Impulses

THE FISCAL YEAR 2016

Manz AG at a glance

2017 Financial Calendar

May 11, 2017	Publication of 2017 3-Month Report
July 4, 2017	2017 Annual General Meeting
August 10, 2017	Publication of 2017 6-Month Report
November 14, 2017	Publication of 2017 9-Month Report

Overview of Consolidated Net Profits

(in Mio. EUR)	2016	2015	Change in %
Revenues	231.0	222.0	+4.0
Total operating revenues	238.9	229.8	+4.0
EBITDA	–21.8	–41.9	n/a
EBIT	–35.9	–58.2	n/a
EBT	–39.6	–61.7	n/a
Consolidated net profit (loss)	–42.6	–64.2	n/a
Earnings per share (in euros)	–6.22	–12.20	n/a
Cash flow from operating activities	–16.7	–57.4	n/a
Cash flow from investing activities	–9.0	–22.0	n/a
Cash flow from financing activities	46.3	90.4	–48.7 %

	Dec. 31. 2016	Dec. 31. 2015	Change in %
Total assets	312.1	292.5	+6.7
Shareholders' equity	165.1	125.3	+31.8
Equity ratio (in %)	52.9	42.8	+10.1 pp
Financial liabilities	54.4	82.9	–34.4
Liquid funds	55.7	34.4	+62.1
Net debt	–1.3	48.6	n/a

THE YEAR 2016

Large orders in the Electronics segment → **February 17**

Manz AG successfully completes capital increase → **May 20**

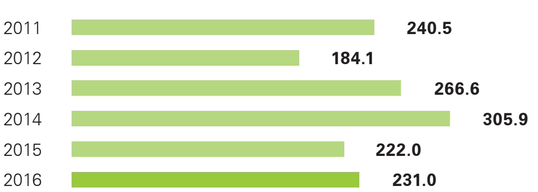
First series order in line with the Speedfactory project from adidas → **July 7**

Representative of Shanghai Electric appointed to the Supervisory Board →

Chief Restructuring Officer (CRO) is added to the Managing Board → **September 22**

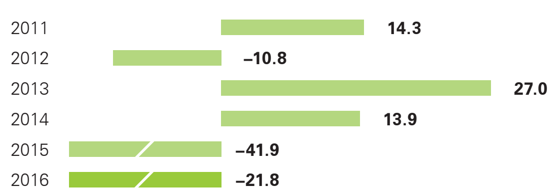
Revenues

(in million euros)



EBITDA

(in million euros)

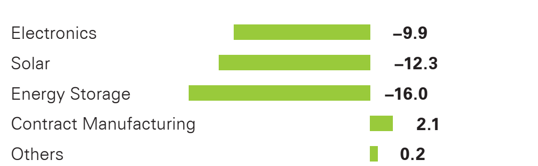


EBIT

(in million euros)

EBIT by Business Segments 2016

(in million euros)



Manz AG approves a capital increase with subscription rights in the amount of 43 % of the company's capital stock — **April 20**

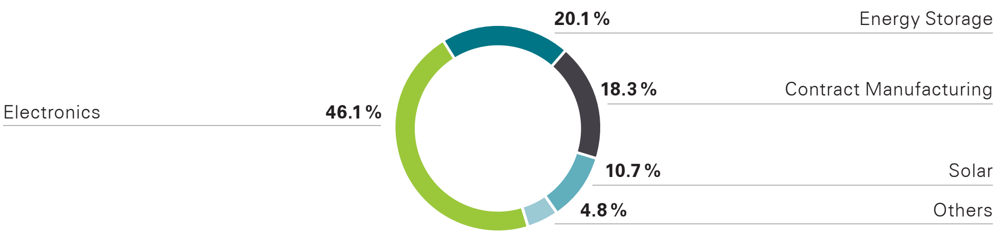
Suspension of order in Energy Storage segment — **June 11**

July 12

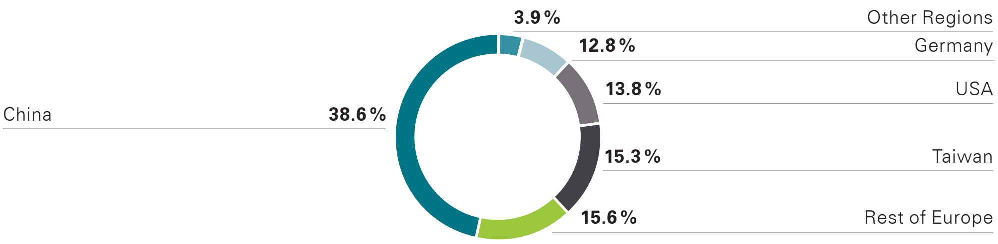
Lam Research and Manz start operating the joint venture company Talus Manufacturing — **September 6**

Master agreement for strategic cooperation in the CIGS segment — **November 2**

Revenues by Business Segment January 1 to December 31, 2016



Revenue Distribution by Region January 1 to December 31, 2016



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, 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 that demand continuous innovation.

With highly flexible development processes and our cross-industry technology transfer, we can proactively work in markets with constantly changing conditions and can thus create clear competitive advantages for our customers.

INDEX

a 009 TO OUR SHAREHOLDERS

010 Letter from the Managing Board
014 Manz AG Stock
018 Report from the Supervisory Board

b 047 GROUP MANAGEMENT REPORT

048 Basic Inormation on the Group
056 Business Report
070 Events After the Balance Sheet Date
071 Corporate Governance
091 Report on Opportunities and Risks
103 Forecast Report

c 109 CONSOLIDATED FINANCIAL STATEMENT

110 Consolidated Income Statement
111 Consolidated Statement of Comprehensive Income
112 Consolidated Balance Sheet
114 Consolidated Cash Flow Statement
115 Consolidated Statement of Changes to Equity

d 117 NOTES

118 General Disclosures
119 Accounting Principles
136 Notes to the Income Statement
144 Notes to Segment Reporting
145 Segment Reporting for Divisions
146 Segment Reporting for Regions
147 Notes to the Cash Flow Statement
148 Notes to the Balance Sheet
167 Reporting on Financial Instruments
174 Contingencies and Other Financial Obligations
175 Events After the Balance Sheet Date
175 Related Parties
180 Responsibility Statement
181 Audit Opinion
183 Imprint

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

Shanghai Electric becomes strategic anchor investor of Manz AG → 2016

Manz becomes global leading equipment supplier for the touch panel production

First order from AMOLED display industry → 2013

2016

TO OUR SHAREHOLDERS

010 LETTER FROM THE MANAGING BOARD

014 MANZ AG STOCK

014 Change in Share Price
016 Shareholder Structure
016 Investor Relations
017 Annual General Meeting

018 REPORT FROM THE SUPERVISORY BOARD

LETTER FROM THE MANAGING BOARD

Dear Shareholders,

In the 2016 fiscal year, the Managing Board and employees of Manz AG invested all of their energy in the reorganization of our company. Today, we can say that our work has paid off, and that the turnaround has been successful.

Without a doubt, the main event in this context was the entry of Shanghai Electric, China's largest machine supplier for energy generation; the company became a long-term oriented anchor investor and strategic partner of Manz AG in May 2016. The opportunities that this partnership opens up for our company are immense – particularly with regard to the commercialization of CIGS*fab* as the world's unique, fully-integrated and turnkey production line for the manufacture of CIGS thin-film solar modules. A particularly important milestone in this context was achieved in January 2017, when the company received its largest order to date: As part of the strategic collaboration between Manz, Shanghai Electric and the Shenhua Group, China's largest coal company and the world's largest operator of coal mines, Manz AG received two large orders for a CIGS production line with a capacity of 306 MW and a CIGS research line with a capacity of 44 MW. The total order volume is 263 million euros, and will impact revenues and earnings in the 2017 and 2018 fiscal years. The order must still be approved by Chinese government authorities. However, we expect that approval will be granted by the middle of April at the latest.

On the operating side, we faced several challenges in 2016. In June 2016, a large order in the Energy Storage business segment was canceled on very short notice. As a result, we also did not receive the related and planned follow-up orders. The major order in the solar division also came significantly later than we had initially advised. At the same time, revenues were slightly above the previous year's level, which allowed us to reach our objective of significantly improving the result before interest and taxes (EBIT) compared to the previous year. The significant improvement in our result before interest, taxes and depreciation (EBITDA) is mainly due to the multi-layered measures that were implemented to optimize our processes and structures within the entire group. The success of the reorganization is reflected in significantly lower material and personnel expense ratios, which result in an overall improved cost basis. We will continue this approach in the new 2017 fiscal year, and will consistently implement the projects that have been initiated in line with an on-going optimization process.

A strong strategic partner, a full order book, proven success in optimizing our cost basis and the continuous improvement of our processes – in view of this situation, we expect to return to profitability in 2017. Opportunities for follow-up orders in the solar segment are excellent, and we fully expect that we will supply additional production lines for CIGS thin-film solar modules from the strategic cooperation with Shenhua and Shanghai Electric in the future. In addition, an expansion in the collaboration to other fields, such as Energy

Storage, is also a realistic scenario, and offers additional revenue potential. With the sale of Manz CIGS Technology GmbH to the collaborative R&D company with Shenhua and Shanghai Electric, significant annual financial burdens for further development of CIGS solar technology no longer apply for Manz AG in the solar division. Together with the order pipeline for 350 MW and the additional growth potential, this forms the basis for sustained profitable growth in the Solar business segment.

The outlook for the Electronics and Energy Storage business segments is also positive. Based on continued high demand for consumer electronics and an upturn in the classic display and printed circuit board business, we expect stable business developments in the Electronics business segment. In addition, the global mega trends e-mobility, autonomous driving and stationary energy storage will also provide considerable growth impulses for the Energy Storage segment in the medium and long term. It is particularly in the e-mobility industry that we have observed an increase in global business activities during the last few months; accordingly, the interest of potential customers in the solutions offered by Manz AG has also increased – both in the area of standard machines and also with regard to complete, customized system solutions. The global expansion of our sales activities in Asia, Europe and America, with the goal of significantly expanding our customer base in all three business segments, represents a mandatory prerequisite in this regard.

Success in a globally competitive environment does not happen on its own. Our diversification strategy with the medium-term goal of three equally strong business segments has proven itself correct, and the broadly diversified business model of Manz AG has repeatedly proven itself to be robust. This, and our long-standing partnerships with our customers, have also enabled us to successfully manage even the biggest challenges in the last couple of years. Today, Manz AG is stronger than ever, and we have started the new fiscal year with considerable momentum. As a result for 2017, in dependence on the project start of the CIGS order, which will be determined by the time of fulfillment of all closing conditions, we anticipate a significant increase in revenue to at least 350 million euros, with significantly improved and positive earnings before interest and taxes (EBIT).

At this juncture, we would like to take the opportunity to thank all of our employees, who have demonstrated considerable commitment and a high level of engagement for our company and thus played a key role in leading Manz AG into a positive future. We are proud of what we have achieved together, and look forward to many more successful ventures.

Reutlingen, March, 2017

The Managing Board

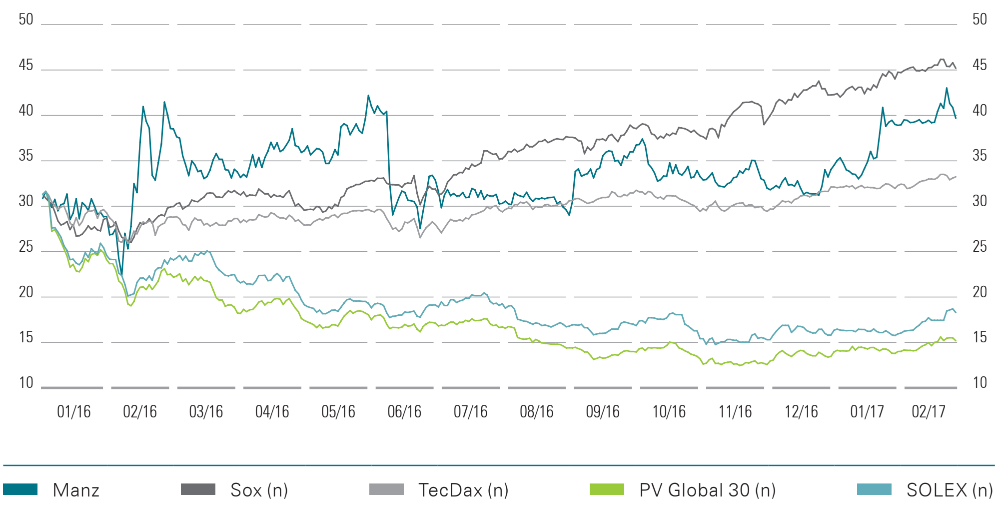
Dieter Manz | Martin Hipp | Eckhard Hörner-Marass | Martin Drasch

MANZ AG STOCK

CHANGE IN SHARE PRICE (JANUARY 4, 2016 – FEBRUARY 28, 2017)

The Manz AG share began the 2016 fiscal year on January 4, 2016, with a closing price of 30.85 euros. After briefly losing in value at the beginning of the year, the share fell to its lowest level in the period under review of 22.42 euros. The development of the share was subsequently characterized by a strong upturn, as it traded between 35 euros and 42 euros a share until the beginning of June 2016. The share reached its highest value for 2016 on June 2, 2016, at 42.11 euros. During the course of the remainder of the year, the share once again fell under the 30 euro mark in the middle of June, when it reached an interim low of 27.60 euros on June 27, 2016. This was followed by an extended sideways movement between June and September. Towards the end of the year, the Manz AG share recovered slightly, closing at 33.19 euros on December 30, 2016, which corresponded to a market capitalization of approximately 257 million euros. Over the entire year of 2016, the share gained approximately 6 %. At the beginning of the year 2017, the share price once again rose significantly. On 23 February 2017, the share's closing price of 42.93 euros marked the highest share price in the period under review. On February 28, 2017, the Manz AG was listed at a closing price of 39.62 euros, which corresponds to a gain of 28.42 % compared to the beginning of 2016. The market capitalization was 307 million euros.

Chart Showing Manz AG Stock (XETRA, in EUR)



In the first month of the 2016 fiscal year, the movement of the TecDAX of the German Stock Exchange – the index comprised of the largest technology companies in Germany listed in the Prime Standard measured by market capitalization and stock market turnover – was virtually identical to the movement of the Manz AG share price. After strong losses in February for both the Manz share and the TecDAX, the share price for the Manz AG grew much faster than the TecDAX industry index. From the middle of June 2016 to the end of the period under review, the TecDAX and the Manz share once again registered virtually identical developments. The TecDAX gained 6.2 % during the period under review.

During the first half of 2016, the Manz AG share initially surpassed the Semiconductor Sector Index (SOX) of the Philadelphia Stock Exchange by a wide margin. In the second half of 2016 and the beginning of the 2017 fiscal year, the index performance of the SOX caught up considerably, however, and at the end of the period under review traded 44.0 % above the 2016 starting value.

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 AG share did much better in the period under review. Both the SOLEX as well as the PV Global 30 had extended phases of negative performance, particularly during the first six months of 2016, during which the Manz share experienced a strong upturn. The much more positive development of the Manz share compared to the SOLEX and PV Global 30 was also confirmed in the second half of 2016 and at the beginning of 2017. During the period under review, the SOLEX lost 41.3 % and the PV Global 30 51.1 %.

Stock Key Data and Performance Indicators

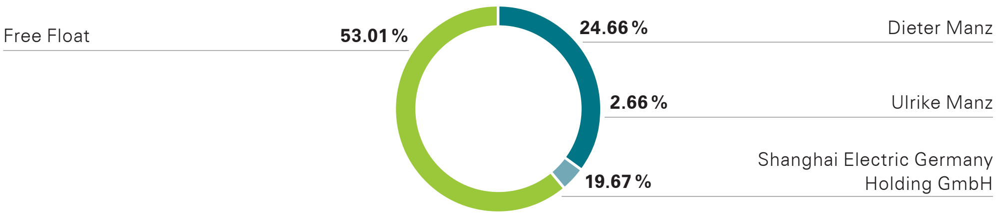
German Securities Identification Number	A0JQ5U
International Securities Identification Number	DE000A0JQ5U3
Ticker Symbol	M5Z
Stock Market Segment	Regulated market (Prime Standard)
Type of Stock	Registered, common, no-par value bearer shares, each with a proportionate value of 1.00 EUR of capital stock
Capital Stock	**7,744,088 EUR**
IPO	September 22, 2006
Opening Price	19.00 EUR
Stock Price at the Beginning of the Fiscal Year*	30.85 EUR
Stock Price as to February 28, 2017*	39.62 EUR
Change (in percent)	**+28.42 %**
Annual High	42.11 EUR
Annual Low	22.42 EUR

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

SHAREHOLDER STRUCTURE

At 53.01 % as of the reference date of December 31, 2016, Manz AG has a large number of shares in free float and has a wide shareholder base. As at December 31, 2016, Shanghai Electric Germany Holding GmbH owns 19.67 % of the shares. In addition, founder and Chairman of the Managing Board Dieter Manz and his wife Ulrike Manz own another 24.66 % and 2.66 % of the company's shares, respectively.

Shareholder Structure



INVESTOR RELATIONS

Manz AG places a high value on an active dialog with investors, analysts, and financial journalists and maintained a constant exchange of information with its shareholders and stakeholders in the 2016 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. In addition to the statutory obligations, the IR activities performed by Manz AG in 2016 include the following:

- Participation in 5 capital market conferences
- Three 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
- Publication of 12 Corporate News and six ad-hoc announcements

In the course of fiscal year 2016, Manz AG was covered by the following institutions:

- Bankhaus Lampe
- Warburg Research
- Oddo 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 2016 Annual General Meeting on July 12, 2016. A total of 305 shareholders attended and heard the report of the Managing Board on the development of business in the year 2015 and the outlook for the 2016 fiscal year.

Almost all the shareholders represented at the Annual General Meeting approved the meeting's agenda. A total of 60.52 % of capital stock with voting rights was represented (previous year: 56.21 %). Detailed voting results can be retrieved at any time from the company's website www.manz.com under Investor Relations/Annual General Meeting.

2017 Financial Calendar

May 11, 2017	Publication of 2017 3-Month Report
July 4, 2017	2017 Annual General Meeting
August 10, 2017	Publication of 2017 6-Month Report
November 14, 2017	Publication of 2017 9-Month Report

REPORT FROM THE SUPERVISORY BOARD

Dear Shareholders,

In the 2016 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 2016 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

The 2016 fiscal year was another very challenging year for all divisions of Manz AG. It was also the reason why activities for securing financing, the participation of a new anchor shareholder, the optimization of business processes in line with the "Manz 2.0" restructuring program, the improvement of the order and earnings situation particularly in the Solar segment, and managing the order stop in the Energy Storage segment, in addition to the other strategic and operational issues, were regularly featured in the reports by the Managing Board and were also closely monitored by the Supervisory Board in an advisory capacity.

During the reporting year, the Supervisory Board held a total of five face-to-face meetings and four conference calls, which 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 those members' personal matters. In addition, three resolutions by the Supervisory Board were also adopted by way of the written procedure or by telephone. Until the capital increase in May 2016, the Supervisory Board was also regularly provided with current liquidity planning on a bi-weekly basis; the plans were also discussed with the Supervisory Board during the course of teleconferences.

At the first meeting of the reporting year on January 18, 2016, the Supervisory Board discussed the status of preparations for the participation of Shanghai Electric as a strategic investor in the company, and the financing situation dependent on the same, including the bank financing and planning for the 2016 fiscal year. Moreover, the Managing Board also reported on the implementation of the restructuring measures as well as the order situation and order processing.

A conference call on February 15, 2016, once again focused on the planned capital measure with a discussion of action alternatives as well as the financing and the liquidity situation. The Supervisory Board also duly appointed Dieter Manz to serve as Chairman of the Managing Board for another five-year mandate.

