LIVING THE FUTURE

ANNUAL REPORT 2010

AUGUSTA

Technologie AG

CORPORATE VALUES

We are ...

... **leading** as a result of economic success by being faster and more flexible and competent than the competition; and we move at the highest levels of technology

... **open minded** to feedback, suggestions, criticism, different cultures, new and innovative ideas; we communicate openly and promptly about all important issues

... **entrepreneurial** in spirit and action; we have great expectations of ourselves and create an environment that is conducive to performance in order to achieve the results that we have planned; in doing so, we are farsighted and future-oriented

... **responsible** in our interaction with people, resources and the environment; the focus is on the individual; we take calculated risks

... **reliable** dependable, predictable and fair; we maintain a long-term positive business relationship and live up to the trust placed in us

MISSION STATEMENT

Focus on Vision Technology and Sensors:

We are a leading technology group focusing on long-term growing niche markets in the area of digital imaging and sensing.

Our international customers appreciate us as a preferred development partner and product supplier who provides application-specific solutions flexibly and reliably.

Our ambition is to become market leader in all niche markets that we address with sensor systems and vision technology.

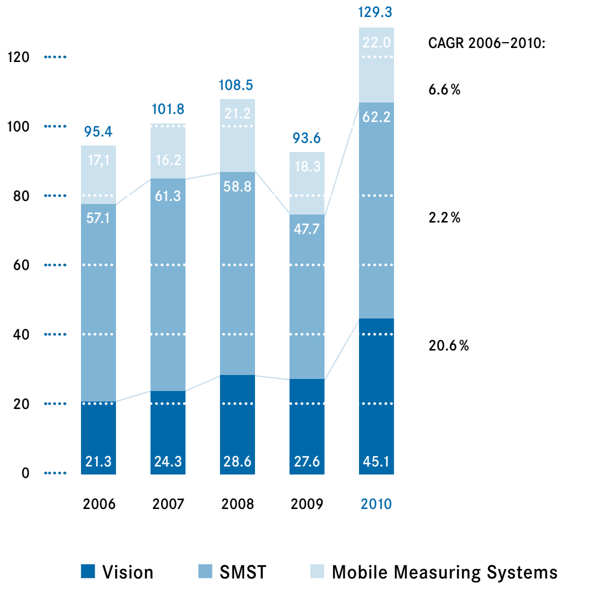
KEY FIGURES

IN EUR THOUSAND	2010	2009	2008
Consolidated statement of comprehensive income			
Consolidated sales revenues	129,349	93,567	108,587
Gross profit	53,142	37,215	44,480
Gross margin	41.1 %	39.8 %	41.0 %
EBITDA	20,103	12,027	19,142
EBITDA margin	15.5 %	12.9 %	17.6 %
Depreciation	−3,773	−2,728	−2,340
EBIT	16,330	9,298	16,802
EBIT margin	12.6 %	9.9 %	15.5 %
EBT	15,805	7,739	18,116
EBT margin	12.2 %	8.3 %	16.7 %
Taxes	−4,688	−2,436	−5,422
Tax rate	29.7 %	31.5 %	29.9 %
Net income for the period before PPA depreciation	12,243	6,137	13,228
Earnings per share in EUR before PPA depreciation	1,61	0,81	1,73
Net income for the period from continued operations	10,940	5,267	12,611
Earnings per share in EUR	1,44	0,69	1,64
Shares outstanding (average) in thousand	7,592	7,592	7,846
Other key figures			
Incoming orders	146,232	87,290	124,425
Order book	52,540	38,767	43,099
Total assets	168,133	142,439	148,877
Non-current assets	90,098	88,420	88,189
Current assets	78,035	54,019	60,688
thereof cash and cash equivalents an other current financial assets	34,821	20,986	21,926
Equity	106,546	95,370	98,639
Equity ratio	63.4 %	67.0 %	66.3 %
Net liquidity	10,382	−4,590	1,241
Working capital	31,448	23,634	31,339
Closing share price (Xetra) in EUR	15,70	10,87	9,28
Enterprise value	108,812	87,115	69,212
Number of employees (headcount)	611	515	620
Return on capital employed (ROCE)	13.4 %	8.3 %	14.1 %

AUGUSTA IN BRIEF

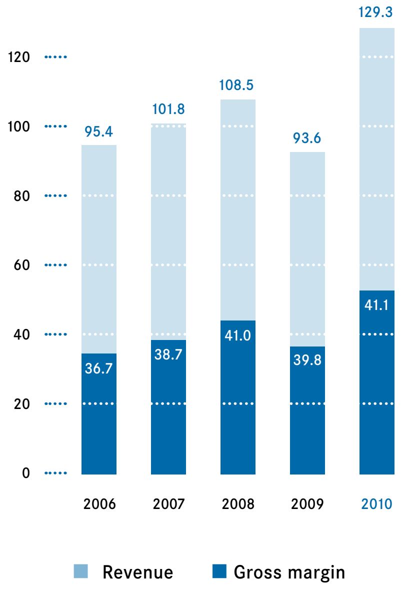
REVENUE DEVELOPMENT BY SEGMENT

in EUR million



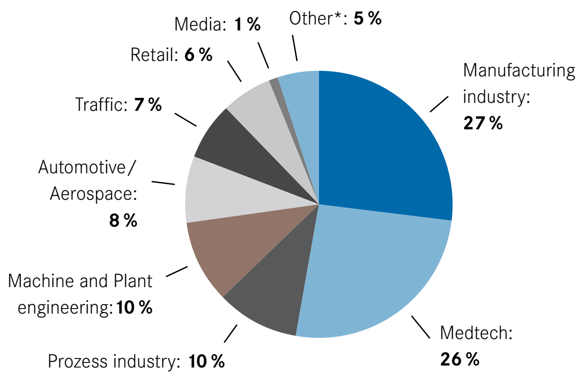
DEVELOPMENT OF REVENUE AND GROSS MARGIN

revenue in EUR million, gross profit in percent



REVENUE BY CUSTOMER

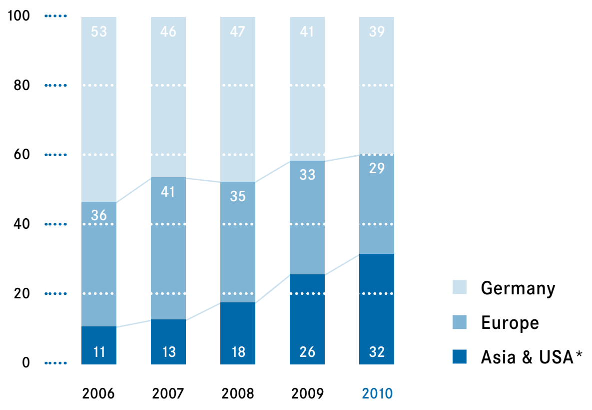
in percent



* e.g. energy, technology, logistics

REVENUE BY REGION

in percent



* Asia: 16 %, North America: 13 %, RoW: 3 %

CONTENT

LETTER TO OUR SHAREHOLDERS

Dear Shareholders and Friends of AUGUSTA,

2010 was AUGUSTA's most successful fiscal year since our repositioning into a technology company. For over four years now, we have been focusing on sensors and vision technology, addressing new growth markets and advancing the internationalization of our company. With this clear strategic alignment, we were better able to exploit opportunities than our competitors, and consequently grew more than the market did. We twice raised the forecast revenue and earnings figures for AUGUSTA and even managed to exceed these expectations at the end of the fiscal year.

This positive development is surely due to the swift and strong economic upturn in 2010. But it is particularly also the result of internal structural changes at AUGUSTA, our excellent market position, the continually-expanding product range and tapping into new markets – both regional and product-related. Due to this, we have experienced further growth in all targeted niche markets and have increased market shares.

AUGUSTA's success is reflected in the following key figures for the 2010 fiscal year:

/ AUGUSTA's **consolidated sales revenues** rose by around 38 percent on the previous year to EUR 129.3 million. We thus exceeded the published forecast corridor of between EUR 112 and 120 million. Making a decisive contribution to this dynamic growth was the camera business within the **Vision** segment, with sales increasing to 64 percent to EUR 45.1 million. From the second half of the year, the **Sensors** segment gained considerable momentum, recording an increase in sales of 28 percent to EUR 84.3 million.

/ The sustained growth is supported by strong **incoming orders**, which in 2010 cumulatively totaled EUR 146.2 million at the end of the year, up 68 percent compared with the previous year. Incoming orders have continually exceeded turnover since the fourth quarter of 2009. At the end of 2010, the **book-to-bill ratio** was 1.13. On this basis, we also anticipate further robust revenues in the first half of 2011.

Managing Board of AUGUSTA:
Amnon F. Harman (CEO),
Berth Hausmann (CFO) and
Arno Pätzold (CDO)
(from left to right)

/ At the end of the year, our full **order book** amounted to EUR 52.5 million – an increase of 36 percent on the previous year. The level of orders reinforces our confidence that business will continue to develop well this year.

/ Despite pricing pressure from our competitors, supply bottlenecks and price increases for important supply components, we have been able to increase our **gross profit** by 43 percent to EUR 53.1 million. The gross margin rose by 1.3 percentage points to 41.1 percent.

/ The **earnings before interest, tax, depreciation and amortization (EBITDA)** climbed by an above-average 67 percent to EUR 20.1 million and therefore exceeded the forecast range of between EUR 17 million and EUR 20 million. At 15.5 percent, the EBITDA margin was once again within our long-term target corridor.

/ Due to higher business volume, **working capital** rose by EUR 7.8 million to EUR 31.4 million. In particular, this increase is down to the development of buffer stocks as a reaction to delivery bottlenecks. In comparison to sales, working capital grew below-average by 33 percent.

- Despite a dividend payment, the reduction of debt and acquisition activities, **cash and cash equivalents** rose strongly by EUR 13.8 million to EUR 34.8 million. The Group's **net liquidity** as of the end of 2010 amounted to EUR 10.4 million. The equity ratio reached 63.4 percent, which is an excellent value compared to many other German medium-sized enterprises in general.

- AUGUSTA's **net profit** increased by 108 percent to EUR 10.9 million. Accordingly, **earnings per share** more than doubled to EUR 1.44.

- The overall positive business development is also reflected in the **share price**: AUGUSTA shares ended the 2010 fiscal year at EUR 15.70, a value increase of over 44 percent over the year. Our stock thus developed far better in 2010 than various well-known reference indices (DAX, TecDAX, MDAX).

Focus on core businesses

We have also made important progress with the strategic repositioning of AUGUSTA. In the first quarter, we sold the "logistics automation" division with the aim of focusing more strongly on our core and growth segments, Sensors and Vision Technology. As a result, the "Controls" segment was renamed "Vision".

In the **Sensors segment**, we have consciously replaced the distribution business with our in-house developed sensor and electronic microsystems over the past few years. In addition to in-house product developments, we have been able to gain technology partnerships to increase sales with our own products and systems over the past few years as well as conclude important product designs for our major OEM customers, particularly those in the medical technology sector. These have become important prerequisites for further stable, organic growth with sensors and microsystems manufactured in-house.

In the **Vision segment**, we acquired a controlling interest in **P+S Technik GmbH**, headquartered in Munich, Germany as of September 1, 2010. P+S Technik is an innovative supplier of digital film cameras. This acquisition is designed to profit from the growth opportunities harbored by the ongoing digitalization within the film industry. At the same time, it helps us develop our already existing "media and entertainment" activities. The acquisition of VDS Vosskühler GmbH followed in early 2011, allowing us to now tap into technological growth markets and gain access to important OEM customers in the medical technology and the security sectors. The **VDS Vosskühler** products expand our technology portfolio to include infrared, X-ray and high-speed digital imaging technologies, thus considerably enlarging our strategic growth scope. Our current market position, the above-average market growth and the extreme fragmentation of the vision market also offer global growth potential in the future – both organically and through acquisitions. In the medium term, our aim is to become the leading company of global vision technologies. For these reasons, we have resolved to concentrate our acquisition activities as part of AUGUSTA's defined buy and build strategy to the Vision segment.

Growth through systematic implementation of strategy

The realignment of AUGUSTA is characterized by an ever-stronger focus on promising technologies and their applications. Based on our technology competence in our Sensors and Vision divisions, we are catering to fundamental customer requirements in future markets with long-term growth prospects. These requirements include improved health care in an increasingly aging society and the need for greater efficiency, security and quality in all aspect of our lives, for example. We develop technology for markets that have not just experienced growth over the past few years, but that will also be increasingly important in the long run. At the same time, we are expanding into international markets with our products – particularly into Asian emerging countries and North America – and we are targeting new applications for our sensors and vision technologies.

In addition to the strategic focus, we are also looking at the general developments in our sales markets and the short-term operating success factors. With continually increasing gross margins, we are increasingly investing in product development, in expanding existing customer relationships and in acquiring new customers. In terms of global sales markets, we see healthy recovery within the German economy and in emerging countries across the globe. However, there is uncertainty with regard to economic development within the US market and the risk of a cooling down in Asia. We also see further risks in the yet to be resolved debt crisis in some key European countries, in the fragile state of the international banking system and the discussion around the stability of the euro.

We anticipate that business will continue to develop positively at a high level for the first half of 2011. For the second half of the year, we assume the development will be moderate, albeit stable. Assuming that the economy continues to develop positively, we anticipate sales revenues growth of between 8 and 16 percent and above-average earnings growth: for 2011, we expect **sales revenues** ranging between **EUR 140** and **150 million** and **EBITDA** of between **EUR 22** and **26 million**.

Dear Shareholders, the continued development of AUGUSTA into a technology company is a success story. Our strategy has shown its strength even in difficult economic phases. Since the fiscal year 2008, we have been allowing our shareholders to take part in this development with the payment of a dividend.

For the successful 2010 fiscal year, we would like to let you benefit from this success and plan to propose a dividend of EUR 0.45 per share at the Annual General Meeting. This dividend proposal corresponds to our published long-term target of paying out a dividend totaling 30 percent of the consolidated net profit.

We are convinced that the present operational strength of AUGUSTA together with the increased focus on the business segments will continue to enable the company to develop its business positively. At this point, we would like to thank the company's customers, partners and shareholders for their trust in us. We would like to convey our special thanks to the employees in all AUGUSTA business segments, whose creativity, motivation, and vision helped us conclude 2010 on such as positive note. With our highly-qualified and motivated workforce, we have the best possible basis to continue our growth trajectory in 2011.

For this reason, AUGUSTA is well-equipped for the future: we have created the operating prerequisites for further organic growth. We are able to draw on a highly stable balance sheet with low debt and high liquidity for growth through acquisitions.

Operational and financial development over the past four years shows that AUGUSTA has taken the right path. And we will systematically continue this path in the future as well.

Amnon F. Harman	Berth Hausmann	Arno Pätzold
CEO	CFO	CDO

LIVING THE FUTURE

AUGUSTA focuses on customer needs in long-term growing futures markets. Our products are always implemented when it's about more efficiency, quality and safety. Whether it's about providing better health-care, a smooth production process or effective traffic control – we are already supporting our customers today with their challenges of tomorrow.

We are living the future.

"LIVING THE FUTURE..."

Interview with Amnon Harman, CEO of AUGUSTA Technologie AG, on the current status of the company and its outlook for the future.

Mr. Harman, since you took office in 2006 you have been working on transforming AUGUSTA into a technology company. What is the focus of this new strategic direction?

AMNON F. HARMAN: In a nutshell: Market leadership by focusing on sustained high growth niche markets. In this context, we have consequently parted with business areas that were not strategic. Focusing on the segments sensors and vision technology meant that we began the transformation into a technology company in areas where we already had a good technology and market position. The international expansion of our market presence is another important component of our growth strategy. We accelerate our growth through acquisitions in those areas where it otherwise would take too long to move into and occupy important market positions. The realignment of AUGUSTA is well advanced but not yet complete. We are in the process of the transition from a holding company to a focused and integrated technology company.

From today's perspective, what do you regard as the most important milestones in the development of AUGUSTA?

Having nearly paid off our debt in fiscal year 2006 laid the basis for the realignment of AUGUSTA. We were able to communicate the new AUGUSTA strategy to the capital markets in spring 2007. By divesting DMS, Lauer, Dr. Keil and DLoG, we exited the business areas IT Systems and Communication Systems and prepared the ground for our core businesses sensors and vision.

The big challenge in the **sensors segment** was turning the high share of turnover in the distribution business into a sustainable business model as sensor manufacturer. In 2007, we consolidated our sales and application competencies with the development and production competencies of various subsidiaries. Establishing production site of sensors and microsystems in Asia in 2009 and the acquisition of new customer projects using in-house designed sensors has significantly strengthened our position in the field of pressure and flow sensors in medical technology. In the meantime, we have completed the conversion to sensor manufacturer and significantly reduced the dependence on suppliers.

An important step towards our internationalization was the acquisition of two distributors in the field of mobile measuring systems in the US and China in 2007 and 2008.

With a good market position due to our digital FireWire cameras, the challenge in the **vision segment** was to drive growth in the face of strong competition. In a wide-ranging modernization project, we have doubled our production capacity in

Interview with
Amnon F. Harman,
CEO of AUGUSTA

2008 and brought it up to the highest technical standard. By expanding our global distribution network, and through the vital acquisition of Prosilica in Canada, we became the global market leader for FireWire cameras and number 3 in the market for digital machine vision cameras – today we consider us being no. 2 in this market. Another key decision in 2010 included the opening of a sales office in Singapore to provide regional support to our Asian customers and distribution partners. Among the most recent highlights are the acquisition of the controlling interest in P + S Technik in 2010 and the takeover of VDS Vosskühler in early 2011. The two companies are a perfect fit for our growth strategy and are milestones in AUGUSTA becoming the leading global vision company.

So you are focusing on certain business areas. Wouldn't it be better at times to diversify, particularly in times of crises?

Having a broad market position is important when it comes to servicing as many different customer groups and regional markets as possible with a single technology base. This allows us to compensate for economic fluctuations and avoid risks. However, we want to move away from the model of all-encompassing conglomerate. The wide range of business content and the complexity of a diversified group of companies make it difficult for synergies and economies of scale. It also means human and financial resources deployed across many areas – this results in inefficiencies. "Width" also makes our claim to become a leader in a given market difficult. Our customers are not the only ones who enjoy working with market leaders; the capital market also tends to reward a clear focus on a well defined number of businesses with top positions.

Our goal is to be among the leading global companies in our targeted niche markets. Consequently, AUGUSTA will focus on a few select business areas with a broad international customer base.

Keyword internationalization – How do you get ahead, what are your objectives?

At the end of 2006, our sales outside Europe were just 10 percent. Meanwhile we are generating more than 30 percent with our customers in North America and Asia. We have developed from a company focused on the German market into a global player – with customers, production companies and sales offices across the globe. In the medium term, our goal is to achieve a balanced sales ratio in the three global economic regions America, Europe and Asia.

China is currently considered the world's economic engine. How important is China for AUGUSTA? What about the other BRIC countries?

If you specifically talk about the BRIC countries – Brazil, Russia, India and China - then China is our top priority, since our products are in high demand in China. In particular, our digital cameras for traffic solutions sold very well last year. We have noticed a growing trend towards automation and quality improvement in China's industrial output, due to the government-sponsored rise in wages with the aim of strengthening purchasing power. This also leads to increased demand for our products. We will expand our local activities with our own employees so that we can better service the Chinese market. We have been servicing the other BRIC countries in a more opportunistic manner up until now. However, we want to change this and add more distribution and technology partnerships to expand our local sales in these countries.

When do you expect the transformation to a technology company to be completed?

It has been my experience that a company is constantly confronted with new situations in times of technological, economic and political changes. Just to hold on to the status quo, we must constantly face and overcome these new challenges. The higher the willingness to change, and the faster changes are put into action compared to the competition, the greater the success.

Change will remain part of AUGUSTA's culture: in the sensors segment we are successfully transforming ourselves from a value-added distributor to product manufacturers; in the vision segment we are aiming to develop from a leading camera supplier to a globally leading vision company. This requires growth along the value chain and further internationalization. We cannot achieve this by organic growth alone, and need acquisitions which will remain an important part of this change process as part of our buy and build strategy. We thus find ourselves in a long-term process of change – and this will remain the case for the foreseeable future.

What are your objectives in expanding your product portfolio?

The prime objective is naturally to expand our market position in the growth markets we already address. With our products, we service customer needs in future markets characterized by long-term growth. This includes improved health care in an aging society and a demand for more efficiency, quality, comfort, and security. In other words, we develop technology for markets that will be increasingly important in the long run and also provide opportunities for growth.

We want our customers, partners, and the capital market to perceive us as a focused and leading technology company. We must be able to deliver a comprehensive product and service portfolio, thus standing out from our competitors. We are continually working towards this.

You have announced that your future acquisition projects will concentrate exclusively on the Vision segment. Why have you taken this decision?

The perception and positioning of AUGUSTA as camera manufacturer in the field of digital vision technology is already very high, thanks to our subsidiary Allied Vision Technologies. The overall Vision market is very fragmented and is growing strongly – two reasons why we find this area so interesting. Furthermore, we work extremely profitably here and have very strong growth, above the market average ourselves. Before 2006 we had sales of less than 20 million euros in this segment. The sales have reached almost 50 million euros today. The biggest competitors in the Machine Vision market achieve sales of between 100 and 150 million euros. We see good chances of closing this gap by making senseful acquisitions and of advancing into becoming one of the world's largest Vision companies.

What's on the wish list this year in terms of acquisitions?

The most eligible candidates for a takeover are companies that suit AUGUSTA due to their technological competence, their regional positioning and their customer focus. In addition to developing close to our present core business, we're also interested in opening up further markets. We are also interested in exploiting other technology blocks, e.g. by acquiring companies with software expertise or by taking over a well-established vision tech company in the surveillance or 3D market. Our acquisitions are intended to get us ahead from a technological perspective, with a view to regional markets and in terms of developing new fields of application. In terms of size, we are looking at companies with annual sales of between 5 and 20 million euros. This is the best size for fulfilling the criteria of acquisition effort and post merger integration.

Can you fund your growth ambitions?
AUGUSTA is a highly stable company as regards its finances. Our equity position gives us sufficient scope for further growth. At 2010 year-end we had cash and cash equivalents of some 35 million euros. On top of this, we hold our own shares that amount to 10% of the share capital and can be used as acquisition currency. We also have the capacity to acquire loan capital of 40 to 50 million euros. In addition, there is the option of a capital increase. We have enough funds and means for growth.

Let‘s talk about fiscal year 2010. You have outperformed your target with an exceptional development in terms of sales and earnings. What were the material factors here?
That‘s right – 2010 was our most successful year since our repositioning. We‘ve achieved new records in terms of sales, order intake and EBITDA. We are increasingly reaping the benefits of the strategic orientation towards sensors and vision. Our level-headed reaction to the economic downturn in crisis year 2009 and looking ahead to the economic upturn has also paid off. Due to the consistent reduction in our working capital and the measured reduction in costs, we delivered acceptable figures even in the crisis. It was mainly through a broadly applied short-time work that we were able to keep experienced employees and therefore important expertise in the company. We even hired employees in product development and sales during the crisis in order to win new orders from our customers with an innovative product portfolio. Besides the general upturn in 2010, the expansion of the company’s distribution activities in North America and Asia as well as the product offensive already started in 2009 have particularly contributed to the strong growth. I am very pleased that our operational success is now being reflected in our share price, which rose by more than 40 percent in 2010. Overall, this was an excellent year for our customers, employees and shareholders!

What can customers expect from AUGUSTA in future?
The subjects of customer loyalty and customer satisfaction are very important for us. We want to offer high-quality, innovative products and develop application-specific adaptations on this basis for our costumers. This is the key to expanding our business with large OEM customers. So besides product quality, local service competence through our own distribution offices and qualified distribution partners plays an important role. This is where we will particularly be turning our attention to.

… and what can shareholders expect?
We want our shareholders to participate in AUGUSTA‘s success, first of all through share price increases and secondly through a reliable dividend policy. As far as the development of the AUGUSTA share is concerned, we are confident that the capital market will continue to reward our efforts. Through targeted investor relations work, we will work day in, day out to make the company transparent in relation to the capital market and to establish AUGUSTA as an attractive small cap. With regard to the participation in the company‘s success, this year we are paying a dividend for the third year in succession. The dividend is generally around 30 percent of net annual profit and we intent to keep it at this level also in the future.

EVERYTHING SAFELY IN SIGHT

Global healthcare costs are spiraling upward. And keep rising. AUGUSTA supports physicians in the diagnosis and treatment with innovative products, making them safer and cost-effective.
In this way digital cameras by AUGUSTA help in medical devices with the recognition of insufficiencies and early treatment of eye diseases.

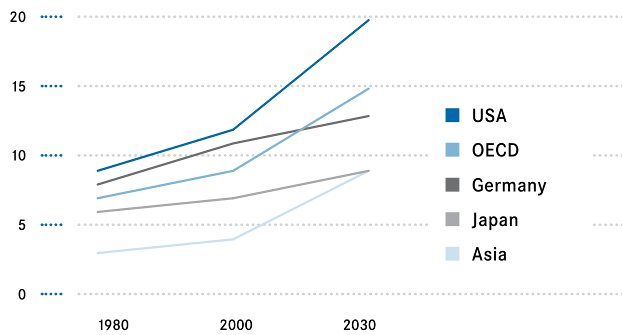
HIGHEST PRECISION FOR RELIABLE RESULTS

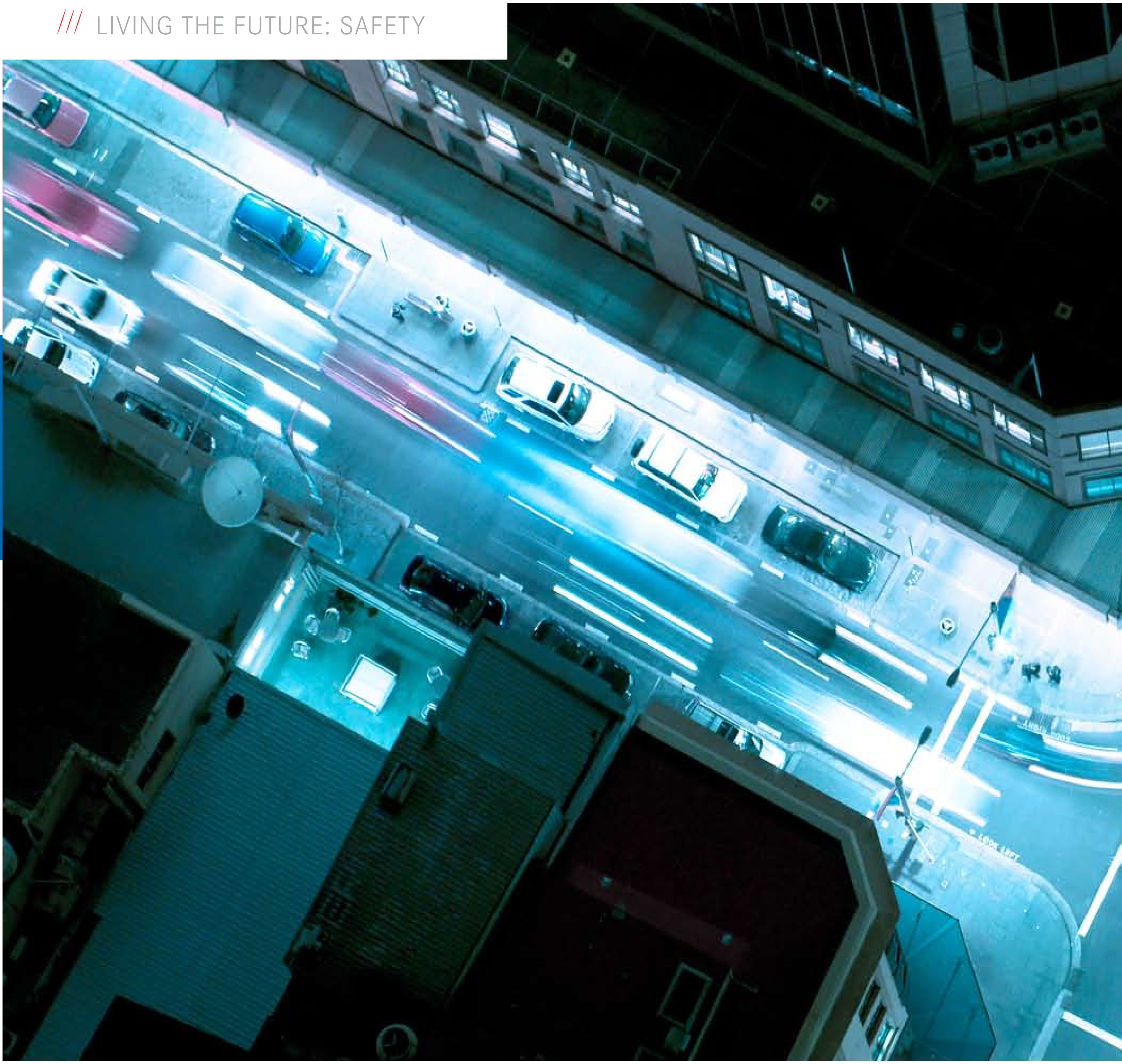
Stingray cameras with FireWire interface provide clinical images of unsurpassed quality and precision for ophthalmology diagnostic. Our strengths are products that are individually tailored to our customers' needs.

DEVELOPMENT OF HEALTH EXPENDITURE

in % of GDP

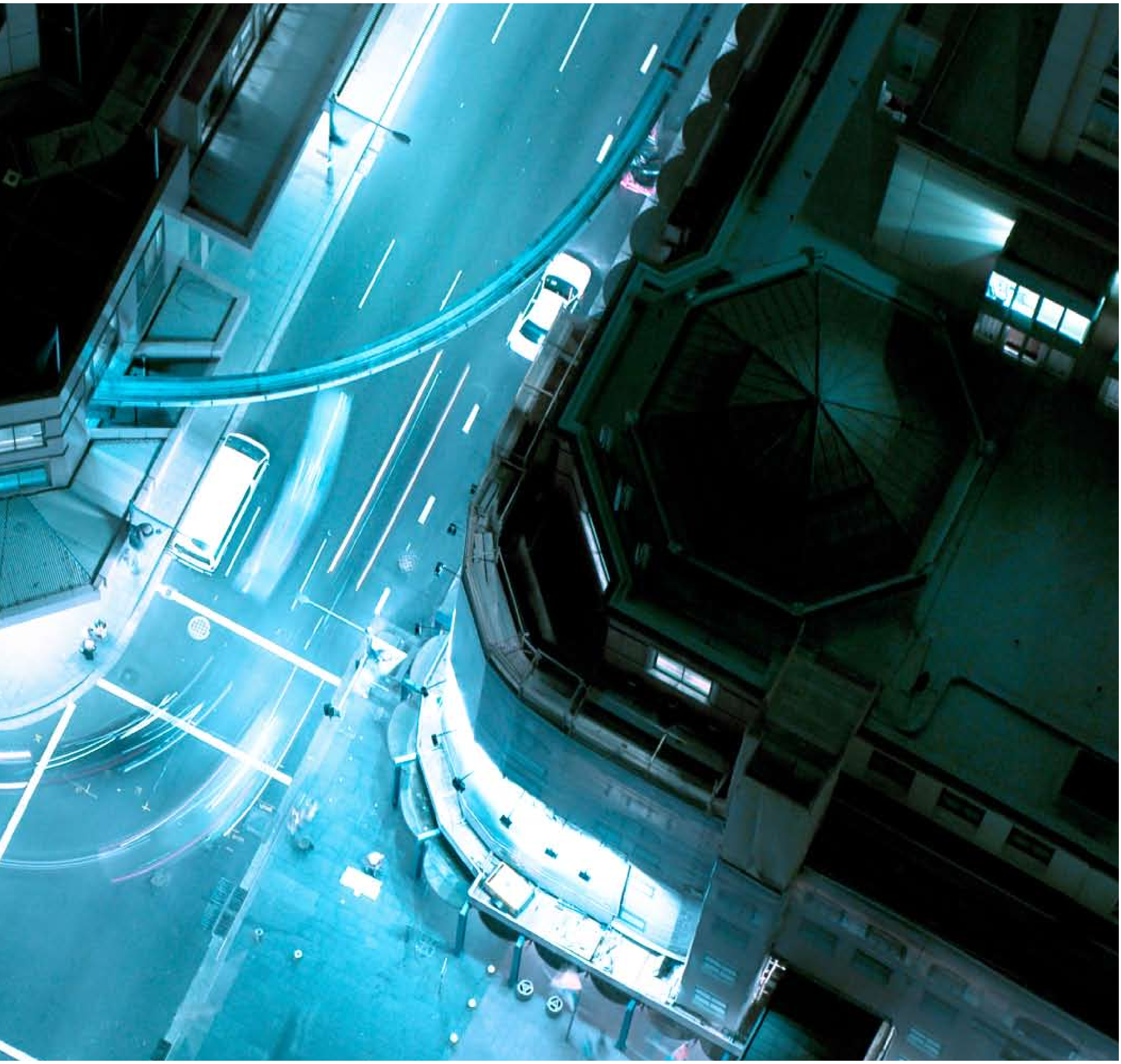
Source: HWWI





SAFELY ON TIME

With growing global mobility, it is becoming increasingly important to ensure the efficient flow of traffic. Digital cameras by AUGUSTA enable the intelligent control of rising traffic. Speed indicators, diversions or traffic lights are automatically controlled to avoid traffic congestion, hazards and accidents and to get motorists safely to their destination.



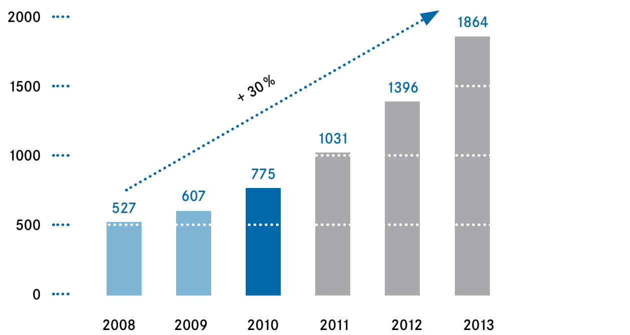
INTELLIGENT CONTROL OF TRAFFIC FLOW

AUGUSTA cameras are suitable for a variety of ITS applications (Intelligent Traffic Solutions), which require excellent image quality, high resolution and a wide range of camera settings.

