AUGUSTA
Vision Technologies for Life

ANNUAL REPORT 2011

Focus on the Essence

Key Figures

in EUR thousand	2011	2010	2009
Key figures for consolidated statement of comprehensive income			
Consolidated sales revenues	101,314	77,281	52,905
Gross profit	46,916	34,828	22,584
Gross margin	46.3 %	45.1 %	42.8 %
EBITDA	17,948	10,736	5,622
EBITDA margin	17.7 %	13.9 %	10.7 %
Depreciation	-4,976*	-2,274	-1,558
EBIT	12,973	8,462	4,065
EBIT margin	12.8 %	10.9 %	7.7 %
EBT	6,645	7,710	3,408
EBT margin	6.6 %	10.0 %	6.5 %
Taxes	-2,054	-2,124	-1,839
Tax rate	30.9 %	27.5 %	54.0 %
Net income from continued operations	8,963	5,586	1,569
Net income from discontinued operations (DCO)	32,475	4,982	2,869
Minority interests	-95	-178	-36
Net income for the period after DCO and minorities	36,971	10,390	4,402
Earnings per share in EUR after DCO (undiluted) and minorities	4,85	1,37	0,58
Shares outstanding (average) in thousand	7,617	7,592	7,592
Balance sheet key figures			
Total assets	200,256	168,133	142,439
Non-current assets	101,011	90,098	88,420
Current assets	99,245	78,035	54,019
- thereof cash and cash equivalents and other current financial assets	65,859	34,748	20,986
Equity	145,782	106,546	95,370
Equity ratio in %	72.8 %	63.4 %	67.0 %
Net liquidity	42,688	10,382	4,590
Working capital	20,610	31,448	23,634
Other key figures			
Incoming orders	107,304	86,575	46,024
Order backlog	39,270	25,074	18,610
Number of employees	481	370	301
Closing share price (Xetra) in EUR	14,34	15,70	10,87
Market capitalisiation	122,034	132,438	91,694
Enterprise value (EV)	67,249	107,382	87,115

* adjusted for accumulated depreciation for P+S Technik amounting to TEUR 4,373

Mission

We are an international technology company focusing on the globally long-term niche markets of digital imaging (vision technologies).

Our customers around the world aprreciate us as an open-minded, entrepreneurial and responsible development partner and product supplier delivering application-specific solutions flexibly and reliably. Our mission is to be a global market leader in Vision Technologies.

FOCUS

We focus on attractive digital imaging and optical sensor niche markets with long-term growth prospects. This clear strategy has enabled us in recent years to exploit opportunities better than the competition, increase our market share and grow above the market average. We are constantly working to build on our market position and the successful development of our company to achieve growth, profitability and market leadership.

DIVISIONS

Manufacturing industry

Intelligent 2D and 3D machine vision systems support quality inspection, automation and surface inspection. Our Vision Systems give robots and machines the power of electronic sight in various sectors of industry.

1 Mobility (vehicle production)
2 Machine and plant engineering
3 General manufacturing industry
4 Process industry

Non-Manufacturing industry

Besides applications in traditional forms of industrial automation, Vision Systems are becoming increasingly important in non-industrial sectors.

1 Telecommunications / IT / media / entertainment
2 Healthcare & medical
3 Science and education
4 Energy and heating / air conditioning
5 Infrastructure
6 Transportation an logistics
7 Agriculture and forestry
8 Retail

Surveillance

The need for greater security is constantly increasing, as are the fields of application. Vision Systems are used for surveillance tasks in a range of different markets.

1 Defence
2 Traffic automation
3 Security

Company Profile

AUGUSTA Technologie AG is an integrated technology company focused on optical sensor and digital imaging niche markets.

In our core segment, Vision Technology, we supply digital cameras and optical sensor systems that increase quality, reliability and efficiency. We develop and produce standard products and customer-specific systems for a broad spectrum of applications in a range of industries, including manufacturing, medical, multimedia & entertainment, traffic and security.

In its Other Divisions, AUGUSTA supplies the Mobile Measuring Systems and Microsystems Technology Markets.

AUGUSTA is recognised for its international footprint and high level of customer service. We are a reliable partner for our customers worldwide with around 500 highly qualified employees in Germany and abroad.

We have equity of more than EUR 110 million. We are a company that is growing organically, but also via acquisitions and we are constantly expanding our leading position. Growth along the value chain in our target markets and the internationalisation of our business are core development targets.

AUGUSTA was founded in 1991 and has been listed on the German stock exchange since May 5, 1998. AUGUSTA is currently Prime Standard-listed on the German stock exchange.

Highlights 2011

JAN

Acquistion of VDS Vosskühler via subsidiary Allied Vision Technologies (AVT).

FEB

AUGUSTA publishes preliminary figures for fiscal year 2010, exceeding Guidance.

MAR

Publication of the Annual Report, dividend proposal of EUR 0.45 per share and publication of the Guidance for 2011.

JUL

Subsidiary Allied Vision Technologies expands Ahrensburg site and significantly expands R&D Centre.

AUG

AUGUSTA confirms increased Guidance from May with strong 6-month figures.

SEP

AUGUSTA sells the Sensortechnics Group and continues to focus on the Vision segment.

Content

APR

AUGUSTA takes over LMI Technologies, an optical 3D sensor system specialist.

MAY

Annual General Meeting in Munich. All agenda items are passed. Publication of the 3-month figures and increase in Guidance.

JUN

LMI Technologies continues to expand the successful distribution network for the 3D GoCator family of sensors.

OCT

Sale of the Sensortechnics Group completes successfully. Payment of the first tranche of EUR 47 million. revenues increase in net liquidity.

NOV

AUGUSTA puts on the first Capital Market Day in Stuttgart under the auspices of the VISION trade fair and publishes 9-month figures – revenues and results as forecast.

DEC

Subsidiaries begin sale of new digital cameras from Allied Vision Technologies (presented at the VISION trade fair in Stuttgart) and the 3D GoCator sensor family from LMI Technologies.

Letter to the Shareholders

From left to right:
>>> **Amnon F. Harman** CEO
>>> **Berth Hausmann** CFO
>>> **Arno Pätzold** CDO

Dear Shareholders and Friends of AUGUSTA,

Once again we have experienced another very successful financial year. We achieved our operational and strategic goals in 2011 in spite of the adverse conditions on the financial markets and the increasingly uncertain overall economic situation. Even more: We were able to increase our earnings at a faster rate than revenues, despite increased capital investments and further expansion of our development activities and sales and service structures. The driving force for the growth rate is our strategic focus on the Vision Technologies segment. With VDS Vosskühler and LMI Technologies we were able to acquire two companies in 2011 that enhance our technological skills in the Vision segment and that are perfectly positioned in new business areas with international customers. With the sale of the Sensortechnics Group in the autumn of 2011 our activities are now even more focused on the Vision Technology business division with its high margins and strong growth.

We are represented in the key regions of the world as a reliable product and system provider for Vision Technology today. We have a wide range of digital camera solutions and 3D sensors for applications in the manufacturing industry as well as many non-industrial applications areas, such as medical and traffic technology. Based on the highest requirements related to the performance, quality and user-friendliness of our products and systems we enjoy high levels of customer acceptance and demand which results in our successful growth.

BELOW IS AN OVERVIEW OF THE MOST SIGNIFICANT KEY OPERATIONAL FIGURES AND EVENTS AS OF 31 DECEMBER 2011:

- **Group revenues** rose by 31 percent on the previous year to EUR 101.3 million. Comparable organic growth without the companies VDS and LMI acquired in 2011 was just under 12 percent, exceeding our own expectations and surpassing average market growth.

- **Incoming orders** increased to EUR 107.3 million by the end of the 2011 financial year, up on the previous year by around 24 percent. The book-to-bill ratio reached a value of 1.06 at year end. This includes a large order from the microsystems technology area which we received in the fourth quarter and which is due for delivery over the next three years.

- In addition to our solid incoming order level the high order backlog makes us cautiously optimistic about business developments in 2012. Our order backlog of EUR 39.3 million at the end of the 2011 financial year was almost 57 percent higher than the previous year.

- **Gross margin** was high at 46.3 percent. Despite rises in material costs we have been able to increase our gross margin slightly compared with the previous year through a greater focus on Vision technologies, innovative new products, customised solutions and an improved product mix.

- Earnings increased at a faster rate than revenues through the focus on the Vision Technology division with its high margins. **Earnings before interest, taxes, depreciation and amortisation (EBITDA)** rose by 67 percent to almost EUR 18 million. The forecast for the year was clearly achieved. The EBITDA margin climbed to 17.7 percent. Discounting the companies acquired in 2011 the EBITDA also grew at a faster rate by around 32 percent.

- With an **equity ratio** of 72.8 percent, the **balance sheet ratios** at the end of the 2011 financial year are excellent for a medium-sized company. This high equity ratio places us considerably above the average for the overall industrial sector.

- The **working capital** went down to EUR 20.6 million by 2011 year end – an improvement on the previous year of more than 34 percent.

- Up to now we have received EUR 47 million in cash proceeds through the sale of the Sensortechnics Group, not considering the Earn-out payments which are expected for 2012 and 2013. Our Cash and cash equivalents increased considerably to EUR 65.9 million by year end as a result of this.

- The net profit for the period from continued operations (Vision Technology, Other Divisions) also rose considerably. Adjusted by the value adjustment for P+S Technik GmbH this was approximately EUR 9 million. Cumulative net profit for the period was just under EUR 37 million including the extraordinary income from the sale of the Sensortechnics Group for EUR 32.5 million.

FOCUS GUARANTEES FURTHER GROWTH AND PROFITABILITY

Following the sale of the Sensortechnics Group we are growing more rapidly in our remaining divisions and have become more profitable in relation to revenues. We have also created high **liquidity reserves** through the sale which we are investing in a targeted manner in further expansions to our Vision technology activities. Our aim is to position ourselves as a leading global Vision Technology provider.

In this respect we will expand our company's innovative strength even further. We want to set new benchmarks in the Vision Technology market with new products and systems that emerge based on our expanded development activities. Continuous expansion of our global sales and service functions ensures direct customer access and the satisfaction of our customers. In addition to the focus on acquisitions in the Vision Technology market we also see investments in innovation and market access as our essential driver of growth over the next few years.

SHAREHOLDER PARTICIPATION IN THE COMPANY'S SUCCESS

We have pursued a consistent dividend policy since the 2008 financial year. This year too we want to involve you, our shareholders, in the company's positive developments. For the 2011 financial year we remain committed to our statement that we will distribute at least 30 percent of the consolidated annual net profit to our shareholders. Owing to the exceptional level of income from the successful sale of the Sensortechnics Group, we will increase the dividend calculated from operating activities of approximately EUR 0.35 per share. The Managing Board and Supervisory Board will propose a dividend of EUR 0.60 to the 2012 Annual General Meeting.

OUTLOOK AND GUIDANCE

The long-term growth parameters in our markets of Vision Technology are intact and we have attractive and high-performance products and systems. We are in a perfect position for further growth with our global presence along with our very solid financial structure. Investments in research and development will also provide our company with an effective vibrant and sustained dynamic. Our acquisitions completed in the 2011 financial year will also provide momentum for growth in 2012. Additional acquisitions will also ensure faster rates of growth in the future.

Despite uncertainties in the global finance markets and in the major sales areas we view 2012 in a very positive light. Based on a talented and loyal work force we expect growth both in terms of revenues as well as profitability. Taking into account the market uncertainties that exist currently, we expect **group** revenues to be within the range of **EUR 100 to 110 million** and **EBITDA** of between **EUR 16 and 20 million.**

Dear Shareholders, the factors for success for the future have been defined with the keywords "focus on innovation and Vision technologies, expand into new markets, customer and service orientation as well as growth through acquisitions". AUGUSTA is well positioned, our objectives are clearly formulated and our employees are highly motivated. These facts and the consistent positive developments over several years allow us to look to the future and the new 2012 financial year with confidence. Our strategic goal of becoming a focused and global leader in Vision Technologies is firmly in view. We have already expanded our activities in the Vision Technology business division considerably with the acquisitions that we have completed so far and have also considerably increased our revenues and earnings.

At this point we would like to thank the company's customers, partners and shareholders for their trusting collaboration. We would especially like to thank our employees in all of AUGUSTA's business divisions who have contributed to the success of the 2011 financial year with their commitment, their motivation and their creative abilities. On this basis we look forward to continuing this successful trend in 2012.

Amnon F. Harman	**Berth Hausmann**	**Arno Pätzold**
CEO	CFO	CDO

Report of the Supervisory Board

Dear Shareholder,
The Supervisory Board engaged extensively and thoroughly with the position and the future development of the company in the last fiscal year.

Looking back, we are pleased to be able to say that, despite increasing uncertainty in the global economy in the course of 2011, AUGUSTA Technologie AG has had a successful fiscal year 2011, both in terms of organisation and the focus strategy. Two acquisitions in the Vision segment in the first half of the year and the sale of the Sensortechnics Group in the second half of 2011 allowed AUGUSTA to develop into a focused leading global company for Vision Technologies.

The AUGUSTA Group has dealt with the challenges of the current economic upheavals masterfully and has grown above the market average in 2011 in turnover and earnings.

CHANGES IN THE SUPERVISORY BOARD

Dr. Rainer Marquart resigned in writing as a member of AUGUSTA's Supervisory board for personal reasons on 27 October 2011. AUGUSTA's Managing Board applied to the responsible district court in Munich to appoint Mr. Götz Gollan as the new member of the Supervisory Board for the period until election at the next Annual General Meeting. Mr. Gollan was appointed as Dr. Rainer Marquart's successor by the district court of Munich on 6 December 2011.

We would like to take this opportunity to thank Dr. Rainer Marquart warmly once again for his excellent work and close collaboration.

SUPERVISORY BOARD MEETINGS AND COMMITTEES

We took the tasks and obligations imposed on us according to law and the Articles of Association to observe and advise the Managing Board particularly seriously with regard to the acquisitions this year. In fiscal year 2011 there were 12 ordinary meetings of the Supervisory Board. All members of the Supervisory Board took part in the meetings. The meetings took place on the following dates: 10 March 2011, 14 March 2011, 6 April 2011, 8 April 2011, 12 May 2011, 30 June 2011, 12 August 2011, 27 September 2011, 29 September 2011, 10 November 2011, 11 November 2011 and 13 December 2011. Four telephone Supervisory Board meetings were held on the dates of 25 January 2011, 28 January 2011, 4 March 2011 and 9 May 2011. Important decisions that stood for approval outside the ordinary meetings were voted on using the circulation method.

The Supervisory Board has three members and it is therefore not appropriate to form Supervisory Board committees.

FOCAL POINTS OF THE ADVISORY ACTIVITY OF THE SUPERVISORY BOARD AND DECISION-MAKING

During fiscal year 2011, the Managing Board informed the Supervisory Board in a regular, timely and comprehensive manner about the development of business activity and 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 strategic ongoing development of the Group internally and externally was discussed extensively. The Managing Board agreed on the strategic direction of the company with the Supervisory Board and reported to the Supervisory Board on a regular basis, in writing and verbally, about the status of implementation. Particular attention was paid to the current earnings situation as well as finance and risk given the globally volatile environment. Annual projections from the subsidiaries were presented and discussed in detail. Deviations of business performance from the respective goals were discussed openly and in detail at the Supervisory Board meetings and analysed jointly so that regulatory measures could be introduced if necessary. The acquisition projects were presented in detail by the Managing Board and closely coordinated with the Supervisory Board. Each target company was also examined by a member of the Supervisory Board in the run-up to acquisition of the company. Two members of the Supervisory Board signed a consultancy agreement with the company to provide support to the Supervisory Board on topics outside the scope of normal Supervisory Board activity.

For the most part, operational and strategic topics were the focus of discussions and meetings:

The **operational** topics included the following in particular:

- Consultation about and assessment of the 2010 annual financial statements and the agenda items for the 2011 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 integrating acquired companies
- Risk management of the AUGUSTA Group
- The share price trend in comparison to the peer group and relevant indices
- Issuance of stock options (tranche 4)
- The dividend policy of AUGUSTA Technologie AG
- Planning and approval of the budget in the segments and at Group level for fiscal year 2012 and consultation with regard to medium-term planning up to 2014
- Detailed analysis and discussion regarding change in the shareholding in P+S Technik GmbH and implementation of the change

Major **strategic** topics included the following:

- Further strategic development and the development perspectives of the subsidiaries
- The strategy of focus on the Vision segment and a detailed exchange of market perspectives in digital imaging (Vision Technologies)
- Acquisition targets and their project status in the Vision Technologies segment and all the necessary measures within the context of acquisition
- The acquisition of VDS Vosskühler GmbH, including the due diligence audit, integration and amalgamation into the Allied Vision Technologies Group
- The acquisition of LMI Technologies Inc. with detailed review of the 3D vision market, due diligence audit and integration into the AUGUSTA structure
- The acquisition of business segments of Microbridge, Canada, by Sensortechnics GmbH
- The structured international bidding process in the context of the sale of the Sensortechnics Group, which includes Elbau GmbH Klay Instruments B.V. among others, and implementation of the sale to First Sensor AG
- The impact of moving away from sensors and further focus on the Vision segment
- Activities in the area of research and development, and further development of the product portfolio in the field of Vision
- International market activities and opportunities for AUGUSTA to expand and the associated risk, particularly in the US and Asia

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

The Supervisory Board also handled affairs that according to law or the Articles of Association require the involvement of the Supervisory Board. This included drawing up the agenda for the 2011 Annual General Meeting as well as assessing the limited company's annual financial statements for fiscal year 2010 and approving the consolidated financial statements for fiscal year 2010.

GERMAN CORPORATE GOVERNANCE CODE

The Supervisory and Managing Boards are committed to the principles of good management and have kept abreast of the further development of the German Corporate Governance Standards. The Supervisory and Managing Boards issued an updated declaration of conformity in accordance with section 161 of the German Companies Act (AktG) in January and after the Annual General Meeting in May 2011 and made the declarations permanently available to shareholders on the company's website. AUGUSTA Technologie AG complies with the recommendations of the Government Commission on the German Corporate Governance Code in the version of the Code published in July 2010 with the exception of the deviations listed and substantiated in the Declaration of Conformity. You will find detailed information on the Corporate Governance Code in the Annual Report under the relevant section.

REMUNERATION AND CONFLICTS OF INTEREST

Comprehensive information regarding the system for individualised Managing and Supervisory Board remuneration is provided in the Management Report and in the notes to the annual financial statements and the consolidated financial statements. The variable remuneration for fiscal year 2011 amounts to EUR 13,000 for the Supervisory Board and is expected to be EUR 300,000 for the Managing Board. This will be paid out in April 2012 at the latest. Long-term variable remuneration in the form of stock options for the Managing Board was valued at EUR 231,000 for fiscal year 2011.

The total remuneration of the Managing and Supervisory Boards is reported individually, broken down into variable and fixed components, in the notes to the annual financial statements and the 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. Mr. Götz Gollan, member of the Supervisory Board since 6 December 2011, is the Chairman of the Supervisory Board at First Sensor AG. There have been and are no other conflicts of interest among the members of the Supervisory Board.

ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011

As per the statutory regulations, the auditors Ebner Stolz Mönning Bachem GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hanover, were appointed by the Annual General Meeting on 12 May 2011 to audit the annual financial statements and the consolidated financial statements. Prior to submitting a proposal for appointment, the Supervisory Board obtained a declaration of independence from the auditors.

The financial statements and management report of AUGUSTA Technologie AG prepared by the Managing Board according to the principles of the German Commercial Code (HGB), 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 2011, including the accounting, have been audited by Ebner Stolz Mönning Bachem GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, 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 and the Group, the Managing Board's proposal on the appropriation of net profit, and the long-form audit reports before and during its meeting on 12 March 2012. 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 of the German Stock Corporation Act (AktG).

DIVIDEND

The Supervisory Board concurs with the proposal of the Managing Board to allow shareholders to share in the company's success by distributing a dividend. As already communicated in the past, the payment will be approximately 30 percent of the Group's net profit. The dividend will therefore be EUR 0.35 per share. Owing to the sale of the Sensortechnics Group and the associated extraordinary profit in the order of EUR 32.5 million, the Managing Board has proposed an increase of the dividend to EUR 0.60 per share, a proposal that the Supervisory Board has approved. This dividend will be proposed to the Annual General Meeting on 16 May 2012.

FINAL REMARKS

From the current standpoint, the Supervisory Board, in agreement with the Managing Board, expects the company's growth in turnover and revenue to continue in the next year on the basis of long-term market trends and the good order situation at the end of 2011. 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 Vision Technologies markets in addition to highly qualified managers and motivated employees. These factors are behind successful completion of fiscal year 2011 and give AUGUSTA a strong foundation for the long term.

On behalf of the entire Supervisory Board, I would like to thank all the shareholders who have expressed their confidence in AUGUSTA Technologie AG. Moreover, we would like to express our thanks and admiration to the Managing Board, the managing directors and all AUGUSTA's employees who have contributed to this success around the world with their personal commitment. We wish the company continued success for fiscal year 2012!

Munich, 13 March 2012

Adi Seffer
Chairman of the Supervisory Board

Executive Interview with Amnon F. Harman (CEO)

»Our aim is to become one of the top 3 companies in the global Vision Technologies.«

AMNON F. HARMAN, CHIEF EXECUTIVE OFFICER OF AUGUSTA TECHNOLOGIE AG, ON THE DIRECTION OF THE COMPANY, THE ACQUISITION STRATEGY AND THE DEVELOPMENT OF THE VISION TECHNOLOGY MARKET.

You have had a successful financial year in 2011. What were the key strategic milestones?

2011 was characterised by our strategic focus on the Vision Technologies growth markets. In the first half of the year, we acquired two companies that really complement our existing activities on the customer and product side. In January, we took over VDS Vosskühler via our subsidiary, Allied Vision Technologies, which significantly extended our expertise in the digital camera market to include infrared, X-ray and high-speed cameras. In May, we acquired LMI Technologies. LMI is already very well positioned on the exciting and fast-growing 3D market with its optical 3D sensor systems. From both acquisitions, we have gained entirely new customer groups from a range of markets including inline inspection for the rubber and automotive industry, medical technology and security technology – and, all-importantly, we have significantly extended our expertise in vision technology. In the second half of the year, the sale of the Sensortechnics Group was a further milestone in our focus strategy. We negotiated a very good sale price that was above AUGUSTA's valuation factors. So we have enough liquid assets for further acquisitions.

And operations?

Operations were also terrific, as our figures for 2011 demonstrate. We have achieved our upward-adjusted forecast. The expansion of sales and support activities in North America and Asia as well as the extension of our product range contributed to gratifying growth in revenues, incoming orders and profitability. In figures, we have increased our revenues by around 12 percent and our operating result, our EBITDA, by more than 32 percent – solely from organic growth. We are very pleased with that result.

»Our integration process begins well before a contract is signed.«

Can such a high level of profitability continue long-term?

In financial year 2011, we had an EBITDA margin of almost 18 percent, an increase of almost 4 percent points compared with the previous year. The main reason for that is our focus on the Vision segment. At Group level, we aim for an EBITDA margin of more than 18 percent, which we plan to maintain long-term irrespective of investments.

Acquired companies must be integrated. What does your integration process look like?

Our integration process begins well before a contract is signed. We definitely do not just want to buy a company – we want to continue to run the company successfully after acquisition. From the initial negotiations, we pay very particular attention to the culture and corporate values of a company and the management's strategic goals. We evaluate carefully to what extent those values and goals meet our vision. The management must share our goal of developing AUGUSTA into the leading Vision Technology company worldwide. Wherever possible, we aim to keep the existing management team on board to ensure the future success.

What steps have you taken so far with the companies you have acquired?

Our aim is to integrate the companies we have acquired into our processes and systems as quickly as possible. In 2008, we purchased Prosilica, and VDS Vosskühler followed at the beginning of 2011. Both companies have been integrated into our subsidiary AVT within one year, in terms of technology and organisation. All products have been incorporated into the AVT product range. We have retained the sites in Vancouver and Osnabrück, which – as centres of excellence – are being continuously expanded in the areas of development, production and support. Distribution is carried out via AVT's global distribution system. We are also making great progress with LMI. The 3D Gocator family of sensors, for example, is now not only sold directly by LMI, but also via the existing network of AVT distributors and joint purchasing synergies are being opened up as far as possible. We bring together the management teams of our subsidiaries in biannual strategy meetings to work towards the future success.

What is your acquisition strategy now?

The Vision Technology market is still very fragmented and offers a number of acquisition opportunities. Growth along the value chain, complementary additions to our product portfolio and the internationalisation of our business are the major objectives of our acquisition strategy. We analyse the Vision Technology market with this strategy in mind and identify acquisition targets that are attractive over time and fit into our future plans for growth. We have the financial means to do that, and this ensures that we can grow above the market average over the long term.

In what segments are you seeing the strongest growth, particularly with regard to your acquisition strategy?

There are interesting acquisition targets in the traditional industrial machine vision segment, but also in the surveillance market. Growth rates in industry are between 8 and 12 percent, whereas niche markets in surveillance, such as security and traffic applications, are seeing double-digit growth rates per year. We definitely see great synergies here with our existing business. The challenge is not to pay too much for companies that generally are valued higher than AUGUSTA. Our medium-term goal is not just to become established as a camera manufacturer for industrial and non-industrial applications, but to become one of the top 3 companies on the global Vision Technologies market.

If you take a look at your balance sheet, do you think there is enough finance for further acquisitions or do you need to increase capital?

The sale of the Sensortechnics Group will bring us well over 57 million Euros up to the beginning of 2013, of which we received 47 million Euros already in October 2011. We have access to considerable outside funds from our principal banks under very attractive conditions thanks to our stable cash flow and high net liquidity. On top of that, we have almost 10 percent treasury shares that can also be used for acquisitions at any time. So a capital increase is not necessary in the medium term.

How is regional expansion progressing?

We currently generate around 45 percent of our revenues outside Europe and have customer service, production and sales offices in all the regions of the world. We have a healthy balance in our established core markets and in rapidly growing economies. Expanding established markets and opening up new growth markets, however, will remain one of our challenges in the coming years. We currently see the most significant opportunities in the market outside Europe, particularly in the emerging markets and in the US. In our experience, it is important to have local representatives. We have also now reached a size where direct sales structures are necessary in rapidly growing markets. We will invest in such operational structures in the future as well. It will be the only way to open up and develop attractive growth markets successfully. Our strong global distribution and service network ensures that we remain close to the customer and is a decisive advantage against international competition.

Can you give us some pointers on current competition in the Vision Technologies market? How are you going to leave the competition behind?

The intensity of competition and the downward pressure on prices in the Vision Technologies market are constantly growing. We are working hard to retain and improve our innovative strength. Our development expenses are growing year on year. The key to sustainable growth for us is a high level of customer satisfaction. Customer-specific solutions are becoming an ever more important criterion for long-term success. In summary: The key factors of our success are being close to our customer, with sales and service capabilities, the ability for application-specific product designs, ongoing investments in innovation and our high level of quality.

You have talked about values and cultures in your company, which you also take into account for an acquisition. What are those values?

In 2008, we worked with a large number of our employees from all parts of the company and with different levels of responsibility to develop a structure of values with the aim of defining the culture at AUGUSTA in a tangible way. We see ourselves as leading and as open-minded, entrepreneurial, reliable and responsible. And we approach our customers and partners in the same way. We are convinced that a company with a growth strategy based on clear and socially fair principles will be more successful and more sustainable over the long term than other companies in our markets.

You are paying out a dividend for the fourth time in a row. What prospects of further dividends can you give your shareholders?

Our dividend policy is sustainable and holds no surprises for all shareholders over the long term. Our target of distributing around 30 percent of the Group annual net profit will not change in future. For the financial year 2011, we are demonstrating "flexibility upwards", thanks to the successful sale of the Sensortechnics Group, and are distributing 60 cents per share. This represents more than 50 percent of our operative net profit.

»We analyse the Vision Technology market continually to identify acquisition targets as early as possible.«

The balance sheet is definitely above-average for a German medium-sized company!

Absolutely! All the economic indicators on our balance sheet could not look better. We currently have an equity ratio of above 72 percent and net liquidity of around 42 million Euros. Our attractive balance sheet gives us the leeway to make larger acquisitions – and to increase the value of AUGUSTA further.

You have consistently moved up in the TecDAX ranking recently. You would probably be within striking distance after another major takeover, wouldn't you?

We are working on that basis. We are currently not all that far from the position required in terms of market capitalisation and share turnover. A major takeover brings the inclusion in the TecDAX within reach.

After growth in revenues and profit in 2011, you are planning further growth in 2012. Where do you see the strongest drivers of growth in your market and what are your medium-term plans?

Vision Technology is a fantastic long-term growth market. It is driven by four major factors:

1. Demand for imaging systems to increase quality, productivity, safety and efficiency in industrial applications is constantly growing.
2. New areas of application are constantly opening up in non-industrial applications such as traffic control, agriculture and healthcare.
3. We are seeing strong impetus towards growth in emerging economies.
4. And finally, market growth is being driven by technological innovations such as 3D inspection processes and inspection solutions in the non-visible range, and, as in the past, by the ongoing shift from analogue to digital.

In the medium term, we expect continuous annual organic growth in revenues of above 10 percent. We are able to increase our growth above the average thanks to our buy-and-build strategy and will therefore grow faster than our competition.

Thank you for the Interview Mr. Harman.

AUGUSTA Share

MARKET ENVIRONMENT AND PERFORMANCE OF THE CAPITAL MARKET

2011 confirmed once again that the stock exchanges generally anticipate economic trends. The economic outlook was still relatively robust in the second quarter when stock exchanges around the world recorded massive falls. In the second half of the year, fear of the Euro crisis escalating, the potential of a double-dip recession in the US and the slackening growth dynamic in emerging economies dampened the mood. The international stock exchanges are also increasingly influenced by political statements. Negative and positive news is interpreted very quickly so that the markets are subject to ever more rapid fluctuations, fuelling uncertainties in the stock market.

Following the positive stock market performance in the previous year, almost all capital markets around the world saw losses in 2011 – the markets in Asia and Germany were particularly hard hit. Financial stocks and cyclically sensitive sectors in particular were down sharply in Germany. The expansion of the EU bailout package and a surprising improvement in US economic data were behind a more positive mood at the end of 2011. But despite a positive opening on the stock market in 2012, stable and, above all, sustainable upward movement is still not guaranteed.

MARKET TREND OF THE GERMAN INDICES

The mood on the German stock market in 2011 reflected the fundamentally uncertain overall economic situation. The second half of the year was characterised by strong skepticism among market participants with regard to the sustainability of economic recovery. Since the beginning of 2012, investors have had a more optimistic, though somewhat fragile attitude. Investors see opportunities in particular in equities from the energy and technology sectors.

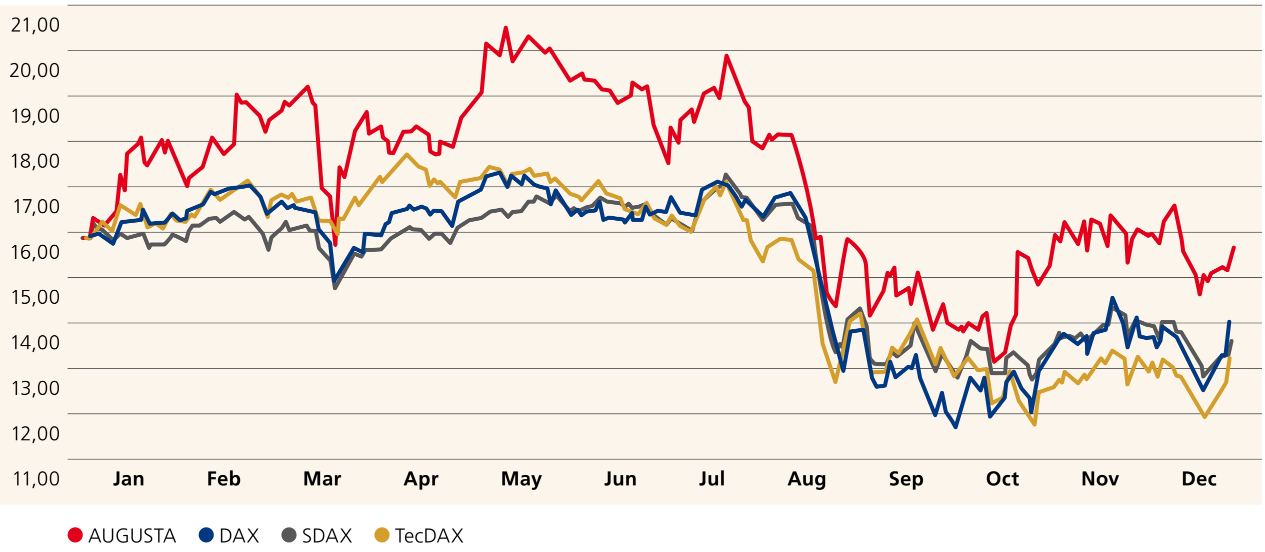
Following a gentle finish at the end of the year, the German benchmark DAX index closed the calendar year of 2011 down 14.7 percent. The SDAX Small Cap index similarly fell, down 14.6 percent. The TecDAX technology index saw the biggest losses, down 19.5 percent. The decline is predominantly the result of the large number of solar stocks in the index.