Discussions at the face-to-face meeting in the reporting year on March 24, 2016, focused on the annual financial statements and the consolidated financial statements of Manz AG for December 31, 2015, 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 2015. In addition, the Managing Board also reported on the current business developments in the first quarter of 2016 and the outlook for the various business segments. The Supervisory Board also discussed at length the medium-term planning for the 2016 to 2018 fiscal years with the Managing Board, and critically acknowledged the same. In addition, on the basis of a report by the Managing Board, we also discussed the optimization measures in the Manz Group under the "Manz 2.0" program, which have been defined into 12 sub-projects. Furthermore, the Supervisory Board discussed and approved the report of the Supervisory Board to the Annual General Meeting. On the basis of a risk report, the Managing Board explained the main risks at the Manz Group, particularly also the existing financing risk, as well as the current state of preparations for the planned capital increase and bank financing. 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.

» The Supervisory Board advised the Managing Board on a regular basis with regard to the company's strategic orientation and governance. «

Heiko Aurenz,
Chairman of the Supervisory Board

During the course of a Supervisory Board meeting by telephone, the Managing Board explained the status of the investor process on April 14, 2016. The Managing Board and Supervisory Board also discussed the proposed resolutions for the upcoming regular Annual General Meeting, which were approved by the Supervisory Board through written adoption on May 24, 2016.

At another conference call, the Supervisory Board on April 20, 2016 approved the decision of the Managing Board to increase the capital stock from the authorized capital against cash deposits, in application of the shareholders' subscription rights, and approved the corresponding amendments to the Articles of Incorporation.

At the meeting on July 5, 2016, reporting by the Managing Board focused on the current business developments and planning in the various business segments, including the effects of the order stop in the Energy Storage segment and its possible impact on the 2016 forecast, and a discussion of the capacity utilization and earnings situation. In this context, we also discussed the discontinuation of the low-margin cSi-Solar segment. Other topics included measures to improve the work processes at the Suzhou location, and the further development of global procurement. Moreover, the Managing Board and Supervisory Board also agreed to continue the restructuring process and implementation on a professional basis with the addition of another executive portfolio to the Managing Board. Finally, the Supervisory Board granted the members of the Managing Board performance shares (options) for shares in the company as a long-term compensation component on the basis of the Manz Performance Share Plan 2015, and approved the issue of performance shares to other executives in the Manz Group.

At the constituting meeting of the Supervisory Board following the elections to the Supervisory Board by the Annual General Meeting on July 12, 2016, Prof. Dr. Heiko Aurenz and Prof. Dr. Michael Powalla were once again elected Chairman of the Supervisory Board and Deputy Chairman of the Supervisory Board, respectively.

By way of a written adoption on August 8, 2016, the Supervisory Board appointed Eckhard Hörner-Marass to serve as a member of the Managing Board with responsibility for restructuring, and also approved the latter's executive contract.

At the meeting on Tuesday, September 20, 2016, the Managing Board reported on the interim financial statements for the first six months of 2016, as well as the current business and financial performance and business outlook for the second half of 2016. In this context, we discussed at length the prospect of obtaining an order for a CIGS*fab* against the background of the continued loss contributions of the CIGS Solar segment, and the operational and financial consequences of additional delays in incoming orders.

During the last meeting of the reporting year on December 6, 2016, the Managing Board reported on the interim financial statements for the third quarter of 2016, and the current business and financial performance. In this vein, the Managing Board presented the current outlook for the various business segments in great detail. The Managing Board also discussed the status of the contract negotiations for the placement of an order in the CIGS Solar segment, and the sale of subsidiary Manz CIGS Technology GmbH to a joint venture company. It also reported on the progress made with regard to optimizing capacity utilization at the production sites, and the liquidity and financial planning. The committee also discussed the changes to the executive portfolios with the Managing Board. 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 statement of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG).

Conflicts of Interest

Dr.-Ing. E.h. Peter Leibinger, the managing partner of the TRUMPF Group (which renders services to the company), left the Supervisory Board at the end of the 2016 Annual General Meeting. No concrete conflict of interest resulted from this business relationship.

Deputy Chairman of the Supervisory Board Professor Dr. Michael Powalla is head of the photovoltaics division and a member of the Board of Directors at the Centre for Solar Energy and Hydrogen Research Baden-Württemberg (ZSW), which provides licenses to the Manz Group and renders development services to the same. Also in this case, no concrete conflict of interest occurred as a result of this business relationship.

Member of the Supervisory Board Guoxing Yang is the deputy director of the Business Development department at Shanghai Electric Group Co., Ltd., which acquired a 19.67 % stake in Manz AG through a subsidiary in May 2016. In January 2017, Manz AG entered into a strategic collaboration in the area of CIGS thin-film solar technology with Shanghai Electric Group Co., Ltd. and Shenhua Group Co., Ltd. – two of the leading companies in the Chinese energy industry. The objective of this collaborative effort is the further development and marketing of the CIGS thin-film solar technology of Manz AG. In this context, Chinese joint venture companies in which Shanghai Electric Group Co., Ltd. has acquired equity holdings have placed orders with Manz AG for fully integrated production lines for CIGS thin-film solar modules (CIGS*fab*) for a total amount of 263 million euros. No concrete conflict of interest resulted from 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 2016 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 December 6, 2016 meeting, we discussed the recommendations of the German

Corporate Governance Code. The Managing Board and Supervisory Board issued a joint statement of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG), according to which the company complies and will comply with the recommendations in the code with only one exception. The statement of compliance from December 2016 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 2016 fiscal year.

Annual Financial Statements and Consolidated Financial Statements for 2016

The annual financial statements and consolidated financial statements as at December 31, 2016, prepared by the Managing Board, and the management report and Group management report for the 2016 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 German Commercial Code (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 at December 31, 2016, as well as the management reports for Manz AG and the Group for the 2016 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 28, 2017, 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 28, 2017, the Supervisory Board approved the annual financial statements and consolidated financial statements as at December 31, 2016. Manz AG's annual financial statements as at December 31, 2016, are thereby adopted.

Changes to the composition of the Supervisory Board

The Deputy Chairman of the Supervisory Board, Dr.-Ing. E.h. Peter Leibinger, left the Supervisory Board following the end of his regular mandate at the end of the Annual General Meeting on July 12, 2016. We would like to thank Dr.-Ing. E.h. Leibinger for his valuable contribution to the work carried out by the Supervisory Board. In the course of the rotational elections to the Supervisory Board, current members Prof. Dr. Heiko Aurenz and Prof. Dr. Michael Powalla, along with new member Guoxing Yang, were also elected to the Supervisory Board at the 2016 Annual General Meeting.

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 2016 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 28, 2017

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.

The year-on-year sale of flat panel displays (in million sqm) is expected to grow by 4.4 % until 2019.

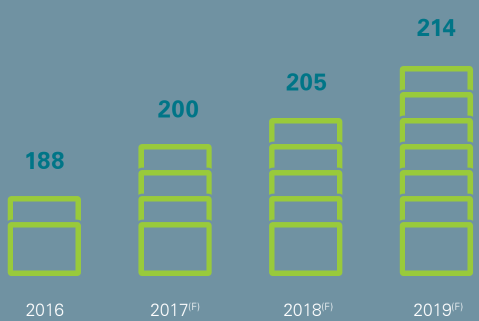
» We are making it possible to continuously increase the performance parameters of the end products. «

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.

Forecast for flat panel displays:
Annual sales of flat panel displays
(in million square meters)

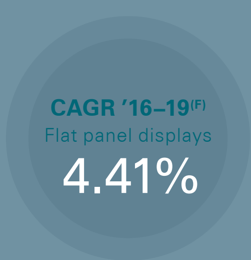
Internal representation based on:
IHS Display Market Outlook 2015 und IHS Markit 2017



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 in the field of wet chemical process equipment and systems for Laser Direct Imaging of circuit boards.

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



ELECTRONIC COMPONENTS

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

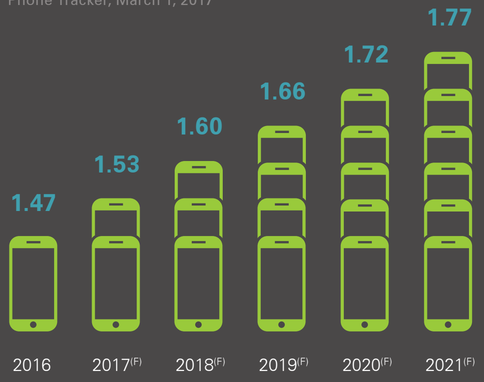

Smartphones are firmly established in our everyday life. It is expected that an accumulated total of
more than 8.2 billion new devices
will be sold worldwide from 2017 to 2021.

» 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, Worldwide Quarterly Mobile Phone Tracker, March 1, 2017



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 expert-ise, our long-standing experience, our ideas, and our implementation of their concepts and requests.

CAGR ’16–21(F)
Smartphone
3.78%

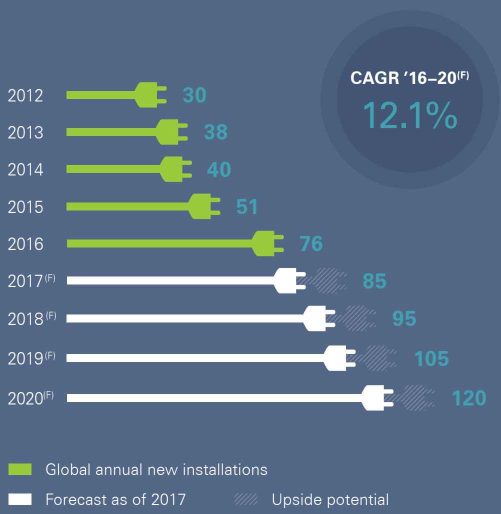
ELECTRONIC DEVICES

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 gigawatts)
Internal representation based on: SolarPower Europe – Global Market Outlook 2016–2020



Thin-film solar modules

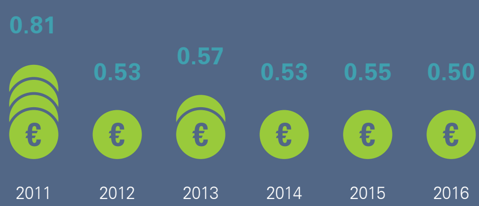
Solar producers can beat the constant cost pressure in their industry only by increasing solar module efficiency while lowering manufacturing costs.

Manz is a pioneer in the development and manufacturing of high-tech production systems for the solar industry. In the last three decades, our system technology has contributed to photovoltaics becoming a competitive form of energy production today and, we are convinced, the most efficient form of energy production in the future.

With CIGS*fab*, Manz is the world's only provider of a fully integrated, turnkey production line for manufacturing CIGS thin- film solar modules.

A strategic partnership with Shanghai Electric and Shenhua is currently creating the largest and most powerful research center for CIGS technology in the world. This will significantly accelerate the advancement of the technology and leverage the enormous potential for further cost reductions and efficiency increases considerably faster.

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.

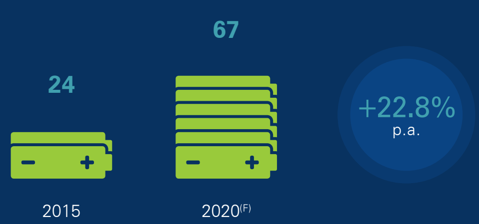
The storage of energy is one of the current hot topics. Successful energy transition and emission-free mobility require an efficient storage medium. Even in consumer electronics the quality of the battery determines the lifespan of the final product. With 30 years of experience, Manz is a leading provider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

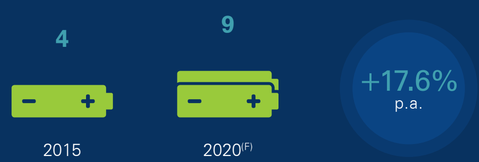
Market growth forecast:
E-vehicles (in GWh)
Source: Avicenne Energy, The rechargeable battery market & main trends 2016–2025 by Christoph Pillot



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: Avicenne Energy, The rechargeable battery market & main trends 2016–2025 by Christoph Pillot



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: Avicenne Energy, The rechargeable battery market & main trends 2016–2025 by Christoph Pillot

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

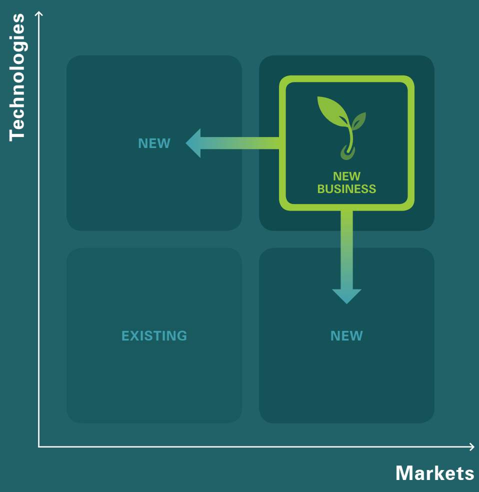
that have the size and potential to form a new Manz business segment in the future.

» 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

048 BASIC INFORMATION ON THE GROUP

048 Business Model and Strategy
049 Restructuring Program “Manz 2.0“
050 Group Structure and Holdings
051 Locations and Employees
051 Control Systems and Performance Indicators
054 Research and Development

056 BUSINESS REPORT

056 Macroeconomic Environment and Industry-Related Conditions
061 Performance of the Business
062 Analysis of Financial Position, Financial Performance and Cash Flows

070 EVENTS AFTER THE BALANCE SHEET DATE

071 CORPORATE GOVERNANCE

071 Corporate Governance Statement in Accordance with §§ 289A, 315 of the German Commercial Code (HGB)
071 Disclosures in Accordance with §315 Paragraph 4 HGB and Explanatory Report Pursuant to §176 Paragraph 1 Sentence 1 of the German Stock Corporation Act (AktG) on the Disclosures in Accordance with §289 Paragraph 4 §315 Paragraph 4 HGB
083 Compensation Report

091 REPORT ON OPPORTUNITIES AND RISKS

091 Risk Management and Internal Monitoring System
093 Risk Report
098 Opportunities Report
102 Overall Assessment of Risks and Opportunities

103 FORECAST REPORT

103 Outlook
106 Forward-looking Statements

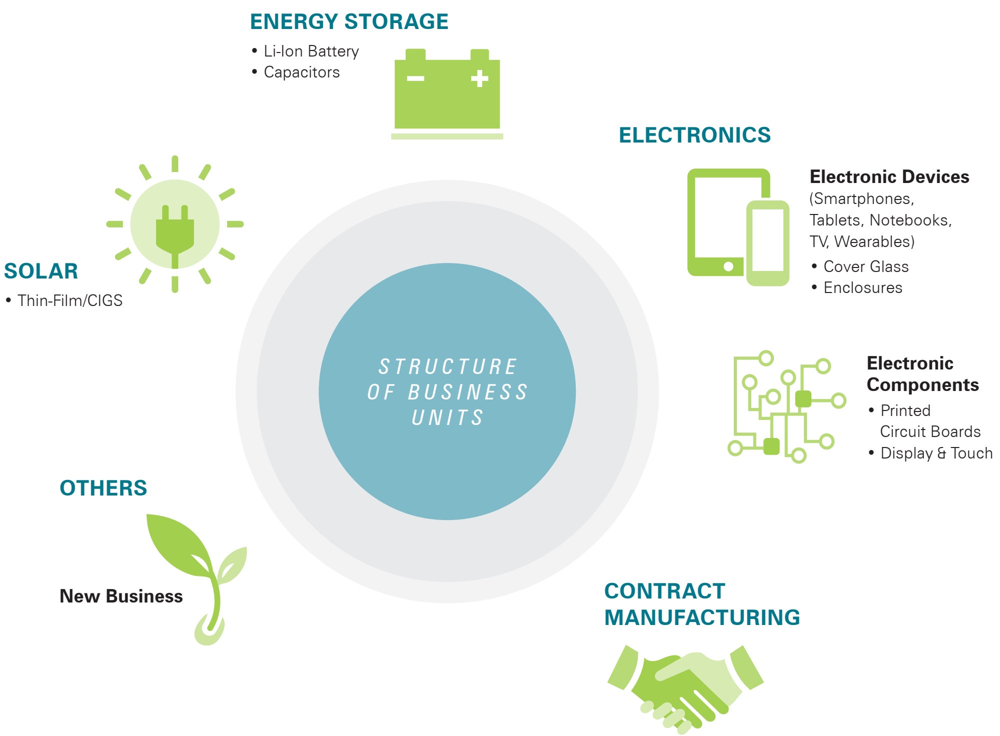
BASIC INFORMATION ON THE GROUP

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 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, wet chemistry, printing and coating and roll-to-roll processes, Manz AG focuses on the three strategic business segments Electronics, Solar and Energy 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 enables internal synergies and innovative production solutions for diverse markets. At the same time, Manz AG is increasing the flexibility of its business model so as to be able to react to new growth trends and quickly open up promising industries as additional sales markets.



Diversification strategy

The successful cross-industry technology transfer gives rise to a diversification strategy that forms an integral part of the Manz AG business model. With the diversification in technologies, industries and regions, Manz is pursuing the goal of being able to compensate for the existing volatility in various growth markets in the best way possible way while at the same time benefiting 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”

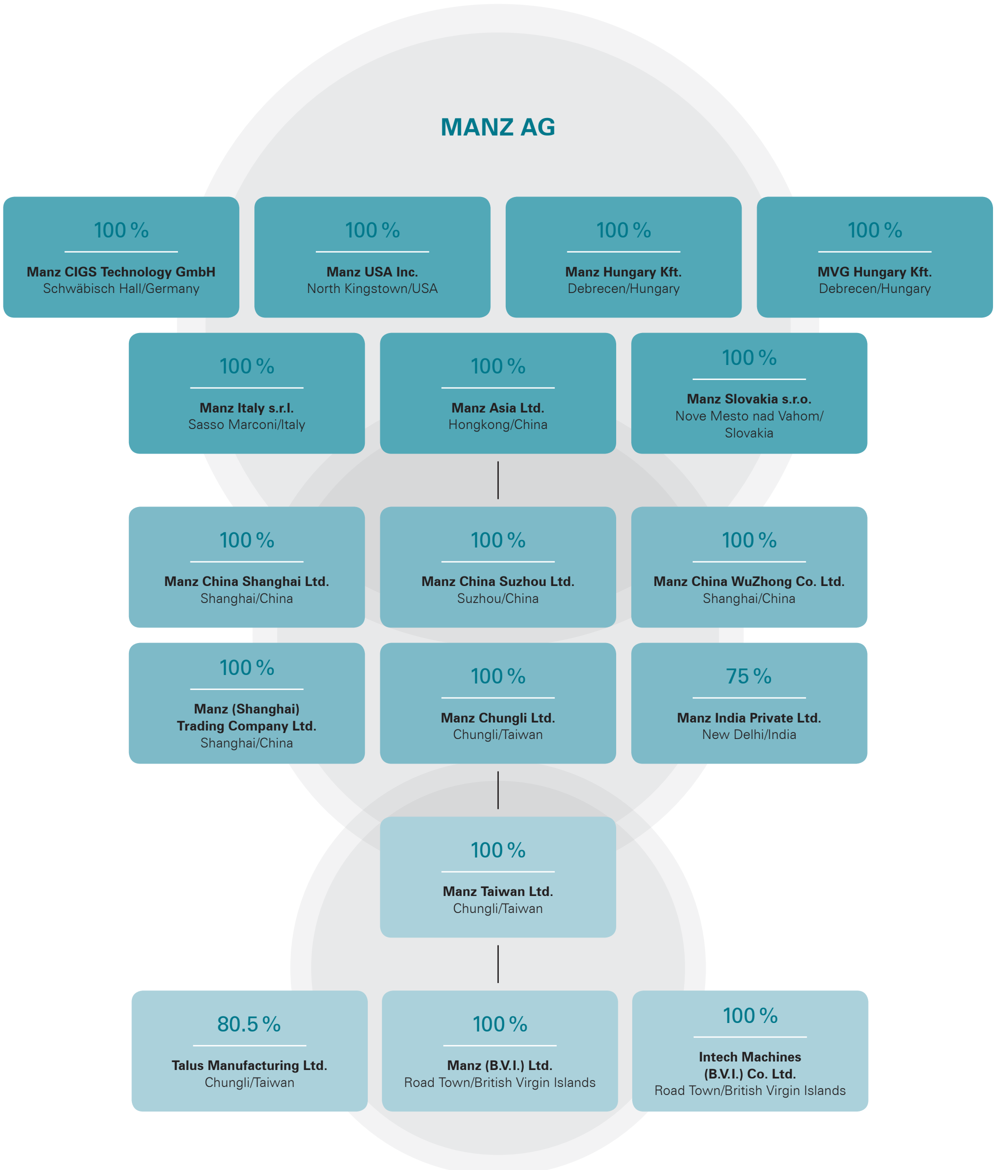
As an internationally active high-tech equipment manufacturer, Manz AG has an extensive worldwide production, sales and service network through close customer relationships and a strong market position in the target industries in China, India, the USA, Europe and Arab countries. The “Follow the Market” strategy provides the company, which has 800 employees at production and research & development locations in Taiwan and China, with 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 to 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 “MANZ 2.0”

During the course of 2016, the Managing Board and Supervisory Board converted the restructuring program “Manz 2.0”, which was initiated at the end of the 2015 fiscal year, into an on-going improvement program with ten individual projects. The measures are mainly aimed at increasing competitiveness, improving sales structures, increasing capacity utilization at all locations and significantly increasing the efficiency of internal processes. Implementation of the measures should facilitate a sustained return to operating profitability. To this end, the subsidiaries in Taiwan and China were placed in a more profitable position through measures such as the clearer focusing of their tasks and a reduction in personnel costs. Associated with this is a rigorous shift of production from Taiwan and Germany to the Chinese location. 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 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 in Asia.