MARKET SIZE ITS AND SURVEILLANCE CAMERAS

in EUR million and average annual market growth

Source : BBC Research 2009



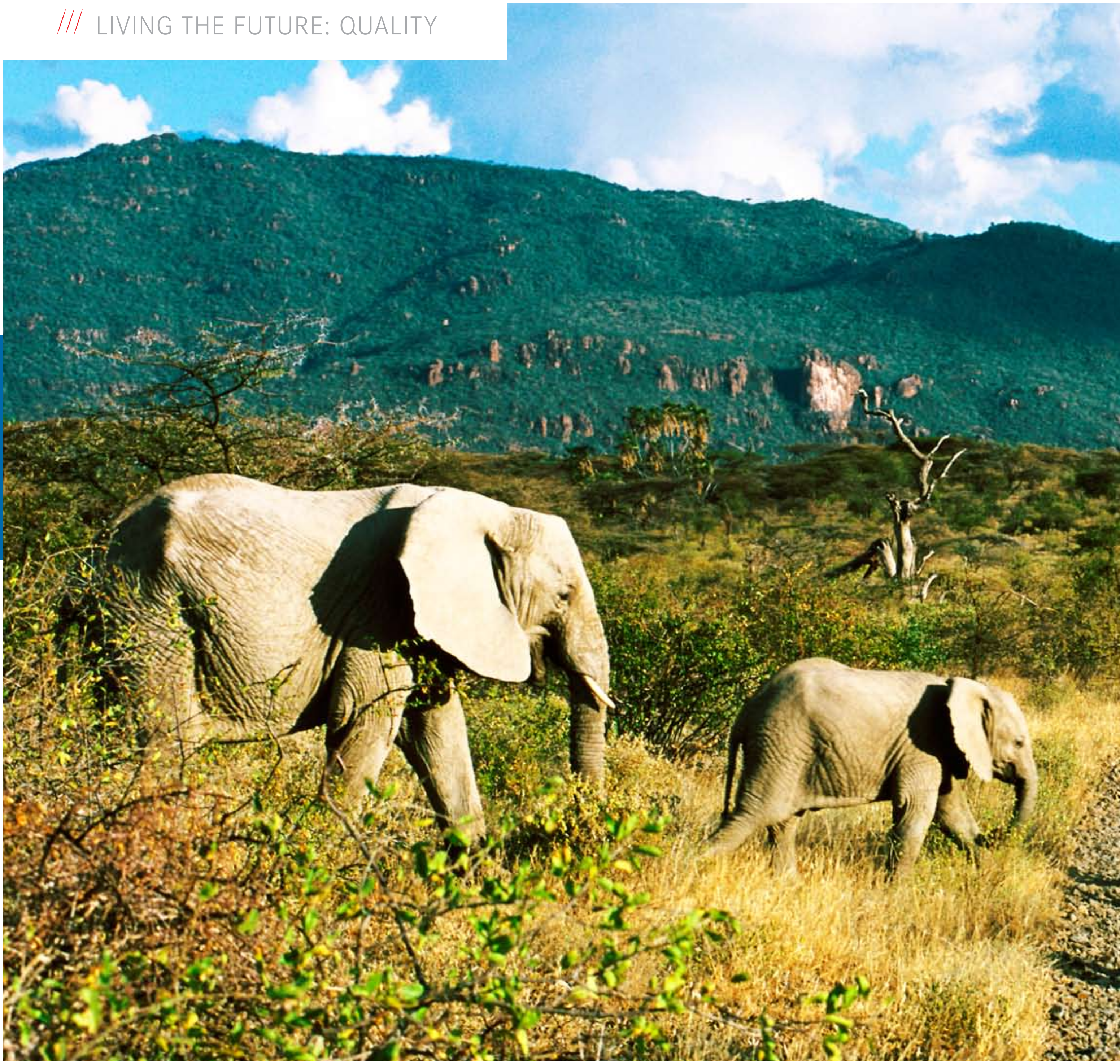


IMAGE QUALITY PAR EXCELLENCE

The digitization of the film industry progresses inexorably. This is coupled with the desire for unique, exceptional images. For AUGUSTA, this means long-term growth opportunities. Film cameras and image sensors developed in-house provide high quality images, for example in extraordinary documentaries.

NEW OPPORTUNITIES

Film productions for cinema, advertising and documentation benefit from new opportunities with the HS-2 series when it comes to image recording and editing. The cameras provide brilliant images, such as for outdoor shoots by day and by night.

HIGHLY ACCURATE SHOTS

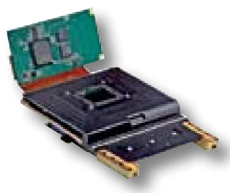
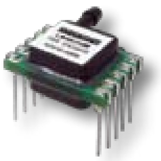


Image sensors by AUGUSTA ensure highly accurate shots in many areas of application. Sensor systems will enable ever better image quality, for example in HD and 3D.

IMPROVING SLEEP QUALITY

AUGUSTA sensors are used in medical devices, to measure pressures, flows and levels of liquids. Patients suffering from sleep apnea can now sleep peacefully again, thanks to respiratory therapy devices. A growing population, together with economic growth and demographic trends, will generate rising demand for medical devices in coming years.

PROTECTING PATIENT HEALTH

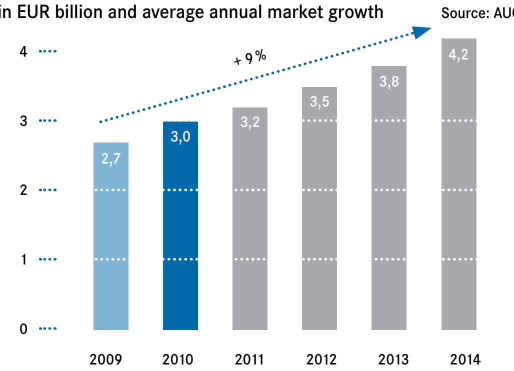


Highly sensitive LBA pressure und flow sensors continuously monitor the pressure in respiratory therapy devices and ensure fast correction of pressure variations. The sensors monitor air flow and pressure and support patients breathing in and out.

MARKET SIZE RESPIRATORY DEVICES

in EUR billion and average annual market growth

Source: AUGUSTA Research



MONITORING EFFICIENT PROCESSES

In the food industry, production processes are increasingly automated. Growth in the automation industry will continue to be stable in the long term. AUGUSTA liquid level sensors make it possible to automatically control bottling plants, monitor processes cost-efficiently and conduct a 100 percent control quality.

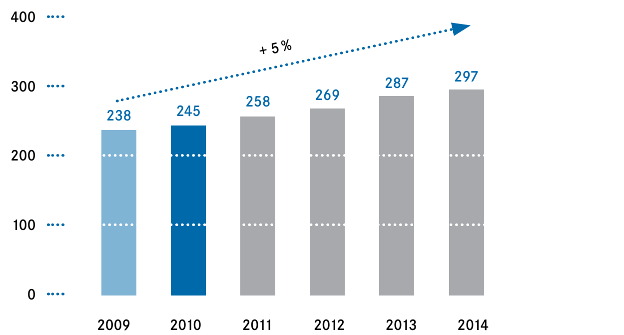
HIGH ACCURACY

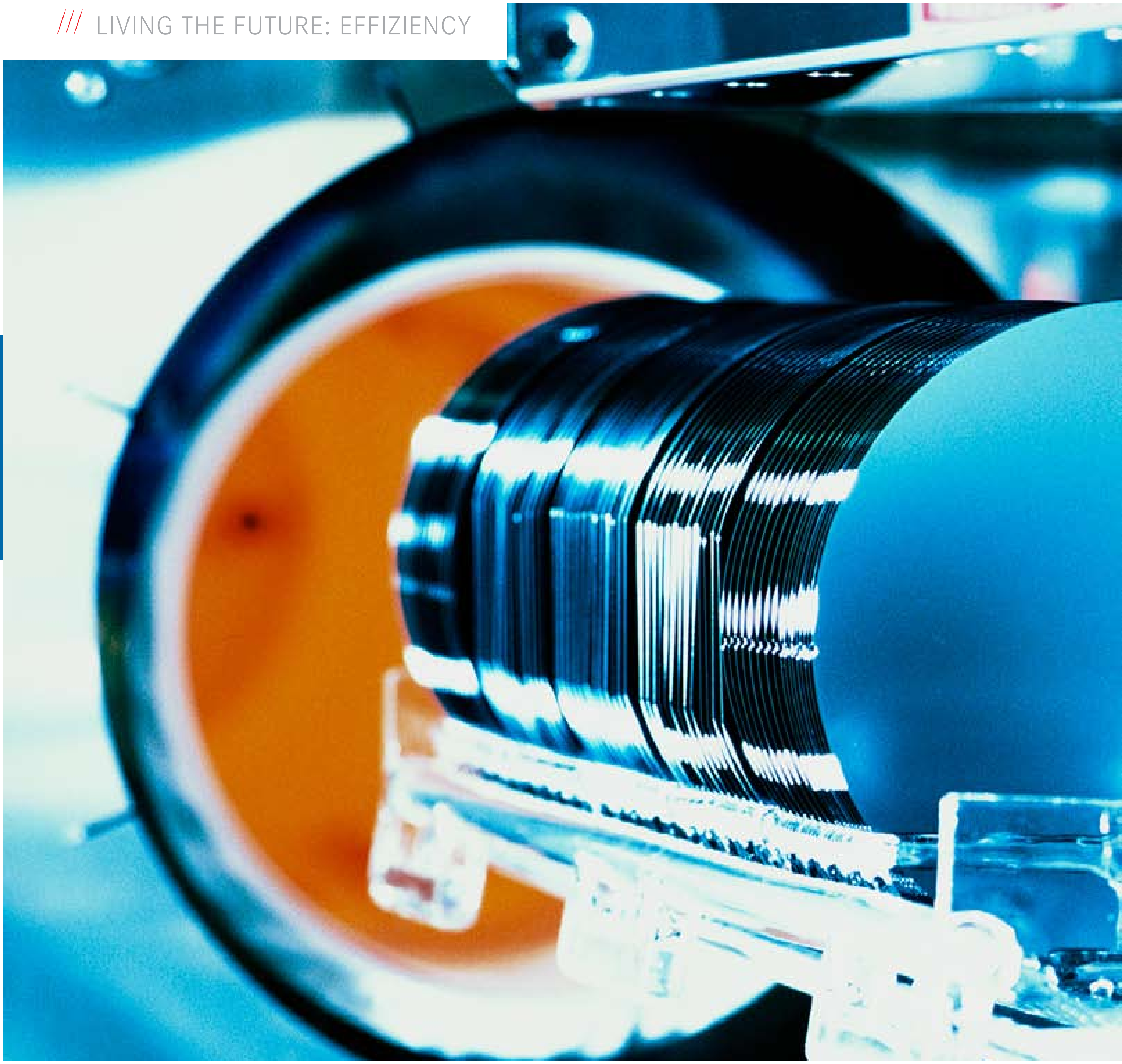
Stainless steel pressure sensors offer high accuracy over a wide temperature range. The sensors of the SSI series are primarily used in the automation industry, in the industrial measuring, control and regulatory technology and in the process and medical technology.

MARKET SIZE AUTOMATION INDUSTRY

in EUR billion and average annual market growth

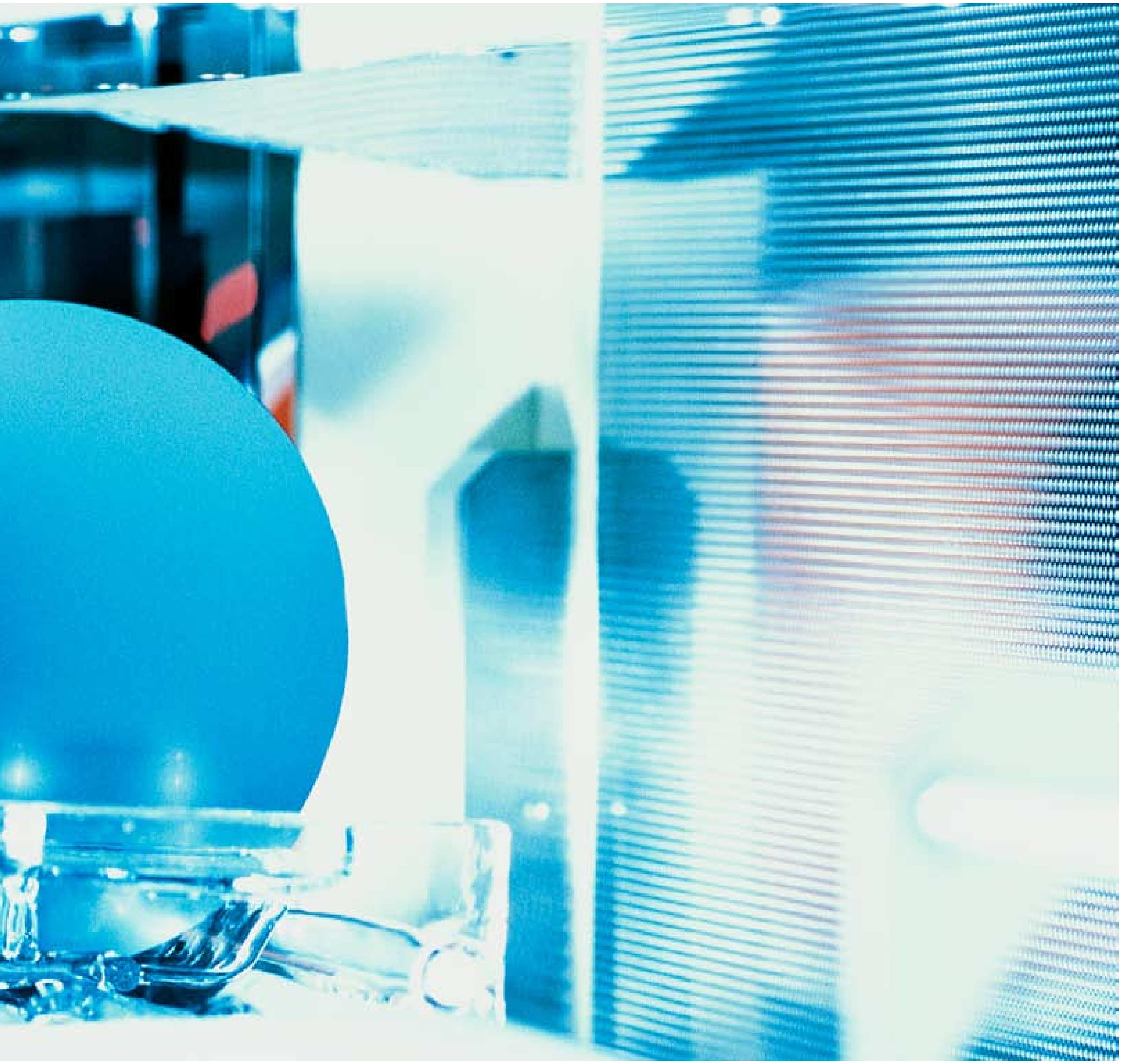
Source: Roland Berger





EFFICIENTLY INCREASING PROFITS

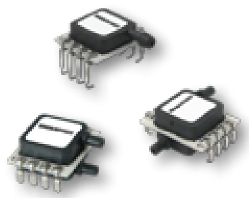
Today's modern manufacturing processes already demand a precision that the human eye cannot provide. In the future, components and products will become even smaller, while demands will continue to rise. AUGUSTA digital high-performance cameras and sensors support the safe and accurate manufacturing process – and thus boost the customer's efficiency and profits.



IDEALLY SUITED

Pike is a FireWire camera with high image frequency for demanding applications. A wide range of features provide high image resultion even under difficult conditions. This makes it ideal for industrial image processing.

OPTIMAL SOLUTION



The innovative low-pressure sensors in the HCL series are the ideal solution for demanding pressure measurement applications. In electronics production, sensors are used among other things when measuring vacuum and isolations gases.

THE AUGUSTA SHARE

Recovery of Equity Markets

The mood on the German equity market in 2010 reflected the generally positive overall economic development of the last year. While the first half of the year in particular was characterized by a large amount of skepticism on the part of market players as regards the sustainability of the economic recovery, there were significant price increases from October 2010 onwards. The winners in Germany were especially small listed companies, so-called small caps. The upturn in the cyclical industries, such as the automotive sector and the electronics and engineering industries was particularly strong. From a regional point of view, the Asian equity markets posted the biggest growth rates worldwide. In the euro zone, the equity markets were braked by the weakness of some leading economic indicators in the last few months of 2010, with the exception of Germany.

In the medium term, the majority of the economic indicators, as well as rising corporate profits and share dividends, suggest that there will be a further increase in share prices. This situation is supported by the still high level of liquidity on the market, the low investment ratio of investors as well as the lack of investment alternatives due to very low money and capital market interest rates. The majority of analysts are thus predicting higher share prices in general on the world's stock exchanges in 2011 too.

The debt crisis of some countries, with the accompanying deterioration of creditworthiness, weaker economic growth and the end of the economic stimulus packages initiated worldwide could slow down the pace of recovery in 2011.

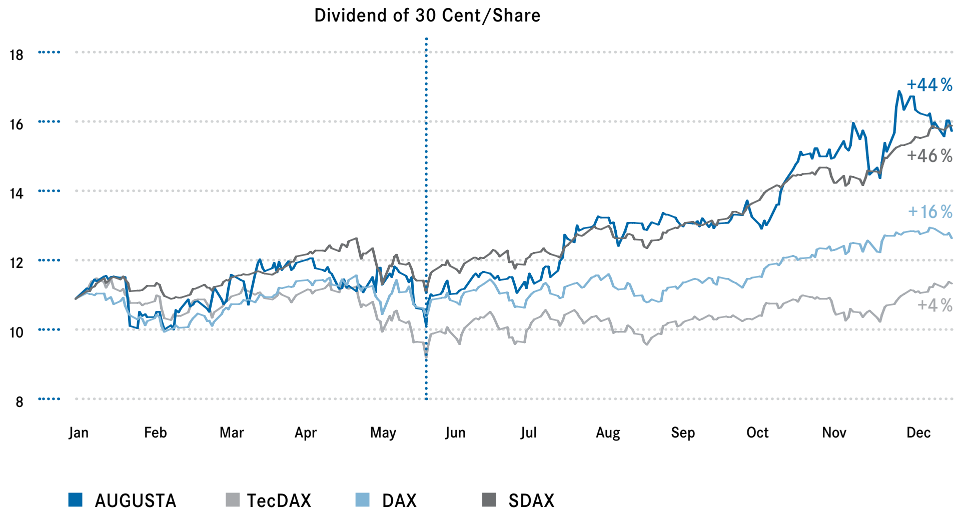
Price Development of German Indices

The German leading index, the DAX, ended calendar year 2010 on an extremely positive note with a glorious final spurt in the fourth quarter. Overall there was a plus of around 16 percent. Globally the DAX was the front runner out of all the big stock exchange indexes.

In 2010, most investors focused on medium-sized or small enterprises that had not fully benefited from the general recovery of the capital market in 2009. Therefore, it is not surprising that the small cap index, the SDAX, posted a plus of 46 percent within one year and the MDAX closed 2010 with a plus of 35 percent. Technology stocks were also highly favored by investors. Its innovative power and short investment cycles should fuel faster revenue growth in this sector than in other industries. The technology index, the TecDAX, only achieved a slight plus of 4 percent in 2010, which was due to the large number of solar stocks in the index and an already good recovery in 2009. Across all industries the fundamental situation of companies, namely sales, cash flows and earnings, remain the crucial factor influencing the development of share prices.

SHARE PRICE PERFORMANCE COMPARED TO THE DAX, TECDAX AND SDAX

in EUR



AUGUSTA Share: 44 Percent Increase

The AUGUSTA share exhibited an exceptionally strong upward trend in the course of 2010, closing the fiscal year 2010 at EUR 15.70, a plus of around 44 percent, after standing at only EUR 10.87 on 31 December 2009.

On the capital market, the AUGUSTA share is perceived as an attractive small cap in the technology segment, which with its high trading volume is deemed a relatively low-risk, promising investment. The sustainably stable corporate development, the sound financial base and a consistent dividend policy ensure that our shareholders can participate in the company's positive development through both the increase in the share price and through dividends.

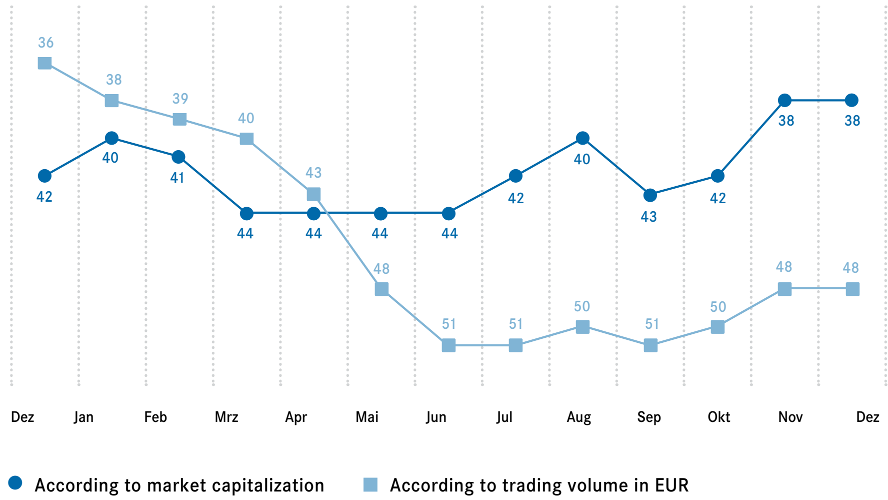
Compared to other companies in the field of sensors and vision technology, AUGUSTA is still favorably valued with a P/E ratio of about 10. With a sustainably sound operative performance, during and especially after the crisis, and the comparatively favorable valuation, the share should continue to be perceived as an attractive and promising investment.

TecDAX Ranking

In comparison to the 30 largest small and mid-cap shares in the technology sector listed in the TecDAX, the AUGUSTA share, measured by free float market capitalization, ranked 38 (previous year 42) in fiscal year 2010. The improvement by 4 places compared to the previous year was achieved despite a reduction in the projected free float. Besides the 10 percent of the company's own shares, the good 9 percent of DAH Beteiligungsgesellschaft mbH did not count towards the free float, which led to the corresponding reduction in the free float in 2010. Measured by trading volume, the AUGUSTA share ranked 48 (previous year 36).

TECDAX RANKING

Compared to the 30 biggest Small and MidCap shares in technology sector



Intensive Dialogue with Shareholders

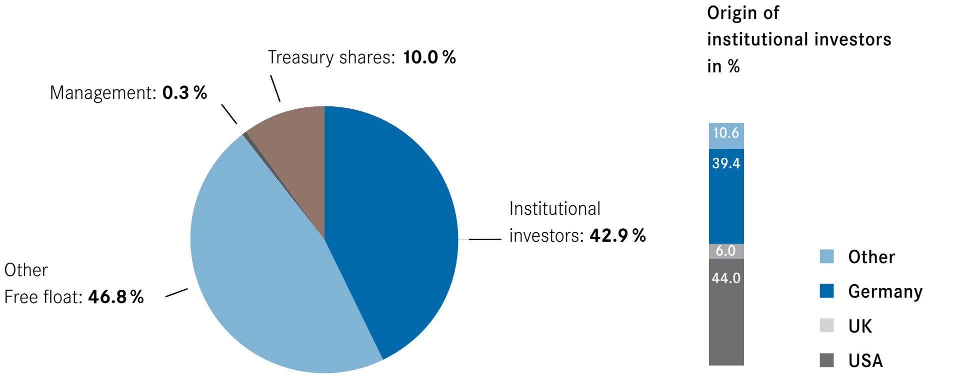
Open and transparent communication with all shareholders and interest groups of AUGUSTA is a top priority for us. We appreciate that our shareholders have a keen interest in a consistent corporate strategy and sustainable corporate governance. We have therefore rewarded the trust of our shareholders by informing them about our corporate development through timely and comprehensive capital market communication for years.

The Managing Board fields questions from investors and analysts at numerous capital market conferences. The Annual General Meeting also gives all shareholders the opportunity to obtain comprehensive information from the Managing Board. Last year the number of roadshows domestically and abroad was increased. All relevant information, such as quarterly and annual reports, presentations, the financial calendar and analysts' assessments, is available to capital market players on our website.

Shareholder Structure

AUGUSTA has a very stable and broad shareholder structure. The two principal shareholders, Lincoln Vale and DAH Beteiligungsgesellschaft mbH, hold some 17 percent and a good 9 percent of the AUGUSTA shares respectively. There are also numerous smaller, institutional investors which each hold less than 3 percent and in total hold around 15 percent of the shares. A good 45 percent of the AUGUSTA shares are owned by other investors. With a free float of 90 percent, share capital was distributed as follows as of the end of December 2010:

SHAREHOLDER STRUCTURE



Share portfolio of the Managing and Supervisory Boards and directors' dealings

On December 31, 2010 the AUGUSTA's Managing and Supervisory Boards held 26,750 shares. The share portfolios and share purchases and sales of the individual members of the Managing and Supervisory Boards (directors' dealings) are listed below:

PERSON	PORTFOLIO ON DECEMBER 31, 2009	DATE	NUMBER OF SHARES	TRANSACTION TYPE	PRICE IN EUR	PORTFOLIO ON DECEMBER 31, 2010
Managing Board						
Amnon Harman (CEO)	15,500					15,500
Berth Hausmann (CFO)	8,250					8,250
Arno Pätzold (CDO)	0	01/08/2010	3,000	Purchase	11.50	3,000
Supervisory Board						
Adi Seffer (Chairman)	0					0
Dr. Hans Liebler (Deputy Chairman)	0					0
Dr. Rainer Marquart	0					0

Annual General Meeting

The AUGUSTA Annual General Meeting was held in Munich for the third time on May 12, 2010. Around 44 percent of the capital with voting rights was present. Following an explanation of business development and prospects at AUGUSTA and an in-depth general debate, the some 150 shareholders in attendance voted on the agenda items concerned. This involved the dismissal of the Supervisory Board in office up until then and a new three-man Supervisory Board for AUGUSTA being elected.

The new AUGUSTA Supervisory Board has been composed of the following three persons since May 12, 2010:

/ Mr. Adi Seffer (Chairman of the Supervisory Board), Frankfurt
/ Dr. Hans Liebler (Deputy Chairman of the Supervisory Board), Munich, and
/ Dr. Rainer Marquart (Supervisory Board member), Mannheim.

Dr. Liebler and Dr. Marquart are representatives of our major shareholders Lincoln Vale and DAH Beteiligungsgesellschaft mbH. Mr. Adi Seffer is a lawyer in Frankfurt and was elected as an independent representative on the Supervisory Board.

All other agenda items were approved by a broad majority at the Annual General Meeting, including a standing authorization for buying back company shares and 30 cent dividend distribution. Overall, the shareholders expressed extreme satisfaction with AUGUSTA's operating activities and performance.

Dividend Continuity

With our success and continuity-based dividend policy, we would like to consolidate the trust of our shareholders and attract new shareholders to AUGUSTA. We are sticking to our dividend policy of distributing around 30 percent of the group's annual net profit to our shareholders. We considered a somewhat higher dividend distribution appropriate, since we did not make any acquisitions in the recession-plagued year of 2009, and paid out a 30 cent per share dividend after the Annual General Meeting in May 2010, amounting to roughly 51 percent of 2009 net profits and representing a dividend yield of nearly 3 percent.

We are planning to pay a dividend of 45 cents per share in fiscal year 2010.

A SUMMARY OF THE AUGUSTA STOCK

WKN / ISIN	AOD661 / DE000A0D6612
Market segment	Prime Standard
Trading segment	Technology
Prime sector	Industrial
Indices	CDAX / Prime All Share / Technology All Share
Date of initial listing	May 5, 1998
Number of shares issued	8,435,514
Designated sponsors	M.M. Warburg & CO; Close Brothers Seydler AG
Share capital	EUR 8,435,514
Number of shares issued	8.435,514
- of which in circulation	7,591,963
Trading volume per day in 2010	on average around 19,000
High/low in 2010*	EUR 16.85 / EUR 9.76
Year-end closing rate, 2010*	EUR 15.70
Market capitalization, 12/31/2010*	EUR 132,44 million
Earnings per share, 2010	EUR 1.44
Dividend per share**	EUR 0.45

* Xetra closing rates
** will be recommended to the Annual General Meeting on May 12, 2011

CORPORATE GOVERNANCE REPORT

Corporate Governance stands for responsible and transparent corporate management and control geared toward sustainably creating value. AUGUSTA views observance of these principles as a chance to reinforce the trust of its investors, business partners, customers and employees in the long term. Transparent, open and active communication with all interest groups of AUGUSTA Technologie AG is one of the company's corporate principles and is an integral part of corporate governance.

The Managing and Supervisory Boards of AUGUSTA adhere to the German Corporate Governance Code and identify with its aims of fostering good, responsible corporate management that focuses on the interests of shareholders, employees and customers.

Cooperation of the Managing and Supervisory Boards

Good Corporate Governance at AUGUSTA is also reflected in constructive and loyal cooperation between the Managing Board and the Supervisory Board. The Managing and Supervisory Boards of AUGUSTA Technologie AG closely collaborate in a spirit of trust. All relevant questions concerning the business situation and development, financing or strategy and planning are discussed between the two governing bodies.

Managing Board

The three-man Managing Board is responsible for leading the company. It is obliged to safeguard the company's interests and consistently increase corporate value. In addition, it represents the company vis-à-vis third parties. Areas of responsibility are derived from the schedule of responsibility. The Managing Board reports regularly, promptly and in full on the Group's planning, business development and situation, including risk management, in writing, as well as in meetings arranged on a rota basis. In the event of acquisition activities, the Managing Board provides detailed information on project progress and status and coordinates the acquisition process in close cooperation with the Supervisory Board.

Supervisory Board

The Supervisory Board, which also has three members, advises and monitors the Managing Board in the management of the company, and checks all significant business transactions on the basis of the German Stock Corporation Act and the Articles of Association by inspecting the relevant documents. The two executive bodies jointly determine corporate strategy and its implementation. The Supervisory Board is elected by the Annual General Meeting. The election of the Supervisory Board conforms to the recommendations of the Corporate Governance Code; all members of the Supervisory Board are elected individually. Members of the Managing Board are appointed by the Supervisory Board. In the rules of procedure for the Managing Board, the Supervisory Board sets out a list of transactions requiring consent as well as a schedule of responsibility. The Supervisory Board acts in accordance with its own rules of procedure. The Supervisory Board certifies the annual financial statements and approves the consolidated financial statements. The Chairman of the Supervisory Board explains the Supervisory Board's activities every year in its report to shareholders and in the Annual General Meeting. AUGUSTA's Supervisory Board has deliberately been kept small with just three members in order to allow efficient functioning and an intensive exchange of ideas. It therefore does not make sense, nor is it appropriate, to form Supervisory Board committees.

There were no conflicts of interest in the 2010 fiscal year. Detailed information on the focus of Supervisory Board activity in 2010 can be found in the Report of the Supervisory Board from page 36 onwards.

Change in the Managing and Supervisory Boards

Mr. Arno Pätzold was appointed to the Managing Board as Chief Development Officer as of 1st January 2010. In his role, he is responsible for the area of corporate development and specializes in mergers & acquisitions (M&A).

At the Annual General Meeting on May 12, 2010 a new Supervisory Board was elected, to which Adi Seffer (Chairman of the Supervisory Board), Dr. Hans Lieber (Vice Chairman of the Supervisory Board) and Dr. Rainer Marquart (Member of the Supervisory Board) belong.

Remuneration Report

The Remuneration Report is prepared in accordance with the recommendations of the German Corporate Governance Code. The total remuneration of the members of the Managing Board is composed of non-performance-based and performance-based components. The Supervisory Board's remuneration is composed of a fixed and a performance-based component, which is based on the annual performance of the share price in relation to a reference index. The remuneration report is an integral part of the certified consolidated financial statements. The basic principles of the remuneration systems for the Managing Board and the Supervisory Board are described therein, and the remuneration is reported individually.

Directors' Dealings

AUGUSTA also provides detailed information on the shareholdings and dealings of the Managing and Supervisory Boards. Share transactions or so-called directors' dealings requiring disclosure pursuant to Section 15a WpHG (German Securities Trading Act) are published in accordance with the statutory provisions and posted on the AUGUSTA website. An overview of shares and options for the Managing and Supervisory Board can be found on page 145.

Shareholders and Annual General Meeting

At the Annual General Meeting, shareholders can protect their rights and exercise their voting right. Each AUGUSTA share grants one vote. The Chairman of the Supervisory Board chairs the meeting. The invitation to the Annual General Meeting and the associated documents and information such as the agenda, the annual financial statements and the Articles of Association, as well as notes to the draft resolutions are published on the website of AUGUSTA Technologie AG on the day of the invitation according to German stock corporation law. AUGUSTA supports shareholders in the exercise of their voting rights by appointing a proxy to vote in accordance with the shareholder's instructions.

Financial Accounting and Auditing

AUGUSTA prepares its consolidated financial statements and consolidated interim financial reports in accordance with IFRS guidelines. The annual financial statements of AUGUSTA Technologie AG are presented in accordance with HGB (German Commercial Code). The consolidated financial statements are prepared by the Managing Board, audited by the auditors and approved by the Supervisory Board. The Supervisory Board works closely with the Managing Board and the auditors during the entire audit process. The auditor, Ebner Stolz Mönning Bachem GmbH & Co. KG, a Hanover accountancy and tax consultancy firm, informs the Chairman of the Supervisory Board immediately of any issues or events of significance to the work of the Supervisory Board which arise during the audit.

Communication and Transparency

AUGUSTA informs shareholders, analysts, shareholder associations, the media and interested members of the public regularly, comprehensively and promptly about the current business development and position of the Group. The various groups are dealt with simultaneously and are treated equally. All information related to public markets is published on the company website.

Declaration of Compliance Pursuant to Section 161 of Aktiengesetz (German Stock Corporation Act)

The Managing and Supervisory Boards of AUGUSTA Technologie AG issued their Declaration of Compliance, pursuant to Section 161 of AktG, after careful consideration.

The recommendations of the „Government Commission on the German Corporate Governance Code“ (as amended on 18th June 2009 and on 26th May 2010) announced by the German Federal Ministry of Justice in the official section of the Electronic Federal Gazette (elektronischer Bundesanzeiger) have been followed with the following exceptions:

1. **Section 4.2.3 (4) and (5): No stipulation of a severance pay cap when concluding Management Board members' contracts in the event of premature termination of their contracts or a change of control**
   Contrary to Section 4.2.3 (4) and (5) DCKG, no severance pay cap was agreed when concluding Management Board members' contracts in the event of premature termination of their contracts or a change of control. Neither the Managing Board nor the Supervisory Board considered a severance pay cap to be a reasonable arrangement in the Management Board members' contracts.

2. **Section 7.1.2 Sentence 2: No discussion of half-year and quarterly financial reports with the Managing Board by the Supervisory Board**
   The Managing Board and Supervisory Board of AUGUSTA Technologie AG have not and will not comply with the recommendation to discuss half-year and any quarterly financial reports prior to publication. An obligation to discuss these financial reports without a specific reason does not appear expedient. The Managing Board of AUGUSTA has, and will instead adhere, to its proven principle of keeping the Supervisory Board informed of the development of the company through a very detailed information system and only discussing financial reports involving periods under twelve months in detail with the Supervisory Board when their contents provide well-grounded reasons for doing so, especially if a financial report differs significantly and in an unforeseeable manner from expectations

AUGUSTA publishes the Declaration of Conformity on its website at www.augusta-ag.com.

REPORT OF THE SUPERVISORY BOARD

Dear Shareholder,

AUGUSTA Technologie AG developed extremely positively in the fiscal year 2010. The AUGUSTA Group has mastered the challenges of the most recent economic crisis and in 2010 grew to overtake the market average in sales revenue and performance.

We intensively complied with the duties and obligations imposed on us according to law and the Articles of Association, including to monitor and to advise the Managing Board.

Changes in, and the composition of, the Supervisory Board

At the Annual General Meeting on May 12, 2010, a new three-man Supervisory Board was elected. The new body is now made up of Adi Seffer, Dr. Hans Liebler and Dr. Rainer Marquart. At the Supervisory Board meeting on May 12, 2010, Adi Seffer was elected as Chairman of the Supervisory Board and Dr. Liebler as his Deputy. At this point we would like to express our heartfelt thanks to the Supervisory Board active up to the Annual General Meeting in 2010 under the chairmanship of Heinzwerner Feusser, for its efforts in the past, which were always oriented to the good of the Company.

Supervisory Board meetings and committees

In fiscal year 2010 there were a total of ten ordinary Supervisory Board meetings. All members of the Supervisory Board took part in the meetings. The first four meetings of the year were conducted by the former Supervisory Board on the following dates: January 27, 2010, March 11, 2010, April 13, 2010 and May 5, 2010. The subsequent dates took place under the chairmanship of Adi Seffer on the following dates: May 12, 2010, May 20, 2010, June 16, 2010, July 15, 2010, November 23, 2010 and December 13, 2010. Four telephone Supervisory Board meetings were held on the dates of March 8, 2010, March 17, 2010, on October 26 and on October 29, 2010. Important decisions that stood for approval outside the ordinary meetings were voted on using the circulation method.

The Supervisory Board of AUGUSTA Technologie AG with three members makes it possible to work efficiently and to have an intensive exchange of ideas. It therefore is not appropriate to form Supervisory Board committees.

Focal points of the advisory activity of the Supervisory Board and decision-making

The Managing Board and the Supervisory Board work very closely together for the good of the Company. During the fiscal year 2010, the Managing Board informed the Supervisory Board in a regular, timely and comprehensive manner about the development of the business activity and about the economic situation of AUGUSTA and its subsidiaries. The Supervisory Board was directly involved in all the decisions and project developments that were particularly significant for the Company. The Managing Board coordinated the strategic direction of the Company with the Supervisory Board and reported to it on a regular basis, in writing as well as verbally, about the status of implementation. Annual projections on the part of the subsidiaries were presented and discussed in detail. Deviations of business performance from the respective goals were discussed openly and in a spirit of trust in the Supervisory Board meetings. The acquisition projects were presented in detail and closely coordinated between the Managing Board and the Supervisory Board.

