secure medium-term and long-term success, Manz AG will also continue to be rigorous in the future in its pursuit of cross-industry technology transfer, the diversification of its business model and the internationalization of the company. The technology portfolio as well as the markets served are continuously developing. Beginning with the fiscal year 2015, Manz AG took this dynamic process into account through adjustments in the structure of the strategic business segments. This led among other things to the renaming of some of the segments: Thus compared with the previous year of 2014, the former segments "Display" and "Battery" were replaced by "Electronics" and "Energy and Storage".



Cross-industry technology transfer

As a high-tech equipment manufacturer, Manz AG is continuously pushing forward development work in its base technologies and is thereby laying the foundation for successful cross-industry technology transfer. This approach makes internal synergies and innovative production solutions for diverse industries possible. At the same time, Manz AG is increasing flexibility of the business model in order to be able to react to new growth trends and to be able to quickly open up promising industries as additional sales markets.

Diversification strategy

As a result of the successful cross-industry technology transfer, the diversification strategy is now an integral component of the business model of Manz AG. With the diversification in technologies, industries and regions, Manz is pursuing the goal of being able to compensate for the natural volatility in various growth markets in the best way possible and, at the same time, to benefit from their vibrancy. The production capacities are to be adapted according to the investment cycles of individual industries and can be used efficiently by other business segments within the Group. Thus Manz gives the entire business model additional stability and at the same time constant opportunities for growth.

Internationalization and “Follow the market”

As an internationally active high-tech equipment manufacturer, Manz AG has an extensive worldwide production, sales and service network through close customer relationships and a strong market position in the target industries in China, India, the USA, Europe and Arab countries. As a result of its “Follow the market” strategy, the company, with a total of around 900 employees at production and research & development locations in Taiwan and China, has at its disposal an outstanding market access in the largest growth market in Asia. This makes it possible for the company to offer German engineering at locally competitive conditions. Thanks to this strategy, Manz enjoys a clear technological head start over the Asian competition and unbeatable cost advantages compared with other European machinery and plant engineering companies. At the same time, Manz AG’s customers benefit from shorter development and delivery times – a crucial advantage in international competition.

RESTRUCTURING PROGRAM

As a consequence of the adjustment of the forecast for fiscal year 2015, the Managing Board of Manz AG introduced a restructuring program in October. One component of this program was an adjustment of the capacities at the German and international locations agreed upon by the Managing Board and the Supervisory Board in December 2015. In all, the company cut 174 employees, of which 73 were at the German locations and 101 at the international locations.

This step became necessary because order cancellations and postponements significantly impacted the revenues and earnings of the company in the reporting period. Further measures of the restructuring program are aimed above all at increasing competitiveness, improving sales structures, increasing capacity utilization at all locations, clearly increasing the efficiency of internal processes and further short-term cost savings. Implementation of the program should make a return to operating profitability (EBITDA) possible in fiscal year 2016. In addition, the subsidiaries in Taiwan and China should become more profitable through such measures as a clearer focusing of their tasks and a reduction of personnel costs. Associated with this is a rigorous shift of production from Taiwan and Germany to the Chinese location. The goal is to improve capacity utilization of the Chinese location on a lasting basis, to increase cost advantages and to take advantage of opportunities for direct access to customers. Today, the majority of the customer base has already established its production capacities in China and, in the view of the Managing Board of Manz AG, will continue to expand them in the coming years. In this way, Manz is pursuing the goal of diversifying its own customer portfolio using intensive sales actions, while simultaneously reducing its dependence on individual large customers. In addition, an expansion of the product portfolio with innovative and higher-margin high-end products for strategic target industries should contribute to the optimization of Manz AG's profitability.

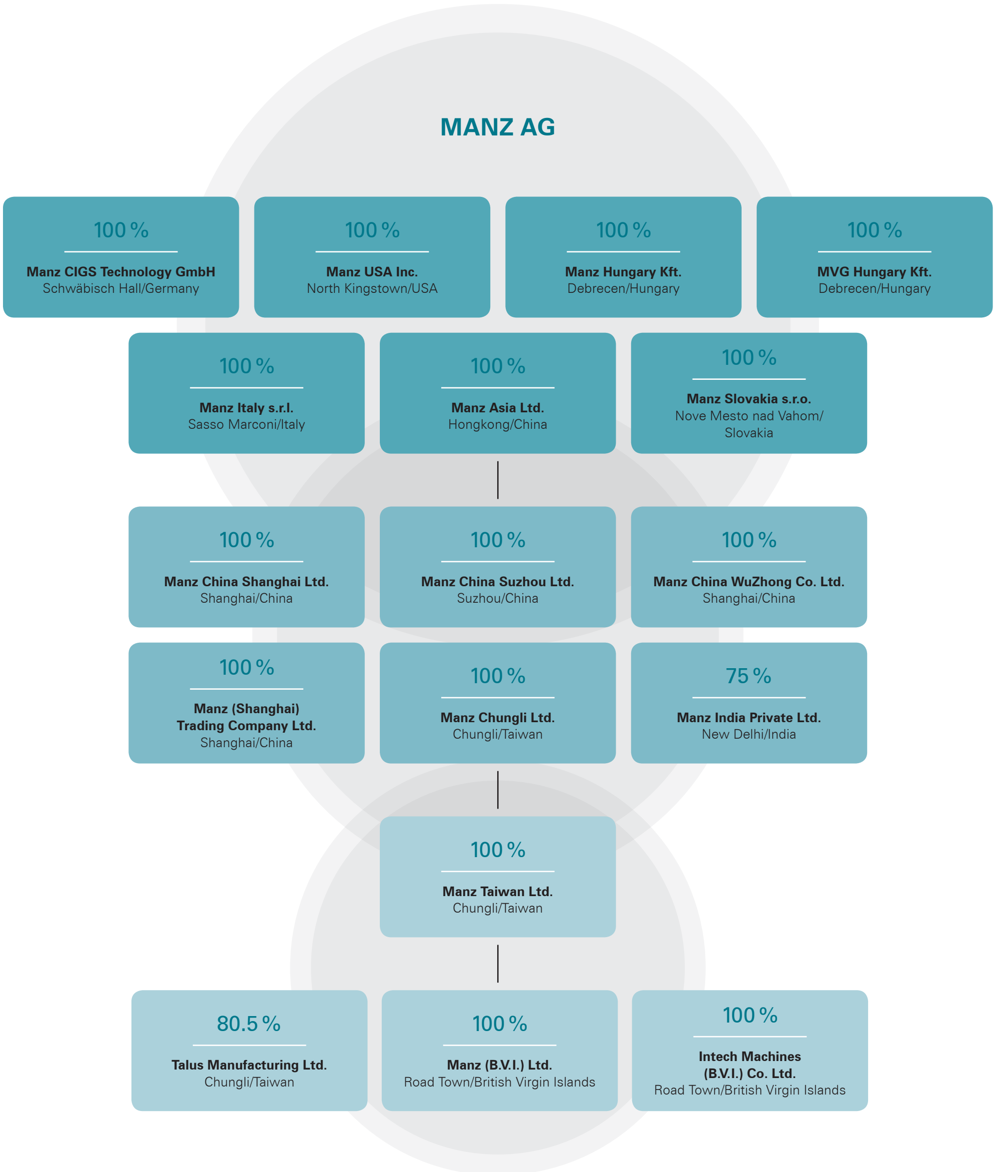
With regard to profits, the Managing Board expects on the whole a positive effect of around 14 million euros from these process, structural and capacity measures, and it is examining further potentials in the lower two-digit million range through optimized sales and purchasing processes.

On February 28, 2016, the Managing Board of Manz AG also decided in the course of its examination of strategic options for the Solar segment to continue the CIGS technology. The background of the decision is the intended strategic cooperation with Shanghai Electric Group Co., Ltd. domiciled in Shanghai, China, in the fields of energy storage (energy storage systems) and solar as well as in other fields of automation technology of the Manz Group combined with a major participating interest of Shanghai Electric in Manz AG. In the opinion of the Managing Board of Manz AG, significant options will arise from the planned cooperation for the joint marketing and further development of the CIGS technology. With the decision on the continuation of CIGS technology, the Managing Board would make use of these opportunities.

Overall, the Managing Board of Manz AG is convinced that with the restructuring measures that have been initiated, the planned cooperation with Shanghai Electric and the strengthening of the equity base through the participating interest of Shanghai Electric, the conditions are in place for achieving, under conservative anticipated sales, at least an operative break-even level during the current year and for being able to grow profitably in the future.

GROUP STRUCTURE AND HOLDINGS

Altogether, 18 companies are included in Manz AG's consolidated financial statements as of December 31, 2015, and are therefore fully consolidated. On the reporting date, Manz AG, as the Group's parent company, held a 100 % interest in six international subsidiaries and one domestic subsidiary located in Schwäbisch Hall. Two of the foreign subsidiaries are based in Hungary and one subsidiary each in Italy, the USA, Slovakia, and China. In addition, the company has a 100 % stake in four second-tier subsidiaries in China and one in Taiwan. A 75 % second-tier subsidiary exists in India. Manz AG also has a 100 % stake in a third-tier subsidiary in Taiwan with a fourth-tier subsidiary in Taiwan and two fourth-tier subsidiaries in the the British Virgin Islands.

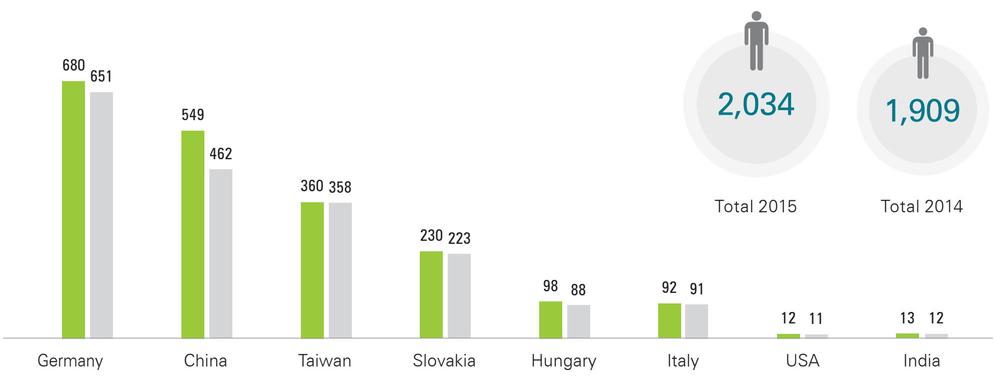


LOCATIONS AND EMPLOYEES

Qualified employees provide the basis of Manz AG's long-term success. As of December 31, 2015, the employee structure of the company was as follows: a total of 2,034 employees (previous year: 1,909) worked for the company in Germany and abroad, of which 680 (previous year: 651) worked at the three German locations. Based on the number of employees, the largest subsidiary in the Group is Manz China Suzhou Ltd. in China, with 533 employees (previous year: 462), followed by Manz Taiwan Ltd. in Taiwan, with 360 employees (previous year: 358), and Manz Slovakia s.r.o., with 230 employees (previous year 223).

The continuous expansion of its technology and product portfolio, with more than 500 qualified engineers, technicians and scientists, as well as having a strong local presence in the main sales region of Asia both remain central components of the company's strategic positioning and are reflected in its employee structure.

Employees by country



CONTROL SYSTEMS AND PERFORMANCE INDICATORS

Manz AG is organized, for corporate management purposes, by products and services at Group level and has three business segments, namely "Electronics", "Solar" and "Energy Storage," as well as the "Contract Manufacturing" and "Others" reporting segments. In order to decide how to distribute resources and manage the earnings power of the divisions and segments, they are monitored separately by management. The Managing Board is informed about business performance in the individual segments on a regular basis by means of detailed reports. This enables the Managing Board to counter any unsatisfactory developments promptly.

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, the company

Locations and Employees

LOCATIONS

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

2 **Hungary**
Debrecen
Production & Service

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

4 **Italy**
Sasso Marconi
Production, Sales & Service

5 **USA**
North Kingstown, Cupertino
Sales & Service

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

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

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

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

concentrates decisions about subsidiaries' financing, investments, and currency hedging activities within the Group. In this context, the company follows value-based financing principles in order to secure its liquidity at all times, limit financial risks, and optimize the cost of capital. In addition, Manz strives for a well-balanced debt maturity profile. Figures such as revenue, earnings before interest and taxes (EBIT), earnings before interest, taxes, depreciation and amortization (EBITDA), equity ratio, and liquidity serve Manz AG's Managing Board as key indicators for financial management.

In comparison with the preceding year, the control system of Manz AG remained unchanged. The following overview contains information about the relevant Group-internal indicators:

Revenue/Earnings indicator of corporate growth

The revenue trend serves as a yardstick for the success of the corporate activities and growth. Over the long term, the goal is growth of revenue averaging between 10 % and 20 %.

EBIT and EBIT margin – indicators of operating earning power

Operating earnings before interest and taxes (EBIT) is one of the central success indicators of Manz AG. EBIT as well as the EBIT margin serve as key yardsticks alongside EBITDA for the operating earning power of the company. Manz AG has set an EBIT margin larger than 10 % as the medium- to long-term target value. This value is also used in assessing the feasibility of possible new strategic business segments and serves as a critical criterion in making decisions in this regard.

EBITDA and EBITDA margin – additional indicators of operating activities

As a high-tech equipment manufacturer, Manz invests significant portions of its revenues in research and development and over the years has successfully expanded its extensive technology portfolio. In order to provide a realistic impression of the operating business in view of the correspondingly high scheduled depreciation, Manz AG has additionally disclosed earnings before interest, taxes, depreciation and amortization since the 2013 fiscal year. EBITDA as well as the EBITDA margin serve as essential yardsticks for the operating earning power of the company. Manz AG has set an EBITDA margin larger than 15 % as the medium- to long-term target value.

Equity Ratio – a stable capital and financial structure

Manz AG monitors the internal capital and financial structure of the company through the equity ratio, among other things. The medium-term target corridor for shareholders' equity as a percentage of total equity and liability is between 40 % and 60 %.

Gearing – monitoring of capital and liquidity assurance

Alongside the equity ratio, gearing, as the ratio of net financial liabilities to equity on the balance sheet before minority interests, is one of the central key figures for controlling and monitoring capital as well as ensuring liquidity. Net financial liabilities are defined here as the sum of the financial liabilities and leasing liabilities, less liquid assets. Manz AG defined a gearing ratio below 50 % as the target.

In fiscal year 2015, the control indicators and performance indicators developed negatively with respect to the defined target values. The precise development of the key figures revenue, EBITDA margin, EBIT margin, equity ratio and liquidity are explained under "Cash Flows, Financial Performance and Financial Position." The following table gives an overview of the changes:

Control indicators

in %	2015	2014	2013	2012	2011	2010
Revenues (in million EUR)	222.0	305.9	266.2	184.1	240.5	181.4
EBITDA margin	–	4.5	9.7	–	5.4	4.8
EBIT margin	–	–	1.1	–	1.2	0.3
Equity ratio	42.8	55.2	54.8	52.1	59.5	68.0
Gearing	40.0	6.6	0.3	22.9	9.3	–13.1

RESEARCH AND DEVELOPMENT

Research and development is a key component for the expansion of Manz AG's cross-industry technology and product portfolio. In order to strengthen Manz's position as a company driving innovation in growth industries, research and development (R&D) activities will also play an important role for the company in the 2016 fiscal year. With over 500 engineers, technicians and scientists at its development facilities in Germany, Italy, Slovakia, Taiwan and China, Manz AG will focus on the main technologies in its Electronics, Solar and Energy Storage business segments and accelerate the cross-industry integration of these core competencies in order to achieve synergy effects and economies of scale.

As an innovative high-tech equipment manufacturer, Manz maintains numerous cooperative arrangements with well-known research institutions, universities and colleges. The Center for Solar Energy and Hydrogen Research in Baden-Württemberg (ZSW) has been Manz AG's cooperation and development partner for many years. In Stuttgart, the ZSW operates among other things photovoltaic material research and development for thin-film technologies and supports Manz development teams in the Solar segment in the further development of CIGS technology.

There is also a collaboration with the ZSW in Ulm. The goal is the further development of close-to-series production of lithium-ion batteries under industrial conditions through the development of new active materials and the evaluation of components.

In a cooperation with the Institute for Photovoltaics (ipv) at the University of Stuttgart, the physics department (photovoltaics) at the University of Constance and the Fraunhofer Institute for Solar Energy Systems (ISE), new processes are being developed which will be implemented on an industrial scale by Manz. In addition, Manz is working in partnership with the Institute for Aircraft Engineering (Institut für Flugzeugbau = IFB) at the University of Stuttgart and the Institute for Carbon Composites at the Technical University of Munich. Along with other companies from the region, Manz is also participating in industry partnerships in the academic areas of mechatronics, mechanical engineering and international project engineering at Reutlingen University (Hochschule Reutlingen) and among other things is securing for itself valuable contacts with highly qualified young engineers.

Manz AG had a total ratio of research costs to sales of 12.2 % (previous year: 6.8 %) in the reporting period. If we consider only capitalized development costs, the ratio of research costs to sales comes to 6.5 % (previous year: 3.0 %). Investment in R&D of 27.1 million euros is slightly above the prior year's level of 20.8 million euros. In the 2015 reporting period, scheduled depreciation was taken in the amount of 1.2 million euros (2014: 10.7 million euros) as well as unscheduled write-offs of 3.4 million euros (2014: 19.7 million euros). The company will also continue to place a clear emphasis on R&D activities in the future. In order to provide sustained and long-term consolidation of its good technological positioning in the relevant target markets and its innovativeness, Manz AG is striving for an annual ratio of R&D costs to sales of 6.5 % on average.

BUSINESS REPORT

MACROECONOMIC ENVIRONMENT AND INDUSTRY-RELATED CONDITIONS

Economic Market Environment

According to the spring economic report by the Kiel Institute for the World Economy (IfW), the expansion of the global economy weakened in 2015. According to the IfW, economic growth in emerging countries has weakened again lately, with a rapid recovery being prevented above all by lowered raw material prices and profound structural problems. Overall, global GDP grew by 3.0 % in 2015, the lowest growth rate since the crisis year 2009. Because of increasing economic uncertainty, IfW economists expect that the GDP will grow by 2.9 % this year. According to the IfW economists, economic growth will probably increase to 3.4 % or 3.8 % in 2017.

In the euro zone, according to the Kiel Institute, the economy is gradually picking up steam and in the coming two years should expand. In 2015, the European economy grew by 1.5 %. For 2016, economists are forecasting GDP growth at the level of the previous year, and a rate of 1.9 % for 2017. The growth rate for the German GDP during the reporting period is 1.7 %, following an increase of 1.6 % last year. For 2016 and 2017, IfW experts expect an increase of 2.0 % and 2.2 %, respectively.

Economic development in Asia, particularly in the People's Republic of China, is of major importance to Manz AG as this is its principal sales region. According to the IfW, many indicators for China signaled a pronounced slowing of the economic expansion. Economic growth in 2014 was 7.3 %, but fell to 6.9 % in 2015. A slightly lower growth rate of 6.5 % or 6.0 % is expected for the current and next year. The IfW experts forecast that GDP in the United States, the world's largest economy, will grow by 2.4 % in the year 2015, while slightly lower growth of 2.3 % is expected for 2016, followed by 2.8 % in 2017.

Electronics Business Segment

In its Electronics segment, Manz AG offers production systems for the manufacture of displays for LCD and OLED flat screens as well as touch sensors. In addition, the portfolio also comprises production systems for printed circuit boards and chip carriers as well as smartphones, tablet computers, notebooks and other consumer electronics.

Industry experts are optimistic about the market development for smartphones and tablet computers in the coming years. According to the International Data Corporation (IDC), the growth of the smartphone market slowed down from 27.5 % in 2014 to 10.1 % in 2015. The market should increase again significantly in the future. The market research institute CSS Insight also expects this. According to the CSS Insight, the sales volume in 2015 was around 1.48 billion devices, and it projects 2 billion sold units in the year 2019, which corresponds to an average annual growth rate of around 8 %. The tablet market should also grow. The experts are assuming that the number of devices in use will grow by 170 % worldwide from 2014 to 2018.

Following a sales volume of around 172 million square meters in the year 2014, the demand for flat panel displays (FPD) on the world market grew in 2015 for all FPD applications by 2 %. Following the moderate annual growth in 2015, average annual growth rates of 5 % to 6 % are expected for the years 2016 through 2019. Corresponding to this development, capital investments in new plants also grew in 2015 – the third year in a row – reaching 9 billion USD. IHS considers the factors for the increase in investments as being based on the rising demand for LCD and AMOLED displays for smartphones and large-screen TVs. In the third quarter of 2015, AMOLED displays already comprised 18 % (previous year 10 %) of all smartphone displays. Due to improvements in production processes, the costs of AMOLED displays should fall in the medium term below the cost level of LCD displays and make a corresponding contribution to the further spread of AMOLED technology.

For the coming years as well, industry experts see further growth for FPD applications: up to the year 2020, the FPD demand is expected to increase to 223.6 million square meters, with an average annual growth rate of 5 %. As a result, the market research institute IHS expects record sales for suppliers of corresponding production equipment, with digital innovations in the automobile industry also supplying new impetus for the industry. Thus, according to IHS, the demand for display systems which follow this trend will rise. Following annual revenues for display systems of this kind of 9 billion USD in 2015, global sales by 2021 should increase with an annual growth rate of 11 % to 18.6 billion USD, whereby Asia, in particular China, will assume a key role in the industry. Thus according to IHS experts, in the year 2018 China will be the largest FPD production site in the world with a market share of 35 %.

With the established production locations in Taiwan and China, Manz AG is active in the hotspots of the target industries and has earned a leading position within Asia as a supplier of wet chemical processing equipment. With the acquisition of Kleo Halbleitertechnik GmbH at the beginning of June 2016, Manz AG expanded its technology portfolio with the addition of laser direct imaging (LDI) of printed circuit boards. The LDI platform Manz SpeedLight 2D was successfully integrated into the existing solutions for the manufacture of printed circuit boards. In comparison with the conventional photo lithography process, it enables an increase in efficiency as well as higher flexibility in the production process. Thus Manz is opening significant cost saving potentials of up to 75 %. Manz AG is convinced that cross-industry technology transfer and target-oriented research and development activities will enable Manz to provide innovative and customer-specific production solutions in both tried-and-tested and new technologies. With this strategy, Manz AG views itself as being well positioned to be able to further expand its strong market position and to benefit from future opportunities.

Solar Business Segment

As a high-tech equipment manufacturer, Manz AG offers the industry innovative production solutions for crystalline solar cells and thin-film solar modules.

According to the market research institute IHS, the demand for solar cells in 2015 increased in almost 90 countries worldwide. Following around 40 GW of newly installed capacity in the year 2014, the demand, according to the industry association Solar Power Europe (formerly EPIA), increased again in the year 2015 by around 42 % to approximately 57 GW.

For 2016, Solar Power Europe assumes a slower growth rate of 21 % to a worldwide PV demand of 69 GW. By 2019 the experts of the market research institute IHS expect an expansion of the cumulative installed power worldwide to almost 500 GW, which corresponds to an increase of 177 % over the level of 2014. The annual demand accordingly should come to 75 GW in 2019, Solar Power Europe expects demand of 86 GW in 2019, in the best case scenario. The market research institute IHS forecasts that China and Japan will be responsible for half of the demand. In addition, the IHS expects that in the years up to 2019, eleven other markets worldwide will have an average annual demand of more than 1 GW and thus will contribute to the general stability of the demand situation on the PV market.

With its production systems, Manz AG offers the industry both efficiency gains and significant cost savings. With its unique know-how provided by the largest team of experts in the world, Manz AG focuses on CIGS thin-film technology. With the innovation line, which is unique throughout the industry, at the Schwäbisch Hall location and an exclusive collaboration with the Center for Solar Energy and Hydrogen Research in Baden-Württemberg (ZSW), Manz AG is intensively driving research and development in the area of CIGS. The goal is to use the exclusive access to the research results of Manz AG's development partner ZSW to transfer the technology from the lab to mass production: at an efficiency rate of 21.7 %, ZSW achieved the world record for effectiveness over all other thin-film solar technologies in the year 2014.

With the Manz CIGS*fab*, the company offers its customers a turnkey, fully integrated production line for the manufacture of CIGS thin-film solar modules. Already today the production costs of CIGS thin-film technology in a Manz CIGS*fab* are, depending on the location and size of the factory, significantly below the costs of the prevalent crystalline silicon solar technology. With CIGS*fab*, Manz thus currently offers the most profitable and efficient solar technology. A record efficiency of 16 % and a reliable technology roadmap for future increases of efficiency guarantee maximum investment security. Accordingly, Manz AG sees itself excellently positioned to be able to benefit from the next investment cycle in the solar industry.

Energy Storage Business Segment

In its Energy Storage business segment, Manz AG focuses on production equipment for lithium-ion battery cells and battery systems as well as for capacitors, which are used in the fields of consumer electronics, e-mobility and stationary power storage.

According to Avicenne Energy, a market research institute specializing in the energy sector, lithium-ion batteries for smartphones, tablet computers and notebooks with a storage capacity totaling 26 GWh were produced in 2015, following 25 GWh in 2014. For the year 2020, an increase in the storage capacity to around 37 GWh is forecast and to 53 GWh in the year 2025. The investment volume for lithium-ion batteries for stationary power storage in 2015 was more than 350 million USD, an increase of around 40 % from the previous year. In the years 2016 through 2020, Ancienne Energy expects a steady growth of the market volume to around 800 million USD.

Experts from the market research institute Frost & Sullivan expect a quadrupling of the total global market for lithium-ion batteries from 17.6 billion USD in 2013 to around 70 billion USD by 2020. The main drivers over the next three to four years will be the “Mobile Communication” and “Computing Devices” segments. Frost & Sullivan are expecting further medium- to long-term growth momentum for the market for lithium-ion batteries from e-mobility and stationary power storage. According to them, both in the automotive industry and in the sector for energy networks and the storage of renewable energies, statutory incentives will impact sales figures for Li-ion batteries. In the year 2015, according to Ancienne Energy, around 2.7 million automobiles with electric motors, (electric cars, hybrid vehicles and plug-in hybrid vehicles) were produced worldwide. For the year 2020, the market research institute expects a rise in the annual production to 4.6 million units, which should further increase up to the year 2025 to more than 7 million vehicles per year. Depending on governmental subsidies of electro-mobility in China, there should be additional potential beyond this which can lead to annual production of 6 million units in 2020 and more than 9 million in 2025.

Also the results of the current Electric Vehicle Index, prepared in January 2016 by McKinsey, show the dynamic development of automobile markets. In the ranking of the most important manufacturing countries for electric automobiles, Japan, China and Germany lead, followed by the United States in fourth place. According to McKinsey experts, 38 % of the electric automobiles produced worldwide in 2020 will be produced by German manufacturers. Thus Germany with more than 1 million vehicles produced in the year 2020 will lead the market in front of the other manufacturing countries of China, USA and Japan, which will each produce 500,000. On the demand side, the countries Norway, the Netherlands and France led in 2015, whereby the demand in Denmark and China also grew very dynamically.

In the Energy Storage business segment, Manz AG has proven expertise in winding, stacking and laminating technologies, the most important technologies in the manufacture of lithium-ion batteries and capacitors for consumer electronics, e-mobility and stationary energy storage. Manz, in particular due to its international locations, is optimally positioned in the relevant production markets. This provides an excellent basis for systematic use of the revenue and earnings potential in these industries, both now and in the future.

Overall Assertion

As a high-tech equipment manufacturer, Manz AG has developed outstanding technological expertise in the fields of automation, laser processing, vacuum coating, printing and coating, metrology, wet chemistry and roll-to-roll. To reduce dependence on the development of individual target industries and growth markets, the company is pursuing a systematic diversification of its business model with regard to customers, regions and industries and at the same time is further optimizing technology transfer between the business segments.

For its Electronics business segment, Manz AG assesses the medium term outlook positively. The reason for this assessment is the rising demand for LCD and OLED flat screens, smartphones, tablet computers and for touch sensors, high-resolution printed circuit boards and chip carriers. In addition, new product groups such as smart watches contribute to further development potential in this field.

In view of the equilibrium between existing production capacities and end customer demand, an increasing propensity to invest is emerging in the solar industry. With innovative production solutions, in particular in the field of highly efficient and economical CIGS thin-film technology, Manz AG considers itself to be fundamentally well positioned to benefit from future investments. Especially against the background of the planned cooperation with Shanghai Electric, the Managing Board sees very good opportunities for successful marketing and further development of the CIGS technology.

Due to the dynamic development of the market for lithium-ion batteries and the globally unique technology portfolio for the manufacture of all current battery cell concepts for consumer electronics, e-mobility and stationary power storage, Manz AG also sees significant opportunities for growth in the Energy Storage segment.

PERFORMANCE OF THE BUSINESS

At the end of June 2015, Manz AG revised its forecast for fiscal year 2015. Originally, the company assumed an increase in sales from 306 million euros in the fiscal year 2014 to between 320 and 340 million euros as well as a clearly positive EBIT in the 2015 fiscal year. The reasons for these revisions were in particular an order cancellation that had been received in the amount of approx. 12 million euros in the Electronics segment and accordingly non-realization of other associated follow-up orders contained in the original forecast for the year with a volume in the high tens of millions of euros range as well as order delays in the Energy Storage segment. The Managing Board of Manz AG from that point on expected moderately lower revenue compared with the previous year of 2014 and a prospectively negative though improved EBIT for the full year of 2015 (EBIT 2014: –32.8 million euros).