AUGUSTA – WEAKER YEAR-ON-YEAR, BUT BETTER THAN THE STOCK MARKET

The AUGUSTA share price did well in 2011 compared to the relevant stock market indices, but is 8.7 percent below the previous year's value (15.70 Euro) with a closing price of 14.34 Euro at the end of the year. The share price rose continuously until the Annual General Meeting in May and reached its high on 5 May 2011 at 20.88 Euro. Against the background of the debt crisis in the Euro area and the uncertain economic outlook worldwide, the AUGUSTA share price fell with the overall market until September and reached its low on 12 September 2011 at 12.90 Euro. The AUGUSTA share price is currently moving between 16 and 17 Euro. Consistent implementation of strategy, i.e. our repositioning into a Vision Technology company, our healthy balance sheet structure with a high level of equity capital, our stable cash flow and a relatively high dividend yield, has had a stabilising effect on the AUGUSTA share price.

Compared with other companies in the field of industrial imaging, AUGUSTA continues to be valued favourably with a price-earnings ratio (PER) of around 10 at end of year. The ongoing profitability and dividend continuity speak in particular for the attractiveness of our stock. Our solid operational performance, above-average growth through acquisitions and comparatively high trading volume further are likely to increase recognition of AUGUSTA stock as an attractive small-cap stock in the technology sector.

Share price performance compared to DAX, TecDAX and SDAX

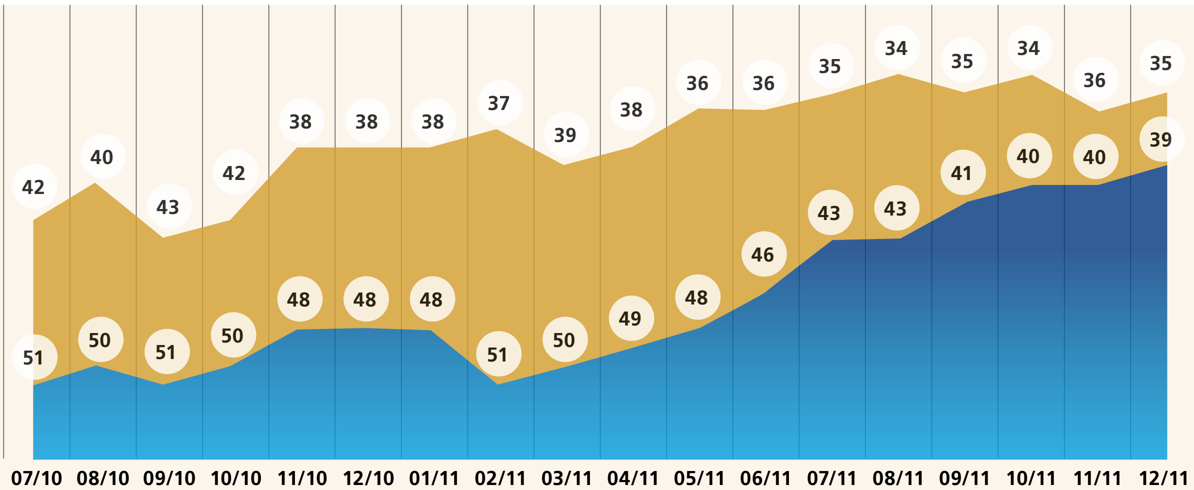


SOON TO BE AMONG THE 30 LARGEST LISTED TECHNOLOGY STOCKS IN GERMANY?

Our aim is to be listed on the TecDAX, which tracks the performance of the 30 largest German technology companies. Being listed on the index will bring us greater recognition on the capital market and in the media, which will ultimately lead to a higher trading volume.

In the last 18 months, we have significantly improved our position in terms of the two decision criteria for the TecDAX. Measured by turnover, AUGUSTA stock rose 12 places to reach 39th place. Measured by freefloat market capitalisation, AUGUSTA stock improved by 7 places to reach 35th place. During 2011, we continued to expand our position as a leading Vision Technology provider with the acquisition of VDS Vosskühler and LMI Technologies. We emphasised once again the focus on our core business and provided additional liquidity for the expansion of our Vision Technology activities with the sale of the Sensortechnics Group. These measures ensured trust was maintained in AUGUSTA stock, particularly at the end of the year.

TecDAX positioning: Ranking of the AUGUSTA share



INTENSIVE DIALOGUE WITH SHAREHOLDERS

We place a high value on open and transparent communication with all AUGUSTA's shareholders and interest groups. We report comprehensively and in a timely manner on all current developments in the company to strengthen the trust in our sustainable corporate governance.

The Managing Board responds to questions from investors and analysts at a number of capital market conferences. AUGUSTA Technologie AG was awarded first place at the GBC Award 2011 among 80 small-cap companies during the Munich Capital Market Conference (MKK). The award criteria include continuity in investor relations communication, the quality of forecasts and publications and the company's management quality.

In the last year, we have further increased the intensity and the scope of our communication with international capital market investors. The AUGUSTA strategy and the figures have been presented at a series of capital market conferences, at road shows in Germany and abroad and during one-to-one discussions with interested shareholders. Besides the stock exchange centres in Germany (Frankfurt, Hamburg, Stuttgart and Düsseldorf), we have increasingly given presentations outside Germany (Vienna, Luxembourg, Zurich, London and Paris). The level of interest at all the events has been fantastic. The Annual General Meeting also offers all shareholders the opportunity to receive comprehensive information from the Managing Board. All relevant information including quarterly and annual reports, ad hoc releases and press releases, presentations, the financial calendar and analysts' assessments are available to all capital market participants on our website.

SHAREHOLDER STRUCTURE

We currently have a stable and broad shareholder structure. In addition to numerous relatively small institutional and private investors, we have three major shareholders, each of which holds more than 5 percent of the share capital. In early 2011, the EQMC Small Caps fund of Spanish investment group Nmàs became a major AUGUSTA shareholder. Since 5 October 2011, EQMC has held around 10.5 percent of AUGUSTA shares. DAH Beteiligungsgesellschaft continues to hold 9.7 percent. Our long-term investor Lincoln Vale reduced its holdings from over 15 percent to 8.7 percent in the first half of 2011. In all, around 29 percent of the share capital is owned by these investors. Approximately 15 percent of the share capital is held by institutional investors specialising in small caps, each of which holds less than 3 percent of AUGUSTA shares. A further 9.9 percent of the stock is held by AUGUSTA as treasury shares. We are currently very pleased with the mix of major shareholders, a broad core of relatively small institutional investors and our large base of small investors.

Our aim is to continue to be seen as an attractive investment among existing and potential investors and to increase our profile on the capital market – operationally as well as by focusing on Vision Technology – in order to stimulate interest in AUGUSTA among other investors.

SHARE PORTFOLIO OF THE MANAGING AND SUPERVISORY BOARDS AND DIRECTORS' DEALINGS

On 31 December 2011, the AUGUSTA's Managing and Supervisory Boards held a total of 39,750 shares. The share portfolios and the number of share options are listed below:

	Number of shares 31/12/2011	Number of shares 31/12/2010	Number of share options 31/12/2011	Number of share options 31/12/2010
Board of Directors				
Amnon F. Harman	21,500	15,500	35,000	47,500
Berth Hausmann	15,250	8,250	35,000	47,500
Arno Pätzhold	3,000	3,000	30,000	30,000
Supervisory Board				
Adi Seffer	0	0	0	0
Dr. Hans Liebler	0	0	0	0
Dr/ Rainer Marquart until 27/10/2011	0	0	0	0
Götz Gollan from 06/12/2011	0	0	0	0
Total for both boards	**39,750**	**26,750**	**100,000**	**125,000**

The following directors' dealings were carried out in financial year 2011:

	Date	Number	Nature	Share price
Board of Directors				
Amnon F. Harman	02/06/2011	6,500	Exercise of options against cash settlement	18,5543
Berth Hausmann	02/06/2011	5,500	Exercise of options against cash settlement	18,5543
Amnon F. Harman	07/06/2011	6,000	Purchase of shares through exercise of options	8.08
Berth Hausmann	08/06/2011	7,000	Purchase of shares through exercise of options	8.08

THE ANNUAL GENERAL MEETING AGREED ALL ITEMS ON THE AGENDA

AUGUSTA's Annual General Meeting took place on 12 May 2011 in Munich. The Supervisory and Managing Boards provided the shareholders with information on the completed financial year 2010 as well as forecasts for the future. Following presentation of the course of business and the perspectives for AUGUSTA and an extended general debate, the resolution on the agenda were adopted. In addition to the dividend disbursement, the Annual General Meeting agreed all other items on the agenda with a majority of 95 percent, including the appointment of our auditor, necessary amendments to the Articles of Association and the modification of our share option conditions.

EXERCISE OF OPTION RIGHTS, INCREASE OF THE SHARE CAPITAL AND ISSUE OF THE FOURTH TRANCHE

Following the Annual General Meeting 2011, the option rights from the second tranche issued in 2009 could be exercised for the first time. In total, 75,600 options were available for conversion, of which 74,500 option rights were exercised by the Managing Board, the managing directors and employees up to the end of 2011 and converted at a strike price of 8.08 Euro. The exercise of the options increased the share capital of the company by 74,500 shares from 8,435,514 to 8,510,014 shares.

The next option exercise window opens four weeks after the Annual General Meeting, which will take place on 16 May 2012. The remaining 1,100 options from the second tranche issued in 2009 at 8.08 Euro and up to 186,600 options from the third tranche issued in 2010 can be exercised at that time. The issue price of the third tranche was 11.23 Euro. We therefore expect to be able to register a corresponding increase of the share capital in 2012.

The fourth tranche of the share options programme begun in 2008 was issued following the Annual General Meeting in June 2011. The tranche includes 133,900 options, of which 64,000 options went to the managing directors of AUGUSTA's subsidiary companies and 72,400 options to other employees in key positions. The issue price was 19.45 Euro.

DIVIDEND CONTINUITY

We have adopted a consistent dividend policy and give our shareholders a share in the company's economic success. We aim to consolidate the trust of our shareholders and attract new shareholders to AUGUSTA with our success-oriented, continuity-based dividend policy. Depending on the financing requirements for larger acquisitions, we aim to pay out around 30 percent of net profits as a dividend to our shareholders. Since 2009 we have consistently made dividend payments, always keeping to or even exceeding our dividend forecasts.

We proposed a dividend of 0.45 Euro for financial year 2010 to the Annual General Meeting on 12 May 2011 and distributed the dividend following the Annual General Meeting.

Owing to the exceptional level of income in financial year 2011 from the successful sale of the Sensortechnics Group, we will, as an exception, nearly double the dividend calculated from operating activities from 0.35 Euro per share to 0.60 Euro per share.

We will therefore propose to the Annual General Meeting on 16 May 2012 that a resolution is passed to distribute a dividend of 0.60 Euro per share. The dividend yield would therefore be around 4 percent at the closing price of 14.34 Euro in 2011. The dividend payout in no way restricts us in terms of planned investments and acquisitions in 2012 and beyond.

AUGUSTA stock at a glance

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	05 May 1998
Designated sponsors	M.M. Warburg & CO; Close Brothers Seydler AG
Share capital	8,510,014 Euro
Number of shares issued	8,435,514
- thereof in circulation	7,666,463
Trading volume per day 2011*	approx. 24,000 units
High/low 2011**	20.88 Euro / 12.90 Euro
Year-end closing price 2011**	14.34 Euro
Market capitalisation as of 31/12/2011**	122.03 million Euro
Earnings per share 2011	4.85 Euro
Dividend per share***	0.60 Euro

* Xetra and all exchange centres in Germany
** Xetra closing prices
*** proposed to the Annual General Assembly

Corporate Governance Report

The Managing and Supervisory Boards of AUGUSTA Technologie AG are committed to responsible corporate governance that will increase shareholder value in the long term. Furthermore, the Managing and Supervisory Boards aim to guarantee transparent, open and active communication with all national and international interest groups, thereby permanently strengthening the trust of shareholders, business partners, employees and the public. Collaboration on the basis of trust between the Managing and Supervisory Boards, guaranteed and efficient internal and external control mechanisms, transparent financial accounting and reporting, and clear guidelines, based on corporate values applicable to the actions of all employees are of vital significance in this regard.

COLLABORATION BETWEEN THE MANAGING AND SUPERVISORY BOARDS

The Managing and Supervisory Boards have separate powers. The Managing Board is responsible for corporate governance and operational decisions. The Supervisory Board is the supervisory body. Both boards collaborate closely on the basis of trust with a view to the long-term corporate strategy.

MANAGING BOARD

The Managing Board of AUGUSTA Technologie AG remained unchanged in the last financial year, with three members. The Managing Board is directly responsible for managing the company. The Managing Board fulfils its executive function in line with the interests of the company and with the aim of increasing the value of the company sustainably and reflecting the interests of all interest groups. The Managing Board creates the company's development strategy, which it agrees with the Supervisory Board and implements. The Managing Board also represents the company to third parties. The areas of responsibility are set out in the schedule of responsibilities. The Supervisory Board has been involved in and notified in full of all decisions that may have a decisive impact on the company in terms of assets, finance and profit. The Managing Board regularly reports on planning, the course of business and the position of the Group (including risk management) in writing and during meetings held at regular intervals, in a timely manner and comprehensively. In terms of issues surrounding acquisitions, the Managing Board provides detailed information at an early stage on project progress and project status and coordinates the acquisition process closely with the Supervisory Board.

SUPERVISORY BOARD

The Supervisory Board, also composed of 3 members, advises and monitors the Managing Board's management of the company and reviews all significant business transactions by inspecting the applicable documents acting on the basis of the German Stock Corporation Act and the Articles of Association. The following change was made to the composition of the Supervisory Board in the course of the last financial year:

On the 27th of October 2011, Dr. Rainer Marquart retired from the Supervisory Board. Mr. Götz Gollan of the District Court of Munich was appointed for the period until the next Annual General Meeting by decision on the 6th of December 2011.

The Supervisory Board is elected by the Annual General Meeting. The Supervisory Board is elected in accordance with the recommendations of the Corporate Governance Code; all members of the Supervisory

Board are elected individually. The members of the Managing Board are appointed by the Supervisory Board. The Supervisory Board specifies a catalogue of transactions requiring approval and a schedule of responsibilities in the rules of procedure for the Managing Board. The Supervisory Board acts on the basis of its own rules of procedure. Furthermore, the Supervisory Board assesses the annual financial statement and approves the consolidated accounts. The chairman of the Supervisory Board describes the activities of the Supervisory Board in his annual report to the shareholders and at the Annual General Meeting. The Supervisory Board of AUGUSTA has been deliberately kept small to allow it to work efficiently and exchange ideas intensively. It is therefore not useful or expedient to form Supervisory Board committees.

There were no conflicts of interest in financial year 2011. You can find detailed information on the key aspects of the activity of the Supervisory Board in 2011 in the Supervisory Board report that starts on page 8.

REMUNERATION REPORT

The remuneration report has been prepared in accordance with the recommendations of the German Corporate Governance Code. The total remuneration for each member of the Managing Board consists of non-performance-related and performance-related components. The remuneration of the Supervisory Board consists of a fixed meeting-related components and a performance-related component that is based on the annual performance of the share price in relation to a benchmark. The remuneration report is part of the audited consolidated accounts. The principles of the remuneration systems for the Managing Board and for the Supervisory Board are described in detail and individual remuneration is disclosed in the remuneration report.

SHARE TRADING BY BOARD MEMBERS

AUGUSTA provides comprehensive and timely information regarding the share holdings and share trading of the Managing and Supervisory Boards. Director's dealings according to section 15a of the German Securities Trading Act (WpHG) are published in accordance with the legal regulations and are made available on the AUGUSTA website. An overview of the shares and options for the Managing and Supervisory Boards is available on page 137.
No single member of either the Managing Board or the Supervisory Board holds shares or any related financial instruments that directly or indirectly comprise more than one percent of the issued shares of AUGUSTA Technologie AG. The total holdings of all members of the Managing and Supervisory Boards similarly does not exceed this level.

SHAREHOLDERS AND ANNUAL GENERAL MEETING

Shareholders can assert their rights and exercise their voting rights at the Annual General Meeting. Each share of AUGUSTA holds one voting right. The chairman of the Supervisory Board conducts the Annual General Meeting. The invitation to the Annual General Meeting and the associated documents and information including the agenda, the annual financial statement, the Articles of Association and notes on the draft resolutions are published on the website of AUGUSTA Technologie AG on the day of invitation in accordance with stock corporation regulations. AUGUSTA supports its shareholders in the exercise of voting rights by appointing a proxy, who votes according to the instructions of the shareholders. The chairman of the Supervisory Board acts as chairman of the Annual General Meeting. The task of the Managing Board is to present the consolidated accounts and the annual financial statement.

ACCOUNTING AND FINANCIAL AUDITING

AUGUSTA compiles its consolidated accounts and interim reports in accordance with IFRS guidelines. The annual financial statement of AUGUSTA Technologie AG is compiled in accordance with the German Commercial Code (HGB). The consolidated accounts are compiled by the Managing Board, audited by the auditor and adopted by the Supervisory Board. The Supervisory Board works closely with the Managing Board and the auditor throughout the audit process. The auditor, Ebner Stolz Mönning Bachem GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hannover, informs the chairman of the Supervisory Board immediately of all issues and events that arise or occur during the audit that are relevant to the work of the Supervisory Board.

COMMUNICATION AND TRANSPARENCY

AUGUSTA regularly provides comprehensive and up-to-date information about the current course of business and the position of the Group to shareholders, analysts, shareholders' associations, the media and the general public with an interest in AUGUSTA. All groups are treated the same and on equal terms. Information relevant to the capital market is published in German and English on the company's website.

AUGUSTA Technologie AG also provides information regarding the acquisition or disposal of company shares by members of the Managing and Supervisory Boards and changes in the shareholding structure of ownership in the company when activity exceeds or falls below 3, 5, 10, 15, 20, 25, 30, 50 or 75 percent of the voting rights in AUGUSTA. All other information that must be published under corporate law is made available centrally in the electronic business register.

The company's Managing Board feels an obligation to communicate openly and transparently. In this regard, AUGUSTA places great value on publishing the annual financial statement and the annual report earlier than the required 90 days after the end of the financial year. Interim reports are published less than 45 days after the end of each quarter.

DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTIENGESETZ)

After careful review, the Managing and Supervisory Boards of AUGUSTA Technologie AG hereby declare compliance in accordance with section 161 of the German Stock Corporation Act.

The recommendations of the Government Commission of the German Corporate Governance Code (as amended on 26 May 2010) and published by the German Federal Ministry of Justice in the official section of the Electronic Federal Gazette (elektronischer Bundesanzeiger) have been complied with, with the following exceptions:

1. Section 4.2.3, paragraphs 4 and 5: No stipulation of a severance pay cap when concluding Managing Board members' contracts in the event of premature termination of a Managing Board member's contract or a change of control

Contrary to section 4.2.3. paragraphs 4 and 5 DCKG, no severance pay cap was agreed when concluding Managing 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 or consider a severance pay cap to be a reasonable arrangement in Managing Board members' contracts.

2. Section 4.2.3, paragraph 3 sentence 3: Retrospective amendment of the profit targets for the variable remuneration of Managing Board members

In accordance with the recommendations of the code, the retrospective amendment of the profit targets or the comparison parameters of the variable remuneration components for Managing Board members is to be excluded. The Annual General Meeting of AUGUSTA Technologie AG on 12 May 2011 resolved to amend a profit target clause set out in the Stock Option Programme 2008 as this clause turned out to be too restrictive and could have had a demotivating effect.

3. 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 complied and are not complying 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 adhered and continues to 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.

This declaration of compliance and past declarations of compliance are published by AUGUSTA Technologie AG on its website, www.augusta-ag.com.

Focus on the Essence

Intelligent imaging systems are an absolute must-have in the **manufacturing industry**. It's a question of the highest quality levels in global competition. Our customers have the leading partner with AUGUSTA.

Consolidated Management Report

Consolidated Management Report 2011

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1. BUSINESS AND OVERALL ENVIRONMENT

1.1 STRUCTURE OF THE GROUP AND BUSINESS ACTIVITIES

AUGUSTA Technologie AG is a technology company focussed on the niche markets of **digital imaging** and **optical sensors (Vision Technologies).**

In our core product area of **Vision Technologies (Vision)** we supply digital cameras and optical sensors. Faster than the human eye, **Vision Systems** check the visible and invisible properties of an object in a fraction of a second, and are high-precision, very robust and constantly reliable. AUGUSTA's Vision Technology products are the ideal solution for delivering increased efficiency, quality and reliability. AUGUSTA supports its customers with demanding tasks for optical sensors and surveillance such as improving health care, ensuring that the production process runs smoothly or controlling traffic effectively.

Today AUGUSTA is one of the leading companies of high-quality camera systems with FireWire and Gigabit Ethernet (GigE) interfaces and other high-performance interface technologies for specialised applications. The product range covers digital cameras with CCD/CMOS sensors, infrared cameras (IR cameras) for thermal imaging and day/night vision to X-ray and high-speed cameras. In addition our cameras enable optical 3D sensor systems to provide contact-free measurement accuracy in the micrometre range for metrology and inline inspections. Customer-specific modifications are developed to meet special application requirements, alongside a broad range of standard products. With this AUGUSTA supports its customers worldwide and virtually 24 hours a day. The markets we supply range from the traditional inspection and automation industry, applications in medical, science, and traffic, to security and defence.

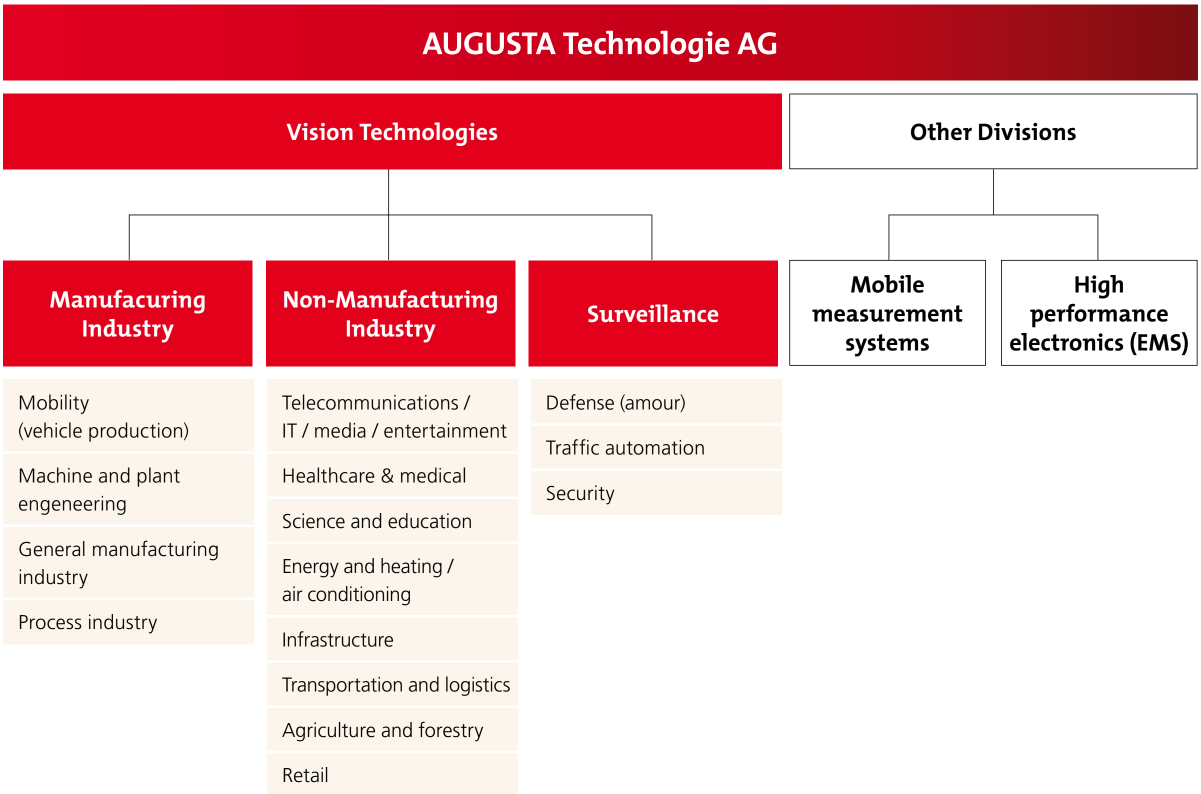
Our **"Vision"** segment is home to the group of companies **Allied Vision Technologies (AVT)** and **LMI Technologies (LMI),** together employing around 300 people, and contributing to the majority of revenues and results.

The "Sensors" segment was renamed **"Other Divisions"** following the sale of the Sensortechnics Group in the second half of 2011. It includes the companies HE System Electronic and Dewetron.

HE System Electronic GmbH & Co. KG is a solutions providers for **microsystems technology** and **power electronics.** The product line ranges from electronics development to electronic manufacturing services for complete devices and systems and series-ready production of electronic assemblies such as temperature sensors, mechatronics for applications in the automotive area, medical sensors and high-grade microelectronic assemblies for aerospace.

Dewetron Ges.m.b.H. is a leading provider of **mobile measuring systems** for demanding testing and measurement applications. The company develops, manufactures and distributes high-precision PC-based systems with robust housings for portable and stationary use in Automotive, Energy and Power, Aerospace & Defence, Transportation and General Test & Measurement applications.

CORPORATE STRUCTURE OF AUGUSTA TECHNOLOGIE AG



AUGUSTA was founded in 1991 and has been listed on the German stock exchange since 5 May 1998. AUGUSTA is currently Prime Standard-listed.

1.2 STRATEGY AND CORPORATE MANAGEMENT

AUGUSTA Technologie AG has developed from a leading provider of digital cameras and 3D measuring systems in industrial imaging to become the world's leading Vision Technology company (AUGUSTA Vision Power House). Our aim is to be the preferred technology partner and product supplier for our customers thanks to innovative products, the very highest quality standards and excellent customer service. As a technology company, we supply all the applicable markets in the Vision Technology environment, from industrial imaging to optical surveillance. We aim to be a leader among leading providers in our target markets.

The AUGUSTA strategy is based on **four principles:**

Focus
We focus on attractive digital imaging and optical sensor niche markets with long-term growth prospects. This clear strategy has enabled us in recent years to exploit opportunities better than the competition, increase our market share and grow above the market average. We are constantly working to build on our market position and the successful development of our company to achieve growth, profitability and market leadership.

Growth
Our growth strategy means growing organically more quickly than the competition and ensuring above-average growth through acquisitions (buy-build-hold-grow). We develop technologies for markets that have not only experienced growth in the last few years, but will continue to gain importance in the long term. At the same time, we are taking our products and expanding into international markets – and supplying solutions in new applications.

Value
We are pursuing a long-term corporate business policy. In cooperation with our partners and customers, we develop products and systems that create value. We secure medical care for patients, help our customers to increase the quality of products and processes and support efficient monitoring of the traffic on busy roads. We are recognised as a market leader in the niche markets we supply and are highly rated by our customers, partners and shareholders. This position means long-term and sustainable growth in shareholder value. Sustainable economic management is the basic prerequisite for long-term success. We are convinced that a company with a well-conceived business model, a strategy geared to market conditions and managed on the basis of clear, socially equitable principles will be more successful and more sustainable over the long term than any other. That is why we have defined Corporate Values that present to AUGUSTA's customers, partners, employees and shareholders our corporate philosophy and activities in a transparent and comprehensible way.

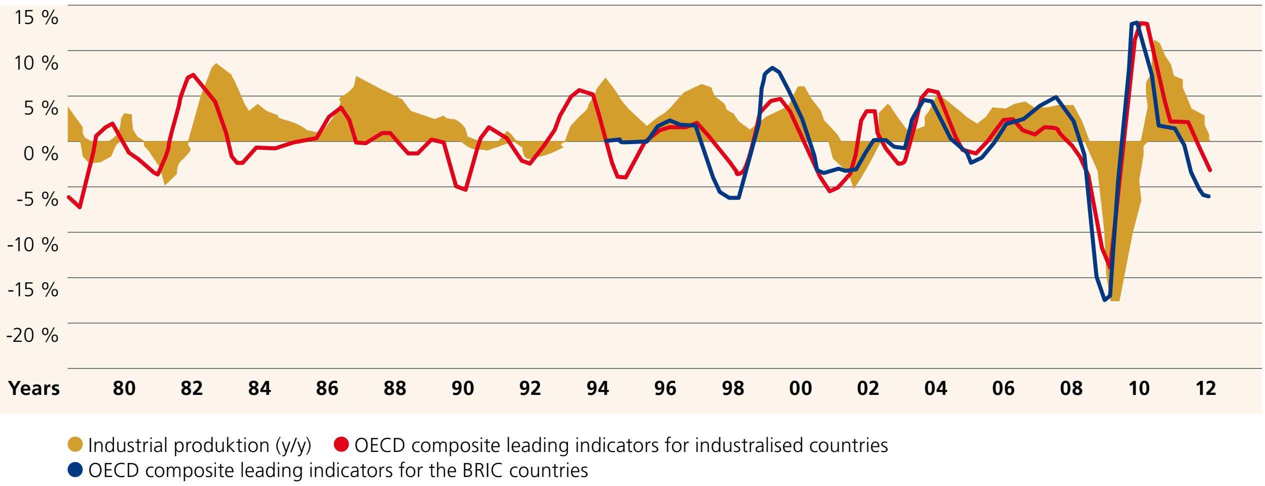
Transparency
Active and open communication with AUGUSTA's stakeholders is very important to us. That is why we regularly provide comprehensive and up-to-date information about current business and the position of the Group to the capital market, the media and the general public with an interest in AUGUSTA. We aim to build trust through dialogue and present the position of our company transparently above and beyond the statutory duties to report.

In summary, we want to be an attractive investment for our shareholders that represents long-term increase in value thanks to open communication, sustainable management and profit participation. We offer our employees an attractive workplace with good prospects and potential for development in a dynamic technology environment. Our philosophy is summed up by our motto: "Vision Technologies for Life"!

1.3 OVERALL ECONOMIC ENVIRONMENT

The **global economy** worsened over the course of the year, as can be seen from the OECD leading indicators and industrial production figures.

Global economy: OECD leading indicators and industrial production



The national debt crisis in the eurozone, a liquidity and solvency crisis among European banks, a significant weakening of economies in the emerging countries and limited growth in the USA have triggered this downward trend. The uncertainty in the financial markets has negative feedback effects on the real economy. However, experts are expecting economic performance to stabilise at a low level, but do not expect a return to recession as in 2009. For 2012 growth of 2.5 percent is expected following global economic growth of approximately 3.3 percent in 2011. In 2013 growth should rise again to 3.5 percent.[1]

The **emerging economies** with barely any debts and whose share of growth world product is almost 50 percent are playing a decisive role in economic growth. The BRIC countries alone have a share of approximately 25 percent – more than the USA (20 percent) and Europe (15 percent).[2]

The sluggish rate of economic recovery in the USA, the euro crisis and more difficult export conditions associated with that have put significant strain on growth in the emerging economies over the course of 2011. Nevertheless, the emerging economies will remain the fastest growing part of the world and will transition to balanced and sustainable growth. Following growth in the emerging economies of 6.2 percent in 2011, growth of 5.5 percent is forecast for 2012 and even 6.5 percent for 2013.

The economic forecasts improved in the **USA** at the end of 2011. Whilst companies are investing more again, consumer spending remains weak due to the strained employment situation. It is not possible to imagine a sustained economic upturn without significant improvements in the employment market and in consumer behaviour. In 2011 growth was at 1.8 percent; 1.7 percent is expected for 2012. Growth that is again above the 2 percent mark is only expected in 2013.

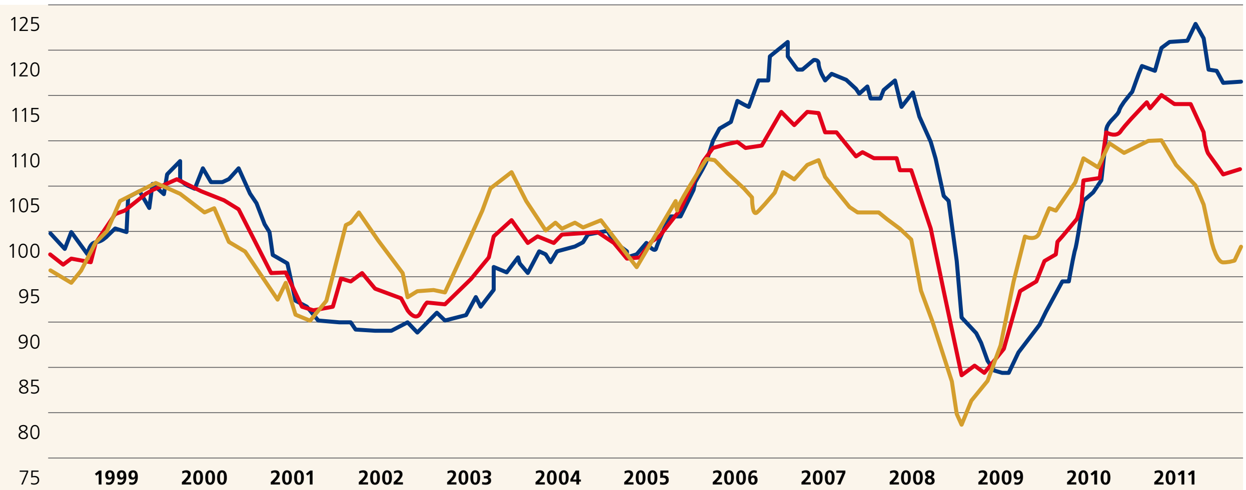
[1] Nordic Outlook, 4th Quarter 2011, Page 5; UniCredit – Ausblick auf die Weltwirtschaft und die Finanzmärkte (View of the global economy and the financial markets) 2011/2012
[2] MMW, Kapitalmarktperspektiven (Capital Market Outlook), February 2012

The European national debt crisis was the predominant issue throughout 2011 in the **eurozone**. The economic sentiment indicators of the European Commission remain well below their long-term average for the euro-periphery countries and signal continued difficulties in the economic situation. A drop in new orders in industry, sluggish export sales, the ongoing discussions aimed at solving the debt crisis and the concerns regarding access to new credit are putting pressure on the prevailing sentiment and provided for low growth of 1.6 percent in 2011. There is no quick solution in sight for the debt crisis. The forecast for 2012 is therefore looking poor with the economy shrinking 0.4 percent accordingly. However, improvements in economic growth are expected in the second half of 2012 and these are also expected to continue in 2013.