Essentially, both operational and strategic topics were the focus of discussions and meetings.

Included in the operational topics were in particular:

/ Consultation about and assessment of the 2009 annual financial statements and the agenda items for the 2010 Annual General Meeting
/ Economic and market-specific trends and their consequences for the AUGUSTA Group's financial, sales and earnings situation
/ Analysis of incoming orders, order momentum and the order book
/ Progress in the integration of acquired companies
/ Risk management of the AUGUSTA Group
/ Share price trend in comparison to the peer group and to relevant indices
/ Issuance of stock options (tranche 3)
/ Dividend policy of AUGUSTA Technologie AG
/ Planning and approval of the budget in the segments and on the Group level for fiscal year 2011 and consultation with regard to medium-term planning up to 2013.

Essential strategic topics were above all:

/ Further strategic development and development perspectives of the subsidiaries
/ Sale of DLoG GmbH and thus the separation of the Logistics Automation division

- Activities in the area of research and development and further development of the product portfolio
- AUGUSTA's international market activities and expansion opportunities and risks, particularly in the U.S. and Asia
- Further focusing of the divisions
- Acquisition targets and their project status in the area of vision technology and all of the measures required in connection with them
- Detailed analysis and discussion of the majority holding in P+S Technik GmbH and its future prospects.

The Supervisory Board thoroughly reviewed all significant business transactions through inspection of the relevant documentation and conferring with the Managing Board in regular discussions. Lawyers, auditors and external advisors were at times included in the discussion.

They also handled affairs that according to law or the Articles of Association require the involvement of the Supervisory Board. This involved the drawing up of the agenda for the 2010 Annual General Meeting as well as the assessment of the limited company's annual financial statements for fiscal year 2009 and approval of the consolidated financial statements for fiscal year 2009.

Furthermore, we recognized the need for action addressed by BilMoG and are placing high requirements on the design of the relevant internal control and monitoring systems.

German Corporate Governance Code

The Supervisory Board continuously observed the further development of the Corporate Governance Standards. In addition, the Managing Board informed the Supervisory Board as to amendments to the Corporate Governance Code, which was published in a new version on May 26, 2010. The changes made there were discussed by the Managing Board and the Supervisory Board. The Managing Board and the Supervisory Board signed the Declaration of Conformity on February 10, 2011. You will find the detailed presentation on the Corporate Governance Code in the Annual Report under the section provided. In addition, the current Declaration of Conformity is published on the website of AUGUSTA Technologie AG.

Remuneration and conflicts of interest

The variable remuneration for the Supervisory Board for fiscal year 2010 amounts to EUR 11 thousand, and it is expected to be EUR 300 thousand for the Managing Board. This will be probably paid out in April 2011. In addition, a long-term variable remuneration exists in the form of stock options for the Managing Board, which for the fiscal year 2010 was valued at EUR 267 thousand.

The total remuneration of the Managing Board and the Supervisory Board is reported in individualized form, broken down into variable and fixed components, in the notes to the annual financial statements and consolidated financial statements.

The members of the Supervisory Board do not perform any board activities for customers, suppliers, creditors, competitors or any other business partners. Supervisory Board members therefore had and have no conflicts of interest.

Financial statements and consolidated financial statements as of December 31, 2010

The financial statements and management report of AUGUSTA Technologie AG prepared by the Managing Board according to the principles of the HBG [German Commercial Code], as well as the consolidated financial statements and the consolidated management report prepared according to the accounting standards of the International Financial Reporting Standards (IFRS) for fiscal year 2010, including the accounting, have been audited by Ebner Stolz Mönning Bachem GmbH & Co. KG, certified public accountants and tax consultancy, Hanover, and granted an unqualified audit opinion.

The Supervisory Board collaborated closely with the Managing Board and the auditors during the entire audit process. The Supervisory Board was provided with all final documentation relating to the annual financial statements of the limited company, the consolidated financial statements, and the Managing Board's proposal on the appropriation of net profit, as well as the long-form audit reports before and during its meeting on March 10, 2011. The documents were subsequently examined during this Supervisory Board meeting and discussed in detail in the presence of the auditor. The Supervisory Board concurred with the results of the audit by the auditor, and did not raise any objections in the course of its own examination. The annual financial statements of the limited company and of the Group have thus been adopted in accordance with Section 172 AktG [Stock Corporation Act].

Dividend

We have examined the Managing Board's proposal regarding the appropriation of net profit, taking into particular account the Company's liquidity and financial, investment and acquisition planning. The Supervisory Board concurs with the proposal of the Managing Board to have the shareholders participate in the Company's performance and to pay a dividend. As already communicated in the past, the payment will be approximately 30 percent of the Group's net profit. The dividend, which is rounded off to EUR 0.45 per share, will be proposed on May 12, 2011, to the Annual General Meeting for payment.

AUGUSTA Technologie AG continued its long success story this past year. The AUGUSTA Group has successfully mastered the challenges of the economic crisis and now has been able to benefit exponentially from the economic upswing. Today, AUGUSTA has an above-average financing and balance sheet structure, a high degree of flexibility, a broad and innovative technology and product portfolio, and an outstanding market position in addition to highly qualified and motivated employees. These factors also form the strong foundation of AUGUSTA for the long term.

On behalf of the entire Supervisory Board, I would like to thank all the shareholders who expressed their confidence in AUGUSTA Technologie AG. Moreover, we would like to thank the Managing Board, the managing directors and all employees of the AUGUSTA Group for their extraordinary commitment and their support for the implementation of all corporate goals. We wish the company continued success for fiscal year 2011!

Munich, March 8, 2011

Adi Seffer
Chairman of the Supervisory Board

CONSOLIDATED MANAGEMENT REPORT

CONSOLIDATED MANAGEMENT REPORT 2010

1. Business and Overall Environment

1.1. Group Structure and Business Activity

AUGUSTA Technologie AG is an integrated technology group with a focus on the niche markets of vision technology (Vision) and sensor technology (Sensors).

SENSORS		VISION
Sensors and Microsystems Technology	Mobile Measuring Systems	Vision Technology

AUGUSTA is now one of the two largest manufacturers of digital cameras

Vision: In the **Vision Technology (VT**) division, AUGUSTA markets digital camera solutions and optical sensor systems for automation and enhancing quality, safety and efficiency. The focus is put on the high-quality, rapidly-growing interface technologies FireWire and Gigabit Ethernet (GigE), The target markets range from traditional industrial applications such as inspection, quality control and process automation, to non-industrial applications in the areas of medical technology, science and research, safety and traffic control through to multimedia entertainment and sport. Digital cameras have a practical application in assembly processes for industrial production, optical controls in automatic placement machines or filling and packaging systems, in surface inspections as well as in medical devices for ocular fundus analysis and plastic surgery. In the domain of smart traffic systems, cameras help to safely and effectively control traffic flow. In all applications, the aim is to cost-effectively increase the automation level and quality. AUGUSTA is now one of the two largest manufacturers of digital cameras in the field of vision technology and is a world market leader in innovation due to its digital interface FireWire.

In the niche segment of digital film cameras for the media and entertainment market, AUGUSTA benefits from the growth opportunities generated by the evolving digitalization of the film industry. The range of products includes a modular digital film camera, a digital high-speed film camera, and various accessories for producing 3D films and enabling special, extraordinary pictures.

Sensors: The **Sensors and Microsystems Technology (SMST)** division includes the distribution, development and production of complex sensor components and measurement systems. Our expertise lies in the combination of sensors and analytical electronics for customer-specific applications. Sensors can now be found in virtually all electrical and electronic devices – they measure and control industrial assembly processes, driving conditions in automobiles, temperature and gas flow in air conditioning systems, operating conditions in chemical plants as well as the life-supporting func-tions of ventilators, cardiovascular machines or dialysis equipment. The most important areas of application are medical technology, the manufacturing industry, the processing industry and machine and plant engineering. The heterogeneous market of sensors will grow in the long term. AUGUSTA is European market leader in customer-specific pressure and flow sensors for medical technology. Here, the primary differentiating characteristics are the application and integration expertise and the correspond-ing technical and regulatory requirements as a system supplier.

Sensors can now be found in virtually all electrical and electronic devices

In the **Mobile Measuring Systems (MM)** division, complex sensor and data analysis systems which are mainly used in the development departments of the automobile, aviation and aerospace industries, as well as in the market of energy suppliers, are marketed. The main areas of use are in vibration measurement for the development of cars, loading of power grids or troubleshooting in industrial manufacturing processes, for example.

1.2. Corporate Controlling, Targets and Strategy

The long-term process of evolving into a leading technology corporation, clearly focused on doing business in our future growth markets, remains the core of all of our operations. The four core elements of the AUGUSTA strategy are a **focus** on sustainably attractive niche markets, **growth** above market average through the organic and acquisition-based approach to new market segments, as well as through internationalization of our business, **value enhancement** through market leadership and **transparency** both internally and externally.

Confidence on the part of our investors, employees and shareholders is a top priority at AUGUSTA. Our long-term growth strategy takes sustainable corporate development into account. We were thus able to profitably come through the crisis at the end of 2008 and 2009.

Our long-term growth strategy takes sustainable corporate development into account

We develop innovative, high-quality products in cooperation with partners and customers. Being perceived as “market leader” improves our standing with customers and, partners and competitors and has a significant effect on the company’s value. We address customer needs in future markets characterized by long-term growth, e.g. improved healthcare in an aging society as well as a demand for more efficiency, quality, comfort and security with our products. These needs will gain even more in importance in the long term. We thus create opportunities for our employees and shareholders to participate in long-term, sustainable corporate development.

In addition to organic growth, we also want to grow inorganically in the Vision segment through acquisitions

In addition to organic growth, we also want to grow inorganically in the **Vision** segment through acquisitions, bridge technology gaps, and conquer new areas along the value chain in the industrial and non-industrial environment. Our goal is to make the transition from a simple camera manufacturer into a system provider and into a solutions provider in certain market segments.

In the **Sensors** segment, we are positioning ourselves as a product manufacturer and system provider for complex sensor systems and power electronics. In this field, we mainly concentrate on investments in internal product developments and additional partnerships with external technology partners. Growth should continue to be generated organically.

The expansion of our business activities outside Europe is another key element of the company's development. We are therefore mainly concentrating on the rapidly growing emerging countries in Asia, especially China, and the development of new customers in North America.

1.3. Macroeconomic Environment

The global economy grew by some 5 percent in 2010

Following the dynamic recovery of the **global economy** in 2010, the crisis of previous years has virtually been overcome. The global economy grew by some 5 percent in 2010.[1] In the USA, expiring economic stimulus packages and the continuingly high unemployment rate have been suppressing growth momentum since the fourth quarter of 2010. In China, the rapidly growing economy is to be protected against overheating with interest rate increases by the central bank, which might lead to lower growth in 2011. Given the high level of national debt in many industrialized nations, a sustained course of consolidation for public budgets is necessary to prevent further escalation of the debt crisis and differing regional growth trends. Against this backdrop, a somewhat more modest expansion of the global economy of around 4.4 percent can be expected in 2011.

Despite a weaker pace of growth in the second half of 2010, the growth prospects for **emerging countries** remain robust. In 2010, the highest growth was in China and India, at virtually 10 percent. An increase of less than 10 percent is expected in 2011. Thanks to the swift economic upturn in these countries, global trading has recovered considerably and the importance of emerging countries in world trade has increased as a result.[2]

1 World Economic Outlook Update (25.01.2011), SEB Nordic Outlook (Q1 2011)
2 World Economic Outlook Update (01/25/.2011)

In **Japan**, the marked appreciation of the yen has taken the impetus out of Japanese exports, and so after growth of 4.3 percent in 2010 only slight growth of 1.6 percent is expected in 2011.

In the world's largest national economy, the **USA**, the economic stimulus packages and the expansive monetary policy cemented economic recovery until mid 2010. The packages ran out in the second half of 2010 and growth became less. The US upturn is being further dampened by a relatively high unemployment rate and the restrained private consumption. Following growth of 2.8 percent in 2010, growth should be similar at 3.0 percent in 2011.

In Europe, the recovery is not progressing homogenously. Growth in the **euro zone** in 2010 was based on increased inventories and exports in particular, which benefited from the revival of the global economy and the improved price competitiveness due to the depreciation of the euro since the start of the year. While Germany and France posted strong growth, some of the countries affected by government austerity programs (Greece, Portugal, Ireland, Spain) are again on the brink of recession. Growth in the euro zone in 2010 was low, at 1.8 percent. Market experts are also expecting non-homogeneous and below-average growth of only 1.5 percent in 2011.[3]

Growth in the euro zone in 2010 was low, at 1.8 percent

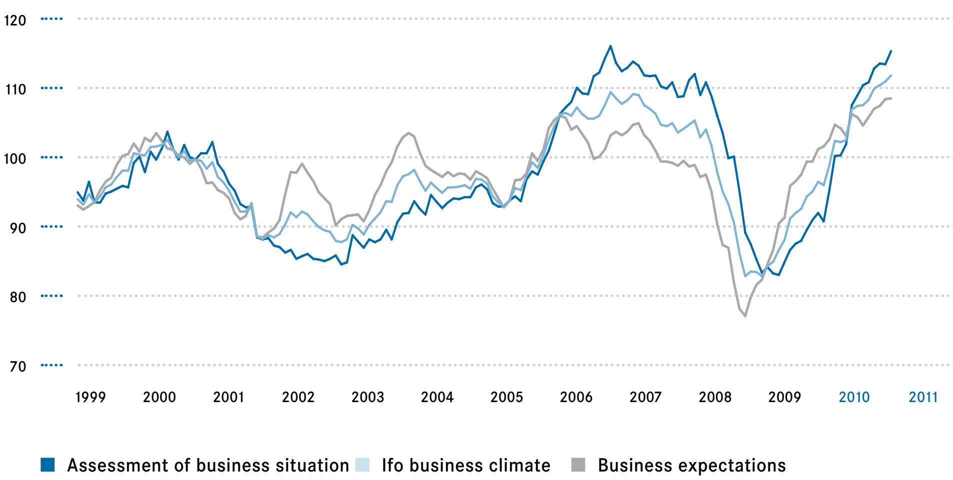
The **German** economy is currently booming. Both the Ifo Business Climate Index and the ZEW Index and the Purchasing Managers' Index indicate that the economic upturn will continue in the next few quarters. Low interest rates, favorable financing conditions, and a strong demand for German products from all regions of the world will benefit the growth driver exports in the future too. According to an assessment by the German Bundesbank, the upswing is now also being supported by domestic demand; capital spending and private consumption are again on the rise. The German recovery is therefore stable. In 2010 GDP growth stood at 3.6 percent. The brisk pace with which the German economy recovered from the recession has slowed somewhat since summer 2010, however, so that it is expected to be 2.0 percent in 2011.[4]

3 World Economic Outlook Update (25.01.2011)

4 Perspectives of the German Economy, Deutsche Bundesbank, Monthly Report12/2010

IFO BUSINESS CLIMATE GERMANY[1]

Index values, 2000 = 100, seasonally adjusted



[1] Manufacturing industry, construction industry, wholesale and retail trade

Source: ifo Economic Test

Market experts expect the pre-crisis level to again be attained in Germany by the end of 2011. In the euro zone as a whole the pre-crisis level is expected to be reached at best in the course of 2012.

However, there are also risks that could impact the positive economic picture. These include the negative consequences of the global economic imbalance and the expiry of the economic stimulus packages. As a result of the very high national debt, countries have hardly any scope to employ active countermeasures if the situation noticeably deteriorates again.

Commodity prices rose to record levels in 2010

Commodity prices rose to record levels in 2010. Further price increases are expected long term. This is down to the increasing industrialization and the demand of emerging countries.

1.4. Industry-Specific Development

AUGUSTA target markets

The core markets targeted by AUGUSTA have benefited from the global economic growth. The steady trends towards automation, customers' desire for improved efficiency and a continuing and rising awareness of safety and quality have had an accelerating effect. AUGUSTA was able to gain a disproportionate advantage from the upturn.

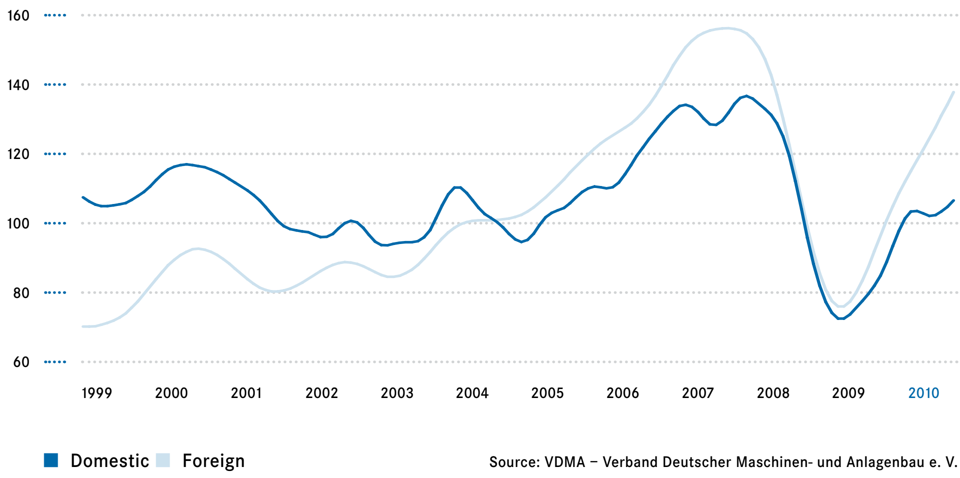
The medical and traffic technology businesses have already posted very positive growth trends again since the fourth quarter of 2009, and starting from early 2010 the industries hit hard by the crisis (automotive and metal industry, electro-technology, chemicals, engineering) have been gaining momentum.

The mood in the **automotive industry** brightened significantly in 2010. After a fall of around 38 percent in 2009, there was a very strong upward movement in the first half of 2010, after which growth slowed. Impetus is still coming mainly from emerging countries and from the increasing global demand for new drive concepts, such as electrical and hybrid vehicles.[5]

After a renewed fall in orders in **machine and plant engineering** in January 2010, there was a significant upward movement in the later months of 2010. In addition to the recovery of the global economy, the industry also benefited from the revitalized domestic investment activity. According to the industry association VDMA, the present capacity utilization of companies in this field is over 80 percent. Overall, growth stood at around 6 percent in 2010 after a fall of 31 percent in 2009. Growth of 8 percent is even expected for 2011. Nevertheless, after two years' growth sales revenues would still be 14 percent lower than in the peak of 2008.[6]

INCOMING ORDERS IN GERMAN MACHINE AND PLANT ENGINEERING

Price-adjusted index, Revenue Basis 2005 = 100, Seasonally adjusted and smoothed out indices



Source: VDMA – Verband Deutscher Maschinen- und Anlagenbau e. V.

5 Automobiles & Parts, ESN
6 VDMA: Krisenprävention durch Innovation, 20.12.2010

The areas of **logistics** and **transportation** as well as the **manufacturing** and **process industry** developed extremely positively. The **semi-conductor** and **electronics industry**, which experienced the most extreme fall in demand in its history in the previous year, with a minus of 28 percent, emerged from the crisis in a more robust condition than expected and posted an increase of around 32 percent in 2010.

While the **medical technology** sector was not immune to the results of the economic crisis, stable macroeconomic health trends ensure above-average growth of this industry in the medium to long run. Major growth drivers include the population growth, as well as demographic development. The more people live on earth and the older they become, the greater the need for examinations, medical equipment, and effective treatment methods will be.[7]

Demand is driven by innovations in medical technology with higher quality and greater product diversity

Growth in the regions of the world varies in this regard. The health system, the social security systems and the income level have a crucial impact on the size and structure of a country's health expenditure. Safety and absolute precision are top priorities in the diagnosis and treatment of persons who become ill. Demand is driven by innovations in medical technology with higher quality and greater product diversity. According to forecasts by the Hamburg Global Economic Institute (HWWI), by 2020 annual growth in medical technology will be a good 4 percent in the USA and Western Europe, 8 percent in Eastern Europe and more than 10 percent even in China and India.[8]

The VDMA estimates growth of 14 percent for the **robotics** and **automation market** in Germany in 2010. This means a return to the level of 2005, but not the record revenues of 2007 and 2008. Long-term growth is guaranteed; however, since the intelligent use of automation technology is and remains the strategic success factor for the German economy.

China is by far the most important growth region and the biggest market for automation technology

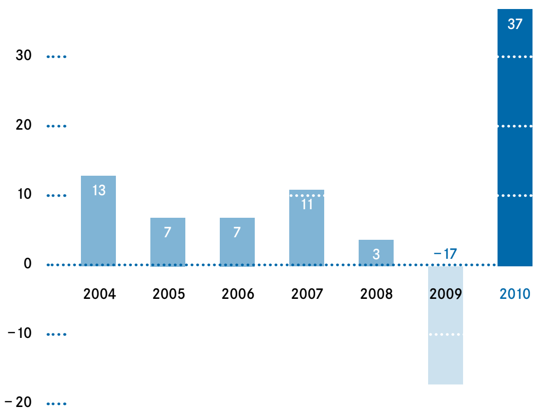
The global market for automation technology experienced one of its strongest growth periods from 2004 to 2007 with approximately 9 percent growth per year. In 2009 the market shrank by around 18 percent as a result of the financial and economic crisis. From 2010 this market will grow worldwide by around 5 percent. China is by far the most important growth region and the biggest market for automation technology. The demand for energy efficiency, information consistency and safety are the largest growth drivers.[9]

After a sharp decline of around 17 percent in 2009, the market for **sensor** and **measurement technology** emerged from its sales trough in the second quarter of 2009. Since then this market has been achieving continuous growth again and has now reached the pre-crisis level. According to the AMA (Association for Sensor Technology), sales growth of 37 percent is expected in 2010.

7 A recent study by the HWWI (Hamburgisches Wirtschaftsinstitut) commissioned by the HSH Nordbank reached this conclusion.
8 Global Sales Markets of German Medical Technology, Prospects and Forecasts 2020, HSH Nordbank
9 Global Automation Industry Study 2015, Roland Berger, November 2009

REVENUE FOR SENSORS AND MEASUREMENT TECHNOLOGY

Change compared to respective previous year in %



Source: AMA Fachverband für Sensorik

It is expected that the sensor and measurement technology industry will return to its usual annual growth rates of between 5 and 10 percent from 2011 on. Sensor technology is a key technology for all industrial sectors. Growth will mainly be driven by the trend towards more sensors, which are used in a large number of products. Sensors are a key component of many technical products from all application areas, such as medical technology, vehicles and industrial goods through to environmental protection and the health market.[10]

AUGUSTA generates approximately half of its sales revenue for sensor technology in the high-growth sub-markets of pressure and flow sensor technology. These systems are rounded off by humidity, temperature, fill level and gas measurement components. AUGUSTA targets the end customer segments of medical technology, the process industry, building services as well as the food industry. Market growth of up to 10 percent per year is predicted for sensor systems in the medical technology market in the coming years.

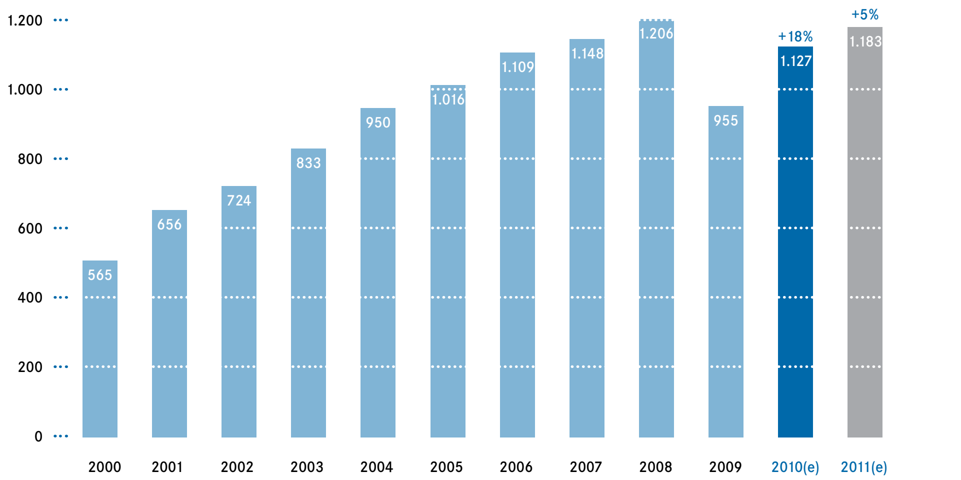
Market growth of up to 10 percent per year is predicted for sensor systems in the medical technology market in the coming years

After consolidation and a steep decline in 2009, **machine vision** has returned to its growth course. Growth on the German market in 2010 was even considerably higher than expected, at around 18 percent.

10 Sensor and Measurement Technology: Strong Growth in 2010, AMA Fachverband für Sensorik, 23.12.2010

TOTAL TURNOVER IN MACHINE VISION

Domestic und exports in EUR million



Source: VDMA Robotics + Automation

Growth for the European industrial image processing market was about 11 percent in 2010. In the medium to long term, market experts in the digital camera market are expecting growth rates of around 7 to 10 percent, although a relatively modest revenue increase of 5 percent is forecast for 2011. Despite the very pleasing current growth dynamics, the industry has still not yet reached the sales level of 2008. This will not be the case until 2012 at the earliest.

Market growth is also driven by customers increasingly replacing analog camera technology with digital camera technology. Furthermore, machine vision systems, which are used in automation, are increasingly replacing manual and visual quality control processes as well as traditional measuring systems.

Machine vision is also conquering applications outside the industry. Improved quality, greater reliability, and more safety and profitability are qualities which are equally sought after in non-industrial fields of application. The spectrum ranges from diagnosis in the medical field to safety, environmental technology, agriculture and science.

Applications relating to "3D measurement" now account for over 15 percent of the total market revenue

Growth potential resulting from technological innovations (3D applications) has been continuously increasing for years. Applications relating to "3D measurement" now account for over 15 percent of the total market revenue. By including the third dimension, vision technology is becoming more efficient and can economically deal with considerably more tasks.

Another technological growth driver is the increasing amount of standardization. Standardized interfaces make it easier to integrate individual vision technology components in a functional overall system.

International growth impetus comes from emerging countries. Vision technology offers emerging countries urgently needed technologies for increasing the quality and productivity of industrial production. Disproportionate growth in the vision technology industry can therefore be expected in the Asian markets in particular.[11]

AUGUSTA concentrates on the crucial interface technologies, FireWire and Gigabit Ethernet (GigE) in the vision technology business segment. While the FireWire interface covers mainly medical and traditional industrial applications, GigE cameras are used primarily in non-industrial areas such as traffic monitoring, security, medical technology and renewable energies and in the area of multimedia.

AUGUSTA concentrates on the crucial interface technologies, FireWire and Gigabit Ethernet (GigE) in the vision technology business segment

1.5. Consolidated Companies

With the sale of **DLoG GmbH**, AUGUSTA moved out of the **logistics automation** business area. AUGUSTA has thereby underlined its consistent strategic focus on the growth markets of tomorrow. DLoG was deconsolidated as of February 28, 2010 and is shown as a "discontinued business segment" in the statement of comprehensive income.

AUGUSTA activities in the Controls segment were focused on vision technologies as a result of the sale of DLoG. The Controls segment was therefore renamed Vision. Since then, the Vision and Sensors segments have been presented as such in the segment reporting.

AUGUSTA activities in the Controls segment were focused on vision technologies as a result of the sale of DLoG.

Furthermore, we acquired a 55.5 percent controlling interest in **P+S Technik GmbH**, headquartered in Munich, which was consolidated as of September 1, 2010. Founded in 1990, P+S Technik GmbH, headquartered in Ottobrunn, is one of the leading global suppliers of digital film cameras for the **entertainment and film industry**, as well as of digital film scanners and archiving systems

11 VDMA Robotics and Automation: Back on a growth course. 10/07/2010; The race to catch up has begun, VDMA. 9.11.2010

2. Earnings, Financial and Assets Position

2.1. Earnings

The fiscal year 2010 was the most successful in the company's history

AUGUSTA's clear focus on future growth markets has enabled it to cope successfully with the economic crisis and lay the foundations for disproportionate growth in the targeted niche markets. The fiscal year 2010 was the most successful in the company's history since its transformation into a technology company. Besides the general upturn, the structural adjustments, the expansion of the company's distribution activities in North America and Asia as well as the product offensive in 2009 have particularly contributed to the strong growth in terms of sales revenue, incoming orders and profitability. The international positioning, the orientation of the product range towards customers' long-term needs as well as health, comfort, security, efficiency and quality will also be key growth drivers in the future.

The restructuring of the Group was continued with the sale of the "logistics automation" division. The company was able to strengthen the Vision segment, one of its strategic priorities, by acquiring a controlling interest in P+S Technik.

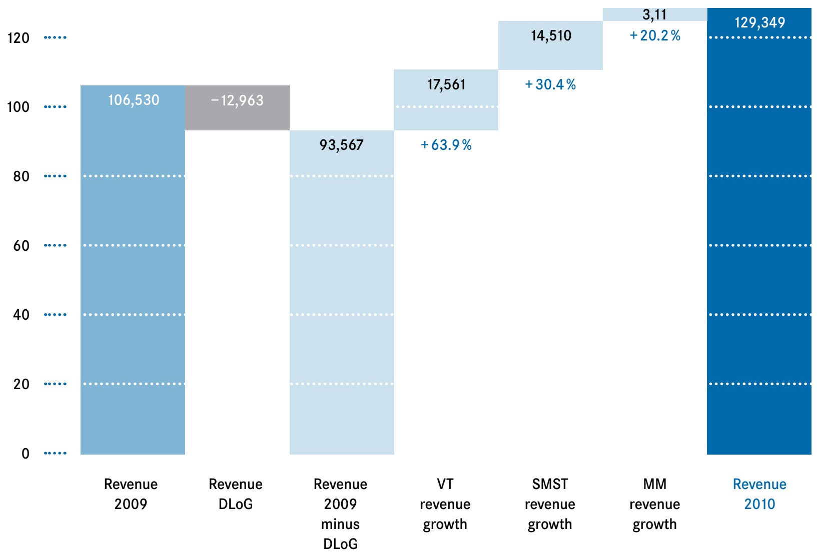
Overview of key performance indicators

KEY GROUP FIGURES IN EUR MILLION	FY 2010	FY 2009	CHANGE
Sales revenue	129.35	93.57	+38.2 %
Gross profit	53.14	37.22	+42.8 %
Gross margin	41.1 %	39.8 %	–
EBITDA	20.10	12.03	+67.2 %
Margin	15.5 %	12.9 %	–
EBIT	16.33	9.30	+75.6 %
Margin	12.6 %	9.9 %	–
EBT	15.81	7.74	+104.2 %
Margin	12.2 %	8.3 %	
Incoming orders	146.23	87.29	+67.5 %
Order book	52.54	38.77	+35.5 %

AUGUSTA increased its **sales** in fiscal year 2010 by 38.2 percent to EUR 129.35 million (previous year: EUR 93.57 million), and was thus substantially higher than the communicated forecast range of EUR 112 - 120 million. The fourth quarter was the strongest in terms of sales. With an increase of 39.7 percent compared to the previous year (EUR 25.92 million) sales rose in Q4 to EUR 36.20 million. In the first half of the year, sales were especially driven by the camera business, with the sensors segment providing momentum in the second half of the year.

REVENUES DEVELOPMENT 2009 TO 2010

in EUR thousand



At the end of the year, **gross profit** amounted to EUR 53.14 million (previous year: EUR 37.22 million), so at 41.1 percent the gross margin was 1.3 percentage points up on the previous year (39.8 percent). The successful launch of the products newly developed in the pr evious year and the optimization of manufacturing costs are reasons for the increase in the gross margin. The drastic general acceleration in demand has led to bottlenecks in the supply of electronic components and image sensors since the beginning of 2010. Associated price increases and a higher cost-of-sales ratio will put a slight strain on the gross margin in the future.

Expenses for **selling and marketing** rose from EUR 13.44 million in the previous year to EUR 16.75 million in 2010. As a result of strong sales growth in 2010, the selling and marketing ratio of 13.0 percent of revenue was down from the previous year's figure (14.4 percent). AUGUSTA had already stepped up its international sales efforts, regular attendance at trade fairs and the formation of new customer relationships during the crisis, a key basis for sustained corporate success.

AUGUSTA had already stepped up its international sales efforts during the crisis

An important component in the transformation into a technology company is the expansion of our own product expertise. Intensive development activity is essential to keep up with changed customer requirements and market trends. The further and redevelopment of our own products and the replacement of third-party products is a key issue within the AUGUSTA Group. In 2010, **development expenses** ran to EUR 7.58 million (previous year: EUR 6.19 million), which amounts to a share of 5.9 percent of sales (previous year: 6.6 percent).

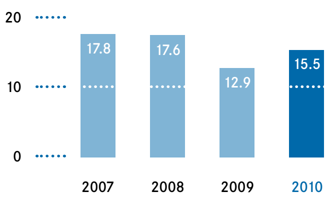
General and administrative expenses rose to EUR 13.63 million at the end of 2010 (previous year: EUR 8.61 million). The holding costs included therein amounted to EUR 4.15 million (previous year: EUR 2.31 million). The increase resulted from one-time higher costs of the Annual General Meeting, imputed personnel expenses due to the share option program, higher variable personnel expenses due to the highly positive earnings performance as well as intensified M&A activities, including an expansion of the Managing Board.

COST STRUCTURE IN THE GROUP IN EUR MILLION	FY 2010	FY 2009	CHANGE
Selling & marketing	16.75	13.44	+24.7 %
in % of revenue	13.0 %	14.4 %	–
Research & development	7.58	6.19	+22.5 %
in % of revenue	5.9 %	6.6 %	–
General & administrative expenses	13.63	8.61	+58.4 %
- of which AUGUSTA AG	4.15	2.31	
in % of revenue	10.5 %	9.2 %	–
Operating structural expenses	37.96	28.23	+34.5 %
in % of revenue	29.3 %	30.2 %	–

In 2010 AUGUSTA disproportionately increased its profitability in relation to revenue. **Earnings before interest, tax, depreciation and amortization (EBITDA)** increased to EUR 20.10 million; an increase of 67.2 percent (EUR 12.03 million) compared with the previous year. The EBITDA was somewhat higher than the guidance previously communicated of EUR 17 to 20 million. The EBITDA margin rose to 15.5 percent (previous year 12.9 percent) and is back in the targeted long-term range. In the fourth quarter the EBITDA margin stood at 13.2 percent (previous year: 11.8 percent), although acquisition costs, inventory valuations and higher personnel provisions had a negative impact on Q4 2010

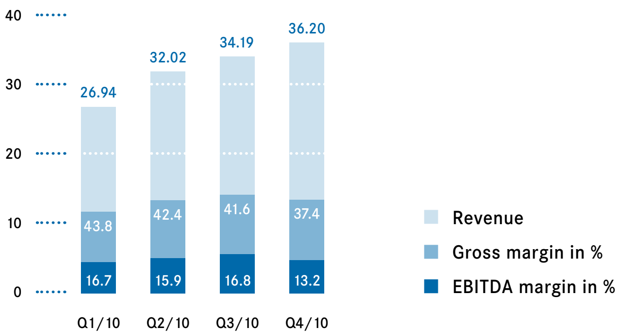
EBITDA MARGIN DEVELOPMENT ON A GROUP BASIS

in percent



DEVELOPMENT OF SALES REVENUE, GROSS MARGIN AND EBITDA MARGIN BY QUARTER

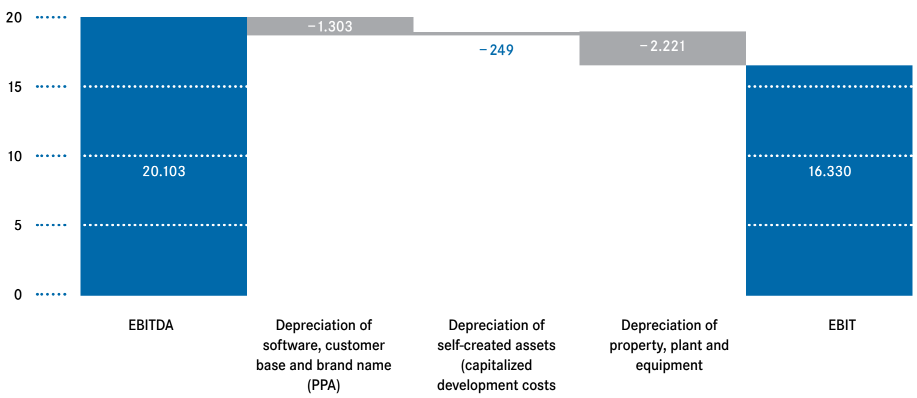
revenue in EUR million



As of the end of 2010, **depreciation and amortization** climbed to EUR 3.77 million compared to the previous year (EUR 2.73 million) (not including DLoG in both cases). Apart from the depreciation of assets, property, plant and equipment and self-created assets, this figure also includes the amortization of software, customer base and brand names (purchase price allocation – PPA) due to acquisitions.