In the framework of preparation of the interim financial statements for the third quarter of 2015, the Managing Board had to again reduce the forecast for the entire year of 2015 due to additional order delays in the Energy Storage and Electronics segments, primarily by customers in Asia. Thus for the fiscal year 2015, sales revenue between only 200 and 210 million euros and a negative EBIT in the middle two-digit million range were expected, in particular due to the slowing of growth in China and the significantly lower investment propensity of Asian customer as a result of the negative developments in the Chinese capital markets. Overall, business development of the Manz Group in the fiscal year 2015 was pulled down by order cancellations and delays in a total volume of around 140 million euros.

ANALYSIS OF FINANCIAL POSITION, FINANCIAL PERFORMANCE AND CASH FLOWS

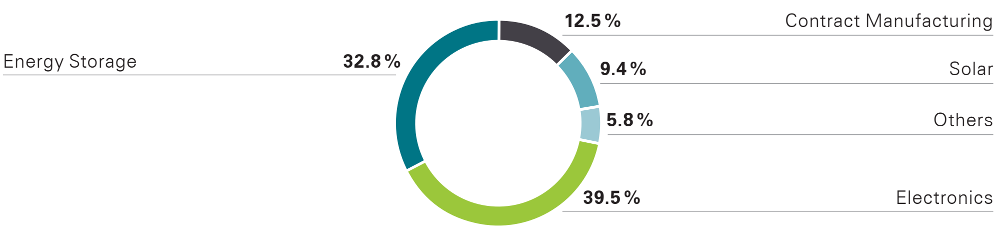
Financial Performance

In fiscal year 2015, revenue and earnings of Manz AG were characterized by significant order cancellations and delays in the amount of around 140 million euros. The revenues in the 2015 reporting period therefore came to 222.0 million euros, following 305.9 million euros in the previous-year period, but were slightly above the most recently issued revenue forecast of between 200 and 210 million euros.

The Electronics segment accounted for a 39.5 % share of revenues in the reporting period with 87.6 million euros (previous year: 216.2 million euros or 70.7 %). This drop in sales is due to the weaker demand of Asian customers in comparison with the same period of the previous year for production equipment in the printed circuit board segment as well as in the classic display business. The order cancellation that occurred already in June with a volume of approximately 12 million euros as well as the associated loss of planned follow-up orders with a volume in the high tens of millions continue to have a negative effect on the revenue trend. The Solar segment generated around 20.8 million euros or 9.4 % of Manz AG's total revenues in the 2015 reporting period (previous year: 13.7 million euros or 4.5 %).

The Energy Storage segment accounted for a large share of sales in the reporting period with 72.8 million euros or 32.8 % (previous year: 24.1 million euros or 7.9 %) with equipment for the production of lithium-ion batteries and capacitors. The Contract Manufacturing reporting segment was responsible for revenue contributions of 27.9 million euros or 12.5 % (previous year: 36.3 million euros or 11.9 %). Revenues in the Others reporting segment totaled 12.9 million euros in the 2015 reporting period, following 15.7 million euros in the prior-year period; this corresponds to a revenue share of 5.8 % (previous year: 5.0 %).

Revenues by Business Segment January 1 to December 31, 2015

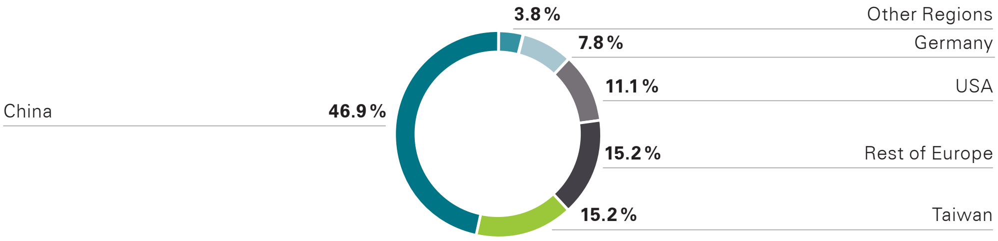


Manz AG revenues by region had the following distribution in fiscal year 2015: Taiwan and China accounted for the largest share of Manz AG's revenues, at 137.9 million euros or 62.1 % (previous year: 212.7 million euros or 69.5 %). Business in the rest of Asia contributed 6.7 million euros to total revenues or 3.0 % (previous year: 3.7 million euros or 1.2 %). In Germany, the company generated 17.2 million euros or 7.8 % of total revenues (previous year: 27.8 million euros or 9.1 %). Manz AG generated around 33.7 million euros or 15.2 % of its revenues in the rest of Europe in the reporting period, following 51.9 million euros or 17.0 % in the prior-year period. In the USA, the company achieved revenues of 24.6 million euros; this corresponds to a 11.1 % share of total revenues (previous year: 3.1 million euros or 1.0 %). Revenues in other regions worldwide amounted to 1.9 million euros or 0.8 % (previous year: 6.7 million euros or 2.2 %).

A comparison of revenue expectations from the forecast report of the 2014 Group management report with the actual values of fiscal year 2015 reveals that it was not possible to meet the revenues expectation of an unchanged level in the Electronics segment due to the above-described order cancellations and delays. In the Energy Storage segment, we achieved the expected significant increase in revenues with a tripling of revenues. For the Solar segment, a considerable increase in revenues was expected in 2015 even without the sale of a CIGSfab. It was possible in this segment to increase sales revenues by more than 50 %. In the Printed Circuit Board/OEM reporting segment, revenues were expected at the level of the previous year. Following the reclassification of the reporting segments since the first quarter of 2015, only the OEM business is reflected as Contract Management. Sales revenue in this reporting segment for 2015 was below the previous year level. Sales revenue for printed circuit board business since the reclassification is reflected in the

Electronics segment. Also in the Others segment, revenues were expected at the level of the previous year. With segment revenues down, it was not possible to meet this forecast.

Revenue Distribution by Region January 1 to December 31, 2015



Based on revenues of 222.0 million euros, inventories of finished goods and work in progress declined to 6.7 million euros and thus slightly more than in the prior year by 0.2 million euros (previous year: –6.5 million euros). The lower inventory is attributable to the overall lower level of production as well as write-offs of inventories in particular in the field of crystalline solar technology. Own work capitalized, at 14.5 million euros, was above the prior-year level (previous year: 9.3 million euros). This increase is due essentially to the positive market prospects and correspondingly more intensive development activities in the Energy Storage segment as well as the further development of CIGS thin-film solar technology. This will result in total operating revenues of 229.8 million euros (previous year: 308.8 million euros).

Other operating income was 10.9 million euros (previous year: 12.5 million euros). The reasons for the decline compared with the previous year were lower grant funds in fiscal year 2015 for the development of technology. In addition, other operating revenues also contain the gain from the sale of the subsegment equipment for the packaging industry (formerly contained in the segment "Others") in the amount of 2.0 million euros. The transaction in the form of an asset deal became effective as of September 30, 2015 and comprises, in addition to the transfer of 22 employees at the Tübingen and Reutlingen locations to Gebrüder Leonhardt GmbH & Co. KG Blema Kircheis, in particular the existing customer projects, inventories, pension provisions and technical know-how. Material costs amounted to 147.8 million euros (previous year: 180.2 million euros), with the material cost ratio, at 64.3 %, being above the level of the previous year of 58.4 %. This is attributable in particular to the increase in material-intensive projects in the Energy Storage segment as well as the increased material cost ratio of the pilot projects carried out in fiscal year 2015. Gross profit thus came to 93.0 million euros, compared with 141.1 million euros in the previous year. Personnel expenses in fiscal year 2015, at 84.0 million euros, were significantly above those of the 2014 comparable period (previous year: 72.4 million euros). This is attributable to an expansion of personnel at the Chinese location in Suzhou, the additional employees from the acquisition of KLEO Halbleitertechnik GmbH in June 2015 and settlement payments to employees terminated in the framework of the restructuring in December 2015 in the amount of 1.3 million euros. The expansion of personnel in Asia is the result of the original growth projections for the full year of 2015 and the development of a research and development team. The increase in personnel costs was also intensified as a result the CNY/euros and TWD/euros exchange rate effect in connection with the Asian subsidiaries. Accordingly, the personnel expenses ratio, at 36.6 %, was significantly above the level of the previous year of 23.4 %. Other operating expenses fell from 54.8 million euros to 50.8 million euros. This was due mainly to the reduction of bad debt and a change in the valuation allowances for receivables from 13.5 million euros in the previous year to 3.2 million euros during the reporting year. The increase in advertising and travel costs of 2.4 million euros and additional restructuring expenses of 2.3 million euros had the opposite effect.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to –41.9 million euros (previous year: 13.9 million euros). Depreciation and amortization in the full 2015 year, at 16.3 million euros, were significantly below the previous-year level (previous year: 46.7 million euros). The reasons for this difference are the unscheduled write-offs taken in the 2014 fiscal year on development costs, primarily in the crystalline solar segment in the amount of 22.5 million euros. In fiscal year 2015, unscheduled write-offs were taken in the amount of 3.4 million euros, which resulted during the reporting period from the decision not to further develop crystalline solar technology. Overall, this results in operating earnings (EBIT) of –58.2 million euros (previous year: –32.8 million euros). As a result of the restructuring measures initiated in the year 2015 in the Manz Group, restructuring costs in the amount of 15.1 million euros were incurred in the reporting period, which are reflected in the form of write-downs on inventory (8.1 million euros), other operating expenses (2.3 million euros), personnel costs (1.3 million euros) and unscheduled amortization of development costs (3.4 million euros). Thus EBIT adjusted for the restructuring expenses was –43.1 million euros in fiscal year 2015.

An analysis of the individual business segments shows that EBIT in the Electronics division was –28.5 million euros (previous year: 15.0 million euros). The Solar segment posted negative EBIT of –27.8 million euros, following –43.9 million euros in the previous year. Operating earnings in the Energy Storage segment amounted to –5.7 million euros, following –8.5 million euros in the reference period of the previous year. The Contract Manufacturing reporting segment recorded an operating profit of 1.6 million euros (previous year: 3.4 million euros), and the Others segment also recorded an operating profit of 2.1 million euros, following 1.3 million euros in the previous year. Included in this is the profit from the sale of the subsegment "equipment for the packaging industry" in the amount of 2.0 million euros.

A comparison of the forecasts of expected EBITs in fiscal year 2015 shows that here expectations were not met. For the Electronics segment, an unchanged EBIT margin was anticipated. In actuality, this segment was not able to achieve the prior year's level of 6.9 %. The Solar segment as expected did not achieve a positive contribution to earnings due to the failure of a CIGS*fab* sale to materialize. In the Energy Storage segment, the planned significant increase in earnings was not fully realized. In the Contract Manufacturing reporting segment, in which OEM business is recorded, an EBIT margin at the level of the previous year was realized. Earnings from printed circuit board business are recorded in the Electronics segment. As a result of the profit from the sale of the subsegment "equipment for the packaging industry" in the amount of 2.0 million euros, the Others segment exceeded the level of earnings of the previous year.

Finance cost increased to 3.6 million euros in the 2015 reporting period, compared with 2.2 million euros in the previous year. The rise is attributable to utilization of the second tranche of the EIB loan in the amount of 10 million euros in May 2015. Overall, this leads to a financial result of –3.5 million euros (previous year: –1.8 million euros). After deduction of taxes on income, Manz AG's consolidated net loss in the 2015 fiscal year was –64.2 million euros (previous year: –38.2 million euros). Based on a weighted average of 5,260,702 shares, this corresponds to earnings per share of –12.20 euros (previous year: –7.75 euros with 4,928,059 shares).

Financial Position

Total assets as of December 31, 2015 increased in comparison with the end of the 2014 year to 292.5 million euros (December 31, 2014: 253.6 million euros). On the liabilities side, the company's equity came to 125.3 million euros. This reduction in comparison with the 2014 balance sheet date (December 31, 2014: 140.0 million euros) resulted from the loss situation in 2015, as a result of which retained earnings fell significantly to –2.3 million euros (December 31, 2014: 19.1 million euros) and capital reserves fell slightly to 99.3 million euros (December 31, 2014: 103.8 million euros). Subscribed capital rose by 492,805 euros as a result of the capital increase carried out at the end of April 2015. The amount resulting from currency translation at the foreign subsidiaries increased to 18.5 million euros (December 31, 2014: 12.1 million euros.) This relates, in particular, to the strength of the Chinese renminbi and the Taiwanese dollar against the euro. As of the balance sheet date of the reporting period, the equity ratio is 42.8 %, following 55.2 % as of December 31, 2014.

Non-current liabilities declined from 36.4 million euros as of December 31, 2014 to 14.4 million euros as of the balance sheet date of December 31, 2015. This development resulted primarily from the reclassification of non-current financial liabilities into current financial liabilities. In addition it became possible for the German lenders to terminate as a result of the deterioration of the financial circumstances of Manz AG (see also statements on the liquidity and financing risks in the section "Financial Risks"). Pension provisions fell slightly to 7.8 million euros (December 31, 2014: 8.4 million euros). This drop resulted primarily from the transfer of 22 employees in the framework of the sale of the subsegment equipment for the packaging industry. As of December 31, 2015, other non-current provisions came to 2.5 million euros (December 31, 2014: 3.6 million euros). Other non-current liabilities in the amount of 0.9 million euros include the non-current share of the earn-out components from the purchase of KLEO Halbleitertechnik GmbH on June 1, 2015.

In addition, current liabilities increased significantly in comparison with the end of the 2014 fiscal year to 152.9 million euros (December 31, 2014: 77.2 million euros). This development resulted primarily from the reclassification of non-current financial liabilities into current financial liabilities. In addition was the utilization of increased bank lines of credit for financing the working capital on the Group level. Current financial liabilities as of December 31, 2015 amounted to around 81.0 million euros (December 31, 2014: 10.2 million euros). In the case of the Asian companies, the trend of the currencies in addition resulted in a rise in financial liabilities. Trade payables as of the end of the 2015 reporting period, at 40.8 million euros, were slightly below the level of the end of the year 2014 (December 31, 2014: 42.3 million euros). Advances received, at 10.5 million euros, remained almost at the level of December 31, 2014 (10.6 million euros). As a result of the deteriorated earnings situation, income tax liabilities fell to 0.2 million euros (December 31, 2014: 2.2 million euros). As of December 31, 2015, other current provisions came to 6.3 million euros following 3.5 million euros as of the 2014 balance sheet date. The rise over the comparable value at the end of 2014 resulted from additional scheduled personnel-related provisions and provisions in the amount of around 1.4 million euros for restructuring measures in the current year. Derivative financial instruments increased as of the 2015 balance sheet date to 3.1 million euros following 0.2 million euros as of the 2014 balance sheet date. The rise is due to increased foreign exchange contracts denominated in US dollars. Other liabilities of 11.0 million euros (December 31, 2014: 8.3 million euros) contain personnel-related liabilities for settlements, earn-out liabilities to Würth-Solar at 3.0 million euros and the non-current share of earn-out components from the purchase of KLEO Halbleitertechnik GmbH as of June 1, 2015 at 0.1 million euros.

On the asset side, the increase in non-current assets from 117.4 million euros as of the end of the 2014 fiscal year to 130.1 million euros as of December 31, 2015 is essentially due to an increase in intangible assets, which as of the end of the reporting period in 2015 stood at 81.6 million euros (December 31, 2014: 74.7 million euros). This rise is primarily attributable to capitalized development costs in the Energy Storage sector and CIGS technology as well as the purchase of KLEO Halbleitertechnik GmbH. In addition, positive currency translation effects in the goodwill of the Asian subsidiaries.

As of December 31, 2015, current assets, at 162.4 million euros, were above the amount for the 2014 balance sheet date of 136.2 million euros. Inventories amounted to 36.6 million euros (December 31, 2014: 48.3 million euros). The drop is essentially attributable to inventory write-downs in the field of crystalline solar technology. At the same time, trade receivables, at 83.8 million euros, were significantly above the level of the end of the year 2014 (December 31, 2014: 58.7 million euros). This development is grounded in the high order situation as of December 31, 2015, in particular in connection with orders in the Energy Storage segment. Other current receivables in the amount of 7.4 million euros as of December 31, 2015 (December 31, 2014: 5.9 million euros) were critically influenced by higher accruals as of the reference date and the increase in the value-added tax receivable. Liquid funds as of the end of the 2015 reporting period amounted to 34.4 million euros (December 31, 2014: 23.2 million euros).

Financial Performance

Taking cash flow in the strict sense (operating profit plus depreciation/amortization of fixed assets and increase/decrease in other non-current provisions and pension provisions and other non-cash income and expenses), a negative cash flow totaling 43.2 million euros resulted in fiscal year 2015 (previous year: 12.7 million euros). This negative cash flow is primarily the result of a negative EBIT of –58.2 million euros (previous year: –32.8 million euros) and lower depreciation and amortization of 16.3 million euros (previous year: 46.7 million euros). Cash flow from operating activities for the 2015 reporting period amounted to –57.4 million euros (previous year: 10.8 million euros). This development is largely due to an increase in inventories, trade receivables and other assets and a corresponding outflow of funds in the amount of –19.6 million euros (previous year: 3.2 million euros), while trade payables and other liabilities increased by only 16.1 million euros (previous year: –3.6 million euros).

Following a cash flow from investing activities of –21.1 million euros in the same period in the previous year (2014), there was a cash outflow of –22.0 million euros for the 2015 reporting period. This is the result of investments in the amount of –4.7 million euros in connection with the acquisition of KLEO Halbleitertechnik GmbH and investments in intangible assets and property, plant and equipment, in the amount of –18.3 million euros, primarily development activities.

In terms of segments, the Solar segment accounted for investment of 7.3 million euros (previous year: 5.3 million euros); the Electronics segment, 4.2 million euros (previous year: 3.0 million euros); and the Energy Storage segment, 5.0 million euros (previous year: 5.0 million euros). A figure of 1.9 million euros (previous year: 1.3 million euros) was invested in the fiscal year 2015 reporting period in the other segments.

Cash flow from financing activities in the 2015 fiscal year amounted to 90.4 million euros, following a cash outflow of –32.9 million euros in the previous year of 2014. The reasons for this are the receipts for capital contributions in connection with the capital increase in the amount of 41.9 million euros, an increase in current financial liabilities in the amount of 37.3 million euros and long-term borrowings in the amount of 13.2 million euros. If exchange rate changes are taken into account, Manz AG therefore had liquid funds totaling 34.4 million euros as of December 31, 2015 (December 31, 2014: 23.2 million euros).

As of December 31, 2015, there are unused credit lines with banks in the amount of 19.6 million euros (December 31, 2014: 90.6 million euros) and available guarantee lines in the amount of 1.5 million euros (December 31, 2014: 25.1 million euros). In addition, there are unused guarantee lines at credit insurance companies in the amount of 2.2 million euros (December 31, 2014: 12.2 million euros). With respect to the loans of the German lenders, the key financial figures to be complied with ("covenants") were redrafted with the modifying agreement of December 21, 2015. The minimum liquidity for the Manz Group – without inclusion of the Asian subsidiaries – of 10.0 million euros is replaced by an adjusted minimum EBITDA of –30.5 million euros. As of December 31, 2015, all covenants concerning the minimum EBITDA and the equity ratio (40 %) are met. Concerning the existing liquidity risk and types of financing in the Group, please also see the explanations on the liquidity and financing risks in the Risk Report.

Principles and Goals of the Financial Management

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, the company bundles planning of subsidiaries' financing, investments, and currency hedging activities within the Group. In this context, the company follows value-based financing principles in order to secure its liquidity at all times, limit financial risks, and optimize the cost of capital. In addition, Manz strives for a well-balanced debt maturity profile. For additional information on the management of the individual financial risks, see Reporting on Financial Instruments in the Notes to the Financial Statements.

Figures such as revenue, earnings before interest and taxes (EBIT), earnings before interest, taxes, depreciation and amortization (EBITDA), and liquidity serve Manz AG as key indicators for financial management.

Overall Assertion

Group revenues in the 2015 fiscal year came to 222.0 million euros and thus were well below the level of the previous year of 305.9 million euros. Against the background of the weak revenue trend as a result of the order cancellations and delays, the Managing Board does not consider the revenue trend in the 2015 reporting period to be satisfactory. This weak sales base in comparison with the previous year is also crucial for the negative development of income situation since at the same time the structures of the Group were oriented toward growth on the basis of the original planning for the year. In operating business, Manz thus realized earnings before interest, taxes and depreciation and amortization (EBITDA) of –41.9 million euros (previous year 13.9 million euros). Earnings before interest and taxes (EBIT) amounted to approximately –58.2 million euros (previous year: –32.8 million euros). Taking into consideration the restructuring costs in the amount of 15.1 million euros, there would be an adjusted EBIT of 43.1 million euros. Liquid funds came to 34.4 million euros with a net indebtedness of 48.6 million euros (previous year: 9.2 million euros), while the equity ratio as of December 31, 2015 was 42.8 % (previous year: 55.2 %). The value of orders on hand as of December 31, 2015 was 106.1 million euros (previous year: 77.8 million euros).

Due to the unsatisfactory operating development, the Managing Board initiated a restructuring program in October 2015. The core elements are adjustment of the capacities at the locations, a shift of production from Taiwan and Germany to the Chinese location, and the intensifying of sales actions in order to reduce dependence on individual major customers. The goal of the measures is a return to operating profitability (EBITDA).

Non-financial Performance Indicators

The company believes that economic success and responsible behavior must not be in conflict with each other. In the opinion of the company, being responsible for its employees and for the environment is the essential foundation for the long-term economic success of a highly innovative high-tech equipment manufacturer.

Thus the company offers a broad array of training and continuing education programs in Manz Academy which are directed both to employees and to customers of Manz AG. In the past fiscal year, 519 seminar dates were offered in which we made a total of 3,068 free slots available for our employees. All of these were taken. In addition we offered language courses on 294 dates. Here too, all 1,433 slots offered were used. Training programs of Manz Academy for German managers and executives of European subsidiaries create a common understanding of leadership. In addition, seminars are offered for earning additional qualifications which comprise discipline- and product-specific advanced training opportunities. This not only creates optimal conditions for achieving the corporate goals that have been set, but also makes possible the further development of each employee as an individual.

Resource-conserving production and management is no abstract concept for Manz AG and its employees, but rather an essential component of its corporate philosophy. Accordingly, for the Group it is only natural for electricity generated by photovoltaics to be produced for its own use. Thus, solar modules were installed on the roofs and facades of the assembly halls in the headquarters in Reutlingen which serve to generate the electricity. There more than 340,000 KWh of electricity are generated per annum with two large plants. The owners of these solar plants are the Manz AG's employees, who financed the plants. This is an expression of their commitment to Manz AG as well as their confidence in the future viability of photovoltaics. At the same time, they profit from the feed-in compensation for the electricity produced. The energy concept is supplemented by two smaller facade plants with outputs of 8 KW and 16 KW, respectively, which are owned by the company. Again in the past fiscal year, the project "Metalworking Shop – Give the Gift of a Future", which has been in operation since 2008, was successfully continued in close cooperation with the Evangelical Youth Foundation and the YMCA Ethiopia. The goal is to provide help for self-help by making basic training as a general metal worker possible for interested, motivated youths from disadvantaged ethnic groups. To this end, Manz AG developed its own instruction workshop for metal working in Ethiopia's capital city Addis Ababa. In 2015, the seventh class graduated and thus has the necessary expertise to get a start in working life.

EVENTS AFTER THE BALANCE SHEET DATE

On February 28, 2016, Manz AG announced a planned strategic cooperation with Shanghai Electric Group Co., Ltd. domiciled in Shanghai, China, in the fields of Energy Storage (energy storage systems) and Solar as well as in other fields of automation technology of the Manz Group, which is affiliated through a major participating interest by Shanghai Electric in Manz AG. In this connection, the Managing Board of Manz AG made the decision to continue the Solar segment and to further develop CIGS thin-film solar technology.

In order to enable Shanghai Electric to acquire a participating interest and to strengthen the financial performance, Manz AG plans to increase the company's capital stock by approximately 43 % against cash contributions (corresponds to approximately 29.9 % after the capital increase) by issuing new shares from the authorized capital with the inclusion of the shareholders' subscription rights. The publication of a securities prospectus, which requires the approval of the German Financial Services Regulator BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht), and the subscription offer to the shareholders is expected to take place during the first six months of 2016 once all preparations have been completed.

Against this background, Manz AG and Shanghai Electric concluded an agreement (Investment and Backstop Agreement) on February 28, 2016, according to which a subsidiary of Shanghai Electric will acquire those shares from the planned capital increase that are not subscribed by the shareholders at the subscription price. Shareholders Dieter Manz and Ulrike Manz, who currently own 35.2 % and 3.8 % of the company, will not exercise their subscription rights. The subscription price for the new shares must be set as close as possible to the market, to a maximum of 40 euros per share. The obligations of Shanghai Electric are conditional on, among other things, the approval from anti-trust authorities in China and Germany and various official approvals in China and Taiwan.

Dieter Manz intends to continue to hold a major participating interest in the company and will continue to lead the company in the capacity of Chief Executive Officer. In this context, the Supervisory Board of the company has appointed Dieter Manz for another five-year mandate as scheduled.

According to the Investment and Backstop Agreement, it is also provided that Shanghai Electric can request to conclude a voting agreement following the implementation of the capital increase or at a later date. Accordingly, the parties would, with respect to the shares in the company held by them, coordinate their activities regarding the exercise of their voting rights at the company's Annual General Meeting with regard to certain measures, in particular the appointment and dismissal of members of the Supervisory Board. In this context, the subsidiary of Shanghai Electric is to be entitled to a final decision right during the course of the vote, if an agreement cannot be reached.

If the voting agreement is concluded, Shanghai Electric would likely gain control of Manz AG in terms of section 29 (1) of the German Securities Trading Act, since in addition to the shares acquired from the planned capital increase, it would also be entitled to the voting rights from the shares held by Dieter Manz. As a consequence, Shanghai Electric would be obliged to provide the company's shareholders with an offer to purchase their shares (mandatory offer).

As part of the Investment and Backstop Agreement, shareholder Dieter Manz has also committed that in the event a voting agreement is concluded following the implementation of a mandatory offer, he will sell as many shares to Shanghai Electric as are required to enable Shanghai Electric to attain a 30.1 % participating interest in the company through its subsidiary. If a mandatory offer is not submitted within a year after the capital increase, Shanghai Electric can request that Mr. Manz sell as many shares as are required to achieve a participating interest of 29.9 %.

Otherwise, no further events took place after the end of the reporting period that would have had a significant impact on our financial position, financial performance and cash flows.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH SECTION 289A OF THE GERMAN COMMERCIAL CODE (HGB)

The Corporate Governance Statement pursuant to section 289a of the German Commercial Code (HGB) has been published on the company's Web site at www.manz.com in the "Investor Relations" section under "Corporate Governance". Pursuant to section 317(2) sentence 3 of the HGB, the disclosures pursuant to section 289a of the HGB have not been included in the audit carried out by the auditors.

DISCLOSURES IN ACCORDANCE WITH SECTION 315(4) OF THE GERMAN COMMERCIAL CODE (HGB) AND NOTES PURSUANT TO SECTION 176(1) SENTENCE 1 OF THE GERMAN STOCK CORPORATION ACT (AKTG) ON THE DISCLOSURES IN ACCORDANCE WITH SECTION 289(4) AND SECTION 315(4) OF THE GERMAN COMMERCIAL CODE

Composition of subscribed capital

Manz AG's subscribed capital is valued at 5,420,864.00 euros and is divided into 5,420,864 registered, no-par value bearer shares. All shares are associated with the same rights and duties. Each share grants its owner one vote at the Annual General Meeting. Each share offers the same share of profits. This excludes treasury shares held by Manz AG, which do not entitle the company to any rights. At the present time, the company does not hold any treasury shares. In other respects, shareholders' individual rights and duties result from the provisions of the German Stock Corporation Act, particularly Sections 12, 53a et seqq., 118 et seqq., and 186.

Restrictions that apply to voting rights or the transfer of shares

VereinThe 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.

Shareholdings that exceed 10 % of voting rights

As a result of notifications received regarding major holdings of voting rights pursuant to Section 21 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) and transactions involving company shares executed by persons performing managerial responsibilities pursuant to Section 15a of the WpHG, the Managing Board is aware of the following direct and indirect holdings in the company's capital that exceed 10 % of all voting rights:

	Number of Voting Rights	Percentage of Voting Rights
Dieter Manz, Schlaitdorf	1,909,700	35.2 %

Shares with special rights that confer an authority to exercise control

The company does not have shares with special rights that confer an authority to exercise control.

Type of voting right controls when employees are issued shares of company stock and do not immediately exercise their control rights

Employees with holdings in the capital of Manz AG may immediately exercise any control rights to which they are entitled based on the shares transferred to them in accordance with provisions of the company's Articles of Incorporation and the law.

Legal requirements and provisions of the Articles of Incorporation regarding the appointment and dismissal of members of the Managing Board and regarding amendments to the Articles of Incorporation

The appointment and dismissal of members of the Managing Board is governed by Sections 84 and 85 of the German Stock Corporation Act. These sections 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 the German Stock Corporation Act and determines their number. The Supervisory Board may appoint a member as chairperson of the Managing Board. Pursuant to Section 84(3) of the German Stock Corporation Act, the Supervisory Board may revoke the appointment of a member of the Managing Board and the appointment of a chairperson of the Managing Board for good cause.