Despite the problems that remain unsolved and in spite of the latest poor economic reports from significant sections of the market, the Ifo Business Climate Index for Germany has risen again in recent months. The **German** economy appears to be successfully defying the downturn in Europe.

Ifo Business Climate Index for Germany

Index values, 2005 = 100, seasonally adjusted
Industry 1)



Business expectations ● Ifo Business Climate ● Assessment of the business situation

1) Manufacturing, construction industry, wholesale and retail

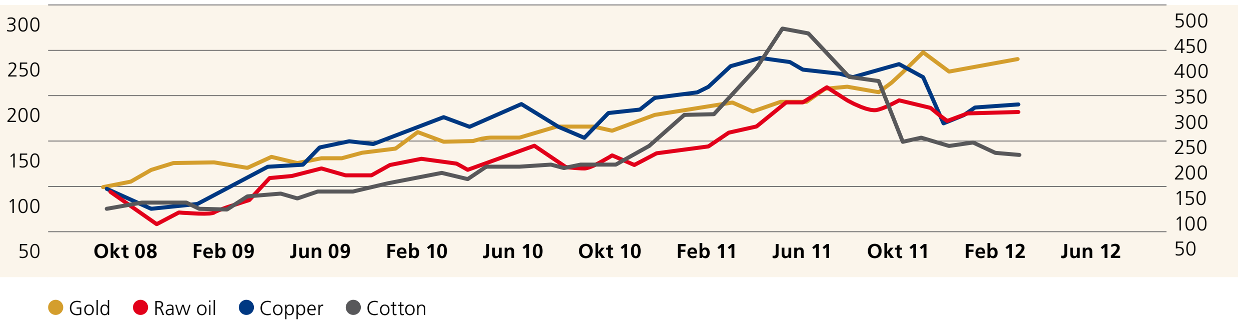
Source: ifo economic test 20/12/2011

Domestic demand in Germany has emerged as a support for growth. Any possible negative effects from potentially less vibrant foreign trade were also able to be absorbed for the future as a result of this. There is a wide range of economic forecasts. Economic development in 2012 depends heavily on the decisions of the European politicians; temporary phases of economic weakness can be expected for the economy over the course of the year. Following a growth in economic performance of approximately 3 percent in 2011, most economists do not expect the economy to collapse, but they do expect significantly lower growth of approximately 1 percent. Despite this, Germany has a good chance of remaining Europe’s engine of growth overall in 2012. In 2013 growth should rise again to 1.8 percent.

The pressure on prices subsided over the year following a major increase in the **price of raw materials** at the beginning of 2011.

Price of raw materials (October 2008 = 100)

Since the top: Gold: -14 %, Raw oil: -14 %, Copper: -25 %, Cotton: -56 %



Further price increases can be expected over the long term due to increased industrialisation in the emerging economies. Inflation rose sharply since the start of the year on account of higher food and energy costs. However, price increases do appear to have reached their climax.

1.4 SECTOR-SPECIFIC DEVELOPMENT

AUGUSTA'S TARGET MARKETS

AUGUSTA also felt a decline in growth rates in its target markets in 2011. On a positive note, all German key industries are cautiously optimistic about the coming months and expect an improvement in the overall economic situation in the second half of 2012.

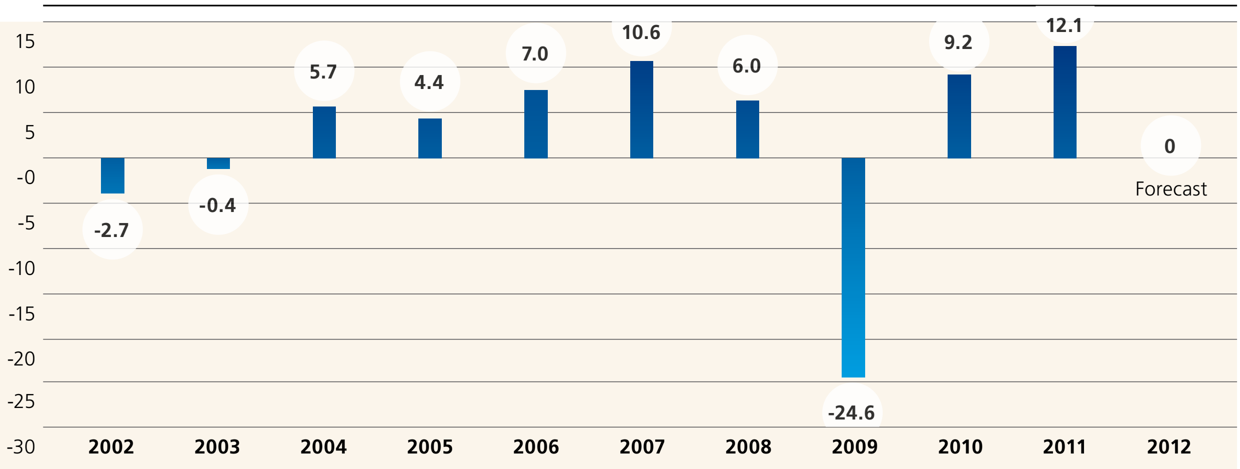
The **automotive industry** in Germany finished 2011 with record highs in terms of production, exports and turnover. This development will be continued across the board for the coming year. However, the association for the German automotive industry (VDA) remains confident overall for 2012 and expects steady growth. Exports in particular demonstrate the appeal of cars that are made in Germany.[3]

German **machine and plant engineering** is showing signs of fatigue following its rapid recovery from early 2010. For 2012, German engineering association VDMA is expecting zero growth on account of lower incoming orders, the uncertainties in Europe and the flattening out of the economic situation in China.[4]

[3] VDA – Association for the German Automotive Industry, VDA annual press conference, 02/12/2011
[4] VDMA: Maschinenbau atmet durch (Engineering catches its breath), 23/02/2011

VDMA PRODUCTION FORECASTS FOR ACTUAL MACHINE PRODUCTION

Actual change on the previous year



Source: Federal Statistic Office of Germany, VDMA

The **electrical industry** is showing high levels of visibility. Companies are benefiting from the high global demand for goods from Germany – in particular from East Asia.

The **medical technology sector** in Germany remains on a growth course with growth of approximately 5.3 percent in 2011. Companies are showing strong innovation and growth and the rise in exports will also ensure steady development in 2012. Over the long term, growth will be driven through demographic developments in the industrialised countries, the rising need for health services in the emerging economies and by technical progress.[5]

The **robotics and automation market** achieved record turnover in 2011 along with a record growth rate of 37 percent. The trend towards automation strengthened considerably around the world in virtually all sectors. A good growth rate of approximately 7 percent can be inferred through the strong level of incoming orders.[6]

The **core segment of Vision Technologies targeted by AUGUSTA** is represented as crossover technology in the vertical markets described above and is showing steady growth. The growth parameters such as the uninterrupted trend towards automation, customer desire for increased efficiency and an increased awareness of safety and quality, are intact all over the world.

Industrial imaging is a key technology for numerous sectors of industry. Imaging systems review quality, guide machines, control processes, identify components, read codes and supply valuable data for optimising production, safety or controlling traffic.

[5] BVMed (German medical association), press release from 09/11/2011
[6] BVMed (German medical association), press release from 06/11/2011

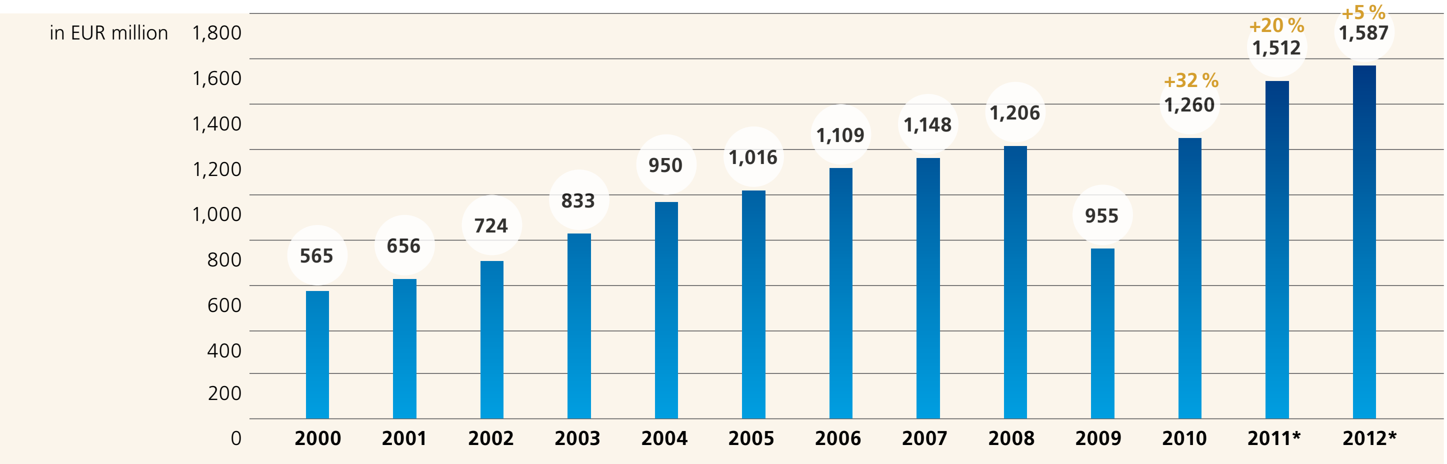
Following the steep drop in 2009 the overall market for industrial imaging recovered in record time and was able to show growth of 32 percent in 2010, followed by growth of 20 percent in 2011. However, the dynamic for incoming orders in the first half of 2011 decreased steadily from the middle of the year.

The standardisation of digital interfaces is and remains crucial for the development of imaging. It facilitates the use of imaging cameras in established industrial fields of application and opens up additional application options and thereby new markets. High product quality, reliability, security, service and cost effectiveness are features that are also crucial to the success of Vision Technology solutions. The proportion of non-industrial applications will increase over the medium and long term. This versatility with non-industrial applications can be seen for example in agriculture, medicine, traffic surveillance and control, retail and in environmental and security technology. In addition more and more inspection solutions are in demand in the non-visible area, such as e.g. infrared cameras, which supply accurate thermal images in industrial, scientific or surveillance applications.

Technological innovations such as three-dimensional (3D) imaging test procedures and the increased performance associated with this are stimulating market growth. 3D-imaging is expected to increase dramatically in the next few years. The reasons for this are the increased accuracy, speed and reliability in quality assurance and automation. The demand for 3D imaging solutions covers all sectors of industry. The software will have a key role in this in preparing the raw 3D data quickly for process controls and quality assurance.

The long-term trend for growth for the imaging sector in Germany is good and growth of approximately 5 percent is expected for 2012.

Industrial imaging in Germany – Overall revenues (domestic + export)



*Forecast

The impetus for international growth is coming from the emerging economies. The demand for industrial imaging for increasing quality and productivity in industrial manufacturing is particularly high here. Over-proportional growth is expected therefore in the Asian markets. Growth is estimated at approximately 9 percent per annum globally by 2015. At 7 percent, growth in the traditional industrial applications is below that of non-industrial

[7] VDMA press release from 08/11/2011
[8] Machine Vision Market, First InSights, Roland Berger, 07/2011

applications; annual growth rates of approximately 17 percent are expected here. As a manufacturer of digital cameras and 3D systems for industrial imaging, AUGUSTA is the second largest provider globally with its subsidiaries Allied Vision Technologies and LMI Technologies. As a manufacturer of digital cameras with FireWire interface and systems for 3D-Laser Triangulation (optical distance measurement) AUGUSTA is the market leader today.

1.5 CONSOLIDATED COMPANIES

The following changes took place in the consolidated companies in 2011.

- Acquisition of VDS Vosskühler GmbH with effect from 1st January 2011
- Acquisition of LMI Technologies Inc. with effect from 1st May 2011
- Change from majority to minority shareholding in P+S Technik GmbH with effect from 1st September 2011
- Sale of the Sensortechnics Group on 27 October 2011 with effect from 1st October 2011

CORE AREA OF VISION TECHNOLOGIES IN FOCUS

After AUGUSTA had acquired two companies in the Vision segment with **VDS Vosskühler GmbH** and **LMI Technologies Inc**. in the first half of 2011, which supplement existing activities perfectly on the customer and product side, the sale of the Sensortechnics Group to First Sensor AG, listed on the Prime Standard and with its headquarters in Berlin, was a further milestone in our strategy of focusing on the Vision segment with its strong growth and high margins. The cash released through the sale increases our scope for further acquisitions in the digital imaging market. Our **strategic goal** is to establish ourselves as the leading Vision company and to be available as a technology partner and product supplier to our customers around the world, from industrial imaging to optical surveillance.

The **Sensortechnics Group** was deconsolidated following its sale in the fourth quarter. In the statement of comprehensive income the result achieved from the sale is stated under the item "Discontinued Operations (DCO)". The values from the previous year have been adjusted for the purposes of comparison. Sales revenues of approx. EUR 60 million and operating income (EBITDA) of just under EUR 10 million were expected for the Sensortechnics Group for 2011. Sensortechnics GmbH employs approximately 270 employees along with subsidiaries Elbau GmbH and Klay Instruments B.V. The total agreed purchase price was approx. EUR 67 million on a cash and debt free basis. This includes an earn-out component of up to EUR 5 million which is tied to 2011 profitability, as well as a vendor loan of nearly EUR 5 million with interest at market rates and which is secured with a bank guarantee and will be repaid in early 2013. The transaction was completed from a legal point of view with the inflow of the funds for the first instalment of EUR 47 million on 27 October 2011.

In addition, AUGUSTA Technologie AG reduced its stake in **P+S Technik GmbH** to 49.87 percent from 55.5 percent previously. P+S Technik has no longer belonged to the operative group of consolidated companies within the group since 1 September 2011 and it is now managed "at equity".

Following the sale of the Sensortechnics Group, the **Vision** segment, which contributes the major portion of revenues and results, and the **Other Divisions** are stated in the Reporting segment. The Allied Vision Technologies group and LMI Technologies are part of the Vision segment; the companies HE System Electronic (microsystems technology) and Dewetron GmbH (mobile measuring systems) which were originally allocated to the Sensors segment are part of our Other Divisions. AUGUSTA Technologie AG is looking after the strategic planning and implementation of the focus strategy along with the operative management of all group activities and capital market issues.

2. EARNINGS, FINANCIAL AND ASSETS POSITION

2.1 EARNINGS POSITION

We closed the 2011 financial year successfully both from an organic as well as a strategic point of view, despite the cautious economic data. The strong growth rates at the start of the year did drop in the second half of 2011, however, our order backlog at 2011 year end points to a stable first half of the year in 2012. Up to now we have not felt any threat of recession for 2012.

In addition to our successful focus on the Vision segment and the two acquisitions transacted, the expansion of the sales and support activities in North America and Asia as well as the product offensive contributed to the positive growth in revenues, incoming orders and profitability in 2011.

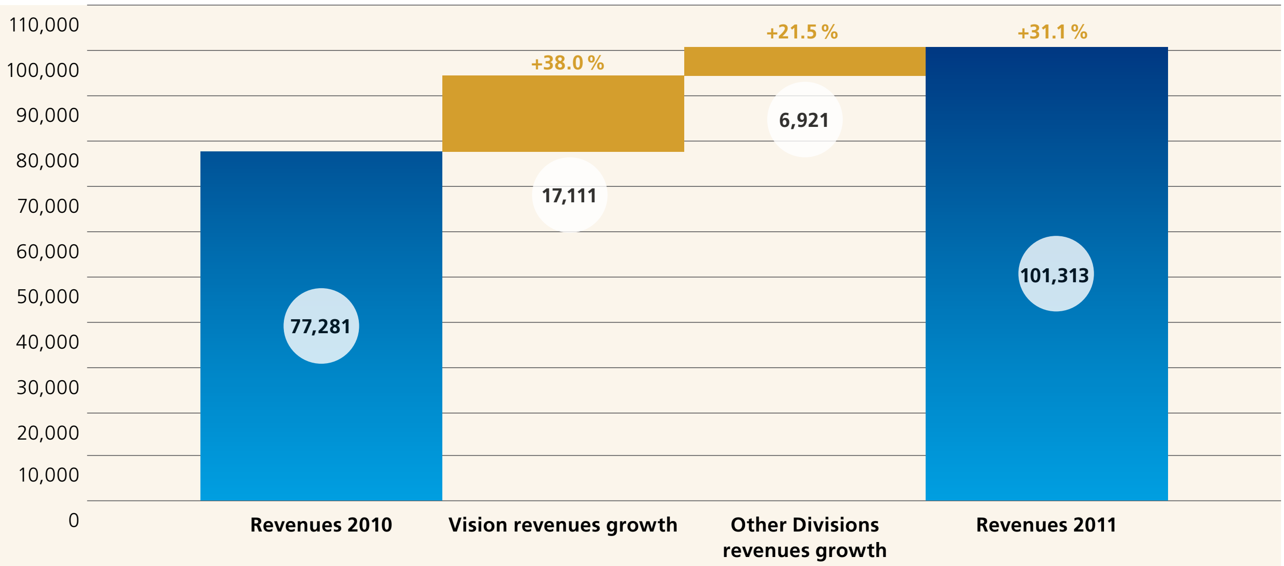
An overview of the essential key figures (without STEC Group)

in EUR million	FY 2011	FY 2010	Change
Revenues	101.31	77.28	+31.1 %
Gross profit	46.92	34.83	+34.7 %
Gross margin	46.3 %	45.1 %	-
EBITDA	17.95	10.74	+67.2 %
EBITDA margin	17.7 %	13.9 %	-
EBIT	12.97	8.46	+53.3 %
EBIT margin	12.8 %	10.9 %	-
Incoming orders	107.30	86.58	+23.9 %
Order backlog	39.27	25.07	+56.6%

Adjusted for the revenues and income figures for the Sensortechnics Group in 2011 and 2010, AUGUSTA saw extremely positive development in the 2011 financial year and achieved the guidance increased in May 2011.

Group revenues increased cumulatively to EUR 101.31 million; this was an increase of 31.1 percent on the previous year (EUR 77.28 million). Revenues results include EUR 15.13 million from the companies VDS and LMI acquired in this year which were not contained in the previous year. In addition P+S Technik contributed EUR 3.43 million of revenues up until 31 August 2011. VDS has been consolidated since 1st January 2011 and LMI since 1st May 2011. Comparable organic growth without the companies acquired in 2011 was 11.5 percent. On a quarterly basis the revenues in the fourth quarter increased 11.4 percent to EUR 25.52 million on the previous year's quarter (previous year: EUR 22.90 million). As such we were in line with our expectations.

2010 to 2011 revenues trend in EUR thousand



Gross profit results rose slightly disproportionately to revenues by 34.7 percent and was EUR 46.92 million as at 31 December (previous year: EUR 34.83 million). As such the gross margin rose to 46.3 percent (previous year: 45.1 percent). The Other Divisions were able to increase their gross margin volume driven to 38.0 percent (previous year: 36.7 percent). The Vision segment also recorded a slight rise in its gross margin to 51.5 percent (previous year: 50.9 percent). In a quarterly comparison, gross profit rose in the fourth quarter by 22.6 percent to EUR 10.90 million (previous year: EUR 8.90 million). As such, despite price increases for raw, auxiliary and operational materials, we were able over the course of the year to increase the gross margin overall which was already high. Our product innovations, increased efficiency in the manufacturing area and customised solutions in particular contributed to this. The pressure from competition and further price increases in the raw materials area may adversely affect the gross margin for the future. On the other hand the deconsolidation of P+S Technik as at 1st September 2011 will have a positive impact on the gross margin in 2012.

The total **operational structural costs** rose slightly under-proportionally to the revenues despite acquisition-related additional costs.

Expenditure for **Sales and Marketing** rose to EUR 16.30 million in 2011 from EUR 11.36 million in the previous year. At 16.1 percent of revenues the sales and marketing share was above the value for the previous year (14.7 percent). We intensified our international sales activities primarily in Asia and North America and promoted initiatives to gain new customers through our increased presence at trade fairs.

The **research and development area** was further strengthened in order to keep our innovative strength as one of our most important drivers of growth. Intensive development activities are essential in order for us to be able to react quickly to changes in customer desires and in market realities. Further development and new developments of our own products and systems are at the centre of this. **Development costs** in 2011 amounted to EUR 6.27 million (previous year: EUR 4.15 million), representing a 6.2 percent share of revenues (previous year: 5.4 percent).

General and administrative costs (including other expenses and income) rose slightly at the end of 2011 to EUR 11.38 million (previous year: EUR 10.86 million). At 11.2 percent of revenues they were therefore below the value for the previous year (14.1 percent). The management costs for the group headquarters and payments for the subsidiaries were EUR 3.82 million at 2011 financial year end and therefore below the figure for the previous year (EUR 4.15 million).

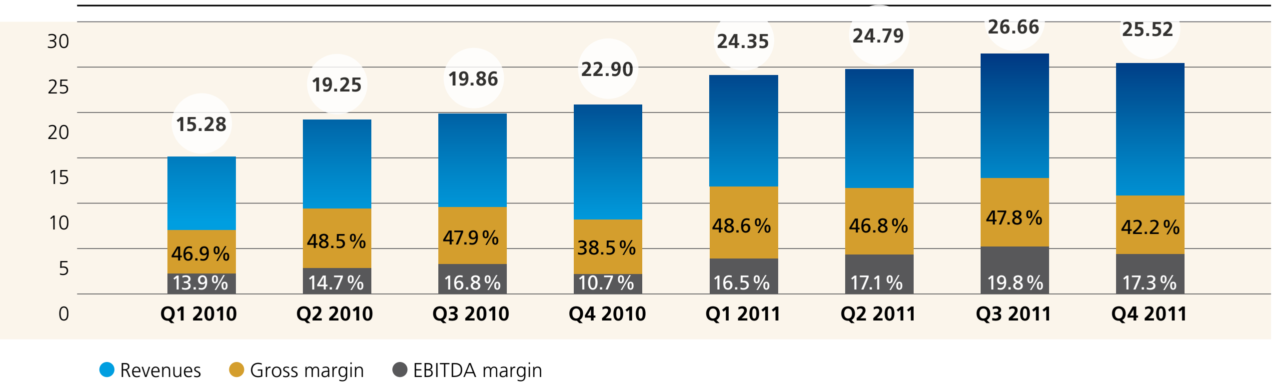
Costs incurred through the sale of Sensortechnics are stated under "Discontinued Operations" in the statement of comprehensive income. For this the largest items include M&A consultation fees, legal costs and management bonuses.

Cost structure in the group

in EUR million	FY 2011	FY 2010	Change
Sales & Marketing	**16.30**	**11.36**	**+43.5 %**
as % of revenues	16.1 %	14.7 %	-
Research & Development	**6.27**	**4.15**	**+51.2 %**
as % of revenues	6.2 %	5.4 %	-
General and administrative costs	**11.38**	**10.86**	**+4.8 %**
- of which AUGUSTA Technologie AG	3.82	4.15	
as % of revenues	11.2 %	14.1 %	-
Operational structural costs	**33.94**	**26.37**	**+28.7 %**
as % of revenues	33.5 %	34.1 %	-

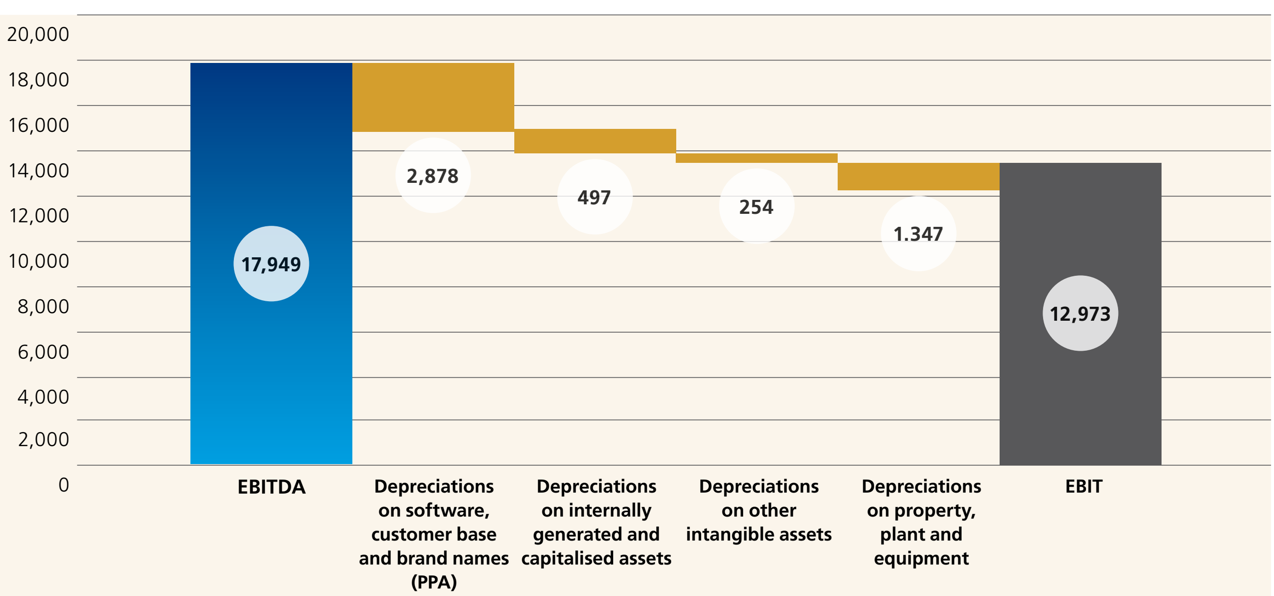
Earnings were able to be increased disproportionately to revenues by focussing on the core Vision segment with its high margins. **Earnings before interest, taxes, depreciation and amortisation (EBITDA)** rose by 67.2 percent to EUR 17.95 million (previous year: EUR 10.74 million). As such the EBITDA were within the guidance communicated of EUR 17 to 19 million. The EBITDA margin climbed in line with this to 17.7 percent (previous year: 13.9 percent) – a value which we also wish to maintain for the future. The companies acquired in this year (VDS, LMI) contributed to the improved figures with EUR 3.76 million, whilst P+S Technik impacted the EBITDA negatively by EUR 0.74 million. Discounting the companies acquired in 2011 the EBITDA grew organically by 32.2. percent. On a quarterly basis the revenues in the fourth quarter increased by 81.0 percent to EUR 4.46 million on the previous year's quarter (previous year: EUR 2.46 million).

Development in revenues, gross margin and EBITDA margin on a quarterly basis (revenues in EUR million, gross margin and EBITDA margin in %)



Depreciations of at 31 December 2011 rose to EUR 4.98 million compared with the previous year (EUR 2.27 million). In addition to depreciation of assets, property, plant and equipment and internally generated and capitalised assets, these also include depreciation of licences, software and brand names (Purchase Price Allocation), which rose to EUR 2.88 million as a result of the acquisitions (previous year: EUR 0.90 million).

Derivation of EBITDA to EBIT in EUR thousand



Earnings before interest and taxes (EBIT) increased despite acquisition-related depreciations by 53.3 percent to EUR 12.97 million at 2011 year end (previous year: EUR 8.46 million). As such the EBIT margin rose to 12.8 percent (previous year: 10.9 percent). We were able to more than double the EBIT in the fourth quarter of 2011 and achieved a value in the amount of EUR 3.19 million (previous year: EUR 1.57 million).

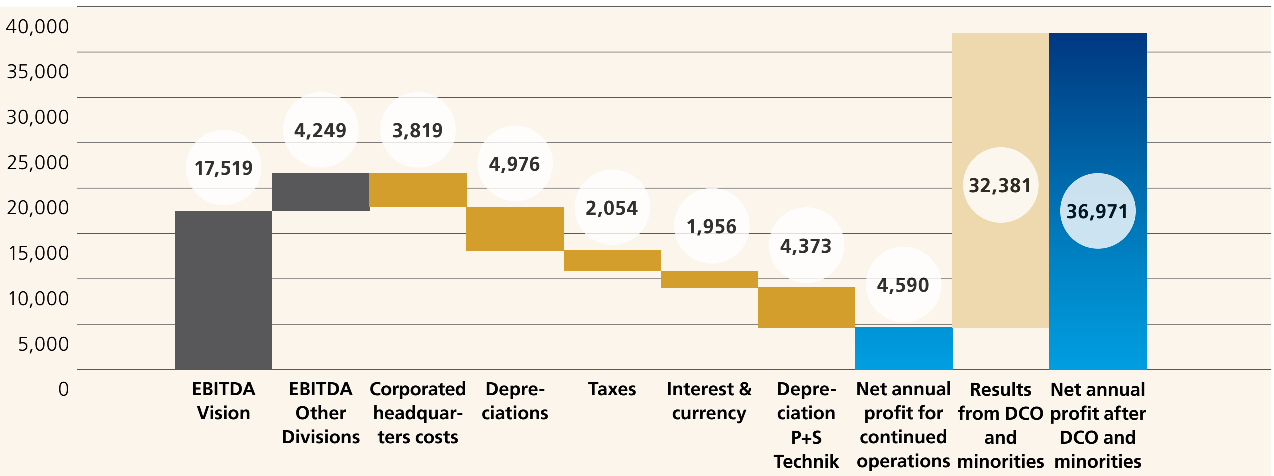
At 30.9 percent the group's **tax rate** was slightly above the level in the previous year (27.5 percent). The increase was the result of the value adjustment for P+S Technik. The tax burden will reduce in future without the special tax arrangements resulting from the sale of Sensortechnic and the P+S value adjustment, as we will benefit from low tax rates in Canada and Ireland through the acquisition of LMI Technologies.

The **financial results** were adversely affected with a one-off debit of EUR 4.37 million as a result of the value adjustment to the P+S Technik shareholding. Overall the financial results were EUR -6.33 million (previous year: EUR -0.75 million).

The **net profit for the period from continued operations** was EUR 4.59 million (previous year: EUR 5.59 million). Adjusted for the value adjustment of P+S Technik GmbH at the amount of EUR 4.37 million, the net operating income for the period rose considerably by 60.5 percent to EUR 8.96 million. Taking into account the costs associated with the transaction (EUR 2.0 million), the sale of the Sensortechnics Group led to extraordinary income of EUR 32.48 million. Including the extraordinary income and minority interests the cumulative net profit for the period was EUR 36.97 million (previous year: EUR 10.39 million). Cumulative earnings per share thereby came to EUR 4.85 (previous year: EUR 1.37 per share).

Adjusted for the acquisition-related depreciations (PPA) the net income for the period would be EUR 39.85 million (previous year: EUR 11.29 million), producing earnings per share of EUR 5.23 (previous year: EUR 1.49).

Derivation of the results for the period in EUR thousand

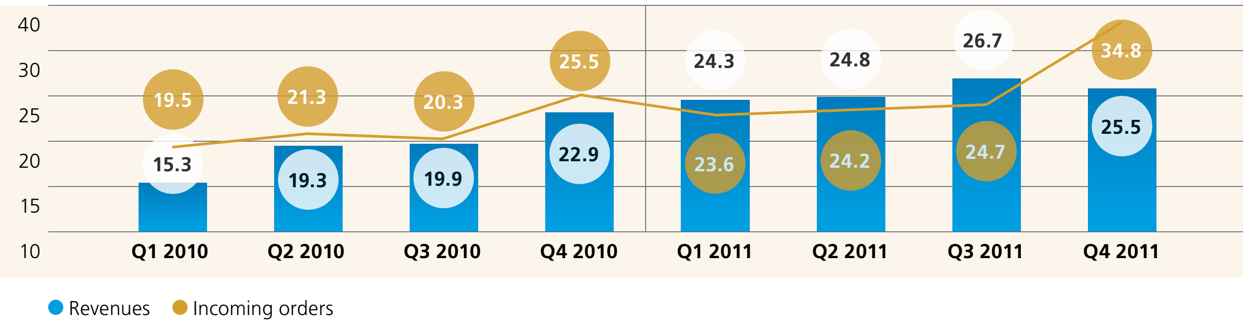


INCOMING ORDERS AND ORDER BACKLOG

The scope of the **order backlog** dropped with the sale of the Sensortechnics Group, as the Sensortechnics Group contributed the majority of the long-term framework agreements to the order backlog. Orders are placed at shorter notice in the Vision segment and in the remaining business divisions. In the 2011 financial year incoming orders rose to a total of EUR 107.30 million and were thereby up 23.9 percent on the previous year (EUR 86.58 million). Adjusted for acquisitions the figure for incoming orders was EUR 91.53 million and was thereby also above the level for the previous year. Incoming orders in the fourth quarter at the amount of EUR 34.82 million (previous year: EUR 25.49 million) include a large order from an important customer for HE System Electronic in the double-digit millions which is due for delivery over the next 3 years. The book-to-bill ratio (incoming orders to revenues) reached an overall annual value of 1.06 as at 31 December 2011.