RECONCILIATION OF EBIT TO EBITDA

in EUR thousand



Earnings before interest and taxes (EBIT) increased substantially by 75.6 percent to EUR 16.33 million (previous year: EUR 9.30 million) despite higher depreciation. The EBIT correspondingly stood at 12.6 percent and was therefore 2.7 percentage points up on the previous year's figure (9.9 percent).

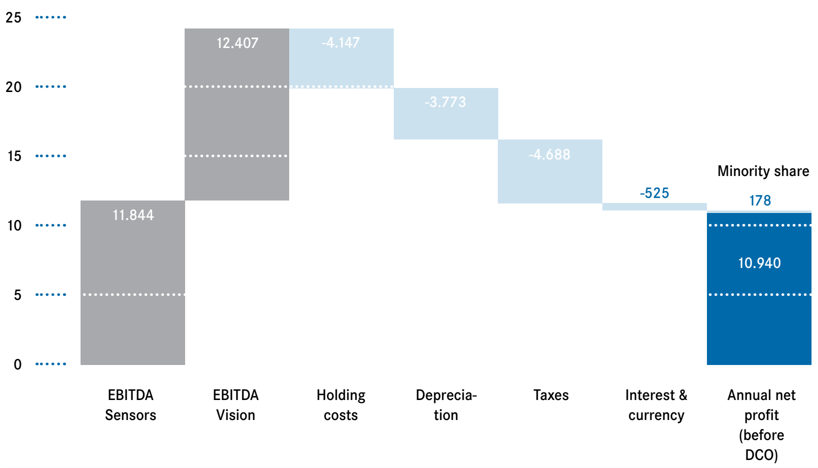
The Group's **tax rate** of 29.7 percent was slightly down from the previous year's level (31.5 percent).

__The earnings per share rose to EUR 1.44__

AUGUSTA acquisition activities have affected and will affect the Group's net income for the period and the earnings per share due to the depreciation from PPA. While the depreciation from PPA amounted to EUR 0.87 million in fiscal year 2009, it increased to EUR 1.30 million in 2010 due to acquisitions. Nevertheless, the **net income for the period from continued operations** at EUR 10.94 million could be more than doubled (previous year: EUR 5.27 million). The **earnings per share** rose correspondingly strongly to EUR 1.44 (previous year: EUR 0.69). Excluding the PPA depreciation, the net income for the period would come to EUR 12.42 million, resulting in earnings per share of EUR 1.61.

RECONCILIATION OF NET PROFIT FOR THE PERIOD

in EUR thousand

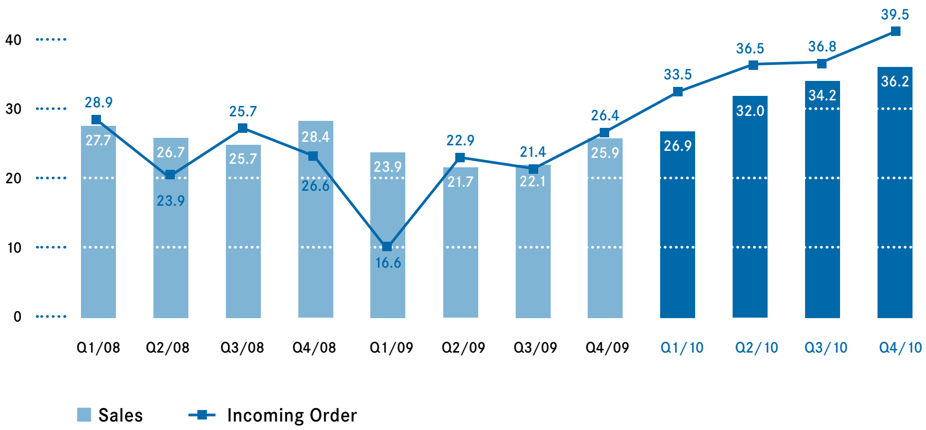


Incoming orders and order book

After the sharp decline in incoming orders at the beginning of 2009, they stabilized over the course of the year. AUGUSTA has posted a significant increase in incoming orders since Q4 2009. This persisted over the entire fiscal year 2010. Impetus came from all industries and regions. As of December 31, 2010 **incoming orders** stood at EUR 146.23 million and were therefore 67.5 percent up on the previous year (EUR 87.29 million). Quarter-on-quarter, incoming orders rose by 49.6 percent in the fourth quarter to EUR 39.47 million (previous year: EUR 26.38 million). The book-to-bill ratio has now been better than 1 for five quarters; for the fiscal year the figure is 1.13.

SALES AND INCOMING ORDER DEVELOPMENT BY QUARTER SINCE 2008

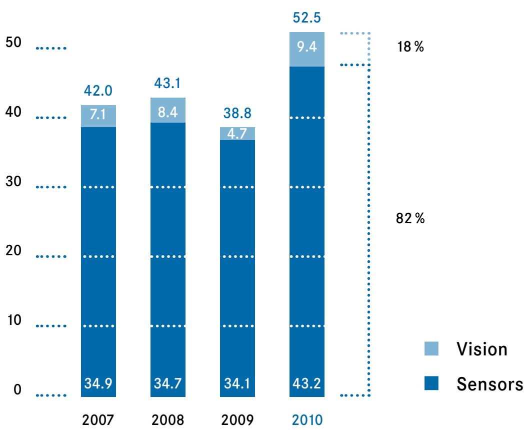
in EUR million



Order book also increased significantly compared to the previous year (EUR 38.77 million) to EUR 52.54 million at the end of 2010. Around 82.9 percent of order book involve the year 2011 and 17.1 percent concerned 2012 and after.

DEVELOPMENT OF ORDER BOOK

in EUR million



Development of regional sales revenue

Internationalization is central to the AUGUSTA expansion strategy. The expansion of business to other regional markets facilitates new growth on the one hand and an improved risk distribution for global revenue on the other. At the end of 2009, revenue generated outside Europe came to around 26 percent; at the end of 2010 it had already risen to 31 percent.

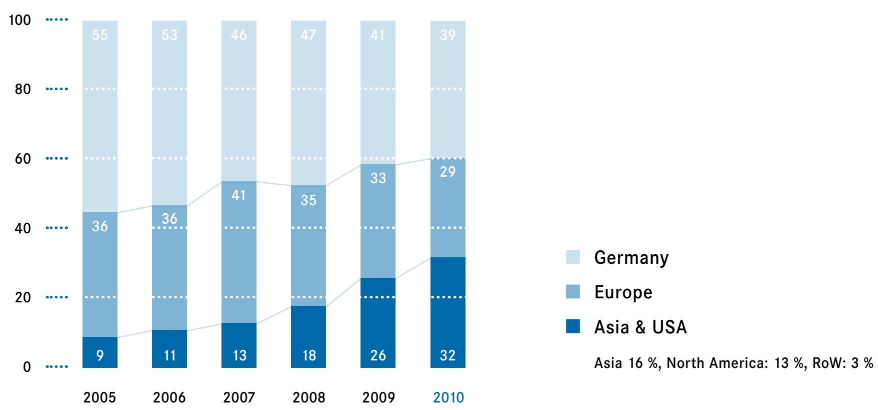
Revenue in Asia has more than doubled, due to large orders in the field of traffic monitoring

While growth in Germany (+31.9 percent), Europe (+25.0 percent) and North America (+22.7 percent) was more than 20 percent, revenue in Asia more than doubled, due to large orders in the field of traffic monitoring. The increase in sales in Asia is based on product relocations of large customers, growing domestic demand and the development of new customers.

AUGUSTA has now set up production and sales subsidiaries in all regions of the world. In the future, our marketing, development, procurement and production activities will remain focused on the Asia and North America regions.

DEVELOPMENT OF REVENUES DISTRIBUTION BY REGION

in percent



Segment reporting

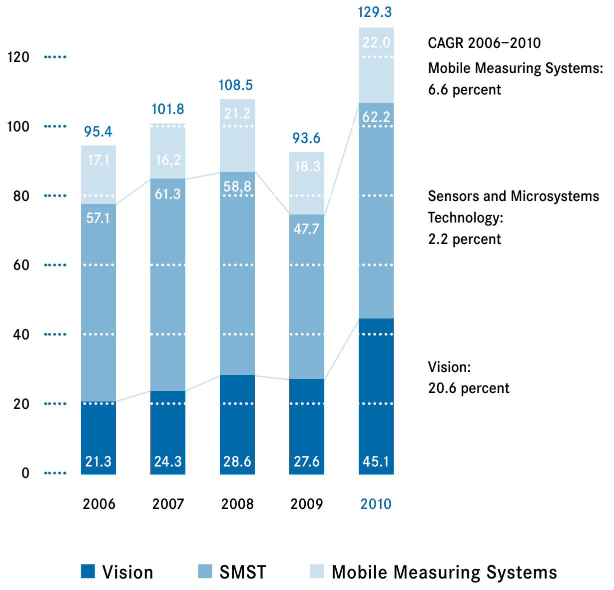
Sales revenue by segment

AUGUSTA business activities can be divided into the two segments Vision and Sensors

AUGUSTA business activities can be divided into the two segments Vision and Sensors. The Sensors segment in turn consists of the business segments Sensor Systems and Microsystems Technology (SMST) and Mobile Measuring Systems (MM). The MM business has developed with the market. In the SMST segment, revenue development was characterized by the restructuring of business activities from a traditional value-added distributor and EMS (Electronic Manufacturing Services) to a product and system supplier. The high-margin business was maintained, and the less-profitable distribution business discontinued. The Vision segment has grown disproportionately, and the revenue distribution has thus shifted in favor of this segment.

REVENUE DEVELOPMENT BY SEGMENT

in EUR million



Sales revenue by customer

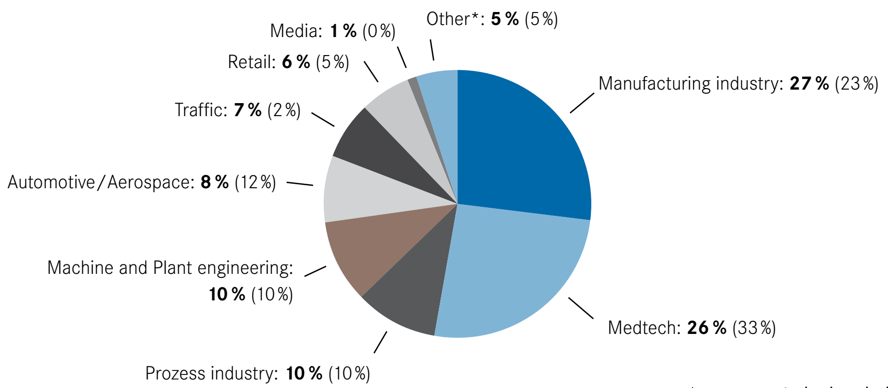
AUGUSTA concentrates on broad diversification of its sales sectors. In 2009, our customers from the machine and plant engineering and manufacturing industries suffered severely from the crisis. Markets that are less dependent on the economic cycle, such as the process industry, medical or traffic technology, proved to be stable even during the crisis. In 2010, we benefited disproportionately from the upturn across all industries.

No customer currently has a share of more than 3 percent in Group turnover. We see the biggest growth industries for our technologies in newly emerging niche markets, such as traffic, climate and energy technology.

No customer currently has a share of more than 3 percent in Group turnover

SALES REVENUE BY CUSTOMER

in percent (previous year's figures in brackets)



* e.g. energy, technology, logistics

Vision segment

Following the sale of the logistics automation division, the **Controls** segment was renamed **Vision**. The **Vision** segment consists of Allied Vision Technologies GmbH (AVT) with its subsidiaries and P+S Technik GmbH, which has been consolidated since September 1, 2010.

AVT was able to virtually compensate for the sharp slump in the market in 2009 with new applications in the GigE environment. Customers from plant and machine engineering, as well as the manufacturing industry had hardly placed any new orders at the beginning of 2009. Since the end of 2009, the demand for digital cameras has risen again. The global market for vision technology systems recovered quickly in 2010 after the crisis. New products and the development of new markets, both geographically and in terms of specific applications, by AVT have also been instrumental to growth.

5 percent of Vision's revenue is already generated in the field of "traffic technology"

In addition to the traditionally strong medical technology segment, the company has greatly expanded its position in the market for non-industrial applications, e.g. intelligent traffic guidance and monitoring systems (ITS). 15 percent of Vision's revenue is already generated in the field of "traffic technology" – a market for which over 20 percent growth per year has been predicted.

Sales are up across all AVT's regional markets, with the most growth coming from Asia. This stems from the use of optical sensors in large infrastructure projects and rising demand for digital cameras in machine and plant engineering, in electro-technology and industrial manufacturing. To offer customers and partners in the Asian market even better service, AVT opened a sales office in Singapore in mid March 2010. The establishment of AVT Asia Ltd. represents another milestone within the framework of the global internationalization strategy after the successful establishment of the AVT subsidiary in the USA (AVT Inc.) in 2006 and the acquisition of AVT Canada Inc. in 2008. The current positive market trend in Asia will be an engine for sales growth in 2011 and beyond.

Impetus in Europe came particularly from production, the manufacturing industry as well as automation technology. Despite a restrained mood in the USA, positive order trends began to emerge at the end of 2010 in the area of automation solutions.

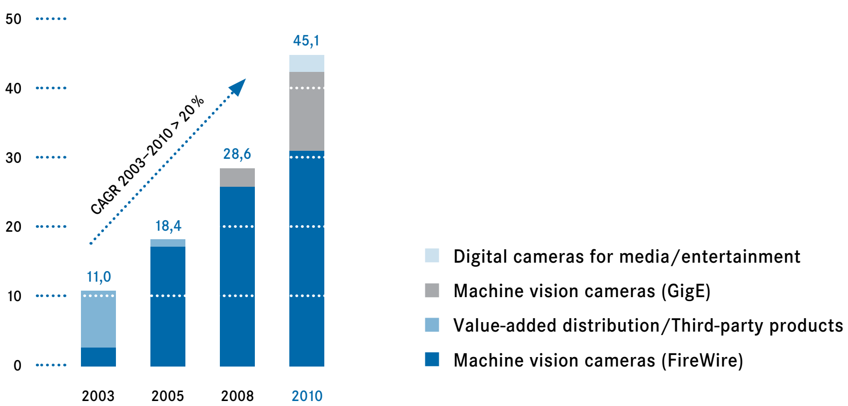
AVT successfully launched two new camera families on the market, which were already presented at the end of 2009, i.e. the Prosilica GX in the top price segment and the Manta in the low price segment. Both camera series rely on the new GigE interface. The revenue from GigE Vision cameras, which are primarily used in new applications with high requirements in terms of data volume and transmission rates, has more than doubled compared to the previous year.

The revenue from GigE Vision cameras has more than doubled compared to the previous year

The business in FireWire cameras also posted strong growth with increased revenue of around 30 percent.

VISION: REVENUE DEVELOPMENT OF RESPECTIVE CAMERA INTERFACES

in EUR million



In the near future, the main goal is to strengthen the OEM business, to establish the already very positively progressing outdoor imaging business, especially in the area of intelligent traffic solutions, and to increase attention to Chinese regions. An extension of activities to other BRIC countries (Brazil, Russia, India) is in the pipeline.

As of September 1, 2010, we acquired a controlling interest in **P+S Technik** GmbH, headquartered in Munich, Germany. P+S Technik, founded in 1990, is one of the most innovative providers in the film camera market, whose products enable special, extraordinary pictures. Thus, we have invested in the growth market of digital film cameras, which is currently undergoing significant changes. To increase the efficiency and reduce the cost of film production, conventional film cameras with celluloid film reels, as well as broadly applied video technology, are increasingly being replaced by digital film cameras. We intend to benefit from the growth opportunities associated with the digitalization of the film industry and further extend our existing vision activities in the field of media and entertainment.

P+S Technik's range of products includes a modular digital film camera, a high-speed film camera and a wide variety of film-related accessories needed for the production of films in 3D format. The fact that P+S Technik is setting new standards in its area is also highlighted by the CINEC Award 2010 that the company received at the end of September 2010. P+S Technik received this award for its revolutionary 16-mm digital magazine. This product facilitates the transition from conventional camera technology with film reels to filming with digital technology, since the opto-mechanical camera technology, including the view finder for the cameraman, does not need to be replaced, thus enabling smooth utilization for digital recording technologies.

AUGUSTA enables the transition from conventional camera technology with film reels to filming with digital technology

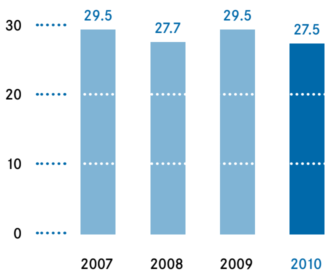
KEY FIGURES FOR VISION IN EUR MILLION	FY 2010	FY 2009	CHANGE
Sales revenue	45.06	27.50	+63.9 %
Gross profit	22.99	14.80	+55.4 %
Margin	50.9 %	53.8 %	–
EBITDA	12.41	8.11	+53.1 %
Margin	27.5 %	29.5 %	–
EBIT	10.55	6.98	+51.2 %
Margin	23.4 %	25.4 %	–
Incoming orders	51.60	24.15	+113.7 %
Order book	9.39	4.67	+101.1 %

Revenue in the **Vision** segment increased by 63.9 percent to EUR 45.06 million (previous year: EUR 27.50 million). As expected, the fourth quarter was a very strong one with quarterly revenues of EUR 11.82 million (previous year: EUR 7.55 million). The revenue share of P+S Technik, which was acquired on September 1, 2010, amounted to approximately EUR 1.69 million. As a result of acquisitions and higher material costs, the gross margin fell for the year as a whole to 50.9 percent, whereas in the previous year it was 53.8 percent.

The EBITDA at EUR 12.41 million rose year-on-year by 53.1 percent (previous year: EUR 8.11 million). Cumulative earnings before interest and taxes (EBIT) rose to EUR 10.55 million (previous year: EUR 6.98 million). Profitability was still at a very high level, with an EBITDA margin of 27.5 percent (previous year: 29.5 percent) and an EBIT margin of 23.4 percent (previous year: 25.4 percent). As expected the acquired P+S Technik has not made a positive contribution to profits. We see an investment for the future in this controlling interest, and are not expecting positive profit contributions until 2012.

VISION: EBITDA MARGIN DEVELOPMENT

in percent

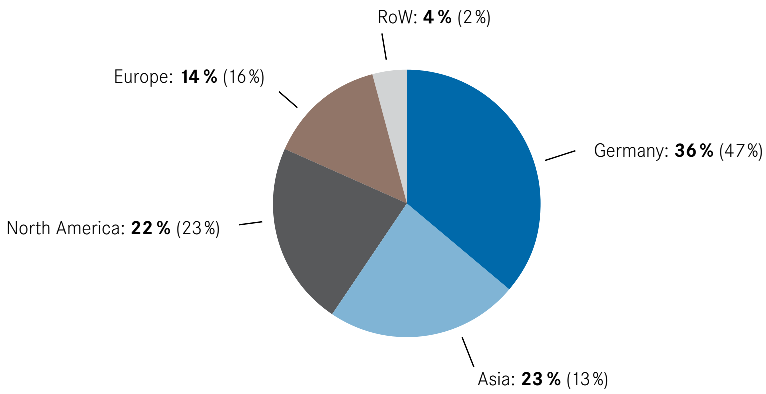


Incoming orders underwent an extremely positive development, reaching a cumulative total of EUR 51.60 million by the end of December 2010 (previous year: EUR 24.15 million). The book-to-bill ratio was better than 1 during the whole year; at the end of 2010 it was 1.15. At EUR 9.39 million, the order book doubled compared to the previous year (EUR 4.67 million). Some 98 percent of the order book involve the year 2011.

Vision: Segment distribution of revenue by region and customer group

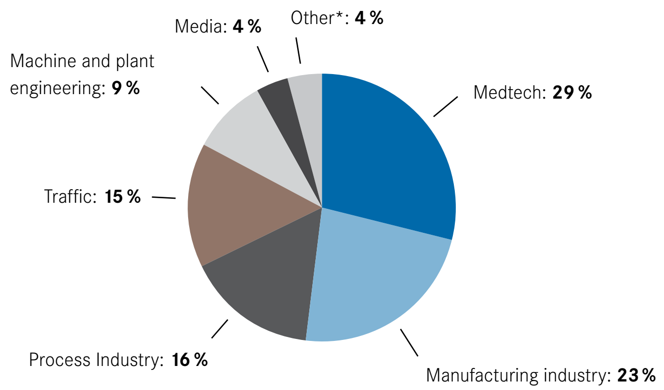
VISION: REVENUE DISTRIBUTION BY REGION

in percent (previous year's figures in brackets)



VISION: REVENUE DISTRIBUTION BY SEGMENT

in percent



* e.g. energy, technology, logistics

Sensors segment

The **Sensors** segment comprises the Sensortechnics Group, to which ELBAU GmbH and Klay Instruments B.V. belong, as well as HE System Electronic for the domain of sensor systems and microsystems technology in addition to mobile measuring systems (Dewetron GmbH).

In the **Sensors and Microsystems Technology (SMST)** segment, the restructuring of business activities from a traditional value-added distributor and EMS (electronic manufacturing services) to a product and system supplier has progressed very well. We have forged ahead with developing pressure and flow sensors, humidity, gas and temperature sensors internally as well as expanding the product range in the fill level area. At the same time, our dependency on suppliers has been gradually reduced.

Above all customers from industry and plant and machine engineering increased their demand for sensors and microsystems.

After feeling the impact of the reluctance to invest, particularly among customers in industry and the electronics sector in the crisis year 2009, the **Sensortechnics Group** was able to benefit disproportionately from a revival of its sales markets in 2010. Above all customers from industry and plant and machine engineering increased their demand for sensors and microsystems. Orders from these customer groups were around 35 percent up on the previous year. A number of new projects from the areas of medicine, energy, security, semiconductors and entertainment as well as the automotive industry also contributed to the strong growth. For some years, the Sensortechnics Group has also been targeting environmental technology, home automation, and air-conditioning with its sensors and microsystems, i.e. sales markets which are increasingly gaining in importance. The demand for optosensor components has increased substantially as well. Overall, the microsystems technology area is greatly benefiting from design-ins and projects of the prior year that are now being rolled out.

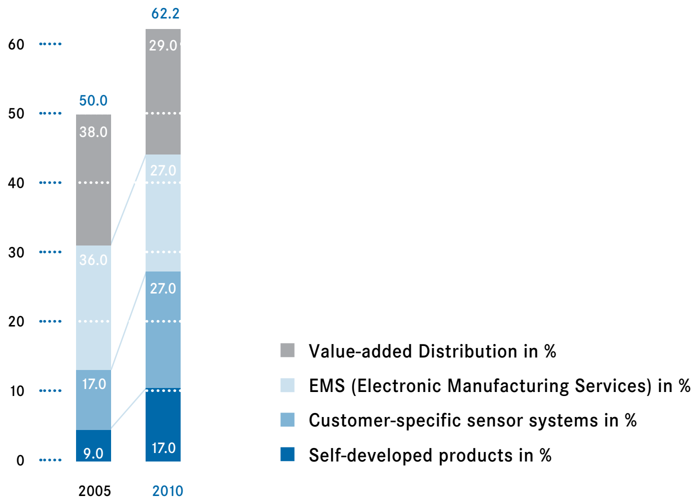
In May 2010, the Sensortechnics Group presented innovative high-precision pressure sensors at the Sensor + Test trade fair in Nuremberg, including the new LBA platform for highly sensitive very-low differential pressures. As a result of the new design, the flow channel is integrated in the chip. Due to the resulting minimum flow, the sensor is resistant to dust and humidity and is thus ideal for breathing and air-conditioning technology applications.

Further progress was thus made toward the strategic goals of supplier independence and creating increased own value through sensor products. Sales of sensors and systems from our own production, which are developed independently or in collaboration with strategic technology partners, went up by almost 50 percent compared to the previous year. Examples of sensor families from our own production in medical technology are a widely-used capacitive level sensor and a new humidity sensor for incubators in the care of premature newborns. Orders were also acquired for our own sensors in the area of breathing technology, in which sensors are used on the basis of the HC/HD platform. This increased the strategically-focused share in the total revenue with our own products accordingly.

Sales of sensors and systems from our own production went up by almost 50 percent compared to the previous year

SENSORS: REVENUE DEVELOPMENT BY PRODUCT GROUP

in EUR million



As a result of the high demand for the new sensors that we developed ourselves, the production plant set up in 2009 could be utilized to a greater extent. Expansion was delayed by just under a year due to the economic crisis.

The transformation of the EMS business (Electronic Manufacturing Services) of **HE System Electronic** from a conventional made-to-order producer of electronic products into a system provider of complex sensor systems and power electronics is progressing. After a severe slump in 2009, HE recovered considerably in 2010. All customer relationships were scrutinized for importance and profitability and new larger and more profitable projects were started.

Customers from the automotive and railway industries, consumer goods, energy, and medical technology placed more new orders in 2010 and reactivated their existing framework agreements. The share of the systems business in the total revenue of HE rose continuously. The project pipeline includes new large projects with a considerable revenue volume. Following a development phase of three years, in collaboration with a leading manufacturer of operation utilities, mass production of the medical blood pressure sensor has now been launched. An order volume of several million euros is expected. New production methods are being introduced for automotive applications, e.g. sinter technology enabling the development of microsystems that are much more resistant to vibration and shock.

Dewetron GmbH was hit by the crisis with a time lag in the domain of **mobile measuring systems**. While the trend in Germany and Europe was very positive and the Asian market revived in the course of the year, the US market, which had been very strong in 2009, was weaker in 2010. Dewetron was able to grow again significantly in the second half of 2010. The sharp increase in incoming orders, new orders from the automotive sector, as well as the aerospace industries and steady growth in China and Korea led to an excellent Q4 2010, as expected.

Dewetron prepared for opportunities for future growth in electrical and hybrid vehicles in 2010 and supplemented its product range with suitable measuring technology functions.

Another issue is "active and passive" safety in vehicles

Another issue is "active and passive" safety in vehicles. European automotive manufacturers in particular are leading in this field, which gives them a competitive edge over competitors from the Far East. Dewetron, which has been addressing this subject for several years, presented the first measuring devices available on the market for testing the functional safety of vehicle systems.

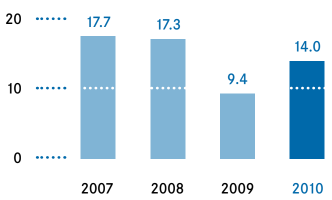
KEY FIGURES FOR SENSORS IN EUR MILLION	FY 2010	FY 2009	CHANGE
Sales revenue	84.29	66.07	+27.6 %
Gross profit	30.15	22.42	+34.5 %
Margin	35.7 %	33.8 %	–
EBITDA	11.84	6.23	+90.0 %
Margin	14.0 %	9.4 %	–
EBIT	9.98	4.69	+112.9 %
Margin	11.8 %	7.1 %	–
Incoming orders	94.63	63.14	+49.9 %
Order book	43.15	34.10	+26.6 %

In total, the **Sensors** segment generated sales revenues of EUR 84.29 million, an increase of 27.6 percent over the previous year (EUR 66.07 million). On a quarterly basis, revenue increased in Q4 by 32.7 percent to EUR 24.38 million (previous year: EUR 18.37 million). At 35.7 percent, the gross margin surpassed that of the previousr year (33.8 percent). Overall, the Sensors segment was not able to translate the upturn into solid growth until mid 2010.

The profitability of the Sensors segment substantially improved. In the previous year one-off restructuring measures by HE System Electronic had reduced earnings by around EUR 0.8 million. The EBITDA increased at the end of the fiscal year 2010 by 90.0 percent to EUR 11.84 million (previous year: EUR 6.23 million). The increase in cumulative earnings before interest and taxes (EBIT) was even more dramatic and at EUR 9.98 million more than doubled year-on-year (previous year: EUR 4.69 million). The EBITDA and EBIT margins are again in the two-digit range, with 14.0 and 11.8 percent respectively (previous year: EBITDA margin 9.4 percent, EBIT margin 7.1 percent).

SENSORS: EBITDA MARGIN DEVELOPMENT

in percent



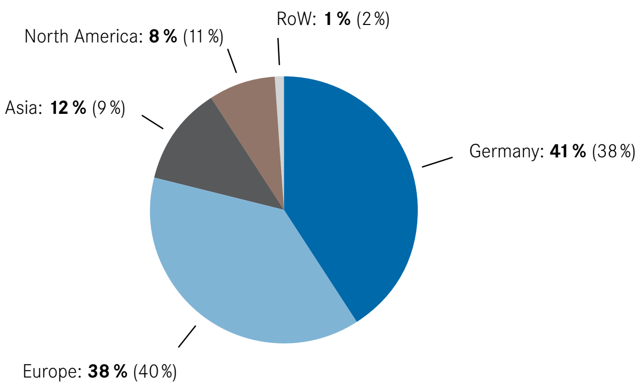
Incoming orders totaled EUR 94.63 million, approximately 49.9 percent over the previous year (EUR 63.14 million). The book-to-bill ratio for the year as a whole of 1.12 suggests a continuation of the positive trend at least in the first half of 2011. The order book at the end of the fourth quarter 2010 amounted to EUR 43.15 million, an increase of 26.6 percent (previous year: EUR 34.10 million). About 80 percent of the order book involve the year 2011.

About 80 percent of the order book involve the year 2011

Sensors: Segment distribution of revenue by region and customer group

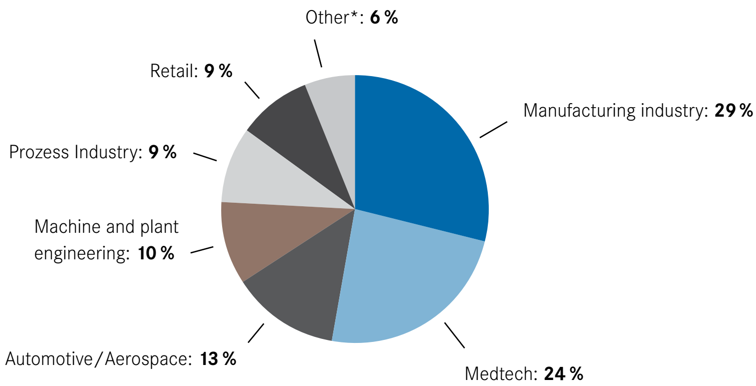
SENSORS: REVENUE DISTRIBUTION BY REGION

in percent (previous year's figures in brackets)



SENSORS: REVENUE DISTRIBUTION BY SEGMENT

in percent



* e.g. energy, technology, logistics

2.2 Financial Position

Key features and objectives of financial managements

Financial management at AUGUSTA focuses on securing the company's liquidity and controlling it efficiently centrally across the group. Financing issues are dealt with by AUGUSTA Technologie AG or coordinated in cooperation with the subsidiaries concerned. The key financials, with an equity ratio of 63.4 percent, remain above average for a medium-sized company at the end of fiscal year 2010.

Financial management

AUGUSTA had **cash** ***and*** **cash equivalents** ***of EUR 34.82 million***

As of December 31, 2010, AUGUSTA had **cash** and **cash equivalents** (incl. marketable securities) of EUR 34.82 million (previous year: EUR 20.99 million). In the first quarter, the sale of DLoG generated cash proceeds of approximately EUR 12.3 million, while in the second quarter EUR 2.3 million were distributed as dividends. Additionally, debts were redeemed in the amount of EUR 5.2 million and the controlling share in P+S Technik was financed using our own funds totaling EUR 2.6 million.

The Group's interest-bearing liabilities amounted to EUR 24.44 million (previous year: EUR 25.58 million). This mainly includes financing for the acquisition of AVT Canada Inc., the Dewetron companies in the USA and Asia, the start-up of ELBAU in Singapore, as well as higher current account utilization due to the inventory increase.

The Group's **net liquidity** at the end of 2010 amounted to EUR 10.38 million (previous year: net debt of EUR 4.59 million).

Overview of cash flow

Cash flow from operations came to EUR 12.78 million at the end of the fiscal year (previous year: EUR 11.82 million). Overall, the ratio of operating cash flow to EBITDA (cash conversion) reduced to 64 percent in 2010, due to the build-up of working capital.

The **cash flow from investment activities** reached a figure of EUR 6.45 million as of December 31, 2010 (previous year: EUR 3.30 million). This figure reflects the sale of DLoG in the first quarter (EUR +12.3 million) and the acquisition of a controlling interest in P+S Technik (EUR -2.6 million).

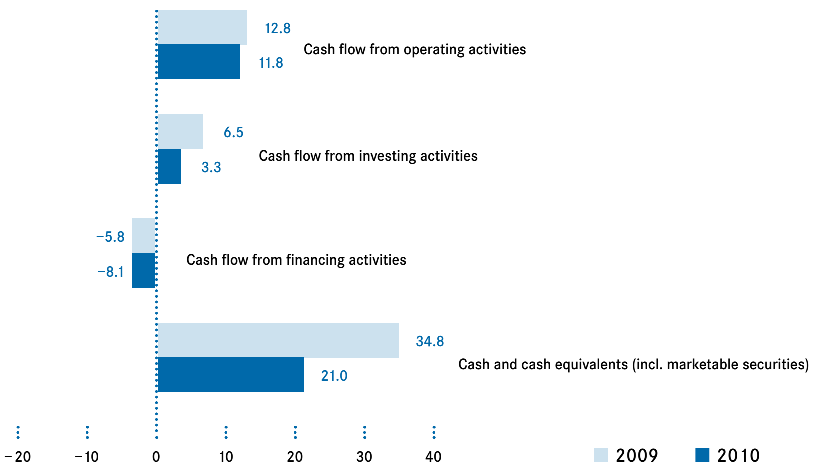
The **free cash flow** amounted to EUR 19.23 million at the end of 2010 (previous year: EUR 15.12 million).

As of December 31, 2010, the **cash flow from financing activities** amounted to EUR -5.81 million (previous year: EUR -8.08 million). This figure includes the dividend payment of EUR 2.3 million and the further repayment of current loans.

OVERVIEW OF CASH FLOW IN EUR MILLION	FY 2010	FY 2009
Cash flow from operating activities	12.78	11.82
Cash flow from investment activities	6.45	3.30
Free cash flow	19.23	15.12
Cash flow from financing activities	−5.81	−8.08

CONSIDERATION OF CASH FLOW

in EUR million



Investments, amortization and depreciation

In fiscal year 2010, a total of EUR 1.15 million was invested in intangible assets (previous year: EUR 1.11 million) and EUR 1.98 million in property, plant and equipment (previous year: EUR 2.60 million), without including additions from the acquisition of P+S Technik GmbH and without taking into account DLoG.

AUGUSTA generally amortizes intangible assets and depreciates property, plant and equipment using the straight-line method over their usual useful life. The depreciation of property, plant and equipment at EUR 2.22 million was slightly higher than the level last year (previous year: EUR 1.82 million). The scheduled amortization of intangible assets was EUR 1.55 million (previous year: EUR 2.90 million).