Amendments to the Articles of Incorporation are governed by Sections 133 et seqq. and 179 et seqq. of the German Stock Corporation Act. In general, amendments require a resolution passed by the Annual General Meeting. The resolution passed at the Annual General Meeting requires a majority of at least three-quarters of the capital stock represented at the time the resolution is adopted. The Articles of Incorporation may determine a different capital majority, but only a greater capital majority, for any amendment to the purpose of the company.

Pursuant to Article 16(1) of the company's Articles of Incorporation, resolutions are passed at the Annual General Meeting by a simple majority of the votes cast, unless mandatory provisions of the German Stock Corporation Act stipulate otherwise. Where the German Stock Corporation Act also stipulates that a majority of the represented capital stock is required to pass a resolution, a simple majority of the represented capital fulfills this requirement, insofar as this is legally permissible.

Authority of the Managing Board to issue or repurchase company shares

The Managing Board may issue new shares only on the basis of resolutions passed at the Annual General Meeting in respect of an increase in capital stock or in respect of authorized and conditional capital. Purchasing treasury shares is governed by Section 71 et seqq. of the German Stock Corporation Act and, in certain cases, is permitted by operation of law or as a result of authorization given at the Annual General Meeting.

Authorized capital

On the basis of a resolution passed by the Annual General Meeting of July 7, 2015 pursuant to Article 3(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 July 6, 2020, on a once-only basis or in partial contributions, up to a total of 2,710,432.00 euros through the issuance of a total of 2,710,432 new bearer shares (no-par value shares) by means of cash contributions or contributions in kind (Authorized Capital 2015).

In principle, the new shares must be offered for subscription to shareholders. The new shares can also be acquired by financial institutions specified by the Managing Board with the obligation to offer them to the shareholders for subscription (indirect subscription right). However, the Managing Board is authorized, with Supervisory Board approval, to exclude shareholders' subscription rights

- in the event of a capital increase for cash consideration, if the issue amount of the new shares is not significantly less, within the meaning of Section 203(1) and (2) and Section 186(3) sentence 4 of the German Stock Corporation Act, than the stock exchange price of shares of the company of the same type at the time of establishment of the issue price, which is to be as close in time as possible to the time of issue of new shares. This authorization for the exclusion of the subscription right applies only to the extent that shares to be issued in the capital increase do not in total represent a proportionate amount of the capital stock of more than 542,086.00 euros and overall do not comprise more than 10 % of the capital stock at the time the authorization is exercised. The proportionate amount of capital stock of shares which are issued or sold during the period of this authorization, in direct or corresponding application of Section 186(3) sentence 4 of the German Stock Corporation Act, with exclusion of subscription rights and on the basis of other authorizations will be offset against this maximum amount for an exclusion of subscription rights;

- in the case of a capital increase for contributions in kind for the purpose of acquisition of companies, parts of companies, and holdings in companies of other assets or the execution of business combinations;

- insofar as it is necessary in order to give owners of warrant or convertible bonds, profit-sharing rights or profit-sharing bonds (or combinations of these instruments) issued by the company or direct or indirect affiliates of the company a subscription right to new shares to the same extent as they would have upon exercising their option or conversion right or after fulfilling their conversion obligation; or

- to exclude fractional amounts from the subscription right.

Authorization to issue partial debentures with option or conversion rights or conversion obligations, profit-sharing rights and profit-sharing bonds (or combinations of these instruments) as well as Conditional Capital I

At the Annual General Meeting on July 9, 2014, a resolution was passed authorizing the Managing Board, with Supervisory Board approval, to issue bearer warrant or convertible bonds, profit-sharing rights and/or profit-sharing bonds or a combination of these instruments (collectively referred to as "bonds"), up to a total nominal value of 150 million euros, on one or more occasions until July 8, 2019. In addition, the Managing Board was also authorized to grant owners of warrant bonds option rights and owners of convertible bonds conversion rights for bearer shares of the company with a proportionate amount of capital stock totaling up to 1,971,223.00 euros, in accordance with the detailed terms and conditions of the warrant/convertible bonds.

The statutory subscription right is granted to the shareholders in that the bonds are underwritten by a bank or a syndicate of banks with the obligation to offer them for subscription to shareholders. If bonds are issued by one of Manz AG's subsidiaries pursuant to Section 18 of the German Stock Corporation Act, the company must ensure that the statutory subscription right is granted accordingly to shareholders of Manz AG.

However, the Managing Board is authorized, with Supervisory Board approval, to exclude fractional amounts from shareholders' subscription rights and also to exclude shareholders' subscription rights to the extent that is necessary in order to give owners of already issued bonds with option rights or conversion rights and/or conversion obligations a subscription right to the extent to which they would be entitled as a shareholder after exercising their option or conversion rights or upon fulfilling their conversion obligation.

Furthermore, the Managing Board is authorized, with Supervisory Board approval, to completely exclude shareholders' subscription rights to bonds issued with an option and/or conversion right or conversion obligation, provided the Managing Board, after dutiful examination, arrives at the view that the issue price of the bonds is not significantly below their hypothetical market value calculated according to accepted and, in particular, actuarial methods. This authorization to exclude the subscription right applies to bonds issued with an option and/or conversion right or a conversion obligation, carrying an option and/or conversion right or a conversion obligation for shares with a total proportionate amount of the capital stock which may not exceed 10 % of the capital stock, either at the time the authorization becomes effective or – in the event that this amount is lower – at the time this authorization is exercised. The following are offset against the aforementioned ten percent limit:

- new shares which are issued from authorized capital with the subscription right being excluded pursuant to Section 186(3) sentence 4 of the Stock Corporation Act during the term of this authorization up to the issue, subject to the exclusion of subscription rights pursuant to Section 186(3) sentence 4 of the German Stock Corporation Act, of the bonds carrying an option and/or conversion right or conversion obligation, and

- such shares as are acquired on the basis of an authorization granted by the Annual General Meeting and are disposed of, with exclusion of the subscription right, pursuant to Section 71(1) no. 8 sentence 5, in conjunction with Section 186(3) sentence 4, of the German Stock Corporation Act during the term of this authorization up to the issue, subject to the exclusion of subscription rights pursuant to Section 186(3) sentence 4 of the German Stock Corporation Act, of the bonds carrying an option and/or conversion right or conversion obligation.

Where profit-sharing rights or profit-sharing bonds without an option right or conversion right/obligation are issued, the Managing Board is authorized, with Supervisory Board approval, to completely exclude shareholders' subscription rights if these profit-sharing rights or profit-sharing bonds have the characteristics of a debenture, i.e. do not give rise to any membership rights in the company, do not grant a share in the liquidation proceeds and the interest payable is not calculated on the basis of the net income for the year, net retained profit or the dividend. Moreover, in such a case, the interest payment and the issue price of the profit-sharing rights or profit-sharing bonds must reflect current market conditions at the time of issue.

Pursuant to Article 3(4) of the Articles of Incorporation, the capital stock of the company has been conditionally increased by up to 1,971,223.00 euros through the issue of up to 1,971,223 no-par value bearer shares (Conditional Capital I). The conditional capital increase shall be carried out only to the extent that holders of option or conversion rights or those obligated to conversion as a result of warrant or convertible bonds, profit-sharing rights or profit-sharing bonds, which are issued or guaranteed by the company or a company of the Group within the meaning of Section 18 of the German Stock Corporation Act on the basis of an authorization resolved by the Annual General Meeting on July 9, 2014 under Agenda Item 6, exercise their option or conversion rights or, to the extent they are obligated to convert, fulfill their obligation, to the extent a cash settlement is not granted or treasury shares or shares of another stock exchange listed company are not utilized in servicing such capital increase. The new shares are issued at the option or conversion price to be determined in each case in accordance with the aforementioned authorization resolution. The new shares shall participate in profit from the beginning of the fiscal year in which they are created on the basis of the exercise of option or conversion rights or of the fulfillment of conversion obligations. The Managing Board is authorized, with Supervisory Board approval, to establish the further details of the execution of the conditional capital increase.

Authorization to issue share subscription rights within the scope of the Manz Performance Share Plan 2015 as well as Conditional Capital II

At the Annual General Meeting held on July 7, 2015, a resolution was passed authorizing the Managing Board, with Supervisory Board approval, to issue a total of up to 59,000 subscription rights ("Performance Shares") for a total of up to 118,000 shares of company stock to executives of affiliates as well as Manz's own managers below the executive level and managers of affiliates, both domestic and foreign, below the executive level on one or more occasions up to and including June 30, 2020. The Supervisory Board was given authorization to issue a total of up to 56,000 subscription rights ("Performance Shares") for a total of up to 112,000 shares of company stock to members of Manz's Managing Board, on one or more occasions, up to and including June 30, 2020.

The subscription rights will be granted, arranged and exercised in accordance with the provisions defined in the resolution passed at the Annual General Meeting on July 7, 2015.

Pursuant to Article 3(5) of the Articles of Incorporation, the company's capital stock has been conditionally increased by up to 230,000.00 euros through the issue of up to 230,000 no-par value bearer shares (Conditional Capital II). This conditional increase serves to secure the rights of the owners of subscription rights ("Performance Shares") granted as a result of the aforementioned authorization of the Annual General Meeting on July 7, 2015. The issue of shares will be in the issue amount established in the authorization resolution of the Annual General Meeting on July 7, 2015. The conditional capital increase will be carried out only to the extent subscription rights are exercised and the company does not issue either treasury shares or a cash settlement for the purpose of fulfillment of the subscription rights. The new shares will be equivalent to already issued shares of the same class with respect to their dividend entitlement. The Managing Board and, to the extent members of the Managing Board are affected, the Supervisory Board are authorized to establish the further details of the conditional capital increase and its implementation.

Authorization to issue share subscription rights 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 authorizing the Managing Board, with Supervisory Board approval, to issue a total of up to 27,000 subscription rights for subscription of a total of up to 108,000 shares of company stock to executives of affiliates of the company as well as Manz's own managers below the executive level and managers of affiliates, both domestic and foreign, below the executive level on one or more occasions up to and including May 31, 2017. The Supervisory Board was given authorization to issue a total of up to 37,000 subscription rights for subscription of a total of up to 148,000 shares of company stock to members of Manz's Managing Board, on one or more occasions, up to and including May 31, 2017.

The subscription rights will be granted, arranged and exercised in accordance with the provisions defined in the resolution passed at the Annual General Meeting on June 19, 2012.

The authorization of June 19, 2012 was revoked by a resolution passed at the Annual General Meeting of July 7, 2015, insofar as no subscription rights had yet been issued on the basis of the authorization.

Pursuant to Article 3(7) of the Articles of Incorporation, the company's capital stock has been conditionally increased by up to 256,000.00 euros through the issue of up to 256,000 no-par value bearer shares (Conditional Capital IV). This conditional increase serves to secure the rights of the owners of subscription rights granted as a result of the aforementioned authorization of the Annual General Meeting on June 19, 2012. The issue of shares will be in the issue amount established in the authorization resolution of the Annual General Meeting on June 19, 2012. The conditional capital increase will be carried out only to the extent subscription rights are exercised and the company does not issue either treasury shares or a cash settlement for the purpose of fulfillment of the subscription rights. The new bearer shares will be equivalent to already issued shares of the same class with respect to their dividend entitlement. The Managing Board and, to the extent members of the Managing Board are affected, the Supervisory Board are authorized to establish the further details of the conditional capital increase and its implementation.

Authorization to purchase and dispose of treasury shares

The Annual General Meeting held on July 7, 2015 authorized the Managing Board of the company to acquire treasury shares until July 6, 2020 pursuant to Section 71(1) number 8 of the German Stock Corporation Act (AktG) with a proportional value of up to 10 % of the capital stock at the time this authorization becomes effective or of the existing capital stock of the company at the time of exercise of the authorization, if such amount is lower, whereby at no point in time more than 10 % of the capital stock of the company may be represented by the shares acquired on the basis of this authorization together with other shares of the company which the company has already acquired and still possesses or which are attributable to it pursuant to Sections 71d and 71e AktG. The provisions in Section 71(2) Sentences 2 and 3 AktG must be observed.

The acquisition may take place only through the securities exchange or by means of a public purchase order and must satisfy the principle of equal treatment of shareholders (Section 53a AktG).

The Managing Board was authorized to sell the treasury shares acquired on the basis of the above authorization also in manners other than through the stock exchange or through an offer to other shareholders, under the condition that the sale is for cash and is at a price that is not significantly below the stock-exchange price, at the time of the sale, of company shares with the same features. This authorization of use is restricted to shares with a proportionate amount of capital stock that in total does not exceed 10 % of the capital stock of the company, either at the time of coming into effect of this authorization, nor – if such amount is lower – at the time of exercise of the above authorization. The maximum limit of 10 % of the capital stock is reduced by the proportionate amount of the capital stock that is attributable to those shares that are issued or sold during the term of this authorization with exclusion of the subscription rights pursuant to or in accordance with Section 186(3) sentence 4 AktG. The maximum limit of 10 % of the capital stock is further reduced by the proportionate amount of the capital stock represented by those shares which were to be issued in order to service bonds with option or conversion rights and/or option or conversion obligations to the extent such bonds are issued during the term of this authorization with exclusion of subscription rights in analogous application of Section 186(3) sentence 4 AktG.

The Managing Board was further authorized to transfer treasury shares acquired on the basis of the above authorization to third parties to the extent this is done for the purpose of acquiring companies, parts of companies, and holdings in companies or other assets or of carrying out business combinations.

The Managing Board and – to the extent there is an obligation with respect to members of the Managing Board – the Supervisory Board were further authorized to use the treasury shares acquired on the basis of the above authorization for the purpose of fulfillment of the subscription rights that were or are issued in the framework of the Manz Performance Share Plan 2012 resolved by the Annual General Meeting of June 19, 2012 under item 6 of the agenda or in the framework of the Performance Share Plan 2015 resolved by the Annual General Meeting of July 7, 2015 under item 6 of the agenda.

The Managing Board was also authorized to use the treasury shares acquired on the basis of the above authorization for the purpose of fulfillment of the subscription and conversion rights that result from exercising option or conversion rights or fulfilling option or conversion obligations which have been granted or imposed within the framework of issuing convertible or warrant bonds, profit-sharing rights, or profit-sharing bonds (or combinations of these instruments) of the company or its subsidiaries.

The Managing Board was also authorized to transfer the treasury shares acquired on the basis of the above authorization to employees of the company or employees or members of executive bodies of subordinate affiliates of the company pursuant to Sections 15 et seqq. of the German Stock Corporation Act.

Significant company agreements that are conditional on a change of control as a result of a takeover bid

Parent and Know-How License Agreement with the ZSW

There is a patent and know-how license agreement between the subsidiary Manz CIGS Technology GmbH and the Zentrum für Sonnenenergie- und Wasserstoff-Forschung Baden-Württemberg (ZSW), which is a foundation under German civil law and a research institution of the state of Baden-Württemberg, under which the ZSW grants Manz CIGS Technology GmbH a sole exclusive license to its patents and know-how with regard to CIS and/or CIGS technology for the manufacture of thin-film solar cells. The patent and know-how license agreement can be terminated by ZSW for cause without notice in the event of a change of control event. A change of control event includes a change in the ownership structure of the company in which one person or several persons acting jointly acquire at least 30 % of the voting rights in the company and the shareholder Dieter Manz holds less than 30 % of the voting rights in the company.

Joint Venture Talus Manufacturing Ltd.

There is a joint venture agreement between the subsidiary Manz Taiwan Ltd. and a leading US manufacturer of equipment for the semiconductor industry with respect to the joint venture company Talus Manufacturing Ltd. in Chungli, Taiwan, in which Manz Taiwan Ltd. holds an interest of 80.5 % and the joint venture partner holds an interest of 19.5 %. In the event that shares of the company are sold by its existing shareholders to third parties with the result that a person or company from the People's Republic of China directly or indirectly holds an interest of more than 30 % in the company, the joint venture partner is entitled to terminate the joint venture agreement. In the event of exercise of the right to terminate, the joint venture partner has the right to acquire the interests of Manz Taiwan Ltd. in Talus Manufacturing Ltd. for payment of the value of the interest (purchase option).

German Loan Agreements

The uniform loan agreements between the company and various German lending banks provide a right of the lenders to terminate without notice if the shareholders Dieter Manz and Ulrike Manz combined no longer hold at least 30 % of the voting rights and shares in the capital stock of the company which provide voting rights or if a third party holds more than 50 % of the voting rights in an Annual General Meeting of the company, whereby in the case of a third party, voting rights attributable pursuant to Section 30 of the German Securities Trading Act are also to be taken into account.

Loan Agreement with the European Investment Bank

The loan agreement between the company and the European Investment Bank concerning a project loan provides that the European Investment Bank is authorized to terminate if a person other than the shareholder Dieter Manz or several persons who coordinate their behavior with respect to the company obtain at least 51 % of the shares or voting rights of the company or a person other than the company acquires at least 51 % of the shares or voting rights in the subsidiary Manz CIGS Technology GmbH or an other control possibility over the management or the business policy.

Apart from the agreements mentioned above and in the section below, there are no significant company agreements that are conditional on a change of control as a result of a takeover bid.

Compensation agreements which were concluded by the company with members of the Managing Board or with employees in the event of a takeover bid

The employment contracts with members of the Managing Board provide that, in the event of a change of control, the Managing Board member is entitled to terminate the employment contract with three months' notice to the end of a calendar month and to resign from the position as member of the Managing Board with the same notice period. The employment contracts of Managing Board members Martin Hipp and Martin Drasch provide that these rights can be exercised only within six months after the occurrence of the change of control. The employment contract of Managing Board member Dieter Manz provides that these rights can be exercised only within twelve months after the occurrence of the change of control.

If a change of control occurs as a result of a direct or indirect holding by Shanghai Electric Group Co., Ltd., Shanghai, China in the company (the "SHE CoC"), as a result of the SHE CoC, in deviation to the rules above, the member of the Managing Board (a) is, up to the expiration of a calendar year from the occurrence of the SHE CoC, only entitled to terminate the employment contract on the basis of the SHE CoC with a notice period of three months to the end of a calendar month and to resign his office as a member of the Managing Board with the same notice period, if the composition of the Managing Board changes within a calendar year after the occurrence of the SHE CoC (for example, as a result of the appointment of an additional member of the Managing Board or the ending of the period of office of one of the current members of the Managing Board); the SHE CoC along with the change of the composition of the Managing Board to this extent is deemed to be good cause for the resignation from office. The rights pursuant to letter (a) can be exercised only – in the case of the employment contracts of Martin Hipp and Martin Drasch – within six months or – in the case of Managing Board chairman Dieter Manz – only within twelve months after the change in the composition of the Managing Board; (b) after the expiration of a calendar year following the occurrence of the SHE CoC, independent of a change of the composition of the Managing Board, the Managing Board member is authorized on the basis of the SHE CoC to terminate the employment contract with a notice period of three months to the end of a calendar month and to resign his position as member of the Managing Board with the same notice period; the SHE CoC to this extent is deemed to be good cause for resignation of office. The rights under letter (b) can in each case be exercised only up to the expiration of eighteen months following occurrence of the SHE CoC.

A change of control is deemed to have taken place when the company receives notification from a notifying party in accordance with Section 21(1), sentence 1 of the German Securities Trading Act (WpHG) that the notifying party, with inclusion of the voting rights attributable to him pursuant to Section 22 WpHG, has reached or exceeded a 25 % or higher share of voting rights in the company. Under the employment contract of Managing Board member Martin Hipp, a change of control is also present if the company receives notices from Mr. Dieter Manz or from Mrs. Ulrike Manz in accordance with Section 21(1) sentence 1 WpHG which indicate that Mr. Dieter Manz and Mrs. Ulrike Manz, with inclusion of the voting rights attributable to them pursuant to Section 22 WpHG, combined, fall under 30 % of the voting rights in the company.

In the event of a termination of the employment contract pursuant to the above provisions, the member of the Managing Board shall receive a severance payment. This severance payment shall consist of the total amount of the fixed salary owed for the remaining term of the employment contract and the total amount of the cash bonus owed for the remaining term of the employment contract, whereby for the calculation of the amount, the average of the EBT return in the last fiscal year before the termination and the EBT return which is expected to be realized in the current fiscal year according the forecast of the company are to be taken as the basis. The severance payment is limited to the amount that corresponds to 150 % of the severance cap. The value of two years' annual compensation is deemed to be the severance cap. If the remaining employment term on the date the resignation becomes effective amounts to more than two years, the severance payment is reduced, insofar as it is being granted for the exceeding period, by 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 discounted at 3 % p.a. each to the date on which the severance payment is due.

In other respects, the company has not entered into any agreements with members of the Managing Board or with employees which make provision for compensation payments in the event of a takeover bid.

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 2015 fiscal year.

System of compensation for the Managing Board

The compensation system for the members of the Managing Board of Manz AG applicable for the reporting year was approved by the Annual General Meeting of June 28, 2011, with a majority of 99.24 % of the votes cast.

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

The compensation paid to members of the Managing Board consists 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 consist of a fixed monthly salary, benefits in kind, and contributions to a company retirement scheme.

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 company car, which can also be used for private purposes, is provided to Managing Board members as a benefit in kind. In addition, the company has taken out accident insurance policies with appropriate benefits for each of the Managing Board members. These policies also cover non-work-related accidents. Furthermore, the company also covers the cost of D&O insurance for each member of the Managing Board.

The 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, the 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 members Martin Hipp and Martin Drasch, the company has undertaken to set up a pension scheme through payment of annual contributions to a provident fund.

Variable elements of compensation

General

Variable compensation comprises both an annual component calculated on the basis of the company's performance and provided in the form of a cash bonus (short-term variable compensation) and a stock-based component calculated on a multiyear basis and provided in the form of share subscription rights to be granted annually, as stipulated in the Manz Performance Share Plan 2015 (long-term variable compensation).

The variable components complement the fixed elements of compensation, serving 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 subscription rights granted as a result of the Manz Performance Share Plan 2015 (calculated using accepted mathematical finance methods) outweighs the annual cash bonus.

Annual cash bonus

The aim 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 as set out in the consolidated financial statements 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 annual salary).

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

In order to calculate the ratio between the individual elements of compensation, the Supervisory Board has defined an EBT return of 10 % as the middle target of short-term variable compensation. At this middle value, the cash bonus is 60 % of the fixed annual salary.

Manz Performance Share Plan 2012 and Manz Performance Share Plan 2015

The goal of the subscription rights to Manz shares granted in the years 2013 and 2014 pursuant to the stipulations of the Manz Performance Share Plan 2012 and those granted in the year 2015 and to be granted in the future on the basis of the Manz Performance Share Plan 2015 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 can – in the framework of the statutory provisions for the reasonableness of compensation – establish the number of subscription rights to be granted to the individual members of the Management Board basically at its discretion. There is no contractual claim for the granting of performance shares.

In order to calculate the number of performance shares to issue, however, the Supervisory Board has defined a guideline to the effect that the annual long-term variable compensation in the form of performance shares (allocation value) should normally be 50 % of the respective Managing Board member's total cash compensation. In this case, total cash compensation consists of the member's annual fixed salary as well as the middle target value of the annual cash bonus equal to 60 % of the annual fixed salary. The performance shares to be granted shall be valued upon issuance through the price of the Manz share in Xetra trading on the Frankfurt Stock Exchange on the basis of an appropriate period of time at the beginning of the particular issuing period.

Detailed information about the Manz Performance Share Plan 2012 and the Manz Performance Share Plan 2015 as well as the subscription rights to shares of the company issued on the basis of the performance share plans are included in the "Manz AG Corporate Governance Statement and Corporate Governance Report for Fiscal Year 2015" in Section VIII., which is available on Manz AG's website 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 provide 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) shall not exceed two years' annual compensation (severance cap) and that the member shall 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 contracts with members of the Managing Board provide that, in the event of a change of control, the Managing Board member is entitled to terminate the employment contract with three months' notice to the end of a calendar month and to resign from the position as member of the Managing Board with the same notice period. A change of control is basically deemed to have taken place if the company receives a statement from an individual legally required pursuant to Section 21(1) Sentence 1 of the German Securities Trading Act (WpHG) to submit such information informing the company that said person, including the voting rights attributable to him pursuant to Section 22 WpHG, has reached or exceeded a 25% or higher share of voting rights in the company. In the event of a termination of the employment contract pursuant to the above provisions, the member of the Managing Board shall receive a severance payment.

Detailed information on the change-of-control provisions in the employment contracts of the members of the Managing Board are contained in this Group management report in the section "Disclosures in Accordance with Section 315(4) of the German Commercial Code (HGB) and Notes Pursuant to Section 176(1) Sentence 1 of the German Stock Corporation Act (AktG) and Disclosures Pursuant to Section 289(4), Section 315(4) HGB" in the subsection "Compensation agreements which were concluded by the company with members of the Managing Board or with employees in the event of a takeover bid."

Compensation in the 2015 fiscal year

Compensation of the Managing Board

Compensation of the Managing Board according to IFRS

The members of the Managing Board received total compensation in the 2015 fiscal year of 1,163 thousand euros for carrying out their duties (previous year: 828 thousand euros).

The following table provides an overview of the compensation paid to individual members of the Managing Board according to IFRS for performing their duties in the 2015 fiscal year:

Compensation of the Managing Board

	Fixed components		Performance-based components (short-term incentive)	Components with long-term incentive	
(in EUR tsd.) (previous year in in parentheses)	**Fixed salary**	**Other benefits***	**Cash bonus**	**Subscription rights to stock (fair value)**	**Total**
Dieter Manz, CEO	288 (288)	21 (20)	0 (0)	204 (181)	**513** (489)
Martin Hipp, CFO	187 (179)	35 (22)	0 (32)	136 (107)	**358** (340)
Martin Drasch, COO (since Aug. 1, 2015)	85	21	50	136	**292**
Total	**560** (467)	**77** (42)	**50** (32)	**476** (288)	**1.163** (829)

* Particularly non-cash benefits and contributions to a company retirement scheme (provident fund)

The subscription rights to shares of Manz AG on the basis of the Manz Performance Share Plan 2012 (2014 tranche) and on the basis of the Manz Performance Share Plan 2015 (2015 tranche) were measured at the fair value using recognized mathematical finance methods.

Compensation of the Managing Board according to the German Corporate Governance Code

The compensation of the Managing Board for the fiscal year 2015 is also disclosed on the basis of the presentation recommended by the German Corporate Governance Code in the framework of exemplary tables broken down by the benefits granted and the allocation.
The following table shows the benefits, including fringe benefits granted to the individual

members of the Managing Board, for the reporting year and the previous year in accordance with the recommendations of the German Corporate Governance Code. It lists the target values for the variable compensation (payment in the event of 100 % attainment of target) as well as for the achievable minimum and maximum compensation for the reporting year.

	Dieter Manz Chief Executing Officer				**Martin Hipp** Chief Financial Officer				**Martin Drasch** Chief Operations Officer (since August 1, 2015)			
Benefits granted (in tsd. euros)	**2014** Target value	**2015** Target value	**2015** (Min.)	**2015** (Max.)	**2014** Target value	**2015** Target value	**2015** (Min.)	**2015** (Max.)	**2014** Target value	**2015** Target value	**2015** (Min.)	**2015** (Max.)
Fixed compensation	288	288	288	288	179	187	187	187	–	135	135	135
Fringe benefits	18	18	18	18	15	23	23	23	–	9	9	9
Total	**306**	**306**	**306**	**306**	**194**	**210**	**210**	**210**	**–**	**144**	**144**	**144**
Single-year variable compensation	173	173	0	461	101	106	0	282	–	48	0	128
Multiyear variable compensation												
Manz Performance Share Plan 2012 – Tranche 2014 (Term to 2022)	181				107				–			
Manz Performance Share Plan 2015 – Tranche 2015 (Term to 2018)		204	204	204		136	136	136		136	136	136
Total	**660**	**683**	**510**	**971**	**402**	**452**	**346**	**628**	**–**	**328**	**280**	**408**
Pension expense [1]	15	12	12	12	7	12	12	12	–	12	12	12
Total compensation	**675**	**695**	**522**	**983**	**409**	**464**	**358**	**640**	**–**	**340**	**292**	**420**

1 For Dieter Manz, service cost in accordance with IFRS; for Martin Hipp and Martin Drasch, contribution-based payments to the provident fund

The following table shows the allocation of the compensation granted to the individual members of the Managing Board in or for the reporting year and the previous year in accordance with the recommendations of the German Corporate Governance Code.

	Dieter Manz Chief Executing Officer		Martin Hipp Chief Financial Officer		Martin Drasch Chief Operations Officer (since August 1, 2015)	
Allocation (in EUR tsd.)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Fixed compensation	288	288	187	179	85	–
Fringe benefits	18	18	23	15	9	–
Total	**306**	**306**	**210**	**194**	**94**	**–**
Single-year variable compensation [1]	0	0	0	0	0	–
Multiyear variable compensation						
Manz Performance Share Plan 2008 – Tranche 2008 (Term to 2014)	–	0	0	0	–	–
Manz Performance Share Plan 2008 – Tranche 2009 (Term to 2015)	0	0	0	0	–	–
Manz Performance Share Plan 2008 – Tranche 2010 (Term to 2016)	0	0	0	0	–	–
Manz Performance Share Plan 2011 – Tranche 2011 (Term to 2019)	0	0			–	–
Sonstiges	–	–	–	–	–	–
Total	**306**	**306**	**210**	**194**	**94**	**–**
Pension expense [2]	15	12	12	7	12	–
Total compensation	**321**	**318**	**222**	**201**	**106**	**–**

1 For Dieter Manz, service cost in accordance with IFRS; for Martin Hipp and Martin Drasch, contribution-based payments to the provident fund.