GROUP STRUCTURE AND HOLDINGS

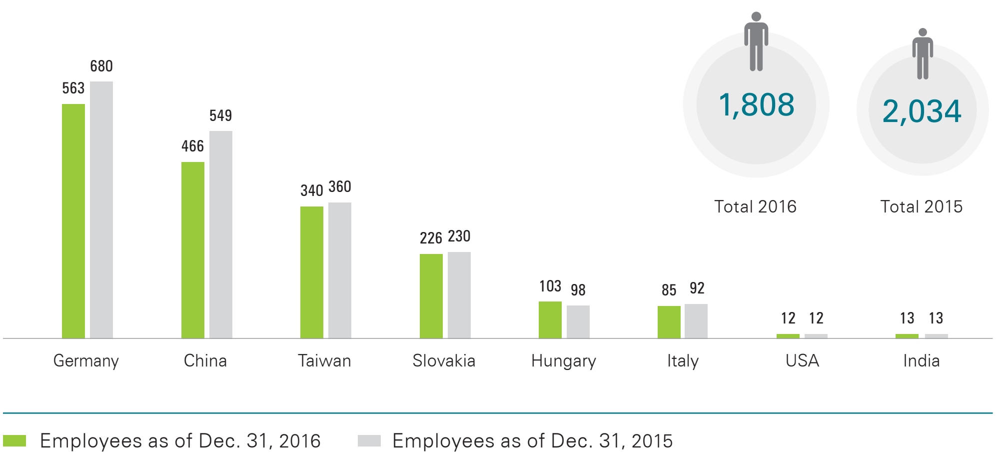
Altogether, 18 companies continue to be included and fully consolidated in Manz AG's consolidated financial statements as at December 31, 2016. On the reporting date, Manz AG, as the parent company for the Group, held a 100 % interest in six international subsidiaries and one domestic subsidiary located in Schwäbisch Hall. Two of the foreign subsidiaries are based in Hungary and one subsidiary each in Italy, the USA, Slovakia, and Hong Kong. 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 and two fourth-tier subsidiaries in the British Virgin Islands as well as an 80.5 % interest in Taiwan.



LOCATIONS AND EMPLOYEES

Qualified employees provide the basis of Manz AG's long-term success. As of December 31, 2016, the employee structure of the company was as follows: a total of 1,808 employees (previous year: 2,034) worked for the company in Germany and abroad, of which 563 (previous year: 680) worked at the German locations. Based on the number of employees, the largest subsidiary of Manz AG is Manz China Suzhou Ltd. in China, with 442 employees (previous year: 533), followed by Manz Taiwan Ltd. in Taiwan, with 272 employees (previous year: 360), and Manz Slovakia s.r.o., with 226 employees (previous year 230).

Employees by country



The steady 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.

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 an annual 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 an 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. 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 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 2016, the control indicators and performance indicators for the most part developed positively 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 in the section "Analysis of Financial Position, Financial Performance, and Cash Flows." The following table gives an overview of the changes:

Control indicators

in %	2016	2015	2014	2013	2012	2011
Revenues (in million EUR)	231.0	222.0	305.9	266.2	184.1	240.5
EBITDA margin	n/a	n/a	4.5	9.7	n/a	5.4
EBIT margin	n/a	n/a	n/a	1.1	n/a	1.2
Equity ratio	52.9	42.8	55.2	54.8	52.1	59.5
Gearing	–0.8	40.0	6.6	0.3	22.9	9.3

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 2017 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 conducts, among other things, photovoltaic material research and development for thin-film technologies and supports Manz development teams in the Solar segment with 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. At this time, the company also maintains close relationships with the Karlsruhe Institute for Technology (Karlsruher Institut für Technologie), Technical University of Munich (Technische Universität München), Jülich Research Centre (Forschungszentrum Jülich), Helmholtz Centre in Berlin (Helmholtz-Zentrum Berlin) and Empa Zurich.

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 is securing for itself valuable contacts with highly qualified young engineers.

Development activities for the CIGS thin-film solar technology are significantly intensified as a result of the strategic cooperation agreement with the Shanghai Electric Group and Shenhua Group in the solar segment, and the resulting establishment of the joint research and development company. To this end, Manz AG received an order for a CIGS research line with a capacity of 44 MW, which will be installed in China and operated by the newly established company. The installation of the line will begin in 2017, and will be completed in the following year.

Manz AG had a total R&D ratio of 9.7 % in the reporting period (previous year: 12.2 %). If we consider only capitalized development costs, the ratio of research costs to sales comes to 3.3 % (previous year: 6.5 %). Investments in R&D of 22.5 million euros are slightly below the prior year's level of 27.1 million euros. In the 2016 reporting period, scheduled depreciation was taken in the amount of 2.5 million euros (previous year: 1.2 million euros) as well as unscheduled write-offs of 0.4 million euros (previous year: 3.4 million euros). The company will also continue to place a clear emphasis on R&D activities in the future. In order to provide for the sustained and long-term consolidation of its good technological position in the relevant target markets and its innovativeness, Manz AG is striving for a long-term annual R&D ratio of 6.5 % on average.

BUSINESS REPORT

MACROECONOMIC ENVIRONMENT AND INDUSTRY-RELATED CONDITIONS

Economic Market Environment

In its "Grundlinien der Wirtschaftsentwicklung im Herbst 2016" (Basic Economic Trends, Fall 2016), the Deutsche Institut für Wirtschaftsforschung in Berlin (DIW) expects the global economy to grow at a slightly accelerated but still subdued rate. Global economic activity is still faced with a series of risks. On the one hand, uncertainty regarding economic developments in China and the US has decreased. But the possibility of increasing protectionism, also as a result of the US presidential elections, poses a risk to global trade. Against this background, global growth should increase to 3.5 % in the current year (after 3.2 % in the previous year), and up to 3.8 % in 2018.

In the Eurozone, declining British demand for goods and services from the Eurozone following the Brexit vote will be further reduced by the strong devaluation of the British pound against the euro. The somewhat better growth outlook for other important sales markets – particularly the US and some emerging markets - cannot compensate for this effect. The negative growth contribution from foreign trade is somewhat cushioned by developments in the import segment, as imports are also expected to decline. Overall, the economists in Berlin expect that the GDP will grow by 1.4 % in the current year, and by 1.6 % in 2018.

In the case of Germany, weakness in private consumption and the Brexit decision will probably mean that growth in the current year will only reach 1.0 % in the current year, according to the DIW forecast. Starting in the second half of the year, industry should benefit from more dynamic developments in important foreign markets, so that the German economy should be able to return to a growth rate of 1.6 % in 2018. The increase in the number of people employed will continue, and the unemployment rate will continue to shrink.

In the People's Republic of China, one of the most important sales markets for Manz AG, industry is supported with a stimulus program for expanding the country's infrastructure and rising consumption expenditures. According to the DIW, the GDP is expected to grow by 5.9 % this year and the next. The rate of expansion is falling moderately compared to the previous years, as the corresponding rate for 2015 was 6.5 %.

Electronics Business Segment

In its forecast for the development of the mechanical engineering sector 2017, the Verband Deutscher Maschinen- und Anlagenbau (VDMA) highlights opportunities for the industry in all areas where production is being automated and digitization is on the advance. As drivers of this development, machine builders can profit disproportionately from these additional impulses. This trend for the future also offers great potential for Manz AG with its highly efficient production equipment for the manufacture of displays for LCD and OLED flat screens, touch sensors, printed circuit boards and chip carriers, as well as smartphones, tablet computers, notebooks and other consumer electronics.

In the smartphone segment, market growth slowed down considerably in the past year. While sales figures still increased by 10.4 % in 2015, growth figures for 2016 probably only reached 0.6 %, according to figures released by the International Data Corporation (IDC). At the same time, the newest generation of the 4G smartphone continues to experience double-digit growth of 21.3 %, to 1.17 billion units. A large part of this growth comes from the emerging markets in Asia, Latin America, Eastern Europe, the Near East and Africa. But in these areas, penetration is also hindered by the high data tariffs imposed by network operators, according to the analysis performed by the IDC. This is expected to change with the emergence of new aggressive providers, as most recently observed in fast-growing key markets such as India.

According to the IDC forecast, sales of tablet computers in 2016 have fallen precipitously by 11.5 % to 183.4 million units. However, this trend should end in 2017 with an expected decline of 1 %, and is expected to reverse again in 2018 with a growth rate of 2 %. For 2019 and 2020, the IDC expects another growth rate of 3 % with 194.2 million units sold. Market researchers expect desktop and laptop computers to decline by 2.1 % in 2017. At the same time, the outlook for stationary and mobile devices varies: While sales of desktops are expected to decline by an average of 2.6 % until 2020, laptops are expected to fare better with slight growth of 0.4 % per year, with 156.9 million units sold in 2020.

While revenues for manufacturers of flat panel displays have declined in recent years due to considerable price pressures, they are expected to grow again by 9.3 % to USD 110 billion in 2017 according to US market research institute IHS Markit. While units numbers will remain rather stagnant with a growth of 0.3 %, it is also expected that demand for premium products will rise. Strong revenue growth is the result of the significant price recovery in the market. In addition, demand for higher-quality, larger and high-resolution display panels also increased.

The trend towards AMOLED displays also plays a role, particularly in the development of the smartphone market. Compared with LCD technology, AMOLED displays are more simply constructed, thinner and lighter and offer better color saturation and better contrasts, react more quickly and therefore are easier to integrate in touchscreen functions. They allow for the further development of flexible, bendable and foldable displays, which opens up new design options. According to a trend study of the market research company Markets and Markets, the market for flat panel displays is supposed to grow at an average rate of 6 % annually to a volume of 155.54 billion USD in the year 2020. Two drivers of this development, according to the market research institute IHS, are the AMOLED displays as well as the further development of flexible displays.

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. Manz believes that it is well positioned, on the basis of its cross-industry technology transfer and targeted research and development activities, to continue to expand the company's strong market position and participate in in future opportunities. For example, the LDI platform Manz SpeedLight 2D for the laser direct imaging (LDI) of printed circuit boards increases efficiency and provides additional flexibility in production processes compared to conventional photo lithography processes – with a significant potential for cost savings.

Solar Business Segment

In the strategic Solar business segment, Manz AG focuses on the further development of innovative production solutions for the manufacture of CIGS thin-film solar modules, which already feature significantly lower production costs per Watt compared to crystalline solar cells, and therefore offer a clear competitive advantage. With continued high global demand, costs per Watt will be the decisive investment criterion for solar producers and energy producers in the near future.

Solar Power Europe expects that photovoltaic facilities with a total capacity of 76 Gigawatt were installed worldwide in 2016 – following a figure of 51.2 Gigawatt in the year before. For 2017, the forecast for new installations is up to 85 GW according to Solar Power Europe. The record value from the previous year is mainly due to China, which already exceeded the target for new installations (18.1 Gigawatt) in the first six months of the year with a figure of approximately 22 Gigawatt. According to Mercom Capital, the Chinese energy authority is considering to lower the solar expansion target for 2020 from the current 150 to 110 Gigawatt. But even then, that figure would still represent almost half of the world's total installed PV capacity in 2015. In the US, the solar market is driven mainly by large projects. Declining module prices are likely to stimulate demand for modules and continue to drive activity in the US. All this could lead to a strong year for the US market in 2017 - in this case, the project pipeline is estimated at more than 30 GW. In 2016, Japan and India were the largest photovoltaic markets after China and the US. India could even move up to third place in 2017, since projects totaling approximately 20 Gigawatt are also planned in that country. Growth in the European market is declining however: While the UK, Germany and France each installed more than one Gigawatt in 2016, such numbers are only expected for France and Germany in the current year.

For the medium-term outlook, the industry association Solar Power Europe expects a significant expansion in the solar energy sector in its "Global Market Outlook 2016 to 2020". Market observers consider a growth of global photovoltaic (PV) capacity to 600 Gigawatt (GW) by 2020 to be a realistic scenario – in 2015, 229 GW were installed worldwide, and in 2010 less than 41 GW.

With its turnkey production line for the manufacture of CIGS thin-film solar modules, CIGS*fab*, Manz AG offers the industry great potential for further efficiency savings as well as significant cost savings. With the world's largest research team in the area of CIGS thin-film technology, the planned 44 MW research line in China, the innovation line in Schwäbisch-Hall (which is unique in the industry) and an exclusive cooperation with the Center for Solar Energy and Hydrogen Research in Baden-Württemberg (ZSW), Manz AG and its strategic partners Shanghai Electric Group and Shenhua Group are aggressively promoting research and development activities in the CIGS segment. 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 22.6 %, ZSW achieved the current world record for efficiency over all other thin-film solar technologies in June 2016.

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 % at module size and a reliable technology roadmap for future increases of efficiency guarantee maximum investment security.

Energy Storage Business Segment

In its Energy Storage business segment, Manz AG focuses on production systems 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. 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 growing demand for production facilities in the Energy Storage segment.

Market research institute IHS Markit views 2016 as the year in which energy storage systems became competitive compared to conventional methods of energy production. While installations of new capacities reached 1.4 Gigawatt in 2015, this number already increased to 2.3 Gigawatt last year. In 2017, the volume of new installations is expected to reach 6 Gigawatt, another almost three-fold increase compared to the previous year. And another 40 Gigawatt are expected to be added in 2022. Notwithstanding the considerable growth rates for the short and medium term, the long-term potential is also enormous. In comparison: According to the EU statistics agency Eurostat, the EU–28 alone generated a total of 3.03 million Gigawatt hours (GWh) in electricity in 2014. During the course of the next decade, lithium-ion batteries will become the most widely used technology in the area of energy storage: by 2025, over 80 % of all installations in this area will probably be based on lithium-ion technology. The market for energy storage systems, according to estimates by IHS Markit, will grow at the same fast rate as the number of solar installations in the past few years. The US, China and Japan will be the leading markets in this segment. The level of interest in other countries will also increase as battery prices fall. IHS Markit has determined three main drivers for the expected fast growth in the energy storage system segment: First, there will be an increasing number of joint ventures across industries, e.g. automotive manufacturing and energy production Secondly, the number of large projects is also on the rise. And thirdly, demand from homeowners for this technology will also rise – also due to government financial support. Such support programs are already in place in Italy, Japan, Australia and Sweden.

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 the 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 expertise in the six key technologies of automation, laser processing, printing and coating, metrology, wet chemistry and roll-to-roll.

For its Electronics business segment, Manz AG assesses the medium term outlook positively. Fully integrated assembly lines, such as the *LightAssembly* Platform, make it possible to address the increasing complexity of assembly processes and the growing quality requirements for end products. Production solutions provided by Manz AG help companies to significantly increase the efficiency of their manufacturing. In connection with the mega trend Industry 4.0, intelligently connected production solutions from Manz enable manufacturers to be prepared for the production environment of the future. In this vein, Manz is also setting technology standards for the manufacture of customized end products, for example with the patch placement that was made ready for series production in cooperation with adidas.

In the solar industry, a continued strong expansion of installed equipment worldwide is evident, with both the demand for solar modules as well as production capacity being distributed among more and more countries. With its innovative production solutions in the area of the highly efficient and economical CIGS thin-film technology, Manz AG considers itself to be well positioned in the Solar segment to benefit from future investments. Especially against the background of the cooperation with the new anchor shareholder Shanghai Electric, which started in 2016, the Managing Board sees very good opportunities in the successful further development and marketing 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. The mega trend electromobility alone will trigger considerable demand for storage technologies. According to a forecast by a large German automotive manufacturer, electric cars are expected to constitute up to 50 % of newly registered vehicles in key markets by the year 2030. The dynamic nature of this sector offers great growth potential for the production equipment that will be required for this purpose. Similarly, demand for energy storage systems also benefits from the growth of the solar industry. Statistics by the Bundesverband Solarwirtschaft show that in 2016 almost every second new solar electricity facility in Germany was installed together with stationary battery storage.

PERFORMANCE OF THE BUSINESS

Manz AG started 2016 with strong incoming orders. Already in the first couple of weeks, the globally operating high-tech equipment manufacturer in the Energy Storage segment acquired a contract for machines used to manufacture high-performance lithium-ion batteries. Customers from the Consumer Electronics and companies in the electromobility segment were responsible for new and follow-up orders amounting to values in the lower double-digit million range.

Additionally, Manz AG also acquired new and follow-up orders in the Electronics segment in February 2016. They comprised machines for assembly automation and laser process equipment with a total volume of more than 20 million euros. Of strategic relevance in this case was an order from a new Chinese customer for the fully automated production of electronic products. The order also included machines with innovative laser process technology for the production of smartphone and tablet computer components. The new technology significantly improves quality while increasing throughput in the production process. In this way, Manz AG, in its role as development partner, makes a contribution to the gradual improvement of the quality of end products.

After a good start to the year, Manz was confronted with the sudden preliminary suspension of an order by a large customer in the second quarter of 2016. At the same time, with the successfully completed capital increase and the participating interest of Shanghai Electric in Manz AG, an important strategic milestone was achieved, and a sound foundation was created for the company to again develop positively in the future.

The first large order that was placed in July 2016 in line with the cooperation entered into with adidas at the end of 2015 will already have an effect on revenues and earnings in the current fiscal year. The series production of 500,000 pairs of shoes is expected to start this year in Germany in the first Speedfactory. A second Speedfactory is planned for 2017 in the US, with other countries to be added gradually. For five years, Manz AG and adidas have been working on the development of an innovative automated production technology for sports articles that are now ready for series production.

In September 2016, Manz and US manufacturer of production equipment for semiconductors, LAM Research Cooperation, started operating the joint venture company "Talus Manufacturing Ltd." in Taiwan. At the "Global Refurbishment Center", Lam Research upgrades and recycles equipment from earlier product generations for the production of semiconductors. Such equipment is in high demand in Asia. With this cooperation, Manz is able to use existing capacities in Taiwan more efficiently and improve overall profitability in Asia and at the Group level. Manz AG is the majority owner of the joint venture company (80.5 %).