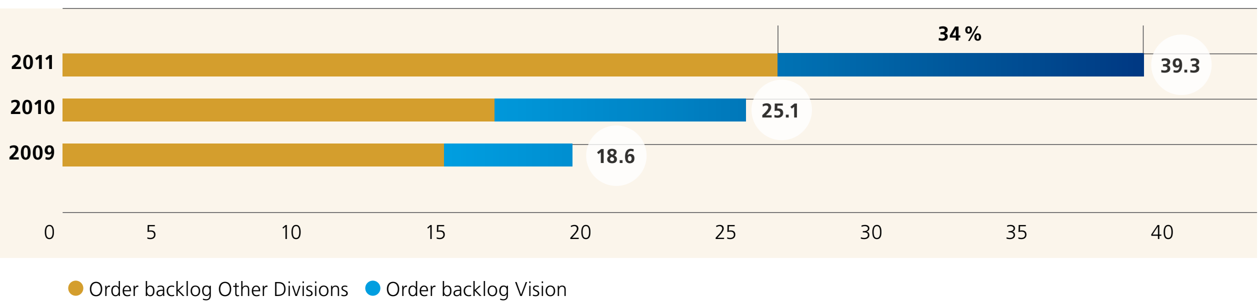
Revenues and **incoming orders** therefore show a positive development even if the growth rates overall have weakened.

Revenues and order development on a quarterly basis in EUR million



Compared with the previous year (EUR 25.07 million), the **order backlog** rose to EUR 39.27 million by the end of the year. Approximately 52.3 percent of the order backlog is due for delivery in 2012.

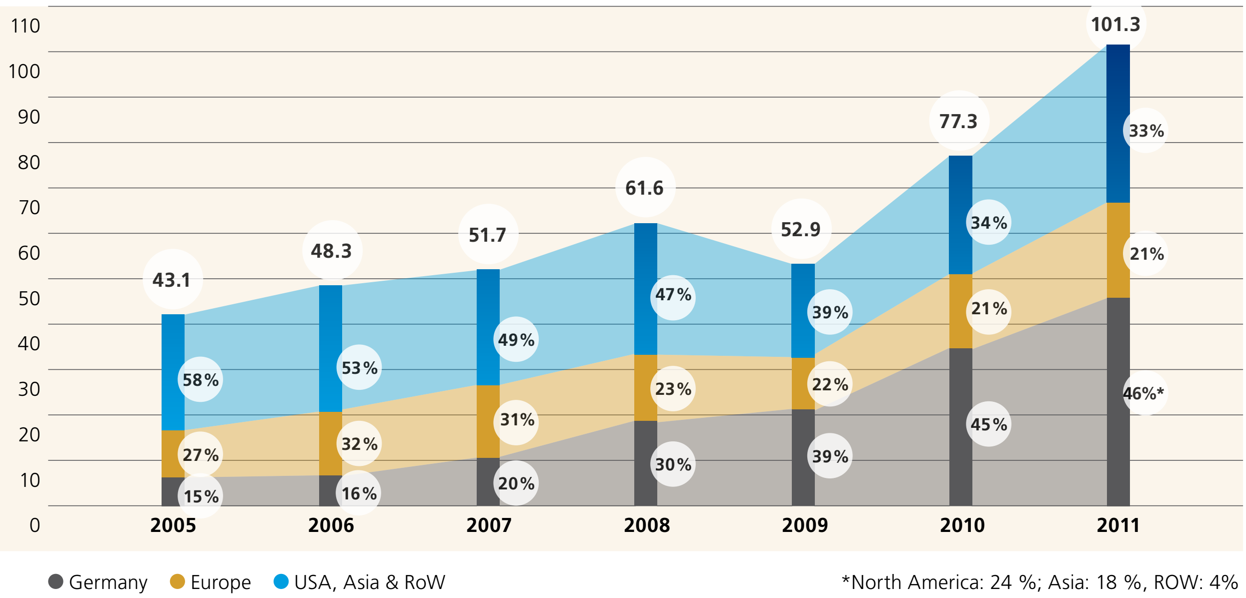
Development of order backlog by segment in EUR million



REGIONAL SALES TRENDS

AUGUSTA Technologie AG has a global presence. Over recent years we have been continuously expanding our market position in the USA and Asia and have had significantly stronger growth there than in Europe. On the one hand the increase in business allows us to take advantage of additional regional opportunities for growth and it also leads to a better distribution of risk on the other. As a result of the sale of the Sensortechnics Group which generated most of its sales revenues in Europe, the revenue distribution has shifted towards the non-European countries. We currently generate around 46 percent of revenue outside Europe and have production and sales offices in all the regions of the world.

Trends in revenue distribution by region, revenues in EUR million, share of the regions in %



In contrast with the generally weaker economic background in 2011 we were able to record positive growth impetus in Germany and Europe. Demand weakened over the course of 2011 in Asia. In the previous year major projects were implemented here in traffic technology area which could not be repeated to the same extent this year. The sluggish demand from the semi-conductor industry is also stifling growth in Asia. Our sales trends with customers in the USA developed much better than expected despite weak economic conditions.

Expressed in terms of growth rates we were able to increase revenues by 29.6 percent on the previous year in Germany, by 35.0 percent in Europa, by 70.7 percent in the USA and by 1.0 percent in Asia. This is the result of the weakening economic situation and one-time traffic projects in 2010.

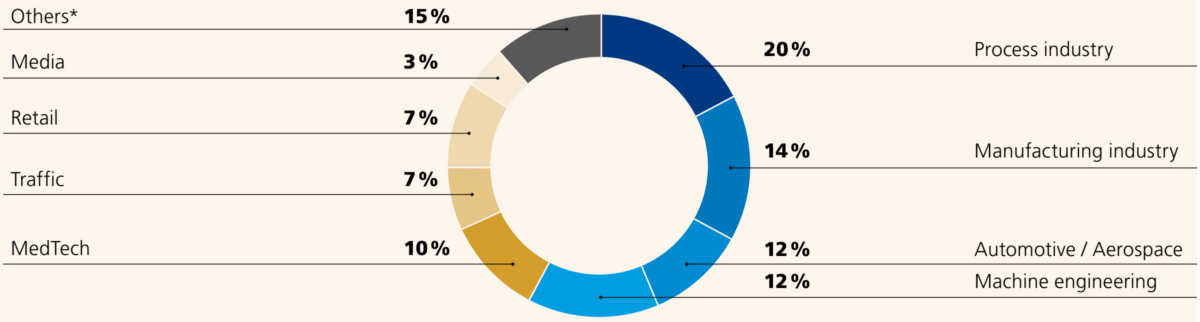
Our global sales network which consists of our own sales team, particularly in the core markets, and distributors ensures proximity to customers in all our target sales areas. Through our own application and post-sales support in the three regional markets of Europe, North America and Asia we have a crucial advantage in international competition which smaller providers do not have.

SEGMENT REPORTING

AUGUSTA relies on a wide diversification of its customer industries. For this we target a range of niche markets with industrial and non-industrial customers. Segmentation across different markets and industries helps us compensate for any downturn in an adverse economic climate. The customer groups that we target can be divided into three sectors:

1. The manufacturing industry, which includes a number of industries such as machine engineering, the process industry, the automotive industry and the woodworking industry.
2. The non-manufacturing industry, with applications in medical, agriculture and energy management and the food industry and
3. The surveillance market as the largest growth industry and which also includes traffic and security technology. Our goal in these three sectors is to use innovations and customised solutions to constantly expand our customer base both organically and through acquisitions. No customer currently accounts for more than 3 percent of revenues and therefore the risk to revenues from losing a customer is relatively low.

Revenues by customer industry in percentages



*Science, Energy, Technology, Logistics

VISION SEGMENT

The Vision segment includes **Allied Vision Technologies GmbH (AVT)** along with **LMI Technologies Inc.** acquired on 1st May 2011. Since 1st January 2011 AVT's subsidiaries have also included **VDS Vosskühler GmbH**, which was merged with AVT with retrospective effect from 1st January. The share in **P+S Technik GmbH** was reduced to 49.87 percent due to a capital increase which was subscribed to by the minority shareholders exclusively. Since 1st September 2011 we have used the at-equity method for the company accounting; the revenues and results generated by the end of August are contained in the group figures.

Market growth in the (machine) Vision segment has again settled at the level from before the 2008/2009 crisis. Average global growth since 2007 was approximately 10 percent, with the growth over-proportional in 2010 and under-proportional in 2011. Through the acquisitions completed AUGUSTA was able to achieve inorganic positive add-on effects and increase its market share in terms of revenues and incoming orders.

AVT was able to further expand its market position in the vision technology market through the **acquisition** of **VDS Vosskühler** at the start of the year.

VDS Vosskühler has since been fully incorporated into the AVT Group both technologically and organisationally. With this AVT has acquired additional comprehensive knowledge of digital cameras in special areas such as infrared, X-ray and high-speed cameras. The former VDS products have been integrated into the AVT product range and experts have been introduced to the typical AVT product design in the new "red dress". The site at Osnabrück will remain and will be expanded in the areas of development and support. Sales of VDS products was taken over by AVT's global sales organisation. The very strong position of VDS up to now with OEM customers will also be stepped up for the future and will remain an essential driver of growth.

Regionally the US market and European market developed in accordance with the plan. In Asia and particularly in China we can see restraint with new orders from traffic and also sense a slow-down in the semi-conductor industry. We are expanding our regional presence in China with an operational subsidiary so as to be able to focus on handling the strategically important market in Asia. Entering the markets in other emerging economies is in preparation.

Our significantly expanded camera and technology portfolio was presented in Stuttgart in November 2011 at VISION, the leading trade fair for industrial imaging. In addition to innovative camera models with super resolution of 29 megapixels along with high-speed, infrared and cooled CCD cameras, AVT also presented a new camera series for traffic and security technology. The new "Prosilica GT" camera series was specially developed for demanding outdoor applications with high requirements related to temperature fluctuations and alternating light ratios.

An additional highlight was the presentation of the "Bonito" high-speed camera model with a 4-megapixel CMOS sensor. At full resolution Bonito provides up to 400 pictures per second and is therefore perfectly suited for demanding applications where fast-moving objects need to be inspected.

In addition new infrared cameras were presented such as the Goldeye (near-infrared) and Pearleye (long wave-infrared). These reveal what is invisible to the human eye. This way it is possible for instance to see through certain materials with infrared cameras or to create a thermal image of an object. These can be used in industrial and non-industrial applications.

The second acquisition was made by AUGUSTA Technologie AG directly in May 2011. **LMI Technologies Inc.** with its headquarters in Vancouver, Canada, is a perfect addition to our (Machine) Vision segment and opens doors for us to the fast growing 3D market. Industry experts expect sustained growth of over 20 percent per annum for this market.

LMI is one of the leading providers globally in the 3D-laser triangulation area (optical 3D measurements). The main customers for LMI systems come from various vertical industrial markets, such as wood processing, tyre manufacturing and the automotive industry as well as from segments outside of traditional industry, such as road construction and agriculture. LMI has long-term relationships with large OEM customers in all these industries. LMI was able to gain additional large customers and further market share in 2011.

In addition to its 3D measurement systems LMI also successfully introduced its new GoCator product line onto the market at the end of 2010. The user-friendly, flexible and fast GoCator sensors are a comprehensive 3D system which can be controlled and configured via any web browser. This allows fast installation along with simple and pleasant usage and handling. A significant product expansion to this multi-functional and intelligent 3D GoCator sensor family was presented at the VISION trade fair in Stuttgart for the first time in November 2011. With the GoCator LMI has created a product which can be sold not only to OEM customers directly, but also via distributors. LMI was able to conclude 13 new distributor agreements in the year for the sale of the GoCator – principally with distributors that have already implemented the AVT product range successfully in their programme.

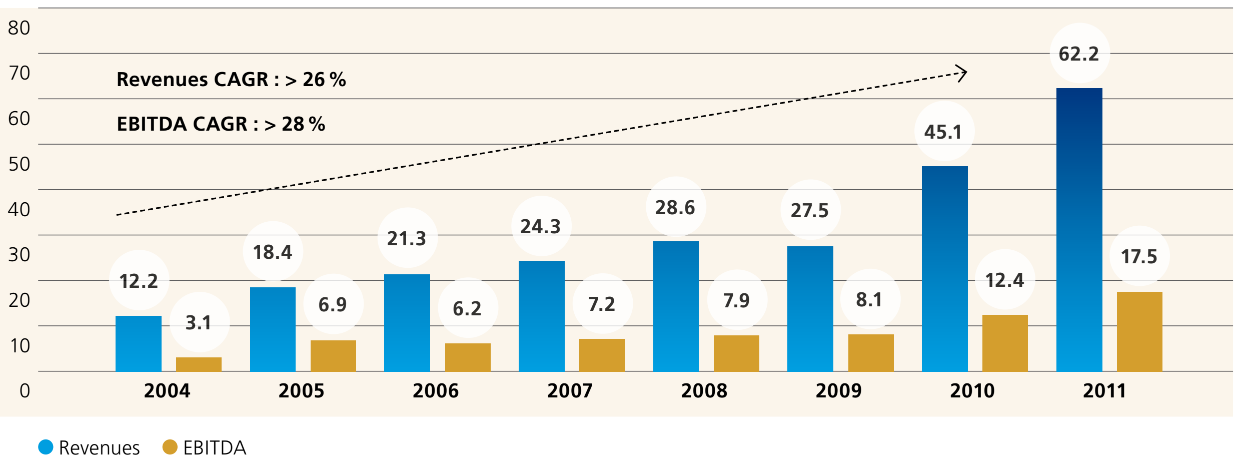
Revenues in the **Vision** segment rose on the previous year by 38.0 percent to EUR 62.17 million (previous year: EUR 45.06 million), with inorganic revenues (VDS, LMI) at EUR 15.13 million. Organic growth adjusted for the acquisitions was therefore at around 4.4 percent. Quarterly revenues in the fourth quarter rose to EUR 14.25 million and were thereby 20.6 percent up on the previous year (EUR 11.82 million).

As at 31 December 2011 gross margin was 51.5 percent and therefore increased slightly on the previous year (50.9 percent).

Profitability in the Vision segment is above average despite higher costs from recruitment in the product development and sales areas as well as acquisition-related costs. **EBITDA** increased cumulatively to EUR 17.52 million; this was an increase in EBITDA of 41.2 percent on the previous year (EUR 12.41 million). The inorganic EBITDA portion (VDS and LMI) was at EUR 3.76 million in total. Organic EBITDA growth adjusted for the acquisitions was therefore at 13.3 percent. P+S Technik which has not been consolidated within the group since 1st September 2011 had a negative impact on the EBITDA of EUR 0.74 million. The cumulative EBITDA margin was 28.1 percent (previous year: 27.5 percent).

The Vision segment has seen very positive developments over the long term. With all acquisitions taken into account, revenues since 2004 has increased by more than 26 percent each year and the EBITDA has increased by more than 28 percent each year.

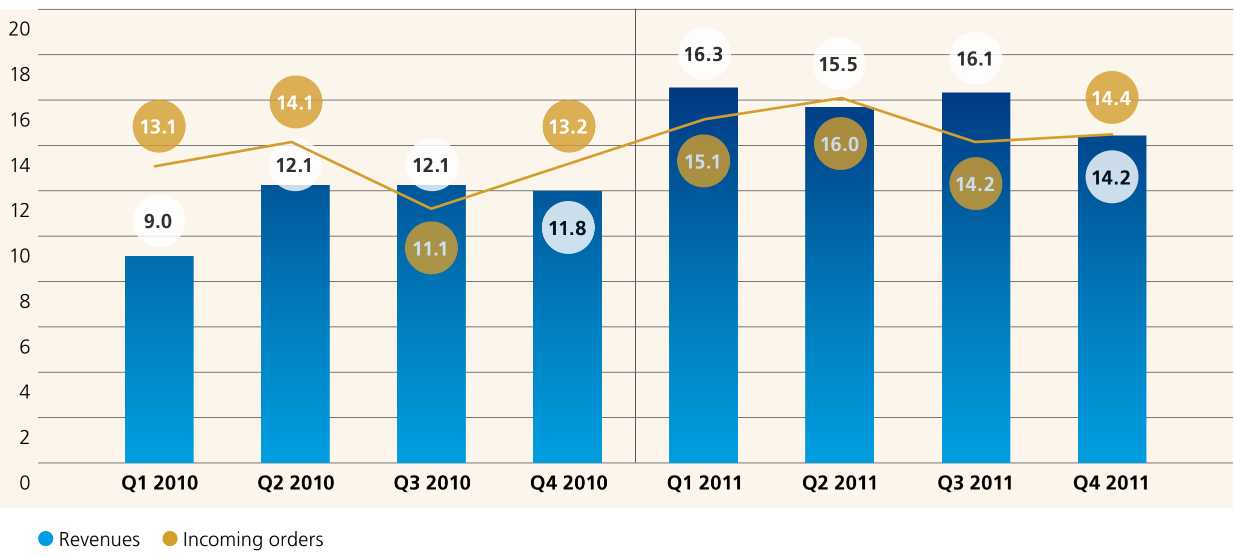
Revenues and EBITDA trends in the Vision segment in EUR million



Operating results following depreciations (EBIT) rose in 2011 by 23.8 percent to EUR 13.06 million (previous year: EUR 10.55 million), representing a 21.0 percent share of revenues (previous year: 23.4 percent). The EBIT was adversely affected by the acquisition-related depreciations of the acquired companies to the amount of EUR 2.88 million.

Incoming orders in 2011 were EUR 59.76 million, up 15.8 percent on the previous year (previous year: EUR 51.60 million). Discounting the inorganic effects (LMI and VDS), at EUR 43.98 million incoming orders were approximately 8.5 percent down on the boom year of 2010. The demand for digital camera systems is returning to normal with growth rates returning to the level from before the crisis. The book-to-bill ratio was 0.96 at the end of the financial year; however, in the fourth quarter of 2011 it was just over 1 once again.

Revenue and incoming order trends by quarter in the Vision segment in EUR million



As at 31 December 2011 the order backlog rose to EUR 13.31 million (previous year: EUR 9.39 million). Approximately 74.1 percent of the order backlog is due for delivery in 2012.

Vision key figures

in EUR million	FY 2011	FY 2010	Change
Revenues	62.17	45.06	**+ 38.0 %**
Gross profit	32.05	22.99	**+ 39.4 %**
Gross margin	51.5 %	50.9 %	**-**
EBITDA	17.52	12.41	**+ 41.2 %**
EBITDA margin	28.1 %	27.5 %	**-**
EBIT	13.06	10,55	**+ 23.8 %**
EBIT margin	21.0 %	23.4 %	**-**
Incoming orders	59.76	51.60	**+ 15.8 %**
Order backlog	13.31	9.39	**+ 41.8 %**

OTHER DIVISIONS

The Sensors segment was renamed **Other Divisions** through the sale of the Sensortechnics Group. **Dewetron** also belongs to this segment with its **mobile measuring systems** in addition to **HE System Electronic** as a solution provider for **microsystems technology.**

Both companies saw very positive developments in their revenues and profitability.

With **HE System Electronic** we have been pursuing a reorganisation initiative as a system provider for power electronics for some years. New strategic customer relationships have been developed and despite the economic downturn, existing major customers have put new framework agreements in place providing an indicator for the future. These include an additional large order from a medical customer for whom an electronic blood-pressure sensor was developed over a three-year collaboration period and which is now being successively manufactured in larger quantities. An innovative developer and manufacturer of electronic modules also doubled its sales volume with HE System Electronic in 2011 by setting up a framework agreement in the double-digit millions in the fourth quarter.

Our aim with **Dewetron** is to develop the company further internationally as a leading product manufacturer for high-frequency, dynamic measurements in special applications. In 2011 Dewetron had its most successful financial year in the firm’s history in all main sales regions such as Germany, France, Austria, China and the USA. Dewetron recognised the opportunities for growth which arise from developing electric and hybrid vehicles at an early stage, enlarging its product range with measurement-technology functions accordingly. The issue of e-mobility will also be an increasingly important one in the future. The first-series devices in the new and expanded DEWE2 product line were tested with customers and wider introduction to the market is planned for the second to third quarter of 2012.

Overall the volume of revenues and the profitability increased significantly in **Other Divisions** compared with 2010. Revenues rose cumulatively by 21.5 percent to EUR 39.14 million (previous year: EUR 32.22 million). On a quarterly basis revenues remained virtually constant at EUR 11.27 million compared with the previous year (previous year: EUR 11.08 million). At 38.0 percent the gross margin improved by 1.3 percentage points on the previous year (36.7 percent).

Profitability rose over-proportionately to revenues as a result of the merely moderate increase in structural costs. EBITDA rose to EUR 4.25 million, representing a 71.5 percent increase on the previous year (previous year: EUR 2.48 million). The EBITDA margin rose to 10.9 percent accordingly (previous year: 7.7 percent). Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by 78.3 percent to EUR 3.76 million (previous year: EUR 2.11 million). The EBIT margin was clearly able to increases to 9.6 percent (previous year: 6.6 percent).

At 2011 year end incoming orders were at EUR 47.55 million, approximately 35.9 percent above the previous year (previous year: EUR 34.98 million). These include a major order for HE System Electronic over 3 years which was won in the fourth quarter. The book-to-bill ratio was 1.21 at the end of the financial year; the book-to-bill ratio would have been approximately 1 without the major order. The order backlog at the end of the reporting period was EUR 25.96 million, up 65.5 percent on the previous year (previous year: EUR 15.69 million). Approximately 40.7 percent (EUR 10.58 million) of the order backlog is due for delivery in 2012.

Key figures for Other Divisions

in EUR million	FY 2011	FY 2010	Change
Revenues	39.14	32.22	**+21.5 %**
Gross profit	14.86	11.84	**+25.6 %**
Gross margin	38.0 %	36.7 %	-
EBITDA	4.25	2.48	**+71.5 %**
EBITDA margin	10.9 %	7.7 %	-
EBIT	3.76	2.11	**+78.3 %**
EBIT margin	9.6 %	6.6 %	-
Incoming orders	47.55	34.98	**+35.9 %**
Order backlog	25.96	15.69	**+65.5 %**

2.2 FINANCIAL POSITION

KEY FEATURES AND OBJECTIVES OF FINANCIAL MANAGEMENT

Financial management at AUGUSTA is focused on securing the company's liquidity and financing pending acquisitions. The main source of liquidity is the operating business of the group of companies. AUGUSTA operates a global financial management which includes all subsidiaries and is organised centrally at the group level. With an equity ratio of 72.8 percent, the balance sheet ratios are excellent at the end of the 2011 financial year for a medium-sized company. We have an attractive credit rating as well as favourable financing conditions with the financing banks.

FINANCIAL MANAGEMENT

As of 31 December 2011, AUGUSTA had **cash and cash equivalents** of EUR 65.86 million (previous year: EUR 34.84 million); this corresponds with EUR 8.59 per share eligible for a dividend. Up to now we have accrued EUR 47 million through the sale of the Sensortechnics Group. Despite the acquisitions completed from equity capital amounting to approximately EUR 5.5 million, the debt redemption from acquisitions amounting to 16.29 million euros (including a special repayment of EUR 9.25 million) and the EUR 3.42 million distributed as dividends following the annual general meeting in mid May 2011 we have sufficient reserves to complete further acquisitions in the Vision segment.

Surplus liquidity includes in principle the short-term and risk-free availability of being able to access available funds quickly in the event of any possible acquisitions through the goal of maximising income.

The **interest-bearing liabilities** (long and short-term liabilities to banks) were EUR 23.17 million as at 31 December 2011 (previous year: EUR 24.44 million). These increased in the first half of 2011 through taking up outside funds within the framework of the acquisitions completed in 2011, and decreased again at the end of 2011 through a special redemption amounting to EUR 9.25 million. In 2012 we will redeem our loans in compliance with agreements with around EUR 8.5 million.

The group's **net liquidity** was EUR 42.69 million on the reference date (previous year: EUR 10.40 million).

OVERVIEW OF CASH FLOW

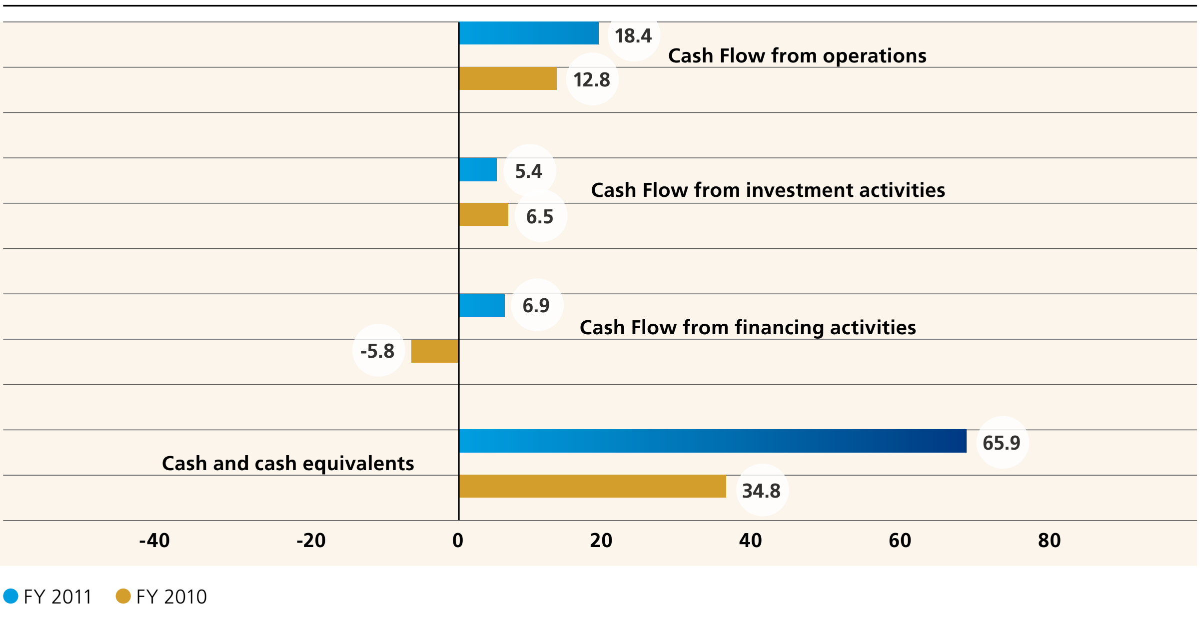
Cash Flow from operations came to EUR 18.42 million at the end of the financial year and was therefore up on the previous year (EUR 12.78 million).

The **Cash Flow from investment activities** reached a figure of EUR 5.40 million at the end of the reporting period (previous year: EUR 6.45 million). This figure includes the acquisitions completed in 2011 (EUR -30.19 million) and the sale of the Sensortechnics Group (EUR +43.54 million).

The **Cash Flow from financing activities** amounted to EUR 6.85 million as of 31 December 2011 (previous year: EUR -5.81 million). In addition to taking on borrowed funds on account of the acquisitions completed, the financial liabilities were reduced in line with agreements in 2011, a special redemption was executed and dividends were distributed to our shareholders.

The **free Cash Flow** amounted to EUR 23.82 million at the end of 2011 (previous year: EUR 19.23 million).

Overview of Cash Flow in EUR million



INVESTMENTS, AMORTISATION AND DEPRECIATION

Investments are made for capacity expansion and compensating and streamlining measures are taken in order to secure a leading market position in the market for Vision technologies and to develop and expand new application areas. These investments are financed from the cash flow from operations. In 2011 this was combined primarily with compensating and streamlining measures. Discounting the Sensortechnics Group a total of EUR 2.20 million was invested in intangible assets in the 2011 financial year (previous year: EUR 1.32 million) with EUR 3.05 million invested in property, plant and equipment (previous year: EUR 2.00 million). In 2012 we will invest primarily in expansion and in the software platform for our product portfolio and in seamless production processes in the Vision segment.

AUGUSTA amortises intangible assets and depreciates property, plant and equipment using the straight-line method over their standard useful life. Discounting the Sensortechnics Group the depreciation of property, plant and equipment at EUR 1.35 million was higher than the level in the previous year (previous year: EUR 0.92 million).

The amortisation of intangible assets totalled EUR 3.66 million (previous year: EUR 1.36 million). Of this the amortisation of self-generated intangible assets through research and development activities in 2011 increased to EUR 0.50 million (previous year: EUR 0.25 million). This increase is essentially down to capitalisation through the acquisition of LMI Technologies.

In addition the acquisitions (AVT Canada, VDS GmbH, LMI Technologies) led to higher depreciation on licences, software and brand names (Purchase Price Allocation – PPA). Compared with the previous year (EUR 0.90 million) this totalled EUR 2.88 million in 2011.

2.3 ASSETS POSITION

ASSET AND CAPITAL STRUCTURE

The changes to the balance sheet as at 31 December 2010 are characterised in particular by the first-time consolidation of VDS Vosskühler on 1st January 2011, the first-time consolidation of LMI Technologies Inc. on 1st May 2011, first-time consolidation of P+S Technik GmbH on 1st September 2011 as well as the sale of the Sensortechnics-Group.

The purchase price for VDS Vosskühler GmbH of EUR 11 million was financed with EUR 6 million of own funds and EUR 5 million of borrowed funds. The first instalment of the purchase price for LMI Technologies Inc. of approximately USD 40 million was completely financed with USD 30 million of borrowed funds. The final purchase price depends on the amount of the earn-out components which are based on the gross operating results and EBITDA achieved in 2011 and 2012.

As of 31 December 2011 the **balance sheet total** – adjusted for the assets and the debts of the Sensortechnics Group and of P+S Technik – increased to EUR 200.26 million compared with the previous year on account of the consolidation of VDS and LMI (31 December 2010: EUR 168.13 million).

Key balance sheet figures

in EUR million	FY 2011	FY 2010	Change
Goodwill	60.21	57.54	**+4.6 %**
Cash and cash equivalents and other current financial assets	65.86	34.82	**+89.1 %**
Balance sheet total	200.26	168.13	**+19.1 %**
Net liquidity	42.69	10.40	**+311.2 %**
Equity ratio	72.8 %	63.4 %	**-**
Enterprise Value	67.25	107.38	**-37.4 %**

OVERVIEW OF BALANCE SHEET STRUCTURE

On the **assets side,** at EUR 60.21 million the goodwill was slightly up on the figure for the end of the 2010 financial year (31 December 2010: EUR 57.54 million). The companies acquired of LMI and VDS increased the goodwill to virtually the same extent that the sale of the Sensortechnics Group and the deconsolidation and depreciation of P+S Technik reduced it. Measured against equity the share of goodwill dropped to approximately 41.3 percent (31 December 2010: 54.0 percent).

Non-current assets rose on the previous year (EUR 90.10 million) to EUR 101.01 million. The intangible assets increased as a result of the purchase price allocations from the acquisitions of LMI and VDS Vosskühler on software, technology, customer base and brand. These assets will be depreciated over 8 or 10 years. **Current assets** increased considerably to EUR 99.25 million as a result of the acquisitions and the cash accrued from the sale of Sensortechnics (31 December 2010: EUR 78.04 million).

Working capital reduced considerably to EUR 20,61 million following the increase through the acquisitions in the first half of 2011 until year end on account of the sale of Sensortechnics and operating measures (31 December 2010: EUR 31.45 million). The ratio of working capital to revenues improved to 20.3 percent from 40.7 percent. Ensuring the ability to deliver quickly along with the availability of materials are the keys to future success. Efficient management of inventory, receivables and payables also remains an important task for us in the future.

At 74 the **Days of working capital (DWC)** stood below the level at the end of the 2010 financial year (31 December 2010: 80 days). **Days of sales outstanding (DSO)** were approximately 40 days at the end of 2011 (previous year: 46 days). The values for the previous year have been adjusted for Sensortechnics.

The vendor loan granted in connection with the sale of the shares in the Sensortechnics Group to First Sensor AG, Berlin, as well as the earn-out payments still to be received from the sale of the Sensortechnics Group are stated under the items "Other loans" and "Other assets" in the balance sheet.

On the **liabilities side, equity** rose to EUR 145.78 million on account of the extraordinary income from the sale of Sensortechnics (31 December 2010: EUR 106.55 million). The equity ratio as at 31 December 2011 rose accordingly to 72.8 percent (31 December 2011: 63.4 percent). This high equity ratio places us considerably above the average for the overall industrial sector.

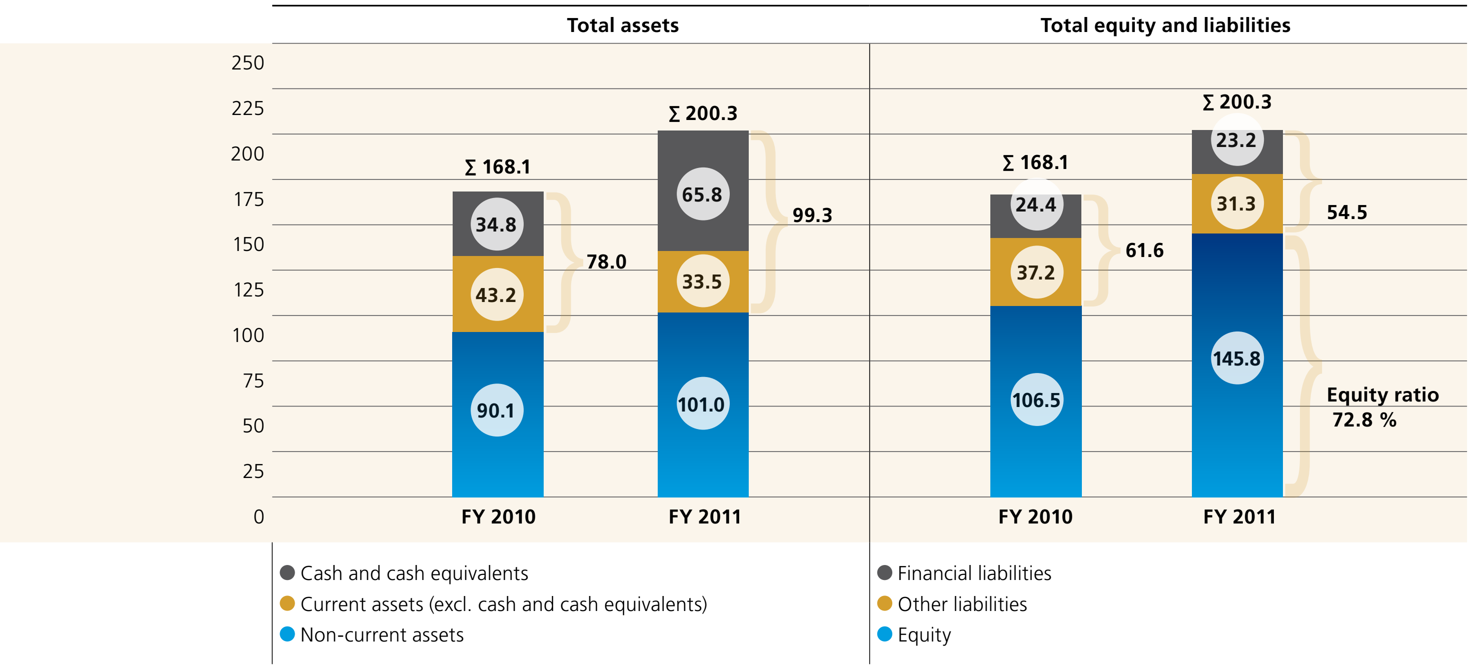
AUGUSTA continues to hold 843,551 **treasury shares** amounting to EUR 13.17 million which are deducted from equity. A total of 74,500 new shares were created through exercising share options in 2011 and the share capital was increased accordingly to 8,510,014 individual shares.