Supervisory Board compensation

The compensation of the Supervisory Board is laid down in the Articles of Incorporation. The resolution stipulates that, in addition to reimbursement of expenses, each member of the Supervisory Board shall receive fixed compensation of 12,000.00 euros, payable at the end of each fiscal year. The compensation for the chairperson of the Supervisory Board is 24,000.00 euros, while, for the deputy chairperson, it is 18,000.00 euros. Supervisory Board members that are only members during a portion of a fiscal year receive proportionately less compensation. The company also reimburses Supervisory Board members for any VAT to be paid 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 take out corresponding liability insurance against legal expenses and property loss (D&O insurance).

The following table provides an overview of the compensation paid to individual members of the Supervisory Board for performing their duties in the 2015 fiscal year (previous year's values in parentheses):

Supervisory Board Compensation

(in EUR tsd.) (previous year in parentheses)	**Fixed salary**
Prof. Dr. Heiko Aurenz, Chairperson	24 (24)
Dr.-Ing. E.h. Peter Leibinger, Deputy chairperson	18 (18)
Prof. Dr.-Ing. Michael Powalla	12 (12)
Total	**54** (54)

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

In the reporting year, as in the previous year, members of the Supervisory Board did not receive any further compensation or benefits for services they rendered, in particular advisory and brokerage services. As in the previous years, no loans or advances were granted to members of the Supervisory Board and no contingencies were entered into for their benefit.

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 to initiate appropriate measures to avert any threat of damage. By availing itself of a risk management system integrated into the company's corporate governance, Manz AG is able to identify and evaluate potential risks across the Group in a timely manner and to counter them with appropriate measures. In the course of its entrepreneurial activities, i.e. in the interplay between opportunities and risks, Manz AG also consciously takes risks that are commensurate with the expected benefit from the corresponding business activity. As such, risks cannot be completely avoided, but they are minimized or transferred where possible.

The company's risk management activities are managed centrally by the risk management officer, are regularly evaluated with regard to their effectiveness and appropriateness, 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 oral inquiries are used to detect potential risks in all business segments and, at the same time, they also give Manz the opportunity to take prompt countermeasures to prevent any negative developments. An overall report is submitted to the Managing and Supervisory Boards once a year for comprehensive assessment of the risk situation.

Risks are regularly analyzed and evaluated using a risk management system, consisting of a defined group of risk officers, fixed risk categories, and a risk classification scheme that reflects the exposure to risk and how urgently action needs to be taken. The identification and handling of risks are embedded in the corporate principles and are defined as a duty shared by all Manz AG employees. Integrating the company's entire workforce enables risks to be identified quickly and communicated to the appropriate risk officer, who must then take appropriate steps in accordance with the principles of action defined across the Group. In order to identify risks as comprehensively as possible, they are grouped into different topical areas.

The following risk categories are distinguished, in principle:
- 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

By way of supplementing this risk management system, Manz also carries out further activities to identify and minimize risks in the context of a semi-annual planning process. The company continuously monitors technology and markets in order to devise different scenarios that apply 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 in the medium term, and to secure the company's long-term existence.

The effectiveness and appropriateness of our risk management system have been assessed by the public auditors. They found that the Managing Board has taken the necessary measures as stipulated in Section 91(2) of the German Stock Corporation Act, in particular with regard to the establishment of a monitoring system, and that the system is likely to identify, at an early juncture, developments that put the company's continued existence at risk. Manz AG thereby fulfills the requirements of the German Control and Transparency in Business Act (KonTraG).

Risk management system for the accounting process (Section 289(5) and Section 315(2) No. 5 of the German Commercial Code (HGB))

The goal of Manz AG's risk management system as it pertains to the accounting process is to identify and assess risks that might conflict with the compliance of the consolidated financial statements with the rules. Risk management encompasses the entirety of the organizational regulations and measures for detecting risks and for dealing with the risks associated with entrepreneurial activity. With respect to the accounting process, the following structures and processes have been implemented at Manz: The CFO bears complete responsibility for the internal monitoring and risk management system as it pertains to the accounting process. All of the companies included in the consolidated financial statements are integrated via a defined management and reporting organizational structure. The separate financial statements of Manz AG and its subsidiaries are prepared in accordance with the corresponding national legislation and reconciled in financial statements in accordance with IFRS.

Group accounting guidelines ensure that recognition and measurement, which are brought into line with current external and internal developments at regular intervals, are carried out uniformly on the basis of the provisions applicable to the parent company. Furthermore, companies in the Group are prescribed report packages that they are required to prepare. The company has been using the SAP tool BCS for its monthly consolidation process since the 2010 fiscal year. In order to examine data consistency, this tool already carries out automatic plausibility checks when data are entered. Consolidation measures and monitoring of adherence to chronological and process-related requirements are carried out by members of the consolidation department at Group level. Additional monitoring activities at Group level include analyzing, and if necessary, adjusting the separate financial statements submitted by the Group's subsidiaries, in accordance with the reports submitted by the auditors.

Further key elements of the company's strategy for monitoring risks in the accounting process include functional separation between entry, verification, and approval, as well as a clear allocation of responsibilities in the departments in question. 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 process levels. If there are special issues of a technical or complex nature, the company also involves external experts. In addition to the internal monitoring of accounting-related processes and structures, the auditors also provide an assessment in the context of their auditing activity.

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 accordance with the legal requirements, generally accepted accounting principles, international accounting standards, and the Group's internal guidelines.

The Managing Board views the established systems, which are regularly reviewed in respect of their potential for optimization and further development, as appropriate and fully functional. Any potential improvements identified are implemented by the Managing Board in conjunction with Manz AG's employees.

RISK REPORT

Industry Risks

Macroeconomic risks

As the massive economic upheavals resulting from the international economic and financial crisis have shown, macroeconomic and financial trends in Manz AG's main sales markets may involve negative effects on business performance. Thus investments in our three strategic business segments Electronics, Solar and Energy storage might be postponed as a result of financing bottlenecks. In addition, the refinancing of listed companies via the capital market might become much more difficult. There is a risk that potential customers of Manz AG, in general, do not have the necessary capital available for investment in new equipment. This would noticeably slow down growth in the solar and electronics markets, as well as in the field of lithium-ion batteries. In this scenario, the company might not be able to achieve its growth targets as planned. The company has diversified these risks by creating an established network, by constantly expanding worldwide production and sales capacities, by maintaining a liquidity buffer to offset slumps in demand and by having a clear focus on various growth markets of various regions worldwide.

Risks from increasing competition

Existing and potential competitors, particularly Asian manufacturers, may try to gain market share in Manz AG's target industries through aggressive price policies. The manufacture of copy-cat products in the Asia region poses an additional risk. This could have a direct impact on Manz AG's revenues and earnings, as well as the company's market share. In order to counter these risks effectively, 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, Manz AG strengthens its own local presence close to its customers by means of its "Follow the market" strategy. With its production facilities in Taiwan and China, production costs that are standard for the local area, and direct customer contacts, Manz thus counteracts any churn to domestic competitors.

Risks from rapid technological change and from launching new products

As a technological leader, research and development activities as well as an innovative portfolio of products are of key importance to the company. The industries for which Manz AG develops, manufactures and sells its machines and equipment are characterized by rapid technological change, in particular in its strategic business segments Electronics, Energy Storage and Solar. Competitors of Manz AG could succeed through the development of appropriate new technologies or on the basis of better knowledge or structures in reacting more quickly or better to changed customer requirements and thus achieve a competitive advantage over Manz AG. In these cases, the demand for the products of Manz AG could be significantly impaired. Furthermore, machines and equipment might be developed for which there is no or only slight demand on the market. This could result in significant negative effects on the financial position, financial performance and cash flows of the Manz Group. In order to control these risks, Manz AG maintains close contact with its customers, which enables the company to identify new trends early on. In addition, the company carefully examines possible market potential in advance in order to be able to estimate the returns on development projects and thus deploy resources in an optimal fashion.

Risks in the Solar or CIGS Technology segments

The company and its subsidiary Manz CIGS Technology GmbH have invested considerable funds in the acquisition and further development of CIGS thin-film technology and with CIGS*fab* offer on the market a fully integrated and automated production line for the manufacture of CIGS thin-film solar modules. Due to the difficult market environment and the resulting investment restraint of potential customers as well as in some cases lack of finances, it has still not been possible, despite a series of promising contract negotiations, to execute an order for the delivery of a CIGS*fab*. Due to the considerable cost burdens, the company has examined the strategic options of the Solar segment and has decided with respect to the planned cooperation with Shanghai Electric among other things in the field of photovoltaics to continue the solar segment.

Consolidation in the solar industry could continue further and replacement investments by customers in the solar industry could be postponed or could completely fail to materialize. Furthermore, there is presently no assurance that the planned comprehensive cooperation in the field of CIGS solar technology will actually be carried out or will be carried out with the desired economic result. If the company does not obtain an order in the near future for a CIGS*fab* and also no other financing for this strategic business segment, it prospectively will close the Solar segment. It would also be obligated to do so under the agreements with the German creditors if it is not possible to carry out the capital increase and to fully repay the loans and credits of the German lenders with a portion of the proceeds of the capital increase. The closing of the Solar segment could result in write-offs on licenses, goodwill and capitalized development costs as well as restructuring expenses.

Risk resulting from deteriorating investment propensity of customers in Asia

A deterioration of the global economic development or in the Manz Group's sales markets, especially in the primary sales market Asia, in particular a further slowing of economic growth in China as well as a lasting or intensified weakness on the Chinese financial markets with accompanying financing bottlenecks for Chinese customers, can lead to a further decline in the investment propensity of its customers. This can result in the anticipated orders failing to materialize or in existing orders being postponed or canceled. Ongoing observation of external market data and intensive contact with our customers should reduce this risk.

Strategic Risks

Risks in the event of non-execution of the agreement with Shanghai Electric

The Manz Group and Shanghai Electric Group Co., Ltd. ("Shanghai Electric) intend to establish, on the basis of a strategic cooperation agreement, a comprehensive cooperation in the fields of Energy Storage and Solar as well as in other fields of automation technology of the Manz Group, with reservation in particular for the acquisition by Shanghai Electric and/or a yet-to-be formed subsidiary of an interest in Manz AG in the amount of around 30%. Dieter Manz, the shareholder with a current interest of 35.2% in the company and Chairman of the Managing Board, is interested in furthering the cooperation of the companies and to this end facilitating the targeted interest on the part of Shanghai Electric. He intends, however, to continue to hold a major interest in the company.

The shareholders Dieter Manz and Ulrike Manz obligated themselves in the framework of the Investment and Backstop Agreement (the "Investment Agreement") of February 28, 2016, entered into between Manz AG, Dieter Manz, Ulrike Manz and Shanghai Electric, to transfer, at no cost, the subscription rights resulting from the capital increase associated with their shares to Shanghai Electric. In the framework of the investment agreement, Shanghai Electric agreed to exercise these subscription rights. Furthermore Shanghai Electric agreed in the investment agreement to subscribe to the shares not subscribed by the shareholders and holders of subscription rights at the subscription price. The obligations of Shanghai under the investment agreement to take over the new shares is conditional on the approval of the anti-trust authorities in China and various official approvals in China and Taiwan.

Under Taiwanese investment law, approval of the Taiwanese Investment Commission is required when there is a direct or indirect interest of a person from the People's Republic of China in the amount of 30 %. Since it is possible that Shanghai Electric could in the future hold an indirect interest in Manz AG of at least 30 %, such an approval is expected to be required. It is uncertain whether this approval will be granted. Furthermore it cannot be ruled out that an already granted approval may be subsequently revoked. If approval is not granted or approval already granted is revoked, the Investment Commission can demand that the interest in the Taiwanese subsidiaries be sold or the non-allowed business activity of these companies be halted. In this case, operations in the location in Chungli, Taiwan, would have to be halted and an attempt would have to be made to shift the order processing to the location in Suzhou, China. Furthermore the partner of the Taiwanese joint venture company Talus Manufacturing Ltd., in which the subsidiary Manz Taiwan Ltd. holds an 80.5 % interest, has a right to terminate the joint venture agreement among other things if shares of Manz AG are sold by their former shareholders to third parties with the result that a person or company from the People's Republic of China directly or indirectly holds an interest of more than 30 % in Manz AG. Since it is possible that Shanghai Electric could in the future hold an indirect interest in Manz AG of more than 30 %, the joint venture partner could possibly exercise this right of termination. In the event of exercise of the termination right, the joint venture partner will have the right to acquire the shares of Manz Taiwan Ltd. in Talus Manufacturing Ltd. for payment of the value of the interest (purchase option). Exercise of the termination right and the purchase option would result in non-realization of the expected sales revenues and revenues of Talus Manufacturing Ltd. from the manufacture of new equipment and the preparation of used equipment for the manufacture of semiconductors on behalf of the joint venture partner.

If the conditions for the obligations of Shanghai Electric as a whole are not realized or if the investment agreement is not carried out for other reasons and Shanghai Electric does not take over the new shares, it will not be possible to carry out the capital increase, with the result that the planned net issue proceeds do not flow in. Furthermore, this would have the result that the planned strategic cooperation between the company and Shanghai Electric, in particular in the solar field, would not take place as planned and the company would prospectively have to close the Solar segment. The closing of the Solar segment could result in write-offs on licenses, goodwill and capitalized development costs as well as restructuring expenses in the mid two-digit million euro range, of which a single-digit million euro amount would have a cash-flow impact. This would result in considerable negative effects on the financial position, financial performance and cash flows of the Manz Group and possibly the insolvency of the company and/or other companies of the Manz Group. The company assumes that the agreement with Shanghai Electric and the planned capital increase will be implemented as planned.

Risk resulting from failure of the restructuring concept

In fiscal year 2015, the company reacted to losses in the financial position, financial performance and cash flows of Manz AG with a restructuring concept that provides a series of measures (the "Measures") for (i) the optimization of operating processes, structures and capacities (in particular the reduction of personnel costs), (ii) the shifting of production from Taiwan and Germany to China, (iii) intensified sales actions and the addition of more innovative, higher margin high-end products to the portfolio of products, (iv) the carrying out of a capital increase against cash contributions in sufficient amount to ensure coverage of the restructuring costs as well as repayments of the loans of the German lenders and if applicable of the European Investment Bank. Under the restructuring concept, the measures are be carried out within a schedule, compliance with which is dependent on its successful implementation.

There is a possibility that essential assumptions of the restructuring concept will prove to be incorrect, the measures provided will turn out to be insufficient, the implementation of the measures will not be successful or not timely or the measures in operations will result in higher expenses than assumed. The planned measures in some cases are dependent upon each other, so that the failure of measures in turn can make other measures more difficult or impossible. In addition, the implementation of some of the measures depends on the participation of third parties, in particular customers, suppliers, employees and investors. The failure of the restructuring concept as a whole or an essential portion thereof would have considerable negative effects on the financial position, financial performance and cash flow of the Manz Group. Furthermore this can have existence-threatening consequences that can lead to insolvency of the company and/or other companies of the Manz Group. Detailed planning should counter the possible failure of the restructuring concept.

Risk resulting from the possibility of termination of the license agreement with ZSW

There is a patent and know-how license agreement between the subsidiary Manz CIGS Technology GmbH and the Center for Solar Energy and Hydrogen Research at Baden-Württemberg (ZSW), a research institute of the state of Baden-Württemberg, under which the ZSW grants Manz CIGS Technology GmbH an exclusive license to its patents and its know-how with respect to CIS and CIGS technology for the manufacture of thin-film solar cells. The patent and know-how license agreement currently has a fixed term through December 31, 2016 and can be extended by Manz CIGS Technology GmbH to December 31, 2018 through the exercise of an option. In the event of the exercise of the extension option, ZSW would therefore be able to terminate the patent and license agreement as of December 31, 2018 with the result that Manz CIGS Technology GmbH would beginning with the year 2020 through the year 2024 have only a non-exclusive license and the ZSW would be able to grant licenses with respect to CIS and CIGS technology to competitors as well. As a result, competition in the Solar segment could intensify. In addition, the Manz Group beginning with the year 2025 would no longer be able to use the CIGS thin-film technology currently employed in its CIGS*fab*.

Moreover, the patent and know-how license can be terminated for cause without notice period, whereby cause is present among other things in the event of a so-called change-of-control event. This includes a change in the ownership of Manz AG in which one person or several persons acting together acquire at least 30 % of the voting rights in Manz AG and the shareholder Dieter Manz holds less than 30 % of the voting rights in Manz. After the capital increase has been carried and the investment and backstop agreements have been executed, the voting rights of the shareholder Dieter Manz in an annual general meeting of Manz AG in the future will prospectively fall under the threshold of 30 %. Furthermore, in the event of conclusion of a voting agreement between the shareholder Dieter Manz and the subsidiary of Shanghai Electric, the voting rights of Dieter Manz are to be attributed to the subsidiary of Shanghai Electric and its parent company pursuant to Section 30 of the German Securities Trading Act, with the result that Shanghai Electric in the future might, already when taking into account the attributed voting rights and also in addition on the basis of a mandatory offer of Shanghai Electric under the German Securities Trading Act and a transfer of shares of Dieter Manz to Shanghai Electric, have at its disposal voting rights in an annual general meeting of Manz AG of more than 30 %. The ZSW in this event will be entitled to a termination of the patent and know-how license agreement without notice for cause.

An ordinary termination of the patent and know-how license agreement by ZSW as of December 31, 2016 or – in the event of exercise of the extension option of Manz CIGS Technology GmbH – as of December 31, 2018 can result in a considerable weakening of the competitive position of the Manz Group. If ZSW terminates the patent and know-how agreement for cause without notice period following a change-of-control event, the Manz Group could no longer be able to use the CIGS thin-film technology used in the currently offered CIGS*fab* already beginning at that point in time. This could result in the closing of the Solar segment. Any of these circumstances would result in significant negative effects on the financial position, financial performance and cash flows of the Manz Group.

In its letter dated February 18, 2016, the ZSW held out the prospect of waiving termination of the agreement subject to a legal examination of the event, including with respect to provisions of grant law as well as the approval of the control body and the supervisory officials of the ZSW. Manz AG therefore assumes that the ZSW will not make use of an opportunity to terminate in the event one should arise.

Operating Risks

Project risks

Project risks relate primarily to non-standardized major contracts. In such contracts risks arise from missing planned costs or schedules as well as non fulfillment of the acceptance criteria and order cancellations and the associated non acceptance of contracts and resulting contract risks. Manz AG counters these risks already in the bid phase through project projections and detailed schedules and through ongoing monitoring in the framework of project control. The financial risk is reduced through regular agreement of progress payments.

Customer risks

In the strategic segments Electronics and Energy Storage, the Manz Group realizes a significant share of its sales on the basis of orders of an important customer as well as through supplying suppliers of such customer. Thus in fiscal year 2015, the Manz Group realized sales revenue in the amount of a total of 104.0 million euros or 46.9 % of total revenues from business relations with this important customer as well as supplying the suppliers of such customer, which in addition frequently involves order volumes in the double-digit million euro range, which represents major orders for the Manz Group. Manz tries to reduce the risk of negative effects in the event of a negative development with this important customer through further diversification of the customer base and the business model in markets and regions.

Technological risks

In the opinion of the company, the Manz Group is among the leading technology companies in most of the fields in which it offers its machinery and equipment. In its strategic business segments, however, it is in competition with several other companies and therefore depends on continually developing new, pioneering production equipment and machinery. Due to the challenging financial situation of the Manz Group there is a risk that in the future it will not be possible for the Manz Group, or will not be possible uniformly in all strategic business segments, to carry out in particular development projects that are costly in terms of time and money in the scope necessary to maintain its leading role and thus its market position. Manz is attempting to reduce this risk by improving its financial performance with the aid of the planned capital increase.

Personnel risks

Qualified and motivated managers and employees are crucially important to the success of a high-tech equipment manufacturer. The loss of executives or employees in key positions could have a negative impact on the company's growth and thus impair its financial position, financial performance and cash flows. At the same time, there is also a risk that the company will not be able to hire a sufficient number of new, suitable executives or additional employees. Manz strives to create a positive work environment that results in low personnel turnover.

As a listed company, Manz AG enjoys greater attention from potential employees than do unlisted companies. As a result, in economically successful phases Manz AG is able to increase attention and its attractiveness as a potential employer extremely quickly. In economically challenging times, the comparably great public interest under the aspect of personnel recruiting is not always to the advantage of the company, its attractiveness as a potential employer suffering rapidly under the negative headlines. A positive aspect of being listed on the stock market, however, is that it allows the company to increase employee loyalty by issuing share options, thus allowing employees to share in the company's profits.

Financial Risks

Liquidity and financing risks

Since the financial crisis and stricter equity capital requirements directives, the lending practice of banks is more restrictive. At the same time, growth and the development of new technologies demand large investments. The demand for financing therefore is rising in the industry. The disappointing development of business of the last two fiscal years and the forecast uncertainties lead to a clearly heightened liquidity risk. The situation was further intensified through the uncertain banking situation.

Alongside a project loan of the European Investment Bank in the amount of 20 million euros for the financing of expenditures of the Manz Group for research, development and innovation activities, in particular in the field of solar technology, the financing of the parent company Manz AG is provided mainly through five German credit institutions (the "German lenders") by means of bilateral overdraft facilities with a total volume of 13.5 million euros and bilateral lines of credit with a total volume of 4.7 million euros as well as through an installment loan granted by one of the German lenders and refinanced by the Kreditanstalt für Wiederaufbau (KfW) with a balance as of December 31, 2015 of 13.125 million euros. The aforementioned bilateral overdraft facilities and credit lines of the German lenders (collectively the "bilateral loan agreements") as well as the KfW refinanced installment loan granted by one of the German lenders (together with the bilateral loan agreements the "German loan agreements") are associated with a collateral agency and alteration of contract agreement as well as a standstill and term extension agreement. The term of the bilateral loan agreements ends on March 31, 2016. The company is currently in negotiations with its creditors. A verbal commitment from the creditors and a draft agreement with an extension of the standstill agreement until July 31, 2016, is already in place. The company assumes that the extension will be in place until July 31, 2016. At that point, the bilateral loan agreements, the outstanding balances of which as of December 31, 2015 were 5.7 million euros (overdraft facilities) and 1.0 million euros (lines of credit), will be due for repayment. If the bilateral loan agreements are not extended, the KfW-refinanced installment loan will become due for repayment early at this point in time.

The German loan agreements provide rights for the German lenders under various conditions to terminate without notice for cause. Along with other customary termination rights, there are termination rights among other things in the event of noncompliance with certain key financial figures, a deterioration of the financial circumstances of the Manz Group and discontinuation of the financing of the company or another company of the Manz Group by one of the other credit institutions. Furthermore there are termination rights if the combined voting rights of shareholders Dieter Manz and Ulrike Manz fall below the threshold of 30 % in an annual general meeting of the company or if a third party has more than 50 % of the voting rights in an annual general meeting of the company, whereby voting rights attributable pursuant to Section 30 of the German Securities Trading Act are also to be taken into consideration in the case of a third party. Following execution of the planned capital increase and the investment and backstop agreements entered into between the shareholders Dieter and Ulrike Manz, Bankhaus Lampe KG, Shanghai Electric or a subsidiary of Shanghai Electric, the combined voting rights of shareholders Dieter Manz and Ulrike Manz in an annual general meeting of the company can be expected in the future to fall below the threshold of 30 %. Furthermore, in the event of conclusion of a voting agreement between the shareholder Dieter Manz and Shanghai Electric, the voting rights of Dieter Manz are to be attributed to the subsidiary of Shanghai Electric and its parent company Shanghai Electric pursuant to Section 30 of the German Securities Trading Act, with the result that Shanghai Electric in the future might already when taking into account the attributed voting rights and also in addition on the basis of a mandatory offer of Shanghai Electric under the German Securities Trading Act and a transfer of shares of Dieter Manz to Shanghai Electric have at its disposal voting rights in an annual general meeting of Manz AG of more than 50 %. The German lenders in this case will also be entitled to terminate the existing loan agreements.

The company, however, intends to fully repay the credits and loans under the German loan agreements with a potion of the proceeds of the planned capital increase.

Under the agreements with the German lenders, the company has done all it can to carry out an equity capital measure by July 2016. If the equity measures should not be carried out as planned, this could lead to the company not being able to repay the credits and loans under the German loan agreements as planned. This furthermore would result in the Solar segment having to be closed under the agreements with the German lenders. If the bilateral loan agreements due in the short term are not extended beyond March 31, 2016 and thus the KfW-refinanced installment loan granted by one of the German lenders also becomes due for repayment, this could result in insolvency of the company. Whether such a further extension of the bilateral loan agreements past July 31, 2016 will take place is currently uncertain.

The subsidiary Manz Slovakia s.r.o. finances itself, alongside a loan in the amount of 3 million euros obtained through December 31, 2019, predominantly through short-term overdraft facilities and installment loans, with loans in the amount of a total of 8 million euros coming due September 30, 2016 and additional loans in the amount of a total of 4 million euros coming due March 31, 2017, the refinancing of which is not assured. The financing of the companies of the Manz Group domiciled in China and Taiwan consists quite predominately of loans which will expire between April 30, 2016 and January 25, 2017, in particular loans and credit lines of Manz China Suzhou Ltd. from seven banks in the amount of a total of 21.1 million euros (as of December 31, 2015) and loans and credit lines of Manz Taiwan Ltd. and Manz (B.V.I.) from seven banks in the amount of a total of 17.1 million euros (as of December 31, 2015), the refinancing of which against the background of the challenging economic situation of the Manz Group is not assured. The loan agreements of the subsidiary Manz Slovakia s.r.o. moreover contain cross-default provisions under which the lenders are entitled to terminate if another company of the Manz Group or Manz AG comes into default with the payment of liabilities that are due.

If with respect to the financing of companies of the Manz Group a financing gap should arise and the net issue proceeds from the planned capital increase are not sufficient to close such gap, this would have significant negative effects on the financial position, financial performance and cash flows of the Manz Group. This is all the more the case since according to the current liquidity planning of the company, the liquidity cushions of the Manz Group, even in the event of the continued existence of the current financing arrangements, are small. This can have existence-threatening consequences that can lead to insolvency of the company and/or other companies of the Manz Group.

The corporate concept and reorganization report prepared by Beratungsgesellschaft Struktur Management Partner is based on the assumption of the capital increase being carried out in the framework of the planned entry of Shanghai Electric in the course of the 2016 fiscal year. It in addition is assumed that the existing loan of the European Investment Bank in the amount of 20.0 million euros will continue unchanged. Under these premises, of the occurrence of which the company is convinced, the continued existence of the Manz Group is assured. The entry of Shanghai Electric is still conditional on obtaining the approval from anti-trust authorities in China, and the issuance of various official approvals in China and Taiwan. If, contrary to the expectation of the management of Manz AG, these approvals should not materialize, the continued existence of the Manz Group and/or individual subsidiaries would be jeopardized.

In the event of a failure of the entry of Shanghai Electric, Manz would pursue other already initiated alternative equity capital measures. Due to the uncertainty of these alternatives and of their timely realizability, the continued existence of the Manz Group would also in this event be jeopardized.

Currency Risks

Manz AG's currency risks arise from operating activities. In fiscal years 2015 and 2014, these activities related exclusively to planned transactions in US dollars from the sale of machinery. The transaction-based currency risk is hedged through forward exchange transactions. The economic currency risk resulting from the volatility of the lead currencies is also reduced through distributing the production locations over several countries (natural hedging).

OPPORTUNITIES REPORT

Diversification of the business model

Manz AG is a high-tech equipment manufacturer with an international presence and a comprehensive technology portfolio. It concentrates its activities on machines and equipment for industrial customers, in particular in the fields of the manufacture of electronic devices and their components (Electronics), of lithium-ion batteries and capacitors for the storage of energy (Energy Storage), and of CIGS thin-film solar modules (Solar). The successfully implemented diversification strategy is an integral part of Manz AG's business model, whereby the company has developed from an automation specialist into a provider of integrated production lines. The extensive technology portfolio comprises the fields of automation metrology, laser processing, vacuum coating, wet chemistry, printing and coating and roll-to-roll processes. Thus Manz AG has established itself as a sought-after supplier of advanced production systems and development partner of innovative production solutions. This diversification gives the company the opportunity to benefit from the growth potential of 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, thereby ensuring additional entrepreneurial stability.

Synergy effects among the business segments

In developing its production systems, Manz AG carries out active technology transfer between the relevant target industries of electronics, energy storage and solar. 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 minimizing the production costs of the final products manufactured on Manz equipment and decisively helps young growth industries develop industrial-scale and profitable production processes. At the same time, the synergy effects achieved between the business segments contribute to revenue growth and increasing the company's profitability. These synergy effects result, for example, from the technologically comparable requirements in the production process for flat panel displays and thin-film solar modules in respect of 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 business segments. Technology transfer between the individual Electronics, Energy Storage and Solar business segments enables Manz AG's business model to be flexible in its response to new growth trends and sales markets with additional revenue and earnings potential while, at the same time, making it possible to reinforce the company's excellent competitive position as an innovation leader in all its business segments.

Significant growth opportunities as a result of internationalization and "Follow the market"

Manz AG is a high-tech equipment manufacturer that operates internationally, with close customer relationships worldwide. In order to further strengthen its international market position, the company operates an extensive service and sales network in the strategic target markets for displays, photovoltaics, and lithium-ion batteries in China, Taiwan, 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 German engineering skill at local prices to its customers, particularly those in Asia, which is currently the company's main sales region. Thanks to the company's production and research & development facilities in Taiwan and China, which currently employ about 800 workers, Manz enjoys outstanding access to Asia's largest growth market. With a total of 2/3 of employees based outside of Germany, Manz offers its customers extremely high availability and, at the same time, guarantees close, trusting customer relationships. This enables the company to identify technological trends at an early stage, anticipate the necessary production technologies on this basis, set new standards and thereby gain additional market share. This closeness to customers and the company's practically oriented production solutions strengthen Manz's competitive advantages in its international target markets in the long term and offer the company opportunities for revenue and earnings growth.