On November 2, 2016, Manz AG signed a master agreement with the Shanghai Electric Group and Shenhua Group regarding a sustained strategic collaboration for the further development and marketing of the CIGS thin-film solar technology of Manz AG. Manz AG and the cooperation partners agreed to promote the establishment of a joint research company for the further development of Manz AG's CIGS technology. Orders for fully integrated production lines for CIGS thin-film solar modules (CIGS*fab*) also formed a subject of the agreement. The contracts were signed at the end of January 2017. Because of the delay in the final contract signing, the revenues and earnings in connection with a CIGS order, which were previously included in the Managing Board's forecast for the entire year of 2016, were moved into the 2017 and 2018 fiscal years. For the 2016 fiscal year, the Managing Board of Manz AG subsequently adjusted the annual forecast and expected revenues at the level of the previous year, with a significantly improved result before interest and taxes (EBIT) compared to the 2015 fiscal year.

The value of orders on hand as of December 31, 2016 amounted to 81.4 million euros (December 31, 2015: 106.1 million euros).

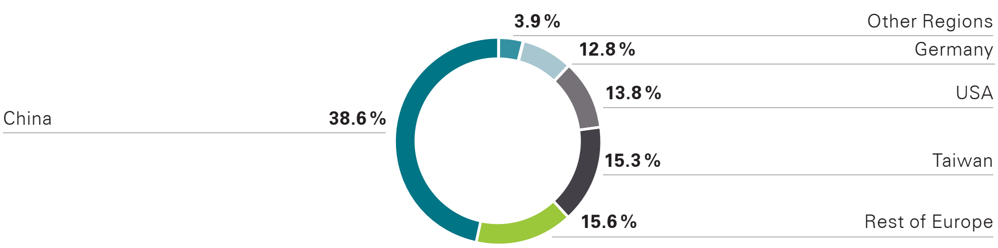
ANALYSIS OF FINANCIAL POSITION, FINANCIAL PERFORMANCE AND CASH FLOWS

Financial Performance

The development of revenues and earnings at Manz AG during the 2016 fiscal year was primarily characterized by the canceled order in the Energy Storage business segment and the resulting lack of follow-up orders, as well as the much delayed placement of the large CIGS order. On the other hand, the cost basis in 2016 was positively affected by the process and structural optimization measures. As a result, sales revenues during the 2016 reporting period amounted to 231.0 million euros after 222.0 million euros in the previous year's period, and were thus in the range of the forecast that was adjusted at the beginning of November. The original forecast of a significant increase in revenues for the entire year could not be achieved.

The Electronics segment accounted for 46.1 % of revenues in the reporting period with 106.6 million euros (previous year: 87.6 million euros or 39.5 %). The revived market for the classic display business with flat screens made a major contribution to the 21.7% increase in revenues over the previous year. Therefore the revenue trend was in line with the expectations for the entire year, as sales revenues were significantly higher than in the previous year. During the 2016 reporting period, the Solar segment generated around 24.7 million euros or 10.7% of Manz Group's total revenues, which represents an increase over the previous year's figure of 20.8 million euros, or 9.4%. At the beginning of the year, the company expected that a new order for a CIGS*fab* would have the effect of significantly increasing revenues in the Solar segment compared with the previous year. Even though the order was only placed in January 2017, which was much later than originally planned with Shanghai Electric, Manz AG nevertheless met the expectations for the entire year with a growth in revenues of 18.7%. The Energy Storage segment accounted for a 46.4 million euro share of sales or 20.1% in the reporting period (previous year: 72.8 million euros or 32.8%) with equipment for the production of lithium-ion batteries and capacitors. The decline in revenues over the previous year is due to the sudden cancellation of an order and the resulting lack of follow-up orders. Because of that, Manz AG was not able to reach its original forecast of significantly higher revenues compared to the previous year. The Contract Manufacturing reporting segment was responsible for revenue contributions of 42.2 million euros or 18.3% (previous year: 27.9 million euros or 12.5%). As expected, Talus Manufacturing Ltd. in Taiwan, a joint venture formed in 2016 with US company LAM Research Corporation, contributed to the increase in revenues, whereby the joint venture started operations in the middle of the second half of the year. With a revenue growth of 51.3%, Manz AG was able to meet its expectations for a significant increase in revenues. Revenues in the Others reporting segment totaled 11.1 million euros in the 2016 reporting period, following 12.9 million euros in the prior-year period; this corresponds to a revenue share of 4.8% (previous year: 5.8%). Accordingly, developments were in line with the annual forecast for revenues slightly below the previous year's level.

Revenue Distribution by Region January 1 to December 31, 2016



Manz AG revenues by region had the following distribution in 2016 fiscal year: Taiwan and China accounted for the largest share of Manz AG's revenues, at 124.4 million euros or 53.9% (previous year: 137.9 million euros or 62.1 %). Business in the rest of Asia contributed 8.9 million euros to total sales or 3.9% (previous year: 6.7 million euros or 3.0%). In Germany, the company generated 29.5 million euros or 12.8% of total revenues (previous year: 17.2 million euros or 7.8%). Manz AG generated around 36.2 million euros or 15.7 % of its revenues in the rest of Europe during the reporting period, following 33.7 million euros or 15.2 % in the prior-year period. In the USA, the company achieved revenues of 31.9 million euros; this corresponds to a 13.8 % share of total revenues (previous year: 24.6 million euros or 11.1 %). Revenues in other regions worldwide amounted to 64,000 euros or 0.03 % (previous year: 1.9 million euros or 0.8 %).

Based on a total turnover amounting to 231.0 million euros, the stock of finished and unfinished products remained almost unchanged at 128 thousand euros (previous year: –6.7 million euros). The unchanged inventories are due to the fact that overall production levels remained constant compared to the previous year. Own work capitalized, at 7.7 million euros, was well below the prior-year level (previous year: 14.5 million euros). This development reflects the decline in R&D activities. The resulting total operating revenues are consequently 238.9 million euros (previous year 229.8 million euros).

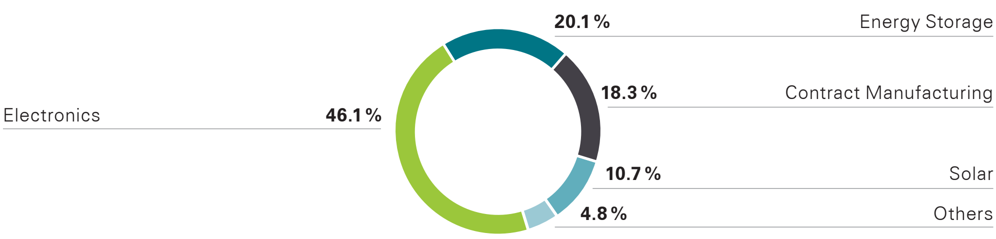
Other operating income was 7.4 million euros (previous year: 10.9 million euros). The decline over the previous year is due to the 1.0 million euro reduction in subsidies for technology development in the 2016 fiscal year, as well as approximately a 2.0 million euro reduction in income from the sale of investments. Material costs amounted to 138.4 million euros (previous year: 147.8 million euros), with the material cost ratio, at 58.0 %, being well below the level of the previous year of 64.3 %. This development is due to improved cost controls across the Group under the measures implemented in line with the "Manz 2.0" optimization program, and a lower number of battery orders with a higher materials ratio. Gross profit thus came to 107.8 million euros, compared with 93.0 million euros in the previous year. Personnel expenses in the 2016 fiscal year, at 79.1 million euros, were well below the 2015 reference period (previous year: 84.0 million euros), and were due to the reduction in the workforce at the end of 2015. At the same time, the Group also retained a sufficient number of highly-qualified employees during the 2016 fiscal year to be able to realize the expected revenue and earnings potentials in connection with the strategic partnership with Shanghai Electric and the Shenhua Group. The personnel expenses ratio, at 33.1 %, was significantly below the level of the previous year of 36.6 %. Other operating expenses, at 50.4 million euros, were slightly below the prior-year level (previous year: 50.8 million euros). This item includes book losses from the disposal of capitalized development costs in the amount of 3.1 million euros. In turn, bad debts fell by around 3.1 million euros.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to –21.8 million euros (previous year: –41.9 million euros). In the entire year of 2016, depreciation (14.2 million euros) was slightly below the previous year's level (16.3 million euros), and consisted primarily of normal depreciation for capitalized own work and fixed assets. Overall, this results in operating earnings (EBIT) of –35.9 million euros (previous year: –58.2 million euros). In this way, the forecast of a significantly improved EBIT for the 2016 fiscal year was achieved.

An analysis of the individual business segments shows that in 2016 the EBIT in the Electronics segment amounted to –9.9 million euros (previous year: –28.5 million euros). Given the concurrent increase in revenues, the EBIT margin improved to –9.3 % (previous year:

–32.5 %) and was in line with the forecast for a significantly improved EBIT margin. The Solar division posted negative EBIT of –12.4 million euros in 2016, following –27.8 million euros in the previous year. As a result, the EBIT margin for the entire year improved markedly (as expected) to –50.1 % (previous year: –133.6 %), even though the delay in the placement of the CIGS order meant that no contributions could be applied from these orders. Operating earnings in the Energy Storage segment amounted to –16.0 million euros, following –5.7 million euros in the reference period of the previous year. The expected increase in earnings could not be achieved in 2016 due to the sudden cancellation of an order and the resulting lack of follow-up orders. The Contract Manufacturing reporting segment posted operating earnings of 2.1 million euros (previous year: 1.6 million euros). However, the achieved increase in earnings for 2016 fell below Manz AG's expectations. The Others segment posted operating earnings of 0.2 million euros, following 2.1 million euros in the previous year. While the segment EBIT for 2015 was still characterized by the extraordinary profit from the sale of the "Equipment for the Packaging Industry" subsegment in the amount of 2.0 million euros, the EBIT for the 2016 was in line with expectations.

Revenues by Business Segment January 1 to December 31, 2016



Finance costs amounted to 3.7 million euros in the 2016 reporting period, compared with 3.6 million euros in the previous year. They are mainly due to the utilization of an EIB loan totaling 18.3 million euros. After deduction of taxes on income, Manz AG's consolidated net loss in the 2016 fiscal year was –42.6 million euros (previous year: –64.2 million euros). Based on a weighted average of 6,847,065 shares, that corresponds to earnings per share of –6.22 euros (previous year: –12.20 euros with 5,260,702 shares).

Financial Position

The balance sheet total of 312.1 million euros as at December 31, 2016 was higher than the corresponding figure at year end 2015 (31.12.2015: 292.5 million euros). On the liabilities side, the company's equity amounted to 165.1 million euros. This increase compared to December 31, 2015 (125.3 million euros) is the result of the successful completion of the capital increase at the end of May 2016. Despite the 30 million euros withdrawal from capital reserves, the capital reserves rose from 99.3 million euros to 143.7 million euros. At the same time, retained earnings fell to –10.8 million euros (December 31, 2015: 1.8 million euros). Subscribed capital rose by 2,323,224 euros as a result of the capital increase. Cumulative other equity increased to 19.9 million euros (December 31, 2015: 14.4 million euros). The increase compared to the previous year is mainly due to currency translation effects, and in particular the strength of the Taiwan dollar in relation to the euro. As at the reporting date the equity ratio is 52.9 % compared to 42.8 % as at December 31, 2015.

Non-current liabilities increased slightly from 14.4 million euros as at December 31, 2015 to 15.1 million euros as of the reference date December 31, 2016. The composition of this item remained virtually unchanged.

In contrast, current liabilities decreased significantly in comparison with the end of the 2015 fiscal year to 131.9 million euros (December 31, 2015: 152.9 million euros). This development is mainly due to the significantly lower utilization of bank lines as a result of the inflow of funds from the capital increase. As at December 31, 2016, current financial liabilities totaled 52.4 million euros (December 31, 2015: 81.0 million euros). Trade payables as of the end of the 2016 reporting period, at 47.2 million euros, were above the level of the end of the year 2015 as of the reference date (December 31, 2015: 40.8 million euros). Advances received, at 9.8 million euros, remained at a similar level (December 31, 2015: 10.5 million euros). As at December 31, 2016, other current provisions totaled 7.3 million euros, following 6.3 million euros on the 2015 balance sheet date. Derivative financial instruments declined to 0.2 million euros on the 2016 balance sheet date, following 3.1 million euros at the end of 2015, whereby in 2015 this item was characterized by a higher number of forward exchange transactions in USD. Other liabilities of 14.4 million euros (December 31, 2015: 11.0 million euros) mainly consist of personnel-related liabilities of 5.8 million euros (December 31, 2015: 2.4 million euros), and earn-out obligations of 3.1 million euros (December 31, 2015: 3.1 million euros).

On the asset side, the decrease in non-current assets from 130.1 million euros as at the end of the 2015 fiscal year to 121.4 million euros as at December 31, 2016 is mainly due to a decrease in intangible assets and fixed assets in line with normal depreciation. Intangible assets as at the end of the 2016 reporting period amounted to 77.8 million euros (December 31, 2015: 81.6 million euros), while fixed assets amounted to 39.4 million euros at the end of the 2016 reporting period (December 31, 2015: 42.8 million euros). As at December 31, 2016, current assets, at 190.7 million euros, were well above the amount for the 2015 balance sheet date of 162.4 million euros. Inventories increased to 49.0 million euros as of the reference date (December 31, 2015: 36.6 million euros). This result is due to the increase in finished products in the amount of the expected net sales proceeds for the equipment from the canceled battery order of 13.8 million euros. At the same time, on account of the PoC approach, trade receivables, at 77.7 million euros, were slightly below the level of the end of the year 2015 as of the reference date (December 31, 2015: 83.8 million euros). Other current receivables are at the previous year's level at 7.7 million euros. Liquid funds at of the end of the 2016 reporting period amounted to 55.7 million euros (December 31, 2015: 34.4 million euros) after the capital increase.

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 –21.4 million euros resulted in fiscal year 2016 (previous year: –43.2 million euros). This negative cash flow is primarily the result of a negative EBIT of –35.9 million euros (previous year: –58.2 million euros) and lower depreciation and amortization of 14.2 million euros (previous year: 16.3 million euros). Cash flow from operating activities for the 2016 reporting period amounted to –16.7 million euros (previous year: –57.4 million euros). This development is largely characterized by an increase in inventories and trade receivables as well as other assets and a corresponding outflow of funds in the amount of –7.4 million euros (previous year: –19.6 million euros), while trade payables and other liabilities increased by 12.9 million euros (previous year: 16.1 million euros).

Following a cash flow from investing activities of –22.0 million euros in the same period of the previous year (2015), there was a cash outflow of –9.0 million euros for the 2016 reporting period. It is the result of significantly lower investments in intangible assets and fixed assets of –9.0 million euros than in the previous year (–18.3 million euros), while cash flows in the previous year were still characterized by investments of 4.7 million euros in connection with the acquisition of KLEO Halbleitertechnik GmbH.

In terms of segments, the Solar segment accounted for investments of 4.1 million euros (previous year: 7.3 million euros); the Electronics segment, 0.7 million euros (previous year: 4.2 million euros); and the Energy Storage segment, 1.8 million euros (previous year: 5.0 million euros). A figure of 2.4 million euros (previous year: 1.9 million euros) was invested in the other segments in the 2016 reporting period.

Cash flow from financing activities in the 2016 fiscal year amounted to 46.3 million euros, following a cash inflow of 90.4 million euros in the previous year of 2015. The developments in 2016 are the result of the deposits from the increase in equity capital as a result of the capital increase in the amount of 80.7 million euros, while current financial liabilities in the amount of 28.6 million euros were repaid. Costs for obtaining capital amounted to 5.9 million euros (previous year: 1.3 million euros), If exchange rate changes are taken into account, Manz AG therefore had liquid funds totaling 55.7 million euros as at December 31, 2016 (December 31, 2015: 34.4 million euros).

On the reference date December 31, 2016, there are unused guarantee lines at banks in the amount of 20.7 million euros (December 31, 2015: 19.6 million euros). Concerning additional statements regarding liquidity and the types of financing in the Group, please refer to 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, please see the Notes to the Financial Statements under VII. Reporting on financial instruments.

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 2016 fiscal year came to 231.0 million euros and thus were slightly above the level of the previous year of 222.0 million euros. Against the background of the sudden order cancellation and the lack of follow-up orders in the Energy Storage business segment, along with the CIGS order that was only placed in January 2017, the Managing Board has assessed the revenue trend for the 2016 reporting period as solid but still not satisfactory. At the same time, Manz AG has also been able to reduce personnel and material costs as planned due to the successful implementation of a large number of measures. In the operating business, Manz generated earnings before interest, taxes, depreciation and amortization (EBITDA) of –21.8 million euros, a figure much improved from the previous year (–41.9 million euros), as well as significantly improved earnings before interest and taxes (EBIT) of –35.9 million euros (previous year: –58.2 million euros). Liquid funds came to 55.7 million euros with a net indebtedness of –1.3 million euros (previous year: 48.6 million euros), while the equity ratio as of December 31, 2016 was 52.9 % (previous year: 42.8 %). The value of orders on hand as at December 31, 2016 was 81.4 million euros (previous year: 106.1 million euros). At the same time, the Managing Board believes that the entry of Shanghai Electric and the strategic cooperation in the CIGS thin-film segment, along with the continued optimization of processes and structures and strict cost controls, will create the conditions for a return to profitability in the future.

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, 319 seminar dates were offered in which we made a total of 1,468 free slots available for our employees. Training programs of Manz Academy for German experts and 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. A new development in this context is a certified full-time course for "Automation Engineer specializing in Software", which Manz offers together with the Industrie- und Handelskammer (IHK) Reutlingen at the Reutlingen location. The first run of this three-month continued education program will start at the end of April.

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 at the headquarters in Reutlingen which serve to generate the electricity. At that location, 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 2016, the eighth class graduated and thus has the necessary expertise to get a start in working life.

EVENTS AFTER THE BALANCE SHEET DATE

On January 23, 2017, Manz AG announced that it had entered into a strategic collaboration in the area of CIGS thin-film solar technology with Shanghai Electric Group Co., Ltd. and Shenhua Group Co., Ltd. – two of the leading companies in the Chinese energy industry. The aim of the cooperation is long-term development and marketing of Manz AG's CIGS thin-film solar technology. The completed formation of a joint research company (the "research joint venture") forms a part of this collaboration, and aims to push ahead with the further development of the CIGS technology of Manz AG. In this context, Manz CIGS Technology GmbH, the current CIGS research company of Manz AG, will be acquired by the new research joint venture for 50 million euros. In turn, Manz becomes a 15 % shareholder in this joint venture for 25 million euros.

In the future, sales activities in China will be exclusively bundled in another joint venture of Shanghai Electric, Shenhua and Manz - Suzhou Manz New Energy Equipment Co., Ltd - which is currently in the process of being established. Manz AG owns 56 % of shares in this company with a capital contribution of 3 million euros.

In addition, the contract partners of Manz AG have also placed orders for fully integrated production lines for CIGS thin-film solar modules (CIGS*fab*) in the amount of 263 million euros. These orders will impact revenues and earnings in the 2017 and 2018 fiscal years. On the basis of the corresponding advance payment agreements, these orders will have a positive effect on cash flows. All of the contracts are still subject to the approval of Chinese government authorities. Manz AG expects that these approvals will be issued by the middle of April 2017 at the latest.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH §§ 289A, 315 OF THE GERMAN COMMERCIAL CODE (HGB)

The Corporate Governance Statement for Manz AG and the Manz Group in accordance with §§289a, 315 Para. 5 of the German Commercial Code (HGB) was published on the website of the company, www.manz.com, in the „Investor Relations" area under „Corporate Governance." In accordance with § 317, Para. 2, Sentence 3 HGB, the disclosures according to §289a HGB are not included in the examination by the statutory auditor.