The depreciation of self-created intangible assets through research and development activities amounted to EUR 0.25 million in 2010 (previous year: EUR 0.53 million).

The depreciation from Purchase Price Allocation (PPA) increased due to acquisitions and investments (AVT Canada, P+S Technik GmbH). Compared to the previous year (EUR 0.87 million) it totaled EUR 1.30 million in 2010.

2.3. Assets Position

Asset and capital structure

The changes in the balance sheet were mainly due to the deconsolidation of DLoG GmbH in the first quarter and the acquisition of a controlling interest in P+S Technik GmbH as of September 1, 2010.

As of December 31, 2010, the **balance sheet total** increased compared to the figure as of the end of the fiscal year 2009 and stood at EUR 168.13 million (December 31, 2009: EUR 142.44 million). The balance sheet total of P+S Technik was EUR 6.0 million. The distribution of purchase price installments already paid and other potential earn-out components have also been taken into consideration.

KEY DATA BALANCE SHEET IN EUR MILLION	FY 2010	FY 2009	CHANGE
Goodwill	57.54	63.44	−9.3 %
Cash and cash equivalents, and other current financial assets	34.82	20.99	+65.9 %
Total assets	168.13	142.44	+18.0 %
Net liquidity	10.38	−4.59	–
Equity ratio	63.4 %	67.0 %	–
Enterprise Value	108.81	87.12	+24.9 %

Overview of balance sheet structure

On the **assets side**, the goodwill fell slightly to EUR 57.54 million, due to the deconsolidation of DLoG and the initial consolidation of P+S Technik (December 31, 2009: EUR 63.44 million), which corresponds to about 54.0 percent of the equity (end of the fiscal year 2009: 66.5 percent).

As a result of the consolidation of P+S Technik at the end of the fiscal year, **non-current assets**, including intangible assets, increased to EUR 90.10 million (EUR 88.42 million). **Current assets** increased to EUR 78.04 million (December 31, 2009: EUR 54.02 million).

The increase in working capital is disproportionate to the revenue increase

Working capital (trade receivables plus inventories minus trade payables) increased by around 33.1 percent to EUR 31.45 million (previous year: EUR 23.63 million). Of this amount, EUR 3.23 million came from the initial consolidation of P+S Technik. The increase results from the higher business volume, as well as the necessary development of buffer stocks due to delivery bottlenecks. The increase in working capital is disproportionate to the revenue increase. The working capital ratio, i.e. the ratio of working capital to revenue, thus fell by 25.3 percent to 24.3 percent.

The **Days of working capital (DWC)** stood at 89 days at the end of fiscal year 2010 (December 31, 2009: 92 days). **Days of sales outstanding (DSO)** totaled around 41 days in 2010 (previous year: 50 days).

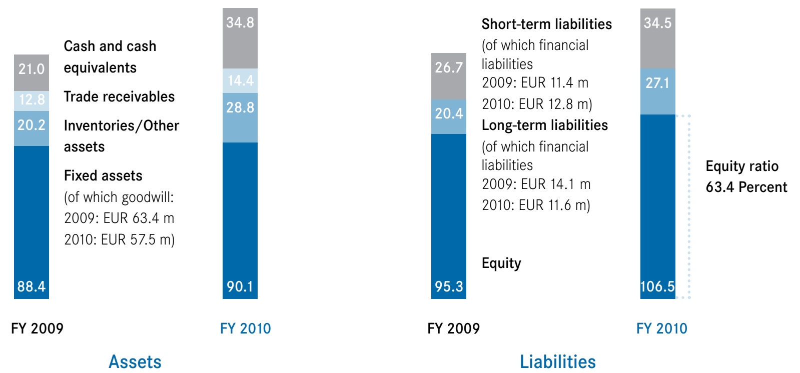
On the **liabilities side**, **equity** increased to EUR 106.55 million (previous year: EUR 95.37 million). At 63.4 percent, the equity ratio is down on the previous year's level (67.0 percent) as of December 31, 2010 due to the acquisition of P+S Technik, although this is still a very respectable figure for a German midmarket company.

Current liabilities increased compared to the previous year (EUR 26.68 million) to EUR 34.49 million. **Non-current liabilities** went up as of the end of the fiscal year 2009 to EUR 27.10 million (December 31, 2009: EUR 20.39 million). This is due to the potential financial liability arising from the full takeover of P+S Technik GmbH.

The excellent **balance sheet ratios** at AUGUSTA also further improved in 2010. They are proof that the Group's finances and balance sheet are sound, which offers scope for further external growth.

OVERVIEW OF BALANCE SHEET

in EUR million



Enterprise value

In the 2007 and 2008 years, treasury shares worth a total of EUR 12.20 million were bought back as part of the share buyback program. Taking the market capitalization of EUR 132.44 million as of December 31, 2010 (previous year: EUR 91.69 million) into consideration, enterprise value totaled EUR 108.81 million (previous year: EUR 87.12 million).

DERIVATION OF ENTERPRISE VALUE	FY 2010	FY 2009
Number of shares issued (in millions)	8.44	8.44
Share price in EUR as of balance sheet date	15.70	10.87
Market capitalization in mEUR	132.44	91.69
Number of treasury shares	0.84	0.84
Minus value of treasury shares in mEUR	13.24	9.17
+ Borrowing (short- and long-term loans)	24.44	25.58
- Cash and cash equivalents	34.82	20.99
= Enterprise value in mEUR	108.81	87.12

3. Non-financial Performance Indicators and Other Success Factors

3.1. Sustainable and Responsible Conduct, Environmental and Quality Management

Sustainable management is the basic requirement for long-term success, and this also applies to AUGUSTA Technologie AG. Sustainability means positioning our company in a future-proof manner and already thinking about tomorrow today. We attach special importance to long-term customer relationships and accept social and ecological responsibility. We strive to master the art of balancing economic success with social justice and environmental compatibility.

We attach special importance to long-term customer relationships and accept social and ecological responsibility

The Managing Board and the management team are convinced that a company can be more successful in the long term and operate more sustainably than other companies if it has a well thought-out business model and a strategy adapted to the market conditions and is managed on the basis of clear, socially responsible principles. For this reason, it has defined a standard set of corporate values for all Group companies that communicate the company's philosophy and activities to stakeholders in a clear and understandable way. The five corporate values of **leading**, **open minded**, **entrepreneurial**, **responsible** and **reliable** are a binding element anchored in the various subsidiaries. The **Code of Ethics** was defined on the basis of these values and serves as a compass for the conduct of all employees in the AUGUSTA Group worldwide.

The companies in the AUGUSTA Group continuously strive to combine innovation and business success with stringent quality standards and careful handling of resources and the environment. By proper storage of hazardous substances, emission protection, and professional disposal of residual and special waste, we keep environmental risks and health hazards in the workplace to a minimum. Furthermore, great efforts have been made to limit the amount of hazardous substances in components of electronic devices.

Any certification necessary for the market is put in place promptly, and successfully implemented in all Group companies with an eye to the requirements of our customers.

3.2. Research and Development

Our aim is to expand the broad product range and to constantly improve the products on the market

We offer our customers innovations and leading technological products. Our aim is to expand the broad product range and to constantly improve the products on the market. We concentrate on increasing efficiency and effectiveness. We know the needs of our customers and work very closely with them. Research and development is therefore a continuous core issue for us in the long term, even in times of crisis. We can thus expand our leading marketing position and clearly differentiate ourselves from the competition.

The development of innovative technologies and new approaches to problems usually takes place in the context of contract projects. Basic research is not carried out.

In the 2010 fiscal year, the AUGUSTA Group invested EUR 7.58 million gross in research and development group-wide (previous year: EUR 6.19 million). That corresponds to 5.9 percent of consolidated sales revenue (previous year: 6.6 percent). Furthermore, EUR 0.69 million was capitalized in 2010 due to new, innovative products, and is being depreciated over 5 years (previous year: EUR 1.62 million).

In the **Sensors and Microsystems Technology** segment the Sensortechnics Group continuously works on new developments and expanding its own product portfolio. In addition to the existing product platforms HC, HD and LBA for the pressure and fill level area; work is also being done on new types of sensor solutions and systems for other measurement variables such as gas, flow and humidity. Continuous expansion of the product portfolio and new developments open up the possibility of intensifying existing customer relationships and developing new market segments, particularly in the field of medical technology.

HE System Electronic was already working on customer-specific solutions and systems in the crisis year 2009 and brought them to market maturity in 2010.

In the **Mobile Measuring Systems (MM)** segment **Dewetron** works on standard products and solutions for multi-functional measuring systems for data evaluation.

Development expenses in the **Sensors** division amounted to EUR 4.77 million in 2010, or 5.6 percent of the segment's revenues (previous year: EUR 4.39 million; 6.6 percent of segment revenues).

In the **Vision** segment, the **Allied Vision Technologies Group** continuously works on technical innovations and rounding off the product range. Overall the AVT Group launched several extensions and complements to the product portfolio in 2010. P+S Technik GmbH has mainly invested in further expanding its internal organizational structures in order to position itself as a premium provider of digital film cameras.

Development expenses in the **Vision** division amounted to EUR 2.81 million in 2010, or 6.2 percent of the segment's revenues (2008: EUR 1.80 million; 6.5 percent of segment revenues). Capitalization in 2010 amounted to EUR 0.69 million (previous year: EUR 1.62 million).

3.3. M&A Activities and Financing

The global M&A market is picking up

Growth forecasts, business climate, export figures all indicate that the economic crisis is over. The global M&A market is picking up. Since 2009 virtually only crisis transactions and small takeovers have been carried out. The number and size of transactions is currently on the increase. Yet the record levels of 2007 are still a long way off. A continuation of this trend can be observed for 2011, namely a recent survey by Thomson Reuters and Freeman Consulting came to the conclusion that the global M&A volume might top the USD 3 billion mark again in 2011 for the first time – in 2007 the figure was USD 4.28 billion. Strategists are not only becoming less cautious, private equity investors are also rushing back to the market. The growing competition is pushing up valuation factors and prices.

In Germany the mergers and acquisitions business was in a period of transition in 2010. In 2011 experts are predicting a volume increase of around 25 percent to over EUR 100 billion. Rising corporate profits and market consolidation are the main drivers for forthcoming mergers.

M&A focus

With the sale of DLoG GmbH, AUGUSTA continued this focus and moved out of the logistics automation business area in 2010. The investment in P+S Technik in September was a further step in the acquisition strategy for the Vision Technology segment of adding a new promising segment to extend our market competence in the area of digital cameras.

In addition to strong, organic development, the emphasis is on growth via acquisitions and focusing on business areas. The Vision Technology segment, that is to say the entire range of applications for optical sensors and digital camera systems, is our main focus within the scope of the acquisition strategy. The perception and positioning of AUGUSTA as camera manufacturer in the field of vision technology is already very high, thanks to our subsidiary Allied Vision Technologies. This market segment is highly fragmented, presenting attractive and strategically important acquisition opportunities.

We want to extend our position in the different sectors of the Vision market in the future and establish AUGUSTA in the consciousness of customers, partners and investors as a leading vision technology company in larger market niches. These markets include machine vision, traffic automation, the monitoring market, and new applications in the field of medical technology, renewable energies and media/entertainment. Besides purely the camera business, we are also considering the acquisition of software and system know-how as a means of extending our existing Vision activities along the vertical value chain.

The challenge will be to increase growth by AUGUSTA both organically and through sensible acquisitions while simultaneously keeping the price of acquisitions down

Valuation multiples in the attractive “Vision” growth markets have also remained high during the crisis and some are significantly higher than those of AUGUSTA. Nevertheless, particularly the markets mentioned above are of special interest to AUGUSTA in the long term due to their considerable growth momentum. The challenge will be to increase growth by AUGUSTA both organically and through sensible acquisitions while simultaneously keeping the price of acquisitions down. Our goal in the medium term is to establish ourselves among the top 3 in the global Vision market and not just as a camera manufacturer.

In the Sensors segment, the focus is on strategic partnerships, further development of our own products and therefore organic growth.

Acquisition financing

Confidence is returning to commercial banks. The AUGUSTA Group has become more attractive as a strategic buyer for financing partners, given its very solid balance sheet in the current market situation. Given our stable cash flow and our net liquidity, we are still able to obtain external finance on attractive terms from our principal banks. Based on the current situation, we see a further leverage capability of at least EUR 50 million. Our cash and cash equivalents of EUR 34.8 million, repurchased shares amounting to 10 percent of the share capital and the possibility of a capital increase approved by the Annual General Meeting represent additional financing options. Sales of parts of the existing company portfolio cannot be ruled out as part of a further focus. Potential sales revenue would increase the scope of larger acquisitions in the Vision segment.

3.4. Employees

Employees

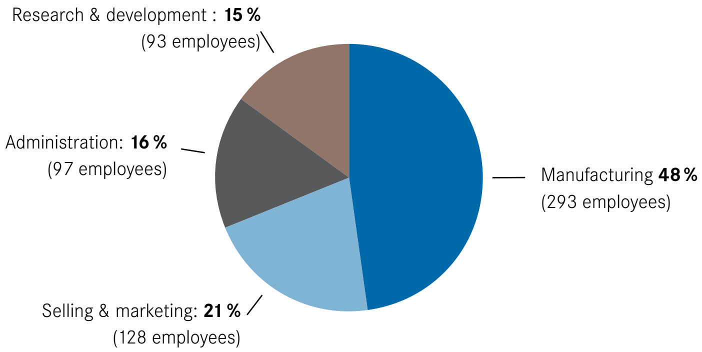
The number of employees decreased in 2009 due to the recession. The upturn in 2010 was quicker and more intense than expected. We initially coped with the higher business volume by using temporary staff. Permanent staff was hired in the key long-term areas of product management, development and distribution.

As of December 31, 2010, the AUGUSTA Group had 611 employees, more than in the previous year (515 employees). In the Sensors segment 410 people were employed (previous year: 378) and in the Vision segment 197 (previous year: 132). In the Vision segment, 39 employees joined the workforce within the scope of the acquisition of a controlling interest in P+S Technik.

As of December 31, 2010, the AUGUSTA Group had 611 employees

EMPLOYEE STRUCTURE

in percent (Number of employees in brackets)



3.5. Remuneration Report and Acquisition-Related Information

Appointment of a new member of the Managing Board

On January 1, 2010, the Managing Board was expanded to include three persons. As Chief Development Officer (CDO), Mr. Arno Pätzold will assume responsibility for the Corporate Development division focusing on Mergers & Acquisitions (M&A) from January 1, 2010.

Election of a new Supervisory Board

The General Meeting dismissed the previous Supervisory Board under the chairmanship of Heinzwerner Feusser on May 12, 2010 and elected a new Supervisory Board consisting of three members. The new members of the AUGUSTA Supervisory Board are Adi Seffer (Chairman), an attorney from Frankfurt, Dr. Hans Liebler (Lincoln Vale) as Deputy Chairman and Dr. Rainer Marquart (DAH Beteiligungsgesellschaft mbH).

Managing Board remuneration report

Pursuant to Section 315 (2) No. 4 of HGB (German Commercial Code), AUGUSTA has an obligation to include basic information about the company's remuneration system for the total compensation specified in the Notes in the Management Report. This applies both to the financial statements of the AG in accordance with HGB and to the consolidated financial statements in accordance with IFRS.

The German Act on Appropriateness of Management Board Remuneration (VorstAG) came into force on July 31, 2009. This has transformed the German stock corporation regulations on management board remuneration into a series of points, and thereby delegated the responsibility for setting management board remuneration exclusively to the Supervisory Board as a whole. The new rules were applied when extending the contracts of the members of the Managing Board (e.g. the deductible for D & O insurance).

Supervisory Board

In 2008, the Annual General Meeting of AUGUSTA Technologie AG revised the remuneration system for the Supervisory Board. In line with the recommendations of the German Corporate Governance Code, the remuneration comprises fixed and variable components and distinguishes between the Chairman and ordinary members. The variable components are based on the profit for the current fiscal year and the sustained corporate performance, and adjust total remuneration based on the AUGUSTA share's relative performance against the Technology All Share Performance Index. The fixed remuneration for each member of the Supervisory Board is EUR 20,000 per year. The Chairman receives 1.5 times this amount. Each Supervisory Board member also receives a flat attendance fee of EUR 1,500 for each Supervisory Board meeting he or she attends. This fee is reduced to EUR 750 per meeting if the Supervisory Board member can only participate in the meeting by remote conferencing, and not in person. The variable component is capped at EUR 10,000 per Supervisory Board member.

Managing Board

The remuneration of the Managing Board consists of a non-performance-related fixed salary and benefits in kind, as well as a performance-related variable component. The fixed salary is set for all Managing Board members in accordance with German stock corporation requirements taking account of the usual market rate. The variable remuneration of the Managing

Board members is based on the targets in the respective calendar year agreed with the Supervisory Board. The Supervisory Board determines whether the targets have been met for the respective fiscal year after the approval of the financial statements. The variable component is capped at amounts well below the fixed remuneration. There is also a long-term performance-based component in the form of stock options.

The variable remuneration of the Managing Board members is based on the targets in the respective calendar year agreed with the Supervisory Board

The two Managing Board members Amnon Harman (CEO) and Berth Hausmann (CFO) each received 25,000 stock options on July 7, 2008, another 25,000 stock options on June 1, 2009 and another 35,000 stock options on June 7, 2010 from the 2008 stock option program approved by the Annual General Meeting as long-term incentive components of their remuneration. Arno Pätzold, who has served as CDO since January 1, 2010, received 30,000 stock options for the first time on June 7, 2010.

The Managing Board members can only exercise their options if they reach the annual performance target within a two-year waiting period. The performance targets for the first tranche (issued July 7, 2008) were not achieved and the granted stock options were forfeited. Also half of the options of the second tranche (issued June 1, 2009) are forfeited.

There are no pension commitments. The Notes contain an overview of the total remuneration paid to the Managing Board and Supervisory Board.

The company grants members of the Managing Board additional benefits usual for the market and the Group, some of which are regarded as non-cash benefits and taxed accordingly, such as the provision of a company car or the awarding of D&O and accident insurance cover.

Capital structure – acquisition-related information

According to the Takeover Directive Implementation Act, listed companies pursuant to Sections 289 and 315 of HGB (German Commercial Code) are under obligation to provide acquisition-related information on the capital composition, shareholder rights and limitations, equity investment relationships, and executive bodies of the company.

The share capital of AUGUSTA Technologie AG is EUR 8,435,514.00, composed of 8,435,514 ordinary shares, each with a notional value of EUR 1.00. Each share grants one vote. Unregistered no-par value shares are not subject to any restrictions on transferability.

To the knowledge of the Company's Managing Board, there are no restrictions relating to voting rights or the transfer of shares. Furthermore, the Managing Board does not know of any agreements between shareholders limiting voting rights or the transfer of shares.

At the time the Management Report went to press, the Managing Board of AUGUSTA Technologie AG was informed that Lincoln Vale held a direct or indirect equity interest of more than 10 percent in the share capital of AUGUSTA Technologie AG. Lincoln Vale, Lincoln (USA), holds around 17.12 percent of the share capital of AUGUSTA Technologie AG. DAH Beteiligungs GmbH also has a share, which is just under 10 percent. The direct or indirect attributability is explained in the Notes to the Consolidated Financial Statements under "G Other Disclosures" (disclosure in accordance with Section 25 (1) WpHG (German Securities Trading Act)).

AUGUSTA Technologie AG has neither furnished the holders of shares with special rights nor issued any shares that grant any special rights or powers of control.

Employees have no equity interests in the capital in which control rights are not exercised directly.

In accordance with Sections 6 and 7 of the Articles of Association of AUGUSTA Technologie AG, the Managing Board consists of one or several persons. The Supervisory Board appoints the members of the Managing Board and determines their number, unless a particular number is expressly required by law. The Supervisory Board appoints the Chairman of the Managing Board. The Supervisory Board may appoint deputy members of the Managing Board.

The Supervisory Board has granted the members of the Managing Board sole power of representation, although the Managing Board consists of several members. Each member of the Managing Board is exempted from the limitations of Section 181 of the BGB (German Civil Code) in general or in a specific case, insofar as this does not contravene Section 112 of the AktG (German Stock Corporation Act).

Amendments to the Articles of Association are governed by legal regulations (sections 133, 179 of the AktG (German Stock Corporation Act).

The Managing Board is entitled to purchase treasury shares of up to 10 percent of the share capital up to May 11, 2015.

The company holds 843,551 shares (10 percent of the share capital). The share price was quoted at EUR 15.70 on the reporting date December 31, 2010.

There are currently no specific plans for the use of the treasury shares.

Subject to the approval of the Supervisory Board, the Managing Board is authorized to increase the Company's share capital once or several times until May 14, 2014 by up to EUR 4,217,757 by issuing up to 4,217,757 bearer shares (no-par value shares) against cash or non-cash contributions. Subject to approval by the Supervisory Board, the Managing Board is authorized to exclude the shareholders' statutory subscription right in certain instances. Further information on the above can be found in the Notes to the Consolidated Financial Statements.

The Annual General Meeting held on May 9, 2008 approved the creation of conditional capital amounting to a maximum of EUR 843,551.00 for the implementation of a share option program. The share option program 2008 tied the exercise of subscription rights issued within the scope of the share option program to the holding of shares in the company. The exercise of options was also made contingent on the attainment of ambitious performance targets, further highlighting the forward-looking character of the 2008 share option program. The performance target is deemed to be met if EBITDA rises at least 6 percent per year on average, after adjusting for acquisitions.

On July 7, 2008, the first tranche of 115,300 stock options was issued to members of the Managing Board, the managing directors of individual subsidiaries and specific managers at a price of EUR 14.63. The performance target was not met in 2008 or 2009, so that the options of the first tranche will expire.

On June 1, 2009, the second tranche with a total term of 7 years was issued with a total of 161,000 options at a price of EUR 8.08. Here too half have already expired due to non-fulfillment of the performance targets.

On June 7, 2010, the third tranche with a total term of 7 years was issued with a total of 230,400 options at a price of EUR 11.23.

The company does not have any essential agreements that would take effect in the event of a change of control due to a takeover bid (so–called change of control provisions), or compensation arrangements with members of the Managing Board or employees that would apply in the event of a takeover bid.

4. Significant Events after the Reporting Date

On January 26, 2011 Allied Vision Technologies (AVT) acquired VDS Vosskühler GmbH for EUR 11 million. Within the scope of the acquisition EUR 5 million was financed by a bank. The company, with annual sales revenue of around EUR 6 million, is highly profitable and focuses on infrared cameras and digital cameras for special applications (large OEM customers).

On March 4, 2011, Lincoln Vale announced that on March 2, 2011 their voting rights on AUGUSTA Technologie AG fell below the threshold of 15 percent and was 14.32 percent on that day (equal to 1.208 million voting rights).

There were no other events that affected the economic development of AUGUSTA Technologie AG in any significant way.

5. Opportunities and Risk Report

The German Stock Corporation Act requires the managing boards of companies to set up risk management systems. Effective risk management is intended to “identify developments that could endanger the continued existence of the company in good time” (Section 91 (2) of the AktG (German Stock Corporation Act). We implement this rigorously in a quarterly risk report on all the companies.

The business activities of AUGUSTA Technologie AG are exposed to various qualitative and quantitative risks. Qualitative risks include market risks, sales risks and procurement risks. Quantitative risks comprise internal risks with regard to the development of sales revenue, earnings and liquidity. To secure the economic success of the AUGUSTA Group on a long-term basis, these risks must be identified in good time and in full, and suitable measures must be taken to minimize potential risks.

Opportunities management

The management of opportunities is an ongoing task designed to secure the long-term success of the company. Local and regional organizational and shareholder structure can be used to identify and analyze the trends, requirements and opportunities offered by fragmented markets in good time. Furthermore, we are continually in contact with customers and market experts, in order to learn of changes as quickly as possible and transform them into market-driven solutions. Additional opportunities and synergy potential are identified through thorough intensive analysis of the market and the competition.

Additional opportunities and synergy potential are identified through thorough intensive analysis of the market and the competition

Risk management

The risk management system is adapted to the German stock corporation requirements and has been developed into a forward-looking management system. All risks are quantified by category and their development over the quarters discussed in close consultation with the responsible managing directors. Consolidation of the risks takes place at group and subgroup level. There is risk awareness in all parts of the Group. The standard conditions and assessment systems are defined in a “Risk Management Handbook” applicable to the Group. The systematic identification, assessment, control and documentation of risks is the basis for avoiding, reducing and hedging against risks and identifying opportunities. Joint measures for reducing risks are laid down following discussions with the respective managers. The Supervisory Board is informed of any significant risks in its meetings.

As early as mid-2008, the existing group-wide controlling system was complemented with the introduction of consolidation software. Sub-group and group results are presented promptly and necessary measures inferred, including at consolidated level. Furthermore, the implemented consolidation software allows acquired companies to be quickly integrated into the group-wide reporting structure.

The risk management system is an integral part of the company's general control and reporting process.

There are no risks endangering the continued existence of the Group.

Internal control system

The introduction of group-wide consolidation software significantly increased the reliability of the Group's accounting and reporting and once again reduced the time it takes to provide the monthly and quarterly results. In parallel, an accounting handbook applicable to the whole Group was drafted, guaranteeing uniform treatment of operational issues and compliance with internal requirements. Very close cooperation between the Group controller and the responsible company managers ensures the control of workflows.

5.1. Opportunities and Risks of AUGUSTA

Risks and opportunities from profit and loss transfer agreements

AUGUSTA Technologie AG has entered into a profit and loss transfer agreement (PLTA) with Allied Vision Technologies GmbH and Sensortechnics GmbH, which was supplemented with the relevant control contracts in 2009. Theoretically, AUGUSTA Technologie AG is obliged to absorb losses recorded by the relevant subsidiaries.

The liquidity situation of companies is taken into account in loan agreements with AUGUSTA Technologie AG.

AUGUSTA is dependent on receiving distributions from its operating subsidiaries to cover expenses of the holding and to pay dividends to shareholders.

Tax audit

The tax audit up to and including 2007 resulted in only minimal corrections. No other tax risks existed then and do not exist now.

Liability in connection with the sale of investments

If subsidiaries are sold, AUGUSTA may be forced, in addition to the guarantees usual in the market, to issue exemptions from certain company-specific risks as well as tax exemptions and, if necessary, to adjust goodwill. If this were to materialize, it could, despite limited liability in terms of amounts, lead to substantial detrimental effects on the assets, liabilities, financial position, and profit or loss of AUGUSTA. On the other hand, the potential sales revenue also broadens AUGUSTA's financial scope for its acquisition strategy.

5.2. Opportunities and Risks in the Segments

Changes in the economic and business environment of the subsidiaries, exchange rate and interest rate fluctuations, the launch of new products, lack of acceptance of new products or services or changes in business strategy can have an impact on the risk outlook.

Market risks

Increased competitive pressure can lead to declining selling prices, margin pressure and/or loss of market shares. The company prepares for potential risks by monitoring the market, in order to be able to act accordingly.

The fluctuating and volatile willingness of customers to spend, which is mainly dependent upon general economic conditions, is a fundamental business risk.

The adaptability of our subsidiaries to market changes is a considerable risk. In the past, high-margin revenue increases could be achieved with products and services. In times of crisis, we have taken less of a loss in sales revenue and profits than our competitors.

All the addressed markets are experiencing shorter product life cycles, increased exploitation of technological potential, and the resultant competitive and price pressure. In 2009, we brought newly developed products to market maturity at more attractive prices to safeguard profitability, and successfully marketed them to existing and new customers in 2010.

In the fiscal year 2010, the extension of sales activities and channels to new target markets (functional and regional), and the adaptation of the product range to changed market requirements was continued and accelerated.

The increasing focus on the Sensors and Vision Technology markets will lead to higher dependencies on the economic situation in these market segments.

Economic risks

The general global economic conditions have become more difficult in the last few years

As a globally operating company, AUGUSTA is especially exposed to developments in the global economy which are fraught with risk. The general global economic conditions have become more difficult in the last few years, and the economic risks have thus increased overall. In contrast, our international presence allows us to act more independently of regional crises. The strongly differentiated product and customer structure also limits potential selling risks and the impairment of economic influences. Key sales sectors such as medical technology and the food industry are only partially subject to general economic cycles. In the medical technology sector, general consolidation may lead to project postponements and framework agreements being deferred. In cyclical industries, such as the aerospace and automotive industry, we primarily target research and development departments, which are less susceptible to changes in the economic climate.

The positive trend of the global economy in 2010 was overshadowed by the discussion regarding a global currency war. The risk of trade sanctions with negative effects for world trade still exists. We assume that the recovery of the global economy will not come to a standstill, but rather that it will merely lose pace.

Fluctuations in material prices and availability

Unexpected price fluctuations, combined with an incalculable availability of materials, can no longer be ironed out. No-one can counteract a longer term price trend. It is always more important to cushion against sometimes extreme fluctuations on the markets with inventories, although if increasing stocks are held, this ties up capital. Prices of raw materials continued to rise in 2010. AUGUSTA regularly explores alternative and more cost-effective purchasing sources.

No-one can counteract a longer term price trend

In the Sensors and Microsystems Technology segment our main supplier is Honeywell. We have a contract which stipulates price increases until the end of 2011. Should there be any delivery difficulties with the supplier, this would have negative effects on the revenue and earnings situation of this segment. Newly acquired suppliers minimize this risk.

As regards the processed image sensors in the area of vision technology, we are dependent on two large manufacturers. Material allocations were a standard market trend in 2010 and influenced the sales volume.

We are only dependent on trading partners and key account customers to a minimal extent.

Research and development expenses

AUGUSTA continuously invests in new product developments to ensure the Group's long-term growth and profitability. The subsidiaries capitalize development expenses for new and existing marketable products according to IFRS. The capitalized development costs are depreciated over the planned selling period. In the event of a delay in the market launch of these products, or if these products are not launched in the market due to new technological developments, this may necessitate unscheduled amortizations that might affect the Group's revenue. As a preferred development partner for customers and product suppliers, long-term growth opportunities will arise from newly developed products alongside general customer satisfaction.

The capitalized development costs are depreciated over the planned selling period.

Risks in working capital

In the past, the company only experienced minor losses related to individual customers or groups of customers. There were no bad debts or individual valuation allowances worthy of note in 2010.

As a result of shortages on the part of suppliers, the AUGUSTA subsidiaries built up their inventories for reasons of availability and security. The intrinsic value of inventories was also analyzed this year, and the valuation allowances for inventories were lower than the previous year's level.

Exchange rate and interest rate risks

AUGUSTA has established the basis for the partial relocation of production processes through its international locations, as well as created optimization possibilities and reduced its dependence on currency fluctuations.

Currency hedging has been centralized at Group level

In principle, the increasing international business activities of the AUGUSTA Group are nevertheless subject to exchange rate risks. It is advantageous that US dollar overhangs in the Vision segment partially cover the demand for US dollars in the Sensors segment. Currency hedging has been centralized at Group level. AUGUSTA Technologies AG serves as a clearing office and provides the companies with the US dollars they need. Currency futures transactions are consequently only carried out to a very limited degree.

Within the scope of the acquisition of AVT Canada Inc. (formally Prosaic) we have concluded an interest swap, which minimizes the interest rate risk and is linked to the term of the financing agreement.

Acquisition and integration risks

Acquisitions are carefully and systematically checked prior to signing the contract. A standardized process for M&A, with special attention to post-merger integration and due diligence, has been established.

AUGUSTA's balance sheet shows goodwill of EUR 57.54 million. The impairments tests carried out in the current fiscal year gave no indication of impairment, although this cannot be completely ruled out in the future.

The integration expenses accrued may put a strain on the costs side in the short term

AUGUSTA Technologie AG is in competition with other companies when searching for suitable businesses to acquire. There is also the entrepreneurial risk in acquisitions that the acquired company does not develop as expected, or can ultimately not be acquired on reasonable terms. Following the acquisition, the companies have been rapidly incorporated into the reporting, controlling and risk management system of the AUGUSTA Group. The integration expenses accrued may put a strain on the costs side in the short term. In principle, there is a risk that the integration of this company cannot be concluded as planned.

Financing risks facing the subsidiaries

Credit lines of subsidiaries may be terminated. The management teams of the subsidiaries and the Managing Board of AUGUSTA counter this risk by pursuing a policy of open and regular communication with the banks involved. The Group's financial strength and the very good credit standing limit this risk considerably. A monthly liquidity forecast gives decision-makers an up-to-date picture of the current liquidity and financial situation.

Quality management

The products of AUGUSTA Technologie AG are developed and produced with a high quality standard. Quality defects can occur in end products where components are bought in or processed in AUGUSTA's systems or where subassemblies are manufactured externally. Suppliers and production partners are checked according to strict criteria.

Internal quality checks help to uncover any defects. Risks are covered by central, intercompany insurance management (liability insurance, business interruption insurance).

Risks from legal disputes

All legal disputes from previous years have been amicably settled without any adverse effects on the company's results. There are no legal disputes in progress at the moment, but they cannot be ruled out in the future in general.

Risk of the loss of knowledge due to personnel changes

The Group's ability to develop new products and technologies or to further develop existing ones and to successfully distribute them also depends on finding well-qualified staff and ensuring their loyalty to the Group in the long term. AUGUSTA counters this through active employee development.

Management succession arrangements are also exposed to considerable risks in terms of the possible loss of knowledge. Acquired medium-sized companies in particular often exhibit a founder structure, in which the company's founder serves as the integration figure for employees and customers. To preserve the positive aspects of this situation, but also broaden the business horizons of these companies, AUGUSTA plans management succession measures and the associated transfer of knowledge to the new management at an early stage. Special significance is attached to staff procurement and staff development in the Group's growth strategy. The company's share option scheme, launched in 2008, helps to reinforce the commitment of key personnel to the companies in the AUGUSTA Group in the long term.

6. Report on Expected Developments

Economic outlook

According to an assessment by the World Bank, worldwide growth will slow down in 2011. Economic output will increase in 2011 by 4.4 percent, after 5.0 percent in 2010 and slightly higher growth rates are expected in 2012. The problems in the financial sectors of some industrialized nations and the expiry of economic stimulus packages are the reasons for this. Other factors are the restrained consumer spending in the USA and the high unemployment rate, as well as the heterogeneity of economic development in the various member states in Europe. The emerging countries are experiencing strong growth, but in China there is a danger of the economy overheating and a bubble forming, especially due to the real estate sector.

In Germany the recovery appears to be consolidating

In Germany the recovery appears to be consolidating, although growth weakened in Q4 2010. Incoming orders have slowed and the pace of the expansion of industrial production has fallen significantly in the past few months. After 3.6 percent in 2010, a lower growth rate of 2.0 percent is expected in 2011. Even so, this is still far above the growth of other European countries.

Focus on growth

We are expecting overall positive economic development in fiscal year 2011. In our estimate, the real economic trends are still intact, although growth rates will be lower than in 2010. Price fluctuations for raw materials and currencies will not be the only imponderables in 2011. Nevertheless, we are prepared for a broad spectrum of different developments.

The strategically focused reorientation of AUGUSTA and the broader sales revenue distribution in the regions and from different customer groups should also lead to improved revenues, profitability and efficiency in 2011.

We want our customers, partners, and the capital market to perceive us as a focused technology enterprise in all the targeted **vision technology** and **sensor** markets with an all-round range of products and services.

The AUGUSTA growth strategy in the area of **vision technology** is to grow organically above the market average and to also further expand our position as a manufacturer of digital cameras to other growth markets.

The crucial element in accelerating this strategy is acquisitions, which will allow us to more rapidly progress from a technological, application-specific and regional point of view. High growth rates, the varied application spectrum and the high fragmentation will enable us to become a globally leading vision technology company. The recently executed acquisitions are an important step in this direction.

The **sensors** market is characterized by a large degree of consolidation and is already less fragmented; this makes it more difficult to implement an acquisition strategy. In addition to the organic growth, we are pursuing a strategy of extending our product range in the area of sensors and entering into strategically expedient partnerships. We wish to further expand our leading position in selected niche markets by doing so.

Innovation and customer orientation

We want to preserve and expand on the company's innovative power. Our companies are a reliable partner for our customers and jointly develop tailored products and solutions with them. High customer satisfaction pays off in the long term.