Necessary new investments in the photovoltaics industry

In the previous fiscal year, the situation in the photovoltaics industry was characterized by strong growth in the retail market. In the year 2015, the number of new installations of photovoltaic systems rose disproportionately. At the same time, a stabilization of the price level for solar modules can be observed. These factors will lead to an increasing investing and planning certainty in the industry, which gives reason to expect a new investment cycle. In the short and medium term, this could lead to a considerable increase in growth rates in the solar sector, since new investments are essential to cost-efficient production. It is against this background that Manz AG is continuing to be committed to further development of CIGS technology. In the opinion of the company, this technology offers the highest potential for increasing efficiency in the future and, as a result, the lowest costs per watt. With a current efficiency of solar modules produced in a CIGS*fab* of up to 16 % and a reliable technology roadmap for future increases of efficiency, Manz offers maximum investment security. This means that today solar power generated with these solar modules already costs about the same as power from fossil fuel sources and significantly less than power generated by offshore wind farms. Competitiveness of solar power (grid parity) thus is just around the corner and in many regions of the world has already been achieved. Thin-film technology can particularly capitalize on its advantages over crystalline technology in sunny countries such as India, China, Arab countries and South Africa, which means that the prospects for this business segment remain positive and continue to provide upside potential in terms of Manz AG's future performance.

Market opportunities from acquisitions

Furthermore, the company can develop additional competitive advantages by making targeted acquisitions. This facilitates access to new technologies and the factors that are also scarce and crucial for competitors, namely expertise and qualified personnel. 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 would give the company an even broader foundation, which would have a stabilizing effect on revenues and earnings.

In the Electronics segment, Manz AG acquired patents and property rights to the technology developed by KLEO Halbleitertechnik GmbH for the laser direct imaging of printed circuit boards (LDI) through the takeover, in the framework of a share deal, of KLEO Halbleitertechnik GmbH, a company of the ZEISS Group. Manz, with its technology portfolio unique throughout the world, is in a position to offer its customers costs savings of up to 75 % in the exposure of PCBs and significantly contributes to the shortening of the production cycle. Further diversification within the Electronics division furthermore ensures the sustainable stabilization of the business model of the Group.

OVERALL ASSESSMENT OF RISKS AND OPPORTUNITIES

When all opportunities and risks are considered as a whole, the conclusion is that the risk situation of the Group has grown significantly worse in comparison with the previous year with respect to liquidity and financing. The liquidity and financing risk must be viewed as the most significant risk in the Group. Due to the limited-time extension of the German credit lines, the continued existence of the Manz Group depends on the scheduled implementation of one of the planned capital increases, and that a portion of the issue proceeds is used for repayment of the German bank loans.

As a result of the weak order situation in the Solar segment in recent years, there continues to be a high market risk in this regard. If relatively large new orders do not materialize in the current fiscal year, there will be significant negative effects on the financial position, financial performance and cash flows. As things appear today and with the planned entry of Shanghai Electric, the Solar segment should again grow significantly.

In the Energy Storage and Electronics segments, the Manz Group is well positioned to actively seize opportunities that present themselves.

FORECAST REPORT

OUTLOOK

In our forecast report, we address, insofar as possible, Manz AG's expected future growth and the company's business environment in the current fiscal year of 2016.

In the 2015 fiscal year, Manz AG generated revenues of 222.0 million euros. In operating business, Manz achieved earnings before interest and taxes (EBIT) of –58,2 million euros (previous year: –32.8 million euros) and earnings before interest, taxes, depreciation and amortization (EBITDA) of around –41.9 million euros (previous year: 13.9 million euros). Therefore, with regard to the sales revenues that were achieved, Manz AG slightly surpassed the forecast for the 2015 fiscal year, which was adjusted in October 2015, with sales revenues ranging between 200 and 210 million euros, while the EBIT, a negative amount in the middle double-digit million range, is within the range of the adjusted results forecast. Originally we had assumed an increase in revenues from 306 million euros in fiscal year 2014 to between 320 and 340 million euros and a clearly positive EBIT in fiscal year 2015. The forecast had to be revised twice due to the significant impact of the order cancellations and delays of approximately 140 million euros on the company's revenues and income performance since the middle of 2015.

In Asia, the crucial region for us, economic earning power is expected to grow in the current fiscal year at the prior-year level. In the region's largest national economy, the People's Republic of China, GDP growth of 6.5 % is expected. At the same time, experts from the Kiel Institute for the World Economy (IfW) also expect the global economy to show a stable development at 3.4 % in 2016. Given the anticipated economic market forecasts, we see good framework conditions for our company to grow in the current fiscal year. It should be borne in mind that the current economic framework conditions increase uncertainty with respect to statements about future growth, as underlying premises can quickly lose their validity. The framework conditions give rise to opportunities and risks for the Manz Group's continued operating growth.

In addition to these macroeconomic framework conditions, developments in the electronics, solar and lithium-ion battery sub-markets are also crucial to Manz AG's further operating growth.

For the current 2016 fiscal year, we expect operating activities in our Electronics business segment to show a significant improvement. This assumption is based on the sustained high demand for end devices with touch panel displays, such as smartphones and tablet computers. It is our view that the increased demand as well as the additional areas of application will lead to new and replacement investments in production systems, from which Manz AG can benefit. In addition, we expect that the classic display market in Asia will recover again in the current year and that we will also be able to expect impetus from this business segment again. The continuing automation trend in production in Asian countries should also have a positive effect on the demand for our systems for assembly automation. Overall, we expect that in 2016 the Electronics business segment will generate markedly higher sales revenues than in the previous year, with a significantly improved EBIT margin. The value of orders on hand in the Electronics business segment was at 27.8 million euros as of December 31, 2015 (previous year: 19.5 million euros).

For our Solar segment, we feel optimistic in view of a steadily growing end-customer demand for solar modules and the planned cooperation with Shanghai Electric in CIGS technology. The constantly increasing demand makes new investments in modern equipment unavoidable in order to implement profitable manufacture in light of the dramatically falling prices for solar modules in recent years. In the field of thin-film solar technology, we continue to be convinced of the technological superiority of the Manz CIGS*fab*, our turnkey production line for the manufacture of CIGS thin-film solar modules. The effectiveness records in module and cell format achieved by Manz as well as our exclusive research partner ZSW, the Center for Solar Energy and Hydrogen Research at Baden-Württemberg, impressively document that CIGS thin-film solar modules are not only more powerful than multicrystalline solar cells but also are significantly less expensive to produce. The sale of a fully integrated, turnkey production line for CIGS solar modules therefore continues to be our primary goal. With the exception of our automation solutions, we discontinued the business activities in the area of crystalline photovoltaics at the end of 2015. These will be continued at our Chinese location in Suzhou. Overall, we expect that a new order for a CIGS*fab* will have the effect of significantly increasing sales revenues in the Solar segment compared to the previous year. We also expect that the EBIT margin will improve significantly. The value of orders on hand as of December 31, 2015 was 8.9 million euros (previous year: 2.1 million euros).

We also expect to see very positive momentum in our third business segment, Energy Storage. With our production systems for manufacturing lithium-ion batteries for e-mobility, stationary power storage and the consumer electronics sector, we have opened up further target markets that offer us significant revenue and earnings potential. We are seeing a strongly rising demand in particular from customers in the consumer electronics industry; but investments in production capacities for e-mobility are also demonstrating a dynamic development. For the full year 2016, we are anticipating significant increases in revenues and earnings compared to the previous year. The value of orders on hand as of December 31, 2015 was 62.0 million euros (previous year: 46.7 million euros).

The Contract Manufacturing reporting segment is expected to be stable in 2016. For the year 2016, we expect that revenues and earnings will increase significantly due to the additional revenues with Talus Manufacturing. The value of orders on hand as of December 31, 2015 is 6.7 million euros (previous year: 6.1 million euros). In the Others segment, revenues and earnings are expected to be slightly below the previous year's level. The value of orders on hand as of December 31, 2015 was 0.8 million euros (previous year: 3.4 million euros).

In addition to the systematic continuation of our diversification strategy, cross-industry technology transfer and our own production and service locations in our customers' local markets, investments in R&D activities, in particular, are the foundation for sustainable growth. In this context, we want to strengthen and expand our good market position in our business segments by further developing our extensive technology portfolio. Overall, in the current fiscal year we are planning to invest approximately 20 million euros into the R&D segment, which is below the amount in 2015 (27 million euros). The outstanding importance of research at our company is underscored by the ratio of research and development costs to sales of 12.2 % in the 2015 fiscal year.

With respect to our company's financial performance, we expect to see an improved, positive cash flow from operating activities in the current 2016 fiscal year. To secure our liquidity, we will further strengthen the cooperation that we have with our local and international financial institutions and will prospectively carry out in the first six months of 2016 a capital increase against cash contributions of around 43 % (corresponds to around 29.9 % after the capital increase) through the issuance of new shares.

Overall Assertion on the Company's Future Development

We consider the industry outlook in the three strategic segments Electronics, Solar and Energy Storage to be thoroughly positive. Owing to this assessment and orders of around 109.7 million euros as of February 29, 2016, we expect a positive performance for the current fiscal year.

Therefore we expect a significant increase in revenues with much improved earnings before interest and taxes (EBIT). We pursue the goal of achieving at minimum a balanced operating result before depreciation, interest and taxes.

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 performance, 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, 2016

The Managing Board

C

CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED INCOME STATEMENT

(in EUR tsd.)

	Notes	2015	2014
Revenues	1	222,019	305,925
Inventory changes, finished and unfinished goods		–6,700	–6,461
Work performed by the entity and capitalized	2	14,500	9,305
Total operating revenues		**229,819**	**308,769**
Other operating income	3	10,927	12,517
Cost of materials	4	–147,783	–180,168
Gross profit		**92,963**	**141,118**
Personnel expenses	5	–84,007	–72,358
Other operating expenses	6	–50,817	–54,847
EBITDA		**–41,861**	**13,913**
Amortization/depreciation		–16,344	–46,700
Operating earnings (EBIT)		**–58,205**	**–32,787**
Finance income	7	89	413
Finance costs	8	–3,581	–2,193
Earnings before taxes (EBT)		**–61,697**	**–34,567**
Income taxes	10	–2,514	–3,611
Consolidated profit or loss		**–64,211**	**–38,178**
of which attributable to minority interests	11	–9	1
of which attributable to shareholders of Manz AG		–64,202	–38,179
Weighted average number of shares		5,260,702	4,928,059
Earnings per share (diluted = undiluted) in EUR per share	12	–12.20	–7.75

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in EUR tsd.)

	2015	2014
Consolidated profit or loss	**–64,211**	**–38,178**
Difference resulting from currency translation	6,387	5,209
Cash flow hedges	–2,737	–43
Tax effect resulting from components not recognized in profit/loss	632	10
Total of expenditures and income recorded directly in equity with future reclassification with tax effect	**4,282**	**5,176**
Revaluation of defined benefit pension plans	–121	–1,019
Tax effect resulting from components not recognized in profit/loss	12	282
Total of expenditures and income recorded directly in equity without future reclassification with tax effect	**–109**	**–737**
Consolidated comprehensive income	**–60,038**	**–33,739**
of which minority interests	–6	132
of which shareholders of Manz AG	–60,032	–33,871

CONSOLIDATED BALANCE SHEET

ASSETS (in EUR tsd.)

	Notes	Dec. 31, 2015	Dec. 31, 2014
Non-current assets			
Intangible assets	14	81,574	74,740
Property, plant, and equipment	15	42,830	40,266
Deferred taxes	10	4,095	1,746
Other non-current assets		1,634	674
		130,133	**117,426**
Current assets			
Inventories	16	36,636	48,321
Trade receivables	17	83,799	58,708
Income tax receivables		151	82
Derivative financial instruments	18	28	6
Other current receivables	19	7,421	5,886
Liquid funds	20	34,372	23,153
		162,407	**136,156**
Total assets		**292,540**	**253,582**

LIABILITIES AND SHAREHOLDERS' EQUITY
(in EUR tsd.)

	Anhang	Dec. 31, 2015	Dec. 31, 2014
Equity	21		
Issued capital		5,421	4,928
Retained earnings		99,345	103,817
Revenue reserves		–2,315	19,101
Currency translation		18,512	12,128
Shareholders of Manz AG		**120,963**	**139,974**
Minority Interests		4,297	39
		125,260	**140,013**
Non-current liabilities			
Non-current financial liabilites	22	1,913	22,118
Non-current deferred investment grants	23	64	118
Financial liabilities from leases	24	11	24
Pension provisions	25	7,839	8,431
Other non-current provisions	26	2,502	3,552
Other non-current liabilities	27	875	0
Deferred taxes	10	1,178	2,109
		14,382	**36,352**
Current liabilities			
Current financial liabilities	28	80,999	10,179
Trade payables	29	40,809	42,314
Payments received	17	10,507	10,555
Income tax liabilities		196	2,150
Other current provisions	30	6,258	3,514
Derivative financial instruments	18	3,140	184
Other liabilities	31	10,976	8,297
Financial liabilities from leasing	24	13	24
		152,898	**77,217**
Total liabilities and shareholders' equity		**292,540**	**253,582**

CONSOLIDATED CASH FLOW STATEMENT

(in EUR tsd.)

	2015	2014
Cash flow from operating activities		
Operating earnings (EBIT)	–58,205	–32,787
Depreciation / amortization of fixed assets	16,344	46,700
Increase (+) / decrease (–) in pension provisions and other non-current provisions	–1,265	2,396
Other non-cash income (–) and expenses (+)	–59	–3,605
Cash flow	**–43,185**	**12,704**
Gains (+) / losses (–) from disposals of assets	–1,957	–6
Increase (-) / decrease (+) in inventories, trade receivables and other assets	–19,622	3,243
Increase (+) / decrease (-) in trade payables and other liabilities	16,109	–3,560
Income tax received (+)/paid	–5,538	12
Interest paid	–3,260	–1,963
Interest received	87	412
Cash flow from operating activities	**–57,366**	**10,842**
Cash flow from investing activities		
Cash receipts from the sale of fixed assets	1,006	461
Cash payments for investments in intangible assets and property, plant and equipment	–18,332	–14,593
Cash payments for the acquisition of consolidated entities, less liquid funds received	–4,674	–6,968
Cash flow from investing activities	**–22,000**	**–21,100**
Cash flow from financing activities		
Cash receipts from long-term borrowings	13,150	10,000
Cash payments for repayment of long-term borrowings	–600	–6,543
Change in bank overdrafts	37,320	–36,192
Purchase of treasury shares	–11	–184
Cash payments for the repayment of financial leases	–24	–23
Cash receipts from issue of capital	41,889	0
Costs of raising capital (before taxes)	–1,307	0
Cash flow from financing activities	**90,417**	**–32,942**
Cash and cash equivalents at the end of the period		
Net change in cash funds (subtotal 1 – 3)	11,051	–43,200
Effect of exchange rate movements on cash and cash equivalents	168	1,687
Cash and cash equivalents on January 1	23,153	64,666
Cash and cash equivalents on December 31	**34,372**	**23,153**
Composition of cash and cash equivalents		
Liquid funds	34,372	23,153
Cash and cash equivalents on December 31	**34,372**	**23,153**

The cash flow statement is discussed in Note 13.

CONSOLIDATED STATEMENT OF CHANGES TO EQUITY

(in EUR tsd.)

				Revenue reserves						
	Issued capital	**Capital reserves**	**Treasury shares**	Cumulative profit/loss	Remeasurement of pensions	Cash flow hedges	**Currency translation**	**Manz AG shareholders**	**Minority equity**	**Total share-holders' equity**
As of January 1, 2014	**4,928**	**103,822**	**0**	**58,311**	**–1,129**	**–2**	**7,050**	**172,980**	**2,058**	**175,038**
Total comprehensive income				–38,179	–737	–33	5,078	–33,871	132	–33,739
Purchase of treasury shares			–184					–184		–184
Use of treasury shares			184					184		184
Share-based compensation		–5						–5		–5
Change in minority interests due to increase in shares				844	26			870	–2,151	–1,281
As of December 31, 2014	**4,928**	**103,817**	**0**	**20,976**	**–1,840**	**–35**	**12,128**	**139,974**	**39**	**140,013**
As of January 1, 2015	**4,928**	**103,817**	**0**	**20,976**	**–1,840**	**–35**	**12,128**	**139,974**	**39**	**140,013**
Total comprehensive income				–64,202	–109	–2,105	6,384	–60,032	–6	–60,038
Capital increase	493	41,396						41,889		41,889
Costs of raising capital after taxes		–926						–926		–926
Withdrawal from capital reserve		–45,000		45,000				0		0
Purchase of treasury shares			–11					–11		–11
Use of treasury shares			11					11		11
Share-based compensation		58						58		58
Change in minority interests								0	4,264	4,264
As of December 31, 2015	**5,421**	**99,345**	**0**	**1,774**	**–1,949**	**–2,140**	**18,512**	**120,963**	**4,297**	**125,260**

Further information of the Statement of Changes in Equity is provided in the Note 21.

SEGMENT REPORTING FOR DIVISIONS

As of Dec. 31, 2015

(in EUR tsd.)	Revenues with third parties	Revenues with other segments	EBITDA	EBIT	Segment assets	Segment liabilities	**Net assets**	Additions to assets	Depreciation scheduled	Depreciation non-scheduled	Employees (annual average)
Electronics											
2014	216,158		22,926	14,956	78,136	39,419	**38,717**	3,011	3,518	2,406	953
2015	87,646		–23,443	–28,466	58,295	49,302	**8,993**	4,186	3,814		988
Solar											
2014	13,684		–11,708	–43,938	63,120	19,378	**43,742**	5,324	12,480	19,128	290
2015	20,774		–19,055	–27,764	59,636	24,579	**35,057**	7,311	4,931	3,444	273
Energy Storage											
2014	24,084		–4,152	–8,462	38,286	14,017	**24,269**	4,964	3,150	962	92
2015	72,839		–3,882	–5,665	81,559	12,988	**68,571**	4,955	1,569		175
Contract Manufacturing											
2014	36,300		4,083	3,405	17,463	12,733	**4,730**	558	536		66
2015	27,850		2,090	1,553	21,578	14,601	**6,977**	243	413		101
Others											
2014	15,699	13,530	2,764	1,252	7,902	5,049	**2,853**	345	1,276		110
2015	12,910	21,737	2,429	2,137	5,624	4,208	**1,416**	916	170		100
Central functions / other											
2014					48,675	22,973	**25,702**	391	3,244		324
2015					65,848	61,602	**4,246**	721	2,003		316
Consolidation											
2014		–13,530									
2015		–21,737									
Group											
2014	305,925	0	13,913	–32,787	253,582	113,569	**140,013**	14,593	24,204	22,496	1,835
2015	222,019	0	–41,861	–58,205	292,540	167,280	**125,260**	18,332	12,900	3,444	1,953

SEGMENT REPORTING FOR REGIONS

As of Dec. 31, 2015

(in EUR tsd.)	Third-party revenues by customer location	Non-current assets (without deferred taxes)
Germany		
2014	27,770	46,273
2015	17,220	50,052
Rest of Europe		
2014	51,933	18,490
2015	33,730	21,122
China		
2014	203,322	16,267
2015	104,144	18,268
Taiwan		
2014	9,402	34,218
2015	33,747	35,766
Rest of Asia		
2014	3,749	13
2015	6,693	9
USA		
2014	3,085	58
2015	24,615	67
Other Regions		
2014	6,664	361
2015	1,870	754
Group		
2014	305,925	115,680
2015	222,019	126,038

NOTES

GENERAL DISCLOSURES

Manz AG has its headquarters in Steigäckerstrasse 5 in 72768 Reutlingen, Germany. Manz AG and its subsidiaries ("Manz Group" or "Manz") are competent in seven technological fields: automation, laser processing, vacuum coating, printing and coating, metrology, wet chemistry and roll-to-roll. Manz deploys and continuously develops these technologies in three strategic business segments: Electronics, Solar and Energy Storage. Manz AG shares are traded on the regulated market of the Frankfurt Stock Exchange (Prime Standard segment).

Manz AG's consolidated financial statements as of December 31, 2015 were prepared in accordance with International Financial Reporting Standards (IFRS), as applicable in the EU, and the supplementary provisions of German commercial law to be applied under Section 315a(1) of the German Commercial Code (HGB). All mandatory standards and interpretations were taken into account. IFRSs that have not yet become mandatory are not applied. On March 21, 2016, the consolidated financial statements were approved, by resolution of the Managing Board, for presentation to the Supervisory Board.

To aid clarity, individual items have been combined in the balance sheet and the income statement and listed separately and explained in the notes. 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. Unless otherwise stated, the disclosures in the notes are made in thousands of euros (,000 euros). The income statement is prepared according to the nature of expense method.

ACCOUNTING PRINCIPLES

BASIS OF CONSOLIDATION

Manz AG's consolidated financial statements include all the companies whose financial and operating policy Manz AG can either directly or indirectly determine („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 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 Italy s.r.l.	Sasso Marconi/Italy	**100.0%**
Manz Slovakia s.r.o.	Nove Mesto nad Vahom/Slovakia	**100.0%**
Manz Asia Ltd.	Hong-Kong/China	**100.0%**
Manz China Shanghai Ltd. (Shanghai) 1)	Shanghai/China	100.0%
Manz (Shanghai) Trading Company Ltd. 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 Chungli Ltd. 1)	Chungli/Taiwan	100.0%
Manz Taiwan Ltd. 2)	Chungli/Taiwan	100.0%
Talus Manufacturing Ltd. 3)	Chungli/Taiwan	80.5%
Manz (B.V.I.) Ltd. 3)	Road Town/British Virgin Islands	100.0%
Intech Machines (B.V.I.) Co. Ltd. 3)	Road Town/British Virgin Islands	100.0%

1) via Manz Asia Ltd. 2) via Manz Chungli Ltd. 3) via Manz Taiwan Ltd.

The list of holdings is published in the online German Federal Gazette.

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

CHANGES TO THE BASIS OF CONSOLIDATION IN THE 2014 FISCAL YEAR

„Effective June 1, 2015, Manz AG acquired 100 % of the shares of KLEO Halbleitertechnik GmbH, domiciled in Tettnang, a subsidiary of the ZEISS Group. Through this acquisition, the technology portfolio of Manz AG was expanded by the addition of the PCB Laser Direct Imaging (LDI) segment.

In addition to various assets and liabilities, 20 employees were also acquired in this process. The acquired assets are distributed across intangible assets, property, plant and equipment, inventories and receivables. The fair value of the receivables acquired corresponds to the contractually agreed gross amounts of the receivables. Valuation allowances were not formed. Furthermore, Manz also assumed liabilities, which mainly consist of pension provisions, advances received from customers and other liabilities. In addition, the agreement contains an earn-out component that is dependent on future sales of laser direct imaging equipment. As of the time of acquisition, the fair value of the conditional consideration was estimated at 3.1 million euros. As of December 31, 2015, this value was reduced to 1.0 million euros due to changed revenue expectations.

Transaction-related costs of 0.1 million euros were recognized directly as expenses (Other operating expenses).

The following overview renders the fair values of the assets and liabilities acquired through the acquisition as of June 1, 2015. Goodwill represents the assets that cannot be separated in terms of purchase price allocation. It mainly involves employee know-how and synergies from the integration of the acquired business. The goodwill is not tax-deductible. It is allocated to the Electronics segment.

(in EUR million)	Fair value (restated)
Intangible assets	2.6
Property, plant and equipment	0.7
Inventories	2.7
Receivables	0.3
Cash and cash equivalents	0.1
	6.4
Non-current liabilities	0.5
Current liabilities	0.6
	1.1
Fair value of net assets	**5.3**
Consideration (in cash)	5.8
Goodwill	**0.5**

KLEO Halbleitertechnik GmbH was amalgamated with Manz AG on June 1, 2015. If the acquisition had been carried out at the beginning of the reporting year, Group revenues would have been higher by 796 thousand euros, and Group EBIT would have been lower by –972 thousand euros as of December 31, 2015.

Talus Manufacturing Ltd. (domiciled in Taiwan) was established at the end of 2015 together with a leading US semiconductor manufacturer; the transaction was closed with a joint venture agreement on January 11, 2016. Manz Taiwan and the joint venture partner each hold 80.5 % and 19.5 % of the shares, respectively. Manz Taiwan contributed its industrial land in Chungli/Taiwan plus buildings, while the remaining contributions by the shareholders were provided in cash. The joint venture partner has the right to acquire Manz Taiwan Ltd.'s shares in Talus Manufacturing Ltd. after a period of two years against payment of the value of the shareholding. The company is concerned with the manufacture of new facilities and the preparation of used facilities for the manufacture of semiconductors on behalf of the joint venture partner. The company was first consolidated on November 1, 2015, at which time the considerations were paid and the assets were transferred. The company did not generate any revenues in the 2015 fiscal year. The annual result is –19 thousand euros.

CONSOLIDATION PRINCIPLES

Acquisition accounting uses the purchase method. In this case, the acquired assets and liabilities are measured at their fair values at the acquisition date. The acquisition costs for the acquired shares are then offset against the proportionate newly measured equity of the subsidiary. Any remaining positive difference from offsetting the purchase price against the identified assets and liabilities is presented as goodwill in intangible assets. Costs incurred as part of the business combination are expensed and therefore do not represent any part of the acquisition costs.

Any difference arising upon acquisition of additional shares or sale of shares after initial consolidation without loss of control in a subsidiary that has already been fully consolidated is directly offset against equity.

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

If a previous subsidiary is deconsolidated, the difference between the consideration received and the outgoing net assets at the date when control is lost (including any goodwill that still exists from acquisition accounting) is recognized in profit or loss.

Expenses and income as well as receivables, payables, and provisions between consolidated companies are offset and subtotals eliminated. The necessary tax deferrals are carried out on consolidation processes. Furthermore, guarantees assumed by Manz AG or one of its consolidated subsidiaries in favor of other consolidated subsidiaries are eliminated.

Minority interests represent that part of the result and the net assets that is not attributable to the Group. Minority interests are presented separately in the consolidated income statement and the consolidated balance sheet. They are recognized within equity in the consolidated balance sheet, separately from the equity attributable to the shareholders of the parent company.

CURRENCY TRANSLATION

The financial statements of subsidiaries included in the Group prepared in foreign currency are translated into euros in accordance with IAS 21. The functional currency of the included companies is virtually always the same as the respective national currency, as these subsidiaries run their business activities independently in financial, economic and organizational respects. For one subsidiary, the functional currency is not the national currency, but the euro. Assets, liabilities, and contingencies are translated using the average exchange rate on the reporting date, while equity is translated using historical exchange rates. The income statement is translated at the average annual exchange rate. Differences resulting from translating the financial statements are recognized as a separate item directly in equity until the subsidiary is disposed of.

In the annual financial statements of the companies included in the consolidated financial statements, foreign currency items are initially measured at cost. Monetary items are measured at the average price as of the reporting date. Exchange rate gains and losses as of the balance sheet date are recognized in profit or loss.

Exchange Rates of the Most Important Currencies

(in EUR)		Closing rate		Average rate	
		Dec. 31, 2015	Dec. 31, 2014	2015	2014
USA	USD	1.0908	1.2156	1.1104	1.3293
Taiwan	TWD	35.9551	38.6350	35.3317	40.3305
Hong-Kong	HKD	8.4524	9.4316	8.6087	10.3169
China	CNY	7.0822	7.4804	6.9286	8.1726
Hungary	HUF	314.8090	315.0810	310.2570	308.8851

ACCOUNTING PRINCIPLES

Manz AG's assets and liabilities and those of the subsidiaries included by way of full consolidation are recognized and measured using uniform accounting policies applicable within the Manz Group as of December 31, 2015.

FIXED ASSETS

Intangible assets that are not acquired in a business combination are initially recognized at acquisition or production costs. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at acquisition or production costs less any accumulated amortization and any accumulated impairment losses. Costs for internally generated intangible assets, with the exception of capitalizable development costs, are not capitalized, but recognized in profit or loss in the period in which they are incurred.

A distinction is drawn between intangible assets with a finite useful life and those with an indefinite useful life.

Intangible assets with a finite useful life are amortized on a straight-line basis over their economic useful life and checked for possible impairment if there are indications that the intangible asset may be impaired. The period and method of amortization for intangible assets with a finite useful life are reviewed at least at the end of each fiscal year. Any necessary changes to the method or period of amortization due to changes in the anticipated useful life or to the anticipated use of the future economic benefit of the asset are accounted for as changes in estimates.

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

	Years
Software	3 to 5
Patents	5 to 8
Technologies	6 to 8
Customer relationships	6 to 8

Intangible assets with an indefinite useful life are not amortized. These include goodwill and brand names from business combinations. The indefinite nature of the useful life of brands is based on the assessment that the inflow of economic benefits from these assets cannot be attributed to a specific period. Each individual asset or cash-generating unit (CGU) is tested for impairment at least once a year. Intangible assets with indefinite useful lives are reviewed once a year to determine whether the indefinite useful life assessment continues to be justified. If this is not the case, the change in the useful life assessment from indefinite to finite is made prospectively.