DISCLOSURES IN ACCORDANCE WITH §315 PARAGRAPH 4 HGB AND EXPLANATORY REPORT PURSUANT TO §176 PARAGRAPH 1 SENTENCE 1 OF THE GERMAN STOCK CORPORATION ACT (AKTG) ON THE DISCLOSURES IN ACCORDANCE WITH §289 PARAGRAPH 4 §315 PARAGRAPH 4 HGB

Composition of subscribed capital

Manz AG's subscribed capital is valued at 7,744,088.00 euros and is divided into 7,744,088 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

Shareholder Dieter Manz has made a commitment to shareholder Shanghai Electric Germany Holding GmbH that he will not sell his shares in the company to third parties until (i) the execution of an obligatory offer by Shanghai Electric Germany Holding GmbH to shareholders of the company (if Dieter Manz and Shanghai Electric Germany Holding GmbH conclude a voting agreement by May 24, 2017) or (ii) May 24, 2017 (if Dieter Manz and Shanghai Electric Germany Holding GmbH do not conclude a voting agreement by May 24, 2017), whichever occurs earlier.

The Managing Board of Manz AG does not know of any other 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 German Securities Trading Act (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	24.66 %
The People's Republic of China, acting through the State-owned Asset Supervision Commission (SASAC) of Shanghai People's Government **Full chain of subsidiaries:** **Shanghai Electric (Group) Corporation** **Shanghai Electric Group Company Limited** **Shanghai Electric Hongkong Co, Limited** **Shanghai Electric Germany Holding GmbH (Shareholder)**	1,523,480	19.67 %

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 regular Annual General Meeting of Tuesday, July 12, 2016 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 Sunday, July 11, 2021, on a once-only basis or in partial contributions, up to a total of 3,872,044 euros through the issuance of a total of 3,872,044 new bearer shares (no-par value shares) by means of cash contributions or contributions in kind (Authorized Capital 2016).

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 was 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 to suspend shareholders from preemptive subscription right applies only in cases where total shares to be issued within the scope of the capital increase apply to a proportional amount of the capital stock not exceeding 774,408.00 euros and not more than 10 % of the total equity capital 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 case of capital increases for contributions in kind for the purpose of acquisition of companies, parts of companies and holdings in companies of other assets or for entering into mergers;

- to the extent that it is necessary 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;

- to exclude fractional amounts from the subscription right.

The Managing Board is authorized, with Supervisory Board approval, to establish the further details of the implementation of the capital increases from the authorized capital.

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 07, 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 Tuesday, 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 from the year 2011 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.

In connection with the sale of Manz CIGS Technology GmbH to a joint venture of Shenhua Group Corporation Ltd., Shanghai Electric Group Co. Ltd. and Manz AG, the previously mentioned patent and know-how license agreement from the year 2011 was replaced by new patent and know-how license agreements that were concluded in January 2017, whose effective date was still subject to conditions precedent at the time this report was prepared. The new patent and know-how license agreement between Manz AG and the ZSW, which goes into effect once the conditions precedent are met, can be terminated by ZSW for important cause if a competitor of ZSW acquires or exceeds 30 % of voting rights at Manz in terms of section 21 and following of the German Securities Trading Act (WpHG). Moreover, the new patent and know-how license agreement between Manz AG and Manz CIGS Technology GmbH, which goes into effect once the conditions precedent are met, may also be terminated by Manz CIGS Technology for important cause if a third party acquires at least 30 % of shares in Manz AG (either directly or indirectly), whereby the direct or indirect acquisition of shares by Shanghai Electric Group Co. Ltd., Shenhua Group Corporation Ltd. or such an acquisition by Dieter Manz that surpasses the threshold of 30 % do not trigger the termination right.

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).

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 another 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 Martin Hipp, Martin Drasch and Dieter Manz 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 of the German Securities Trading Act (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 of the German Securities Trading Act (WpHG) which indicate that Mr. Dieter Manz and Mrs. Ulrike Manz, with inclusion of the voting rights attributable to them pursuant to Section 22 of the German Securities Trading Act (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 2016 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 multi-year 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. The 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 14.0 %, 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 10.0 % 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 years 2015 and 2016 and 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) shall 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 2016" 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 Dieter Manz, Martin Hipp and Martin Drasch 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 2016 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 2016 fiscal year of 1,852 thousand euros for carrying out their duties (previous year: 1,163 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 2016 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 parentheses)	**Fixed salary**	**Other benefits[1]**	**Cash bonus**	**Subscription rights to stock (fair value)**	**Total**
Dieter Manz, CEO	288 (288)	21 (21)	0 (0)	173 (204)	**482** (513)
Martin Hipp, CFO	201 (187)	465[4] (35)	0 (0)	115 (136)	**781** (358)
Martin Drasch, COO (since Aug. 1, 2015)	203 (85)	35 (21)	100[2] (50)[3]	115 (136)	**453** (292)
Eckhard Hörner-Marass, CTO (since Oct. 1, 2016)	133	3	0	0	**136**
Total	**825** (560)	**524** (77)	**100** (50)	**403** (476)	**1.852** (1.163)

1 Particularly non-cash benefits and contributions to a company retirement scheme (provident fund)
2 Individual discretionary profit-sharing bonus
3 Contractually guaranteed cash profit-sharing bonus for the 2015 fiscal year
4 Promised benefits from a termination agreement: 430 thousand euros

The subscription rights to shares of Manz AG on the basis of the Manz Performance Share Plan 2015 (2015 and 2016 tranches) 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 2016 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)				**Eckhard Hörner-Marass** Chief Technology Officer (since October 1, 2016)			
Benefits granted (in EUR tsd.)	**2015** Target value	**2016** Target value	**2016** (Min.)	**2016** (Max.)	**2015** Target value	**2016** Target value	**2016** (Min.)	**2016** (Max.)	**2015** Target value	**2016** Target value	**2016** (Min.)	**2016** (Max.)	**2015** Target value	**2016** Target value	**2016** (Min.)	**2016** (Max.)
Fixed compensation	288	288	288	288	187	631	631	631	135	203	203	203	–	133	133	133
Fringe benefits	18	18	18	18	23	23	23	23	9	23	23	23	–	3	3	3
Total	**306**	**306**	**306**	**306**	**210**	**654**	**654**	**654**	**144**	**226**	**226**	**226**	**–**	**136**	**136**	**136**
Single-year variable compensation	173	173	0	461	106	115	0	307	48	115	0	307	–	0	0	0
Multiyear variable compensation																
Manz Performance Share Plan 2015 – Tranche 2015 (Term to 2018)	204				136				136				–			
Manz Performance Share Plan 2015 – Tranche 2016 (Term to 2019)		230	230	230		154	154	154		154	154	154		0	0	0
Total	**683**	**709**	**536**	**997**	**452**	**952**	**808**	**1.115**	**328**	**495**	**380**	**687**	**–**	**136**	**136**	**136**
Pension expense [1]	12	12	12	12	12	12	12	12	12	12	12	12	–	0	0	0
Total compensation	**695**	**721**	**548**	**1.009**	**464**	**935**	**820**	**1.127**	**340**	**507**	**392**	**699**	**–**	**136**	**136**	**136**

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)		Eckhard Hörner-Marass Chief Technology Officer (since Oct. 1, 2016)	
Allocation (in EUR tsd.)	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Fixed compensation	288	288	201	187	203	85	133	–
Fringe benefits	18	18	23	23	23	9	3	–
Total	**306**	**306**	**224**	**210**	**226**	**94**	**136**	**–**
Single-year variable compensation [1]	0	0	0	0	50	0	0	–
Multiyear variable compensation								
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	0	0	–	–	–	–
Other	–	–	–	–	–	–	–	–
Total	**306**	**306**	**224**	**210**	**276**	**94**	**136**	**–**
Pension expense [1]	15	15	12	12	12	12	0	–
Total compensation	**321**	**321**	**236**	**222**	**288**	**106**	**136**	**–**

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

Compensation of the Supervisory Board

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 2016 fiscal year (previous year's values in parentheses):

Compensation of the Supervisory Board

(in EUR tsd.) (previous year in parentheses)	**Fixed salary**
Prof. Dr. Heiko Aurenz, Chairperson	24 (24)
Dr.-Ing. E.h. Peter Leibinger, Deputy chairperson (Mandate ending July 12, 2016)	9 (18)
Prof. Dr.-Ing. Michael Powalla Deputy chairperson since July 7, 2016	15 (12)
Guoxing Yang (Mandate beginning July 12, 2016)	6
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 a 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 regard to the accounting process, Manz has implemented the following structures and processes:

The CFO has total responsibility for the company's internal monitoring and risk management system as it pertains to the accounting process. All of the companies included in the consolidated financial 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 uses the SAP tool BCS for its monthly consolidation process. In order to examine data consistency, this tool already carries out automatic plausibility checks when data is 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. Key elements of the company's strategy for monitoring risks in the accounting process also include the 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, and also 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 through an established network and strong proximity to customers, the diversification of the product portfolio and the steady expansion of global 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. Through the development of the corresponding new technologies, on the basis of better market knowledge or structures, competitors of Manz AG could succeed 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 in 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.

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 from the non-implementation of the contracts with Shanghai Electric and the Shenhua Group

The Manz Group, Shanghai Electric Group Co., Ltd. ("Shanghai Electric") and the Shenhua Group Corporation Ltd. ("Shenhua Group") entered into a strategic cooperation in the area of the CIGS thin-film solar technology at the end of January 2017. The aim of the cooperation is the long-term development and marketing of Manz AG's CIGS thin-film solar technology. As a result, Manz AG also received two large orders for a total value of 263.0 million euros. By the time the 2016 Annual Report is published, not all closing conditions for these contracts had been met, and they are still subject to approval by the Chinese government authorities. The outstanding approvals are expected to be issued in the middle of April 2017. If these approvals are unexpectedly withheld, it would lead to the cancellation of the contracts that have been concluded – with the corresponding negative effects on the Manz Group's financial position, financial performance and cash flows. If a restructuring program that is to be initiated in this case should fail, this would also have significantly negative effects on the financial position, financial performance and profit situation of the Manz Group.

On the other hand, the risk that the contracts with Shanghai Electric and the Shenhua Group will not be implemented due to the termination option of the Zentrum für Sonnenenergie- und Wasserstoff-Forschung Baden-Württemberg, Stiftung des bürgerlichen Rechts ("ZSW"), a research institute of the federal state of Baden-Württemberg, because of a change-of-control event at Manz AG no longer applies. The corresponding patent and know-how licensing agreements with Manz AG and the company's newly established research company, the Shenhua Group and Shanghai Electric, and also Suzhou Manz New Energy Equipment Co.,Ltd (another joint venture for the marketing of the CIGS technology in China, which is in the process of being established), were revised in accordance with the new situation.

Risk from the non-fulfillment of incumbent obligations from the CIGS orders

As part of the order placement for the CIGS production line and the CIGS research line, Manz AG has committed to fulfill an agreed percentage of the performance commitment defined in the contracts by the acceptance date. If these obligations are not met, Shanghai Electric and the Shenhua Group have the right to demand subsequent performance. If

Manz AG fails to deliver subsequent performance in a timely manner, the contract partners can demand the cancellation of the contracts. This could lead to the end of the collaboration with Shanghai Electric and the Shenhua Group for the further development and commercialization of the CIGS thin-film technology, and could also make discussions for collaboration in other business segments more difficult. This could result in significant negative effects on the financial position, financial performance and cash flows of the Manz Group.

Operating Risks

Project risks

Project risks relate primarily to non-standardized major contracts. In such contracts risks arise from missing planned costs or schedules, the 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. Project risks also apply in particular with regard to the contracts concluded with Shanghai Electric and the Shenhua Group for the delivery of a CIGS production line and a CIGS research line for a total order volume of 263 million euros. A failure to implement this large project would result in significant negative effects on the financial position, financial performance and cash flows of the Manz Group. The financial risk is reduced through agreed advance payments made by the principals to Manz AG.

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 this customer. Thus in fiscal year 2016, the Manz Group realized sales revenue in the amount of a total of 48.3 million euros or 20.9 % of total revenues from business relations with this important customer as well as supplying the suppliers of this customer. Compared to a contribution of 46.9 % to total revenues in the 2015 fiscal year, the revenue contribution with the customer and the associated risks declined significantly in the past year. In general, Manz attempts to reduce the risk of negative effects for the entire Group in the event of negative developments at important large customers – a risk that will now also apply in the Solar business segment after the placement of large orders by Shanghai Electric and the Shenhua Group – through the further diversification of its customer base, project volumes and the business model in markets, regions and products and services.

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 recent volatility in the development 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 endeavors to reduce this risk by continually improving the Group's financial performance and cash flows, while also strengthening the business with standard products and system solutions from intelligent product building blocks.

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 also rising in the industry. The non-satisfactory business developments of the recent fiscal years and the forecast uncertainties that existed until the contract was concluded with Shanghai Electric and the Shenhua Group in January 2017 led to a much higher liquidity risk in 2016. After Manz AG successfully implemented a capital increase in May 2016, the company received net issue proceeds of approximately 75.6 million, some of which were used to repay the loans provided by the company's German lenders. No new agreements were arranged with the German lenders, so that the parent company Manz AG does not have any credit lines at the moment. Discussions with financial institutions regarding the procurement of new credit lines are currently on-going. Manz AG has an adequate amount of collateral that is normally required to secure such credit lines.

The waiver agreement concluded with the European Investment Bank (EIB) for a project loan in the amount of 18.3 million euros to finance the expenditures of the Manz Group for research, development and innovation activities, in particular in the area of solar technology, expired on January 31, 2017 as per the contract. At this time, the EIB and Manz AG are negotiating a follow-up provision for this loan, which has not been repaid to date. It remains to be seen whether such an extension will be successful.

The subsidiaries in Slovakia, Hungary, Italy, India, China and Taiwan are financed primarily through short-term overdraft facilities and, to a lesser extent, long-term loans. On the reference date December 31, 2016, the Manz Group had available credit lines of 20.7 million euros.

If the negotiations for follow-up financing should fail with one or more partners, it would have negative effects on the financial position, financial performance and cash flow of the Manz Group. At the same time, the Managing Board does not believe that this risk poses a threat to the ability of the Manz Group and/or individual subsidiaries to operate as a going concern.

Currency Risks

Manz AG's currency risks arise from operating activities. In fiscal years 2015 and 2016, these activities related to transactions in US dollars from the sale of machinery. The transaction-based currency risk is hedged through forward exchange transactions. Furthermore, economic currency risk is also reduced by 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, 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 an 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. The 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.

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 two-thirds of the 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.

Strategic cooperation offers enormous potential in the area of the CIGS thin-film technology and beyond

With the strategic collaboration between Manz AG, Shanghai Electric Group and Shenhua Group, the partners will enter into a globally unique strategic cooperation in the CIGS thin-film segment. In this vein, they are bundling their individual strengths in a unique CIGS alliance: The Shenhua Group is the world's largest operator of coal mines and one of the largest energy producers in China. Shanghai Electric is China's leading supplier of equipment to generate electricity, with extensive experience in the renewable energies sector. Manz AG, as a high-tech equipment manufacturer and PV pioneer, possesses CIGS technology with the world's highest efficiency of 22.6 % in cell format and a globally unique CIGS research team, which will be integrated into the joint research company of Manz, Shenhua and Shanghai Electric, which has already been established. Manz AG will own 15 % of this company in the future. By bundling their complementary expertise in energy production, the large production of equipment and products, and the globally leading cutting edge technology, the partner form a strong alliance for the further development and commercialization of the CIGS technology in China and around the world.

Manz AG acts as the indirect and direct exclusive sales partner in China and worldwide: Another joint venture with Shanghai Electric and Shenhua, namely Suzhou Manz New Energy Equipment Co.,Ltd (currently in the process of being established), is the exclusive sales partner for the CIGS thin-film technology in the world's most important Chinese solar market. Manz AG is the majority shareholder of this company (56 %). Manz AG continues to hold directly the exclusive distribution rights for the CIGS thin-film technology for all other global regions. With this agreement, all future CIGS*fab* orders in China and the rest of the world will be processed exclusively by Suzhou Manz New Energy Equipment Co.,Ltd (controlled and consolidated by Manz), or by Manz AG itself, which also has exclusive access to the research results of the joint research company and those of the ZSW Stuttgart.

One major milestone was reached in January 2017 with the largest order in the company's history: two large orders for a CIGS*fab* with a capacity of 306 MW, and for a CIGS research line with a capacity of 44 MW. The CIGS*fab* will be the largest CIGS production line in China, and the second-largest worldwide. The total order volume is 263 million euros, and will impact revenues and earnings in the 2017 and 2018 fiscal years. The project must still be approved by Chinese government authorities. In particular, the ambitious plans of the Chinese government – and hence also of government-controlled enterprises such as the Shanghai Electric Group or Shenhua Group – to increase the proportion of renewable energies offer enormous growth potential for Manz AG. From the Managing Board's point of view, opportunities for follow-up orders are excellent; the board also expects that Manz AG will be able to supply additional lines as part of the strategic cooperation in the future.

The cooperation with anchor investor Shanghai Electric not only provides Manz AG with improved access to the Chinese market in the solar segment, but also creates significant medium-term growth potential in the strategic Energy Storage business segment, with the future trends electromobility and stationary energy storage, and also in the strategic Electronics business segment.

Market opportunities from acquisitions

The company may also obtain additional competitive advantages from targeted acquisitions, as was already proven in the past. This facilitates access to new technologies and the factors that are also scarce and crucial for competitors, namely expertise and qualified personnel. Therefore 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 2014, Manz AG took over the mechanical engineering division of the Italian technology company Kemet Electronics Italy, a subsidiary of the American KEMET Corporation, in the Energy Storage segment. This gave Manz access to patents and property rights, as well as the expertise, of Arcotronics, which was acquired by KEMET in 2007 and is a mechanical engineering pioneer in battery manufacture with long-standing business relationships with the leading battery producers worldwide. Manz AG also acquired approximately 80 employees as part of the deal. At the same time, the acquisition enabled Manz AG to add proven expertise in winding technology. In addition to the technology for stacking electrodes, which has long been established at Manz, this is one of the leading technologies in the manufacture of lithium-ion batteries for e-mobility, stationary energy storage and consumer electronics. In 2015, Manz AG was able to acquire (in the Electronics business segment) 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. With this globally unique technology portfolio, Manz's customers can realize significant cost savings for the lighting of printed circuit boards, along with a considerable reduction in the production cycle. Further diversification within the Electronics division also ensured the sustainable stabilization of the business model of the Group. Manz AG will continue to pursue this strategy and will consistently take advantage of opportunities that arise.

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 improved significantly in comparison with the previous year with respect to liquidity and financing. Despite the continued risks in connection with the negotiations regarding the continuation of bank loans, the Managing Board believes that in light of liquid assets of 55.7 million euros, a net liquidity of –1.3 million euros and existing credit lines totaling 20.7 million euros, the Group does not face a liquidity and financing risk that could pose an existential threat. Growth in the Solar business segment will again be significant as a result of the entry of Shanghai Electric, the cooperation in the solar segment and the placement of the large CIGS order. At the same time, the possibility that the contracts that have been closed may be canceled by the time all closing conditions are met and approval is granted by the Chinese government authorities would have a markedly negative effect on the Manz Group's financial position, financial performance and cash flows. 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 2017.