Current liabilities fell on the previous year to EUR 30.48 million (previous year: EUR 34.49 million). At EUR 23.99 million non-current liabilities were also below the level at the end of the 2010 financial year (EUR 27.10 million). Interest-bearing liabilities totalled EUR 23.17 million (previous year: EUR 24.44 million).

The payments to be made from the acquisition of LMI Technologies are included in the items "Other current and non-current liabilities" in the balance sheet.

The excellent **balance sheet ratios** are evidence of the soundness of the Group's finances and balance sheet. This offers adequate scope for further growth, in particular through acquisitions.

Overview of the balance sheet in EUR million



ENTERPRISE VALUE

Existing treasury shares had a value of EUR 12.10 million at the end of the 2011 financial year. Taking into account the market capitalisation on the reference date of 31 December 2011 amounting to EUR 122.03 million (previous year: EUR 131.03 million) and the available cash and cash equivalents there is an enterprise value of EUR 67.25 million (previous year: EUR 107.38 million).

	FY 2011	FY 2010
Number of shares issued in millions	8.51	8.44
Closing rate in EUR	14.34	15.70
Market capitalisation in EUR million	**122.03**	**131.03**
Number of treasury shares in millions	0.84	0.84
Deducted value of treasury shares in EUR million	**12.10**	**13.24**
+ Debts (short-term and long-term loans) in EUR million	23.17	24.44
- Cash and cash equivalents in EUR million	65.84	34.84
= Enterprise Value in EUR million	**67.25**	**107.38**

3. NON-FINANCIAL PERFORMANCE INDICATORS AND OTHER SUCCESS FACTORS

3.1 SUSTAINED AND RESPONSIBLE CONDUCT, ENVIRONMENTAL AND QUALITY MANAGEMENT

Sustainable economic management is the basic prerequisite for long-term success. Sustainability means positioning our company in a future proof manner and thinking about tomorrow today. Our strategic goal is to establish ourselves as the leading Vision technology company and to be available as a technology partner and product supplier to our customers around the world, from industrial imaging to optical surveillance. At the same time we also accept our social and ecological responsibility. We strive to master the art of balancing economic success, social justice and ecological compatibility.

We are convinced that a company with a well-conceived business model, a strategy geared to market conditions and managed on the basis of clear, socially equitable principles will be more successful and more sustainable on the market over the long term than any other. That is why we have defined uniform corporate values within the AUGUSTA group of companies that presents our corporate philosophy and activities in a transparent and comprehensible way to the stakeholders involved. The five corporate values of leading, open-minded, entrepreneurial, reliable and responsible are enshrined as unifying factors in the subsidiaries. Our Code of Ethics has been defined on the basis of these values serving as a compass for the conduct of AUGUSTA Group employees worldwide. The topic of Corporate Compliance is becoming increasing important on account of our international focus and the diversity of regional cultures. This will be one of the areas of focus in our further development in international markets.

We are constantly working on combining innovation and commercial success with the highest requirements in terms of quality and sparing resources and the environment. We keep risks to the environment and any occupational health risks at a low level by storing hazardous substances appropriately, protecting from emissions and through qualified disposal of residual and special waste.

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

3.2 RESEARCH AND DEVELOPMENT

Innovation is an essential driver of our future growth under our strategy. AUGUSTA's aim is to expand the broad product range and to constantly improve the products and systems already on the market. Through this our customers benefit from increased efficiency and a continuous improvement in quality in their company processes and products. Close collaboration with our customers is therefore essential in terms of innovative products that create value. In the 2011 financial year we again considerably increased our expenditure on research and development compared with the previous year.

Developing new technologies and new approaches to solving problems generally occurs within the context of contract projects. No basic research is carried out.

In the 2011 financial year the AUGUSTA group invested EUR 6.27 million net in research and development across the group (previous year: EUR 4.15 million). This corresponds with 6.2 percent of consolidated revenues (previous year: 5.4 percent). Furthermore, EUR 1.81 million was capitalised in 2011 on account of new, innovative projects (previous year: EUR 0.69 million). Depreciation occurs over 5 years.

The majority of these investments in research and development were made in the Vision core segment. The **Allied Vision Technologies Group** is constantly working on technical innovation and expanding the product range. The AVT Group has acquired additional comprehensive knowledge of digital cameras in special areas such as infrared, X-ray and high-speed cameras through the acquisition of VDS Vosskühler GmbH. In addition the AVT Group brought out several product enhancements and additions in 2011 and was able to develop these further in the new design and with new functionalities.

LMI Technologies Inc. successfully brought its GoCator product line to market which was first introduced at the end of 2010. A significant product expansion to this multi-functional and intelligent 3D GoCator sensor family was presented at the end of 2011. Further development of this product family for the automotive, rubber & tyre and electronics industries are the focus for 2012.

Development expenses in the **Vision** segment amounted to EUR 4.71 million net in 2011; 7.6 percent of segment revenues (2010: EUR 2.81 million; 6.2 percent of segment revenues). Additional capitalisation in 2011 amounted to EUR 1.81 million (previous year: EUR 0.69 million).

Development expenses in the **Other Divisions** which are not part of AUGUSTA's long-term strategic focus amounted to EUR 1.56 million in 2011 and therefore 4.0 of segment revenues (previous year: EUR 1.34 million; 4.1 percent from segment revenues). No development expenses were capitalised in this division.

3.3 M&A ACTIVITIES AND FINANCING

The debt crisis resulted in only 10 percent of medium-sized German companies being in acquisition mode. Developing new products and regional markets are the priority. Most companies see size as the essential component for further growth and success. The potential strategic purchasers have large cash reserves at their disposal; the interest on borrowed funds is low as it was previously, however, purchasers are less ready to take risks than in 2010.[9]

M&A FOCUS

AUGUSTA completed two acquisitions and one sale this year. The aim is to develop into a global leader in Vision technology.

The acquisition of **VDS Vosskühler GmbH** was completed on 1st January 2011, perfectly supplementing the existing activities of our subsidiary Allied Vision Technologies (AVT) in terms of technology, manufacturing processes, customer base and sales structure. New customers were gained and the product range was expanded considerably with its infrared, X-ray and high-speed cameras. With the merger of VDS into AVT we are exploiting synergies in sales, development, procurement and administration within the AVT Group. AVT benefits from the expanded product range and with the VDS products acquired in addition will leverage previously unused potentials through international sales as well as the existing distribution partners.

The second acquisition was completed on 1st May 2011. L**MI Technologies** is an innovative provider of optical 3D sensor solutions and is one of the leading providers globally in the area of 3D-laser triangulation (optical 3D-measurements) in defined market niches. With the acquisition of LMI, AUGUSTA is entering the rapidly growing 3D-system business with international OEM customers and thereby also exploiting cross-selling potentials with existing activities of the AVT Group.

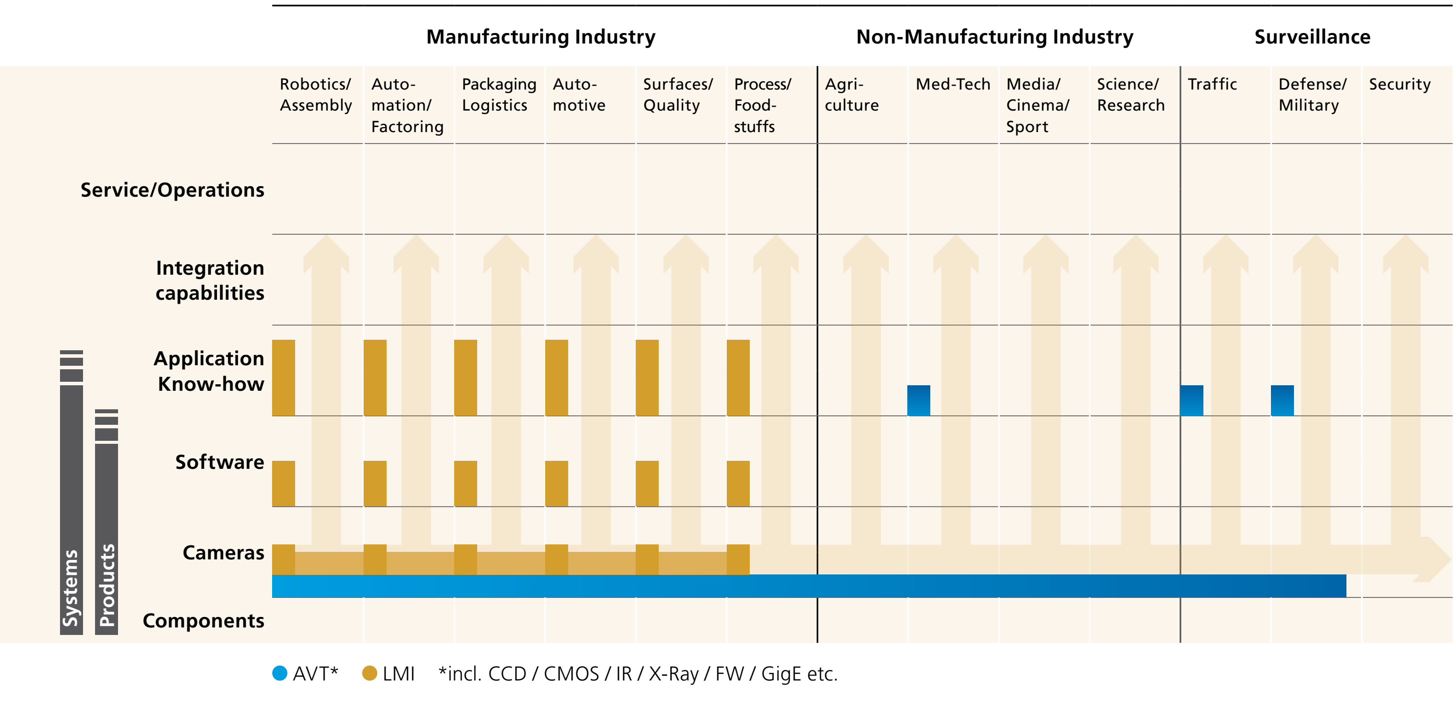
Both acquisitions were financed primarily with borrowed funds at attractive conditions.

In the second half of the year, the sale of the Sensortechnics Group was a further decisive milestone in our strategic focus. The purchase price agreed was approximately EUR 67 million (cash-and-debt free). AUGUSTA will accrue approximately EUR 57 million net by 2013. We were able to achieve a very attractive purchase price for the Sensortechnics Group within the framework of an international tender process at a valuation that surpasses the AUGUSTA valuation factors on the stock exchange considerably.

The accrual of liquid funds significantly increases AUGUSTA's scope for negotiating additional larger acquisitions in the Vision segment.

The Vision Technology market is very attractive for us given its size, the long-term growth potential, the continuing changes in technology and the strong position of AUGUSTA. The high fragmentation of the Vision technology markets offers excellent acquisition potential and further options for expanding our business on the basis of our defined **buy-build-hold-and-grow strategy.** With this the focus is on growth all along the value chain in different vertical markets, expanding our product range and making our business international.

[9] Seneca Corporate Finance. Q4 edition – 2011, Page 1



Horizontally the graph shows the three major customer segments that we also wish to target in the future with new products and applications: The manufacturing industry, the non-manufacturing industry and surveillance. The value chain to the customer is illustrated vertically. With AVT (red bar) we are targeting all three customer segments with digital cameras. This means that AVT is selling digital cameras via distributors or directly to so-called OEM customers (e.g. manufacturers of devices or machinery or medical-technology companies) across all industries and areas of application. AVT has developed special application knowledge in some segments, such as e.g. medical and traffic. This way we are securing the relationship with important OEM customers in these markets. Through the LMI acquisition (yellow bar) we are targeting the system area for the special topic of "non-contact 3D-measurement of objects" and thereby progressing upwards in the value chain. LMI also possesses software and application knowledge in addition to product competencies. Essential application areas are various vertical markets in the manufacturing industry. We want to expand our offering on a continuous basis and to conquer new market segments not yet occupied.

We expect the largest growth per year with double-digit growth rates in the niche markets of surveillance and traffic technology as, with both camera manufacturers as well as with companies with software expertise. With around 10 percent per annum we also see good growth rates with system providers in the area of traditional industrial imaging (Machine Vision).

The valuation multiples in the attractive growth markets of Vision remain constantly high. We find ourselves at a valuation level with other companies in the area of industrial imaging. The challenge is not to pay too much for companies that are valued higher. Our medium-term goal is not just to become established as a camera manufacturer for industrial and non-industrial applications, but to become one of the top 3 companies in the global Vision technologies market.

Furthermore we want to continue developing our existing companies and improve our market position in microsystems technology and with mobile measuring systems.

ACQUISITION FINANCING

Growth is the number one priority for many companies despite the sluggish economic situation. Companies rely on their own liquidity as the primary source of financing in order to finance inorganic growth. Together with banks' increasing readiness to finance transactions the opportunities for financing acquisitions are there in principle.[1] The AUGUSTA Group has once again become more attractive as a strategic buyer for financing partners. In view of our virtually crisis-resistant and stable cash flow and our high net liquidity, we remain able as before to obtain external funds from our principal banks for major acquisitions at very attractive conditions. Our cash and cash equivalents of EUR 65.86 million, the repurchased shares and the opportunity for a capital increase approved by the annual general meeting represent additional financing options on top of taking up external funds.

3.4 EMPLOYEES

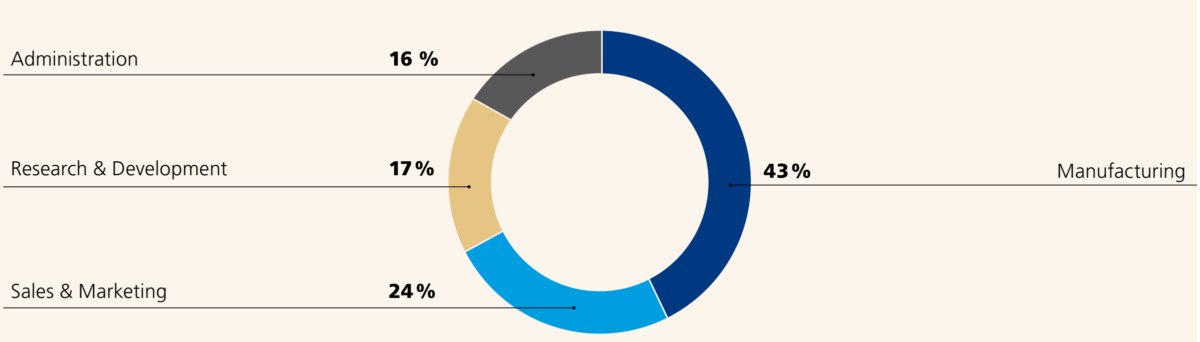
EMPLOYEE TRENDS

Highly-qualified and motivated employees are a prerequisite for securing a company's success over the long term. Ongoing development and targeted promotion of our employees' potentials are an essential basis for this. As of 31 December 2011 the AUGUSTA Group had 481 employees (previous year: 370 employees), including a total of 95 employees added through acquisitions. Organically we hired new employees in the areas of sales, development and production in particular.

A total of 271 employees were employed in the core **Vision** segment at the end of the financial year (previous year: 197 employees). The start of the year saw 20 employees being added from the acquisition of VDS Vosskühler along with 75 employees added in May 2011 through the acquisition of LMI Technologies Inc. On the other hand 49 employees were substracted through the deconsolidation of P+S Technik.

A total of 206 employees were employed in the area of **Other Divisions** (previous year: 169).

Staff Employee structure as of 31 December 2011



[1] FINANCE, April 2011, Page 63

3.5 REMUNERATION REPORT AND ACQUISITION-RELATED INFORMATION

MANAGING BOARD

The Managing Board of AUGUSTA Technologie AG is made up of three people: Amnon Harman (Chief Executive Officer), Berth Hausmann (Chief Financial Officer) and Arno Pätzold (Chief Development Officer).

SUPERVISORY BOARD

The Supervisory Board made up of 3 people was elected at the annual general meeting on 12 May 2010. It includes Adi Seffer (Chairman), Dr. Hans Liebler (deputy Chair) and Dr. Rainer Marquart. Dr. Rainer Marquart resigned his office on 27 October 2011 for personal reasons. In a decision dated 6 December 2011 from the Local Court of Munich, Götz Gollan was appointed as the successor to Dr. Rainer Marquart for the period up until the election at the next annual general meeting on 16 May 2012.

REMUNERATION REPORT

Under section 315 sub-section 2 No. 4 of the German Commercial Code (HGB) AUGUSTA Technologie AG is under an obligation to present the key features of the company's remuneration system for the overall amounts stated in the notes. This applies both to the AUGUSTA Technologie AG financial statements as well as to the consolidated financial statements under IFRS.

The German Act on Appropriateness of Management Board Remuneration (VorstAG) came into force on 31 July 2009. This has transformed the German stock corporation regulations on management board remuneration on 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 excess 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 in 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 both the annual profit for the last financial year and the sustained company performance, and incorporate the relative performance of the AUGUSTA share against the Technology All Share Performance Index in the overall calculation of the remuneration. The fixed remuneration for each member of the Supervisory Board is EUR 20,000 per annum. The Chairman of the Supervisory Board 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 that he or she attends. This fee is reduced to EUR 750 per meeting if the Supervisory Board meeting can only attend the meeting by telephone conference 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 the non-performance related fixed salary and benefits in kind as well as performance-related variable remuneration. The fixed remuneration is set for all Managing Board members in accordance with German stock corporation requirements taking account of the usual market remuneration rate. The variable remuneration of the Managing Board members is based on the targets set out with the Supervisory Board in the relevant calendar year. The Supervisory Board determines whether the targets have been met for the relevant financial year once the financial statements have been approved. The amount of the variable component is significantly below the fixed remuneration level. There is also a long-term performance-based component in the form of stock options.

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

The options can only be exercised if the relevant annual performance targets are achieved within a two-year waiting period. After the 1st tranche and the first half of the 2nd tranche of the options were forfeited due to the performance targets not being achieved, the second half of the 2nd tranche of the stock options could only be exercised following the Annual General Meeting in May 2011. Both Managing Board members Amnon Harman and Berth Hausmann exercised 12,500 options each in June 2011. The stock options for the 3rd tranche from 7 June 2010 will in all probability be capable of being exercised after the 2012 Annual General Meeting.

There are no pension commitments. The notes contain an overview of the total remuneration paid to the Managing Board and the 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 benefits in kind and are taxed accordingly, such as in particular the provision of a company car or the awarding of D&O and accident insurance cover.

ACQUISITION-RELATED INFORMATION

Under section 315 sub-section 4 of the German Commercial Code (HGB), stock corporations listed on the Stock Exchange must provide the acquisition-related information stated there in more detail.

The share capital of AUGUSTA Technologie AG is EUR 8,510,014.00 divided into 8,510,014 no-par ordinary bearer shares, each with a notional value of EUR 1.00. Each share grants one vote and has the same rights and obligations. The company holds 843,551 treasury shares which are not entitled to voting rights under section 71b of the German Stock Corporates Act (AktG). The Managing Board members hold a total of 39,750 shares with no voting rights able to be exercised from these in the cases of section 136 sub-section 1 AktG and section 142 sub-section 1 AktG. To the knowledge of the company's Managing Board and unless otherwise stated below, there are no other restrictions whatsoever relating to voting rights or the transfer of shares. Furthermore the Managing Board is not aware of any agreements between shareholders limiting voting rights or the transfer of shares.

Nmás1 Asset Management, SGIIC, S.A., Madrid, Spain, and N Más Uno IBG, S.A., Madrid, Spanin, hold more than 10 percent of the voting rights according to a corresponding voting rights announcement, which are attributable to them inter alia via EQMC Development Capital Fund Plc, Dublin, Ireland. For the remainder reference is made to the overview under "G Other Disclosures" in the Notes to the Consolidated Financial Statements (disclosure in accordance with section 25 (1) of the German Securities Trading Act (WpHG)).

The company has neither furnished the holders of shares with special rights of any kind nor issued any shares that grant special rights or powers of control.

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

In accordance with sections 6 and 7 of the company's Articles of Association the Managing Board consists of one or more persons. The Supervisory Board appoints the Managing Board members and determines their number, unless a particular number is provided mandatorily by law, and dismisses them. The Supervisory Board appoints the Chair of the Managing Board. The Supervisory Board may appoint deputy members of the Managing Board. Sections 84 et seq. AktG apply in all other respects.

The company is represented in principle by the Managing Board members jointly or by one Managing Board member together with an authorised representative. The Supervisory Board has granted the members of the Managing Board sole power of representation in each case. Each member of the Managing Board is exempted from the limitations of Section 181 of the German Civil Code (BGB) in general or in a specific case, insofar as this does not contravene Section 112 of the German Stock Corporation Act (AktG).

Amendments to the Articles of Association are governed by the legal regulations (Sections 119 sub-section 1 No. 5, 133, 179 sub-section 1 and 2 AktG). Furthermore under Section 17 No. 2 of the Articles of Association the Supervisory Board is authorised to make amendments to the Articles which affect the wording alone. There is a corresponding authorisation under Section 5 No. 8 of the Articles of Association for changes to the share capital in Section 5 of the Articles.

The company is authorised to purchase treasury shares of up to 10 percent of the share capital by 11 May 2015. The details on this authorisation emerge from the draft resolution published under agenda item VI. in the Federal Electronic Gazette dated 31 March 2010.

Subject to the approval of the Supervisory Board, the Managing Board is authorised to increase the company's share capital once or multiple times until 14 May 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 the approval of the Supervisory Board the Managing Board is authorised to exclude the shareholders' statutory subscription right in certain instances. The details on this authorisation emerge from Section 5 No. 6 of the Articles of Association and the draft resolution published under agenda item VII. in the Federal Electronic Gazette dated 03 April 2009.

The Annual General Meeting held on 9 May 2008 approved the creation of conditional capital amounting to a maximum of EUR 843,551.00 for the implementation of subscription rights from the 2008 stock option programme. The 2008 stock option programme tied the exercise of subscription rights provided as part of the stock option programme to holding shares in the company. The details on this emerge from the draft resolutions published under agenda item VII. or agenda item 8 in the Federal Electronic Gazette dated 25 March 2008 or 31 March 2011 respectively. Following the exercise of subscription rights the conditional capital was still EUR 769,051.00.

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 any compensation arrangements with members of the Managing Board or employees that would apply in the event of a takeover bid.

4. SUPPLEMENTARY REPORT

With effect from 1st January 2012 the 53 percent share in Dewetron GmbH located in Graz was sold to the minority shareholders in Dewetron CZ in Prague.

There were no other events that affected the economic development of AUGUSTA Technologie AG in any significant way after the reporting date of 31 December 2011.

5. OPPORTUNITY AND RISK REPORT

OPPORTUNITIES MANAGEMENT

The management of opportunities is an ongoing task aimed at securing the long-term success of the company. The decentralised and regional organisational and corporate structure is used to identify, analyse and continuously communicate the trends, requirements and opportunities in fragmented markets in good time. Furthermore, intensive observation of the market and of competitors allows us to identify opportunities related to business potentials and acquisition opportunities.

RISK MANAGEMENT

AUGUSTA Technologie AG's business activities are subject to various qualitative and quantitative risks. Qualitative risks are market risks and sales and procurement risks. Quantitative risks include internal risks related to revenues, results and liquidity developments. Identifying these in full and in good time and taking appropriate measures to minimise any possible risks are essential prerequisites for securing the economic success of the AUGUSTA Group over the long term.

The German Stock Corporation Act requires managing boards in companies to implement a risk-management system. Any "developments which endanger the continued existence of the company" should be identified at an early stage by way of effective risk management (Section 91 sub-section 2 of the German German Stock Corporation Act – AktG). AUGUSTA's risk-management system has been developed into a forward-looking management system.

All risks are quantified into categories and their developments in the quarter discussed in close coordination with the company managers responsible. The risks are consolidated at group and sub-group level. Risk awareness is very highly developed in all areas of the Group. The framework conditions and assessment systems are defined in a "Risk Management Handbook" applicable to the Group. Systematic identification, assessment, control and documentation of risks forms the basis for avoiding, reducing and hedging against risks and identifying opportunities. Joint measures for reducing risks are laid down following discussions with the relevant company managers. The Supervisory Board is informed of any major risks and in particular of any changes within the quarter at its meetings.

The existing group-wide controlling system was supplemented in mid-2008 with the introduction of consolidation software. Sub-group and group results are presented promptly and any necessary measures extrapolated, including at group level. Achieving targets from the plans is reviewed and managed within the framework of regular business-review meetings. Furthermore, the consolidation software implemented enables quick and precise statements to be made on the company's revenues, income and balance sheet and permits acquired companies to be incorporated effectively into the group-wide reporting structure.

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

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

INTERNAL CONTROL SYSTEM

The introduction of the group-wide consolidation software increased the reliability of the Group's accounting and reporting considerably and significantly reduced the time needed to provide the monthly and quarterly results. An accounting handbook applicable to the whole Group was compiled in parallel, guaranteeing uniform treatment of operational issues and compliance with internal requirements. Very close cooperation between the Group controller and the company managers responsible ensures the control of workflows. All companies in the AVT Group will have a uniform ERP and CRM system by the end of 2012 at the latest. Implementation at LMI Technologies is currently planned for 2013.

The internal control system provides support with:

- achieving corporate-policy targets through effective and efficient management
- compliance with laws and regulations
- protecting business assets
- ensuring the reliability and completeness of internal and external accounting
- timely and reliable financial reporting.

5.1 OPPORTUNITY AND RISK REPORT FOR AUGUSTA

OPPORTUNITIES AND RISKS FROM PROFIT AND LOSS TRANSFER AGREEMENTS

AUGUSTA Technologie AG has entered into a profit and loss transfer agreement (PLTA) with Allied Vision Technologies GmbH which was supplemented with the relevant control contracts in 2009. AUGUSTA is under an obligation to absorb any (theoretical) operating losses at the affected subsidiaries should they occur. AUGUSTA is dependent on receiving distributions from its operating subsidiaries to cover expenses of the holding and to pay dividends to shareholders. These are determined in accordance with the annual financial statements jointly with management at the companies.

TAX AUDIT

No tax risks exist or have existed. The last tax audit took place up to and including 2007.

LIABILITY IN CONNECTION WITH THE SALE OF INVESTMENTS

If subsidiaries are sold or the share in them is reduced below 50 percent then, in addition to providing the guarantees that are standard in the market, AUGUSTA may be forced to issue exemptions from certain company-specific risks as well as tax exemptions and to adjust goodwill where necessary. If this does happen it could lead to substantial detrimental effects on the assets, financial and profit situation at AUGUSTA, despite limited liability in terms of amounts. On the other hand, the potential sales revenues also broaden 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.

ECONOMIC RISKS

As a company that operates globally AUGUSTA is particularly exposed to developments in the global economy which are fraught with risk. The overall conditions of the global economy have become more difficult and unpredictable, with the overall economic risks becoming greater as a result. Politics, financial management and the real economy are closely interlocked. In contrast to this our international presence allows us to act more independently of regional crises. The strongly differentiated product and customer structure also limits potential sales risks and the negative impact of economic influences. Key customer sectors such as medical technology, traffic technology and the food industry are only partially subject to general economic cycles.

Trends with incoming orders and sales revenues can be affected adversely by differing economic developments globally. As a result there may be a lack of demand with the associated negative consequences for revenues and results. We assume today that the global economic recovery will slow down but will not come to a standstill. We expect the economy to start moving again in 2013.

MARKET AND COMPETITION

There are risks for AUGUSTA in the development of target markets and the competition. The progressive focus on the Vision technology markets leads to a greater dependency on the economic situation in these market segments. There is no enduring slowdown to growth in the industrial imaging market foreseeable at the present time. The forecasts from market researchers and associations assume growth in all sub-segments in the coming years. Global economic slowdowns only affect the industrial imaging market where they are accompanied by reduced investments in equipment.

AUGUSTA reduces the dependencies on trends in demand with its wide mix of industries, customers and products. The increasing proportion of sales with customers outside of traditional industrial production also reduces dependency on industrial customer segments. Our subsidiaries' ability to adapt to market changes is a strength. In the past sales increases with good margins could be achieved with products and services. In times of crisis we have made fewer losses in terms of revenues and results than other competitors. These factors increase the sustainability of our business model.

The intensity of competition in the Vision technologies market remains high and the competitors in the sub-segments are very different. A reduction in product lifecycles, increased exhaustion of technological potentials accompanied by competitive and price pressures can be seen in all the markets addressed. Increased competitive pressure can lead to falling sales prices, pressures on margin and/or loss of market share. Constant observation of the market, the expansion of sales activities and channels to new target markets (functional and regional) as well as adaptation and broadening of the product range to incorporate changed market requirements – including through acquisitions – were all continued and accelerated in the 2011 financial year. This was accompanied by a greater focus on the customer, a reduction in manufacturing costs and increases in quality.

FLUCTUATIONS IN MATERIAL PRICES AND AVAILABILITY

Unexpected fluctuations in prices combined with unpredictable material availability make it difficult to achieve planning security. No-one can counteract the increasing price trend with raw materials over the long term. Absorbing the sometimes extreme variations on the markets through inventories or reacting to developments in the procurement markets at short notice are becoming increasingly important. Increasing inventories does, however, tie up capital. AUGUSTA buyers regularly explore alternative and more cost-effective sources of supply, to some extent international ones.

In relation to processed image sensors in the Vision technology segment there is a dependency on two large manufacturers.

Our measurement-technology applications depend essentially on one software supplier. This relationship is crucial for further development of the overall subsidiary.

Any further dependency on trading partners and large customers is limited in its extent.

RESEARCH AND DEVELOPMENT EXPENSES

The markets in which AUGUSTA operates are characterised by continuous technological innovations. Innovation capabilities and rapid product development are therefore essential factors in competition. Innovative products in line with market requirements are the basis for gaining market share. AUGUSTA continuously invests in new product developments based on market trends and discussions with customers. The subsidiaries capitalise development expenses for new and existing marketable products in accordance with IFRS. The capitalised development costs are amortised over the scheduled selling period. If there is a delay in these products being ready for market or if they are not ready for market due to new technological developments, this may necessitate unscheduled amortisation which may adversely affect the Group’s profit situation.

The already existing software concepts comply to permanent analyses. Newest trends and a standardisation of all product platforms are necessary to ensure the production of attractive products along with attractive production costs while keeping the maintenance efforts to a minimum.

PERSONNEL RISKS

Rapidly-changing technology markets place high requirements on the company's ability to adapt its capacities quickly and efficiently to fluctuating needs. We are able to balance out any fluctuations by way of a flexible working model.

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

Management succession arrangements are also subject to significant risks in terms of the possible loss of knowledge. The middle-sized companies acquired are often characterised by a founder structure in which the company's founder has served as the integration figure for employees and customers. To preserve the positive aspects of this situation and also to broaden the basis for these companies at the same time, AUGUSTA plans knowledge transfers and where necessary any management changes at an early stage. Particular importance is attached to staff procurement and staff development in the Group's growth strategy. Maintaining and increasing its appeal as an employer is very important to AUGUSTA.

RISKS IN WORKING CAPITAL

In the past the AUGUSTA Group only had to cope with negligible bad debts from individual customers or customer groups. There were no appreciable bad debts or individual allowances for bad debts in 2011.

The AUGUSTA subsidiaries built up their inventories for availability and security reasons based on supplier bottlenecks. The intrinsic value of inventories was also analysed this year and the valuation allowances for inventories were lower than the previous year's level.

EXCHANGE RATE AND INTEREST RATE RISKS

We have global production and procurement sites at our disposal and have therefore created the conditions for partial relocations of production processes and optimisation opportunities and reduced dependencies on exchange rate fluctuations.

However, the AUGUSTA Group's growing international business activities do involve exchange rate risks in principle. We have centralised currency hedging at group level and manage this with a focus on the future. With this AUGUSTA Technologie AG serves as the clearing office for our dollar surplus. Future exchange transactions are consequently only carried out to a very limited degree.

We concluded an interest-rate swap as part of the acquisition of AVT Canada Inc. (formerly Prosilica) which minimises the interest-rate risk and which is linked to the term of the financing agreement. This interest-rate swap is linked to the maturity of the loan financing until mid 2013.