Development costs for equipment and equipment components are capitalized as long as the conditions of IAS 38 are fulfilled. In this case, acquisition and production 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 amortized beginning at the start of production using the straight-line method over the expected product life cycle, usually three to five years. If capitalized development costs are not yet amortized, each individual asset or cash-generating unit (CGU) is tested for impairment at least once a year. Research costs and development costs that cannot be capitalized are expensed as incurred.

Items of property, plant and equipment are measured at acquisition or production costs, less depreciation in accordance with their ordinary useful life and write-downs based on impairments. Costs for repairs and maintenance are recognized as current expenses.

Straight-line depreciation is carried out according to the anticipated progress of the consumption of the future economic benefit. Systematic depreciation is based predominantly on the following useful lives:

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

Residual values, useful lives and depreciation methods of assets are reviewed at the end of a given fiscal year and adjusted prospectively if necessary.

If a considerable period of time is required for the acquisition or manufacture of a qualified asset to prepare it for its intended use, the directly attributable borrowing costs are capitalized until the asset is ready for its intended use. No borrowing costs were capitalized in the current and previous fiscal years.

Within the scope of finance leases, economic ownership is attributed to the lessee in those cases in which the lessee essentially bears all the risks and rewards incidental to ownership (IAS 17). If economic ownership is attributable to the Manz Group, capitalization takes place at the inception of the lease at the lower of fair value or the present value of the minimum lease payments. Depreciation is carried out on a straight-line basis over the shorter of economic useful life or the term of the lease. Payment obligations resulting from future lease payments are stated as liabilities 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 performed at least once a year for goodwill and intangible assets with an indefinite useful life, but for capitalized development costs and other intangible assets with a finite useful life as well as property, plant and equipment and financial assets, the test is performed only if there are concrete indications.

An impairment is recognized in profit and loss if the recoverable amount of the asset is lower than the carrying value. The recoverable amount is generally estimated separately for each asset. If this is not possible, the calculation is based on a group of assets that constitutes a cash-generating unit (CGU). The recoverable amount is the higher of fair value less costs to sell and value in use.

The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less costs to sell. Value in use is determined using the discounted cash flow method on the basis of the estimated future cash flows expected to arise from the continuing use of an asset and its disposal. An interest rate before taxes corresponding to market conditions is used as the discount rate.

To determine the recoverability of goodwill and other intangible assets with an indefinite useful life (brand rights), the value in use of the cash-generating unit in question is generally used. The basis for this is the current plan prepared by management. The detailed planning period extends 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 for an impairment that has been charged in previous years no longer apply, the impairment is reversed to the recoverable amount (with the exception of goodwill). The amount reversed must not exceed the amount that would have been determined as the carrying amount, taking any depreciation and amortization into account, if no impairment loss had been recognized for the asset in prior years.

INVENTORIES

Inventories are recognized at acquisition or production costs or the lower net realizable value, in accordance with IAS 2 (Inventories). Manufacturing costs include not only direct costs, but also appropriate parts of the necessary material costs and production overheads as well as production-related depreciation and proportionate administrative overheads that can be directly allocated to the manufacturing process. Where required, the average cost method is used as the simplified measurement method.

CONSTRUCTION CONTRACTS

Manz mainly generates its revenues from construction contracts, which are accounted for using the percentage of completion method (PoC method) in accordance with IAS 11. In this case, revenue and expected margins are recognized in proportion to the stage of completion of a contract. This calculation is based on the contract revenue as agreed with the customer and the expected contract costs. The stage of completion of a contract, which determines what portion of revenue is recognized, is determined based on the ratio

between the order costs accrued as of the reporting date and the calculated total costs (cost-to-cost method). As a result of this accounting method, both revenues and the related costs are realized in the period in which they were generated/incurred.
If the total of incurred contract costs and disclosed profits exceeds payments received, the construction contracts are recognized on the asset side under future receivables from construction contracts as a component of „Trade receivables." A negative balance is reported under „Payments received." Expected losses from custom construction contracts are accounted for as an expense in the full amount by writing off capitalized assets and, in addition, recognizing provisions.

Other revenue is recognized, in accordance with IAS 18, „Revenue," once the relevant opportunities and risks have been transferred. This is usually the date on which the finished goods or merchandise were delivered or the services rendered.

FINANCIAL INSTRUMENTS

According to IAS 39, a financial instrument is any contract that gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity. If the trade date of a financial asset can differ from the settlement date, the settlement date determines initial recognition. A financial instrument is initially measured at fair value. Transaction costs are included. In terms of subsequent measurement, financial instruments are recognized either at their fair value or at amortized cost.

For measurement purposes, IAS 39 divides financial assets into the following categories:
- financial assets at fair value through profit or loss and financial assets held for trading
- held-to-maturity investments
- available-for-sale financial assets
  and
- loans and receivables

Financial liabilities are to be assigned to the following two categories:
- financial liabilities at fair value through profit or loss and financial liabilities held for trading
- financial liabilities measured at amortized cost

Depending on the categorization of financial instruments, they are measured either at their fair value or at amortized cost.

Fair value corresponds to the market or exchange price as long as the financial instruments to be measured are traded in an active market. If there is no active market for a financial instrument, fair value is established using suitable financial valuation methods, such as recognized option pricing models or discounted future cash flows using the market rate of interest and checked by confirmations from banks that handle the transactions. Amortized cost corresponds to the acquisition costs less repayments, impairments and the amortization of a difference between the acquisition costs and the amount repayable on maturity, which is taken into account in accordance with the effective interest method. Financial instruments are recognized as soon as Manz becomes a contractual party to the financial instrument. The financial instrument is generally derecognized 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 funds, as well as financial liabilities and trade payables. Primary financial instruments are initially recognized at their fair value. At initial measurement, fair value corresponds, in principle, to the transaction price, i.e. the consideration given or received.

After initial recognition, primary financial instruments are measured either at their fair value or at amortized cost, depending on the category to which they belong.

Loans and receivables not held for trading are generally recognized at amortized cost less impairments. Impairments are charged if there is objective evidence for such. Evidence of an impairment may exist if there are signs that the debtor or a group of debtors is in considerable financial difficulties, if interest or principal payments are missed or delayed, if insolvency is likely, and if observable data point to a measurable reduction in expected future cash flows, such as a change in arrears or economic conditions that correlate with defaults. In the Manz Group, this category primarily covers receivables from customers and other receivables.

Impairment losses are charged using an allowance account.

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

Held-to-maturity financial instruments are measured at amortized cost. Gains and losses from their subsequent measurement are recognized in profit or loss. They do not occur in the Manz Group.

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

In accordance with IAS 39, derivative financial instruments are recognized at their fair value on both initial recognition and subsequent measurement. The fair values of traded derivative financial instruments correspond to their market prices. Non-traded derivative financial instruments are calculated by applying recognized measurement models based on discounted cash flow analysis and by referring to current market parameters.

In terms of recognition of the change in fair values – recognition in the income statement or recognition directly in equity – what is crucial is whether or not the derivative financial instrument is involved in an effective hedging relationship according to IAS 39. If there is no hedge accounting, changes to the fair values of the derivative instruments are immediately recognized in profit or loss. If, on the other hand, there is an effective hedging relationship according to IAS 39, the hedge is accounted for as such.

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

Derivatives are assigned to the "held for trading purposes" category, insofar as no hedge accounting is applied. Changes in fair value are recognized in profit or loss in the income statement.

Hedge accounting can be used to hedge currency risks from investments in foreign subsidiaries (hedge of a net investment in a foreign operation). Unrealized exchange rate differences are initially recognized directly in equity and reclassified to profit or loss in the income statement on disposal of the operation.

The effective part of the change in the fair value of a derivative or a primary financial instrument that has been designated as a hedging instrument is recognized in equity under retained earnings from cash flow hedges, after deduction of deferred taxes. The profit or loss attributable to the ineffective part is immediately presented in profit or loss in "Other operating income" or "Other operating expenses".

Amounts recognized in equity are transferred to the income statement in the period in which the hedged item is recognized in profit or loss. If the original hedged item is no longer expected to occur, the accumulated, unrealized profits and losses reported in equity to that point are also recognized in profit or loss.

LIQUID FUNDS

Liquid funds comprise cash and cash equivalents in the form of bank accounts and short-term financial investments with banks that have a residual maturity of up to three months on initial recognition. They are measured at amortized cost.

SHARE-BASED COMPENSATION

As a payment for the services that they have rendered, 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 introduced in the 2008 fiscal year. The costs arising from the granting of share awards are measured based on the fair value of these equity instruments on the date they are granted. Fair value is determined by applying an appropriate measurement model (for more details, see disclosure 9).

The expenses resulting from the granting of equity instruments and the corresponding increase in equity are recognized over the period in which the exercise and performance conditions have to be fulfilled (so-called vesting period). This period ends on the vesting date, i.e. the date when the employee in question becomes an irrevocable beneficiary. The accumulated expenses from the granting of 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 can actually be exercised when the vesting period expires, according to the Group's best estimates. The income or expense recognized in the profit or loss for the period corresponds to the development of the accumulated expenses recognized at the start and end of the reporting period.

No expense is recognized for compensation rights that do not become exercisable. Exceptions to this are compensation rights for which certain market conditions have to be fulfilled before they can be exercised. Irrespective of whether the market conditions are fulfilled, these are seen as exercisable, provided that all other performance conditions are fulfilled.

If the conditions of a compensation agreement compensated by equity instruments are modified, expenses are recognized in the amount in which they would have been incurred 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, measured 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 annulled compensation agreement is replaced by a new compensation agreement, however, and the new compensation agreement is declared as a replacement for the annulled compensation agreement on the day it is granted, the annulled and the new compensation agreement are accounted for as if they were a modification to the original compensation agreement (see section above).

The dilutive effect of outstanding share awards when calculating earnings per share (diluted) is considered as an additional dilution (for details, see disclosure 12).

TREASURY SHARES

Any treasury shares that the Group acquires are recognized at cost and deducted from equity. The purchase, sale, issue or withdrawal of treasury shares is not recognized in profit or loss.

GOVERNMENT GRANTS

Government grants are recognized if there is adequate assurance that grants will be provided and that the company complies with the attached conditions. Expenditure-related grants are recognized as income on a scheduled basis over the period required to offset them against the corresponding expenses for which the grants are intended to compensate. Grants for the acquisition of property plant and equipment are recognized in the balance sheet as a deferred liability and are released to profit or loss in equal installments over the estimated useful life of the asset. Grants for capitalized development projects reduced the acquisition and production costs of the associated assets.

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 reporting 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 or loss, but in equity.

DEFERRED TAXES

Deferred taxes are recognized on all temporary differences between the carrying amounts in the tax accounts 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 measurement of deferred taxes is based on the tax rates on the realization date that 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 presented 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

Provisions for pensions are determined according to the projected unit credit method pursuant to IAS 19. In addition to the pensions and acquired benefits known on the balance sheet date, this method also takes expected future salary and pension increases into account. If pension obligations have been reinsured using plan assets, these are reported net.

The calculation is based on actuarial expert opinions, taking biometric calculation principles into account. Differences between the assumptions made and the trends that actually materialized, or changes in assumptions for the measurement of defined benefit plans and similar obligations result in actuarial gains and losses which have a direct impact on the consolidated balance sheet or on the statement of comprehensive income. The service cost is reported in personnel expense, 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 high-quality corporate bonds at the balance sheet date.

OTHER PROVISIONS

Other provisions are recognized if a past event has led to a current legal or constructive obligation to third parties which is expected to lead to a future outflow of resources that can be reliably estimated. Provisions are generally measured at the expected settlement amount, taking into account all identifiable risks. Calculation of the settlement amount is based on best estimates. The settlement amount also includes anticipated cost increases.

Provisions for warranties are recognized in accordance with previous claims history or the estimated future level of claims. Non-current provisions are recognized at their settlement amount discounted to the balance sheet date. The interest rate used is a pretax rate that reflects current market expectations with regard to the interest effect and the risks specific to the circumstances. The interest expense resulting from the unwinding of the discount is presented in finance costs.

Accruals are not presented under provisions, but under trade payables or other liabilities, depending on their nature.

LIABILITIES

Non-current liabilities are recognized at amortized cost. Differences between their historical cost and their repayment amount are accounted for using the effective interest method. Current liabilities are recognized at their repayment or settlement amount.

INCOME AND EXPENSES

Revenue is generally not recognized until the point in time when the goods or products have been delivered or services rendered and risk has been transferred to the customer. Cash discounts, customer bonuses, and rebates are deducted from revenue. Revenue from construction contracts is recognized in accordance with the percentage of completion method.

Production-related expenses are recognized upon delivery or utilization of the service, while all other expenses are recognized as an expense as incurred. The same applies to development costs that cannot be capitalized. Provisions for warranties are recognized at the time the products are sold. Interest and other borrowing costs are recognized as an expense in the period as long as they are not capitalized pursuant to IAS 23.

CONTINGENT LIABILITIES

A contingent liability is a possible obligation to third parties that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Manz Group. A contingent liability may also be a present obligation that arises from past events, but is not recognized because an outflow of resources is not probable or the amount of the obligation cannot be estimated with sufficient reliability.

MANAGEMENT ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires assumptions and estimates that have an effect on the recognition, measurement and presentation of assets, liabilities, income and expenses as well as contingent assets and contingent liabilities. The main circumstances affected by such discretionary judgments and estimates relate to the viability of receivables, determination of defining the percentage of completion of long-term manufacturing projects, assumptions about future cash flows from cash-generating units (CGUs) and development projects, as well as the recognition and measurement of provisions. The values that actually occur may differ from the estimates in individual cases. The carrying amounts 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 that reflect the currently available level of knowledge. Specifically, the expected future business performance 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 diverge from the assumptions and that are outside the control of management may 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 amounts of assets and liabilities within the next fiscal year, are explained below:

Goodwill: The recoverability of goodwill is examined on an annual basis 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, an appropriate discount rate needs to be selected. Any future change in the macroeconomic, industry or company situation may lead to a reduction of the cash surpluses and/or the discount rate and thus may also result in an unscheduled impairment of goodwill.

Development costs: Development costs are capitalized in accordance with the disclosures in the presented accounting policies. For the purposes of determining the amounts to be capitalized, 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

Property, plant and equipment: Technical progress, a deterioration in the market situation or damage can lead to a write-down of property, plant and equipment.

Assets and liabilities from construction contracts: Receivables from construction contracts are recognized using the percentage-of-completion method in accordance with IAS 11. Revenue is presented according to the percentage of completion. In this case, an ex-act estimate of contract progress is essential for accounting purposes. Depending on the method used to determine the percentage of completion, the essential estimates include the total contract costs, the costs still to be incurred up to completion, the total contract revenue and risks, as well as other judgments

Trade receivables and other assets: In order to take credit risks into account, the company recognizes allowances for doubtful debts. The allowance amount here comprises estimations and evaluations of individual receivables, which in turn are based on the maturity structures of the receivable balances, the customer's credit standing, past experience pertaining to derecognition of receivable, 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 onerous contracts: Provisions for onerous contracts are usually recognized for disadvantageous purchase and sales agreements. A future change to the market prices on the purchase or sales side may result in the provisions for onerous contracts being adjusted.

Accounting for acquisitions: In the context of a share purchase, all identified assets and liabilities as well as contingent liabilities are recognized at their fair value at the acquisition date, for the purposes of the initial consolidation. Estimates are used to determine the fair value of these assets and liabilities at the acquisition date.

Income taxes: Estimates equally need to be made with regard to the recognition of tax provisions and with regard to assessment of the recoverability of deferred taxes on loss carry-forwards. In any assessment of the recoverability of deferred taxes, there are uncertainties in relation to the interpretation of complex tax regulations and to the amount and timing of future taxable income. Deferred taxes are recognized for all unused tax loss carry-forwards to the extent that it is probable that taxable income will be available to enable the loss carry-forwards to be actually utilized. 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 strategies.

CHANGES TO ACCOUNTING PRINCIPLES

First-Time Adoption of Amended Accounting Standards

The applied accounting policies are generally the same as those applied in the previous year with the following exceptions:

During the fiscal year, the Group adopted the new and revised IFRS standards and interpretations listed below.

Improvements to IFRS (2011–2013)
The improvements to IFRS 2011-2013 relate to a collective standard that involved small changes to IFRS 1, IFRS 3, IFRS 13, and IAS 40. The amendments do not affect Manz AG's consolidated financial statements.

FFECTS OF NEW, NOT YET APPLICABLE ACCOUNTING STANDARDS

Standards and interpretations published by the IASB and IFRS Interpretations Committee, that have already been adopted into European law in the framework of the comitology procedure, but are not yet required to be applied in fiscal year 2015.

The Manz Group is not applying these standards and interpretations early.

Amendment of IAS 19 – Employee Benefits
The amendment of IAS 19 was published in November 2013 and is to be applied for the first time in the fiscal year that begins on or after July 1, 2014. The amendment permits contributions from employees or third parties to defined benefit pension plans to be recognized in the period in which the associated service was rendered as a reduction in the current service costs to the extent the contributions are independent of the number of service years. If an employee contribution on the other hand is dependent on the number of service years, the projected unit credit method must be used. The amendment is to be applied retroactively. No effects on the consolidated financial statements of the Manz Group are expected.

Improvements to IFRS (2010–2012)
The improvements to IFRS 2010-2012 relate to a collective standard, which was published in December 2013 and involve minor changes to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. These amendments are first applicable in the fiscal year beginning on or after July 1, 2015. No effects on the consolidated financial statements of the Manz Group are expected.

Improvements to IFRS (2012–2014)
The improvements to IFRS 2012–2014 relate to a collective standard, which was published in September 2014 and involve minor changes to IFRS 5, IFRS 7, IFRS 19, and IAS 34. These amendments are first applicable in the fiscal year beginning on or after January 01, 2016. No effects on the consolidated financial statements of the Manz Group are expected.

STANDARDS AND INTERPRETATIONS PUBLISHED BY THE IASB AND IFRS INTERPRETATIONS COMMITTEE, THAT HAVE ALREADY BEEN ADOPTED INTO EUROPEAN LAW IN THE FRAMEWORK OF THE COMITOLOGY PROCEDURE, BUT ARE NOT YET REQUIRED TO BE APPLIED IN FISCAL YEAR 2015.

The following standards have not yet been recognized by the EU and are not applied by the Group.

IFRS 9 Financial instruments
With the publication of the final version of IFRS 9, the IASB in July 2014 completed its project for the replacement of IAS 39. IFRS 9 introduces a uniform approach for the classification and valuation of financial assets on the basis of their payment stream characteristics and of the business model under which they are controlled and provides a new impairment model based on expected credit losses. The standard also contains new rules for the application of hedge accounting in order to better present the risk management activities of a company, in particular in relation to the control of non-financial risks. These new regulations are first applicable in the fiscal year beginning on or after January 1, 2018. Earlier application is permissible. No material effects on the consolidated financial statements of the Manz Group are expected.

IFRS 15 Revues from contracts with customers
IFRS 15 was published by the IASB in May 2014. Its goal is to bring together the large number of rules for the realization of revenues contained in the past in diverse standards and interpretations and to establish uniform basic principles that are applicable for all industries and for all categories of revenue transactions. IFRS 15 establishes when and in what amount revenues are to be recognized. As a basic principle, revenue is recognized upon the transfer of goods in services in the amount of the expected consideration. IFRS 15 contains among other things guidelines on multiple component transactions and new rules for the treatment of service contracts and contract modifications. In addition, the new standard requires the disclosure of a series of quantitative and qualitative information in order to enable the user of the consolidated financial statements to understand the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and the associated interpretations. These amendments are first applicable in the fiscal year beginning on or after January 1, 2018. Earlier application is permissible. For the transition to the new standard, companies can select between a completely retrospective approach (with

optional practical expedients) and a modified retrospective approach. The latter permits the initial application of the standard beginning with the current reporting period without adjustment of the comparison periods, but requires additional disclosures. The effects on the consolidated financial statements of the Manz Group arising from the application of IFRS 15 are still being investigated.

IFRS 16 Leases

In January 2016 the IASB published a new standard in accounting for leases. IFRS 16 replaces the previous standard IAS 17 as well as interpretations IFRIC 4, SIC-15 and SIC-27. The new regulations are required to be applied beginning January 1, 2019. Voluntary early application is permitted, but only if IFRS 15 is also applied at such point in time.

The primary changes resulting from IFRS 16 relate to accounting by the lessee. For all leases, the lessee fundamentally must recognize assets for the use rights acquired and liabilities for the payment obligations entered into. The distinction required currently under IAS 17 between financing and operating leases in the future will be eliminated for all lessees. Relief is granted for low-value lease objects and for short-term leases. For more information on the currently existing leases of the Manz Group, see section 24 “Financial Liabilities from Leases”. The Manz Group is current examining the effects on the consolidated financial statements.

The remaining published amended standards not yet adopted by the EU are not expected to have any material effects on the financial position, financial performance and cash flows of the Group.

NOTES TO THE INCOME STATEMENT

REVENUES (1)

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

Total revenues include revenue from construction contracts in the amount of 198,415 thousand euros (previous year: 284,866 thousand euros).

WORK PERFORMED BY THE ENTITY AND CAPITALIZED (2)

In fiscal year 2015, development costs were capitalized particularly for the areas of CIGS thin-film technology and lithium-ion batteries.

OTHER OPERATING INCOME (3)

(in EUR tsd.)	2015	2014
Exchange rate gains	1,287	760
Income from the reversal of provisions	958	468
Income from cancellation of earn-out obligation	0	3,600
Subsidies	2,150	3,690
Reversal of valuation allowances on receivables	893	1,069
Income from the sale of investments	1,957	60
Income from the reduction of provisions	566	37
Other	3,116	2,833
	10,927	**12,517**

Included in income from the sale of investments is 2.0 million euros from the sale of the packaging division to Gebrüder Leonhardt & Co. KG, which formerly was reflected in the segment Others.

COST OF MATERIALS (4)

(in EUR tsd.)	2015	2014
Cost of raw materials, consumables and supplies, and of purchased merchandise	132,685	165,433
Cost of purchased services	15,098	14,735
	147,783	**180,168**

PERSONNEL EXPENSES (5)

(in EUR tsd.)	2015	2014
Wages and salaries	68,680	60,385
Severance payments	1,287	108
Social security, post-employment and other employee benefit costs	14,040	11,865
	84,007	**72,358**
Employees (yearly average)		
Production	1,038	1,022
Administrative/Technical	915	813
Trainees	36	31
	1,989	**1,866**

OTHER OPERATING EXPENSES (6)

(in EUR tsd.)	2015	2014
Restructuring expenses	2,315	0
Outgoing freight, packaging	3,069	2,753
Advertising and travel expenses	11,215	8,825
Commissions	1,509	3,138
Rent and leasing	6,120	5,760
Legal and consulting costs	2,508	3,826
IT costs	1,598	1,342
Other personnel expenses	2,042	2,069
Insurance policies	798	725
Exchange rate losses	1,775	736
Appropriation to other provisions	1,452	445
Repairs and maintenance	1,225	1,188
Bad debt and change in valuation allowances for receivables	3,240	13,533
Licensing fees	982	999
Other operating costs	3,175	2,638
Other	7,793	6,870
	50,817	**54,847**

FINANCIAL INCOME (7)

(in EUR tsd.)	2015	2014
Bank interest and similar	89	413
	89	**413**

FINANCE COST (8)

(in EUR tsd.)	2015	2014
Interest and similar expenses		
Non-current liabilities	2,193	695
Current liabilities	1,062	1,217
Interest component of non-current provisions	321	255
Other interest expenses	5	26
	3,581	**2,193**

SHARE-BASED COMPENSATION (9)

Performance Share Plan

The Group introduced a Performance Share Plan for members of the Managing Board and other eligible employees. A new Performance Share Plan (2015) was introduced in the 2015 fiscal year, in order to strengthen the compensation structure and to align it to sustained and multi-year business growth. According to the new Performance Share Plan, the new targets consist of the EBITDA margin and the company's growth, measured by the change in the share price between the time the subscription rights are issued and the end of the waiting period. In the current Performance Share Plan (2012), the EBIT margin was the only success variable. Share awards expire if the employment is terminated or a cancellation agreement is entered into. The share awards do not earn dividends during the vesting period. Manz AG can fulfill its obligations from share awards with newly issued shares or treasury shares.

The share awards (subscription rights) are issued at the discretion of the Managing Board with the approval of the Supervisory Board – or where members of the Managing Board are involved, at the sole discretion of the Supervisory Board – in annual tranches, within a period of three months after the expiry of four weeks after the publication of the consolidated financial statements for the previous fiscal year.

In the 2015 fiscal year, 17 (previous year 13) employees and members of the Managing Board received a total of 14,863 (previous year 5,194) share awards/subscription rights. Of these, 8,028 (previous year: 2,658) were attributable to the Managing Board.

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

	(in pcs.)	(in EUR)
	Share awards/ subscription rights Number	**Weighted average fair value on the grant date**
Balance at the beginning of the year (not vested)	29,617	62.32 EUR
Lapsed during the reporting period	–14,256	0.00 EUR
Granted during the reporting period	14,863	57.08 EUR
Balance at the end of the year (not vested)	**30,224**	**60.95 EUR**

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

Fair value measurement is based on the following parameters:

	2015	2014
Exercise price (in EUR)	1.00	1.00
Risk-free annual interest rate (in %)	0.10	0.62
Volatility (in %)	51.23	64.94
Expected dividends (in EUR)	0.00	0.00
Fair value of each share award (in EUR)	57.08	87.58

In the reporting year, expenses of 40 thousand euros were recognized in personnel expenses from the Performance Share Plan (previous year: income of 6 thousand euros).

INCOME TAXES (10)

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

Income taxes break down as follows:

(in EUR tsd.)	2015	2014
Actual tax expense		
Current period	772	1,459
Previous periods	2,743	664
Deferred tax income/expenses (+)	–1,001	1,488
	2,514	**3,611**

The current income tax expense is calculated using the tax rates effective as of the balance sheet date. 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 of between 15 % and 27.5 % were used.

The income tax expense in the reporting period totaling 2,514 thousand euros (previous year: 3,611 thousand euros) is derived as follows from an "expected" income tax expense, which would have resulted if the statutory income tax rate of the parent company had been applied to earnings before income taxes:

(in EUR tsd.)	**2015**	**2014**
Earnings before taxes on income	–61,697	–34,567
Manz AG income tax rate	29.13 %	29.13 %
Expected income tax expense	**–17,972**	**–10,069**
International tax rate differences	2,941	–56
Change in tax rate	0	–102
Non-deductible expenses	1,905	1,084
Prior-period taxes	2,743	664
Tax-free income	–1,155	–212
Non-recognition of tax loss carryforwards	12,108	4,861
Valuation allowances on deferred tax assets	1,570	7,375
Utilization of unrecognized loss carry-forwards	0	–47
Other	374	113
Reported income tax expense	**2,514**	**3,611**
Effective tax rate	**n. a.**	**n. a.**

The following table shows deferred tax assets and liabilities:

(in EUR tsd.)	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Intangible assets	158	29	5,596	3,656
Property, plant and equipment	0	0	32	34
Percentage-of-completion method	572	0	963	2,922
Inventories	324	466	0	0
Receivables	21	38	172	215
Derivative financial instruments	621	14	0	0
Pension provisions	889	964	0	0
Financial liabilities	0	0	0	114
Payables for products and services	1,699	1,038	455	7
Provisions	765	530	8	0
Tax loss carry-forward	5,094	3,506	0	0
Gross value	10,143	6,585	7,226	6,948
Offsetting	–6,048	–4,839	–6,048	–4,839
Balance according to consolidated balance sheet	**4,095**	**1,746**	**1,178**	**2,109**
Net amount of deferred tax assets (Previous year: liabilities)	**2,917**			**–363**

The increase in net deferred taxes in the amount of 2,554 thousand euros (previous year: reduction of 1,485 thousand euros) is broken down as follows:

(in EUR tsd.)	2015	2014
Deferred tax expense (–)/income in the income statement	1,000	–1,488
Change in deferred taxes, recognized in other comprehensive income, on actuarial gains/losses from pensions	12	282
Derivative financial instruments	632	10
Currency translation	910	–289
	2,554	**–1,485**

Deferred taxes are recognized for tax loss carryforwards only if there is sufficient certainty that they will be realized. No deferred taxes are recognized for tax loss carryforwards insofar as the deferred tax assets would have exceeded the deferred tax liabilities of the respective company.

Tax loss carryforwards total 189,570 thousand euros (previous year: 121,124 thousand euros) as of the balance sheet date and can be carried forward indefinitely. No deferred tax assets were created for loss carryforwards of 161,835 thousand euros (previous year: 106,968 thousand euros), since the requirements for capitalization under IAS 12 in the case of recent losses are very high, and these requirements were not met by the reference date.

In accordance with IAS 12, deferred taxes for temporary differences in connection with shares in Group companies must be accounted for (outside basis differences). No deferred tax liabilities were created for Outside Basis Differences of 26.3 million euros (previous year: 42.1 million euros), since the temporary differences are not expected to reverse in the foreseeable future.

PROFIT/LOSS ATTRIBUTABLE TO MINORITY INTERESTS (11)

The minority shareholders' share of profits or losses consists of profit/loss attributed to minority interests in the amount of –9 thousand euros (previous year: +1 thousand euros). These refer to minority interests in Manz India Limited and the newly established Talus Manufacturing Ltd.

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 so-called "potential shares." These include option and subscription rights if such rights result in the issue of shares at a value below the share's average stock exchange price. There was a dilution effect from the share awards in the context of the Performance Plan (see Note 9).