In the 2016 fiscal year, Manz AG generated revenues of 231.0 million euros. In the operating business, Manz achieved earnings before interest and taxes (EBIT) of –35,9 million euros (previous year: –58.2 million euros) and earnings before interest, taxes, depreciation and amortization (EBITDA) of around –21.8 million euros (previous year: –41.9 million euros). Therefore Manz AG, with regard to the revenues that were generated, has achieved the revenue forecast, which was adjusted in November 2016, for the 2016 fiscal year (revenues at the level of the previous year). Originally, Manz AG expected to significantly raise revenues compared to the revenues generated in the 2015 fiscal year. The revenue forecast had to be adjusted as a result of a sudden order cancellation by a large customer in the Energy Storage business segment, and the resulting lack of follow-up orders, and the fact that the CIGS order was placed later than had been planned. The much improved EBIT compared to the previous year was in the range of the original revenue forecast.

Starting in the 2017 fiscal year, Manz AG will also separately reports the Services reporting segment in addition to the three strategic business segments Energy, Electronics and Solar, and the Contract Manufacturing reporting segment. Compared to the preceding year, the current Others segment is omitted and Services is added. With the introduction of the Services reporting segment, Manz AG addresses the increasing importance of services in the Group's overall portfolio. Revenues and earnings that have so far been entered in the Others reporting segment will be distributed over the remaining business segments in the future. Service revenues that were hitherto attributed to the respective business segments will now be entered in the new Services reporting segment.

In Asia, the crucial region for Manz AG, economic earning power is expected to grow in the current fiscal year at the prior-year level. In the largest economy in the region, the People's Republic of China, GDP growth is expected to be moderate at 5.9 % compared to the previous year. At the same time, the experts at the Kieler Institut für Wirtschaftsforschung also believe that in 2017 the global economy will improve somewhat over the previous year with a growth of 3.5 %. Given the anticipated economic market forecasts, the Managing Board sees overall positive 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 year 2017, the Managing Board believes that the Electronics business segment offers good prospects for profitable business growth. This expectation is based on the continued high demand for devices with touch panel displays, such as smartphones or tablet computers, and a revival of the classic display market in Asia last year. In this respect, the Managing Board will conduct a critical-conservative risk assessment particularly of potential large projects, which will lead to a decrease in orders with large revenue volumes. At the same time, the Managing Board also believes that Manz AG is very well positioned, for example in the area of fully-integrated assembly lines, like the *LightAssembly*, to profit from the continued automation of production in Asian countries. This trend continues to gain in strength due to the increasing complexity of assembly processes and rising quality requirements for end products. In addition, mega trends such as Industry 4.0 and end products that are customized to customers' requirements also offer additional sales potential for Manz AG's intelligent production solutions. Most recently, Manz AG was able to prove its expertise in this area in the series-ready patch-placement technology for the adidas Speedfactory. Overall, the Managing Board expects that 2017 sales revenues in the Electronics business segment will be slightly above the previous year's level, with a balanced EBIT. The value of orders on hand in the Electronics segment was 49.6 million euros as of December 31, 2016 (previous year: 27.8 million euros).

For the Solar segment, the Managing Board feels optimistic in view of steadily growing end-customer demand for solar modules and the cooperation with Shanghai Electric and the Shenhua Group in the area of CIGS technology. In this context, Manz AG received CIGS orders totaling 263 million euros at the end of January 2017. The Managing Board expects that the official approval in China, which is still outstanding, will be issued by latest in the middle of April. For the 2017 fiscal year, the Managing Board expects that approximately 50 % of the total order volume will affect revenues and earnings. In view of the Proof of Concept rendered as a result of the successful implementation of these CIGS orders and the construction of the first CIGS*fab*, a turnkey production line for the manufacture of CIGS thin-film solar modules, the Managing Board also anticipates very good future opportunities for follow-up orders from China and the rest of the world. A positive special item of presumably 25–30 million euros (affecting earnings) applies in the 2017 fiscal year from the sale of Manz CIGS Technology GmbH (MCT) in line with the strategic cooperation with Shanghai Electric and the Shenhua Group. In the Solar business segment, the Managing Board expects that overall, revenues in the 2017 fiscal year will increase significantly over the previous year; the board also expects a very positive EBIT incl. special item from the sale of Manz CIGS Technology GmbH. The value of orders on hand as of December 31, 2016 was 1.5 million euros (previous year: 8.9 million euros).

The Managing Board expects stable developments for the Energy Storage business segment in the 2017 fiscal year. With the production systems for manufacturing lithium-ion batteries for e-mobility, stationary power storage and the consumer electronics sector, the Managing Board believes that the company is well positioned in these attractive growth markets. In the Energy Storage business segment, the Managing Board will also conduct critical-conservative risk assessments of potential large projects, which will also lead to fewer large orders in this business segment compared to the past. Growing demand and the corresponding investments in production capacities from the e-mobility industry are expected as of the second half of 2017 and beyond. For the entire year of 2017, the Managing Board expects revenues to increase significantly, with a much improved EBIT compared to the previous year. The value of orders on hand as of December 31, 2016 was 10.6 million euros (previous year: 62.0 million euros).

The Contract Manufacturing reporting segment will show positive growth in the current year of 2017. In 2017, the Managing Board expects revenues and earnings to rise significantly as business activities with Talus Manufacturing have been intensified. The value of orders on hand as of December 31, 2016 is 19.2 million euros (previous year: 6.7 million euros). In the Services segment, the Managing Board expects revenues in the lower double-digit million euro range, with a very positive contribution to results.

In addition to the systematic continuation of the diversification strategy, the cross-industry technology transfer, our own production and service locations in our customers' local markets and the strategic cooperation with Shanghai Electric and the Shenhua Group, it is investments in R&D activities in particular that represent the foundation for sustainable growth. In this way, the Managing Board aims to strengthen and expand the further development of the comprehensive technology portfolio and the good market position of Manz AG in all business segments. Overall, the Managing Board is therefore planning for reduced R&D expenses of about 20 million euros (2016: 22.5 million euros) in the current fiscal year, due to the sale of Manz CIGS Technology GmbH, planned in 2017. The Managing Board expects to see a significantly improved positive cash flow from operating activities in the current 2017 fiscal year. In view of the liquid assets in the amount of 55.7 million euros at December 31, 2016, the first advance payment in line with the CIGS order, which is expected in the middle of April, and free credit lines of 20.7 million euros, the Managing Board believes that Manz AG's liquidity for the 2017 fiscal year is secure.

Overall Assertion on the Company's Future Development

The Managing Board considers the industry outlook in the three strategic segments Electronics, Solar and Energy Storage to be thoroughly positive. For the current fiscal year, the Managing Board expects positive business developments based on this assessment, the strategic collaboration in the CIGS segment including the placement of the large CIGS orders and a value of orders on hand of approximately 330 million euros as at February 28, 2017. The large orders for the CIGS production lines are still subject to official approval in China. But the Managing Board expects that approval will be granted by the middle of April at the latest. As a result for 2017, in dependence on the project start of the CIGS order, which will be determined at the time of fulfillment of all closing conditions, the Management Board of Manz AG anticipates a significant increase in revenue to at least 350 million euros, with significantly improved and positive earnings before interest and taxes (EBIT).

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements, which 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 23, 2017

The Managing Board

C

CONSOLIDATED
FINANCIAL STATEMENT

110 CONSOLIDATED INCOME STATEMENT

111 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

112 CONSOLIDATED BALANCE SHEET

114 CONSOLIDATED CASH FLOW STATEMENT

115 CONSOLIDATED STATEMENT OF CHANGES TO EQUITY

CONSOLIDATED INCOME STATEMENT

(in EUR tsd.)

	Notes	2016	2015
Revenues	1	231,010	222,019
Inventory changes, finished and unfinished goods		128	–6,700
Work performed by the entity and capitalized	2	7,733	14,500
Total operating revenues		**238,871**	**229,819**
Other operating income	3	7,369	10,927
Cost of materials	4	–138,432	–147,783
Gross profit		**107,808**	**92,963**
Personnel expenses	5	–79,142	–84,007
Other operating expenses	6	–50,443	–50,817
EBITDA		**–21,777**	**–41,861**
Amortization/depreciation		–14,154	–16,344
Operating earnings (EBIT)		**–35,931**	**–58,205**
Finance income	7	48	89
Finance costs	8	–3,716	–3,581
Earnings before taxes (EBT)		**–39,599**	**–61,697**
Income taxes	10	–2,956	–2,514
Consolidated profit or loss		**–42,555**	**–64,211**
of which attributable to minority interests	11	58	–9
of which attributable to shareholders of Manz AG		–42,613	–64,202
Weighted average number of shares		6,847,065	5,260,702
Earnings per share (diluted = undiluted) in EUR per share	12	–6,22	–12,20

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in EUR tsd.)

	2016	**2015**
Consolidated profit or loss	**–42,555**	**–64,211**
Difference resulting from currency translation	3,715	6,387
Cash flow hedges	2,763	–2,737
Tax effect resulting from components not recognized in profit/loss	–638	632
Total of expenditures and income recorded directly in equity with future reclassification with tax effect	**5,840**	**4,282**
Revaluation of defined benefit pension plans	–136	–121
Tax effect resulting from components not recognized in profit/loss	38	12
Total of expenditures and income recorded directly in equity without future reclassification with tax effect	**–98**	**–109**
Consolidated comprehensive income	**–36,813**	**–60,038**
of which minority interests	290	–6
of which shareholders of Manz AG	–37,103	–60,032

CONSOLIDATED BALANCE SHEET

ASSETS (in EUR tsd.)

	Notes	Dec. 31, 2016	Dec. 31, 2015
Non-current assets			
Intangible assets	14	77,796	81,574
Property, plant, and equipment	15	39,395	42,830
Deferred taxes	10	3,500	4,095
Other non-current assets		723	1,634
		121,414	**130,133**
Current assets			
Inventories	16	48,950	36,636
Trade receivables	17	77,726	83,799
Income tax receivables		651	151
Derivative financial instruments	18	0	28
Other current receivables	19	7,651	7,421
Liquid funds	20	55,722	34,372
		190,700	**162,407**
Total assets		**312,114**	**292,540**

LIABILITIES AND SHAREHOLDERS' EQUITY
(in EUR tsd.)

	Notes	Dec. 31, 2016	Dec. 31, 2015
Equity	21		
Issued capital		7,744	5,421
Retained earnings		143,681	99,345
Revenue reserves		–10,839	1,774
Currency translation		19,933	14,423
Shareholders of Manz AG		**160,519**	**120,963**
Minority Interests		4,587	4,297
		165,106	**125,260**
Non-current liabilities			
Non-current financial liabilites	22	2,036	1,913
Non-current deferred investment grants	23	0	64
Financial liabilities from leases	24	0	11
Pension provisions	25	7,704	7,839
Other non-current provisions	26	2,868	2,502
Other non-current liabilities	27	335	875
Deferred taxes	10	2,127	1,178
		15,070	**14,382**
Current liabilities			
Current financial liabilities	28	52,379	80,999
Trade payables	29	47,228	40,809
Payments received	17	9,827	10,507
Income tax liabilities		686	196
Other current provisions	30	7,294	6,258
Derivative financial instruments	18	158	3,140
Other liabilities	31	14,355	10,976
Financial liabilities from leasing	24	11	13
		131,938	**152,898**
Total liabilities and shareholders' equity		**312,114**	**292,540**

CONSOLIDATED CASH FLOW STATEMENT

(in EUR tsd.)

	2016	2015
Operating earnings (EBIT)	–35,931	–58,205
Depreciation / amortization of fixed assets	14,154	16,344
Increase (+) / decrease (–) in pension provisions and other non-current provisions	231	–1,265
Other non-cash income (–) and expenses (+)	131	–59
Gains (+) / losses (–) from disposals of assets	3,246	–1,957
Increase (-) / decrease (+) in inventories, trade receivables and other assets	–7,367	–19,622
Increase (+) / decrease (–) in trade payables and other liabilities	12,913	16,109
Income tax received (+)/paid (–)	–640	–5,538
Interest paid	–3,480	–3,260
Interest received	34	87
Cash flow from operating activities	**–16,709**	**–57,366**
Cash receipts from the sale of fixed assets	49	1,006
Cash payments for investments in intangible assets and property, plant and equipment	–9,045	–18,332
Cash payments for the acquisition of consolidated entities, less liquid funds received	0	–4,674
Cash flow from investing activities	**–8,996**	**–22,000**
Cash receipts from long-term borrowings	1,052	13,150
Cash payments for repayment of long-term borrowings	–894	–600
Change in bank overdrafts	–28,621	37,320
Purchase of treasury shares	–10	–11
Cash payments for the repayment of financial leases	–13	–24
Cash receipts from issue of capital	80,709	41,889
Costs of raising capital (before taxes)	–5,880	–1,307
Cash flow from financing activities	**46,343**	**90,417**
Cash and cash equivalents at the end of the period		
Net change in cash funds (subtotal 1 – 3)	20,638	11,051
Effect of exchange rate movements on cash and cash equivalents	712	168
Cash and cash equivalents on January 1	34,372	23,153
Cash and cash equivalents on December 31	**55,722**	**34,372**
Composition of cash and cash equivalents		
Liquid funds	55,722	34,372
Cash and cash equivalents on December 31	**55,722**	**34,372**

The cash flow statement is discussed in Note 13.

CONSOLIDATED STATEMENT OF CHANGES TO EQUITY

(in EUR tsd.)

					Cumulative other equity						
					Components which are not reclassified to profit or loss	Components which may be reclassified to profit or loss					
	Issued capital	**Capital reserves**	**Treasury shares**	**Revenue reserves**	Remeasurement of pensions	Cashflow hedges	Currency translation	**Total Manz AG share-holders' equity**	**Total Manz AG share-holders' equity**	**Minority equity**	**Total share-holders' equity**
As of January 1, 2015	**4,928**	**103,817**	**0**	**20,976**	**–1,840**	**–35**	**12,128**	**10,253**	**139,974**	**39**	**140,013**
Comprehensive income				–64,202					–64,202	–9	–64,211
Cumulative other equity					–109	–2,105	6,384	4,170	4,170	3	4,173
Total comprehensive income	0	0	0	–64,202	–109	–2,105	6,384	4,170	–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 reserv		–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 due to increase in shares				0	0				0	4,264	4,264
As of December 31, 2015	**5,421**	**99,345**	**0**	**1,774**	**–1,949**	**–2,140**	**18,512**	**14,423**	**120,963**	**4,297**	**125,260**
As of January 1, 2016	**5,421**	**99,345**	**0**	**1,774**	**–1,949**	**–2,140**	**18,512**	**14,423**	**120,963**	**4,297**	**125,260**
Comprehensive income				–42,613					–42,613	58	–42,555
Cumulative other equity					–98	2,125	3,483	5,510	5,510	232	5,742
Total comprehensive income	0	0	0	–42,613	–98	2,125	3,483	5,510	–37,103	290	–36,813
Capital increase	2,323	78,386							80,709		80,709
Costs of raising capital after taxes		–4,181							–4,181		–4,181
Withdrawal from capital reserve		–30,000		30,000					0		0
Purchase of treasury shares			–10						–10		–10
Use of treasury shares			10						10		10
Share-based compensation		131							131		131
As of December 31, 2016	**7,744**	**143,681**	**0**	**–10,839**	**–2,047**	**–15**	**21,995**	**19,933**	**160,519**	**4,587**	**165,106**

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

NOTES

118 GENERAL DISCLOSURES

119 ACCOUNTING PRINCIPLES

136 NOTES TO THE INCOME STATEMENT

144 NOTES TO SEGMENT REPORTING

145 SEGMENT REPORTING FOR DIVISIONS

146 SEGMENT REPORTING FOR REGIONS

147 NOTES TO THE CASH FLOW STATEMENT

148 NOTES TO THE BALANCE SHEET

167 REPORTING ON FINANCIAL INSTRUMENTS

174 CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

175 EVENTS AFTER THE BALANCE SHEET DATE

175 RELATED PARTIES

180 RESPONSIBILITY STATEMENT

181 AUDIT OPINION

183 IMPRINT

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 six technological fields: automation, laser processing, 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's share is traded on the regulated market of the Frankfurt Stock Exchange (Prime Standard segment).

Manz AG's consolidated financial statements as of December 31, 2016 were prepared in accordance with International Financial Reporting Standards (IFRS), as applicable in the EU, and the supplementary provisions of German commercial law and company 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.

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. On Thursday, March 23, 2017, the consolidated financial statements for 2016 were approved, by resolution of the Managing Board, for presentation to the Supervisory Board.

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, as in the previous year:

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.

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 capital 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 capital.

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 capital in the consolidated balance sheet, separately from the equity capital attributable to the shareholders of the parent company.

CURRENCY TRANSLATION

The financial statements of subsidiaries included in the Group which are prepared in foreign currency are translated into euros in accordance with IAS 21. The functional currency of the included companies is almost 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 capital is translated using historical exchange rates. The income statement is translated at the average annual exchange rate. Translation differences resulting from translating the financial statements are directly recognized as a separate item in equity capital without affecting net income 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, 2016	**Dec. 31, 2015**	**2016**	**2015**
USA	USD	1.0525	1.0908	1.1070	1.1104
Taiwan	TWD	34.0011	35.9551	35.7467	35.3317
Hong-Kong	HKD	8.1616	8.4524	8.5927	8.6087
China	CNY	7.3107	7.0822	7.3536	6.9286
Hungary	HUF	310.3100	314.8090	312.5100	310.2570

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, 2016.

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 capital – 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 capital 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 capital 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 capital 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 capital. 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 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 capital are not recognized in profit or loss, but in equity capital.

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 capital are presented in equity capital. 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 exact 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.

- Changes to IFRS 10 Consolidated Financial Statements, IRFS 12 Disclosures of Interests in Other Entities, see GB Merck December 31, 2016, IAS 28 Investments in Associates and Joint Ventures
- Changes to IFRS 11 Joint Arrangements
- Changes to IAS 1 Presentation of Financial Statements – Disclosure Initiative
- Changes to IAS 16 Property, Plant and Equipment
- Changes to IAS 19 Employee Benefits
- Changes to IAS 27 Separate Financial Statements
- Annual Improvement Process 2010–2012
- Annual Improvement Process 2012–2014

The amendments do not give rise to any significant effects on the consolidated financial statements.

PUBLISHED, ADOPTED BY THE EU BUT NOT YET APPLIED IFRS

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. The effects of the new standards are not yet completely analyzed.

IFRS 15 Revenue 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 Monday, January 01, 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 company will apply the standard as of January 1, 2018. The effects of the new standards are not yet completely analyzed.

Manz AG set-up a project to analyze the effects of the new regulations. In addition to the large orders received at the beginning of 2017 worth € 263 million for the construction of production lines for CIGS thin-film solar modules, further orders were subject to a more detailed examination. The analysis has shown so far that there will be no significant changes in the transition to IFRS 15. The company assumes that production orders, which have previously been accounted for using the percentage-of-completion method, continue to meet the prerequisites for a period-related realization under IFRS 15. In addition to expanded qualitative and quantitative disclosures the company assumes report changes in the balance sheet.

PUBLISHED, STILL NOT ADOPTED BY THE EU AND STILL NOT APPLIED IFRS

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 currently examining the effects on the consolidated financial statements.

As a result of the remaining new regulations, no significant impact on the consolidated financial statements is expected as of today’s perspective.

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 in Section IV.

Total revenues include revenue from construction contracts in the amount of 207,725 thousand euros (previous year: 198,415 thousand euros).

WORK PERFORMED BY THE ENTITY AND CAPITALIZED (2)

In fiscal year 2016, development costs for the Solar and Energy Storage segments in particular were capitalized.