ACQUISITION AND INTEGRATION RISKS

Acquisitions are carefully and systematically reviewed prior to signing the contract. A standardised M&A process has been put in place with particular focus on the post-merger integration and due diligence. AUGUSTA's balance sheet shows goodwill of EUR 60.21 million. The impairment tests carried out in the current financial year resulted in a depreciation need in relation to P+S Technik in the fourth quarter of 2011. Impairments also cannot be ruled out completely in the future.

AUGUSTA Technologie AG is in competition with other companies when searching for suitable business to acquire. There is also the entrepreneurial risk with acquisitions that the company acquired does not develop as expected. This was the case with P+S Technik GmbH. The companies are incorporated promptly into the AUGUSTA Group's reporting, controlling and risk-management systems following acquisition.

FINANCING RISKS AT THE SUBSIDIARY LEVEL

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 existing liquidity and financial strength (credit rating) limit this risk considerably. A monthly liquidity forecast provides the decision-makers with 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 high-quality standards. Quality problems may occur in end products where components are bought in, are processed in AUGUSTA systems or generally where modules are produced by third parties, with these problems not necessarily being attributable to AUGUSTA's development and manufacturing processes. Suppliers and production partners are reviewed in accordance with strict criteria.

Internal quality controls help to uncover any potential defects. Risks are covered by central, inter-company insurance management (mandatory liability insurance, business interruption insurance). There is a product liability issue at HE System Electronic as at 2011 year end. A corresponding provision has been set up in the 2011 annual financial statements.

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 present time but they cannot be generally ruled out in the future.

6. FORECAST REPORT

ECONOMIC OUTLOOK

Market experts are very cautious with their outlook for 2012. Fears of recession have not yet disappeared in the USA, although the economic outlook for the USA has been more positive since the end of 2011. Concerns are growing in large parts of the eurozone about the ongoing excessive debt of Member States. Even the threat of recession is no longer being ruled out completely in Germany. The euro crisis has slowed down growth in the emerging economies and the trend indicator of German industry has cooled down in recent times. Ultimately the global risks are high and are closely interlocked.

Despite these risks there are reasons for confidence, particularly in Germany: The labour market and consumption data appear stable, German companies are highly competitive when compared with the rest of the world in terms of innovation and quality and demand from abroad is rising again.

FOCUS ON GROWTH

Economic uncertainties along with price fluctuations with raw materials and currencies will not be the only unknown factors for AUGUSTA in 2012. We are, however, prepared for a wide range of different developments. Despite the various risks we continue to see solid development in most of our markets and for 2012 are expecting resilient companies such as AUGUSTA stand out from the rest with their healthy balance sheet, moderate debt levels and substantial cash resources. The prospects for gain are more reliable and our business model promises shareholders sustained dividend distributions.

Innovation and customer focus

We want to preserve and expand on the company's power for innovation. We want to set new benchmarks in the Vision technologies market with our products and establish our systems as the standard. We are working continuously on being a reliable partner in demand from our customers and with whom they can develop customised products and solutions jointly. Continuous expansion of our global service and sales business is a central objective and important driver of growth for the coming years. For us high customer satisfaction is the basis for successful and sustained corporate development.

Internationalisation

Expanding established markets and opening up new growth markets to hedge against any possible declines in sub-markets will remain one of our challenges in the coming years. The most significant opportunities in the market currently are outside Europe, particularly in the emerging countries and in the US. Around a third of the growth in German exports in recent years has been caused by the emerging economies. German products, German technology and German know-how are more in demand here than ever before. In our experience, it is important to have local representatives. It will be the only way to open up and develop markets successfully. We are constantly expanding our local presence to support our customers and investing in new markets and regions. In addition to China this will also include Brazil, India and Russia in the medium term along with other emerging countries.

We want to consolidate our position in the global markets and increase our market share with an expanded product range and additional skills in the supervision market segment.

FOCUS GUARANTEES GROWTH AND PROFITABILITY

AUGUSTA's focus going forward will be on targeted acquisitions in the Vision segment. We will continue to develop the companies HE System Electronic and Dewetron organically. Over the next two years our focus will be in particular corporate acquisitions in the Vision technologies area.

We see significant benefits in this focus. The available management capacities and investment opportunities can be implemented in a concentrated manner. This allows improved growth opportunities in the Vision environment, both organically as well as through acquisitions. The financial resources required for inorganic growth are available. Collaboration with our customers and partners on important investment decisions will ultimately be made easier through this focus.

For companies listed on the Stock Exchange the capital market values a business model that is explicable and comparable with other companies in the market. The organisational form of a financial-holding company with different technology and market issues is too complex and obscure for analysts and shareholders, resulting in downward valuation adjustments. With the sale of the Sensortechnics Group and the clear focus on the Vision segment, AUGUSTA is now attributable to an industry and can be compared with other Vision technology companies. We stand up to this comparison with growth and profitability which are above average. We will invest the proceeds from the sale of the Sensortechnics Group in a targeted manner by entering new Vision market segments and enhancing our value-add in digital imaging. At the present time we are valued as a Machine Vision company. We can achieve a higher valuation through further profitable growth, by expanding and entering niche markets with strong growth, such as surveillance and traffic technology, as well as through improved awareness on the capital market. These goals are reflected in our strategic plan for 2012 and also in the further development of our divisions.

DIVIDEND POLICY

AUGUSTA pursues a sustainable and results-oriented dividend policy. Our shareholders will have a share in the company's success both today and in the future. For the 2011 financial year also we remain committed to our statement that we will distribute at least 30 percent of the consolidated annual net profit excluding special factors to our shareholders. Owing to the extraordinary income from the successful sale of the Sensortechnics Group, we will, as an exception, increase the dividend calculated from operating activities (0.35 euros per share) to 0.60 Euro per share.

We will therefore propose to the Annual General Meeting on 16 May 2012 that a resolution is passed to distribute a **dividend of 0.60 Euro per share.** This dividend payout does not restrict us in terms of our planned investments and acquisitions in 2012 and beyond.

OUTLOOK AND GUIDANCE

We coped well with the situation in 2011 despite the difficult overall conditions. **Strategically** we pressed ahead with our focus on the Vision technology markets – with our two acquisitions in the Vision segment and the sale of the Sensortechnics Group – and came significantly closer to our goal of becoming a global leader in Vision. The positive effects of our strategic focus can be seen already today in our revenues and profitability.

In 2012 we expect increased forecasting uncertainty for further **operating** business performance. From today's point of view, however, we also expect continued growth in revenues and earnings, over the next few years. With this our goal is to grow above expected market developments within our industry. However, this requires reinforcement of our development capacities and in particular of the international sales and marketing activities. If nothing else we will experience a momentum for growth that other companies cannot boast as a result of the acquisitions that we have completed.

We view 2012 in a positive light with our loyal and motivated employees. We expect growth both in terms of revenues and profitability.

Overall we expect **group revenues** to be within the range of EUR 100 to 110 million and **EBITDA** that is between EUR 16 and 20 million.

These values do not take into account any potential acquisitions/sales and the costs that would be required for these.

Forecast interval

in EUR million	2011*	2012 forecast
Revenues	101.3	100 to 110
EBITDA	17.9	16 to 20

* includes: P+S Technik GmbH up until 30/09/2011 with revenues of 3.4 million Euro and EBITDA of -0.74 million Euro.

For 2013 we expect double-digit growth in revenues and a slightly over-proportional increase in profitability.

In the Vision area we expect increased revenues over the next few years of between 5 percent and 15 percent each year. In Other Divisions we assume that revenues will remain virtually unchanged each year. In subsequent years profitability in both divisions will move at least at the level of the 2011 financial year.

AUGUSTA's path to an integrated "Vision House" is being pursued with the acquisitions and the sale of the Sensortechnics Group in 2011. As the Managing Board we see this as the forward-looking strategy for increasing growth, profitability and also the share price under all market conditions over the medium and long term.

Munich, 8 March 2012

Amnon F. Harman
CEO

Berth Hausmann
CFO

Arno Pätzold
CDO

Focus on the Essence

AUGUSTA offers solutions for the non-manufactu-ring industry, with applications in medical agriculture, energy and the food industry.

Consolidated Financial Statement

Balance Sheet

Assets

in EUR thousand	Notes	FY 2011	FY 2010
Non-current assets			
Intangible assets	(1)	24,551	15,796
Goodwill	(1)	60,208	57,539
Property, plant and equipment	(1)	8,579	13,725
Non-current financial assets	(1)	4,750	351
Deferrend tax assets	(2)	1,634	1,146
Other non-current assets	(3)	1,289	1,541
Total non-current assets		**101,011**	**90,098**
Current assets			
Inventories	(4)	15,094	25,821
Trade account receivables	(5)	11,137	14,390
Receivables from related parties	(6)	110	192
Current financial assets	(7)	0	93
Tax account receivables		1,030	998
Prepaid expenses and other current assets	(7)	6,015	1,793
Cash and cash equivalents	(8)	65,859	34,748
Total current assets		**99,245**	**78,035**
Total assets		**200,256**	**168,133**

Equity and liabilities

in EUR thousand	Notes	FY 2011	FY 2010
Equity			
Share capital		8,510	8,436
Capital reserves		56,704	55,843
Earning reserves		47,000	34,000
Current translation		7,958	3,267
Revaluation reserves		-136	-346
Retained earnings		38,708	18,153
Treasury shares		-13,165	-13,165
Minority interest		204	359
Total shareholders' equity	(9)	**145,782**	**106,546**
Non-current liabilities			
Long-term loans, excluding current portion	(10)	11,574	11,631
Non-current post employment benefit-obligation	(11)	420	1,509
Other non-current liabilities	(12)	78	286
Deferrend tax liabilities	(2)	6,751	5,956
Other non-current liabilities	(13)	5,168	7,717
Total non-current liabilities		**23,991**	**27,099**
Current liabilities			
Trade accounts payable	(14)	5,622	8,763
Short-term loans and current portion of long-term loans	(10)	11,597	12,811
Liabilities to related parties		0	3
Other current financial liabilities	(15)	159	381
Liabilities held for sale		0	0
Income tax provisions and liabilities		1,380	2,700
Other current provisions	(12)	4,586	4,413
Other current liabilities	(16)	7,139	5,420
Total current liabilities		**30,483**	**34,488**
Total equity and liabilities		**200,256**	**168,133**

Statement of Comprehensive Income
January 1 to December 31, 2011

in EUR thousand	Notes	FY 2011	FY 2010
Sale revenues		**101,314**	**77,281**
Products		99,733	77,189
Services		1,581	92
Cost of sales		**-54,398**	**-42,453**
Products		-54,398	-42,453
Services		0	0
Gross profit		**46,916**	**34,828**
Selling expenses	(17)	-16,296	-11,359
Research and development expenses	(18)	-6,270	-4,147
General and administrative expenses		-10,988	-11,652
Other income and expenses		-389	792
Profit from operations		**12,973**	**8,462**
Net income from associated companies	(19)	-4,373	0
Net interest income / expenses	(20)	-1,340	-754
Foreign currency exchange gains / losses		-518	-39
Other financial assets		-97	41
Net financial costs		**-6,328**	**-752**
Profit before tax		**6,645**	**7,710**
Income tax expenses	(2)	-2,054	-2,124
Result from continued operations		**4,591**	**5,586**
Result from discontinued operations after tax	(21)	32,475	4,982
Profit for the year		**37,066**	**10,568**

in EUR thousand	Notes	FY 2011	FY 2010
Profit / loss attribute to minority interest		-95	-178
Profit for the year after minority interest		**36,971**	**10,390**
Currency adjustment		4,691	2,566
Granting of stock options	(22)	325	164
Changes in derivate investments		292	281
Taxes on other total revenue		-82	-79
Additions third party share (after currency adjustment)		95	178
Other total income net of tax		**5,321**	**3,110**
Total comprehensive income		**42,292**	**13,500**
Earnings per share undiluted in EUR	(23)	4.85	1.37
Earnings per share diluted in EUR	(23)	4.82	1.37
Earnings per share from discontinued operations undiluted in EUR	(23)	4.26	0.66
Earnings per share from discontinued operations diluted in EUR	(23)	4.23	0.66
Weighted averange shares outstanding in thousand		**7,617**	**7,592**

Consolidated Cash Flow Statement
for fiscal year 2011 (1)

in EUR thousand	FY 2011	FY 2010
Cash Flow from operating activities		
Consolidated results for the year	37,066	10,568
Adjustment to reconcile the consolidated annual net profit to Cash Flow from operating activities		
Depreciation of intangible assets	3,659	1,598
Depreciation of property, plant and equipment	2,352	2,245
Appreciation of property, plant and equipment	0	-36
Depreciation of financial assets	4,408	16
Profit (-) / loss (+) from sale of subsidiaries	-27,597	670
Profit (-) / loss (+) from property, plant and equipment	-2	-6
Profit (-) / loss (+) from disposal of financial assets	0	306
Other expenses and income not affecting payments	325	164
Change to assets and liabilities		
Increase (-) / decrease (+) in deferred taxes assets	-724	10
Increase (-) / decrease (+) in other non-current assets	185	218
Increase (-) / decrease (+) in inventories	-1,940	-7,788
Increase (-) / decrease (+) in trade receivables	462	-1,761
Increase (-) / decrease (+) in receivables from affiliated companies	-51	-18
Increase (-) / decrease (+) in prepaid expenses and other assets	987	-115
Increase (+) / decrease (-) in other non-current financial assets	40	-664
Increase (+) / decrease (-) in provisions for pension fund liabilities	-118	24
Increase (+) / decrease (-) in provisions	917	1,277
Increase (+) / decrease (-) in deferrend tax liabillities	-96	381
Increase (+) / decrease (-) in trade payables	-255	2,070
Increase (+) / decrease (-) in amounts owed to related parties	-46	3
Increase (+) / decrease (-) in liabilities and provisions for income taxes	-1,354	2,220
Increase (+) / decrease (-) in other current liabilities	201	1,401
= Cash Flow from operating activities	**18,419**	**12,783**

in EUR thousand	FY 2011	FY 2010
Cash Flow from investing activities		
Payments to invest intangible assets	-3,212	-1,318
Payments to invest in property, plant and equipment	-4,790	-2,001
Payments to invest in financial assets	0	-12
Proceeds from sale of intangible assets	0	47
Proceeds from sale of property, plant and equipment	264	73
Proceeds from sale of financial assets	0	0
Short-term investments of fixed-term deposits	0	0
Payments to acquire subsidiaries minus liquid funds	-30,950	-2,596
Liquid funds from deconsolidation of the STEC Group (previous year: DLoG Group)	44,086	12,254
= Cash Flow from investing activities	**5,398**	**6,447**
Cash Flow from financing activities		
Change in current financial liabilities	6,181	-984
Change in non-current financial liabilities	3,578	-2,503
Proceeds from (+) / payments to (-) shareholders	611	0
Dividend payments to minority interests	-3,517	-2,324
= Cash Flow from financing activities	**6,853**	**-5,811**
Increase / decrease in cash funds	**30,670**	**13,419**
Effect of exchange rate changes	974	358
Adjustment in cash funds due to consolidation	-548	0
Cash funds at the beginning of the fiscal year	**34,763**	**20,986**
Cash funds at the end of the fiscal year	**65,859**	**34,763**
Summary of cash funds	**65,859**	**34,763**
Liquid funds	65,859	34,748
minus any fixed-term desposits contained therein with a residual term of more than three months	0	0
Money market funds	0	15
Thereof Cash Flow from business divisions closed down		
Cash Flow from operating activities	4,237	5,097
Cash Flow from investing activities	41,488	-876
Cash Flow from financing activities	-3,563	-4,122
Additional disclosures relating to Cash Flow		
Income taxes paid	1,889	3,080
Income taxes received	923	1,118
Interest paid	1,641	1,301
Interest received	301	127

Consolidated Cash Flow Statement
for fiscal year 2011 (2)

in EUR thousand	FY 2011	FY 2010
Additional disclosures		
Purchase of subsidiaries		
Goodwill	16,065	1,130
Intangible assets	17,676	9,013
Property, plant and equipment	245	853
Financial assets	0	14
Active deferred taxes	742	18
Inventories	4,846	2,873
Trade receivables	3,919	1,818
Miscellaneous	1,189	434
Liquide funds	4,748	4
Passive deferred taxes	-3,270	-2,499
Trade payables	-2,328	-1,471
Financial liabilities	-11	-1,215
Provisions	-147	-1,040
Provisions and liabilities from taxes	-683	-236
Other liabilities	-190	-687
Purchase price paid	**42,801**	**9,009**
Thereof expected future purchase price payments	-7,103	-6,409
Liquid funds received	-4,748	-4
Purchase price paid minus liquid funds received	**30,950**	**2,596**

in EUR thousand	FY 2011	FY 2010
Sale of subsidiaries		
Goodwill	14,057	8,880
Intangible assets	1,825	1,730
Property, plant and equipment	6,647	356
Financial assets	288	4
Active deferred taxes	199	0
Other non-current assets	58	239
Inventories	15,203	2,117
Trade receivables	5,824	1,958
Other current assets	572	167
Liquid funds	986	48
Passive deferred taxes	-142	-397
Pension provisions	-285	0
Trade payables	-4,352	-1,516
Financial liabilities	-10,964	0
Provisions	-883	-303
Provisions and liabilities from taxes	-649	0
Other liabilities	-1,426	-317
Minority shares	-149	0
Consolidating entries	-81	6
Profit / loss on sale (before additional costs of sale)	29,601	-122
Purchase price received	**56,329**	**12,850**
Minus earn out	-4,500	0
Minus vendor loan	-4,750	0
liquid funds disposed of	-986	-48
Additional costs of sale	-2,007	-548
Inflow of funds from sale of company minus liquid funds disposed of	**44,086**	**12,254**

Consolidated Statement of Changes in Equity
January 1 to December 31, 2011

in EUR thousand	Subscribed capital			
	Capital Stock*	Amount	Capital reserves	Earning reserves
Closing balance as of January 1, 2010	**8,435,514**	**8,435**	**55,679**	**30,000**
Dividend				
Withdrawal from / addition to reserves				4,000
Total income			164	
Closing balance as of December 31, 2010	**8,435,514**	**8,435**	**55,843**	**34,000**
Closing balance as of January 1, 2011	**8,435,514**	**8,435**	**55,843**	**34,000**
Stocking options	74,500	75	536	
Dividend				
Withdrawal from / addition to reserves				13,000
Derecognition of minority interests				
Total income			325	
Closing balance as of December 31, 2011	**8,510,014**	**8,510**	**56,704**	**47,000**

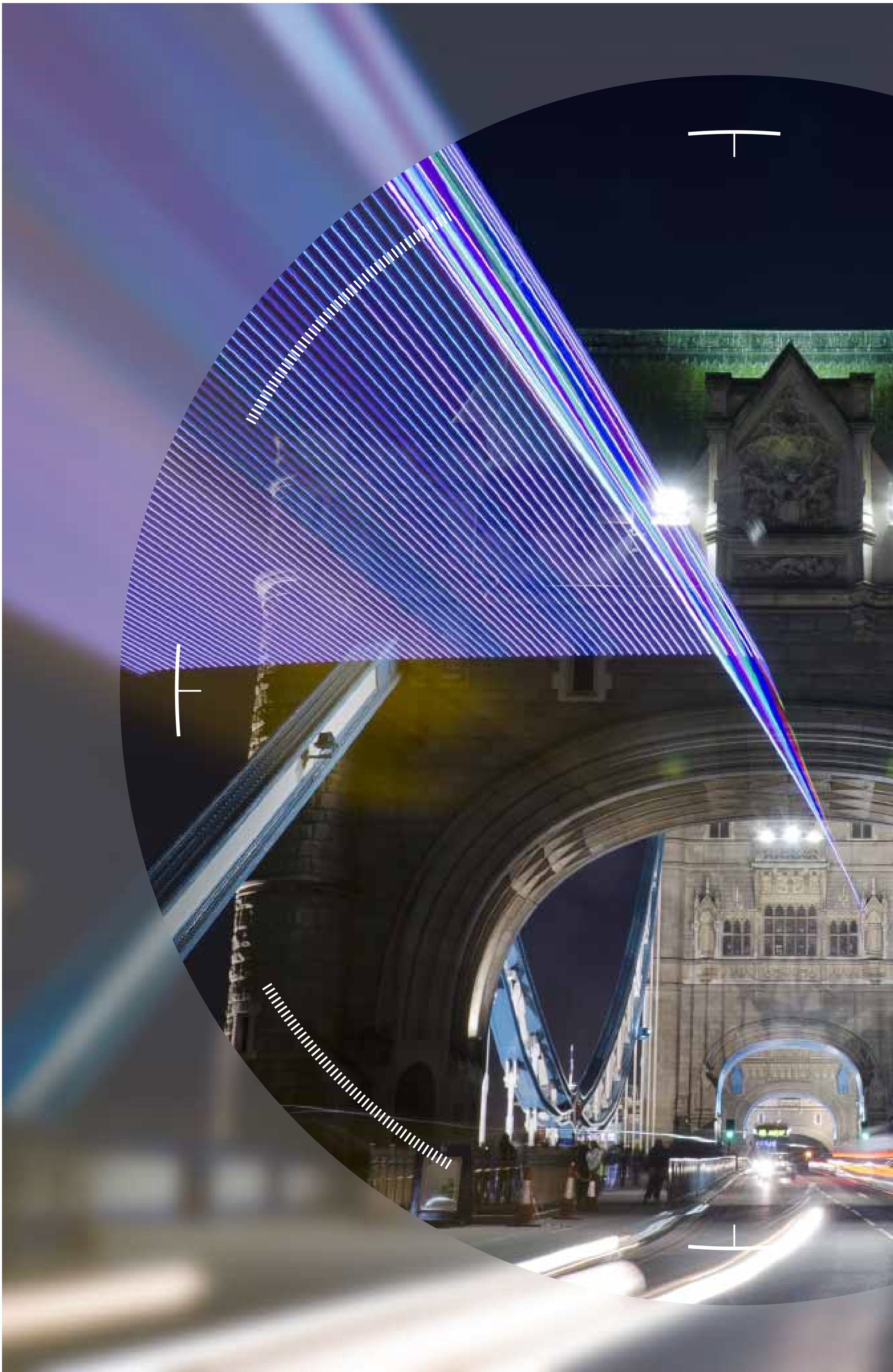
*The accounting par value of the shares throughout the period shown is set at EUR 1 per share.

Equity-difference from currency conversion	Revaluation reserves		Net loss/profit	Treasury shares	Minority interest	Total equity
	Currency	Cash Flow-Hedges				
701	**-**	**-548**	**14,041**	**-13,165**	**227**	**95,370**
			-2,278		-46	**-2,324**
			-4,000			**0**
2,566		202	10,390		178	**13,500**
3,267	**-**	**-346**	**18,153**	**-13,165**	**359**	**106,546**
3,267	**-**	**-346**	**18,153**	**-13,165**	**359**	**106,546**
						611
			-3,417		-101	**-3,518**
			-13,000			**0**
					-149	**-149**
4,691		210	36,971		95	**42,292**
7,958	**-**	**-136**	**38,707**	**-13,165**	**204**	**145,782**

Statement of Changes in Non-Current Assets in fiscal year 2011

in EUR thousand	Acquisition and manufacturing costs						
	01/01/2011	Changes in consolidation	Currency translation	Additions	Disposals	Reclassification	31/12/2011
I. Intangible assets							
1. Concessions, industrial property and samiliar rights and values and licences to such rights and values.	18,150	6,461	1,556	1,389	29	140	27,667
2. Goodwill from consolidation of capital	63,708	-1,288	1,784	0	0	0	64,204
3. Internally-generated intangible assets	2,458	0	74	1,813	0	0	4,345
4. Payments on account	143	0	0	9	0	-140	12
	84,459	**5,173**	**3,414**	**3,211**	**29**	**0**	**96,228**
II. Property, plant and equipment							
1. Land and buildings	8,350	-2,572	13	228	0	0	6,019
2. Technical equipment and machinery	13,091	-8,845	77	2,224	244	286	6,589
3. Other equipment, operating and office equipment	6,589	-2,689	86	1,701	590	15	5,112
4. Construction in progress	99	-200	0	121	0	0	20
5. Payments on account	251	-416	0	516	0	-301	50
	28,380	**-14,722**	**176**	**4,790**	**834**	**0**	**17,790**
III. Non-current financial assets							
1. Investments in associated companies	0	0	0	4,373	0	0	4,373
2. Participating interests	2,179	-14	0	0	0	0	2,165
3. Other non-current financial assets	318	-287	0	4,759	24	0	4,766
	2,497	**-301**	**0**	**9,132**	**24**	**0**	**11,304**
	115,336	**-9,850**	**3,590**	**17,133**	**887**	**0**	**125,322**

Cumulative amortisation and depreciation								Carrying amounts	
01/01/2011	Changes in consoli-dation	Currency translation	Additions	Write-ups	Disposals	Reclassifi-cation	31/12/2011	31/12/2011	31/12/2010
3,980	-1,279	164	3,163	0	29	0	5,999	21,668	14,170
6,169	-2,173	0	0	0	0	0	3,996	60,208	57,539
975	0	3	496	0	0	0	1,474	2,871	1,483
0	0	0	0	0	0	0	0	12	143
11,124	**-3,452**	**167**	**3,659**	**0**	**29**	**0**	**11,469**	**84,759**	**73,335**
2,358	-834	12	328	0	0	0	1,864	4,155	5,992
8,075	-5,000	74	925	0	20	0	4,054	2,535	5,016
4,222	-1,557	80	1,099	0	551	0	3,293	1,819	2,367
0	0	0	0	0	0	0	0	20	99
0	0	0	0	0	0	0	0	50	251
14,655	**-7,391**	**166**	**2,352**	**0**	**571**	**0**	**9,211**	**8,579**	**13,725**
0	0	0	4,373		0	0	4,373	0	0
2,130	0	0	35	0	0	0	2,165	0	49
16	0	0	0	0	0	0	16	4,750	302
2,146	**0**	**0**	**4,408**	**0**	**0**	**0**	**6,554**	**4,750**	**351**
27,925	**-10,843**	**333**	**10,419**	**0**	**600**	**0**	**27,234**	**98,088**	**87,411**



Focus on the Essence

The surveillance market which among other things includes traffic surveillance and control as well as security is one of the three essential columns in the core business of Vision Technology.

Notes to the Financial Statement

Notes to the Financial Statement

A THE COMPANY

The Group's parent company, AUGUSTA Technologie AG, Munich, is entered in the register of companies of the Munich district court under registration number HRB 169036 and registered address, Willy-Brandt-Platz 3, 81829 Munich/Germany. AUGUSTA Technologie AG was established in 1991 as AUGUSTA Beteiligungs-Aktiengesellschaft to acquire, manage and sell investments in companies with strong growth, primarily in the field of information technology. Operational business activity began at the end of 1995. The first investment was acquired in mid-1996.

In 2011, AUGUSTA Technologie focused its activities on the Vision segment.

In the years since repositioning, the strategy of AUGUSTA Technologie AG has been to develop a market-leading position as a leading technology company in the long-term global growth niche markets of sensor components and systems, as well as of Vision Technology. Growth has been generated organically as well as via 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. The acquisition of AVT Canada, Inc. (formerly Prosilica Inc.), Dewetron China Ltd., Hong Kong, and Dewetron America Inc., US, marked the beginning of implementation of AUGUSTA's buy-and-build strategy. The existing Group portfolio was restructured and its international competitive position was strengthened as a result. AUGUSTA left the logistics automation business with the sale of DLoG GmbH, Germering in March 2010. The sales proceeds provided additional financial flexibility for acquisitions in the Vision segment. A controlling interest in P+S Technik GmbH, Munich, was acquired in September 2010. AUGUSTA reduced its share in the company back to 50 percent at the end of August 2011.

In October 2011, AUGUSTA sold a 100 percent share in Sensortechnics GmbH (based in Puchheim) and its subsidiaries, the Elbau Group and Klay, to Prime Standard-listed First Sensor AG. AUGUSTA Technologie AG also took over LMI Technologies Inc., a company based in Vancouver, Canada in May 2011. LMI Technologies is an innovative provider of optical 3D sensor solutions and is one of the world's leading providers in the field of 3D laser triangulation (optical 3D measurement). In January 2011, AUGUSTA took over VDS Vosskühler GmbH, based in Osnabrück, via AUGUSTA's subsidiary company, Allied Vision Technologies. VDS primarily supplies OEM customers from the fields of industrial automation, medical technology, security automation and traffic automation with infrared, X-ray and digital cameras for specialised applications.

Our aim to become a leading global Vision provider.

AUGUSTA Technologie AG is profiting from the unbroken trend from analogue to digital, the desire among customers to increase efficiency and a continually growing awareness of safety and quality. AUGUSTA's subsidiaries are characterised by sustainable profitability and the lean organisational structure of a medium-sized company. AUGUSTA companies sell products and solutions worldwide. International sales are at around 67 percent (previous year: 66 percent). Our subsidiaries are controlled strategically and financially by the parent company in Munich and acquisitions are implemented operationally. The parent company also acts as the interface with the capital market. The operational responsibility for business, however, lies with the management of our subsidiaries.

B Consolidated Companies

Besides AUGUSTA Technologie Aktiengesellschaft, the 8 domestic and 12 foreign companies mentioned below in which AUGUSTA has a controlling financial interest are included in the financial statements.

a) Group companies consolidated on the basis of full consolidation

This companies included in the consolidation:

	Company	Registered office	Indirect share of capital in %	Direct share of capital in %	Investment held by
1	Allied Vision Technologies GmbH	Stadtroda	-	100.00	[1] AUGUSTA Technologie AG
2	Allied Vision Technologies Inc.	Boston, MA/USA	100.00	-	Allied Vision Technologies GmbH
3	Allied Vision Technologies Asia Pte. Ltd.	D'Lithium/ Singapur	100.00	-	Allied Vision Technologies GmbH
4	Allied Vision Technologies (Canada). Inc.	Burnaby/CAN	100.00	-	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 Elektronische Messgeräte Ges.m.b.H.	Graz/A	-	100.00	AUGUSTA Technologie AG
9	Dewetron America Inc.	Wakefield, RI/USA	80.00	-	Dewetron Elektronische Meßgeräte Ges.m.b.H.
10	Dewetron China Ltd.	Hongkong/CN	85.00	-	Dewetron Elektronische Meßgeräte Ges.m.b.H.
11	Dewetron Elektronische Messgeräte GmbH	Wernau	100.00	-	Dewetron Elektronische Meßgeräte Ges.m.b.H.
12	Dewetron Praha spol.sro	Prag/CZ	53.27	-	Dewetron Elektronische Meßgeräte Ges.m.b.H.
13	HE Hybrid-Electronic Beteiligungs GmbH	Veitsbronn	-	100.00	AUGUSTA Technologie AG
14	HE System Electronic GmbH & Co. KG	Veitsbronn	-	100.00	AUGUSTA Technologie AG
15	R.i.s.o. Haushaltswaren GmbH	Munich	-	100.00	AUGUSTA Technologie AG
16	LMI Technologies. Inc (Canada)	Vancouver/CAN	-	100.00	[2] AUGUSTA Technologie AG
17	LMI Technologies. Inc (USA)	Detroit/USA	100.00	-	LMI Technologies, Inc. (Canada)
18	LMI Holdings BV	Heerlen/NL	100.00	-	LMI Technologies, Inc. (Canada)
19	LMI Technologies BV	Heerlen/NL	100.00	-	LMI Holdings BV
20	LMI Technologies Ltd.	Dublin/Irland	100.00	-	LMI Holdings BV

[1] Allied Vision Technologies GmbH purchased VDS Vosskühler GmbH on 26 January 2011 backdated to 1 January 2011. VDS was amalgamated with Allied Vision Technologies GmbH.

[2] LMI Technologies, Inc. was taken over on 4 May 2011. The company has been consolidated since 1 May 2011.

The STEC Group (Sensortechnics GmbH, Sensortechnics Inc. (USA), Sensortechnics Scandinavia AB (S), ELBAU Elektronik Bauelemente GmbH, ELBAU Singapore Pte. Ltd., Klay B.V.(NL), Pressure & Flow Ltd. (GB)) was sold with effect from 27 October 2011.

Group companies not included in the consolidation

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

	Company	Registered office	Indirect share of capital in %	Direct share of capital in %	Investment held by
1	Dewetron Italia	Parma/IT	10	-	Dewetron Elektronische Meßgeräte Ges.m.b.H.
2	Dewetron U.K. Ltd	Buckland	10	-	Dewetron Elektronische Meßgeräte Ges.m.b.H.

The following companies are recognised at equity:

	Company	Registered office	Indirect share of capital in %	Direct share of capital in %	Investment held by
1	P+S Technik GmbH Feinmechanik	Ottobrunn	-	49.87	AUGUSTA Technologie AG

Following the reduction of the shares in P+S Technik, P+S Technik has been included at equity since 1 September 2011.

For changes to consolidated companies see section D Changes to Consolidated Companies changes to consolidated companies.

C SUMMARY OF THE MAIN ACCOUNTING PRINCIPLES

GRUNDLAGEN DER RECHNUNGSLEGUNG

The financial statements of AUGUSTA Technologie AG have been prepared in accordance with the regulations of the International Accounting Standards Board (IASB), London; the interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Interpretations Committee (IFRIC) have also been applied. The financial statements of AUGUSTA Technologie AG take into account all of the regulations of the International Financial Reporting Standards (IFRS) which were passed by 31 December 2011 and the application of which was obligatory, as applicable in the EU, and the additional regulations to be applied in accordance with section 315a (1) of the German Commercial Code (HGB).