Internationalization

The product requirements in emerging countries such as India or China partially differ from those in established markets. A market-specific product portfolio based on existing product families helps us to gradually extend our presence in North America and Asia. We are also continuously developing our local presence to generate new revenue and serve our customers. In the case of BRIC countries (Brazil, Russia, India, China), which will gain in importance in the medium to long term due to their economic development, we are planning to strategically extend our organization depending on future growth opportunities.

We are also continuously developing our local presence to generate new revenue and serve our customers

Our aim is to achieve regionally balanced revenue distribution.

Dividend policy

In spite of economically difficult conditions, we paid our promised dividend to shareholders for the crisis year 2009. Our sustainable and long-term dividend statement of 30 percent of the consolidated annual net profit reflects the high profitability of our business.

At the Annual General Meeting on May 12, 2011 we shall therefore propose that payment of a **dividend of EUR 0.45 per share** be voted. This dividend payment will not restrict our planned investment and acquisition initiatives in 2011 in any way.

Outlook and guidance

The recovery of the global economy, with important impulses from the emerging markets, will continue in the next two years, but will be less dynamic.

We assume that the recovery will continue at a high level in the first half of 2011, but that growth momentum will diminish in the second half of the year. In 2012, positive economic development will especially depend on the recovery of the USA, the stabilization of important European countries and a continued stable economic development in Asia.

Competitive pressure will persist

Competitive pressure will persist; price-aggressive competitors in the market niches we target will continue to require new product developments, even greater customer orientation and an increase in service capability for our regional customers. We will reinforce our distribution and customer service activities in all regions of the world in 2011.

General catch-up effects, such as was the case in 2010, will not apply in 2011; risks will still exist as regards the availability of materials.

The trend for **incoming orders** and **sales** shows the momentum of the last few quarters. The ratio of incoming orders to revenue was continuously better than 1 in 2010. Our order books reflected record figures at the year-end.

With our loyal, highly motivated workforce, we have reason to look forward to 2011 with optimism; we are expecting growth in revenue and profitability.

Overall we are expecting **consolidated sales revenue** ranging from EUR 140 to 150 million and an **EBITDA** of between EUR 22 and 26 million.

Potential acquisitions/sales and the costs required for this are not included in these figures.

IN EUR MILLION	FY 2010	FORECAST 2011
Sales revenue	129,35	140–150
EBITDA	20,10	22–26

In 2012 we are expecting sales growth of approximately 10 percent, as well as a slightly disproportionate increase in profitability.

The repositioning of AUGUSTA towards a leading technology company will continue in future. Our operations in 2011 will focus on targeting attractive growth niches, achieving acquisitions in new vision technology markets and a greater international orientation. Our aim is to become a leading vision company and to focus our business activities on these markets.

The repositioning of AUGUSTA towards a leading technology company will continue in future

The price trend of the AUGUSTA share in 2010 showed that given our strategy, and above all our operative strength and profitability, we are able to generate above-average increases in value for our shareholders. We shall also strive to achieve this in 2011.

Munich, March 8, 2011

Amnon F. Harman	Berth Hausmann	Arno Pätzold
CEO	CFO	CDO

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2010

ASSETS IN EUR THOUSAND	NOTES	2010	2009
Non-current assets			
Intangible assets, net	(1)	15,796	8,291
Goodwill, net	(1)	57,539	63,441
Property, plant and equipment, net	(1)	13,725	13,183
Non-current financial assets, net	(1)	351	650
Deferred tax assets	(2)	1,146	857
Other non-current assets	(3)	1,541	1,998
Total non-current assets		**90,098**	**88,420**
Current assets			
Inventories	(4)	25,821	17,573
Trade account receivables, net	(5)	14,391	12,799
Receivables from related parties	(6)	192	174
Current financial assets	(7)	93	15
Non-current financial assets held for sale	(8)	0	0
Tax account receivables		998	1,285
Prepaid expenses and other current assets	(8)	1,792	1,202
Cash and cash equivalents	(9)	34,748	20,971
Total current assets		**78,035**	**54,019**
Total assets		**168,133**	**142,439**

EQUITY AND LIABILITIES IN EUR THOUSAND	NOTES	2010	2009
Shareholders' equity			
Share capital		8,436	8,436
Capital reserves		55,843	55,679
Earnings reserves		34,000	30,000
Currency translation		3,267	701
Revaluation reserves		−346	−548
Retained earnings		18,153	14,041
Treasury shares		−13,166	−13,166
Minority interest		359	227
Total shareholders' equity	(10)	**106,546**	**95,370**
Non-current liabilities			
Long-term loans, excluding current portion	(11)	11,631	14,134
Non-current post-employment benefit obligation	(12)	1,509	799
Other non-current provisions	(13)	286	277
Deferred tax liabilites	(2)	5,956	3,473
Other non-current liabilities	(14)	7,717	1,703
Total non-current liabilities		**27,099**	**20,386**
Current liabilities			
Trade accounts payable	(15)	8,763	6,738
Short-term loans and current portion of long-term loans	(11)	12,811	11,443
Other current financial liabilities	(16)	381	1,515
Liabilities held for sale	(8)	0	0
Income tax provisions and liabilities		2,700	480
Other current provisions	(13)	4,413	2,858
Other current liabilities	(17)	5,420	3,649
Total current liabilities		**34,488**	**26,683**
Total equity and liabilities		**168,133**	**142,439**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FROM JANUARY 1, TO DECEMBER 31, 2010

IN EUR THOUSAND	NOTES	Q4 2010	Q4 2009	2010	2009
Sales revenues					
Products		36,150	25,882	129,257	93,519
Services		48	37	92	48
		36,198	**25,919**	**129,349**	**93,567**
Cost of Sales					
Products		−22,671	−15,478	−76,206	−56,352
Services		0	0	0	0
		−22,671	**−15,478**	**−76,206**	**−56,352**
Gross profit		**13,527**	**10,441**	**53,142**	**37,215**
Selling & marketing expenses	(18)	−5,115	−4,022	−16,753	−13,439
Research & development expenses	(19)	−2,432	−1,732	−7,581	−6,189
General & administrative expenses		−3,320	−2,629	−13,629	−8,605
Other income & expenses		748	291	1,151	315
Profit from operations		**3,407**	**2,349**	**16,330**	**9,298**
Net interest income/ expense	(20)	−243	−368	−1,219	−1,023
Foreign currency exchange gains/ losses		1	−186	653	−331
Depreciation of financial assets		−1	−8	−1	−8
Other financial assets		42	−15	42	−198
Net financial costs		**−201**	**−577**	**−525**	**−1,559**
Profit before tax		**3,206**	**1,772**	**15,805**	**7,739**
Income tax expenses	(2)	−916	−424	−4,688	−2,436
Result from continued operations		**2,290**	**1,348**	**11,118**	**5,303**
Result from discontinued operations after tax	(21)	0	−1,423	−550	−865
Consolidated profit for the period		**2,290**	**−75**	**10,568**	**4,438**

IN EUR THOUSAND	NOTES	Q4 2010	Q4 2009	2010	2009
Profit/ loss attributable to minority interest		−87	18	−178	−36
Consolidated profit for the period after minority		**2,204**	**−57**	**10,390**	**4,402**
Currency adjustments		1,105	714	2,565	1,752
Changes in derivative investments		−31	110	281	−131
Taxes on other total revenue		9	−31	−79	37
Additions third party share (after currency adjustment)		87	−18	178	36
Other total income net of tax		**1,169**	**775**	**2,946**	**1,695**
Total comprehensive income		**3,373**	**718**	**13,335**	**6,097**
Result per share in EUR	(23)	0,29	0,18	1,44	0,69
Weighted average shares outstanding in thousand		7,592	7,592	7,592	7,592

CONSOLIDATED CASH FLOW STATEMENT 2010

IN EUR THOUSAND	12/31/2010	12/31/2009
Cash flow from operating activities		
Consolidated results for the year	10,568	4,438
Adjustments for transfer to the consolidated annual net profit to cash flow from operating activities		
Depreciation of intangible assets	1,598	2,897
Depreciation of property, plant and equipment	2,245	1,823
Appreciation of property, plant and equipment	−36	0
Depreciation of financial assets	16	0
Profit (−) / loss (+) from sale of subsidiaries	670	35
Profit (−) / loss (+) from disposal of intangible assets	0	0
Profit (−) / loss (+) from disposal of property, plant and equipment	−6	28
Profit (−) / loss (+) from disposal of financial assets	306	48
Proceeds (+) / Payments (−) from extraordinary items	0	0
Other expenses and income not affecting payments	164	35
Changes to assets and liabilites		
Increase (−) / decrease (+) in active deferred taxes	10	−27
Increase (−) / decrease (+) in other non-current assets	218	610
Increase (−) / decrease (+) in inventories	−7,788	4,514
Increase (−) / decrease (+) in trade accounts receivable	−1,761	1,132
Increase (−) / decrease (+) in receivables from affiliated companies	−18	−37
Increase (−) / decrease (+) in prepaid expenses an other assets	−115	104
Increase (−) / decrease (+) in other non-current financial assets	−664	706
Increase (−) / decrease (+) in provisions for pension fund liabilities	24	−31
Increase (−) / decrease (+) in provisions	1,277	−581
Increase (−) / decrease (+) in passive deferred taxes	381	−81
Increase (−) / decrease (+) in trade accounts payable	2,070	2,074
Increase (−) / decrease (+) in amounts owed to affiliated persons	3	0
Increase (−) / decrease (+) in liabilities and provisions for income taxes	2,220	−2,163
Increase (−) / decrease (+) in other current liabilities	1,401	−3,703
Increase (−) / decrease (+) in sale of specific assets minus liabilities	0	0
Cash flow from operating activities	**12,783**	**11,821**

IN EUR THOUSAND	12/31/2010	12/31/2009
Cash flow from investing activities		
Payments to invest in intangible assets	−1,318	−2,147
Payments to invest in property, plant an equipment	−2,001	−2,817
Payments to invest in financial assets	−12	−438
Proceeds from sale of intangible assets	47	0
Proceeds from sale of property, plant an equipment	73	88
Proceeds from sale of investment property	0	0
Proceeds from sale of financial assets	0	514
Short-term investments of fixed-term deposits	0	8,044
Payments to purchase subsidiaries minus liquid funds	−2,596	0
Sale of DLoG-Gruppe (previous year: Dewetron Slowenien)	12,254	59
Cash flow from investing activities	**6,447**	**3,303**
Cash flow from financing activities		
Change in short-term debt	−984	496
Change in long-term debt	−2,503	656
Proceeds from (+) / payments to (-) shareholders	0	−31
Dividend payments to minority interests	−2,324	−9,196
Cash flow from financing activities	**−5,811**	**−8,075**
Increase/decrease in cash funds	**13,419**	**7,049**
Effect of exchange rate changes	358	78
Cash funds at the beginning of the fiscal year	**20,986**	**13,859**
Cash funds at the end oft the fiscal year	**34,763**	**20,986**
Summery of cash funds		
Liquid funds	34,748	20,971
minus any fixed-term deposits contained therein with a residual term of more than three months	0	0
Money market funds	15	15
	34,763	**20,986**
Thereof cash flow from business divisions closed down		
Cash flow from operating activities	427	2.042
Cash flow from investing activities	12.152	−1.259
Cash flow from financing activities	−436	−1.863
Additional disclosures relating to cash flow		
Income taxes paid	3.080	3.081
Income taxes received	1.118	256
Interest paid	1.301	547
Interest received	127	272

CONSOLIDATED CASH FLOW STATEMENT 2010

IN EUR THOUSAND	12/31/2010	12/31/2009
Additional disclosures		
Purchase of subsidiaries		
Goodwill	1,130	0
Intangible assets	9,013	0
Tangible fixed assets	853	0
Financial assets	14	0
Active deferred taxes	18	0
Inventories	2,873	0
Trade accounts receivable	1,818	0
Other assets	434	0
Liquid funds	4	0
Deferred taxes	−2,499	0
Trade accounts payable	−1,471	0
Financial liabilities	−7,624	0
Provisions	−1,040	0
Provisions and liabilities from taxes	−236	0
Other liabilities	−687	0
Minority shares	0	0
Purchase price paid	**2,600**	**0**
Liquid funds received	−4	0
Outflow of funds from purchase of company minus liquid funds received	**2,596**	**0**

IN EUR THOUSAND	12/31/2010	12/31/2009
Sale of subsidiaries		
Goodwill	8,880	0
Intangible assets	1,730	0
Tangible fixed assets	356	19
Financial assets	4	0
Active deferred taxes	0	0
Other non-current assets	239	30
Inventories	2,117	0
Trade accounts receivable	1,958	109
Short-term financial assets	0	0
Other short-term assets	167	3
Liquid funds	48	3
Passive deferred taxes	−397	0
Provisions for pension fund liabilities	0	0
Other non-current liabilities	0	0
Trade accounts payable	−1,516	−51
Financial liabilities	0	−15
Provisions	−303	0
Provisions und liabilities from taxes	0	0
Other liabilities	−317	−3
Minority shares	0	0
Value adjustments from previous year	0	0
Consolidating entries	6	2
Loss on sale (before additional expenses for sale)	−122	−35
Purchase price received	**12,850**	**62**
Disposal of liquid funds	−48	−3
Additional costs for sale	−548	0
Inflow of funds from sale of company minus liquid funds disposed	**12,254**	**59**

The attached notes are integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2010

IN EUR THOUSAND	CAPITAL STOCK	CAPITAL RESERVES	EARNINGS RESERVES
Status as of January 1, 2009	**8,436**	**55,792**	**30,000**
Acquisition of minority shares in Dewetron Deutschland GmbH		–148	
Dividend			
Purchase of treasury stock			
Total income		35	
Status as of December 31, 2009	**8,436**	**55,679**	**30,000**
Status as of January 1, 2010	**8,436**	**55,679**	**30,000**
Dividend			
Appropriation to reserves			4,000
Total income		164	
Status as of December 31, 2010	**8,436**	**55,843**	**34,000**

DIFFERENCE IN EQUITY FROM CURRENCY	CURRENCY	CASH FLOW HEDGES	NET RETAINED LOSS/GAIN	TREASURY SHARES	MINORITY INTEREST	TOTAL
−1,051		**−454**	**18,749**	**−13,166**	**333**	**98,639**
					−56	−204
			−9,110		−86	−9,196
						0
1,752		−94	4,402		36	6,131
701		**−548**	**14,041**	**−13,166**	**227**	**95,370**
701		**−548**	**14,041**	**−13,166**	**227**	**95,370**
			−2,278		−46	−2,324
			−4,000			0
2,566		202	10,390		178	13,500
3,267		**−346**	**18,153**	**−13,166**	**359**	**106,546**

STATEMENT OF CHANGES IN NON-CURRENT ASSETS 2010

IN EUR THOUSAND	ACQUISITION/MANUFACTURING COST						
	01/01/2010	CHANGES IN CONSOLIDATION	EXCHANGE DIFFERENCES	ADDITIONS	DISPOSALS	RECLASSIFICATION	12/31/2010
Intangible assets							
Concessions, industrial property and similar rights	7,970	8,936	654	322	−8	276	18,150
Goodwill	73,829	−11,970	1,850	0	0	0	63,708
Internally generated intangible assets	5,542	−3,890	0	853	-47	0	2,458
Payments on account (intangible assets)	276	0	0	143	0	−276	143
	87,616	**−6,924**	**2,504**	**1,318**	**−55**	**0**	**84,459**
Property, plant and equipment							
Land and buildings	7,809	415	86	40	0	0	8,350
Technical equipment and machinery	12,085	14	250	715	−403	430	13,091
Other equipment, operating and office equipment	7,616	−1,190	19	785	−555	−86	6,589
Construction in progress	231	0	2	119	0	−253	99
Payments on account (property, plant and equipment)	0	0		342	0	−91	251
	27,741	**−761**	**357**	**2,001**	**−958**	**0**	**28,380**
Non-current financial assets							
Participating interests	2,165	14	0	0	0	0	2,179
Other long-term financial assets	760	−145	0	12	−309	0	318
	2,925	**−131**	**0**	**12**	**−309**	**0**	**2,497**
	118,282	**−7,816**	**2,861**	**3,331**	**−1,322**	**0**	**115,336**

IN EUR THOUSAND		CUMULATIVE AMORTIZATION AND DEPRECIATION						CARRYING AMOUNT	
01/01/2010	CHANGES IN CON-SOLIDA-TION	EX-CHANGE DIFFER-ENCES	ADDI-TIONS	REVERSAL OF IM-PAIRMENT LOSSES	DISPOSAL	RECLASSI-FICATION	12/31/2010	12/31/2010	12/31/2009
−2,585	11	106	−1,307	0	8	0	−3,980	14,170	5,384
−10,387	4,218	0	0	0	0	0	−6,169	57,539	63,441
−2,911	2,227	0	−291	0	0	0	−975	1,483	2,631
0	0	0	0	0	0	0	0	143	276
−15,884	**6,456**	**106**	**−1,598**	**0**	**8**	**0**	**−11,124**	**73,335**	**71,732**
−2,019	0	8	−331	0	0	0	−2,358	5,992	5,790
−7,255	0	21	−1,182	0	386	3	−8,075	5,016	4,830
−5,284	1,258	7	−732	36	504	−3	−4,222	2,367	2,332
0	0	0	0	0	0	0	0	99	231
0	0	0	0	0	0	0	0	251	0
−14,558	**1,258**	**36**	**−2,245**	**36**	**890**	**0**	**−14,655**	**13,725**	**13,183**
−2,130	0	0	0	0	0	0	−2,130	49	35
−145	145	0	−16	0	0	0	−16	302	615
−2,275	**145**	**0**	**−16**	**0**	**0**	**0**	**−2,146**	**351**	**650**
−32,717	**7,859**	**142**	**−3,859**	**36**	**898**	**0**	**−27,925**	**87,411**	**85,565**

EXPLANATORY NOTES

A. The Company

The Group's parent company, AUGUSTA Technologie AG, Munich, is entered in the business register of the Munich district court under the number HRB 169036, with the address Willy-Brandt-Platz 3, 81829 Munich/Germany.

AUGUSTA Technologie AG was established in 1991 as AUGUSTA Beteiligungs-Aktiengesellschaft in order to acquire, manage and sell investments in companies with strong growth primarily in the area of information technology. Operational business activity began at the end of 1995. The first investment was acquired in mid-1996.

After repositioning at the beginning of the year 2007, AUGUSTA Technologie AG has pursued the strategy of developing a leading global market position as a leading technology company in the long-term globally-growing niche markets of sensor components and systems, as well as of vision technology. In the Vision segment growth is generated organically as well as by a focused buy-and-build strategy.

In 2008, AUGUSTA Technologie AG successfully completed the sale of all portfolio companies that were not active in the core business fields of sensors and vision/automation technology, and with the acquisitions of the companies Prosilica Inc., Canada, Dewetron China Ltd., Hong Kong, and Dewetron America Inc., US, AUGUSTA Technologie AG began with the implementation of its buy-and-build strategy. The existing Group portfolio was restructured and its international competitive position strengthened as a result.

The core markets addressed experienced declines during the crisis of 2009, but recovered in 2010, much faster than originally expected. The steady trend towards automation, customers' desire for improved efficiency and continuing and increasing awareness of safety and quality nevertheless had a positive effect. AUGUSTA Technologie AG benefited disproportionately from the upswing.

AUGUSTA left the logistics automation business with the sale of DLoG GmbH, Germering in March 2010. The sales proceeds of 12.85 million euro provide additional financial flexibility for acquisitions in the Vision segment.

In September 2010, a controlling interest in P+S Technik GmbH, Munich, was acquired. AUGUSTA Technologie AG strengthens its competence in "Media and Entertainment", a sub-sector of the vision market that is still in the infancy stage of digitization, thus making it possible to take advantage of future market opportunities.

Besides their affiliation with the named markets, the AUGUSTA subsidiaries are characterized by sustained profitability and the lean organizational structure of a medium-sized company.

The companies of AUGUSTA sell products and solutions on all five continents, with international sales of around 61% (previous year: 59%). The subsidiaries are strategically controlled by the parent company in Munich, acquisitions are implemented operationally. The parent company also provides the interface with the capital market.

The operational responsibility for the business, though, lies with the management of the subsidiaries.

B. Consolidated Companies

Besides AUGUSTA Technologie Aktiengesellschaft, the 11 domestic and 12 foreign companies mentioned below are included in the consolidated companies in which AUGUSTA has a controlling financial interest.

Group companies, consolidated on the basis of full consolidation

The companies included in the consolidation:

	CORPORATION	REGISTERED OFFICE	SHARE OF AUGUSTA TECHNOLOGIE AG IN CAPITAL %		INVESTMENT HELD BY
			INDI-RECT	DIRECT	
1	Allied Vision Technologies GmbH	Stadtroda	–	100.00	AUGUSTA Technologie AG
2	Allied Vision Technologies Inc.	Boston, MA/USA	100.00	0	Allied Vision Technologies GmbH
3	Allied Vision Technologies (Canada), Inc.	Burnaby/CA	100.00	0	Allied Vision Technologies GmbH
4	Allied Vision Technologies Asia Pte. Ltd.	D'Lithium/ Singapore	100.00	0	Allied Vision Technologies GmbH
5	AUGUSTA Venture GmbH	Munich	–	100.00	AUGUSTA Technologie AG
6	AUGUSTA Verwaltung und Beteiligung GmbH	Munich	–	100.00	AUGUSTA Technologie AG
7	AUGUSTA Vision Beteiligungs GmbH	Munich	–	100.00	AUGUSTA Technologie AG
8	Dewetron America Inc.	Wakefield, RI/ USA	80.00	0	Dewetron Elektronische Messgeräte Ges.m.b.H.
9	Dewetron China Ltd.	Hong Kong/CN	85.00	0	Dewetron Elektronische Messgeräte Ges.m.b.H.
10	Dewetron Elektronische Messgeräte Ges.m.b.H.	Graz/A	–	100.00	AUGUSTA Technologie AG
11	Dewetron Elektronische Messgeräte GmbH	Wernau	100.00	0	Dewetron Elektronische Messgeräte Ges.m.b.H.
12	Dewetron Praha spol.sro	Prague/CZ	53.27	0	Dewetron Elektronische Messgeräte Ges.m.b.H.
13	ELBAU Elektronik Bauelemente GmbH	Berlin	93.95	0	Sensortechnics GmbH
14	ELBAU Singapore Pte. Ltd.	Singapore/SGP	100.00	0	ELBAU Elektronik Bauelemente GmbH
15	HE Hybrid-Electronic Beteiligungs GmbH	Frankfurt	–	100.00	AUGUSTA Technologie AG
16	HE System Electronic GmbH & Co. KG	Veitsbronn	–	100.00	AUGUSTA Technologie AG
17	Klay Instruments B.V.	Dwingeloo/NL	100.00	0	Sensortechnics GmbH
18	Pressure & Flow Ltd.	Rugby/GB	100.00	0	Sensortechnics GmbH
19	P+S Technik GmbH Feinmechanik[1]	Ottobrunn	–	55.50	AUGUSTA Technologie AG
20	R.i.s.o. Haushaltswaren GmbH	Munich	–	100.00	AUGUSTA Technologie AG
21	Sensortechnics GmbH	Puchheim	–	100.00	AUGUSTA Technologie AG
22	Sensortechnics Inc.	Walpole, MA/USA	100.00	0	Sensortechnics GmbH
23	Sensortechnics Scandinavia AB	Kungens Kurva/S	51.00	0	Sensortechnics GmbH

LoG Group (DLoG Gesellschaft für elektronische Datentechnik mbH und DLoG Logistics Inc.) was sold in early March 2010 and deconsolidated as of February 28, 2010.

1 A controlling interest in P+S Technik GmbH Feinmechanik was acquired on September 1, 2010.

Group companies not included in the consolidation

Due to the lack of dominance, and to their immateriality in terms of the overall asset, financial and profit position of the Group, the following companies were not included:

	CORPORATION	REGISTERED OFFICE	SHARE OF AUGUSTA TECHNOLOGIE AG IN CAPITAL %		INVESTMENT HELD BY
			INDIRECT	DIRECT	
1	Dewetron Benelux B.V.	Breda/NL	10,00	0	Dewetron Elektronische Messgeräte Ges.m.b.H.
2	Dewetron U.K. Ltd.	Buckland/GB	10,00	0	Dewetron Elektronische Messgeräte Ges.m.b.H.

See section D, Changes in Consolidated companies for changes in consolidated companies.

C. Summary of the Main Accounting Principles

Basis for financial accounting

The consolidated financial statements of AUGUSTA Technologie AG were prepared in accordance with the regulations of the **International Accounting Standards Board** (IASB), London; the interpretations of the **Standing Interpretations Committee** (SIC) and **International Financial Reporting Interpretations Committee** (IFRIC) were applied in conjunction with this. The consolidated financial statements of AUGUSTA Technologie AG take into account all of the regulations of the **International Financial Reporting Standards** (IFRS) which were passed by December 31, 2010, and whose application was obligatory, as applicable in the EU, and the additional commercial law regulations which are to be applied in accordance with § 315a (1) HGB (German Commercial Code).

In accordance with § 315a HGB in conjunction with Art. 4 of the EU IAS regulation, parent companies on the capital market in Germany subject to reporting requirements must prepare their consolidated financial statements, which are due in accordance with § 290 HGB, following the regulations of the IFRS. The IFRS standard concerning consolidated financial statements in accordance with § 315a HGB in the process is linked to the admission of securities of the parent company to listing on the regulated market. AUGUSTA Technologie AG meets these requirements, and prepares consolidated financial statements in accordance with IFRS as required.

Furthermore, AUGUSTA Technologie AG makes use of the regulation of § 264b HGB, according to which business partnerships in terms of § 264a HGB are exempt from having to disclose their financial statements and management report. This means that the following company in the AUGUSTA Group is exempt from disclosure: HE System Electronic GmbH & Co. KG. AUGUSTA Technologie AG releases itself from this obligation with regard to this company by publishing its consolidated financial statements and consolidated management report in the electronic register of companies.

For the companies with a profit and loss transfer agreement (Allied Vision Technologies GmbH, and Sensortechnics GmbH) and for ELBAU Elektronik Bauelemente GmbH, AUGUSTA Technologie AG makes use of § 264 (3) HGB, according to which these companies are likewise exempt from having to disclose their financial statements and management reports. AUGUSTA Technologie AG also releases itself from this obligation in regard to these companies by publishing its consolidated financial statements and consolidated management report with the electronic register of companies.

To improve clarity and meaningfulness some items in the statement of comprehensive income and in the balance sheet are combined. These items are posted and explained separately in the notes. The statement of comprehensive income is prepared in accordance with the function of expense method. The consolidated financial statements are prepared in euros. All amounts, unless expressly advised otherwise, are stated in thousands of euros (EUR thousand). The consolidated financial statements are based on the historical cost principle, and are prepared in accordance with the consolidation and accounting policies described below.

The HGB individual financial statement and management report of AUGUSTA Technologie AG, the IFRS consolidated financial statements of the AUGUSTA Group and the Group management report are published in the electronic Federal Gazette.

The audited consolidated financial statements as of December 31, 2009 were approved by the Supervisory Board on March 11, 2010. It is anticipated that the audited consolidated financial statements as of December 31, 2010, will be approved by the Supervisory Board on March 10, 2011.

Consolidation principles

The financial statements of the individual companies are prepared for inclusion in the consolidated financial statements in accordance with standard accounting principles. The end of the reporting period is the same for all companies included.

The capital consolidation takes place according to the so-called revaluation method, by deducting from the cost of purchase the share of equity of the subsidiaries at fair value at the time of the first inclusion. The differences on the assets side which result from the capital consolidation are initially allocated to the respective consolidated balance sheet item and, if allocation to depreciable assets takes place, the depreciation is recognized in profit or loss over useful life. Any remaining differences with regard to assets are accounted for as goodwill under intangible assets. The additions for fiscal year 2010 can be taken from the attached fixed assets schedule.

Companies in which AUGUSTA holds a share of between 20 and 50 percent and can wield a significant influence on the business and financial policy are assessed in accordance with the equity method. The value stated corresponds with the share of equity capital in accordance with the respective latest available company financial report taking into account the amortized differences from the initial consolidation. All remaining investments are valued at cost of purchase.

The loans, receivables and liabilities between the consolidated companies are offset against one another.

Revenues from inter-company sales and other internal group revenues are offset against the corresponding expenses. Inter-company profits are eliminated.

Translation of financial statements into foreign currency

Assets and liabilities of the foreign subsidiaries which are included, and whose functional currency is the respective currency of the country, are converted into euros at the closing rate. Equity is converted at the historical rate on the day of the transaction. The statements of comprehensive income of these foreign subsidiaries are included in the consolidated financial statements at the average rate for the fiscal year.

Currency conversion

Transactions in foreign currency are recognized at the exchange rates applicable at the time of the transaction. At each balance sheet date the currency conversion takes place at the closing rate for monetary assets and liabilities whose value is stated in the foreign currency. For non-monetary assets and liabilities which were valued at fair value and whose value is stated in a foreign currency, the currency conversion takes place at the time when the fair value was determined. Profits and losses on exchange rates are recognized in profit or loss.

Estimates in the preparation of the consolidated financial statements

The preparation of the consolidated financial statements requires estimates and assumptions by the Managing Board about facts and circumstances which impact on the value of assets and liabilities in the consolidated balance sheet, items in the statement of comprehensive income and cash flow statement, as well as in details in the explanatory notes. These estimates and assumptions can differ from actual facts and circumstances.

The carrying amounts of financial instruments are primarily measured at fair value.

Recognition of assets and liabilities

An asset or financial liability is entered in the balance sheet upon conclusion of the contract. The derecognition of financial assets and liabilities takes place when the contractual right or the contractual obligation is ended by payment, remission, limitation of time, offset, transfer or by any other method.

Plant, property & equipment

Property, plant and equipment are valued at cost. Direct costs and the directly attributable parts of the indirect costs are included in the cost of conversion. Borrowing costs attributable to the purchase or production process are capitalized if significant. Grants received from public support programs are treated as a reduction in the cost of purchase. Property, plant and equipment are in general depreciated using the straight-line method over the useful life of the assets.

The useful life is based on the following:

	YEARS
Buildings	25 – 33
Leasehold improvements and outside facilities	15 – 25
Technical facilities and machines	3 – 19
Other facilities, office and business equipment	1 – 15

Intangible assets

Intangible assets include goodwill, patents, software, licenses and similar rights as well as self-created intangible assets (development costs). For accounting purposes, the regulations of the IAS 38 **Intangible Assets** apply.

Goodwill

The goodwill created within the context of consolidation represents the excess of acquisition costs of a company over the Group's share, at fair value, of the identifiable assets and liabilities of a subsidiary, an associated company or a company jointly managed at the time of the acquisition.

The goodwill is allocated to the respective subsidiary as a cash-generating unit, is recognized as an asset and impairment test takes place at least annually. Impairment is immediately recognized as an expense in the statement of comprehensive income and is not reversed again in following periods.

The impairment test for goodwill is normally carried out at the level of a cash-generating unit.

The impairment test is based on the evaluation of the recoverable amount. This results from the higher value of the fair value less the costs of sale and the value in use.

If the carrying amount of the cash-generating unit exceeds its recoverable amount, impairment is necessary, which is recognized pursuant to IAS 36.104f.

The carrying amount of the cash-generating unit is the so-called net assets and comprises the operating assets, i.e. assets necessary for the operational business activity, plus uncovered hidden reserves (in particular goodwill) and less the liabilities resulting from the operational activity.

While market price procedures are primarily used for the evaluation of the fair value less the costs of sale, capital value procedures are employed for the evaluation of the value in use.

The concept of weighted-average capital costs (WACC recognition after taxes; IDW RS HFA 16, note 30) is applied for capital value procedures. Here the following assumptions were made:

/ Equity costs are calculated based on the capital asset pricing model and amount to 10.25% (previous year: 9.70%). This interest was determined taking into account a risk-free base rate of 3.25% (previous year: 4.25%), a risk premium of 5.0% (previous year: 4.5%) as well as a specific beta factor for the line of business of 1.4 (previous year: 1.09).

/ The value in use is always determined using the present value of the cash flow from three periods of growth. For phase 1 (3 years) the detailed planning decided by management for the fiscal years is taken as a basis. For phase 2 (7 years), a growth of 1 percent is assumed. This phase was adjusted for special factors where applicable. For phase 3 a perpetual annuity is taken as a basis. The growth assumed here is 1 percent.

Self-created intangible assets (development costs)

Development costs for newly-developed products for which there are tests for technical feasibility and marketability are capitalized with the direct and indirectly allocatable costs of conversion, if a clear allocation of the cost is possible and both the technical feasibility and the marketability of the newly developed products are guaranteed (IAS 38). The development activity must also lead with sufficient probability to future flows of capital. Borrowing costs attributable to the production process are capitalized if significant. The scheduled amortization takes place on the basis of the planned technical useful life of the products. The useful life is between four and five years. Research costs cannot be capitalized in accordance with IAS 38 and are therefore recognized directly as a cost in the Statement of Comprehensive Income.

Patents, software, licenses, brands, customer relationships

Patents, software and licenses are recognized at amortized costs. The useful lives are between three and ten years.

The brands acquired during the initial consolidation and customer relationships are recognized at amortized costs. For brands the useful life is ten years, while it is eight years for customer relationships.

There are no other intangible assets with unlimited useful life at AUGUSTA Group.

Impairment of non-current assets

Long-lived and intangible assets with limited useful life are tested for impairment if events or changes have occurred which indicate that the carrying amount of an asset can no longer be realized. If facts or circumstances suggest that there is impairment, the carrying amount of the asset is compared with the present value of the future estimated revenue. If necessary, the asset is depreciated to the lower fair value.

Other financial assets

The remaining financial assets are recognized at the cost of purchase plus incidental acquisition costs or lower fair values.

Inventories

Raw materials and supplies as well as goods are recognized at cost of purchase taking into account the lowest value principle. The valuation of products takes place at cost of conversion. In addition to the manufacturing material and the manufacturing wages, the cost of conversion comprises the material and manufacturing costs which have to be capitalized. Interest on borrowing is capitalized, if significant.

As an allocation process, the costs of purchase are allocated individually and the average cost method or the first-in-first-out method is applied.

Where inventory risks exist, appropriate deductions to inventory are made. Impairments are recognized if the net sales value falls below the carrying amount.

Apart from the customary retention of title, inventories are free from the third-party rights. Assignment of inventory sometimes occurred to provide security for external financing received.

Receivables

Receivables are in principle recognized at their nominal value less valuation adjustments for expected bad debts. Global valuation adjustments are then only made at the bad debt rates of previous years, if these can be calculated and definitely proven. Corrections in value in the statement of comprehensive income are recognized under the item Selling and marketing expenses. Non-interest-earning receivables are discounted.

Securities

AUGUSTA Technologie AG holds available-for-sale securities. These are available to the Company if required and are valued at the end of the fiscal year at market value. Unrealized gains and losses are recognized directly in equity as components of the **revaluation reserve**. Unrealized losses, which are not only temporary, result in depreciation of the securities recognized in profit or loss. When the available-for-sale securities are sold, the previously unrealized gains/losses are carried on the basis of directly attributable individual values in the profit or loss. The gains and losses realized are reported in the Statement of Comprehensive Income in item **Other financial income**.

In addition AUGUSTA Technologie AG holds shares in an accumulating money market fund for short-term investment. The fund shares are valued at fair value on the balance sheet date. The value adjustments are reported in the net interest income/loss.

AUGUSTA Technologie AG does not hold any securities for commercial purposes.

Derivative financial instruments and hedges

Derivative financial instruments are only used to hedge against currency or interest risks. No pure trading activities without a corresponding business transaction have been entered into. To limit the credit risks, derivative financial instruments are only concluded with credit institutions that have a first-class credit rating.

The valuation of derivative financial instruments takes place when they are first recognized and in the following balance sheet at their fair value. The fair value of a financial instrument is the price for which an independent third party would assume the rights or obligations of the financial instrument from another independent party. Where possible, the fair values presented are calculated at the actual values which can be realized in the market. These correspond with the positive or negative market value for listed derivatives.