Earnings per share were calculated in accordance with IAS 33.	2015	2014
Consolidated profit/loss attributable to Manz AG's consolidated net profit (in EUR)	–64,202,799	–38,178,904
Weighted average number of outstanding shares (pc.)	5,260,702	4,928,059
Effect from share-based compensation (pc.)	91,170	61,444
Weighted average number of outstanding shares (diluted) (pc.)	**5,351,872**	**4,989,503**
Earnings per share (diluted = undiluted) (in EUR)	–12.20	–7.75

NOTES TO SEGMENT REPORTING

Within the scope of segment reporting, Manz discloses the results of operations grouped by division and region in accordance with the rules of IFRS 8 (Operating Segments). This grouping is based on internal management and takes the segments' different risk and earnings structures into account. Due to the dynamic business environment and strategic considerations, Manz AG reorganized and renamed some of the strategic business segments as of fiscal year 2015. Activities in connection with production solutions for wet chemical processes in the manufacture of LCD and OLED flat screens and touch sensors, for the manufacture of printed circuit boards and chip carriers and for the manufacture of smartphones, tablet computers, laptops and other consumer electronics are now contained in the „Electronics" business segment. In fiscal year 2014, the printed circuit board segment was reported in the segment „PCB/OEM. Because of the change, the comparative figures from 12/31/2014 were reclassified accordingly.

Business in equipment for the production of lithium-ion batteries (formerly the Battery business segment) is now reported in the „Energy Storage" business segment. The „Solar" business segment continues without change to contain the activities in the area of individual equipment for the manufacture of crystalline solar cells and thin-film solar modules as well as CIGS thin-film technology .

Alongside the three strategic business segments are the two reporting segments „Contract Manufacturing" (equipment and parts manufacture as well as assembly work for customers of various industries) and „Others." The „Contract Manufacturing" segment was assigned to the segment PCB/OEM in fiscal year 2014. Now the subsegment of printed circuit boards is assigned to the new „Electronics" segment. The December 31, 2014 comparative figures were adjusted accordingly. In the „Others" reporting segment, Manz works with new types of pioneering technologies such as lightweight design and fuel cells. Up to the sale on September 30, 2015, the division with the construction of machines and equipment for the manufacture of packaging products from cardboard and film was also reflected in this segment.

The primary factor used to evaluate and manage a segment's cash flow is operating profit (EBIT).

Segment reporting shows revenues, earnings and assets and liabilities in the Group's individual segments. With the exception of the Administration/Other segment, 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 segments is set at prices that would also be agreed with companies outside the Group.

Of the revenues in the 2015 fiscal year, 96,681 thousand euros are assigned to one customer (previous year: 121,452 thousand euros), of which 35,947 thousand euros (previous year: 118,681 thousand euros) are assigned to the Electronics segment and 60,735 thousand euros (previous year: 2,772 thousand euros) to the Energy Storage segment. Another 27,842 thousand euros are assigned to a different customer in the Contract Manufacturing segment in the 2015 fiscal year (previous year: PCB/OEM 31,944 thousand euros). In the 2014 fiscal year, 31,444 thousand euros were also assigned to another customer from the Electronics segment.

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 (Statement of Cash Flows), a distinction is drawn between cash flows from operating, investing and financing activities. Effects from changes to the basis of consolidation and exchange rates are eliminated in the respective items. The change in liquid assets due to changes in exchange rates is presented separately.

Cash in the cash flow statement includes all the liquid funds presented in the balance sheet. This comprises cash in hand and bank balances with a term of up to three months and only insignificant fluctuations in value.

The cash inflows and outflows from investing and financing activities are presented in accordance with the direct method. Cash inflows and outflows from investing activities in operating business comprise inflows to property, plant and equipment and intangible assets. Cash payments for the acquisition of subsidiaries are reduced by the transferred liquid funds. In financing activities, besides cash inflows from equity increases and the issuance of other financial liabilities, cash outflows from the repayment of loans are also presented.

In contrast, the cash inflow and outflow from operating activities is derived indirectly starting from earnings before interest and taxes (EBIT). For this purpose, EBIT is adjusted by non-cash expenses and income, which primarily involve depreciation and changes in non-current provisions and deferred taxes, and amended to include changes in operating assets and liabilities.

Investing and financing processes which have not led to a change in 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	Assets under construction/ prepayments	Total
Acquisition/production costs					
As of January 1, 2014	**47,440**	**63,592**	**30,790**	**1**	**141,823**
Currency adjustment	61	122	1,233	0	1,416
Changes to the basis of consolidation	3,100	0	4,472	0	7,572
Additions	922	9,305	0	0	10,227
Disposals	–574	–352	0	0	–926
As of December 31, 2014	**50,949**	**72,667**	**36,495**	**1**	**160,112**
Write-downs and impairments					
As of January 1, 2014	**22,661**	**27,485**	**0**	**0**	**50,146**
Currency adjustment	54	32	0	0	86
Changes to the basis of consolidation	5,262	10,693	0	0	15,955
Additions Deprecation (scheduled)	0	19,735	0	0	19,735
Disposals	–508	–42	0	0	–550
As of December 31, 2014	**27,469**	**57,903**	**0**	**0**	**85,372**
Acquisition/production costs					
As of January 1, 2015	**50,949**	**72,667**	**36,495**	**1**	**160,112**
Currency adjustment	47	199	1,735	0	1,981
Changes to the basis of consolidation	2,092	1,484	522	15	4,113
Additions	447	11,609	0	44	12,100
Disposals	–243	0	–800	0	–1,043
As of December 31, 2015	**53,292**	**85,959**	**37,952**	**60**	**177,263**
Write-downs and impairments					
As of January 1, 2015	**27,469**	**57,903**	**0**	**0**	**85,372**
Currency adjustment	27	37	0	0	64
Additions Deprecation (scheduled)	5,832	1,220	0	0	7,052
Additions Impairments (unscheduled)	0	3,444	0		3,444
Disposals	–243	0	0	0	–243
As of December 31, 2015	**33,085**	**62,604**	**0**	**0**	**95,689**
Residual carrying amount as of December 31, 2014	23,480	14,764	36,495	1	74,740
Residual carrying amount as of December 31, 2015	**20,207**	**23,355**	**37,952**	**60**	**81,574**

In the context of our annual review of capitalized development costs for projects with residual carrying amounts, extraordinary write-downs in the amount of 3,444 thousand euros (previous year: 19,735 thousand euros) were applied in the reporting year. The write-downs are assigned to the Solar segment (previous year: Solar segment at 16,367 thousand euros, Display at 2,406 thousand euros and Battery at 962 thousand euros). They are shown under depreciation/amortization.

GOODWILL AND TRADEMARK RIGHTS

The goodwill values and intangible assets with an indefinite useful life (trademark rights) are attributable to the individual segments as follows:

(in EUR tsd.)	Goodwill		Trademark rights	
	Dec. 31, 2015	**Dec. 31, 2014**	**Dec. 31, 2015**	**Dec. 31, 2014**
Electronics	10,792	9,924	2,639	2,639
Solar	20,478	19,611	1,759	1,759
Energy Storage	4,994	4,472	0	0
Contract Manufacturing	0	0	0	0
Others	1,688	2,488	0	0
	37,952	**36,495**	**4,398**	**4,398**

The change in the value of goodwill of 1,457 thousand euros results in the amount of 522 thousand euros from the first consolidation of KLEO Halbleitertechnik GmbH. In addition, goodwill of 800 thousand euros was also removed as a result of the sale of the packaging division (part of the Others segment). The remaining changes to the value of goodwill and trademark rights are due solely to currency translations.

The recoverability of goodwill and trademark rights is tested at least once a year by comparing the carrying amounts of their respective underlying units with their value in use. Value in use is determined using the discounted cash flow method. The starting point is the current three-year plan for the respective business segment.

The planning assumptions include in particular the expected market development in relation to the development of the Manz Group, the development of material production and other costs, the discounting factor and the growth rates. General market forecasts, current developments and past experience are taken into account in establishing the assumptions.

In the Solar segment, it was assumed in the planning that the first contracts in the CIGS field will be realized in fiscal year 2016. Along with the company's own knowledge of the industry and discussions with potential customers, published industry-related market forecasts are taken into consideration which foretell significant growth of the solar market.

Cash flows are predicted individually for each segment that has goodwill and trademark rights attributed to it on the basis of revenue and cost planning. Growth rates remained unchanged, and were applied using values from 1.0 % to 1.5 %. The pre-tax discount rate used for discounting purposes (weighted average capital costs (WACC)) ranged from 8.2 % to 11.1 % (previous year: 7.6 % to 12.5 %). In this context, the cost of equity is calculated on the basis of a comparable group (peer group). A new peer group was formed for the Contract Manufacturing segment in 2015. The discount rates and growth rates are listed in the following table:

(in %)	Interest rate before taxes		Growth rate	
	Dec. 31, 2015	**Dec. 31, 2014**	**Dec. 31, 2015**	**Dec. 31, 2014**
Electronics	8.2	7.9	1.5	1.5
Solar	11.1	12.4	1.5	1.5
Energy Storage	8.6	7.6	1.0	1.0
Contract Manufacturing	9.7	12.5	1.0	1.0
Others	11.1	12.4	1.0	1.0

Equity and borrowing cost rates calculated in this way were weighted on the basis of the peer group's average capital structure.

Goodwill is considered impaired when a segment's carrying amount exceeds its value in use. For the 2015 and 2014 fiscal years, there was no need to recognize impairments of the capitalized goodwill or intangible assets with an indefinite useful life.

A WACC that is 1 % higher and a calculation without assumed growth in perpetuity does not influence the intrinsic value of goodwill. Even a subsequent additional 10 % reduction of the EBIT margin over the entire planning period would not have led to an impairment of goodwill or trademark rights in fiscal year 2015 and 2014.

Of the total research and development costs incurred in the 2015 fiscal year, 14,500 thousand euros (previous year: 9,305 thousand euros) fulfill the criteria for capitalization pursuant to IFRS.

The following amounts were offset in profit or loss:

(in EUR tsd.)	2015	2014
Research and development costs total	–27,145	–20,785
Scheduled write-downs on development costs	–1,220	–10,693
Extraordinary valuation allowances for development costs	–3,444	–19,735
Capitalized development costs	14,500	9,305
Research and development costs offset as expenses	**–17,309**	**–41,908**

PROPERTY, PLANT AND EQUIPMENT (15)

(in EUR tsd.)	Properties and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Assets under construction/ prepayments	Total
Acquisition/production costs					
As of January 1, 2014	**28,775**	**23,642**	**11,106**	**99**	**63,622**
Currency adjustment	2,227	244	338	11	2,820
Changes to the basis of consolidation	0	40	65	0	105
Additions	564	1,277	2,097	428	4,366
Disposals	0	–649	–844	–101	–1,594
Reclassifications	6	0	0	–6	0
As of December 31, 2014	**31,572**	**24,554**	**12,762**	**431**	**69,319**
Write-downs and impairments					
As of January 1, 2014	**3,192**	**9,440**	**6,015**	**0**	**18,647**
Currency adjustment	293	133	160	0	586
Additions Deprecation (scheduled)	1,144	5,348	1,757	0	8,249
Additions Impairments (unscheduled)	0	2,761	0	0	2,761
Disposals	0	–619	–571	0	–1,190
As of December 31, 2014	**4,629**	**17,063**	**7,361**	**0**	**29,053**
Acquisition/production costs					
As of January 1, 2015	**31,572**	**24,554**	**12,762**	**431**	**69,319**
Currency adjustment	1,554	170	303	21	2,048
Changes to the basis of consolidation	0	463	232	15	710
Additions	468	1,489	759	3,517	6,233
Disposals	–13	–709	–891	0	–1,613
Reclassifications	1,841	590	31	–2,462	0
As of December 31, 2015	**35,422**	**26,557**	**13,196**	**1,522**	**76,697**
Write-downs and impairments					
As of January 1, 2015	**4,629**	**17,063**	**7,361**	**0**	**29,053**
Currency adjustment	224	81	116	0	421
Additions Deprecation (scheduled)	1,340	2,647	1,861	0	5,848
Disposals	0	–617	–838	0	–1,455
As of December 31, 2015	**6,193**	**19,174**	**8,500**	**0**	**33,867**
Residual carrying amount as of December 31, 2014	26,943	7,491	5,401	431	40,266
Residual carrying amount as of December 31, 2015	**29,229**	**7,383**	**4,696**	**1,522**	**42,830**

Land and buildings of Manz Slovakia s.r.o at 4,220 thousand euros (previous year: 4,401 thousand euros) are used as collateral for bank loans.

No extraordinary write-downs were applied during the reporting year (previous year: 2,761 thousand euros in the Solar segment).

INVENTORIES (16)

(in EUR tsd.)	Dec. 31, 2015	Dec. 31, 2014
Raw materials, consumables and supplies	17,924	21,284
Work in progress	16,509	24,066
Finished goods and merchandise	1,582	725
Prepayments	622	2,246
	36,636	**48,321**

As a result of market and movement rate risks, impairment losses of 39,048 thousand euros (previous year: 27,144 thousand euros) were applied. The increase in impairments during the reporting year in the amount of 11,904 thousand euros (previous year: 10,017 thousand euros) was recognized under cost of materials through profit and loss.

TRADE RECEIVABLES (17)

(in EUR tsd.)	Dec. 31, 2015	Dec. 31, 2014
Future receivables from construction contracts	52,906	25,695
Trade receivables	30,893	33,013
	83,799	**58,708**

Future receivables from construction contracts, accounted for in accordance with their percentage of completion, are determined as follows:

(in EUR tsd.)	Dec. 31, 2015	Dec. 31, 2014
Manufacturing costs, including profit or loss on the construction contracts	112,801	76,252
Minus advances received	–59,895	–50,557
	52,906	**25,695**

Where advances received exceed the total of contract costs incurred and profits reported, such advances are accounted for on the liabilities side under "Advances received."

(in EUR tsd.)	Dec. 31, 2015	Dec. 31, 2014
Manufacturing costs, including profit or loss on the construction contracts	70,402	52,475
Minus advances received	–80,909	–63,030
	–10,507	**–10,555**

(in EUR tsd.)	Dec. 31, 2015	Dec. 31, 2014
Specific valuation allowances		
Trade receivables	1,174	971
Receivables from construction contracts	320	2,712
Global valuation allowances	2,588	1,377
	4,082	**5,060**

Changes in valuation allowances were as follows:

(in EUR tsd.)	2015	2014
As of January 1	**5,060**	**2,172**
Currency conversion	–279	–85
Utilization	455	0
Reversal	893	1,069
Transfer	649	4,042
As of December 31	**4,082**	**5,060**

DERIVATIVE FINANCIAL INSTRUMENTS (18)

On the balance sheet date, the following forward exchange transactions and foreign exchange swaps were used within hedge accounting to hedge the exchange rate of USD/euros and USD/TWD transactions and interest rate derivatives anticipated in the course of the following fiscal year:

(in EUR tsd.)	Dec. 31, 2015		Dec. 31, 2014	
	Currency rate hedge	**Interest rate derivatives**	**Currency rate hedge**	**Interest rate derivatives**
Nominal value	71,253	2,850	40,244	3,745
Positive fair value	28	0	6	0
Negative fair value	–3,140	0	–184	0
Remaining period	max. 10/2016	max. 12/2019	max. 8/2015	max. 12/2015

In the fiscal year, 2,105 thousand euros (previous year: 33 thousand euros), minus deferred taxes of 632 thousand euros (previous year: 10 thousand euros) from still active cash flow hedges were allocated directly to retained earnings. Owing to postponements in respect of the hedged items, the cash flow hedges produced losses, due to ineffectiveness, of 0 thousand euros (previous year: 30 thousand euros). These amounts were presented in other operating expenses.

OTHER CURRENT RECEIVABLES (19)

(in EUR tsd.)	Dec. 31, 2015	Dec. 31, 2014
Tax receivables (not income taxes)	3,633	3,337
Personnel receivables	713	1,001
Other accruals (primarily insurance policies)	377	360
Other	2,698	1,188
	7,421	**5,886**

Other current receivables are neither past due nor impaired.

LIQUID FUNDS (20)

Other liquid funds involve cash and cash equivalents in the form of cash accounts and short-term financial investments at banks with a term of up to three months upon initial recognition. They are measured at amortized cost.

EQUITY (21)

Changes in the equity and comprehensive income are presented separately in the „Consolidated Statement of Changes in Equity“. The components of comprehensive income are presented in aggregate form in the income statement

ISSUED CAPITAL

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

Compared to the previous year, Manz AG's issued capital increased to 5,420,864.00 euros (previous year: 4,928,059.00 euros) and is divided into 5,420,864 registered, no-par value bearer shares. The nominal value of each share is thus 1.00 euro.

With the partial utilization of the authorized capital 2014 and the approval of the Supervisory Board from April 28, 2015, the company's capital stock was increased by 492,805.00 euros from 4,928,059.00 euros to 5,420,864.00 euros. The increase was implemented with the issue of 492,805 new no-par value, common bearer shares against cash contributions. The statutory subscription right of the shareholders was excluded. The execution of the capital increase was entered in the trade register of the Stuttgart District Court on April 29, 2015.

AUTHORIZED CAPITAL

The Managing Board was authorized, through a resolution of the Annual General Meeting on July 7, 2015, to increase the company's capital stock in the period until July 6, 2020, with Supervisory Board approval, one or more times, up to a total of 2,710,432.00 euros by issuing a total of 2,710,432 new no-par value bearer shares in return for cash or contributions in kind (Authorized Capital 2015). In principle, the new shares must be offered for subscription to shareholders. However, the Managing Board is authorized, with Supervisory Board approval, to exclude shareholders' subscription rights in certain cases.

CONDITIONAL CAPITAL I

At the Annual General Meeting on July 9, 2014, a resolution was passed authorizing the Managing Board, with Supervisory Board approval, to issue bearer warrant or convertible bonds, profit-sharing rights and/or profit-sharing bonds or a combination of these instruments (collectively referred to as „bonds"), up to a total nominal value of 150 million euros, on one or more occasions until July 8, 2019. In addition, the Managing Board was also authorized to grant owners of warrant bonds option rights and owners of convertible bonds conversion rights for bearer shares of the company with a proportionate amount of capital stock totaling up to 1,971,223.00 euros, in accordance with the detailed terms and conditions of the warrant/convertible bonds.

The Managing Board is however authorized, with Supervisory Board approval, to exclude fractional amounts from shareholders' subscription rights and also to exclude the shareholders' subscription rights to the extent that is necessary in order to give owners of already issued bonds with option rights or conversion rights and/or conversion obligations a subscription right to the extent to which they would be entitled after exercising their option or conversion rights or upon fulfilling their conversion obligation. The Managing Board is further authorized, with Supervisory Board approval, to completely exclude shareholders' subscription rights to bonds carrying option and/or conversion rights or conversion obligations. To the extent that profit-sharing rights or profit-sharing bonds without option rights or conversion rights/obligations are issued, the Managing Board is authorized, with Supervisory Board approval, to exclude the shareholders' subscription right if these profit-sharing rights or profit-sharing bonds are designed similar to a debenture.

Pursuant to Article 3(4) of the Articles of Incorporation, the company's capital stock has been conditionally increased by up to 1,971,223.00 euros through the issue of 1,971,223 no-par value bearer shares (Conditional Capital I). This conditional increase in capital serves to grant no-par value bearer shares to the owners of warrant or convertible bonds, profit-sharing rights or profit-sharing bonds (or a combination of these instruments), each with option or conversion rights and/or conversion obligations, which are issued as a result of the aforementioned authorization. The new shares are issued at the option or conversion price to be determined in each case in accordance with the aforementioned authorization resolution.

CONDITIONAL CAPITAL II

At the Annual General Meeting held on July 7, 2015, authorization to grant stock options as set out in the Manz Performance Share Plan 2015 was approved.

The Managing Board was authorized to issue a total of up to 59,000 subscription rights for a total of up to 118,000 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 June 30, 2020.

Furthermore, the Supervisory Board was given authorization to issue a total of up to 56,000 subscription rights for subscription of a total of up to 112,000 shares of company stock to members of Manz's Managing Board, on one or more occasions, until June 30, 2020. The subscription rights will be granted, arranged and exercised in accordance with the provisions defined in the resolution passed at the Annual General Meeting on July 7, 2015.

Pursuant to Article 3(5) of our Articles of Incorporation, our company's capital stock has been conditionally increased by up to 230,000.00 euros through the issue of up to 230,000 no-par value bearer shares (Conditional Capital II). This conditional increase serves to secure the rights of the owners of subscription rights granted as a result of the aforementioned authorization.

A total of 14,863 subscription rights from Conditional Capital II were issued as of the balance sheet date (previous year: 0) (see Annotation 9).

CONDITIONAL CAPITAL III

At the Annual General Meeting held on Tuesday, June 28, 2011, authorization to grant stock options as set out in the Manz Performance Share Plan 2011 was approved. The authorizations were revoked by a resolution passed at the Annual General Meeting of June 19, 2012, insofar as no subscription rights had been issued on the basis of the authorization.

Pursuant to Article 3(6) of our Articles of Incorporation, our company's capital stock has been conditionally increased by up to 56,000.00 euros through the issue of up to 56,000 no-par value bearer shares (Conditional Capital III). This conditional increase serves to secure the rights of the owners of subscription rights granted as a result of the aforementioned authorization.

A total of 0 subscription rights from Conditional Capital III were issued as of the balance sheet date (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 out in the Manz Performance Share Plan 2012 was approved. The authorizations were revoked by a resolution passed at the Annual General Meeting of July 7, 2015, insofar as no subscription rights had been issued on the basis of the authorization.

Pursuant to Article 3(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 no-par value bearer shares (Conditional Capital IV). This conditional increase serves to secure the rights of the owners of subscription rights granted as a result of the aforementioned authorization.

A total of 15,361 subscription rights from Conditional Capital IV were issued as of the balance sheet date (previous year: 15,361) (see Annotation 9).

CAPITAL RESERVES

Capital reserves are comprised primarily of contributions from shareholders pursuant to Section 272(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 July 7, 2015, the company was authorized to purchase its own shares up to a computed value of 10 % of the company's capital stock as of the day of the meeting pursuant to Section 71(1), no. 8 of the German Stock Corporation Act. The resolution grants the company authorization to execute these purchases until July 6, 2020.

Purchases may be made through the stock exchange or through a public purchase offer that is directed at all shareholders. 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 2015 fiscal year, the company purchased 141 of its own shares (previous year: 2,733) at an average price of 78.76 euros (previous year: 67.47 euros) per share with a market value of 11 thousand euros (previous year: 184 thousand euros). The company purchased its own shares in the reporting period for employee anniversaries. The company did not hold any treasury shares as of the balance sheet dates of December 31, 2015, and December 31, 2014.

RETAINED EARNINGS

Revenue reserves are reserves comprised of accumulated earnings and reserves for the revaluation of pensions and 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 been distributed.

In the 2014 fiscal year, 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. This led to a positive difference of 844 thousand euros, 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 TRANSLATION

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

MINORITY INTEREST

The minority interests relate to Manz India Private Limited, in which Manz Asia Ltd. has a holding of 75 %, as well as Talus Manufacturing Ltd, which was established in the 2015 fiscal year, and in which Manz Taiwan Ltd. owns 80.5 % of the shares. In the 2014 fiscal year, the remaining minority interests of 2.83 % in Manz Taiwan Ltd. were acquired. The share of equity and annual profit/loss attributed to the minority shareholders is disclosed separately in the balance sheet and/or income statement.

PROPOSED APPROPRIATION OF PROFITS

Pursuant to Section 58(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, 2015. The annual financial statements for Manz AG for the year ending December 31, 2015 close with a net loss of EUR –8,006,620.80 (previous year: EUR –12,311,458.60). The Managing Board recommends that this loss is carried forward to new account.

ADDITIONAL DISCLOSURES 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 % and gearing of less than 50 % as targets.

Overview Capital Management

(in EUR tsd.)	Dec. 31, 2015	Dec. 31, 2014
Liquid funds	34,372	23,153
Financial liabilities	82,936	32,345
Net financial liabilities	48,564	9,192
Total Manz AG shareholders' equity	**120,963**	**139,974**
Equity ratio	41.3 %	55.2 %
Gearing	40.1 %	6.6 %

Due to a higher level of external financing, the equity ratio benchmark decreased to 41.3 % (previous year: 55.2 %). Gearing improved to 40.1 % as a result of the increase in net financial liabilities (previous year: +6.6 %). Both key figures are therefore only slightly above the set targets.

NON-CURRENT FINANCIAL LIABILITIES (22)

(in EUR tsd.)	Dec. 31, 2015	Dec. 31, 2014
Non-current liabilities to banks	1,913	22,118

Non-current liabilities to banks consist mainly of a long-term loan for Manz Slovakia. In the previous year, it included a Kfw loan (ERP Innovation Program) in the amount of the long-term portion of 12.5 million euros, and a loan from the European Investment Bank for 20 million euros, of which 9.6 million euros were utilized. Due to the deterioration in the financial situation of Manz AG and the resulting termination right of the lenders, both loans are shown under current financial liabilities for the 2015 fiscal year.

NON-CURRENT DEFERRED INVESTMENT GRANTS (23)

The item contains deferred investment subsidies, including those that will need to be released in the following year, as they are all solely connected with property, plant and equipment. They concern Manz Hungary in Hungary without exception.

The investment subsidies are linked to a series of conditions. On present evidence, these conditions will be completely fulfilled, meaning that no repayments are expected.

FINANCIAL LIABILITIES FROM LEASES (24)

Leasing liabilities result from the assets that must be capitalized under IAS 17. These pertain to automobile finance lease agreements with a carrying amount of 26 thousand euros which are presented under “Other equipment, operating and office equipment” (previous year: 52 thousand euros).

The lease payments due in the future and their present values are shown in the following table:

(in EUR tsd.)	2015 Minimum lease payments	2015 Present value of minimum lease payments	2014 Minimum lease payments	2014 Present value of minimum lease payments
Up to 1 year	13	13	24	24
1 to 5 years	11	10	24	21
Total minimum payments	24		48	
Minus the interest component	–1		–3	
Present value of minimum payments	**22**	**22**	**45**	**45**

PENSION PROVISIONS (25)

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

The present value of performance-based obligations at the end of the year is balanced against the plan assets at fair value (financing status).

Pension Provisions

(in EUR tsd.)	2015	2014
Change in the present value of benefits		
Present value of performance-based obligations as of Jan. 1	**9,237**	**6,815**
Changes to the basis of consolidation	0	1,883
Disposal due to sale of packaging division	–438	0
Service cost	67	61
Interest cost	188	235
Benefits paid	–300	–889
Actuarial losses (+) / gains (–)		
due to changes in demographic assumptions	0	54
due to changes in financial assumptions	–16	853
due to adjustments based on past experience	58	68
Currency differences from international plans	142	157
Present value of performance-based obligations at Dec. 31	**8,938**	**9,237**
Change in plan assets		
Value of plan assets as of Jan. 1	**806**	**1,231**
Income from plan assets	20	29
Company contributions	322	64
Benefits paid	–87	–611
Actuarial losses (+) / gains (–)	13	6
Currency differences from international plans	25	87
Value of plan assets as of Dec. 31	**1,099**	**806**
Financing status (=pension provision)	**7,839**	**8,431**
which apply to:		
Manz AG, Reutlingen	4,278	4,926
Manz Italy, Italy	1,914	1,999
Manz Taiwan Ltd., Taiwan	1,462	1,332
Manz CIGS Technology, Schwäbisch Hall	184	174

Manz AG's pension obligations consist of two separate components with a non-varying payment scheme, as well as a company pension plan from the former Manz Tübingen GmbH, which was closed for new employees hired after July 15, 1997. Due to the sale of a sub-segment of the former Manz Tübingen, which was completed during the fiscal year, pension obligations for ten employees also transferred to the buyer.

The obligations for Manz Italy, which was acquired during the 2014 fiscal year, comprise the legally required compensation that must be paid when an employee leaves the company.

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 employed before July 1, 2005, can choose between the two pension plans.

The pension obligations of Manz CIGS Technology consist of the company pension plan that was assumed in line with the company acquisition with Würth on January 1, 2012. The amount of the pension is based on the years in service, multiplied with a fixed amount.

The following amounts have been included in the income statement:

(in EUR tsd.)	2015	2014
Service cost	–67	–61
Net interest cost	–168	–206

The service cost is reported in personnel expenses, while the interest cost is reported under financial expenses.

In the coming fiscal year, employer contributions to the fund's assets are expected to total 322 thousand euros and pension payments are expected to total 742 thousand euros.

The plan assets for German pension obligations consist exclusively of reinsurance policies. The plan assets for Manz Taiwan Ltd. are endowments stipulated by law that must be paid into an external central trust (Taiwan's Labor Pension Fund). The fund's assets comprise reinsurance policies (Germany) and trust assets (Taiwan), which make up 20 % and 80 % of the fund's total assets, respectively.

For contribution-based pension plans, payments were made totaling 1,798 thousand euros (previous year: 1,334 thousand euros). Furthermore, pursuant to federal regulations, our companies based in Germany made contributions to the federal pension fund totaling 3,141 thousand euros (previous year: 3,054 thousand euros).

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

(in %)	Germany		Taiwan	
	2015	**2014**	**2015**	**2014**
Discount rate	2.20	2.35	1.75	2.25
Salary and wage increases	2.50	2.50	2.00	2.00
Pension increases	1.70	2.00	2.00	2.00

Salary, wage and pension increases were calculated for Manz Italy using an interest rate of 2.03 % (previous year: 1.49 %) and 2.5 % (previous year: 2.5 %).