Under section 315a of the German Commercial Code (HGB) in conjunction with Article 4 of the EU IAS regulation, parent companies on the capital market in Germany subject to reporting requirements must prepare their consolidated financial statements, due in accordance with section 290 HGB, in accordance with the regulations of the IFRS. The duty to submit consolidated annual financial statements under the IFRS in accordance with section 315a HGB in this 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 applies the regulation of section 264b HGB, according to which business partnerships within the meaning of section 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 fulfils its obligation in terms of this company by publishing its own consolidated financial reports and consolidated management report in the electronic register of companies.

AUGUSTA Technologie AG applies section 264 (3) HGB for the company with a profit and loss transfer agreement (Allied Vision Technologies GmbH), according to which this company is likewise exempt from disclosing its financial statements and management report. AUGUSTA Technologie AG also fulfils its obligation in terms of this company by publishing its own consolidated financial reports and consolidated management report in the electronic register of companies.

Some items in the Statement of Comprehensive Income and on the balance sheet are combined for the sake of clarity and meaningfulness. These items are posted and explained separately in the notes. The Statement of Comprehensive Income is prepared using the function of expense method. The consolidated financial statements are in Euros. All amounts, unless expressly indicated otherwise, are stated in EUR '000. The consolidated financial statements are based on the historical cost principle and are prepared in accordance with the consolidation and accounting methods 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 31 December 2010 were approved by the Supervisory Board on 10 March 2011. It is anticipated that the audited consolidated financial statements as of 31 December 2011 will be approved by the Supervisory Board on 12 March 2012.

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 balance sheet date is the same for all companies that are included.

Capital consolidation is performed in accordance with the so-called revaluation method by deducting the share of equity of the subsidiary from the cost of purchase at fair value at the time of first inclusion. The differences on the assets side which result from capital consolidation are initially allocated to the applicable consolidated sheet items and, if allocated to depreciable assets, depreciation is recorded in profit or loss over their useful life. Any remaining differences with regard to assets are accounted for as goodwill under intangible assets. The additions for fiscal year 2011 are shown in the attached fixed assets schedule.

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

The loans, receivables and liabilities between the consolidated companies are offset against each other. Revenue from inter-company sales and other internal Group revenues are offset against the corresponding expenditure. Inter-company profits are eliminated.

TRANSLATION OF FINANCIAL STATEMENTS IN FOREIGN CURRENCY

Assets and liabilities of included foreign subsidiaries, whose functional currency is the applicable local currency, are converted into EUR at the reporting date exchange rate. Equity is converted at the historical exchange 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 exchange rate for the fiscal year.

CURRENCY CONVERSION

Transactions in foreign currency are recognised at the exchange rates valid at the time of the transaction. Currency is converted at the reporting date exchange rate at each balance sheet date for monetary assets and liabilities whose value is stated in foreign currency. Currency is converted at the time when the fair value was determined for non-monetary assets and liabilities which were valued at fair value and whose value is stated in a foreign currency. Profits and losses on exchange rates are recognised in profit and loss.

ESTIMATES IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Preparation of the consolidated financial statements requires the Managing Board to make estimates and assumptions about facts and circumstances that impact on the sum of assets and liabilities in the consolidated balance sheet, items in the Statement of Comprehensive Income and the cash flow statement, and details in the explanatory notes. These estimates and assumptions may differ from actual facts and circumstances. The carrying amounts of financial instruments generally correspond to their fair values.

RECOGNITION OF ASSETS AND LIABILITIES

An asset or financial liability is entered on the balance sheet upon conclusion of the contract. Financial assets and liabilities are derecognised when the contractual right or the contractual obligation is ended by payment, remission, limitation of time, offset, transfer or in any other way.

PROPERTY, PLANT & EQUIPMENT

Property, plant & equipment are valued at cost of purchase or cost of conversion. Direct costs and directly allocatable parts of the indirect costs are included in the cost of conversion. Borrowing costs attributable to the purchase or production process are capitalised, if significant. Grants received from public funding programmes are treated as a reduction in the cost of purchase. Property, plant & equipment are in general depreciated linearly over the useful life of the assets.

Depreciation is based on the following useful lives:

	Years
Buildings	25 – 33
Fixtures and outside facilities	15 – 25
Technical facilities and machines	3 – 19
Other facilities, office and business equipment	1 – 20

INTANGIBLE ASSETS

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

Goodwill

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

The goodwill is allocated to the applicable subsidiary as a cash-generating unit, recognised as an asset and tested for impairment annually as a minimum.

Impairment is immediately recognised as an expense in the Statement of Comprehensive Income and is not revered again in following periods. The impairment test for goodwill is usually carried out at the level of a cash-generating unit.

The impairment test is based on the evaluation of the recoverable amount. The recoverable amount is defined as the higher of fair value less selling costs and the value in use.

If the carrying amount of the cash-generating unit exceeds its recoverable amount, impairment is necessary, which is recognised in accordance with IAS 36.104.

The carrying amount of the cash-generating unit represents net assets and consists of the operating assets, i.e. assets necessary for operational business activity, plus uncovered hidden reserves (particularly goodwill) and less the liabilities resulting from operational activity.

While market-price procedures are primarily used to evaluate the fair value less the costs to sell, capital value procedures are used to evaluate the value in use.
The concept of weight-average capital costs (WACC after tax; IDW RS HFA 16, note 30) is applied to capital value procedures.

The following assumptions were made:

- Equity costs are based on the capital asset pricing model and amount to 8.78 percent (previous year: 10.25 percent). This rate was determined taking into account a risk-free base rate of 3.0 percent (previous year: 3.25 percent), a risk premium of 5.5 percent (previous year: 5.0 percent) and a specific beta factor for the line of business of 1.05 percent (previous year: 1.4).

- The value in use is always determined on the basis of the present value of the cash flow from three phases of growth. For phase 1 (3 years), the detailed planning adopted by management for the fiscal years is taken as basis. For phase 2 (7 years), growth of 1 percent is assumed. This phase has been adjusted for special factors where applicable. For phase 3, a perpetual annuity is taken as basis. The assumed growth in this case is 1 percent.

Internally generated intangible assets (development costs)
Development costs for newly developed products that involve analysis of technical feasibility and marketability are capitalised with the directly and indirectly attributable costs of conversion if the costs can be allocated clearly and if the technical feasibility and the marketability of the newly developed products are guaranteed (IAS 38). The development activity must also lead to future flows of capital with sufficient probability. Borrowing costs attributable to the production process are capitalised, if significant. Planned depreciation is based on the planned technical useful life of the products. The useful life is between 4 and 5 years. Research costs cannot be capitalised in accordance with IAS 38.

Patents, software, licences, bands and customer relationships
Patents, software and licences are recognised at amortised cost. The useful lives are between three and ten years. The brands and customer relationships acquired during initial consolidation are recognised at amortised cost. The useful life is ten years for brands and eight years for customer relationships. There are no other intangible assets with unlimited useful life in the 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 cannot longer be realised. If facts and 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

All other financial assets are recognised at cost of purchase plus incidental cost of purchase or at lower fair values.

INVENTORIES

Raw materials, supplies and goods are recognised at cost of purchase applying the lowest cost principle. Products are valued at cost of conversion. The cost of conversion comprises the material and manufacturing costs which have to be capitalised, in addition to the costs of manufacturing material and manufacturing wages. Interest on borrowing is capitalised, if significant.

The costs of purchase are allocated individually and the average cost method or the first-in-first-out method is used as allocation procedure.

Where inventory risks exist, appropriate deductions to inventory have been made. Impairments are recognised if the net realisable value falls below the carrying amount.

Other than customary retention of title, inventories are free from third-party rights. Inventories have in some cases been assigned as security for outside financing.

RECEIVABLES

Receivables are in principle recognised at their nominal value less valuation adjustments for expected bad debt losses. Global valuation adjustments are then only applied at the bad debt rates of previous years if the bad debt rates can be calculated and definitely proven. Value adjustments are recognised in the Statement of Comprehensive Income under **Selling and marketing expenses**. Non-interest bearing receivables are discounted.

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. Derivative financial instruments are only concluded with credit institutions that have a first-class credit rating in order to limit credit risks.

Derivative financial instruments are valued when they are first recognised and in subsequent balance sheets at their fair value. The fair value of a derivative 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 that can be realised on the market. These correspond to 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 recognised actuarial methods. It is recognised for the first time on the trade date.

Market value changes in hedging transactions that are used as cash flow hedges are recognised directly in equity in the revaluation reserve. The transfer to the Statement of Comprehensive Income takes place at the same time as the impact of the hedge underlying transaction on the revenue results.

If there is no hedge relationship, the changes in value of the derivative financial instruments are recognised directly in profit or loss in the Statement of Comprehensive Income.

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

CASH, CASH EQUIVALENTS & RESTRICTED CASH

Cash and cash equivalents include cash balances, current accounts with credit institutions, and short-term deposits and securities with original terms of 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 recognised as **other non-current** assets. For the purposes 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 SHARES

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

LIABILITIES

Liabilities are valued at the cost of purchase when they are first recognised and at amortised cost in the following years. Discounts are taken into account in 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 loss are only offset against profit or loss if they are outside 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 other provisions take into account all the liabilities recognised on the balance sheet date hat are based on past 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 recognised at their settlement value and not offset against claims for reimbursement. All non-current provisions are recognised at their discounted settlement value on the balance sheet date.

REVENUE RECOGNITION

Revenue is in principle recognised on the transfer of ownership of products or on the performance of services in accordance with the applicable agreed terms and conditions. Sales revenue takes into account rebates, customer bonuses and discounts.

PRODUCT-RELATED EXPENSES

Sales-related expenses are recognised 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 EXPENSES

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

RESEARCH & DEVELOPMENT

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

STOCK OPTION PROGRAMME

The company recognises its stock options on the balance sheet using the fair value method. Accordingly, the personnel expenses are recognised over the vesting period of the option on the basis of the fair value of the option on the subscription date. The expense thus determined is possible not representative for the corresponding costs of future reporting periods.

INCOME TAXES

For income tax accounting purposes, the regulations of IAS 12 Income taxes apply. All temporary differences between the values stated in accordance with IFRS and the tax base create deferred taxes (balance sheet procedure). Deferred tax assets from tax losses carryforwards are recognised, insofar as IAS 12 allows. 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 fiscal year 2011, 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 31 December 2011:

Amendments to the standards:

- Amendments to IAS 24 "Related Party Disclosures" Related party disclosures (2009) (effective date 1 January 2011)
- Amendments to IAS 32 "Financial Instruments: Presentation": Classification of Rights Issues (effective date 1 February 2010)
- Amendments to IFRS 1 "First-time adoption of international financial reporting standards": Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective date 1 July 2010)
- Amendments to IFRS 3 "Business Combinations" by the IASB Annual Improvement Project 2008 – 2010: Measurement of non-controlling interests, unreplaced and voluntarily replaced share-based payment awards, contingent consideration (effective date 1 July 2010)

Other Amendments:

- IASB Annual Improvement Project 2008 - 2010 (effective date 1 January 2011 at the earliest)

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

b) Published standards and interpretations which are not yet mandatory for IFRS financial statements as of 31 December 2011:

Amendments to the standards:
- Amendments to IAS 1 "Presentation of Financial Statements": Presentation of items of other comprehensive income (effective date 1 July 2012) *
- Amendments to IAS 12 "Income Taxes": Deferred taxes – recovery of underlying assets (effective date 1 December 2012) *
- Amendments to IAS 19 "Employee Benefits": Abolition of the corridor method, presentation of the actuarial profits and losses, past service cost, interest cost and the expected return on plan assets (effective date 1 January 2013)
- Amendments to IAS 27 "Separate Financial Statements": Restriction of the regulations on individual financial statements (effective date 1 January 2013) *
- Amendments to IAS 28 "Investments in Associates and Joint Ventures": Mandatory application of the equity method (effective date 1 January 2013) *
- Amendments to IFRS 7 "Financial Instruments: Disclosures": Information on transfers of financial assets (effective date 1 July 2011)

New standards:
- IFRS 9 "Financial Instruments" (effective date 1 January 2015) *
- IFRS 10 "Consolidated Financial Statements" (effective date 1 January 2013) *
- IFRS 11 "Joint Arrangements" (effective date 1 January 2013) *
- IFRS 12 "Disclosures of Interests in Other Entities" (effective date 1 January 2013) *
- IFRS 13 "Fair Value Measurement" (effective date 1 January 2013) *

New interpretations:
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective date 1 January 2013) *

Once the application of these new standards and interpretations becomes mandatory in the EU, 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 all inclusive income statement. There are amendments and additions to the disclosure requirements in the notes.

* not yet endorsed by the EU.

D CHANGES TO CONSOLIDATED COMPANIES

In fiscal year 2011, there were the following changes to the consolidated companies:

- Acquisition of VDS Vosskühler GmbH with effect from 1 January 2011 and amalgamation with AVT GmbH as of 1 January 2011
- Acquisition of LMI Technologies Inc. with effect from 1 May 2011
- Minority holding in P+S Technik GmbH with effect from 1 September 2011
- Sale of the Sensortechnics Group with effect from 27 October 2011

ACQUISITION OF VDS VOSSKÜHLER GMBH

As of 1 January 2011, AUGUSTA Technologie AG acquired a 100 percent share in VDS Vosskühler GmbH and some assets and liabilities of Jürgen Vosskühler CCD-Kamera-Technik, both companies based in Osnabrück, via its subsidiary Allied Vision Technologies GmbH. VDS Vosskühler GmbH was founded in 1985 and has around 20 employees. The operational activities of VDS are being integrated into AUGUSTA's subsidiary, Allied Vision Technologies, and thereby assigned to the Vision segment. Amalgamation of the companies at carrying values took place backdated to 1 January 2011.

The purchase price of EUR 11 million for the 100 percent acquisition was financed fifty-fifty from equity capital and outside funds.

Intangible assets from initial consolidation of EUR 6.5 million were identified in the form of technology and the customer list and were allocated correspondingly during purchase price allocation. After deduction of deferred tax liabilities of EUR 1.6 million, goodwill of EUR 3.8 million remains, EUR 0.8 million of which is tax-deductible. The technology and the customer list will be depreciated over a period of eight years.

VDS achieved revenues of EUR 6.6 million in the previous year and profit of EUR 1.7 million.

The following assets and liabilities were received by the AUGUSTA Group in 2011 from the 100 percent acquisition of VDS (figures in EUR thousand):

VDS Vosskühler GmbH		Time of initial consolidation **01/01/2011**
Assets		
Non-current assets		
	Goodwill	3,799
	Intangible assets	6,482
	Property, plant and equipment	85
	Financial assets	0
Current assets		
	Inventories	1,896
	Trade receivables	288
	Other current assets	77
	Cash and cash equivalents	600
Total assets		**13,227**
Liabilities		
Non-current provisions		
	Pension commitments	0
	Deferred tax liabilities	1,602
Current liabilities		
	Trade payables	86
	Bank liabilities	0
	Tax provisions	204
	Provisions	147
	Other current liabilities	190
Total liabilities		**2,229**

ACQUISITION OF LMI TECHNOLOGIES INC.

AUGUSTA Technologie AG also acquired a 100 percent share in LMI Technologies Inc., a company based in Vancouver, on 1 May 2011. LMI Technologies Inc. was founded in 1998 and has around 75 employees. LMI supplies various vertical industrial markets such as woodworking, glass inspection, tyre manufacturing and the automotive industry as well as segments of industry outside traditional industry such as road building and agriculture. LMI has long-term relationships with major OEM customers in all these branches and has built up a good market position. The operational activities of LMI are being integrated into AUGUSTA Technologie AG and assigned to the Vision segment.

The posted amount for the acquisition was 46.5 million USD within the Group. That amount includes a purchase price of around 40 million USD and a further 6.5 million USD in cash components (working capital redemption, cash and cash equivalents, recognised tax refunds etc.). On 1 May 2011, 30 million USD was issued in an initial tranche almost entirely financed with outside capital. The purchase price also includes an earn out provision for 2011 and 2012 linked to the forecast gross profit and the EBITDA of the company. A corresponding liability was posted on the basis of planned data. In the event of deviation from the planned data, the purchase price can be adjusted up or down.

Intangible assets from initial consolidation of EUR 11.2 million were identified in the form of technology, brand and the customer list and were allocated correspondingly during purchase price allocation. After deduction of deferred tax liabilities of EUR 1.6 million, goodwill of EUR 10.7 million remains. The technology and the customer list will be depreciated over a period of eight years, the brand over ten years.

LMI achieved revenues of 17.4 million USD in the previous year and profit before tax of 3.6 million USD.

The following assets and liabilities were received by the AUGUSTA Group on 1 May 2011 from the 100 percent acquisition of LMI (figures in EUR thousand):

LMI Technologies Inc.		Time of initial consolidation **01/05/2011**
Assets		
Non-current assets		
	Goodwill	12,266
	Intangible assets	11,194
	Property, plant and equipment	160
	Deferred tax assets	742
Current assets		
	Inventories	2,950
	Trade receivables	3,630
	Other current assets	1,112
	Cash and cash equivalents	4,148
Total assets		**36,202**
Liabilities		
Non-current assets		
	Deferred tax liabilities	1,670
Current assets		
	Trade payables	2,242
	Tax liabilities	479
	Other current liabilities	11
Total liabilities		**4,402**

MINORITY HOLDING IN P+S TECHNIK GMBH

In September 2010, AUGUSTA AG acquired 55.5 percent of the interest in P+S Technik GmbH. AUGUSTA AG planned to enter the digital film camera market via this investment.

After the target operational goals were not achieved, the original earn out payments were adjusted on 30 June 2011 and recognised directly in equity. In August 2011, a capital increase was subscribed solely by existing shareholders. The holdings of AUGUSTA were thereby reduced to 49.87 percent. P+S Technik GmbH was deconsolidated and has been recognised at equity since 1 September 2011 as an associated company.

The deconsolidated assets and liabilities are shown in the following table (figures in EUR thousand):

P+S Technik GmbH	Time of deconsolidation **30/08/2011**
Assets	
Non-current assets	
Goodwill	0
Intangible assets	770
Property, plant and equipment	899
Financial assets	14
Deferred tax assets	697
Other non-current assets	9
Current assets	
Inventories	2,547
Trade receivables	1,123
Other current assets	102
Cash and cash equivalents	548
Total assets	**6,710**
Liabilities	
Non-current assets	
Non-current bank liabilities	185
Pension provisions	686
Deferred tax liabilities	211
Current assets	
Trade payables	736
Current bank liabilities	100
Other provisions	216
Other current liabilities	203
Total liabilities	**2,337**

At the time of deconsolidation the balance of assets and liabilities was EUR 4,373,000, representing the output value for accounting purposes after 1 September 2011. The value of the company was determined via forecasting at the time of deconsolidation as evidence of recoverability. After the company's revenues continued to worsen in the period from September to December 2011 and as insolvency of the company cannot be ruled out, the value of the investment was written off in full.

SALE OF THE SENSORTECHNICS GROUP

On 29 September 2011 AUGUSTA Technologie AG signed an agreement to sell 100 percent of Sensortechnics GmbH, based in Puchheim, and its subsidiaries to Prime Standard-listed First Sensors AG (ISIN: DE0007201907), based in Berlin. The transaction was closed on 27 October 2011.

The forecast sales revenue for the Sensortechnics Group for 2011 was approx. EUR 60 million with an EBITDA of almost EUR 10 million. The company, whose subsidiaries include Elbau GmbH and Klay Instruments B.V. among others, has around 270 employees. The agreed total purchase price is around EUR 67 million on a cash and debt free basis. The price includes a maximum earn out component of EUR 5 million linked to profitability in 2011 and a vendor loan of almost EUR 5 million accruing interest at market rates, secured by a bank guarantee and to be repayed in spring 2013.

The Sensortechnics Group was already designated a discontinuing operation (DCO) in the Statement of Comprehensive Income with effect from 30 September 2011. The Statement of Comprehensive Income for the previous year was adjusted correspondingly for the purpose of comparability.

The deconsolidated assets and liabilities are shown in the following table (figures in EUR thousand):

Sensortechnics Group		Time of deconsolidation **30/09/2011**
Assets		
Non-current assets		
	Goodwill	14,057
	Intangible assets	1,825
	Property, plant and equipment	6,647
	Financial assets	288
	Deferred tax assets	199
	Other non-current assets	58
Current assets		
	Inventories	15,203
	Trade receivables	5,824
	Current financial assets	104
	Other current assets	468
	Cash and cash equivalents	986
Total assets		**45,659**
Liabilities		
Non-current assets		
	Non-current bank liabilities	3,449
	Pension provisions	285
	Other provisions	149
	Deferred tax liabilities	142
	Other non-current liabilities	26
Current assets		
	Trade payables	4,352
	Current bank liabilities	7,397
	Other financial liabilities	115
	Tax provisions/liabilities	649
	Other provisions	734
	Other current liabilities	1,403
Total liabilities		**18,701**

Sales costs of EUR 2.0 million were incurred in connection with the sale of the Sensortechnics Group.

Earnings (after tax) of the Sensortechnics Group and the profit from the sale are recognised separately under the **Earnings from discontinued operations, after tax.**

On the basis of pro forma information on the assumption that the companies that were acquired and sold during this year should already have been taken into account at the beginning of fiscal year 2011, the business activity of the AUGUSTA Group as of 31 December 2011 would have been as follows:

in EUR thousand	31/12/2011
Pro forma sales revenue	112,062
Pro forma consolidated net profit for the period	58,550
Profit/loss of acquisitions since date of acquisition	2,161
Average number of shares in thousands	7,616
Pro forma net profit/loss for the period per no-par share	7.69

E EXPLANATIONS

(1) NON-CURRENT ASSETS

The itemisation 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 licences for standard software, brands and customer relationships acquired through company acquisitions, and capitalised development costs as self-created intangible assets and goodwill. A total of EUR 3,212,000 was invested in intangible assets during the fiscal year (previous year: EUR 1,318,000), without taking any company acquisitions into account.

This development is distributed across the divisions as follows:

in EUR thousand	Self-created intangible assets	Other intangible assets	
Vision	1,813	336	**2,149**
Other Divisions	0	1,057	**1,057**
Group	0	5	**5**
	1,813	**1,398**	**3,211**

The scheduled amortisation of Intangible assets was EUR 3,625,000 (previous year: EUR 1,048,000 (without Sensortechnics)).

The recognised goodwill is primarily the sum of the goodwill from the AVT Group (EUR 32,174,000, previous year: 28,264,000), the LMI Group (EUR 13,860,000, previous year: EUR 0) and the DEWETRON Group (EUR 10,135,000, previous year: EUR 10,044,000). In the previous year, the Sensortechnics Group was also recognised.

Property, plant & equipment

The additions to property, plant and equipment (without taking any company acquisitions into account) totalling EUR 2,994,000 (previous year: EUR 1,151,000 (without STEC)) mainly concern technical equipment and machines. The scheduled amortisation of tangible assets was EUR 1,347,000 (previous year: EUR 928,000 (without STEC)).

Financial assets

The other non-current financial assets totalling EUR 4,750,000 represent a loan to First Sensor AG. In the previous year, the item covered the credit balances from working time accounts and reinsurance claims (EUR 302,000). This item also covers the share in associated companies (P+S Technik GmbH). The interest of EUR 4,373,000 was written off in full after the economic expectations in the company for the 4th quarter of 2011 were not met.

As of 31 August 2011, P+S Technik GmbH had assets of EUR 5,685,000 and liabilities of EUR 2,126,000. As of 31 August 2011, the company generated sales revenue of EUR 3,434,000 and a net loss of EUR -834,000.

At the date of the Group financial statements, the annual financial statement as of 31 December 2011 for P+S Technik GmbH had not been prepared.

(2) INCOME TAXES

The earnings before taxes on income were EUR 6,644,000 (previous year: EUR 7,710,000) and are subject to up to approx. 35 percent taxation in the Federal Republic of Germany.

The income tax expense consists of current and deferred taxes.

in EUR thousand	2011	2010
Current taxes in Germany	-1,880	-338
Current taxes abroad	-954	-2,180
Deferred taxes in Germany	313	231
Deferred taxes abroad	466	163
	-2,054	**-2,124**

Dividend payments of a public company to shareholders are 95 percent tax-free.

A tax rate of 15.825 percent is assumed for corporation tax of companies domiciled in Germany, as in the previous year. 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 percent (previous year: 12.25 percent) has been assumed. The tax rates combined for 2011 are therefore 28.08 percent (previous year: 28.08 percent).

The following presentation highlights the key differences between the assessed tax expenses from corporation taxes plus solidarity surcharge and trade tax for the years 2011 and 2010 and the actual tax expenses:

in EUR thousand	2011	2010
Earnings before income tax	6,644	7,710
Group tax rate	28,08 %	28,08 %
Assessed income tax expense	-1,866	-2,165
Increase (reduction) of tax expense by:		
Non-deductible operating expenses	-153	-239
Deviating tax rate in Germany and abroad	380	-170
Taxes from previous years	332	555
Effects from private companies	-43	-110
Losses from associated companies without tax benefits	-1,225	0
Foreign tax credits related to research & development activities	549	0
Miscellaneous	-28	6
Taxes on income and earnings	**-2,054**	**-2,124**
Effective tax rate	30,9 %	27,5 %

The increase in the effective tax rate in 2011 is primarily the result of the depreciation of the interest in P+S Technik GmbH (associated company), which is not tax deductible.

On 31 December 2011, there were only corporation tax (EUR 1,176,000, previous year: EUR 1,163,000) and trade tax (EUR 626,000, previous year: EUR 613,000) losses carried forward from the subsidiary AUGUSTA Venture GmbH that were, however, fully adjusted in the previous year. There are also tax losses carryforwards from foreign subsidiaries amounting to EUR 148,000 (previous year: EUR 199,000).

The following amounts are recognised in the consolidated balance sheet:

in EUR thousand	31/12/2011	31/12/2010
Deferred tax assets:		
from deductible differences	497	431
Foreign tax credits related to research & development activities	1,080	0
from tax losses carryforwards	57	715
	1,634	**1,146**
Deferred tax liabilities:	**1,634**	**1,146**
from taxable temporary differences	6,751	5,956

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

in EUR thousand	31/12/2011	31/12/2010
Deferred tax assets:		
Property, plant and equipment	31	26
Financial assets / miscellaneous loans	0	29
Foreign tax credits related to research and development activities	1,080	0
Inventories	81	101
Miscellaneous assets	23	0
Loss carryforwards	647	1,404
Cash Flow hedge	53	135
Provisions and liabilities	309	140
	2,224	**1,835**
Value adjustments	-590	-689
	1,634	**1,146**
Deferred tax liabilities:		
Intangible assets	5,919	4,976
Property, plant and equipment	50	16
Financial assets/loans	671	787
Inventories	66	67
Receivables	4	16
Miscellaneous assets	23	51
Provisions and liabilities	18	43
	6,751	**5,956**
Deferred taxes (net)	**-5,117**	**-4,810**

Deferred tax assets and liabilities are recognised in the balance sheet as follows:

in EUR thousand	31/12/2011	31/12/2010
Deferred tax assets		
current	1,116	101
non-current	518	1,045
	1,634	**1,146**
Deferred tax liabilities		
current	93	135
non-current	6,658	5,821
	6,751	**5,956**
Deferred taxes (net)	**-5,117**	**-4,810**

(3) OTHER NON-CURRENT ASSETS

The following facts and circumstances are recognised here:

in EUR thousand	31/12/2011	31/12/2010
Restricted cash	23	23
Miscellaneous other non-current assets	1,266	1,518
	1,289	**1,541**

Miscellaneous other non-current assets includes corporation tax credits totalling EUR 1,266,000 (previous year: EUR 1,518,000) discounted at an interest rate of 4 percent, which has been paid back in ten equal installments annually by the tax office to AUGUSTA since 2008. In 2011, the compound interest was EUR 70,000 (previous year: EUR 83,000).

Restricted cash results from lease security deposits.

(4) INVENTORIES

in EUR thousand	31/12/2011	31/12/2010
Raw materials and supplies	7,941	11,123
Work and services in progress	3,745	4,425
Work and services completed	1,923	4,222
Prepayments made	-15	115
Trade goods	1,502	5,936
	15,094	**25,821**

No significant deductions were made to inventories apart from devaluations at the normal level in 2011.

(5) TRADE RECEIVABLES

in EUR thousand	31/12/2011	31/12/2010
Receivables neither overdue nor value-adjusted	6,130	10,211
Receivables overdue, but not individually value adjusted		
< 30 days	2,620	2,390
> 30 days	1,443	864
> 60 days	649	685
> 90 days	452	324
Total overdue receivables	**5,164**	**4,263**
Single value adjusted receivables	122	114
Gross trade receivables	**11,416**	**14,588**
Value adjustments	-279	-198
Trade receivables	**11,137**	**14,390**

On the closing date, individual valuation allowances totalling EUR 122,000 (previous year: EUR 114,000) and global valuation allowances totalling EUR 157,000 (previous year: EUR 84,000) were made.

(6) RECEIVABLES DUE FROM RELATED PARTIES

The current receivables are trade receivables totalling EUR 110,000 (previous year: EUR 192,000) due from companies with which an investment relationship exists.

(7) ACCRUALS AND DEFERRED INCOME AND MISCELLANEOUS CURRENT ASSETS

in EUR thousand	31/12/2011	31/12/2010
Sales tax rebate	723	599
Receivables due from employees	0	3
Accruals and deferred income	389	234
Other current financial assets	0	119
Miscellaneous	4,903	838
	6,015	**1,793**

The other current financial assets primarily relate to an earn out provision with the purchasers of the Sensortechnics Group.

(8) CASH AND CASH EQUIVALENTS

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

(9) EQUITY

Share capital

Subscribed capital (share capital) consists of 8,510,014 no-par ordinary shares with a calculated share in the share capital of EUR 1.00 each. Total share capital is EUR 8,510,014.00. Following the conversion of share options, the share capital increased by EUR 74,500 in 2011.

Authorised capital

The Managing Board is authorised to increase the share capital of the company one or more times up to 14 May 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 (Authorised capital 2009/I). In all cases a subscription right is to be granted to shareholders. The Managing Board is authorised to bar statutory shareholder subscription rights, subject to the approval of the Supervisory Board:

a) to adjust fractional amounts arising as a result of the subscription ratio, or

b) in the event one or more capital increases against contributions in kind, especially in the form of companies or divisions, or

c) in the event of one or more capital increases against cash contributions, provided 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 percent of the share capital, either at the time this authorization becomes effective or at the time it is exercised. The proportional amount in the share capital of the company is to be credited that falls to shares that were issued against cash on the basis of this authorization under exclusion of subscription rights or were sold on the basis of an authorization to use treasury shares in accordance with sections 71 (1) No. 8 sentence 5 and 186 (3) sentence 4 AktG under exclusion of subscription rights.

Contingent capital

The share capital was contingently increased by up to EUR 843,551.00 by issuing up to 843,551 no-par bearer shares. The contingent capital increase serves only to allow subscription rights to be exercised that are granted up to 8 May 2013 on the authority of the annual general meeting on 9 May 2008. 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 to fulfil subscription rights. 74,500 no-par bearer shares were issued in 2011 from this capital.

More information on the stock option programme can be found under (22) Stock Option Programme.

Treasury shares

At the annual general meeting on 12 May 2010, the Managing Directors were authorised to buy back up to 10 percent of the existing share capital at the time of the resolution until 11 May 2015 inclusive. As of 31 December 2011, 843,551 treasury shares were held, equaling 9.9 percent of share capital.

Treasury shares were valued at EUR 13,165,000, as in the previous year, using the cost method, in which treasury shares are deducted from equity at cost of purchase.

Reserves

in EUR thousand	01/01/2011	Change	31/12/2011
Capital reserves	55,843	861	56,704
Retained earnings	34,000	13,000	47,000
	89,843	**13,861**	**103,704**

At EUR 325,000 (previous year: 164,000), the change in capital reserves of EUR +861,000 (previous year: EUR +164,000) is the result of the stock option programme (see (22) Stock Option Programme)

Foreign currency translation and revaluation reserve

in EUR thousand	01/01/2011	Change	31/12/2011
Foreign currency translation reserve	3,267	4,691	7,958
Cash flow hedges	-346	210	-136
Total	**2,921**	**4,901**	**7,882**

The change in foreign currency translation reserve is primarily the result of the acquisition of LMI Technologies Inc., Vancouver, Canada, as the exchange rate ratio has changed significantly since the time of acquisition to the date of the financial statements.

The reserves from the market valuation recognised directly in equity of cash flow hedges contain the unrealised 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 in compliance with German commercial code. Net profit of EUR 23,607,000 (previous year: EUR 13,823,000) is reported.

The Supervisory and Managing Boards proposed the payment of a dividend of EUR 0.45 per share, with a total volume of EUR 3.4 million (previous year: EUR 2.3 million) at the Annual General Meeting on 12 May 2010. The dividend was distributed to shareholders on 13 May 2010.

The Supervisory and Managing Boards will propose payment of a dividend of EUR 0.60 per share at the Annual General Meeting 2012 (total volume: EUR 4.6 million).

Economic equity

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

in EUR thousand	31/12/2011	31/12/2010
Financial liabilities	23,171	24,439
Cash and cash equivalents	-65,859	-34,748
Net debt	**-42,674**	**-10,309**
Equity	145,782	106,546
Total capital	**145,782**	**106,546**
Debt to equity ratio	-	-

(10) FINANCIAL LIABILITIES

No financial liabilities classified as "held for trading purposes" are carried by the Group.
As of 31 December 2011, the following non-current bank loans were outstanding:

in EUR thousand	31/12/2011	31/12/2011
Redeemable loans for financing corporate acquisitions	14,320	9,622
Miscellaneous	8,851	9,115
Non-current liabilities to banks	**23,171**	**18,737**
portion due short-term	-11,597	-7,106
Non-current liabilities to banks excluding portion due short-term	**11,574**	**11,631**

The redeemable loans are financing for the shareholding in AVT Canada Inc. and VDS GmbH by AVT GmbH and the LMI Group.