If a market value does not exist for a derivative financial instrument, the fair value is calculated as a theoretical value using recognized actuarial methods. It is first shown in the balance sheet on the trade date.

Market value changes in hedging transactions that are used as cash flow hedges are recognized directly in equity in the revaluation reserve. The transfer to the statement of comprehensive income occurs simultaneously with the impact of the hedged underlying transaction on the revenue results.

If there is no hedging context, the value changes of the derivative financial instruments are recognized directly in profit or loss in the Statement of Comprehensive Income.

For more details on the risk management strategies and their impacts on the consolidated financial statements, see F Risk Management.

Assets held for sale

Non-current assets and asset groups are classified as **held for sale** if their carrying amount is more likely to be realized through their sale than their continued use. Non-current assets held for sale (and asset groups held for sale) were calculated at the lower value of the carrying amount and the fair value less outstanding costs to sell.

Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash balances, current accounts with credit institutions and short-term deposits and securities with original terms up to three months.

Cash and cash equivalents which serve as security for liabilities to banks and which the Company cannot dispose of, are not included in the cash and cash equivalents, but are reported as **other non-current assets**. For the purpose of the cash flow statement, restricted cash is not included in cash and cash equivalents, but is likewise shown with the **other non-current assets**.

Treasury stock

Treasury shares held on the balance sheet date are deducted from equity as adjusted items at their cost of purchase. For the sale of treasury shares, the capital reserve or retained earnings is adjusted by the amount of the profit or loss resulting from the sale.

Liabilities

Liabilities are valued at the cost of purchase when they are first recognized and at amortized costs in the following years. Discounts are taken into account as part of the effective interest method.

Pension provisions

The actuarial valuation of pension provisions is based on the projected unit credit method for retirement benefit plans prescribed in IAS **19 Employee benefits**. Actuarial gains and losses are only offset against profit or loss if they are outside of a bandwidth of ten percent of the scope of obligation. In this case, they are distributed over the future average remaining service of the workforce.

Provisions for contingent liabilities and losses

All remaining provisions take into account all of the recognized liabilities on the balance sheet date that are based on previous events and whose amount or due date is uncertain. Provisions are only made if there is an underlying legal or constructive obligation vis-à-vis third parties. Provisions are recognized at their settlement value and are not offset against claims for reimbursement. All non-current provisions are shown in the balance sheet at their discounted settlement value at the balance sheet date.

Revenue recognition

Revenue is in principle realized with the transfer of ownership of products or the performance of services in accordance with the respectively agreed terms and conditions. The revenues take rebates, customer bonuses and discounts into account.

Product-related expenses

Sales-related expenses are recognized in profit or loss at the time they are incurred. Provisions for guarantees are made at the time of the sale of the products.

Selling and marketing expenses

Advertising costs and all other selling and marketing expenses are recognized directly in profit or loss.

Research and Development

Expenses which concern the development of new products and processes, including significant improvements and refinements of already-existing products as well as software development, are posted as an expense after they have been incurred, provided that no capitalization is required. For the capitalization of development costs see the item **Self-created intangible assets (development costs)** in this section.

Stock option program

The Company reports its stock options on the balance sheet in accordance with the fair value method. Accordingly, the personnel expense is posted over the vested period of the option on the basis of the fair value of the option on the subscription date. The expense thus determined is possibly not representative for the corresponding costs of future reporting periods.

Taxes on income

The accounting of income tax is in accordance with IAS 12 **Income tax**. Deferred taxes are, apart from a few exceptions which are defined in the standard, established for all temporary differences between the values stated in accordance with IFRS and the tax base (balance sheet procedure). Deferred tax assets are calculated on the basis of unused tax losses, insofar as IAS 12 allows this. The valuation of deferred taxes is based on the currently applicable tax rates. Where applicable, valuation allowances are made for deferred tax assets depending on their future viability.

Basic earnings and diluted earnings per share

The basic earnings per share are determined from the weighted number of outstanding no-par value shares, including share-equivalent securities.

Impact of new financial accounting principles

In the 2010 fiscal year, new standards, changes to existing standards and new interpretations were adopted.

These include the following:
a) Published standards and interpretations which, for the first time, are obligatory for the IFRS financial statements as of December 31, 2010:

Changes to the standards:
/ Changes to IFRS 1 “First-time Adoption of IFRS 1”: Restructuring of the standard (effective date January 1, 2010)
/ Changes to IFRS 2 “Share-based Payment”: Intragroup cash-settled share-based payment transactions (effective date January 1, 2010)*.
/ Changes to IAS 27 “Consolidated and Separate Financial Statements”/IFRS 3 “Business Combinations” (effective date July 1, 2009)
/ Changes to IAS 39 “Financial Instruments: Recognition

and Measurement": Qualifying hedged items (effective date July 1, 2009)
- Other changes: Annual Improvement Project 2007-2009 (effective date January 1, 2010 at the earliest)*

New interpretations:
- IFRIC 12 "Service Concession Arrangements" (effective date March 30, 2009)
- IFRIC 15 "Agreements for the Construction of Real Estate" (effective date January 1, 2010)
- IFRIC 16 "Hedges of a net investment in a foreign operation" (effective date July 1, 2009)
- IFRIC 17 "Distribution of Non-cash Assets to Owners" (effective date November 1, 2009)
- IFRIC 18 "Transfer of Assets from Customers" (effective date November 1, 2009)

b) Published standards and interpretations which are not yet mandatory for IFRS financial statements as of December, 31, 2010:

Changes to the standards:
- Changes to IFRS 1 "First-time Adoption of IFRS 1": Further exceptions for first-time IFRS adopters (effective date July 1, 2010)
- Changes to IAS 24 "Related Party Disclosures" (effective date January 1, 2011)
- Changes to IAS 32 "Financial Instruments: Presentation": Classification of subscription rights (effective date February 1, 2010
- Other changes: Annual Improvement Project 2008-2010 (effective date January 1, 2011 at the earliest)*

New standards:
- IFRS 9 "Financial Instruments" (effective date January 1, 2013)*

New interpretations:
- IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective date January 1, 2011)
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective date July 1, 2010)

*not yet endorsed by the EU.

Once the application of these new standards and interpretations becomes mandatory, the company will take them into account. There has not been, and there is not expected to be any significant impact on the balance sheet and the income statement. There are changes and additions to the disclosure requirements in the notes.

D. Changes in the Consolidated Companies

IIn the 2010 fiscal year, there were the following changes to the consolidated companies:

- Sale DLoG Group
- Acquisition P+S Technik GmbH Feinmechanik
- Establishment of Allied Vision Technologies Asia Pte. Ltd., Singapore

Sale DLoG Group

In early March 2010, DLoG GmbH was sold for EUR 12,850 thousand. DLoG group was deconsolidated as at February 28, 2010; deconsolidated assets and liabilities are set out in the following table:

IN EUR THOUSAND	02/28/2010
Non-current assets	
Intangible Assets	1,729
Goodwill	8,880
Property, plant and equipment	356
Other non-current assets	239
Current assets	
Inventories	2,117
Trade receivables	1,958
Other current assets	172
Cash and cash equivalents	48
Total assets	**15,499**
Foreign currency translation reserve	6
Non-current liabilities	
Liabilities	3
Provisions	73
Deferred tax liabilities	397
Current liabilities	
Trade payables	1,516
Financial liabilities	32
Other current provisions	230
Other current liabilities	282
Total liabilities	**2,539**

Incidental costs of EUR 548,000 were incurred in connection with the sale of the DLoG Group. Earnings from discontinued operations, which in fiscal year 2010 comprised only earnings components of the DLoG Group, include the following:

IN EUR THOUSAND	2010
Earnings before taxes	+152
Taxes on earnings	−32
Loss on sale	−670
Taxes on sale	0
Earnings from discontinued operations	**−550**

P+S Technik GmbH Feinmechanik

Founded in 1990, P+S Technik GmbH Feinmechanik, headquartered in Ottobrunn, is one of the leading global suppliers of digital film cameras for the entertainment and film industry, as well as of digital film scanners and archiving systems.

As of September 1, 2010, AUGUSTA Technologie AG acquired 55.5 percent of the interest in P+S Technik GmbH. AUGUSTA Technologie AG will use a call/put option to purchase the remaining 44.5 percent interest in P+S Technik GmbH no later than mid-January 2017.

The purchase price in the group amounted to EUR 9.0 million as of September 1, 2010, of which EUR 2.6 million had been disbursed as of September 30, 2010. This purchase price comprises a long-term earn-out provision tied to the company's projected EBITDA and targeted revenue. The equity of P+S Technik GmbH amounted to EUR 1.4 million as of September 1, 2010. Hidden reserves for technology, brand, and customer base to the amount of EUR 9.0 million were identified and duly allocated within the scope of the purchase price allocation. After deduction of the applicable deferred tax liabilities of EUR 2.5 million, the remaining goodwill amounts to EUR 1.1 million.

Technology and customer relationships are amortized over a period of eight years, and brands over a period of ten years.

The final purchase price depends on the revenue and EBITDA generated in 2015 and 2016. A corresponding liability was recognized on the basis of the plan data. Should the actual data deviate from the plan data, the purchase price may increase or drop.

The following assets were added to the AUGUSTA Group in 2010 from the acquisition of the 55.5-percent interest in P+S Technik (figures in EUR thousand):

P + S TECHNIK GMBH DATE OF INITIAL CONSOLIDATION IN EUR THOUSAND	09/01/2010
Assets	
Non-current assets	
Goodwill	1,130
Intangible assets	9,013
Property, plant and equipment	853
Non-current financial assets	14
Active deferred taxes	18
Current assets	
Inventories	2,873
Trade receivables	1,818
Other current assets	434
Cash and cash equivalents	4
Total assets	**16,157**
Liabilities	
Non-current provisions	
Pension commitments	**686**
Deferred tax liabilities	2,499
Current liabilities	
Trade payables	1,471
Liabilities to banks	1,215
Provisions for taxes	236
Provisions	354
Other current liabilities	687
Total liabilities	**7,148**

Since becoming part of the AUGUSTA Group, P+S Technik GmbH has generated earnings of EUR −1,222,000 (taking into account depreciation, amortization, and impairment losses on the hidden reserves realized during the initial consolidation and any attributable deferred taxes).

Under consideration of pro-forma information based on the assumption that the companies that were acquired or sold during this year should already have been taken into consideration at the beginning of the financial year 2010, the business activity of the AUGUSTA Group as of December 31, 2010 would have been as follows:

IN EUR THOUSAND	2010
Pro-forma sales revenues	134,322
Pro-forma consolidated net profit for the period	9,823
Average number of shares in thousands (number of shares see section (23)). Earnings per share	7,592
Pro-forma consolidated net profit/loss for the period per no-par share	1.29

E. Explanations

(1) Non-current assets

The itemization and development of the non-current assets are derived from the attached assets schedule.

Intangible assets / goodwill

The changes in intangible assets result from newly-acquired software and licenses for standard software, brands and customer relationships acquired through company acquisitions, capitalized development costs as self-created intangible assets and goodwill. A total of EUR 1,318,000 was invested in intangible assets during the fiscal year (previous year: EUR 2,147,000), without taking any company acquisitions into account. This development is allocated to the divisions as follows:

IN EUR THOUSAND	SELF-CREATED INTANGIBLE ASSETS	OTHER INTANGIBLE ASSETS	
Sensors	0	165	165
Vision	853	300	1,153
Holding	0	0	0
	853	**465**	**1,318**

There is no depreciation of goodwill in 2010.

The scheduled amortization of intangible assets was EUR 1,598,000 (previous year: EUR 1,046,000 (without DLoG)).

Plant, property & equipment

The additions to property, plant and equipment (without taking any company acquisitions into account) totaling EUR 2,001,000 (previous year: EUR 2,817,000) mainly concern technical equipment and machines. The scheduled amortization of tangible assets was EUR 2,245,000 (previous year: EUR 1,684,000 (without DLoG)).

No public subsidies or grants were received in the reporting year (previous year: EUR 250,000).

Non-current financial assets

The investments totaling EUR 49,000 (previous year: EUR 35,000) included in the non-current financial assets concern the companies listed under B Consolidated Companies which were not consolidated due to lack of control.

The other non-current financial assets include primarily credit balances from working time accounts (EUR 278,000, previous year: EUR 572,000) and claims for reinsurance coverage (EUR 24,000, previous year: EUR 43,000). The credit balances from working time accounts result from service agreements for the management of credit funds, which were concluded for several employees. The employees have agreed to forgo pay, which is used to form credit funds in the form of so-called working time accounts (payment in DWS funds).

The term of all financial assets is unlimited.

(2) Taxes on income

The earnings before taxes on income were EUR 15,805,000 (previous year: EUR 7,739,000) and are subject to up to approx. 51% to fiscal assessment in the Federal Republic of Germany.

The income tax expenditure consists of current and deferred taxes.

IN EUR THOUSAND	2010	2009
Current taxes in Germany	−2,210	−1,119
Current taxes abroad	−2,690	−1,705
Deferred taxes in Germany	82	2
Deferred taxes abroad	131	386
	−4,687	**−2,436**

Dividend payments of a public company to share owners are 95% tax-free.

For corporation tax of companies domiciled in Germany, as in the previous year, a tax rate of 15.825% is assumed. The trade tax liability (municipal business tax) has been assessed on the basis of the individual tax rate per company. On average, a basic trade tax rate of 12.25% (previous year: 12.17%) has been assumed. The combined tax rates for 2010 are 28.08% (previous year: 28.00%).

The following presentation highlights the key differences between the assessed tax expenses from corporation taxes plus solidarity surcharge and trade tax for the years 2010 and 2009, as well as the actual tax expenses.

IN EUR THOUSAND	2010	2009
Result before taxes on income	15,805	7,739
Group tax rate	28.08 %	28.00 %
Assessed expenditure on taxes on income	−4,438	−2,167
Increase (reduction) of tax expenditure by:		
Non-deductible operating expenses	−242	−36
Deviating tax rate in Germany and abroad	−257	−228
Effects from reduction of tax rates and modifications to trade tax	0	−39
Taxes from previous years	533	48
Effects from private companies	−110	−60
Other tax-free income	26	74
Deferred tax assets loss carryforwards	−103	0
Miscellaneous	−96	−28
Taxes on income and earnings	**−4,687**	**−2,436**
Effective tax rate	29.7 %	31.5 %

On December 31, 2010, only corporation tax (EUR 1,163,000, previous year: EUR 1,151,000) and trade tax (EUR 613,000, previous year EUR 600,000) loss carryforwards existed from the subsidiary Augusta Venture GmbH that were, however, fully adjusted in the previous year. There were also tax loss carryforwards on trade tax from German subsidiaries amounting to EUR 2,362,000 (previous year: EUR 852,000). As of December 31, 2010, there were foreign loss carryforwards amounting to EUR 1,663,000 (previous year: EUR 733,000). For two foreign subsidiaries, deferred taxes on loss carryforwards were not fully recognized.

The following amounts are presented in the consolidated balance sheet.

IN EUR THOUSAND	12/31/2010	12/31/2009
Deferred tax assets		
from deductible differences	431	554
from tax loss carryforwards	715	303
	1,146	**857**
Deferred tax liabilities		
from taxable temporary differences	5,956	3,473

Deferred tax assets and liabilities are accrued from the following items:

IN EUR THOUSAND	12/31/2010	12/31/2009
Deferred tax assets		
Plant, property & equipment	26	0
Financial assets/miscellaneous loans	29	0
Inventories	101	77
Miscellaneous assets	0	131
Loss carryforwards.	1,404	869
Cash flow hedge	135	214
Provisions and liabilities	140	132
	1,835	**1,423**
Value adjustments	-689	−566
	1,146	**857**

IN EUR THOUSAND	12/31/2010	12/31/2009
Deferred tax liabilities		
Intangible assets	4,976	2,557
Plant, property & equipment	16	27
Financial assets/loans	787	803
Inventories	67	12
Receivables	16	23
Miscellaneous assets	51	13
Provisions and liabilities	43	38
	5,956	**3,473**
Deferred taxes (net)	**−4,810**	**−2,616**

Deferred tax assets and liabilities are assigned the following values in the balance sheet:

IN EUR THOUSAND	12/31/2010	12/31/2009
Deferred tax assets		
short-term	101	0
long-term	1,045	857
	1,146	**857**
Deferred tax liabilities		
short-term	135	2
long-term	5,821	3,471
	5,956	**3,473**
Deferred taxes (net)	**−4,810**	**−2,616**

(3) Other non-current assets

The following facts and circumstances are recognized here:

IN EUR THOUSAND	12/31/2010	12/31/2009
Restricted cash	23	23
Remaining other non-current assets	1,518	1,975
	1,541	**1,998**

Remaining **other non-current assets** includes corporation tax credits totaling EUR 1,518,000 (previous year: EUR 1,975,000) discounted at an interest rate of 4%, which starting in 2008 will be paid back annually in ten equal installments by the tax office to AUGUSTA. In 2010, the compound interest was EUR 83,000 (previous year: EUR 84,000).

Restricted cash results from lease security deposits.

(4) Inventories

IN EUR THOUSAND	12/31/2010	12/31/2009
Raw materials and supplies	11,123	8,230
Work and services in progress	4,425	3,183
Work and services completed	4,222	2,248
Prepayments made	115	32
Trade goods	5,936	3,880
	25,821	**17,573**

No deductions were made for inventories apart from devaluations at the normal level in 2010. To benefit from price advantages, the company has reduced the volume of trade goods and established its own warehouses.

(5) Trade receivables

IN EUR THOUSAND	12/31/2010	12/31/2009
Receivables neither overdue nor adjusted	10,211	9,225
Receivables overdue, but not adjusted		
< 30 days	2,390	2,783
> 30 days	864	265
> 60 days	685	61
> 90 days	324	543
Total overdue receivables	4,263	3,652
Single value adjusted receivables	114	248
Gross trade receivables	**14,588**	**13,125**
Value adjustments	-198	−326
Trade receivables	**14,390**	**12,799**

On the closing date, individual valuation allowances totaling EUR 114,000 (previous year: EUR 248,000) and global valuation allowances totaling EUR 84,000 (previous year: EUR 78,000) were made.

(6) Receivables due from related parties

The current receivables concern trade receivables in the amount of EUR 192,000 (previous year: EUR 174,000) due from companies with which an investment relationship exists.

(7) Current financial assets

Securities

IN EUR THOUSAND	COST OF PURCHASE	CARRYING AMOUNT	STOCK MARKET OR MARKET VALUE	REALIZED PROFITS	UNREALIZED PROFITS	UNREALIZED LOSSES	REALIZED LOSSES
Money market fund	15	15	15	0	0	0	0
Other securities	78	78	78	0	0	0	0
	93	**93**	**93**	**0**	**0**	**0**	**0**

Securities are reported in the balance sheet at current market value.

(8) Prepaid expenses and other current assets

IN EUR THOUSAND	12/31/2010	12/31/2009
Sales tax rebate	599	383
Receivables due from employees	3	3
Prepaid expenses	234	171
Other current financial assets	119	104
Miscellaneous	838	541
	1,793	**1,202**

The other current financial assets essentially include the positive market values of derivative financial instruments (EUR 65,000; previous year: EUR 58,000).

(9) Cash and cash equivalents

Cash and cash equivalents consist primarily of cash balances and checking account credit balances denominated primarily in EUR, USD, CAD and GBP, as well as overnight money and time deposits.

Cash and cash equivalents do not include any time deposits with a residual term of more than 3 months (previous year: EUR 0).

(10) Equity

Share capital

Subscribed capital (share capital) consists of 8,435,514 no-par ordinary shares with a calculated share in the share capital of EUR 1.00 each. Share capital totals EUR 8,435,514.00.

Authorized capital

The Managing Board is authorized to increase the share capital of the Company one or more times up to May 14, 2014 to a maximum of EUR 4,217,757.00 against cash or contributions in kind by issuing up to a maximum of 4,217,757 (individual) bearer shares subject to the approval of the Supervisory Board ("contingent capital 2009/I").

In all cases a subscription right is to be provided for shareholders. The Managing Board is authorized to bar statutory shareholder subscription rights, subject to the approval of the Supervisory Board:

/ for adjustment of fractional amounts;
/ for the recovery of contributions in kind, in particular in the form of companies or business units;
/ up to a maximum of 10 percent of the issued share capital

where the authorized capital is utilized, if the issue price is not substantially below the market price of the shares and the proportional amount of the company's share capital, attributed to shares issued under exclusion of subscription rights, does not exceed 10% of the share capital, neither at the time this authorization becomes effective nor at the time it is exercised. The proportional amount in the share capital of the Company is to be credited here that falls to shares that were issued against cash on the basis of this authorization to the exclusion of the subscription right or were sold on the basis of an authorization to appropriate treasury shares according to Sections 71 (1) No. 8 Sentence 5, 186 (3) Sentence 4 AktG to the exclusion of the subscription right.

Contingent capital

At the Annual Shareholders' Meeting on May 9, 2008, the Managing Board was authorized to issue a maximum of 843,551 subscription rights to no-par bearer shares up to May 8, 2013, subject to the approval of the Supervisory Board. The share capital was contingently increased by up to EUR 843,551.00 through the issue of up to 843,551 no-par bearer shares. The contingent capital increase will only be implemented to the extent that the bearers of the issued subscription rights make use of their right to subscribe to Company shares and the Company does not grant any treasury shares for the fulfillment of the subscription rights. More information on the stock option program can be found under (22) Stock option program.

Treasury stock

Pursuant to a shareholder resolution passed at the annual general meeting on May 12, 2010, the Company was authorized to buy back up to 10% of share capital up until May 11, 2015.

As of December 31, 2010, 843,551 treasury shares were held, equaling 10% of share capital.

Treasury stock was valued at EUR 13,165,000 (previous year: EUR 13,165,000) using the cost method, according to which treasury shares are deducted from equity at cost of purchase.

Reserves

IN EUR THOUSAND	01/01/2010	CHANGE	12/31/2010
Capital reserves	55,679	+164	55,843
Retained earnings	30,000	+4,000	34,000
	85,679	**+4,164**	**89,843**

At EUR 164,000 (previous year: EUR 35,000), the change in capital reserves of EUR +164,000 (previous year EUR -113,000) is due to the stock option plan (see also (22) Stock option program).

Foreign currency translation and revaluation reserve

IN EUR THOUSAND	01/01/2010	CHANGE	12/31/2010
Foreign currency translation reserve	701	+2,566	3,267
Cash flow hedges	−548	+202	−346
Total	**153**	**+2,768**	**2,921**

The reserves from the market valuation recognized directly in equity of cash-flow hedges contain the unrealized gains and losses from hedges of future payment variables taking into account deferred taxes.

Appropriation of earnings

Pursuant to the rules governing stock corporations, dividend distributions to shareholders may be made from net retained earnings or other retained earnings per the AUGUSTA Technologie AG annual financial statements, calculated on the basis of German commercial code. Net profit of EUR 13,823,000 (previous year: EUR 10,763,000) is reported.

As announced, Supervisory and Managing Boards proposed the payment of a dividend of EUR 0.30 per share, with a total volume of EUR 2.3 million (previous year: EUR 9.1 million for fiscal years 2007 and 2008) at the Annual General Meeting on May 12, 2010. The dividend was distributed to shareholders on May 13, 2010.

At the 2011 Annual General Meeting, the Supervisory Board will propose paying a dividend of EUR 0.45 per share.

Economic equity

The Company's equity management objectives are:

/ to ensure viability as a going concern,
/ to ensure an adequate return on equity, and
/ to maintain an optimum capital structure that minimizes capital costs as much as possible.

The Company's strategy is to maintain reasonable a debt ratio in terms of going-concern value to ensure continued access to debt capital at reasonable cost by maintaining a favorable credit rating.

IN EUR THOUSAND	12/31/2010	12/31/2009
Financial liabilities	24,439	25,577
Cash and cash equivalents	−34,748	−20,971
Net debt	**−10,309**	**4,606**
Equity	106,546	95,370
Total capital	**106,546**	**95,370**
Gearing Ratio	–	4.8 %

(11) Financial liabilities

Liabilities comprise in particular trade payables, liabilities to banks and other liabilities. No financial liabilities classified as "held for trading" are carried by the Group.

As of December 31, 2010, non-current bank loans were outstanding as shown below:

IN EUR THOUSAND	12/31/2010	12/31/2009
Redeemable loans for financing corporate acquisitions	9,622	12,150
Miscellaneous	9,115	9,336
Non-current liabilities to banks	**18,737**	**21,486**
portion due short-term	−7,106	−7,352
Non-current liabilities to banks excluding portion due short-term	**11,631**	**14,134**

The non-current bank loans as of December 31, 2010, are due in the following fiscal years:

IN EUR THOUSAND	12/31/2010	12/31/2009
2010		7,352
2011	7,106	5,589
2012	5,848	5,253
2013	3,111	1,285
2014	990	603
2015	736	1,404*
after 2016	946	
	18,737	**21,486**

* incl. amounts due after 2015

At the end of the year, the interest rate on non-current bank loans was between 4.35% and 5.95% (previous year: 4.32% and 6.72%).

In addition, the Company had current financial liabilities on December 31, 2010 of EUR 5,702,000 (previous year: EUR 4,091,000) from taking advantage of credit lines and current accounts at credit institutions. At the end of the year, the interest rate was between 6.10 percent and 8.25 percent (previous year: 5.5 percent to 12.25 percent).

Collateral provided included global assignments, the collateral assignment of machinery and equipment as well as land charges. There have been no collateral assignments of inventory since 2008.

(12) Pension provisions

AUGUSTA employees and certain managers (including those who have already left employment) at Dewetron Ges.m.b.H., Sensortechnics GmbH, Allied Vision Technologies GmbH and P+S Technik GmbH have claims to pension benefits. The completed years of service form the basis for the various pension plans. Benefits payable are essentially based on average gross compensation over the last three years prior to retirement and the amount of state pension benefits. Pension provisions are created in all cases to cover the financing of pension benefits.

Pension commitments and the necessary provision amounts to cover them are measured using the projected unit credit method prescribed by IAS 19 (**Employee benefits**). This method not only takes the pensions known on the closing date and acquired rights accrued into account, but also economic assumptions deemed as realistic expectations over the long term.

The defined benefit obligation (benefit obligation based on projected salary trends) has changed as follows:

IN EUR THOUSAND	2010	2009
Defined benefit obligation (DBO) on January 1	867	862
Reclassifications / Change in scope of consolidation	727	0
Service cost	31	31
Interest cost	47	50
Actuarial gains (+)/losses (-)	161	−33
Pension benefits paid	−50	−43
Defined benefit obligation (DBO) on January 31	**1,783**	**867**

Pension provisions are based on the defined benefit obligation as follows:

IN EUR THOUSAND	12/31/2010	12/31/2009
Defined benefit obligation	1,783	867
Unrealized actuarial gains (+)/losses (−)	−171	19
Plan assets	−103	−87
Carrying amount	**1,509**	**799**

Plan assets represent the claim from a reinsurance contract. The change in value as against the previous year primarily reflects plan contributions and interest.

The table below tracks the change in the defined benefit obligation and plan assets:

IN EUR THOUSAND	2010	2009	2008	2007	2006
Defined benefit obligation (DBO)	1,783	867	862	1,004	1,004
Plan assets	103	87	81	79	77
Underfunding	**1,680**	**780**	**781**	**925**	**927**

Pension expenses break down as follows:

IN EUR THOUSAND	2010	2009
Service cost	31	31
Interest cost	47	50
Actuarial gains (+)/losses (-)	-10	-14
	68	**67**

The service cost is recognized in the Statement of Comprehensive Income under item personnel expenses. The interest cost is recognized separately under net financing costs.

For the next fiscal year cash outflows for pension payments of EUR 156,000 (previous year: EUR 159,000) are projected.

As in the previous year, there are no refund claims. No revenue from refund claims has been collected so far.

The following assumptions formed the basis for the determination of actuarial values for the obligations:

IN %	2010	2009
Interest rate	4.5	5.5
Salary trend	3.0	2.5
Pension trend	1.5	1.0
Fluctuation	0	0

The 2005 G actuarial tables from Dr. Klaus Heubeck and the Austrian pension insurance tables (AVÖ 2008-P Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler, Angestelltenbestand) were applied for computation.

(13) Other provisions

IN EUR THOUSAND	BALANCE 01/01	CHANGE IN CONSO-LIDATED COMPANIES	CURRENCY TRANS-LATION	USED	REVERSAL	ADDITIONS	BALANCE 12/31
Current provisions							
Warranty provisions	635	−46	−2	−242	−210	197	332
Personnel provisions	809	0	6	−714	−13	236	324
Advisory/auditing expenses	249	34	0	−199	−17	535	602
Outstanding invoices	125	−16	0	−946	0	1,369	532
Miscellaneous	1,040	152	12	−1,159	−149	2,727	2,623
	2,858	**124**	**16**	**−3,260**	**−389**	**5,064**	**4,413**
Non-current provisions							
Distribution provisions	139	−73	0	0	0	42	108
Personnel provisions	138	0	0	−1	0	41	178
	277	**−73**	**0**	**−1**	**0**	**83**	**286**
Total provisions	**3,135**	**51**	**16**	**−3,261**	**−389**	**5,147**	**4,699**

Provisions for warranties cover risks from obligations on an individual and a flat basis. The respective flat risk provisions were typically created in the amount of 0.2 percent to 1 percent of sales under warranty.

(14) Other non-current liabilities

IN EUR THOUSAND	12/31/2010	12/31/2009
Derivative financial instruments	511	794
Other non-current financial liabilities	214	446
Miscellaneous	6,992	463
	7,717	**1,703**

Other non-current financial liabilities concern rental and leasing liabilities, while the rest concern primarily an earn-out arrangement with the vendors of P+S Technik GmbH.

(15) Trade payables

IN EUR THOUSAND	12/31/2010	12/31/2009
Trade payables	8,461	6,685
Liabilities from advance payments received	302	53
	8,763	**6,738**

(16) Other current financial liabilities

EUR 381,000 were recognized under item **Other current financial liabilities**. There were no further residual purchase price installments for the purchase of AVT Canada shares at the end of 2010 (previous year: EUR 1,515,000).

(17) Other current liabilities

IN EUR THOUSAND	12/31/2010	12/31/2009
Tax liabilities	796	718
Employees	1,410	813
Holiday pay, overtime and premiums	2,336	1,272
Deferred income	1	2
Social insurance contributions	156	101
Miscellaneous	721	743
	5,420	**3,649**

(18) Selling and marketing expenses

IN EUR THOUSAND	2010	2009
Trade show & exhibition costs	639	531
Advertising costs	1,144	1,166
Travel costs	717	601
Personnel costs	9,271	7,566
Other selling and marketing expenses	4,982	3,575
Total	**16,753**	**13,439**

(19) Research and development expenses

Research and development expenses break down as follows by business segment:

IN EUR THOUSAND	2010	2009
Sensors	4,771	4,394
Vision	2,810	1,795
Total	**7,581**	**6,189**

Research and development expenses were reduced due to capitalization of development efforts in the amount of EUR 853,000 (previous year: EUR 1,618,000). The figures include scheduled depreciation on previously capitalized development costs of EUR 291,000 (previous year: EUR 195,000 (without DLoG). No unscheduled value adjustments on capitalized development expenses were necessary in 2010, as in the prior year.

(20) Interest income/expenses

IN EUR THOUSAND	2010	2009
Interest income	169	397
Interest expenses	−1,388	−1,419
	−1,219	**−1,022**

Interest income in the amount of EUR 83,000 (previous year: EUR 84,000) represents interest on corporate tax credit balances.

(21) Earnings from discontinued operations

In early March 2010, DLoG GmbH was sold for EUR 12,850,000, with the DLoG Group being deconsolidated as of February 28, 2010.

Earnings (after tax) of DLoG Group and the gain or loss on the sale are recognized separately in the statement of comprehensive income under the heading **Income from discontinued operations, net of taxes**. The previous year's statement of comprehensive income was adjusted accordingly.

Earnings from discontinued operations include the following components:

IN EUR THOUSAND	2010	2009
Sales revenues	2,366	12,963
Cost of revenue	−1,544	−8,696
Other gains/losses	−670	−3,442
Earnings before taxes	**152**	**825**
Taxes on earnings	−32	−190
Depreciation on goodwill	0	−1,500
Loss on sale	−670	0
Tax on loss of sale	0	0
Earnings from discontinued operations	**−550**	**−865**

The impact of operations that have been or are to be discontinued on the cash flow is shown under supplemental information on the cash flow statement.

(22) Stock option program 2008

Pursuant to the resolution of the annual general meeting of May 9, 2008, subscription rights to no-par bearer shares of AUGUSTA Technologie AG will be issued from the stock option program 2008 in four tranches each, with two individual tranches up until May 8, 2013.

Subscription rights that are issued to management and directors of AUGUSTA Technologie AG and associated companies can be exercised after a waiting or "vesting period" of two years within an exercise period of another five years at predetermined times. Each subscription right grants the bearer the right to subscribe to one no-par value share of AUGUSTA Technologie AG against payment of a strike price. This corresponds to the average closing price on the 30 trade dates prior to the respective date of granting.

Depending on the respective annual growth of the EBITDA, 50% or 100% of the subscription rights can be redeemed. The persons so entitled must hold shares amounting to at least 5 percent of the approved share volume in their own inventory without interruption from the time of the approval of subscription rights.

Subscription rights are neither transferable nor sellable – other than in inheritance cases – and expire without replacement at the end of the term.

The first partial tranche was issued on July 7, 2008. In 2008, 115,300 subscription rights were issued to 25 employees at an exercise price of EUR 14.63. Due to the failure to achieve vesting in fiscal years 2008 and 2009, the options have expired.

The second partial tranche was issued on June 1, 2009. Some 161,000 subscription rights were issued to 38 employees at a strike price of EUR 8.08, of which 25,000 shares went to each of the Managing Board members, Amnon Harman and Berth Hausmann. Because of the failure to achieve vesting in 2009, only 50% of the share options can be exercised.

The third partial tranche was issued on June 7, 2010. Some 230,400 subscription rights were issued to 43 employees at a strike price of EUR 11.23, of which 35,000 shares were issued to Managing Board members Amnon Harman and Berth Hausmann and 30,000 to Arno Pätzold.

The sub-tranches 1 to 3 correspond to 60.1 percent of the approved program of a total of 843, 551 subscription rights.

	12/31/2010	12/31/2009
Outstanding options as at 01/01	276,300	115,300
Granted options	230,400	161,000
Forfeited options	201,800	0
Exercised options		0
Expired options	0	0
Outstanding options as at 12/31	304,900	276,300
Remaining period of stock options outstanding as at 12/31 in months	74	72
Exercisable (vested) options	0	0

The value of issued stock options is recognized over the vested period pro rata temporis as personnel expense. Correspondingly the capital reserve is increased in equity. The valuation of stock options takes place at the fair value of the subscription rights on the respective date of issue. Generally recognized option price models are implemented for this.

In an actuarial expert opinion from DWiCON e. k. and Watson Wyatt Heissmann GmbH, the fair values of the stock options issued in the previous partial tranche were calculated by means of simulation – the Monte Carlo method. Under this method, the fair values were calculated on the basis of the market conditions alone. Non-market conditions (achieving a certain EBITDA growth) were taken into account when calculating the probability of exercise. The calculation results were as follows:

	TRANCHE 1	TRANCHE 2	TRANCHE 3
Date of approval	July 7, 2008	June 1, 2009	June 7, 2010
Subscription rights	115,300	161,000	230,400
Fair value per stock option	EUR 3.35	EUR 2.02	EUR 3.46
Probability of exercise	75.2%	73.3%	66.4%
Apportioned expense	EUR 2.52	EUR 1.48	EUR 2.30

Der Bewertung der Aktienoptionen der bisherigen Teiltranchen lagen folgende Parameter zugrunde:

	TRANCHE 1	TRANCHE 2	TRANCHE 3
Date of approval	July 7, 2008	June 1, 2009	June 6, 2010
AUGUSTA share: Price at the time of issuance	EUR 13.78	EUR 7.61	EUR 11.02
AUGUSTA share: Strike price	EUR 14.63	EUR 8.08	EUR 11.23
EBITDA in previous year	Mio. EUR 19.767	Mio. EUR 21.633	Mio. EUR 13.386
EBITDA: Sustainable growth rate	7.00%	7.00%	6.70 %
EBITDA: Target growth rate	6.00 %	6.00 %	6.00 %
Risk-free interest (term 6 years)	4.45 %	3.05 %	1.84 %
Dividend yield	4.00 %	6.00 %	3.00 %
AUGUSTA share: Volatility of yield	32.00 %	43.00 %	40.00 %
EBITDA: Volatility of growth rate	32.00 %	43.00 %	41.00 %
Correlation of share – EBITDA	80.00 %	70.00 %	70.00 %
Cancellation rate	3.00 %	3.00 %	3.00 %
Mortality rate	0.25 %	0.25 %	0.25 %
Retirement rate	0.00 %	0.00 %	0.00 %

The expenses due to the stock option plan relate to the functional area of Administration in the amount of EUR 164,000 (previous year: EUR 35,000) only, no cost allocation has been made.