OTHER OPERATING INCOME (3)

(in EUR tsd.)	2016	2015
Exchange rate gains	496	1,287
Income from the reversal of provisions	1,125	958
Subsidies	1,102	2,150
Reversal of valuation allowances on receivables	646	893
Income from the sale of investments	49	1,957
Income from the reduction of provisions	932	566
Other	3,019	3,116
	7,369	**10,927**

COST OF MATERIALS (4)

(in EUR tsd.)	2016	2015
Cost of raw materials, consumables and supplies, and of purchased merchandise	121,592	132,685
Cost of purchased services	16,840	15,098
	138,432	**147,783**

PERSONNEL EXPENSES (5)

(in EUR tsd.)	2016	2015
Wages and salaries	65,685	68,680
Severance payments	587	1,287
Social security, post-employment and other employee benefit costs	12,870	14,040
	79,142	**84,007**

Employees (yearly average)		
Production	977	1,038
Administrative/Technical	809	915
Trainees	40	36
	1,826	**1,989**

OTHER OPERATING EXPENSES (6)

(in EUR tsd.)	2016	2015
Outgoing freight, packaging	4,053	3,069
Advertising and travel expenses	9,194	11,215
Commissions	1,905	1,509
Rent and leasing	6,816	6,120
Legal and consulting costs	2,693	2,508
IT costs	1,266	1,598
Other personnel expenses	1,664	2,042
Insurance	893	798
Exchange rate losses	1,417	1,775
Appropriation to other provisions	2,727	1,452
Repairs and maintenance	1,083	1,225
Losses on receivables and expenses from the allocation to valuation allowances on receivables	145	3,240
Licensing fees	991	982
Restructuring expenses	0	2,315
Expenses from the disposal of capital assets	3,295	0
Other operating costs	2,780	3,175
Other	9,521	7,793
	50,443	**50,817**

FINANCE INCOME (7)

(in EUR tsd.)	2016	2015
Interest income and similar	48	89
	48	**89**

FINANCE COST (8)

(in EUR tsd.)	2016	2015
Interest and similar expenses		
Non-current liabilities	2,155	2,193
Current liabilities	1,369	1,062
Interest component of non-current provisions	192	321
Other interest expenses	1	5
	3,716	**3,581**

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 2016 fiscal year, 13 (previous year 17) employees and members of the Managing Board received a total of 25,238 (previous year 14,863) share awards/subscription rights. Of these, 15,336 (previous year: 8,028) 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)	30,224	60,95
Lapsed during the reporting period	0	0,00
Granted during the reporting period	25,238	12,68
Balance at the end of the year (not vested)	**55,462**	**38,98**

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:

	2016	**2015**
Exercise price (in EUR)	1.00	1.00
Risk-free annual interest rate (in %)	–0.66	0.10
Volatility (in %)	55.75	51.23
Expected dividends (in EUR)	0.00	0.00
Fair value of each share award (in EUR)	12.68	57.08

In the reporting year, expenses of 131 thousand euros were recognized from the Performance Share Plan (previous year: 40 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.)	2016	2015
Actual tax expense		
Current period	483	772
Previous periods	–8	2,743
Deferred tax income/expenses (+)	2,481	–1,001
	2,956	**2,514**

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 2,956 thousand euros (previous year: 2,514 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.)	2016	2015
Earnings before taxes on income	–39,599	–61,697
Manz AG income tax rate	29,13 %	29,13 %
Expected income tax expense	**–11,535**	**–17,972**
International tax rate differences	492	2,941
Change in tax rate	8	0
Non-deductible expenses	2,561	1,905
Prior-period taxes	–8	2,743
Tax-free income	–651	–1,155
Non-recognition of tax loss carryforwards	11,373	12,108
Valuation allowances on deferred tax assets	738	1,570
Other	–22	374
Reported income tax expense	**2,956**	**2,514**
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, 2016	**Dec. 31, 2015**	**Dec. 31, 2016**	**Dec. 31, 2015**
Intangible assets	115	158	5,312	5,596
Property, plant and equipment	0	0	29	32
Percentage-of-completion method	767	572	1,457	963
Inventories	0	324	0	0
Receivables	271	21	0	172
Derivative financial instruments	3	621	0	0
Pension provisions	981	889	0	0
Payables for products and services	1,004	1,699	725	455
Provisions	606	765	4	8
Tax loss carry-forward	5,153	5,094	0	0
Gross value	8,900	10,143	7,527	7,226
Offsetting	–5,400	–6,048	–5,400	–6,048
Balance according to consolidated balance sheet	**3,500**	**4,095**	**2,127**	**1,178**
Net amount of deferred tax assets	**1,373**	**2,917**		

The decrease in net deferred taxes in the amount of 1,544 thousand euros (previous year: increase of 2,554 thousand euros) is broken down as follows:

(in EUR tsd.)	2016	2015
Deferred tax expense (–)/income in the income statement	–2,481	1,001
Change in deferred taxes, recognized in other comprehensive income, on actuarial gains/losses from pensions	38	12
Derivative financial instruments	–638	632
Currency translation	1,537	909
	–1,544	**2,554**

Deferred taxes are recognized for tax loss carryforwards only if there is sufficient certainty that they will be realized. Fundamentally, no deferred taxes are recognized for tax loss carry-forwards insofar as the deferred tax assets would have exceeded the deferred tax liabilities of the respective company. For Manz China and Manz Taiwan, despite a net-loss in fiscal year 2015, deferred taxes on loss carry-forwards amounting to 2,059 thousand euros (previous year: 2,612 thousand euros) or 126 thousand euros (previous year: (672 thousand euros) were recognized as there are no loss histories for these two companies.

Tax loss carryforwards total 217,562 thousand euros (previous year: 189,570 thousand euros). Of those, 442 thousand euros (previous year: 1,604 thousand euros) is limited to a period of 5 years and the remainder can be carried forward indefinitely. No deferred tax assets were created for loss carryforwards of 196,017 thousand euros (previous year: 161,835 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 31.2 million euros (previous year: 26.3 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 58 thousand euros (previous year: –9 thousand euros). These refer to minority interests in Manz India Limited and 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.	**2016**	**2015**
Consolidated profit/loss attributable to Manz AG's consolidated net profit (in EUR)	–42,612,933	–64,202,799
Weighted average number of outstanding shares (pc.)	6,847,065	5,260,702
Effect from share-based compensation (pc.)	141,646	91,170
Weighted average number of outstanding shares (diluted) (pc.)	**6,988,711**	**5,351,872**
Earnings per share (diluted = undiluted) (in EUR)	–6,22	–12,20

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. 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 contained in the business segment Electronics.

Business in equipment for the production of lithium-ion batteries is reported in the Energy Storage business segment. The Solar business segment contains system solutions for the manufacture of 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. In the Others reporting segment, Manz works with new types of pioneering technologies such as lightweight design and fuel cells.

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

Segment assets and segment liabilities for each segment are not regularly reported to the Management Board and are therefore no longer shown in the segment report.

Segment reporting shows revenues and profits 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 2016 fiscal year, 48,252 thousand euros are assigned to one customer (previous year: 96,681 thousand euros), of which 21,563 thousand euros (previous year: 35,947 thousand euros) are assigned to the Electronics segment and 26,689 thousand euros (previous year: 60,735 thousand euros) to the Energy Storage segment. Furthermore, 41,325 thousand euros are assigned to a different customer in the Contract Manufacturing segment in the 2016 fiscal year (previous year: 27,842 thousand euros).

SEGMENT REPORTING FOR DIVISIONS

As of Dec. 31, 2016

(in EUR tsd.)	Solar	Electronics	Energy Storage	Contract Manu-facturing	Others	Central functions/ other	Consoli-dation	Group
Revenues with third parties								
2015	20,774	87,646	72,839	27,850	12,910	0	0	222,019
2016	24,650	106,628	46,425	42,245	11,062	0		231,010
Revenues with other segments								
2015					21,737		–21,737	0
2016					13,043		–13,043	0
EBITDA								
2015	–19,055	–23,443	–3,882	2,090	2,429			–41,861
2016	–6,295	–5,744	–13,073	2,629	706			–21,777
EBIT								
2015	–27,764	–28,466	–5,665	1,553	2,137		0	–58,205
2016	–12,346	–9,871	–16,016	2,073	229			–35,931
Additions to assets								
2015	7,311	4,186	4,955	243	916	721	0	18,332
2016	4,123	667	1,796	1,811	556	89		9,042
Depreciation scheduled								
2015	4,931	3,814	1,569	413	170	2,003	0	12,900
2016	5,246	3,314	2,387	440	375	1,201		12,963
Depreciation unscheduled								
2015	3,444	0	0	0	0	0		3,444
2016	631	134	426	0	0	0		1,191
Employees (annual average)								
2015	273	988	175	101	100	316	0	1,953
2016	256	849	162	145	90	284		1,786

SEGMENT REPORTING FOR REGIONS

As of Dec. 31, 2016

(in EUR tsd.)	Third-party revenues by customer location	Non-current assets (without deferred taxes)
Germany		
2015	17,220	50,052
2016	29,538	40,408
Rest of Europe		
2015	33,730	21,122
2016	36,179	20,890
China		
2015	104,144	18,268
2016	89,150	16,297
Taiwan		
2015	33,747	35,766
2016	35,289	38,876
Rest of Asia		
2015	6,693	0
2016	8,934	0
USA		
2015	24,615	0
2016	31,856	64
Other Regions		
2015	1,870	0
2016	64	0
Group		
2015	222,019	125,208
2016	231,010	116,535

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, software, and similar rights	Capitalized development costs	Goodwill	Assets under construction/ prepayments	Total
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**
Amortization/depreciation					
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	0	3,444
Disposals	–243	0	0	0	–243
As of December 31, 2015	**33,085**	**62,604**	**0**	**0**	**95,689**
Acquisition/production costs					
As of January 1, 2016	**53,292**	**85,959**	**37,952**	**60**	**177,263**
Currency adjustment	38	169	1,376	0	1,583
Additions	749	4,918	0	0	5,667
Disposals	–57	–3,859	0	0	–3,916
Reclassifications	94	0	0	–59	35
As of December 31, 2016	**54,116**	**87,187**	**39,328**	**1**	**180,632**
Amortization/depreciation					
As of January 1, 2016	**33,085**	**62,604**	**0**	**0**	**95,689**
Currency adjustment	37	77	0	0	114
Additions Deprecation (scheduled)	4,911	2,525	0	0	7,436
Additions Impairments (unscheduled)	0	426	0	0	426
Disposals	–57	–772	0	0	–829
As of December 31, 2016	**37,976**	**64,860**	**0**	**0**	**102,836**
Residual carrying amount as of December 31, 2015	20,207	23,355	37,952	60	81,574
Residual carrying amount as of December 31, 2015	**16,140**	**22,327**	**39,328**	**1**	**77,796**

In the context of our annual review of capitalized development costs for projects with residual carrying amounts, extraordinary write-downs in the amount of 426 thousand euros (previous year: 3,444 thousand euros) were applied in the reporting year. The write-downs are assigned to the Solar Energy segment (previous year: Solar segment with 3,444 thousand euros). They are shown under depreciation/amortization.

The following amounts were offset in profit or loss:

(in EUR tsd.)	2016	2015
Research and development costs total	–22,478	–27,145
Scheduled write-downs on development costs	–2,525	–1,220
Extraordinary impairments for development costs	–426	–3,444
Book losses from outflow of capitalized development costs	–3,087	0
Capitalized development costs	7,733	14,500
Research and development costs offset as expenses	**–20,783**	–17,309

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, 2016	**Dec. 31, 2015**	**Dec. 31, 2016**	**Dec. 31, 2015**
Electronics	11,412	10,792	2,791	2,639
Solar	21,234	20,478	1,860	1,759
Energy Storage	4,994	4,994	0	0
Contract Manufacturing	0	0	0	0
Others	1,688	1,688	0	0
	39,328	**37,952**	**4,651**	**4,398**

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 revenue in the CIGS field will be realized in fiscal year 2017. The two major CIGS contracts received in January 2017 were included in the planning. 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 or 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 7.7 % to 10.1 % (previous year: 8.2 % to 11.1 %). In this context, the cost of equity is calculated on the basis of a comparable group (peer group). The discount rates and growth rates are listed in the following table:

(in %)	Interest rate before taxes		Growth rate	
	Dec. 31, 2016	**Dec. 31, 2015**	**Dec. 31, 2016**	**Dec. 31, 2015**
Electronics	7.7	8.2	1.5	1.5
Solar	10.1	11.1	1.5	1.5
Energy Storage	8.1	8.6	1.0	1.0
Contract Manufacturing	8.9	9.7	1.0	1.0
Others	10.1	11.1	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 2016 and 2015 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 2016 and 2015.

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, 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**
Amortization/depreciation					
As of January 1, 2015	**4,629**	**17,063**	**7,361**	**0**	**29,053**
Currency adjustment	224	81	116	0	421
Changes to the basis of consolidation	0	0	0		0
Additions Deprecation (scheduled)	1,340	2,647	1,861	0	5,848
Disposals	0	–617	–838	0	–1,455
Reclassifications	0	0	0		0
As of December 31, 2015	**6,193**	**19,174**	**8,500**	**0**	**33,867**
Acquisition/production costs					
As of January 1, 2016	**35,422**	**26,557**	**13,196**	**1,522**	**76,697**
Currency adjustment	47	51	31	2	131
Changes to the basis of consolidation	0	0	0	0	0
Additions	362	856	871	1,286	3,375
Disposals	–772	–1,585	–2,349	–89	–4,795
Reclassifications	1,511	1,069	6	–2,622	–36
As of December 31, 2016	**36,570**	**26,948**	**11,755**	**99**	**75,371**
Amortization/depreciation					
As of January 1, 2016	**6,193**	**19,174**	**8,500**	**0**	**33,867**
Currency adjustment	73	23	58	0	154
Changes to the basis of consolidation	0	0	0	0	0
Additions Deprecation (scheduled)	1,818	2,441	1,253	15	5,527
Additions Impairments (unscheduled)	0	0	765	0	765
Disposals	–854	–1,437	–2,030	–15	–4,336
Reclassifications	0		0		
As of December 31, 2016	**7,230**	**20,201**	**8,546**	**0**	**35,977**
Residual carrying amount as of December 31, 2015	29,229	7,383	4,696	1,522	42,830
Residual carrying amount as of December 31, 2016	**29,340**	**6,747**	**3,209**	**99**	**39,395**

Land and buildings of Manz Slovakia s.r.o at 4,009 thousand euros (previous year: 4,220 thousand euros) are used as collateral for bank loans.

In the reporting year unscheduled write-downs were applied in the amount of 765 thousand euros (previous year: 0 thousand euros).

INVENTORIES (16)

(in EUR tsd.)	Dec. 31, 2016	Dec. 31, 2015
Raw materials, consumables and supplies	16,435	17,924
Work in progress	16,603	16,509
Finished goods and merchandise	15,349	1,582
Prepayments	563	622
	48,950	**36,636**

As a result of market and movement rate risks, impairment losses of 31,260 thousand euros (previous year: 39,048 thousand euros) were applied. The decrease in impairments during the reporting year in the amount of 7,788 thousand euros (previous year: increase of 11,904 thousand euros) was recognized under cost of materials through profit and loss. The carrying amount of inventories at net realizable value amounts to 17,233 thousand euros 5,893 thousand euros).

TRADE RECEIVABLES (17)

(in EUR tsd.)	Dec. 31, 2016	Dec. 31, 2015
Future receivables from construction contracts	33,330	52,906
Trade receivables	44,396	30,893
	77,726	**83,799**

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

(in EUR tsd.)	Dec. 31, 2016	Dec. 31, 2015
Manufacturing costs, including profit or loss on the construction contracts	78,703	112,801
Minus advances received	–45,373	–59,895
	33,330	**52,906**

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, 2016	Dec. 31, 2015
Manufacturing costs, including profit or loss on the construction contracts	55,275	70,402
Minus advances received	–65,102	–80,909
	–9,827	**–10,507**

(in EUR tsd.)	Dec. 31, 2016	Dec. 31, 2015
Specific valuation allowances		
Trade receivables	1,340	1,174
Receivables from construction contracts	96	320
Global valuation allowances	2,096	2,588
	3,532	**4,082**

Changes in valuation allowances were as follows:

(in EUR tsd.)	Dec. 31, 2016	Dec. 31, 2015
As of January 1	**4,082**	**5,060**
Currency conversion	418	–279
Utilization	418	455
Reversal	646	893
Transfer	96	649
As of December 31	**3,532**	**4,082**

DERIVATIVE FINANCIAL INSTRUMENTS (18)

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

(in EUR tsd.)	Dec. 31, 2016		Dec. 31, 2015	
	Currency rate hedge	**Interest rate derivatives**	**Currency rate hedge**	**Interest rate derivatives**
Nominal value	9,501	1,800	71,253	2,850
Positive fair value	0	0	28	0
Negative fair value	–158	0	–3,140	0
Remaining period	max. 04/2017	max. 12/2019	max. 10/2016	max. 12/2019

In the fiscal year, 2,125 thousand euros (previous year: 2,105 thousand euros), minus deferred taxes of 637 thousand euros (previous year: 632 thousand euros), was deducted from current cash flow hedges from cumulated remaining equity capital.

OTHER CURRENT RECEIVABLES (19)

(in EUR tsd.)	Dec. 31, 2016	Dec. 31, 2015
Tax receivables (not income taxes)	3,983	3,633
Personnel receivables	769	713
Other accruals (primarily insurance policies)	645	377
Other	2,254	2,698
	7,651	**7,421**

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“ (Appendix 5). The components of comprehensive income are presented in aggregate form in the income statement.

The presentation of equity was changed during the reporting year. The „revaluation pensions“ and „cash flow hedges“ items shown in retained earnings as at December 31, 2015 are shown together with the item „currency translation“ in the new equity capital item „Cumulative other equity capital“.

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 7,744,088.00 euros (previous year: 5,420,864.00 euros) and is divided into 7,744,088 registered, no-par value bearer shares.

Through partial utilization of the authorized capital 2015 and with the approval of the Supervisory Board, on April 20, 2016 the Management Board passed a resolution to increase the share capital by 2,323,224.00 euros from 5,420,864.00 euros to 7,744,088.00 euros. The increase was implemented with the issue of 2,323,224 new no-par value, common bearer shares against cash contributions. The statutory subscription right of the shareholders was granted according to the subscription ratio of 7:3. The subscription price of each new share was 34.74 euros. The implementation of the capital increase was entered in the trade register of the Stuttgart District Court on Monday, May 23, 2016.

AUTHORIZED CAPITAL

Through a resolution passed at the Annual General Meeting held on July 12, 2016, the Management Board was authorized, with the approval of the Supervisory Board, to increase the company's capital stock to a total of 3,872,044.00 euros by issuing a total of 3,872,044 new bearer shares (unit shares) against cash or contributions in kind (authorized capital 2016) in the period preceding July 11, 2021. In principle, the new shares must be offered for subscription to shareholders. However, the Management 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 Management 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 Management 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 Management 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 Management 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 Management 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 Tuesday, July 07, 2015, authorization to grant stock options as set out in the Manz Performance Share Plan 2015 was approved.

The Management 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 Tuesday, 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 Management Board, on one or more occasions, until Tuesday, 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 Tuesday, July 07, 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 40,101 subscription rights from Conditional Capital II were issued as of the balance sheet date (previous year: 14,863) (see Annotation 9).

CONDITIONAL CAPITAL III

At the Annual General Meeting held on 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.

At the Annual General Meeting held on July 12, 2016, a resolution was passed to cancel the Contingent Capital III, resolved under agenda item 10, by resolution of the Annual General Meeting held on 28 June 2011 pursuant to Section 3 (6) of the Articles of Incorporation in the amount of EUR 56,000.00.

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

CONDITIONAL CAPITAL IV

At the Annual General Meeting held on Tuesday, 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 Tuesday, July 07, 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 2016 fiscal year, the company purchased 271 of its own shares (previous year: 141) at an average price of 35.50 euros (previous year: 78.76 euros) per share with a market value of 10 thousand euros (previous year: 11 thousand euros). The company purchased its own shares in the reporting period for employee anniversaries. As of December 31, 2016 and December 31, 2015, no treasury shares were held.