The non-current bank loans as of 31 December 2011 are due in the following fiscal years:

in EUR thousand	31/12/2011	31/12/2011
2011		7,106
2012	11,597	5,848
2013	7,833	3,111
2014	1,642	990
2015	1,646	1,682*
2016	334	
after 2017	119	
	23,171	**18,737**

*including amounts due after 2016

At the end of the year, the interest rate on non-current bank loans was between 4.35 percent and 5.95, as in the previous year. As of 31 December 2011, the company had not current financial liabilities (previous year: EUR 5,702,000 from availment of credit lines and current accounts at credit institutions).

(11) PENSION PROVISIONS

AUGUSTA employees at Dewetron Ges.m.b.H., Austria have claims to pension benefits. The pension commitments of Allied Vision Technologies GmbH were met in full in 2011. 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 level 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).

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

in EUR thousand	2011	2010
Defined benefit obligation (DBO) on 1 January	1,783	867
Reclassifications/change in scope of consolidation	-1,314	727
Service cost	44	31
Interest cost	25	47
Actuarial gains (+) / losses (-)	-11	161
Pension benefits paid	0	-50
Defined benefit obligation (DBO) on 31 December	**527**	**1,783**

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

in EUR thousand	31/12/2011	31/12/2010
Defined benefit obligation	527	1,783
Unrealised actuarial gains (+)/losses (-)	-107	-171
Plan assets	0	-103
Carrying amount	**420**	**1,509**

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

in EUR thousand	2011	2010	2009	2008	2007
Defined benefit obligation (DBO)	527	1,783	867	862	1,004
Plan assets	0	103	87	81	79
Underfunding	**527**	**1,680**	**780**	**781**	**925**

The pension expense breakdown is as follows:

in EUR thousand	2011	2010
Service cost	44	31
Interest cost	25	47
Actuarial gains (+) / losses (-)	-11	-10
	58	**68**

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

For the next fiscal year no cash outflows for pension payments are expected (previous year: EUR 26,000).

The Austrian pension insurance tables (AVÖ 2008-P Rechnungsgrundlagen für die Pensionsversicherung - Pagler & Pagler, Angestelltenbestand) were applied for computation, as well as the following assumptions:

in %	2011	2010
Interest rate	5,0	4,5
Salary trend	3,0	3,0
Rate of pension progression	1,5	1,5
Fluctuation	0	0

(12) OTHER PROVISIONS

in EUR thousand	01/01/2011	Change in consoli-dated companies	Currency translation	Used	Reversal	Additions	31/12/2011
Current provisions							
Warranty provisions	**332**	98	33	-158	-161	1,313	**1,457**
Personnel provisions	**324**	-6	8	-225	-181	506	**426**
Advisory/auditing expenses	**602**	-344	1	-178	-87	274	**268**
Outstanding invoices	**532**	-86	1	-228	-204	235	**250**
Miscellaneous	**2,623**	-874	11	-2,092	-300	2,817	**2,185**
	4,413	**-1,212**	**54**	**-2,881**	**-933**	**5,145**	**4,586**
Non-current provisions							
Distribution provisions	**108**	-108	0	0	0	0	**0**
Personnel provisions	**178**	0	0	-116	-13	29	**78**
	286	**-108**	**0**	**-116**	**-13**	**29**	**78**
Total provisions	**4,699**	**-1,320**	**54**	**-2,991**	**-946**	**5,174**	**4,664**

Provisions for warrantees cover risks from obligations on an individual and as flat basis. The respective flat risk provisions were created at a percentage of sales under warranty.

(13) OTHER NON-CURRENT LIABILITIES

in EUR thousand	31/12/2011	31/12/2010
Derivative financial instruments	188	480
Other non-current financial liabilities	125	214
Miscellaneous	4,855	7,023
Total	**5,168**	**7,717**

Other non-current financial liabilities refer to rental and leasing liabilities. "Miscellaneous" mainly recognises an earn out provision with the buyers of P+S Technik GmbH in 2010 and in 2011 primarily the earn out provisions from the LMI Technologies purchase contract for 2013.

(14) TRADE PAYABLES

in EUR thousand	31/12/2011	31/12/2010
Trade payables	5,533	8,461
Liabilities from advance payments received	89	302
Total	**5,622**	**8,763**

(15) OTHER CURRENT FINANCIAL LIABILITIES

EUR 159,000 (previous year: EUR 381,000) were recognised under Other current financial liabilities.

(16) OTHER CURRENT LIABILITIES

in EUR thousand	31/12/2011	31/12/2010
Tax liabilities	716	796
Employees	495	1/410
Holiday pay/ overtime and premiums	2/063	2/336
Deferred income	42	1
Social insurance contributions	133	156
Miscellaneous	3/689	721
Total	**7/138**	**5/420**

Miscellaneous other current liabilities primarily relate to an earn out provision with the vendors of LMI Technologies Inc., Vancouver, Canada.

(17) SELLING AND MARKETING EXPENSES

in EUR thousand	2011	2010
Trade show & exhibition costs	474	433
Advertising costs	923	826
Travel costs	808	496
Personnel costs	7,888	5,808
Other selling and marketing costs	6,203	3,796
Total	**16,296**	**11,359**

(18) RESEARCH & DEVELOPMENT COSTS

Research & development costs break down by business segment as follows:

in EUR thousand	2011	2010
Vision	4,710	2,810
Other Divisions	1,560	1,337
Total	**6,270**	**4,147**

Research and development costs were reduced due to capitalisation of development efforts totalling EUR 1,813,000 (previous year: EUR 853,000). The figures include scheduled depreciation on previously capitalised development costs of EUR 496,000 (previous year: EUR 291,000).

(19) EARNINGS FROM ASSOCIATED COMPANIES

The earnings from associated companies relates solely to the depreciation of P+S Technik GmbH.

(20) INTEREST INCOME/EXPENSE

in EUR thousand	2011	2010
Interest income	301	156
Interest payable	-1,641	-910
Total	**-1,340**	**-754**

Interest income totalling EUR 70,000 (previous year: EUR 83,000) represents interest on corporate tax credit balances.

(21) EARNINGS FROM DISCONTINUED OPERATIONS

At the end of October 2011, the STEC Group was sold at a price of approx. EUR 67 million (on a cash and debt free basis). The STEC Group was deconsolidated on 27 October 2011.

Earnings (after tax) of the STEC Group and the profit from the sale are recognised separately in the Statement of Comprehensive Income under **Income from discontinued operations, after tax**. The previous year's Statement of Comprehensive Income was adjusted accordingly.

DLoG GmbH was sold in 2010. The Group was deconsolidated on 28 February 2010.
Earnings from discontinued operations include the following components:

in EUR thousand	2011	2010
Sales revenue	45,849	54,682
Cost of revenue	-30,536	-35,545
Other gains / losses	-9,060	-10,889
Earnings before tax	**6,253**	**8,248**
Taxes on earnings	-937	-2,596
Depreciation on goodwill	0	0
Profit/loss on sale	27,594	-670
Tax on sale profit	-435	0
Earnings from discontinued operations	**32,475**	**-4,982**

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 PROGRAMME 2008

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

The 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.

Depending on the respective annual growth of the EBITDA by 6 percent, 50 percent or 100 percent 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.

Owing to the failure to achieve vesting in fiscal years 2008 and 2009, the options of tranche 1 have expired. Owing to the failure to achieve vesting in fiscal year 2009, 50 percent of the share options of the second tranche have also expired. The remaining half of the options could be exercised for the first time in 2011 after the Annual General Meeting. A total of 74,500 options were exercised, thereby increasing the share capital correspondingly.

The third tranche was issued on 7 June 2010. A total of 230,400 subscription rights were issued to 43 employees at a strike price of EUR 11.23. Of these, a total of 186,600 options can only be exercised after the Annual General Meeting 2012.

The fourth tranche was issued on 6 June 2011. A total of 133,900 subscription rights were issued at a strike price of EUR 19.45.

Subscription rights have been forfeited due to employees leaving the company and are no longer reflected in the table.

	2011	2010
Outstanding options as of 1 January	262,200	276,300
Granted options	133,900	230,400
Forfeited options	0	201,800
Exercised options	74,500	0
Expired options	0	0
Outstanding options as of 31 December	321,600	304,900
Remaining period of share options outstanding as of 31 December in months	71	74
Exercisable (vested) options	1,100	0

The value of issued stock options is recognised over the vesting period pro rata temporis as personnel expenses. Correspondingly the capital reserve is increased in equity. Stock options are valued at the fair value of the subscription rights on the respective date of issue. Generally recognised option price models are used in this case.

In an actuarial expert opinion from DWiCON e. k. and Watson Wyatt Heissmann GmbH, the fair values of the stock options issued in the partial tranches to date 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.

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Date of approval	07/07/2008	01/06/2009	07/06/2010	06/06/2011
Subscription rights – issued	115,300	161,000	230,400	133,900
Fair value per stock option	EUR 3.35	EUR 2.02	EUR 3.46	EUR 5.08
Probability of exercise	75.2 %	73.3 %	66.4 %	60.4 %
Apportioned expense	EUR 2,52	EUR 1,48	EUR 2,30	EUR 3,07

The stock options of the current partial tranches that have not been forfeited are based on the following parameters:

	Tranche 2	Tranche 3	Tranche 4
Date of approval	**01/06/2009**	**07/06/2010**	**06/06/2011**
AUGUSTA share: Price at the time of issuance	EUR 7.61	EUR 11.03	EUR 18.66
AUGUSTA share: Strike price	EUR 8.08	EUR 11.23	EUR 19.45
EBITDA in previous year	Mio. EUR 21.633	Mio. EUR 13.386	Mio. EUR 20.103
EBITDA: Sustainable growth rate	7.00 %	6.70 %	7.00 %
EBITDA: Target growth rate	6.00 %	6.00 %	6.00 %
Risk-free interest (term: 6 years)	3.05 %	1.84 %	2.58 %
Dividend yield	6.00 %	3.00 %	3.30 %
AUGUSTA share: Volatility of yield	43.00 %	40.00 %	36.00 %
EBITDA: Volatility of growth rate	43.00 %	41.00 %	41.00 %
Correlation of share – EBITDA	70.00 %	70.00 %	55.00 %
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 incurred by the stock option plan relate solely to administrative costs of EUR 325,000 (previous year: EUR 164,000). The amount is not allocated to the individual segments.

(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 shares held by AUGUSTA.

As of 31 December 2011, AUGUSTA Technologie Aktiengesellschaft held an absolute total of 843,551 treasury shares (previous year: 843,551) – equivalent to 9.9 percent of the share capital.

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

	2011	2010
Numerators		
Consolidated net profit after minority interests in EUR '000	36,971	10,390
Thereof: Earnings from discontinued operations	32,475	4,982
Consolidated net profit from continuing operations	4,591	5,586
Denominators		
Weighted average number of shares outstanding	7,616,714	7,591,963
Diluting shares	61,150	0
Consolidated earnings per share in EUR prior to DCO	0,60	0,74
Diluted consolidated earnings per share in EUR prior to DCO	0,59	0,74
Consolidated earnings per share in EUR after DCO	4,85	1,37
Diluted consolidated earnings per share in EUR after DCO	4,82	1,37
Earnings per share in EUR from discontinued operations	4,26	0,66
Diluted earnings per share in EUR from discontinued operations	4,23	0,66

The stock options may cause dilutionary effects.

F RISK MANAGEMENT FOR FINANCIAL RISKS

The company is exposed to the following financial risks:

1. Credit risk: primarily in connection with the receivables and finance agreements that are concluded in the context of acquisitions
2. Liquidity risk: i.e. the risk of being unable to meet payment obligations in good time
3. Market price risk: i.e. currency exchange risks, primarily in the context of USD and CAD transactions, and interest rate risks

The Group has risk management structures in place to allow risks to be identified early so that appropriate countermeasures can be taken. Derivatives are used in selected cases to minimise risks.

CREDIT RISK

This risk consists of the default risk for receivables and the risk of deterioration in creditworthiness.
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 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) is a write down of positive financial instrument carrying amounts to zero.

LIQUIDITY RISK

As of 31 December 2011, cash outflows for interest and redemption payments in connection with the Group's financial liabilities were as follows:

in EUR thousand	Carrying amount	Cash Flows for years		
	31/12/2011	2012	2013 – 2016	from 2017
Primary financial liabilities	41,259	24,517	16,205	537
Medium to long-term financing liabilities (incl. those currently due)	23,171	11,597	11,455	119
Trade payables	5,622	5,622	0	0
Other non-current liabilities	5,168	0	4,750	418
Other current financial liabilities	159	159	0	0
Other current liabilities	7,139	7,139	0	0
Cash inflows and outflows from derivative financial instruments	-188	-33	-155	0
Foreign exchange derivatives	-155	0	-155	0
Interest rate derivatives	-33	-33	0	0

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 RISK

The Group is exposed to market price risks in the form of exchange rate risks and interest rate risks because of the international orientation of its business. 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.

The Group has established a central risk management system to gather data and assess these risks systematically.

1. Exchange rate risk

The exchange rate exposure of the Group is primarily incurred from the exchange rate between U.S. dollars and Canadian dollars or Euros. In particular, the transaction risk incurred as 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. Forward rate agreements have been entered into for the net payment surpluses in foreign currency.

Hedge accounting takes into account potential acquisitions and the foreign currency required for such acquisitions. 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 with a total nominal value of USD 9,000,000 as of 31 December 2011 at an exchange rate of USD exchange rate and with a term ending on 23 January 2012. The negative market value is EUR 33,000 (previous year: EUR -65,000). The amount is posted in the balance sheet under the **Other current financial assets**.

The currency risk is determined by means of a regularly adjusted rolling forecast on inflows and outflows of foreign currencies. Market price risk may arise from currency futures sales 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.

Financial instruments for currency hedging:

	Nominal value		Fair value	
	Foreign currency		EUR thousand	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Currency futures transactions (USD-sell)	9,000	3,000	-33	65

In accordance with IFRS 7, the company draws up sensitivity analyses with regard to the market price risks, from which the effects of hypothetical changes to relevant risk variables on earnings and capitalisation are determined.

At a 10 percent 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 +/- 2.2 million (previous year: EUR +/- 0.3 million). In the profit & loss account, an appreciation or depreciation of the Euro by 10 percent would have an effect on earnings of approx. +/- EUR 0.7 million (previous year: EUR +/- 0.7 million).

2. 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 matching terms. However, variable interest refinancing options are exercised to a modest extent to maintain a high degree of flexibility on the market. Derivative financial instruments such as interest rate swaps and caps are employed to limit the associated risks.

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

In an interest collar contract concluded in August 2008, hedge accounting was applied in the form of a cash flow hedge. The Group has concluded an interest collar contract to hedge a variable-interest loan against rises in interest rates. An interest collar has an agreed interest bandwidth.

Above the interest limit, hedging is provided by means of cap; below the interest limit AUGUSTA Technologie AG waives participation in falling interest rates. The interest collar will run until 30 June 2013, covering the underlying hedged variable-interest liability with respect to the change in nominal amounts and interest payment due dates. The negative market value at the end of the reporting period was EUR -155,000 (previous year: EUR -480,000) and is posted in the balance sheet under the item **Miscellaneous non-current financial liabilities.**

Risks due to changing interest rates are presented as per IFRS 7 by means of sensitivity analyses and demonstrate the effects of changes in market interest rates on interest payments, interest income and expenses, other result segments as well as on the equity capital, if applicable. The interest rate risk has been low for many years.

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

3. Other price risks

IFRS 7 also requires statements in the market risk analyses regarding how hypothetical changes of other price risk variables would affect the prices of financial instruments. Appropriate risk variables include in particular stock market values or indices.

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

G OTHER INFORMATION

COST OF MATERIALS

in EUR thousand	2011	2010
Cost of raw materials, consumables and supplies and of purchased goods	39,654	31,718
Cost of purchased services	2,006	1,172
	41,660	**32,890**

PERSONNEL EXPENSES

in EUR thousand	2011	2010
Wages and salaries	23,963	17,823
thereof for stock options	325	164
Social security and other pension-related costs	3,715	2,560
thereof for pensions	123	-12
Other personnel expenses	933	1,103
	28,611	**21,486**

EMPLOYEES

Annual average number of employees	2011	2010
Salaried employees	365	258
Hourly paid employees	92	101
Vocational trainees	2	3
	459	**362**

TOTAL FEE FOR GROUP AUDITORS EBNER STOLZ MÖNNING BACHEM GMBH & CO. KG

The auditors Ebner Stolz Mönning Bachem GmbH & Co. KG, Hannover, were appointed to audit the financial statements. The breakdown of the total fee is as follows:

in EUR thousand	2011
Audit of financial statements	105
other certification and valuation services	0
Tax advisory services	37
Other services	34
	176

The other services primarily relate to activities in the context of finalised acquisitions or acquisitions still to be finalised.

CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

The Company uses leased business premises, vehicles and office equipment under 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 31 December 2011:

in EUR thousand	
2012	1,319
2013	1,275
2014	1,014
2015	830
after 2016	1,301
	5,739

For fiscal year 2011, total lease expenses incl. ancillary costs amounted to EUR 1,537,000 (previous year: EUR 1,044,000). The purchasing commitment as of 31 December 2011 amounts to EUR 7,696,000 (previous year: EUR 7,258,000), of which EUR 85,000 (previous year: EUR 51,000) is classified as non-current.

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 practised 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 2011 or in the previous year. Around 67 percent (previous year: 66 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 (10) Financial liabilities for information on the potential risks associated with non-current financial liabilities.

SEGMENT REPORTING

DIVISIONS

Following the sale of the Sensortechnics Group, AUGUSTA has focused its activities on the Vision segment, which makes up the majority of sales revenue and earnings. Segment Reporting is divided between the Vision segment and Other Divisions. Allied Vision Technologies GmbH and LMI Technologies Inc. (acquired in May) belong to the Vision segment. HE System Electronic and Dewetron GmbH are now subsumed under Other Divisions.

In the core Vision segment, the company supplies digital cameras and optical sensors. AUGUSTA's Vision Technology products are the ideal solution to deliver efficiency, quality and reliability. The markets we supply range from the traditional inspection and automation industry, applications in medical, science, and traffic, to security and defence. In the Other Divisions segment, AUGUSTA is a provider of microsystems technology, power electronics and mobile measurement systems. The products are primarily used in automotive applications, medical technology, aerospace and transportation. In accordance with IFRS 8, key figures are published here that are also reported to the Group's Managing Board on a regular basis and are applied to management of the company. Reporting is carried out at division level and is not broken down to the detailed level of individual product groups. Such information at the level of individual product groups is available from our individual companies, if required. The reporting data are produced by external accounting and are subject to the general IAS/IFRS accounting and valuation methods.

The Miscellaneous segment comprises AUGUSTA Technologie AG, AUGUSTA Venture GmbH, AUGUSTA Vision Beteiligungs GmbH, AUGUSTA Verwaltung 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:

2011

in EUR thousand	Vision	Other Divisions	Miscella-neous	Transition	Consolidated financial statements
Sales revenues (external)	62,173	39,142			**101,314**
Sales revenues (internal)	72			-72	**0**
Gross margin	51.5 %	38.0 %			**46.3%**
Depreciation	4,454	486	31		**4,971**
EBIT	13,060	3,762	-3,850		**12,973**
Interest income	57	1	655	-412	**301**
Interest expense	-533	-244	-1,273	409	**-1,641**
EBT	7,621	3,399	-1,516	-2,860	**6,644**
Tax expense/income	-679	-817	-558		**-2,054**
Profit/loss before DCO	6,942	2,582	-2,074	-2,860	**4,590**
Profit/loss DCO		32,476			**32,476**
Assets	100,432	31,988	106,920	-39,084	**200,256**
Liabilities	23,251	12,649	25,849	-7,276	**54,473**
Goodwill	46,033	14,175			**60,208**
Investments in property, plant and equipment[1)]	1,093	1,799	3	1,895	**4,790**
Investments in intangible assets[1)]	2,137	42	5	1,027	**3,211**

[1)] The investments of the Sensortechnics Group and P+S Technik GmbH prior to deconsolidation are recognised in the reconciliation

2010

in EUR thousand	Vision	Other Divisions	Miscella-neous	Transition	Consolidated financial statements
Sales revenues (external)	45,060	32,221			**77,281**
Sales revenues (internal)	84	0		-84	**0**
Gross margin	50.9 %	36.7 %			**45.1 %**
Depreciation	1,857	366	51		**2,274**
EBIT	10,550	2,111	-4,199		**8,462**
Interest income	17	2	646	-509	**156**
Interest expense	-486	-248	-685	509	**-910**
EBT	9,808	1,955	7,331	-11,384	**7,710**
Tax expense/income	-1,358	-397	-1,717	1,349	**-2,123**
Profit/loss before DCO	8,451	1,558	5,614	-10,037	**5,586**
Profit/loss DCO		4,982			**4,982**
Assets	55,642	72,198	56,923	-16,629	**168,133**
Liabilities	19,605	36,014	22,597	-16,629	**61,587**
Goodwill	29,394	28,145			**57,539**
Investments in property, plant and equipment[1)]	632	516	3	860	**2,001**
Investments in intangible assets[1)]	980	17	0	321	**1,318**

[1)] The investments of the Sensortechnics Group, P+S Technik GmbH and DLoG Group prior to deconsolidation are recognised in the reconciliation

GEOGRAPHIC SEGMENTATION

External sales revenues are classified on the basis of the location of the customer and the respective location of the subsidiary for geographic segmentation. Assets and investments in intangible assets and property, plant & equipment have been allocated to the regions in which the companies are domiciled.

2011

in EUR thousand	Germany	Rest of Europe	North America	Asia	Rest of World	Total
Sales revenue (external) by domicile	53,985	19,232	18,035	10,062	0	**101,314**
Sales revenue (external) by customer	33,691	21,380	24,071	18,230	3,942	**101,314**
Non-current assets	43,148	8,936	43,827	2,177	0	**98,088**
Investments in property, plant and equipment	4,041	379	147	223	0	**4,790**
Investments in intangible assets	2,227	962	13	9	0	**3,211**

2010

in EUR thousand	Germany	Rest of Europe	North America	Asia	Rest of World	Total
Sales revenue (external) by domicile	44,953	9,329	18,246	4,753	0	**77,281**
Sales revenue (external) by customer	25,997	15,839	14,100	18,094	3,251	**77,281**
Non-current assets	37,353	7,913	18,708	2,117	0	**66,091**
Investments in property, plant and equipment	1,450	105	124	332	0	**2,001**
Investments in intangible assets	1,290	10	18	0	0	**1,318**

DISCLOSURE PURSUANT TO SECTION 25 (1) OF THE GERMAN SECURITIES TRADING ACT (WPHG)

The following notifications were received regarding 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	02/03/2011	15 % exceeded	14.32 %	Section 22 paragraph 1 sentence 1 No. 1 WpHG
thereof Lincoln Vale European Partners Master Fund. L.P.	Cayman Islands	02/03/2011	15 % exceeded	14.32 %	
Lincoln Vale European Partners GP LLC	Cayman Islands	27/05/2011	10 % exceeded	8.73 %	Section 22 paragraph 1 sentence 1 No. 1 WpHG
thereof Lincoln Vale European Partners Master Fund. L.P.	Cayman Islands	27/05/2011	10 % exceeded	8.73 %	
Daniel Hopp	Germany	14/05/2010	25 %, 20 %, 15 % and 10 % exceeded	9.72 %	Section 22 paragraph 1 sentence 1 No. 1 WpHG
thereof Hopp Verwaltungs GmbH	Mannheim	14/05/2010	25 %, 20 %, 15 % and 10 % exceeded	9.72 %	Section 22 paragraph 1 sentence 1 No. 1 WpHG
thereof Hopp Beteiligungsgesellschaft mbH & Co. KG	Mannheim	14/05/2010	25 %, 20 %, 15 % and 10 % exceeded	9.72 %	Section 22 paragraph 1 sentence 1 No. 1 WpHG
thereof DAH Beteiligungs GmbH	Mannheim	14/05/2010	25 %, 20 %, 15 % and 10 % exceeded	9.72 %	
EQMC Europe Development Capital Fund Plc.	Dublin, Irland	27/05/2011	3 % and 5 % exceeded	5.63 %	
thereof. Nmás 1 Asset Management SGIIC. S.A.	Madrid, Spin	27/05/2011	3 % and 5 % exceeded	5.63 %	Section 22 paragraph 1 sentence 1 No. 6 WpHG
thereof N Más Uno IBG S.A.	Madrid, Spain	27/05/2011	3 % and 5 % exceeded	5.63 %	Section 22 paragraph 1 sentence 1 No. 6 in conjunction with sentence 2 WpHG
thereof Nmás 1 Asset Management SGIIC. S.A.	Madrid, Spain	05/10/2011	10 % exceeded	10.47 %	Section 22 paragraph 1 sentence 1 No. 6 WpHG
thereof N Más Uno IBG. S.A.	Madrid, Spain	05/10/2011	10 % exceeded	10.47 %	Section 22 paragraph 1 sentence 1 No. 6 in conjunction with sentence 2 WpHG

DECLARATION OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Managing and Supervisory Boards of AUGUSTA Technologie AG last issued a declaration of conformity in accordance with Section 161 of the German Companies Act (AktG) on 23 May 2011; this declaration was made available to shareholders on AUGUSTA Technologie AG's homepage at www.augusta-ag.com.

BUSINESS TRANSACTIONS WITH RELATED PARTIES

During the fiscal year, the share in the Sensortechnics Group was sold to First Sensor AG, Berlin, in a structured bidding process. The shareholder Daniel Hopp had a 29.9 percent share in the company. Following takeover, his share is less than 20 percent.

Executive Bodies

Managing Board

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

The members of the Managing Board are sole representatives of the company.

The main 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 for fiscal year 2011 is as follows:

in EUR thousand	Fixed remuneration	Short-term variable remuneration [1]	Other [2]		Stock options (long-term remuneration) [3]
Amnon F. Harman	270	140	9	**419**	81
Berth Hausmann	240	80	8	**328**	81
Arno Pätzold	200	80	9	**289**	69
Total	**710**	**300**	**26**	**1,036**	**231**

[1] Variable remuneration is based on 100 percent target attainment for fiscal year 2011. In the previous year, the members of the Managing Board received a target-linked bonus of 116.25 percent.

[2] The Other item covers non-cash benefits in the form of company cars, as well as contributions to insurance policies.

[3] The exercise conditions of the stock options have not yet been met and are dependent on the Group EBITDA 2011.

The total remuneration for the Managing Board in the previous year was EUR 1,085,000.

Supervisory Board

- **Adi Seffer (Chairman), Dreieich, Germany**
  - Lawyer

- **Dr. Hans Liebler (Vice Chairman), Gräfelfing, Germany**
  - Dipl.-Kaufmann, Investment Manager
  - Member of the Board of Directors, the Identive Group, Inc. (formerly SCM Microsystems, Inc.), Santa Ana, California, USA
  - Member of the Supervisory Board, Mercatura Cosmetics Biotech AG, Bremen, Germany
  - Member of the Supervisory Board, Investunity AG, Munich, Germany
  - Member of the Supervisory Board, the Autowerkstatt Group, Maastricht, the Netherlands (since 26 November 2011)

- **Dr. Rainer Marquart, Mannheim, Germany (until 27 October 2011)**
  - Consultant

- **Götz Gollan, Kelkheim, Germany (since 6 December 2011)**
  - Diplom-Betriebswirt
  - Member of the Board, Dr. Masel AG bank, Berlin, Germany
  - Chairman of the Supervisory Board, First Sensor AG, Berlin, Germany
  - Member of the Supervisory Board, Capitell Vermögens-Management AG, Frankfurt am Main, Germany

The main features of the remuneration system for the Supervisory Board are explained in the Management Report. The breakdown of total remuneration for fiscal year 2011 is as follows:

in EUR thousand	Fixed remuneration	Meeting attendance allowance	Variable remuneration	
Adi Seffer (Chairman of the Supervisory Board)	30	21	6	**57**
Dr. Hans Liebler (Vice Chairman of the Supervisory Board)	20	21	5	**46**
Dr. Rainer Marquart (until 27 October 2011)	16	17	2	**35**
Götz Gollan (since 6 December 2011)	1	2	0	**3**
	67	**61**	**13**	**141**

In the previous year, the Supervisory Board received compensation of EUR 155,000.

The two members of the Supervisory Board, Seffer and Dr. Liebler, have signed consultancy agreements with the company. The consultancy primarily covers support for the company during acquisitions. In 2011, Mr. Seffer charged EUR 106,000 and Dr. Liebler charged EUR 18,000.

SHAREHOLDINGS

in EUR thousand	Number of no-par value shares = Amount of share capital		Share in the share capital	Number of subscription rights Stock options (not expired)	
	31/12/2011	**31/12/2010**	**in %**	**31/12/2011**	**31/12/2010**
Managing Board					
Amnon F. Harman	21,500	15,500	0.25	35,000	47,500
Berth Hausmann	15,250	8,250	0.18	35,000	47,500
Arno Pätzold	3,000	3,000	0.04	30,000	30,000
Supervisory Board					
Adi Seffer	0	0		0	0
Dr. Hans Liebler	0	0		0	0
Dr. Rainer Marquart (until 27 October 2011)	0	0		0	0
Götz Gollan (since 6 December 2011)	0			0	
	39,750	**26,750**	**0.47**	**100,000**	**125,000**

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to the supplementary report in the Management Report.

Munich, 8 March 2012

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, 8 March 2012

AUGUSTA Technologies AG
The Managing Board

Auditors' Report

We have audited the consolidated financial statements – comprising the balance sheet, comprehensive income statement, 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, 2011. 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.

Hannover, 12 March 2012

Ebner Stolz Mönning Bachem GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Wilfried Steinke	**Christian Fröhlich**
Auditor	Auditor

Balance Sheet of AUGUSTA Technologie AG according to HGB as of December 31, 2012

Assets

in EUR	31/12/2011	31/12/2010
A. Non-current assets		
I. Intangible assets		
Concessions, industrial property rights and similar rights and values as well as Licenses of right values	4,818	17,984
II. Property, plant and equipment		
Other equipment, operating and office equipment	43,395	53,197
III. Financial assets		
1. Investment in affiliated companies	65,155,696	63,999,580
2. Investments	1	0
3. Loans to affiliated companies	4,000,001	1
4. Other loans	4,750,000	0
	73,905,697	**63,999,581**
B. Current assets		
I. Receivables from other assets		
1. Receivables from affiliated companies	3,131,827	16,611,587
2. Receivables from companies with which an investment relationship exists	1,051	0
3. Miscellaneous	5,827,923	2,701,102
	8,960,801	**19,312,689**
II. Cash on hand, deposits at the Federal Bank, cash in banks and checks	**49,878,852**	**21,709,950**
C. Accruals and deferred income	**112,450**	**38,064**
	132,906,014	**105,131,465**

Equity and liabilities

	in EUR	31/12/2011	31/12/2010
A.	**Equity**		
I.	Subscribed capital	8,510,014	8,435,514
	Treasury shares	-843,551	-843,551
	Issued capital stock	**7,666,463**	**7,591,963**
II.	**Capital reserves**	**45,590,073**	**45,062,613**
III.	**Retained earnings**		
	Other retained reserves	38,396,551	25,396,551
IV.	**Balance sheet profit**	23,607,474	13,823,487
		115,260,561	**91,874,613**
B.	**Provisions**		
	1. Tax provisions	902,059	1,564,000
	2. Other provisions	2,008,860	1,561,687
		2,910,919	**3,125,687**
C.	**Liabilities**		
	1. Liabilities to banks	14,319,700	9,621,700
	2. Trade payables	187,084	150,057
	3. Liabilities to affiliated companies	26	20,317
	4. Other liabilities	46,725	45,090
		14,553,534	**9,837,164**
D.	**DEFERRED TAX LIABILITIES**	**181,000**	**294,000**
		132,906,014	**105,131,465**

Income Statement of the AG
from January 1 to December 31, 2011

in EUR	2011	2010
1. Income from investments	700,000	500,000
2. Income from profit and loss transfer agreement	2,151,264	10,885,116
3. Income from sale investment	34,307,060	0
4. Other operating income	1,272,703	651,736
	38,431,026	**12,036,852**
5. Personal expenses		
a) Wages and salaries	-1,457,120	-1,628,398
b) Social insurance charges	-55,600	-72,009
6. Depreciation of intangible assets of assets of fixed assets	-30,573	-50,750
of intangible assets		
of the non-current assets and property, pland and equipment		
7. Other operating expenses	-2,683,455	-3,116,656
8. Payments to sale of investment	0	-254,896
9. Other interest and samiliar income	666,976	657,699
10. Depreciation of investments and current markable securities	-6,702,337	-11,836
11. Interest and samiliar expenses	-993,840	-685,217
12. Profit from regular activities	**27,175,077**	**6,874,790**
13. Taxes on income and earnings	-973,748	-1,535,074
14. Other taxes	-958	-1,953
15. Net annual income	**26,200,371**	**5,337,764**
16. Profit brought forward from previous year	10,407,103	8,485,723
17. Adjustment to retained earnings	-13,000,000	0
18. Balance sheet profit	**23,607,474**	**13,823,487**

Financial Calendar

	Date
Publication of the annual report	22. March
Publication of the 3-month report	09. May
Annual General Meeting, 11:00, Novotel Messestadt West, Munich, Germany	16. May
Publication of the 6-month report	08. August
Publication of the 9-month report	07. November
Analyst Conference at the German Equity Forum, Frankfurt	12. - 14. November

Investor Relations Contact

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