An increase or decline in key actuarial assumptions would have the following effect on the present value of pension obligations:

(in EUR tsd.)		2015
Sensitivity for discount rate	+0.50 %	–571
Sensitivity for discount rate	–0.50 %	637
Sensitivity for pension increases	+0.50 %	517
Sensitivity for pension increases	–0.50 %	–512
Sensitivity for life expectancy	+1 year	212

The weighted average duration of performance-based obligations was 12.4 years at the end of the reporting year (2014: 13.3 years).

OTHER NON-CURRENT PROVISIONS (26)

Changes in other non-current provisions in the reporting year were as follows:

(in EUR tsd.)	Jan. 1, 2015	Currency adjustments	Utilization	Reversal	Accrued interest	Transfer	Dec. 31, 2015
Personnel	1,192	0	41	377	34	9	817
Reinstatement obligation	470	0	0	0	24	0	494
Warranties	1,890	20	1,382	0	0	663	1,191
	3,552	**20**	**1,423**	**377**	**58**	**672**	**2,502**

Non-current personnel obligations contain obligations from partial early retirement as well as jubilee obligations. Provisions for partial early retirement have been presented offset against the plan assets in the amount of 9 thousand euros (previous year: 124 thousand euros).

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

OTHER NON-CURRENT LIABILITIES (27)

Other non-current liabilities in the amount of 875 thousand euros relate to the long-term portion of the earn-out component from the acquisition of KLEO Halbleitertechnik GmbH in fiscal year 2015.

CURRENT FINANCIAL LIABILITIES (28)

Current financial liabilities relate to various short-term lines of credit and overdrafts for financing operating activities; they are due within a period of one year. Standard market interest rates have been agreed upon for short-term loans. In addition, it also contains the current portion (repaid in the following year) of non-current financial liabilities, and the re-classification from non-current financial liabilities as a result of the termination options that became available to the lenders.

TRADE PAYABLES (29)

Trade payables are accounted for at amortized cost. Their balance sheet values generally correspond to their market values. They are due within one year.

OTHER CURRENT PROVISIONS (30)

Other current provisions changed as follows:

(in EUR tsd.)	Jan. 1, 2015	Currency adjustments	Utilization	Reversal	Transfer	Dec. 31, 2015
Reworking	857	0	857	0	82	82
Restructuring	0	0	0	0	2,655	2,655
Other	2,657	133	1,832	958	3,521	3,521
	3,514	**133**	**2,689**	**958**	**6,258**	**6,258**

The provision for restructuring includes the expenses still to be incurred during the 2016 fiscal year in line with the restructuring concept.

Other provisions primarily include provisions for onerous customer contracts, as well as provisions for commission, profit sharing, and the cost of preparing the annual financial statements.

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

OTHER LIABILITIES (31)

On the reporting date, other liabilities break down as follows:

(in EUR tsd.)	Dec. 31, 2015	Dec. 31, 2014
Tax liabilities (not taxes on income)	973	1,046
Personnel-related liabilities	2,411	3,767
Earn-out obligation	3,125	3,000
Other	4,467	484
	10,976	**8,297**

Tax liabilities (not taxes on income) primarily comprise VAT liabilities and liabilities from wage and church taxes. The earn-out obligations include 3,000 thousand euros for the earn-out component from the purchase of CIS Technology GmbH in 2012, which is unlimited and depends on the sale of CIGS facilities, and also 125 thousand euros for the short-term portion of the earn-out component from the purchase of KLEO Halbleitertechnik GmbH in fiscal year 2015. All liabilities are due within one year.

REPORTING ON FINANCIAL INSTRUMENTS

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

Trade receivables, other current receivables, liquid funds, trade payables, and the lion's share of other liabilities as set out in IFRS 7 mostly have short remaining terms. The carrying amounts of these financial instruments are therefore assumed to equate approximately to their fair values.

Assets as of December 31, 2015

(in EUR tsd.)	Fair value	Carrying Amounts by Measurement Category			
		Loans and receivables	Designated hedging instruments (cash flow hedges)	Not within the scope of IFRS 7, IAS 39	Carrying amount Dec. 31, 2015
Other non-current assets	1,634	1,634	–		1,634
Trade receivables	83,799	30,893	–	52,906	83,799
Derivative financial instruments	28	–	28	–	28
Other current receivables	7,421	3,788	–	3,633	7,421
Liquid funds	34,372	34,372	–	–	34,372
	127,254	**70,687**	**28**	**56,539**	**127,254**

Liabilities as of December 31, 2015

(in EUR tsd.)	Fair value	Carrying Amounts by Measurement Category				
		Measured at amortized cost	Carrying amount according to IAS 17	Designated hedging instruments (cash flow hedges)	Not within the scope of IFRS 7, IAS 39	Carrying amount Dec. 31, 2015
Financial liabilities	82,802	82,912	–	–	–	82,912
Financial liabilities from leases	26	–	24	–	–	24
Trade payables	40,809	40,809	–	–	–	40,809
Derivative financial instruments	3,140	–	–	3,140	–	3,140
Other liabilities	10,976	6,878	–	–	4,098	10,976
	137,753	**130,599**	**24**	**3,140**	**4,098**	**137,861**

Assets as of December 31, 2014

(in EUR tsd.)	Fair value	Carrying Amounts by Measurement Category: Loans and receivables	Designated hedging instruments (cash flow hedges)	Not within the scope of IFRS 7, IAS 39	Carrying amount Dec. 31, 2014
Other non-current assets	674	674			674
Trade receivables	58,708	33,013	–	25,695	58,708
Derivative financial instruments	6	–	6	–	6
Other current receivables	5,886	2,549		3,337	5,886
Liquid funds	23,153	23,153	–	–	23,153
	88,427	**59,389**	**6**	**29,032**	**88,427**

Liabilities as of December 31, 2014

(in EUR tsd.)	Fair value	Carrying Amounts by Measurement Category: Measured at amortized cost	Carrying amount according to IAS 17	Designated hedging instruments (cash flow hedges)	Not within the scope of IFRS 7, IAS 39	Carrying amount Dec. 31, 2014
Financial liabilities	32,157	32,297	–	–	–	32,297
Financial liabilities from leases	52	–	48	–	–	48
Trade payables	42,314	42,314	–	–	–	42,314
Derivative financial instruments	184	–	–	184	–	184
Other liabilities	8,297	4,251	–	–	4,046	8,297
	83,004	**78,862**	**48**	**184**	**4,046**	**83,140**

MEASUREMENT CLASSES PURSUANT TO IFRS 7.27

The Group uses the following hierarchy to determine and present the fair values of financial instruments for each measurement method:

Level 1: (unadjusted) prices for identical assets or liabilities quoted on active markets.

Level 2: input data that is observable either directly (i.e. as prices) or indirectly (i.e. derived from prices) for the asset or liability and that does not represent any quoted price as described in Level 1.

Level 3: input data that is not based on observable market data for the measurement of the asset or liability (unobservable input data).

As of December 31, 2015, derivative financial instruments disclosed in current assets with a value of 28 thousand euros (previous year: 6 thousand euros), as well as derivative financial instruments disclosed in current liabilities with a value of 3,140 thousand euros (previous year: 184 thousand euros) fall within Level 2 of the fair value hierarchy within the scope of IFRS 7.27.

NET EARNINGS BY MEASUREMENT CATEGORIES SET OUT IN IAS 39

(in EUR tsd.)	Net gains/ losses	Total interest income/ expenses
Fiscal Year 2015		
Loans and receivables	–1,660	86
Assets held for trading (derivate financial instruments)	–132	0
Available-for-sale financial liabilities (derivate financial instruments)	–2,105	0
Financial liabilities measured	–113	2,715
	–4,010	**2,629**
Fiscal Year 2014		
Loans and receivables	–12,930	413
Assets held for trading (derivate financial instruments)	–133	0
Available-for-sale financial liabilities (derivate financial instruments)	–33	0
Financial liabilities measured	–27	2,196
	–13,123	**–1,783**

The net gains and losses from loans and receivables primarily include gains and losses from currency translation and changes to valuation allowances on receivables and receivable losses from construction contracts.

Interest income for financial instruments in the "Loans and receivables" category is the result of investing liquid funds. Interest resulting in the category "Financial liabilities measured at amortized cost" primarily pertains to interest expenses from non-current financial liabilities and from financial liabilities to banks.

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 ordinary business activities. Market risks particularly result from changes to exchange rates and interest rates. Financial risk management measures are designed to manage and limit these market risks within the scope of operating 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 default risk, hedging transactions are entered into only with leading financial institutions 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 refer to the situation on December 31, 2015 and 2014, respectively. The sensitivity analyses were carried out based on the hedging relationships which existed on December 31, 2015, and on the premise that net debt, the relationship between the fixed and variable interest rates of liabilities and derivatives, and the share of financial instruments held in foreign currencies will remain constant.

The sensitivity analyses were prepared based on following assumptions:

- The sensitivity of the balance sheet relates to derivatives and available-for-sale debt instruments.
- The sensitivity of the relevant items on the income statement reflects the effect of assumed changes in the corresponding market risks. This is based on financial assets and financial liabilities held on December 31, 2015 and 2014, including the effect of the hedging relationship.
- The sensitivity of equity is calculated by considering the effect of the associated cash flow hedging relationships as of December 31, 2015 and 2014, on the assumed changes in the hedged item.

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 operating activities, the Group is particularly exposed to default risks when it comes to trade receivables and risks within its financing activities, including cash investments with banks and derivative financial instruments.

The credit risk from receivables from customers is managed (locally) at the company level 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 means of valuation allowances. The default risk associated with cash investments and derivative financial instruments is reduced by spreading the investments across different banks.

The maximum credit risk of financial assets (including derivatives with a positive market value) corresponds to the carrying amount recognized in the balance sheet. As of the balance sheet date December 31, 2015, the company's maximum credit risk totaled 127,254 thousand euros (previous year: 88,427 thousand euros).

The age structure of trade receivables for which no impairment losses have been recognized is presented in the following table:

(in EUR tsd.)	2015	2014
Not overdue and not impaired	20,291	18,178
Overdue and on which no specific valuation allowance has been charged		
up to 30 days	3,703	2,640
between 31 and 60 days	1,078	770
between 61 and 90 days	390	312
between 91 and 180 days	553	1,297
more than 180 days	5,223	268
Carrying amounts of receivables for which no impairment losses have been charged	**31,238**	**23,465**

Non-impaired trade receivables showed no indications of requiring recognition of impairment. The recoverability of receivables neither overdue nor impaired is regarded as very high. This assessment is due, above all, to the long-standing business relationship with most buyers and the credit rating of our customers.

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

LIQUIDITY RISKS

Liquidity risk, i.e. the risk that Manz is not able to meet its financial obligations, is 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. The liquidity risk has increased significantly as a result of the uncertain bank situation with the German lenders (reference to the statements in the Group management report on "Liquidity and financing risks" under the risk report).

On the balance sheet date, there are non-utilized credit lines at banks in the amount of 19,663 thousand euros, and non-utilized guarantee credit lines at banks and credit insurers in the amount of 3,700 thousand euros. On December 31, 2014, non-utilized credit lines at banks amounted to 115,717 thousand euros; these could optionally be used as current account credit and/or guarantee credit lines. In addition, there were also non-utilized guarantee credit lines with credit insurers in the amount of 12,185 thousand euros.

The following lists show the contractually agreed, non-discounted interest and principal payments for the primary financial liabilities as set out in IFRS 7. If the maturity date is not fixed, the liability is applied to the earliest maturity date. Interest payments with variable interest yield are taken into account according to the terms applicable as of the reporting date. We mainly assume that the cash outflows will not occur earlier than shown.

(in EUR tsd.)	Total	2016	2017	> 2017
Dec. 31, 2015				
Financial liabilities	83,675	81,747	692	1,236
Finance leasing	27	13	14	
Trade receivables	40,809	40,809		
Derivative financial instruments	3,140	3,140		
Other liabilities	7,790	7,790		
	135,441	**133,499**	**706**	**1,236**

(in EUR tsd.)	Total	2015	2016	> 2016
Dec. 31, 2014				
Financial liabilities	40,782	14,322	5,630	20,830
Finance leasing	53	24	14	15
Trade receivables	42,314	42,314		
Derivative financial instruments	184	184		
Other liabilities	7,251	7,251		
	90,584	**64,095**	**5,644**	**20,845**

The factory buildings belonging to Manz Slovakia s.r.o. have been provided as collateral for the loans and lines of credit extended to the Manz Group by banks and utilized as of the balance sheet date. Furthermore, assignments of receivables have been in effect, as have collateral assignments in the form of inventories, machines and rights concerning intangible assets.

CURRENCY RISKS

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in exchange rates. The Manz Group is exposed to it primarily from its operating activities (if revenues and/or expenses are quoted in a currency different from 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 this makes business sense. The hedging of value fluctuations of future cash flows from expected transactions involves planned sales in foreign currency. Differences caused by exchange rates when financial statements are translated into the Group currency are ignored.

To present market risks, IFRS 7 demands sensitivity analyses which show possible effects that changes to relevant risk variables (e.g. exchange rates, interest rates) might have on earnings and equity. To determine the periodic effects, a possible change in the risk variables on the financial instruments held by the company on the reporting 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 hedged items so that no currency risks can arise 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 euro had been 10 % higher against the US dollar on December 31, 2015 (2014), the consolidated net profit would have been 285 thousand euros lower (previous year: 461 thousand euros higher), and consolidated equity would have been 2,982 thousand euros higher (previous year: EUR 777 thousand euros lower). If the value of the euro had been 10 % lower against the US dollar on December 31, 2015 (2014), the consolidated net profit would have been 348 thousand euros higher (previous year: 564 thousand euros lower), and consolidated equity would have been 3,503 thousand euros lower (previous year: EUR 1,128 thousand 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 in market interest rates to which the Group is exposed results primarily from loans with variable interest rates.

The 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 rate derivatives such as interest rate caps and interest rate swaps.

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

If the market interest rate as of December 31, 2015 (2014), had been 100 points higher (lower), the consolidated net profit would have been 54 thousand euros (117 thousand euros) lower and consolidated equity would have be 17 thousand euros (117 thousand euros) lower due to the cash flow hedges.

CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

As of the balance sheet date, Manz AG had guarantees in place for liabilities to banks for third parties totaling 700 thousand euros (value December 31, 2015: 311,000 euros).

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

(in EUR tsd.)	2015	2014
Minimum lease payment		
Remaining term up to 1 year	5,696	5,273
Remaining term of 1–5 years	15,783	13,809
Remaining term of more than 5 years	19,946	21,779

In fiscal year 2015, rental and leasing payments of 6,120 thousand euros (previous year: 5,760 thousand euros) were recognized in other operating expenses

EVENTS AFTER THE BALANCE SHEET DATE

On February 28, 2016, Manz AG disclosed a planned strategic collaboration with Shanghai Electric Group Co., Ltd. (domiciled in Shanghai, China) in the areas Energy Storage (energy storage systems) and Solar and also in other areas of the automation technology of the Manz Group, which is connected to a large investment by Shanghai Electric in Manz AG. In this context, the Managing Board of Manz AG decided on the continuation of the Solar segment and the further development of the CIGS thin-film solar technology.

In order to enable Shanghai Electric to acquire a participating interest and to strengthen the financial performance, Manz AG plans to increase the company's capital stock by approximately 43 % against cash contributions (corresponds to approximately 29.9 % after the capital increase) by issuing new shares from the authorized capital with the inclusion of the shareholders' subscription rights. The publication of a securities prospectus, which requires the approval of the German Financial Services Regulator BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht), and the subscription offer to the shareholders is expected to take place during the first six months of 2016 once all preparations have been completed.

Against this background, Manz AG and Shanghai Electric concluded an agreement on February 28, 2016 (Investment and Backstop Agreement), according to which a subsidiary of Shanghai Electric will acquire those shares from the planned capital increase that are not subscribed by the shareholders at the subscription price. Shareholders Dieter Manz and Ulrike Manz, who currently own 35.2 % and 3.8 % of the company, will not exercise their subscription rights. The subscription price for the new shares must be set as close as possible to the market, to a maximum of 40 euros per share. The obligations of Shanghai Electric are conditional on, among other things, the approval from anti-trust authorities in China and various official approvals in China and Taiwan.

Dieter Manz intends to continue to hold a major participating interest in the company, and will continue to lead the company in the capacity of Chief Executive Officer. In this context, the Supervisory Board of the company has appointed Dieter Manz for another five-year mandate as scheduled.

According to the Investment and Backstop Agreement, it is also planned that Shanghai Electric can request to conclude a voting agreement following the implementation of the capital increase or at a later date. Accordingly, the parties would, with respect to the shares in the company held by them, coordinate their activities regarding the exercise of their voting rights at the company's Annual General Meeting with regard to certain measures, in particular the appointment and dismissal of members of the Supervisory Board. In this context, the subsidiary of Shanghai Electric is to be entitled to a final decision right during the course of the vote, if an agreement cannot be reached.

If the voting agreement is concluded, Shanghai Electric would likely gain control of Manz AG in terms of section 29 (1) of the German Securities Trading Act, since in addition to the shares acquired from the planned capital increase, it would also be entitled to the voting rights from the shares held by Dieter Manz. As a consequence, Shanghai Electric would be obliged to provide the company's shareholders with an offer to purchase their shares (mandatory offer).

As part of the Investment and Backstop Agreement, shareholder Dieter Manz has also committed that in the event a voting agreement is concluded following the implementation of a mandatory offer, he will sell as many shares to Shanghai Electric as are required to enable Shanghai Electric to attain a 30.1 % participating interest in the company through its subsidiary. If a mandatory offer is not submitted within a year after the capital increase, Shanghai Electric can request that Mr. Manz sell as many shares as are required to achieve a participating interest of 29.9 %.

In addition, no further events occurred that would have had a significant impact on our cash flows, financial position and financial performance.

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 must be specified if they are not already included as a consolidated company in the consolidated financial statements.

In the Manz Group, related parties generally refer to members of the Managing Board and of the Supervisory Board, including their family members, as well as companies over which Manz AG, 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 Managing Board and Supervisory Board members, as well as to former members of the Managing Board, are shown in the compensation report, which is part of the management report.

Total compensation of 1,163 thousand euros was paid to the Managing Board in the 2015 fiscal year (previous year: 829 thousand euros). The non-performance-based components totaled 637 thousand euros (previous year: 509 thousand euros), while performance-based components totaled 50 thousand euros (previous year: 32 thousand euros). The long-term payable components totaled 476 thousand euros (previous year: 288 thousand euros). Long-term components of compensation are comprised of share awards/subscription rights granted within the scope of the Performance Share Plan. In the fiscal year, 8,028 (previous year: 2,658) subscription rights were granted to members of the Managing Board, with a corresponding fair value of 476 thousand euros (previous year: 288 thousand euros).

There is a defined benefit obligation pursuant to IFRS for Chairman of the Managing Board Dieter Manz in the amount of 427 thousand euros (previous year: 393 thousand euros). To cover this pension obligation, a reinsurance policy has been taken out with a fair value of 132 thousand euros (previous year: 126 thousand euros).

Former Managing Board member Otto Angerhofer received a pension payment in the 2015 fiscal year of 10 thousand euros (previous year: 10 thousand euros). Under IFRS, Manz has a pension obligation to the former Managing Board member totaling 171 thousand euros (previous year: 174 thousand euros).

On the balance sheet date, CEO Dieter Manz held 35.2 % (previous year: 40.98 %) of shares in Manz AG. Mr. Manz is also a member of the Supervisory Board of SCANLAB AG.

A contribution-based pension plan is in place for member of the Managing Board Martin Hipp and Martin Drasch. A total of 12 thousand euros annually is paid into an external, re-insured 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, Dipl. oec., Partner at Ebner Stolz Management Consultants GmbH, Stuttgart, Chairman

Dr.-Ing. E.h. Dipl.-Ing. Peter Leibinger, Managing Director of TRUMPF GmbH + Co. KG, Ditzingen, Managing Partner and Deputy Chairman of the Managing Board of TRUMPF GmbH + Co. KG

Prof. Dr. Michael Powalla, Head of the Photovoltaics 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 the Chairman of the Supervisory Board of Know How! Aktiengesellschaft für Weiterbildung and a member of the Supervisory Board at Anna-Haag-Mehrgenerationenhaus e. V. In addition, Prof. Dr. Aurenz is also the Chairman of the Advisory Board of Monument Vermögensverwaltung GmbH.

The Supervisory Board member Dr. Peter Leibinger is a member of the Advisory Board at TRUMPF Hüttinger GmbH + Co. KG. Dr. Leibinger is also a member of the main board of management at the Verband Deutscher Maschinen- und Anlagenbau e. V. (VDMA), the spokesperson of the program committee "Optical technologies" and the spokesperson for the successor program committee "Photonics" for the Federal Ministry of Education and Research, and a member of the Board of Directors at Alfred Kärcher GmbH & Co. KG.

During the 2015 fiscal year, Manz AG purchased laser systems totaling 4,493 thousand euros from TRUMPF Laser- und Systemtechnik GmbH and TRUMPF Lasertechnik GmbH, at which Dr. Peter Leibinger is the Managing Director (previous year: 32,959 thousand euros). As of December 31, 2015, liabilities to these two companies amount to 521 thousand euros (previous year: 623 thousand euros). Manz AG purchased goods with a total value of 158 thousand euros from TRUMPF Hüttinger GmbH + Co. KG, of whose Advisory Board Dr. Peter Leibinger is a member (previous year: 463 thousand euros). There were no liabilities to TRUMPF Hüttinger GmbH + Co. KG as at December 31, 2015 and 2014.

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.

In the 2015 fiscal year, Manz AG paid 1,753 thousand euros to the Center for Solar Energy and Hydrogen Research at Baden-Württemberg (ZSW), of which Prof. Powalla is a member of the Board of Directors, for services and license fees (previous year: 1,887 thousand euros). As of December 31, 2015, liabilities to the ZSW amount to 142 thousand euros (previous year: 241 thousand euros). In addition, Manz AG also issued invoices to ZSW for orders totaling EUR 242 thousand euros during the 2015 fiscal year (previous year: 5,392 thousand euros). As of December 31, 2015, these include 16 thousand euros (previous year: EUR 0) of outstanding receivables from ZSW.

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

For the 2015 fiscal year, compensation was paid to members of the Supervisory Board totaling 54 thousand euros (previous year: 54 thousand euros). The compensation paid for both the current reporting period and the reporting period for the previous year only contains a fixed component.

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 for services by the company responsible for auditing the financial reports, BEST AUDIT GmbH Wirtschaftsprüfungsgesellschaft, are calculated as follows:

(in EUR tsd.)	2015	2014
Auditing the annual financial statements	133	134
Other auditing services (audit of the interim financial statements)	29	27
Tax consultation services*	21	18
Other services*	27	9

* These services are provided by alltax gmbh Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (network partner). Payments in the category „Other services“ made to BEST AUDIT GmbH totaled 15 thousand euros in fiscal year 2015.

CORPORATE GOVERNANCE CODE

Manz AG's Managing Board and Supervisory Board have both issued a compliance statement pursuant to section 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 website, www.manz.com.

PUBLICATIONS IN ACCORDANCE WITH SECTION 160(1), NO. 8, OF THE GERMAN SECURITIES TRADING ACT

The following information was published during the 2015 fiscal year pursuant to the German Securities Trading Act:

February 26, 2015
On 2/24/2015, ETHENEA Independent Investors S.A., Munsbach, Luxembourg, informed us pursuant to Section 21(1) of the German Securities Trading Act that its voting rights in Manz AG, Reutlingen, Germany, had fallen below the 3% voting right threshold on 2/23/2015, and on that day amounted to 2.64% (corresponding to 130,000 voting rights).

May 7, 2015
On 5/5/2015, Bankhaus Lampe KG, Bielefeld, Germany informed us pursuant to section 21(1) of the German Securities Trading Act that its voting rights in Manz AG, Reutlingen, Germany, had risen above the 3.0% and 5.0% voting right threshold on 4/29/2015, and on that day amounted to 9.09% (corresponding to
492,805 voting rights).

On 5/5/2015, Bankhaus Lampe KG, Bielefeld, Germany informed us pursuant to section 21(1) of the German Securities Trading Act that its voting rights in Manz AG, Reutlingen, Germany, had fallen below the 5.0% and 3.0% voting right threshold on 5/4/2015, and on that day amounted to 0% (corresponding to
0 voting rights).

17. Dezember 2015
Voting Rights Notification

1. Information about issuer

Manz AG
Steigäckerstr. 5
72768 Reutlingen
Deutschland

2. Reason for notification

X	Acquisition/disposition of shares with voting rights
	Acquisition/disposition of instruments
	Change in total number of voting rights
	Other reason:

3. Information about the entity required to report

Name:	Registered office and country:
Union Investment Privatfonds GmbH	Frankfurt am Main, Germany

4. Names of shareholders

with 3 % or more voting rights, if different from 3

5. Date on which contact with limit occurred

December 14, 2015

6. Total holdings of voting rights

	neu	letzte Mitteilung
Proportion of voting rights (Total 7.a.)	3.41 %	2.31 %
Proportion of instruments (Summe 7.b.1.+ 7.b.2.)	0 %	%
Total	3.41 %	%
Total voting rights	5420864	/

7. Details regarding existing number of voting rights
a. Voting rights (Sections 21, 22 WpHG)

International Securities	absolute		in %	
	direct (Section 21 WpHG)	assigned (Section 22 WpHG)	direct (Section 21 WpHG)	assigned (Section 221 WpHG)
DE000A0JQ5U3	0	184849	0 %	3.41 %
Total	184849		3.41 %	

b.1. Instruments in terms of Section 25 (1), No. 1 WpHG

Type of instrument	Maturity/ Lapse	Exercise period/ Term	Voting rights, absolute	Voting rights, in %
				%
		Total		%

b.2. Instrumente i.S.d. § 25 Abs. 1 Nr. 2 WpHG

Type of instrument	Maturity/ Lapse	Exercise period/ Term	Cash compen-sation or physical settlement	Voting rights, absolute	Voting rights, in %
					%
			Total		%

8. Information regarding the entity that is required to report

X	The entity required to report (3.) is not controlled, nor does it control other companies with voting rights of the issuer that are relevant for reporting purposes (1.). The full chain of subsidiaries beginning with the most senior controlled person or the most senior controlled company:		
Company	Voting rights in %, if 3 % or higher	Instruments in %, if 5 % or higher	Total in %, if 5 % or higher

9. If authorized according to Section 22 (3) WpHG
(only possible with assignments pursuant to Section 22 (1) (1) No. 6 WpHG)

Date of Annual General Meeting:	
Total holding of voting rights after Annual General Meeting:	% (corresponds to voting rights)

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the Manz Group's financial position, financial performance and cash flows, and the Manz Group's management report includes a true and fair view 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 development.

Reutlingen, March 21, 2016

The Managing Board of Manz AG

Dieter Manz
Chief Executive Officer

Martin Hipp

Martin Drasch

AUDIT OPINION

We have issued the following audit opinion for the consolidated financial statements and the Group Management Report:

We have audited the consolidated financial statements prepared by Manz AG, Reutlingen - consisting of the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and the Notes - and the Group Management Report for the fiscal year 1 January to 31 December 2015. The preparation of the consolidated financial statements and the Group Management Report pursuant to the IFRS as they must be applied in the EU, and the commercial provisions that must also be applied according to Section 315a (1) HGB is the responsibility of the company's statutory representatives. Our task is to provide an assessment of the consolidated financial statements and the Group Management Report on the basis of the audit conducted by us.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB) and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit in such a way that misstatements materially affecting the presentation of the financial position, financial performance and cash flows in the consolidated financial statements in accordance with the applicable financial reporting provisions and in the Group Management Report can be detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures In line with the audit, the effectiveness of the accounting-related internal control system as well as supporting documents for the information contained in the consolidated financial statements and the Group Management Report are mainly assessed on the basis of spot samples.

The audit includes an assessment of the annual financial statements of the companies included in the consolidated financial statements, the classification of the scope of consolidation, the applied accounting and consolidation principles and the main assessments of the statutory representatives, along with an acknowledgment of the overall presentation of the consolidated financial statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our assessment, which is based on the insights gained during our audit, the consolidated financial statements comply with the IFRS as they must be applied in the EU, and also the commercial provisions as must also be applied in accordance with Section 315a (1) HGB, and in compliance with these provisions correctly describe the Group's financial position, financial performance and cash flows. The Group Management Report corresponds to the consolidated financial statements, on the whole conveys a correct presentation of the situation of the Group, and correctly describes the opportunities and risks associated with future developments.

Without restricting this assessment, we advise that the ability of Manz AG and the Manz Group to operate as a going concern is threatened by liquidity risks in particular. Detailed information regarding this issue is provided in the Group Management Report under the risk report, and is summarized in the section "Overall assessment of risks and opportunities". The Managing Board notes that an examination of all opportunities and risks shows that the risk situation of the Group has grown significantly worse in comparison with the previous year with respect to liquidity and financing. The liquidity and financing risk must be viewed as the most significant risk in the Group. Due to the limited-time extension of the German credit lines, the continued existence of the Manz Group depends on the scheduled implementation of one of the planned capital increases, and that a portion of the issue proceeds is used for repayment of the German bank loans.

Nevertheless, the Managing Board of Managing Board also believes that it is highly likely that the Group and Manz AG will be able to operate as a going concern.

Reutlingen, March 21, 2016

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