(23) Earnings per share

Earnings per share are calculated on the basis of the average number of shares outstanding during the reporting period, less treasury stock held by AUGUSTA.

As of December 31, 2010, AUGUSTA Technologie Aktiengesellschaft held an absolute total of 843,551 treasury shares (previous year: 834,551) – consistent with 10% of the share capital.

The following table shows the calculation of the earnings per no-par share:

	2010	2009
Numerators		
Consolidated net profit before minority interests in EUR thousand	10,390	4,402
Of which: Earnings from discontinued operations	−550	−865
Denominators		
Weighted average number of shares outstanding	7,591,963	7,591,963
Diluting shares	0	0
Consolidated earnings per share in EUR prior to DCO	1.44	0.69
Diluted consolidated earnings per share in EUR prior to DCO	1.44	0.69
Consolidated earnings per share in EUR after DCO	1.37	0.58
Diluted consolidated earnings per share in EUR after DCO	1.37	0.58
Earnings per share in EUR from discontinued operations	−0.07	−0.11
Diluted earnings per share in EUR from discontinued operations	−0.07	−0.11

Dilutionary effects may result from the stock options issued to executives and Managing Board members of AUGUSTA Technologie AG and associated companies.

F. Risk Management

Financial risks can threaten Group assets, finances and earnings. The company is exposed to the following financial risks:

1. Credit risk: primarily in connection with trade receivables and finance agreements entered into in the context of acquisitions
2. Liquidity risk: i.e. the risk of being unable to meet payment obligations in good time.
3. Price risk: with regard to currency exchange rates, primarily concerning transactions in USD and CAD, and interest rate risks.

The Group has risk management structures in place to allow early identification of risks, so that appropriate countermeasures can be taken. Derivatives are used in selected cases in order to minimize risks.

Credit risk

This risk consists of the default risk and the risk arising from deterioration in credit standing.

Trade receivables are the result of the operational sales activities of individual subsidiaries worldwide. The Group manages credit risk in accordance with internal risk management policy by means of internal credit lines, advance payment requirements, export insurance, letters of credit, guarantees and letters of comfort.

The Group's credit risk is limited to normal business risk, which is taken into account by the creation of valuation adjustments. The counterparty risk associated with financial derivatives is addressed by transacting derivatives exclusively with prestigious German banks. The default risk from financial instruments not marked to market is considered negligible from the current standpoint.

The maximum default risk (credit risk) reflects a write-down of financial instrument carrying amounts to zero.

Liquidity risk

As of December 31, 2010, cash outflows for interest and redemption payments in connection with Group financial liabilities were as follows:

IN EUR THOUSAND	CARRYING 12/31/2010	CASH FLOWS FOR YEARS 2011	2012-2015	FROM 2016
Primary financial liabilities	**46,720**	**27,372**	**13,285**	**6,063**
Medium to long-term financing liabilities (incl. those currently due)	18,737	7,106	10,685	946
Current account financing liabilities	5,702	5,702		
Trade payables	8,763	8,763		
Other non-current liabilities	7,717		2,600	5,117
Other current financial liabilities	381	381		
Other current liabilities	5,420	5,420		
Cash inflows and outflows from derivative financial instruments	**–446**	**+65**	**–511**	
Currency derivatives	+65	+65		
Interest rate derivatives	–511		–511	

Cash outflows from derivative financial instruments were balanced by future cash inflows from the same transactions.

Future cash outflows are covered by inflows from business operations. Sufficient cash reserves and current and non-current credit lines are held to cover peak demand for finance in terms of time and amount required.

Market price risks

Because of the international orientation of its business, the Group is exposed to market price risks in the form of exchange rate risks and interest rate risks. Constant monitoring of key economic indicators and relevant market information is used to assess and quantify the risks.

The Group specifically hedges itself against currency and interest rate risks.

In order to systematically gather data and assess these risks, the Group has established a central risk management system.

Exchange rate risk

The exchange rate exposure of the Group basically exists on the procurement side, and is primarily incurred from the exchange rate between U.S. dollars as well as Canadian dollars and euros. In particular, the transaction risk incurred because procurement is in foreign currency while the associated revenues are in euros (or vice versa) can adversely affect the earnings and liquidity of the Group.

In addition to the natural hedge that endeavors to maintain comparability between the purchasing volumes and the sales volume in the respective foreign currency, additional hedging measures are implemented via the agreement of corresponding exchange rate hedging instruments. These forward cover agreements for exchange rates have been entered into for the net payment surpluses in foreign currency.

Currency futures transactions have been used to hedge against currency risks. No pure trading activities without a corresponding business transaction have been entered into.

In order to hedge USD transactions, AUGUSTA Technologie AG maintains a currency futures contract (previous year: a currency futures contract on CAD basis) with a total nominal value of USD 3,000,000 as of December 31, 2010 at an exchange rate of USD/EUR 1.42 and with a term ending on June 28, 2011. The market value is EUR 65,000 (previous year: EUR 58,000). The amount is posted in the balance sheet under the item **Other current financial assets**.

The currency risk is determined by means of a regularly adjusted rolling forecast on inflows and outflows of foreign currencies.

From currency futures sales, market price risk can be created in that the obligation grows to sell foreign currencies at a spot price on the closing date that is determined by the current market rate.

The terms and volume of currency hedges correspond to the underlying transactions to be hedged. On the closing date, the Group maintained hedging instruments for a residual term of 6 months (previous year: 9 months) in order to hedge future transactions.

Financial instruments for currency hedging

	NOMINAL VOLUME FOREIGN CURRENCY		FAIR VALUE THOUSAND EUR	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Current futures transactions (USD-sell)	3,000	0	65	0
Currency futures transaction (CAD-buy)	0	2,236	0	58

In accordance with IFRS 7, the Company draws up sensitivity analyses in relation to the market price risks, by which the effects of hypothetical changes of relevant risks variables on the bottom line and capitalization are determined.

The currency sensitivity analyses are based on the following assumptions:

/ Original financial instruments that are denominated in a foreign currency are subject to a currency risk and are therefore included in the sensitivity analysis.

/ Exchange rate-related changes in the market values of currency derivatives that are either not included in the hedging relationship under IAS 49 or in a hedging relationship with underlying transactions with an effect on the balance sheets (natural hedge) have an effect on the currency balance and are therefore included in the earnings-related sensitivity analysis.

With a 10% appreciation or depreciation of the euro against the value on the reporting date, the direct effect on the equity of the Group is approx. EUR -/+ 0.3 million (previous year: EUR -/+ 0.2). In the profit & loss account, an appreciation or depreciation of the euro by 10 percent would have an effect on the earnings of approx. +/- EUR 0.7 million (previous year: EUR -/+ 0.1 million).

Interest rate risk

The Group maintains interest-rate sensitive assets and liabilities in the usual volume. Operations are largely financed by the agreement of fixed interest receivables and liabilities whose term coincides with the term of the former. In order to maintain a high degree of flexibility on the market, variable interest refinancing options are exercised to a modest extent. To limit the resulting risks, derivative financial instruments such as interest rate swaps and caps can be employed.

Generally, the risk from changes in interest rates results from liabilities with variable interest rates and liquidity investments with variable interest rates.

In an interest collar contract entered in August 2008, what is known as hedge accounting has been applied in the form of a cash-flow hedge. To hedge a variable-interest loan against rises in interest rates, the Group has entered an interest collar contract. An interest collar is an agreed interest bandwidth. Above the interest limit, hedging is by means of cap; below the interest limit AUGUSTA Technologie AG waives the participation in the benefits of falling interest rates. The term of the interest collar is until 30 June 2013, and coincides with the underlying hedged variable-interest liability with respect to the change in nominal amounts and of interest payment due dates. The negative market value at the end of the reporting period was EUR -480,000 (previous year: EUR -762,000) and is posted in the balance sheet under the item **Other non-current liabilities**.

In addition, there is an interest rate swap with a term until January 30, 2014. This will ensure the funding of a new plant in Singapore in the nominal amount of EUR 2,000,000. The market value at the end of the reporting period was EUR -31,000 (previous year: -32,000).

Risks due to changing interest rates are presented as per IFRS 7 by means of a sensitivity analysis, and represent the effects of changes in market interest rates on interest payments, interest earnings and expenses, other result segments as well as if appropriate on the equity capital. The interest rate sensitivity analyses are based on the following assumptions:

- Market interest rate changes of original financial instruments with fixed interest only affect the result if these are evaluated at the assignable actual market value. Accordingly all financial instruments valued at costs of continuing procurement with fixed interest are not subject to interest rate change risks in the meaning of IFRS 7.
- Market interest rate changes have an impact on the interest result from original variable interest financial instruments, for which interest payments have not been designated as underlying transactions in the context of cash-flow hedges, and are therefore taken into account in the sensitivity analyses.
- Market interest rate changes of interest derivatives that are not included in a hedging contract under IAS 39 have effects on the interest result and are therefore taken into account in the sensitivity analyses.

With an increase or reduction of the market interest rate level in the reporting year by 100 base points, due to the liquidity surplus at Group level, the interest result of the Group would have been approx. EUR 0.1 million higher or lower (previous year: approx. EUR 0.1 million).

Other price risks

IFRS 7 also demands statements about how hypothetical changes of other price risk variable would affect the prices of financial instruments. Appropriate risk variables include in particular stock market values or indexes.

No corresponding financial instruments were maintained to a significant extent either in the reporting year or in the previous year.

G. Miscellaneous Assets

Cost of materials

IN EUR THOUSAND	2010	2009
Cost of raw materials, consumables, and supplies, and of purchased merchandise	60,701	35,422
Cost of purchased services	213	1,291
	60,914	**36,713**

The above average increase in cost of materials in relation to sales performance is the results of a change in the product portfolio towards more merchandise, of price increases and the setting up of inventories of finished and unfinished products.

Personnel expenses

IN EUR THOUSAND	2010	2009
Wages and salaries	28,373	23,631
thereof for stock options	164	35
Social security and other pension-related costs	4,470	4,443
thereof for pensions	264	519
Other personnel expenses	1,331	483
	34,174	**28,557**

Employees

ANNUAL AVERAGE NUMBER OF EMPLOYEES	2010	2009
Salaried employees	433	392
Hourly paid employees	156	154
Vocational trainees	9	9
	598	**555**

Total fee for group auditors Ebner Stolz Mönning Bachem GmbH & Co. KG

The auditors Ebner Stolz Mönning Bachem GmbH & Co. KG, Hanover, were appointed to audit the financial statements.

The breakdown of the total fee is as follows:

IN EUR THOUSAND	2010	2009
Audit of financial statements	151	140
Other certification and valuation services	3	3
Tax advisory services	23	40
Other services	22	46
	199	**229**

The other auditing and valuation services primarily relate to activities for finalized / not finalized acquisitions.

Contingencies and other financial obligations

The Company uses leased business premises, vehicles and office equipment within the context of lease contracts that are classified as operating leases.

The following rental and lease expenses are expected for the coming fiscal years on the basis of the leases in force on December 31, 2010:

THOUSAND EUR	
2011	1,456
2012	1,214
2013	1,033
2014	755
after 2015	1,999
	6,457

For fiscal year 2010, total lease expenses incl. ancillary costs amounted to EUR 2,035,000 (previous year: EUR 1,736,000).

The purchasing commitment as of December 31, 2010, at AUGUSTA Technologie AG amounts to EUR 13,060,000 (previous year: EUR 17,750,000), of which EUR 51,000 (previous year: EUR 271,000) are classified as non-current.

Contingent liabilities

There is still a collateral promise on the part of AUGUSTA Technologie AG for all claims by Thüringer Aufbaubank, Erfurt, in connection with the investment grant extended to a subsidiary in the amount of EUR 120,000 (previous year: EUR 291,000).

Concentration of business risks

The Company's receivables are secured to a certain extent by receivables insurance. The Company bears the risk in the case of defaults exceeding the amounts insured. In the past, the Company has only experienced minor losses related to individual customers or groups of customers. Active receivables management is practiced in each subsidiary.

Sales revenues generated by individual customers did not exceed 5 percent of the Group's total sales revenues either in fiscal year 2010 or in the previous year.
Around 61 percent (previous year: 59 percent) of the Group's sales revenues are generated from customers abroad. Standard country-specific risks exist for these foreign customers.

Please refer to notes E (12) Financial liabilities and the section on Related party disclosures for information on the potential risks associated with non-current financial liabilities.

Segment Reporting

Divisions

The operating business of AUGUSTA Technologie AG is divided into two business areas, each with two product ranges: Sensors (sensor components and measurement systems) and Controls (image processing and logistics automation).

After the sale of DLoG GmbH (March 2010), the division "Controls" was renamed "Vision", in line with the group's on-going focus.

The Sensortechnics Group, to which the ELBAU Group and Klay Instruments B.V. belong, HE System Electronic and the Dewetron Group are summarized under sensors. The product area Sensors and Microsystems Technology includes the distribution and development and production of complex sensor components and measurement systems. In the product area of Mobile Measuring Systems, we market complex sensor and data analysis systems which are mainly used in the development departments of the automobile, aviation and aerospace industries, as well as in the market of energy suppliers.

The Vision division includes the Allied Vision Technologies Group and P+S Technik GmbH. In the product area of Vision Technology, we offer customized digital camera solutions.

In accordance with IFRS 8, key figures are published here that are also being reported to the Group's Managing Board on a regular basis, and are referred to in the management of the company. Reporting is carried out at division level and is not broken down into detailed individual product groups. The reporting data originate from the external accounting, to which the general accounting and valuation methods according to IAS/IFRS are applied.

Segment Miscellaneous comprises AUGUSTA Technologie AG, AUGUSTA Venture GmbH, AUGUSTA Vision Beteiligungs GmbH and R.i.s.o. Haushaltswaren GmbH.

Internal revenues are settled on an arm's length basis.

The following tables provide a breakdown by division:

2010 IN EUR THOUSAND	SENSORS	VISION	OTHER SEGMENT	RECONCILIATION	CONSOLIDATED FINANCIAL STATEMENTS
Sales revenues (external)	84,289	45,060	0	0	**129,349**
Sales revenues (internal)	248	84	0	−332	**0**
Depreciation, amortization and impairment losses	1,908	1,900	51	0	**3,859**
Segment reporting	9,979	10,550	−4,199	0	**16,330**
Interest income	15	−41	646	−451	**169**
Interest expenses	−726	−428	−685	451	**−1,388**
Profit/loss from discontinued operations	0	−550	0	0	**−550**
Assets	73,328	55,642	56,923	−17,760	**168,133**
Liabilities	37,145	19,605	22,597	−17,760	**61,587**
Goodwill	28,145	29,394	0	0	**57,539**
Investments in property, plant and equipment	1,250	748	3	0	**2,001**
Investment in intangible assets	165	1,153	0	0	**1,318**

2009 (WITHOUT DLOG) IN EUR THOUSAND	SENSORS	VISION	OTHER SEGMENT	RECONCILIATION	CONSOLIDATED FINANCIAL STATEMENTS
Sales revenues (external)	66,068	27,499	0	0	**93,567**
Sales revenues (internal)	178	18	0	−196	**0**
Depreciation, amortization and impairment losses	1,548	1,127	55	0	**2,730**
Segment reporting	4,687	6,980	−2,506	137	**9,298**
Interest income	29	15	874	−521	**397**
Interest expenses	-780	−487	−673	521	**−1,419**
Profit/loss from discontinued operations	0	−865	0	0	**−865**
Assets	65,103	61,099	33,554	−17,315	**142,439**
Liabilities	30,792	18,361	15,231	−17,315	**47,069**
Goodwill	27,930	35,511	0	0	**63,441**
Investments in property, plant and equipment	2,427	384	6	0	**2,817**
Investment in intangible assets	195	1,950	2	0	**2,147**

Geographic segments

For the presentation by geographic segments, external sales revenues are classified on the basis of the location of the customer and the respective location of the subsidiary. Assets and investments in intangible assets and property, plant and equipment were allocated to the regions in which the companies are domiciled.

2010 IN EUR THOUSAND	GERMANY	REST OF EUROPE	NORTH AMERICA	ASIA	REST OF WORLD	TOTAL
Sales revenues (external) according to domicile	89,118	15,065	20,404	4,762	0	**129,349**
Sales revenues (external) according to customer	50,532	38,628	16,382	20,569	3,238	**129,349**
Non-current assets	61,799	5,276	18,781	4,242	0	**90,098**
Investments in property, plant and equipment assets	1,450	105	124	322	0	**2,001**

2009 IN EUR THOUSAND	GERMANY	REST OF EUROPE	NORTH AMERICA	ASIA	REST OF WORLD	TOTAL
Sales revenues (external) according to domicile	62,410	13,195	15,046	2,916	0	**93,567**
Sales revenues (external) according to customer	38,316	30,508	13,352	9,695	1,696	**93,567**
Non-current assets	60,687	8,461	15,535	3,737	0	**88,420**
Investments in property, plant and equipment assets	838	148	33	1,798	0	**2,817**

Disclosure in accordance with Section 25 1 WpHG

The following notifications were received as to shareholdings of more than 3 percent of the shares of AUGUSTA Technologie AG:

REPORTING NAME/COMPANY	DOMICILE	DATE	THRESHOLD REACHED/EXCEEDED/FALLEN BELOW	VOTING POWER AT DATE OF NOTIFICATION	ATTRIBUTABLE UNDER
Lincoln Vale European Partners GP LLC	Cayman Islands	03/31/2008	15 % exceeded	15.20 %	§ 22 (1) sent. 1 no. 1 WpHG
thereof Lincoln Vale European Partners Master Fund, L.P.	Cayman Islands	03/31/2008	15 % exceeded	15.20 %	
Lincoln Vale European Partners GP LLC	Cayman Islands	04/06/2010	20 % and 25 % exceeded	26.84 %	§ 22 (1) sent. 1 no. 1 WpHG; § 22 (2) WpGH
thereof Lincoln Vale European Partners Master Fund, L.P.	Cayman Islands	04/06/2010	20 % and 25 % exceeded	26.84 %	§ 22 (2) WpGH
Lincoln Vale European Partners GP LLC	Cayman Islands	05/14/2010	25 % and 20 % fell below	17.12 %	§ 22 (1) sent. 1 no. 1 WpHG
thereof Lincoln Vale European Partners Master Fund, L.P.	Cayman Islands	05/14/2010	25 % and 20 % fell below	17.12 %	
Daniel Hopp	Germany	11/30/2009	5 % exceeded	5.92 %	§ 22 (1) sent. 1 no. 1 WpHG
thereof Hopp Verwaltungs GmbH	Mannheim	11/30/2009	5 % exceeded	5.92 %	§ 22 (1) sent. 1 no. 1 WpHG
thereof Hopp Beteiligungsgesellschaft mbH & Co. KG	Mannheim	11/30/2009	5 % exceeded	5.92 %	§ 22 Abs. 1 Satz 1 Nr. 1 WpHG
thereof DAH Beteiligungs GmbH	Mannheim	11/30/2009	5 % exceeded	5.92 %	
Daniel Hopp	Germany	04/06/2010	10 %, 15 %, 20 % and 25 % exceeded	26.84 %	§ 22 (1) sent. 1 no. 1 WpHG
thereof Hopp Verwaltungs GmbH	Mannheim	04/06/2010	10 %, 15 %, 20 % and 25 %	26.84 %	§ 22 (1) sent. 1 no. 1 WpHG; § 22 (2) WpGH
thereof Hopp Beteiligungsgesellschaft mbh & Co. KG	Mannheim	04/06/2010	10 %, 15 %, 20 % and 25 %	26.84 %	§ 22 (1) sent. 1 no. 1 WpHG; § 22 (2) WpGH
thereof DAH Beteiligungs GmbH	Mannheim	04/06/2010	10 %, 15 %, 20 % and 25 %	26.84 %	§ 22 (1) sent. 1 no. 1 WpHG; § 22 (2) WpGH
Daniel Hopp	Germany	05/14/2010	25 %, 20 %, 15 % and 10 % fell below	9.72 %	§ 22 (1) sent. 1 no. 1 WpHG
thereof Hopp Verwaltungs GmbH	Mannheim	05/14/2010	25 %, 20 %, 15 % and 10 %	9.72 %	§ 22 (1) sent. 1 no. 1 WpHG
thereof Hopp Beteiligungsgesellschaft mbH & Co. KG	Mannheim	05/14/2010	25 %, 20 %, 15 % and 10 %	9.72 %	§ 22 (1) sent. 1 no. 1 WpHG
davon DAH Beteiligungs GmbH	Mannheim	05/14/2010	25 %, 20 %, 15 % and 10 %	9.72 %	

Declaration on the German Corporate Governance Code

In February 2011, the Managing Board and Supervisory Board of AUGUSTA Technologie AG issued a declaration of conformity in accordance with Section 161 AktG; this declaration was made available to shareholders on AUGUSTA Technologie AG's homepage at www.augusta-ag.com.

Business transactions with individuals with a personal relationship to the Group

A managing director and his spouse lease accommodation to a company in which the Group owns a shareholding. The resulting lease payments are EUR 85,000 (previous year: EUR 84,000).

A managing director and the spouse of the managing director lease accommodation to an associated company. The resulting lease payments are EUR 38,000.

The lease payments are in line with market conditions.

The daughter of a managing director is employed as marketing manager at an annual salary of EUR 54,000.

The sister of a managing director received interest of EUR 1,000 on a current 5% interest-bearing loan to the company.

Executive bodies

Managing Board

- Amnon F. Harman (Chairman), Ottobrunn, since September 18, 2006, Dipl.-Ing. (FH), Dipl.-Wirtsch.-Ing. (FH)
- Berth Hausmann, Wessling, since December 11, 2006, Dipl.-Kaufmann
- Arno Pätzold, Pullach, since January 1, 2010, Dipl.-Wirtsch.-Ing.

The Managing Board members represent the Company alone.

The key features of the remuneration system for the Managing Board are explained in the Management Report. No pension commitments have been made. The breakdown of total remuneration expenses for fiscal year 2010 is as follows:

IN EUR THOUSAND	FIXED REMUNERATION	SHORT-TERM VARIABLE REMUNERATION[1]	OTHERS[2]		STOCK OPTIONS (LONG-TERM REMUNERATION)[3]
Amnon F. Harman	270	140	8	**418**	99
Berth Hausmann	240	80	9	**329**	99
Arno Pätzold	200	80	9	**289**	69

1 The disclosure of variable remuneration is based on 100% target attainment for the 2010 fiscal year.
2 The “Other” item includes non-cash benefits from the provision of company cars and contributions to insurance policies.
3 The exercise conditions have not been met.

The total remuneration of the Managing Board for the previous year was EUR 582,000.

Supervisory Board up until May 12, 2010

- Heinzwerner Feusser (Chairman), Hildesheim, Germany, Dipl.-Ingenieur, entrepreneur and member of Managing Board of METECHON AG, Munich, Germany
- Thomas Krüger (Vice Chairman), Munich, Germany Dipl.-Betriebswirt (BA), Managing partner of AdAstra Erste Beteiligungs GmbH and of AdAstra Venture Consult GmbH, both Munich, Germany ,
  Vice Chairman, asknet AG, Karlsruhe, Germany,
  Vice Chairman, Transtec AG, Tübingen, Germany,
- Dr. Daniel Wiest, Munich, Germany
  Dipl.-Kaufmann ,
  Chairman KCA Deutag (since August 2010),
  Chairman of the Supervisory Board of PACT Holding AG, Munich, Germany (Chairman since September 2010),

Supervisory Board since May 12, 2010

- Adi Seffer (Chairman), Dreieich, Germany
  attorney,
- Dr. Hans Liebler (Vice Chairman), Gräfelfing, Germany,
  Dipl.-Kaufmann, Investment Manager,
  Member of the Board of Directors SCM Microsystems, Inc., Santa Ana, California, USA ,
  Member of the Supervisory Board, Mercatura Biotech Cosmetics AG, Achim, Germany,
  Member of the Supervisory Board, Investunity AG, Munich, Germany,
  Member of the Supervisory Board, autowerkstattgroup N.V., Maastricht, The Netherlands,
- Dr. Rainer Marquart, Mannheim; Germany
  Consultant ,
  Member of the Supervisory Board, 3-pod AG, Mannheim, Germany ,
  Member of the Supervisory Board, Equinet AG, Frankfurt am Main, Germany,
  Member of the Supervisory Board, Ice Age Ice AG, Maintal, Germany,
  Member of Beiras Service Innovation Group GmbH, Ettlingen, Germany.

The key features of the remuneration system for the Supervisory Board are explained in the Management Report. The breakdown of total remuneration expenses for fiscal year 2010 is as follows:

IN EUR THOUSAND	FIXED REMUNERATION	MEETING ATTENDANCE ALLOWANCE	VARIABLE REMUNERATION	
Up to May 12, 2010				
Heinzwerner Feusser (Chairman of the Supervisory Board)	13	9	2	**24**
Thomas Krüger (Vice Chairman of the Supervisory Board)	7	9	1	**17**
Dr. Daniel Wiest	7	8	1	**16**
Since May 12, 2010				
Adi Seffer (Chairman of the Supervisory Board)	19	16	3	**38**
Dr. Hans Liebler (Vice Chairman of the Supervisory Board)	12	16	2	**30**
Dr. Rainer Marquart	12	16	2	**30**
	70	74	11	**155**

In the prior year, the Supervisory Board received compensation of EUR 137,000 for their work.

Share holdings

	NUMBER OF NO-PAR VALUE SHARES = AMOUNT OF SHARE CAPITAL		SHARE IN THE SHARE CAPITAL	NUMBER OF SUBSCRIPTION RIGHTS STOCK OPTIONS (NOT EXPIRED)	
	12/31/2010	12/31/2009	IN %	12/31/2010	12/31/2009
Managing Board					
Amnon F. Harman	15,500	15,500	0.18	47,500	50,000
Berth Hausmann	8,250	8,250	0.10	47,500	50,000
Arno Pätzold	3,000	0	0.04	30,000	0
Supervisory Board up until May 12, 2010					
Heinzwerner Feusser	k. A.	4,999	k. A.	0	0
Thomas Krüger	k. A.	0	k. A.	0	0
Dr. Daniel Wiest	k. A.	0	k. A.	0	0
Supervisory Board since May 12, 2010					
Adi Seffer	0	0	0	0	0
Dr. Hans Liebler	0	0	0	0	0
Dr. Rainer Marquart	0	0	0	0	0
	26,750	**28,749**	**0.32**	**125,000**	**100,000**

Significant events after the end of the reporting period

On January 26, 2011, AVT GmbH acquired a 100% interest in VDS Vosskühler GmbH. The acquisition is retroactive to January 1, 2011. It will be incorporated in the Vision segment. In 2010, the company generated sales of EUR 6 million. The purchase price of approx. EUR 11 million was financed to 50% with capital resources of the AUGUSTA Group and to 50% with debt capital. Acquired were largely intangible assets of EUR 6.6 million (primarily customer base, technology and software), inventories of EUR 1.9 million and cash amounting to EUR 0.5 million. Acquired liabilities amount to approx. EUR 2.0 million and goodwill to approx. EUR 3.6 million.

On March 4, 2011, Lincoln Vale announced that on March 2, 2011 their voting rights on AUGUSTA Technologie AG fell below the threshold of 15 percent and was 14.32 percent on that day (equal to 1.208 million voting rights).

For further details, reference is made to the Report on Post-balance Sheet Date Events in the Management Report.

Munich, March 8, 2011

Amnon F. Harman CEO	Berth Hausmann CFO	Arno Pätzold CDO

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting; the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Munich, March 8, 2011

AUGUSTA Technologies AG
The Managing Board

Amnon F. Harman	Berth Hausmann	Arno Pätzold
CEO	CFO	CDO

AUDITORS‘ REPORT

We have audited the consolidated financial statements – comprising the balance sheet, consolidated statement of comprehensive income, statement of changes in equity, cash flow statement and the notes – and the group management report prepared by AUGUSTA Technologie Aktiengesellschaft, Munich, for the fiscal year January 1 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code) is the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting standards and in the group management report are 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. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the companies to be included in the consolidated financial statements, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, as a whole provides a suitable understanding of the Group’s position and suitably presents the opportunities and risks of future development.

Hanover, March 9, 2011
Ebner Stolz Mönning Bachem GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Christian Fröhlich	Hans-Peter Möller
Auditor	Auditor

INDIVIDUAL FINANCIAL STATEMENT

BALANCE SHEET OF AUGUSTA TECHNOLOGIE AG ACCORDING TO HGB

AS OF DECEMBER 31, 2010

ASSETS IN EUR		12/31/2010	12/31/2009
A.	**Non-current assets**		
I.	**Intangible assets**		
	Concessions, industrial property rights and similar rights and Values as well as Licenses on rights and values	17,984	53,012
		17,984	**53,012**
II.	**Fixed assets**		
	Other tangible assets, equipment and installations	53,197	66,308
		53,197	**66,308**
III.	**Non-current financial assets**		
1.	Interest in affiliated companies	63,999,580	70,166,143
2.	Loans to affiliated companies	1	1
		63,999,581	**70,166,144**
B.	**Current assets**		
I.	**Receivables an other assets**		
1.	Receivables from related parties	16,611,587	17,296,129
2.	Other assets	2,701,102	2,714,254
		19,312,689	**20,010,383**
II.	**Cash on hand, deposits at the Federal Bank, cash in banks and checks**	**21,709,950**	**12,921,846**
C.	**Prepaid expenses**	**38,064**	**48,241**
Total assets		**105,131,465**	**103,265,934**

EQUITY AND LIABILITIES IN EUR		12/31/2010	12/31/2009
A.	**Equity**		
I.	**Common stock**	**8,435,514**	**8,435,514**
	./. Nominal treasury stock	−843,551	−843,551
	Issued capital stock	**7,591,963**	**7,591,963**
II.	**Capital reserves**	**45,062,613**	**45,062,613**
III.	**Retained earnings**		
	Other reserves	25,396,551	25,843,551
		25,396,551	**25,843,551**
IV	**Net retained earnings**	**13,823,487**	**10,763,312**
		91,874,614	**89,261,439**
B.	**Accruals**		
1.	Tax accruals	1,564,000	700,000
2.	Other accruals	1,561,687	571,194
		3,125,687	**1,271,194**
C.	**Liabilities**		
1.	Liabilities due to banks	9,621,700	12,159,100
2.	Trade payables	150,057	206,883
3.	Liabilities to related parties	20,317	328,782
4.	Other liabilities	45,090	38,536
		9,837,164	**12,377,301**
D.	**Deferred tax liabilities**	**294,000**	**0**
Total equity and liabilities		**105,131,465**	**103,265,934**

INCOME STATEMENT OF THE AUGUSTA TECHNOLOGIE AG
FROM JANUARY 1 TO DECEMBER 31, 2010

IN EUR		12/31/2010	12/31/2009
1.	Income from investments		635,173
2.	Income from profit and loss transfer agreement		7,275,451
3.	Income from sale of investments		0
4.	Other operating income		2,489,809
		12,036,852	**10,400,433**
5.	Personnel expenses		
	a) Wages and salaries	−1,628,398	−976,424
	b) Social insurance charges	−72,009	−63,857
6.	Depreciation of intangible assets of assets of fixed assets	−50,750	−55,192
7.	Other operating expenses		−1,886,121
8.	Payments to sale of investments		0
9.	Other interest and similar income		1,005,055
10.	Depreciation of investments and current marketable securities		−4,114,870
11.	Payments to transfer of losses	0	0
12.	Interest and similar expenses	−685,217	−672,525
13.	**Profit from business activities**	**6,874,790**	**3,636,499**
14.	Income taxes		−892,220
15.	Other taxes		−926
16.	**Net income**	**5,337,764**	**2,743,353**
17.	Profit brought forward		9,361,205
18.	Donation to surplus reserve		−1,341,246
19.	**Retained earnings**	**13,823,487**	**10,763,312**

BUSSINESS SEGMENT	SENSORS	
PRODUCT RANGE	**Sensors and Microsystems Technology**	**Mobile Measuring Systems**
APPLICATIONS	/ Pressure and flow sensors for the medical-technology sector / Fluid detectors for medical equipment such as blood transfusion and dialysis machines / Liquid level measurement / Microsystems for pressure measurement in the crude oil industry / Components for engine control in the automotive industry / Power electronics for industrial applications / Customer-specific product development	/ Measurement data logging for vehicle testing / Dynamic vibration measurement (e.g., for aircraft engines) / Remote monitoring of power stations and power transmission / Environmental data, seismological data logging
APPLICATION AREA	/ Medical devices / General industry / Process industry / Automotive	/ Automotive / Aviation and aerospace / Science / Energy
KEY FIGURES	/ Sales Revenues: EUR 62.2 million / Employees: 315	/ Sales Revenues: EUR 22.0 million / Employees: 95
SUBSIDIARIES & BRANDS	**Sensortechnics GmbH** Phone: +49 (0)89-80083-0 www.sensortechnics.com *Subsidiaries:* / SENSORTECHNICS, INC., USA / PRESSURE & FLOW LTD., GREAT BRITAIN / SENSORTECHNICS SCANDINAVIA AB, SWEDEN **ELBAU Elektronik Bauelemente GmbH** Phone: +49 (0)30-924042-0 www.elbau-gmbh.de *Subsidiaries:* / ELBAU SINGAPORE PTE. LTD., SINGAPORE **Klay Instruments B.V.** Phone: +31 (0)521-591550 www.klay.nl **HE System Electronic GmbH & Co.KG** Phone: +49 (0)911-97581-0 www.he-system.com	**DEWETRON Ges.m.b.H.** Phone: +43 (0)316-3070-0 www.dewetron.com *Subsidiaries:* / DEWETRON GMBH, WERNAU, GERMANY / DEWETRON SPOL. S.R.O., CZECH REPUBLIC / DEWETRON AMERICA INC., USA / DEWETRON UK LTD., GB / DEWETRON CHINA LTD., CHINA / DEWETRON BENELUX B.V., NETHERLANDS

VISION

BUSSINESS SEGMENT

PRODUCT RANGE

Vision Technology

APPLICATIONS

- Digital cameras for automation and quality control in production processes
- 3D applications
- Optical sorting and packing of agricultural products
- Ophthalmic examination
- Biometrics
- Research and development experiments (e.g., material stress tests)
- Traffic monitoring and regulation
- Film production for cinema, advertising and documentary

APPLICATION AREA

- General industry
- Medical devices
- Safety and traffic
- Science
- Media/Entertainment

KEY FIGURES

- Sales Revenues: EUR 45.1 million
- Employees: 197

SUBSIDIARIES & BRANDS

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www.alliedvisiontec.com
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- ALLIED VISION TECHNOLOGIES INC., USA
- ALLIED VISION TECHNOLOGIES CANADA INC., KANADA
- ALLIED VISION TECHNOLOGIES ASIA PTE, LTD., SINGAPORE

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Financial Calender 2011

May 5, 2011: 3-Month Report
May 12, 2011: Annual General Meeting at 11 a.m at Novotel Messestadt West, Munich
August 4, 2011: 6-Month Report
November 3, 2011: 9-Month Report
November 21-23, 2011: Analysts' conference at Deutsches Eigenkapitalforum, Frankfurt

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AUGUSTA

Technologie AG