RETAINED EARNINGS

Retained earnings include the results achieved in the past by the companies included in the consolidated financial statements, insofar as they have not been distributed.

CUMULATIVE OTHER EQUITY

Accumulated other equity capital includes reserves for the revaluation of pensions, hedging of cash flows and currency translation from the translation of 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. The share of equity capital 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, 2016. The annual financial statements for Manz AG for the year ending December 31, 2016 close with a net loss of EUR –5,355,323.22 (previous year: –8,006,620.80 thousand euros). The Management Board recommends that this loss is carried forward to new account.

The Supervisory Board and Managing Board have defined a minimum equity ratio of 40% and gearing of less than 50% as targets.

(in EUR tsd.)	Dec. 31, 2016	Dec. 31, 2015
Liquid funds	55,722	34,372
Financial liabilities	54,426	62,936
Net financial liabilities	–1,296	48,564
Total Manz AG equity capital	**160,519**	**120,963**
Equity ratio	52.9 %	42.8 %
Gearing	–0.8 %	40.1 %

Equity ratio increased due to capital increases and lower financial liabilities in the reporting year from 42.8 % to 52.9 % in the previous year. Liquid funds cover all financial liabilities, which means that net financial liabilities in the reporting year have a surplus of 1,296 thousand euros.

Gearing improved to –0.8 % as a result of the reduction in net financial liabilities and the capital increase (previous year: +40.1 %).

NON-CURRENT FINANCIAL LIABILITIES (22)

(in EUR tsd.)	Dec. 31, 2016	Dec. 31, 2015
Non-current liabilities to banks	**2,036**	**1,913**

Non-current liabilities to banks consist mainly of a long-term loan for Manz Slovakia s.r.o and Manz Hungary Kft.

NON-CURRENT DEFERRED INVESTMENT GRANTS (23)

There were no non-current deferred investment grants in the reporting year. In the previous year, deferred investment grants from Manz Hungary Kft., were shown here.

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 12 thousand euros which are presented under „Other equipment, operating and office equipment" (previous year: 26 thousand euros).

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

	2016		2015	
(in EUR tsd.)	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Up to 1 year	11	11	13	13
1 to 5 years	0	0	11	10
Total minimum payments	11		24	
Minus the interest component	0		–1	
Present value of minimum payments	**11**	**11**	**23**	**23**

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.)	2016	2015
Change in the present value of benefits		
Present value of performance-based obligations as of Jan. 1	**8,938**	**9,237**
Disposal due to sale of packaging division	0	–438
Service cost	52	67
Interest cost	180	188
Benefits paid	–1,138	–300
Actuarial losses (+) / gains (–)		
due to changes in demographic assumptions	2	0
due to changes in financial assumptions	217	–16
due to adjustments based on past experience	–154	58
Currency differences from international plans	135	142
Present value of performance-based obligations at Dec. 31	**8,232**	**8,938**
Change in plan assets		
Value of plan assets as of Jan. 1	**1,101**	**806**
Income from plan assets	19	20
Company contributions	325	322
Benefits paid	–671	–87
Actuarial losses (+) / gains (–)	–296	13
Currency differences from international plans	50	25
Value of plan assets as of Dec. 31	**528**	**1,099**
Financing status (=pension provision)	**7,704**	**7,839**
which apply to:		
Manz AG, Reutlingen	4,259	4,278
Manz Italy s.r.l., Sasso Marconi/Italy	1,668	1,914
Manz Taiwan Ltd., Chungli/Taiwan	1,460	1,462
Manz CIGS Technology, Schwäbisch Hall	234	184
Talus Manufactruring Ltd., Chungli/Taiwan	83	0

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.

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 GmbH 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.

In the 2016 fiscal year, five pension obligations from Manz Taiwan Ltd. were taken over by the affiliate company Talus Manufacturing Ltd.

The following amounts have been included in the income statement:

(in EUR tsd.)	**2016**	**2015**
Service cost	–52	–67
Net interest cost	–161	–168

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 21 thousand euros and pension payments are expected to total 415 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 1,485 thousand euros (previous year: 1,798 thousand euros). Furthermore, pursuant to federal regulations, our companies based in Germany made contributions to the federal pension fund totaling 2,929 thousand euros (previous year: 3,141 thousand euros).

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

(in %)	Germany		Italy		Taiwan	
	2016	2015	2016	2015	2016	2015
Discount rate	1.98	2.20	1.31	2.03	1.80	1.75
Salary and wage increases	2.50	2.50	2.63	2.50	2.00	2.00
Pension increases	1.70	1.70	1.50	2.50	2.00	2.00

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

(in EUR tsd.)		2016
Sensitivity for discount rate	+0.50 %	–540
Sensitivity for discount rate	–0.50 %	612
Sensitivity for pension increases	+0.50 %	501
Sensitivity for pension increases	–0.50 %	–455
Sensitivity for life expectancy	+1 year	217

The weighted average duration of performance-based obligations was 12.2 years at the end of the reporting year (2015: 12.4 years).

OTHER NON-CURRENT PROVISIONS (26)

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

(in EUR tsd.)	Jan. 1, 2016	Currency adjustments	Reclassification	Utilization	Reversal	Accrued interest	Transfer	Dec. 31, 2016
Warranties	1,191	9	0	1,013	39	0	2,057	2,205
Personnel	817	0	0	0	377	12	212	663
Reinstatement obligation	494	0	494	0	0	0	0	0
	2,502	**9**	**494**	**1,013**	**416**	**12**	**2,269**	**2,868**

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 21 thousand euros (previous year: 9 thousand).

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.

The provisions for dismantling obligations for the reporting year are shown under other current provisions since the corresponding lease agreement expires in fiscal year 2017.

OTHER NON-CURRENT LIABILITIES (27)

Other non-current liabilities in the amount of 325 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. Furthermore, this also contains the current component (repayment in the following year) of the non-current financial liabilities. In addition, a loan from the European Investment Bank of more than EUR 20 million is held under current financial liabilities, which had a residual liability of EUR 18.3 million as of the balance sheet date.

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, 2016	Currency adjustment	Reclassifi-cation	Accrued interest	Utilization	Reversal	Transfer	Dec. 31, 2016
Reworking	82	0	0	0	82	0	525	525
Restructuring	2,655	0	0	0	2,640	15	430	430
Reinstatement obligation	0	0	494	14	0	0	195	703
Other	3,521	20	0	0	3,095	446	5,636	5,636
	6,258	**20**	**494**	**14**	**5,817**	**461**	**6,786**	**7,294**

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 CURRENT LIABILITIES (31)

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

(in EUR tsd.)	Dec. 31, 2016	Dec. 31, 2015
Tax liabilities	887	973
Personnel-related liabilities	5,775	2,411
Earn-out obligation	3,115	3,125
Other	4,578	4,467
	14,355	**10,976**

Tax liabilities 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 CIGS Technology GmbH in 2012, which is unlimited and depends on the sale of CIGS facilities, and also 115 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, 2016

		Carrying Amounts by Measurement Category		
(in TEUR)	Fair value	Loans and receivables	Not within the scope of IFRS 7, IAS 39	Carrying amount Dec. 31, 2016
Other non-current assets	723	723	–	723
Trade receivables	77,726	44,396	33,330	77,726
Derivative financial instruments	7,651	3,668	3,983	7,651
Liquid funds	55,722	55,722	–	55,722
	141,822	**104,509**	**37,313**	**141,822**

Liabilities as of December 31, 2016

		Carrying Amounts by Measurement Category				
(in EUR tsd.)	Fair value	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, 2016
Financial liabilities	54,415	54,415	–	–	–	54,415
Financial liabilities from leases	12	–	11	–	–	11
Trade payables	47,228	47,228	–	–	–	47,228
Derivative financial instruments	158	–	–	158	–	158
Other current liabilities	14,355	10,353	–	–	4,002	14,355
	116,168	**111,996**	**11**	**158**	**4,002**	**116,167**

Assets as of December 31, 2015

		Carrying Amounts by Measurement Category			
(in EUR tsd.)	Fair value	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

		Carrying Amounts by Measurement Category				
(in EUR tsd.)	Fair value	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 current liabilities	10,976	6,878	–	–	4,098	10,976
	137,753	**130,599**	**24**	**3,140**	**4,098**	**137,861**

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, 2016, derivative financial instruments disclosed in current assets with a value of 0 thousand euros (previous year: 28 thousand euros), as well as derivative financial instruments disclosed in current liabilities with a value of 158 thousand euros (previous year: 3,140 thousand euros) fall within Level 2 of the fair value hierarchy.

NET EARNINGS BY MEASUREMENT CATEGORIES SET OUT IN IAS 39

(in EUR tsd.)	Net gains/ losses	Total interest income/ expenses
Fiscal Year 2016		
Loans and receivables	–370	48
Assets held for trading (derivate financial instruments)	–143	0
Available-for-sale financial liabilities (derivate financial instruments)	2,125	0
Financial liabilities measured	–921	–3,496
	691	**–3,448**
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**

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“ pertains to interest expenses 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. 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, 2016 and 2015, respectively. The sensitivity analyses were carried out based on the hedging relationships which existed on December 31, 2016, 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, 2016 and 2015, 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, 2016 and 2015, 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, 2016, the company's maximum credit risk totaled 141,822 thousand euros (previous year: 127,254 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.)	**2016**	**2015**
Not overdue and not impaired	27,713	20,032
Overdue and on which no specific valuation allowance has been charged		
up to 30 days	2,529	3,249
between 31 and 60 days	3,806	824
between 61 and 90 days	25	414
between 91 and 180 days	554	173
more than 180 days	27	319
Impaired net receivables	9,742	5,882
Carrying amount Trade Receivables	**44,396**	**30,893**

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.

The previous-year presentation of the age structure of receivables has been adjusted.

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

LIQUIDITY RISKS

Liquidity risks, meaning the risk that Manz cannot meet its financial obligations, could be limited by the creation of financial reserves and the use of appropriate financial instruments to manage future liquidity situation. The liquidity risk remains high 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).

At the balance sheet date, there are non-utilized credit lines at banks in the amount of 20,680 thousand euros. The existing guarantee credit lines with banks and credit insurers were fully utilized. As of December 31, 2015, the non-utilized credit lines with banks amounted to 19,663 thousand euros and the non-utilized credit lines with banks and credit insurers amounted to 3,700 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	2017	2018	> 2018
Dec. 31, 2016				
Financial liabilities	57,353	55,532	891	930
Finance leasing	11	11		
Trade receivables	47,228	47,228		
Derivative financial instruments	158	158		
Other current liabilities	10,689	10,689		
	115,439	**113,618**	**891**	**930**

(in EUR tsd.)	Total	2015	2016	> 2016
Dec. 31, 2015				
Financial liabilities	83,675	81,747	692	1,236
Finance leasing	27	13	14	0
Trade receivables	40,809	40,809		
Derivative financial instruments	3,140	3,140		
Other current liabilities	7,790	7,790		
	135,441	**133,499**	**706**	**1,236**

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.

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 capital. 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 as of the balance sheet date 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, 2016 (2015), the consolidated net profit would have been 280 thousand euros lower (previous year: 285 thousand euros lower). In fiscal year 2015, the consolidated equity would have been 2,982 thousand euros higher based on cash flow hedges. If the value of the euro had been 10 % lower against the US dollar on December 31, 2016 (2015), the consolidated net profit would have been 343 thousand euros higher (previous year: 348 thousand euros). In fiscal year 2015, the consolidated equity would have been 3,503 thousand euros lower based on cash flow hedges.

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, 2016 (2015), had been 100 points higher (lower), the consolidated net profit would have been 98 thousand euros (54 thousand euros) lower and consolidated equity would have be 72 thousand euros (17 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, 2016: 233 thousand 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 operating leases and rental agreements are as follows:

(in EUR tsd.)	2016	2015
Minimum lease payment		
Remaining term up to 1 year	4,644	5,696
Remaining term of 1–5 years	14,387	15,783
Remaining term of more than 5 years	16,360	19,946

In fiscal year 2016, rental and leasing payments of 6,816 thousand euros (previous year: 6,120 thousand euros) were recognized in other operating expenses.

EVENTS AFTER THE BALANCE SHEET DATE

On January 23, 2017, the company entered into a strategic collaboration in the area of CIGS thin-film solar technology with Shanghai Electric Group Co., Ltd. and Shenhua Group Co., Ltd. An important part of the collaboration is the establishment of a joint research company to advance the further development of Manz AG's CIGS technology.

In this context, Manz CIGS Technology GmbH, the current CIGS research company of Manz AG, will be sold to the new research company. Manz CIGS Technology GmbH's assets are allocated to the "Solar" segment.

The transaction includes Closing Conditions which the company assumes between mid March 2017 and April 2017.

At the balance sheet date of December 31, 2016 the carrying amount of the net assets of the disposal group amounted to 21,151 thousand euros.

Manz AG expects a positive earnings effect from the sale of Manz CIGS Technology GmbH dependent on the time of the transaction, resulting in EUR 25–30 million.

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 Management Board and Supervisory Board members, as well as to former members of the Management Board, are shown in the compensation report, which is part of the management report.

Total compensation of 1,852 thousand euros was paid to the Managing Board in the 2016 fiscal year (previous year: 1,163 thousand euros). The non-performance-based components totaled 919 thousand euros (previous year: 637 thousand euros), while performance-based components totaled 100 thousand euros (previous year: 50 thousand euros). Receivables from a cancellation agreement amount to 430 thousand euros. The long-term payable components totaled 403 thousand euros (previous year: 476 thousand euros). Long-term benefits due refer to stock awards/subscription rights under the performance share plan. In the fiscal year, 15,336 (previous year: 8,028) subscription rights were granted to members of the Managing Board, with a corresponding fair value of 192 thousand euros (previous year: 476 thousand euros).

There is a defined benefit obligation pursuant to IFRS for Chairman of the Managing Board Dieter Manz in the amount of 470 thousand euros (previous year: 427 thousand euros). To cover this pension obligation, a reinsurance policy has been taken out with a fair value of 139 thousand euros (previous year: 132 thousand euros).

Former Managing Board member Otto Angerhofer received a pension payment in the 2016 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 170 thousand euros (previous year: 171 thousand euros).

On the balance sheet date, CEO Dieter Manz held 24.66 % (previous year: 35.2 %) of shares in Manz AG. Mr. Manz is also a member of the Supervisory Board of SCANLAB AG, Puchheim.

In the fiscal year 2016, SCANLAB AG Puchheim generated revenues of 48 thousand euros. As of December 31, 2016, liabilities amount to over 3 thousand euros.

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, reinsured pension fund to cover these obligations.

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

SUPERVISORY BOARD

Prof. Dr. Heiko Aurenz, Dipl. oec., Managing Director at Ebner Stolz Management Consultants GmbH, Stuttgart, Chairman

Dr.-Ing. E.h. Peter Leibinger, Managing Director of TRUMPF GmbH + Co. KG, Ditzingen (Managing Partner and Deputy Chairman of the Managing Board of the TRUMPF GmbH & Co. KG), Vice Chairman (until July 12, 2016)

Guoxing Yang, Shanghai, Deputy Director of the Business Development department at Shanghai Electric Group Co. Ltd. (from July 12, 2016)

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! Company for continuing education, Leinfelden-Echterdingen and a member of the Supervisory Board at Anna-Haag-Mehrgenerationenhaus e.V. Prof. Dr. Aurenz is also Chairman of the Supervisory Board of Monument Vermögensverwaltung GmbH, Stuttgart and Chairman of the Advisory Board of Andreas Lupold Hydrotechnik GmbH, Vöhringen.

In the fiscal year 2016, Ebner Stolz Management Consultants GmbH, Stuttgart generated revenues of 71 thousand euros. As of December 31, 2016 there were no open liabilities for the company.

The Supervisory Board member Dr. Peter Leibinger is also a member of the advisory board at TRUMPF Hüttinger GmbH + Co. KG. Dr. Peter 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.

From January 1 to July 12, 2016 TRUMPF Laser- und Systemtechnik GmbH, at which Dr. Peter Leibinger is the Managing Director, purchased laser systems totaling 5,990 thousand euros (previous year: 4,493 thousand euros). As of July 12, 2016, there are 4,910 thousand euros in liabilities to the company (previous year: 521 thousand euros). TRUMPF Hüttinger GmbH + Co. KG purchased goods with a total value of 3 thousand euros of whose Advisory Board Peter Leibinger is a member (previous year: 158 thousand euros). As of July 12, 2016 and December 31, 2015 there are no liabilities to TRUMPF Hüttinger GmbH & Co. KG.

Mr. Guoxing Yang is a member of the Board of Directors of the Shanghai Electric New Age Co. Ltd. Hong Kong (VR China). He does not exercise any mandates in other statutory supervisory boards or comparable domestic and foreign control bodies of economic enterprises.

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

In the 2016 fiscal year, Manz AG paid 1,577 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: 1,753 thousand euros). As of December 31, 2016, liabilities to the ZSW amount to 18 thousand euros (previous year: 142 thousand euros). In addition, Manz AG also issued invoices to ZSW for orders totaling EUR 1,713 thousand euros during the 2016 fiscal year (previous year: 242 thousand euros). As of December 31, 2016, outstanding receivables amounting to 1,340 thousand euros (previous year: 16 thousand euros) exist for Manz AG to ZSW.

The Karlsruhe Institute of Technology (KIT) generated sales of 3 thousand euros in the financial year 2016. As of the balance sheet data there are no open liabilities.

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

For the 2016 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.)	**2016**	**2015**
Auditing the annual financial statements	183	162
previous year	20	0
Other auditing services	84	0
Tax consultation services*	25	21
Other services*	29	27

* These services are provided by alltax gmbh Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (network partner). Of the other services, 8 thousand euros (previous year: 15 thousand euros) are assigned to BEST AUDIT GmbH.

As of the reporting year, the fee for the audit of the financial statements also includes the review of the interim financial statements. The previous year was adjusted accordingly.

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.

Reutlingen, March 23, 2017

The Managing Board of Manz AG

Dieter Manz	Martin Hipp	Eckhard Hörner-Marass	Martin Drasch

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 23, 2017

The Managing Board of Manz AG

Dieter Manz | Martin Hipp | Eckhard Hörner-Marass | 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 2016. 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.

Our assessment, which is based on the insights gained during our audit, is that the consolidated financial statements comply with the IFRS as they must be applied in the EU as well as the provisions under commercial law that must also be applied in accordance with Section 315a (1) HGB, and that in compliance with these provisions they correctly describe the Group's financial position, financial performance and cash flows. The Group management report corresponds to the annual financial statements, complies with the statutory provisions, on the whole conveys a correct representation of the company's position and correctly describes the opportunities and risks associated with future development.

Reutlingen, March 23, 2017

BEST AUDIT GmbH
Wirtschaftsprüfungsgesellschaft
Reutlingen Office

Marion Moser	Harald Aigner
Auditor	Auditor

IMPRINT

Publisher

Manz AG
Steigaeckerstraße 5
72768 Reutlingen
Tel.: +49 (0) 7121 9000-0
Fax: +49 (0) 7121 9000-99
info@manz.com
www.manz.com

Editor

cometis AG
Unter den Eichen 7/Gebaeude D
65195 Wiesbaden
Tel.: +49 (0) 611 20 585 5-0
Fax: +49 (0) 611 20 585 5-66
www.cometis.de

Design

Art Crash Werbeagentur GmbH
Weberstraße 9
76133 Karlsruhe
Tel.: +49 (0) 721 94009-0
Fax: +49 (0) 721 94009-99
info@artcrash.com
www.artcrash.com

MANZ AG

Steigäckerstraße 5
72768 Reutlingen
Tel.: +49 (0) 7121 9000-0
Fax: +49 (0) 7121 9000-99
info@manz.com
www.manz.com