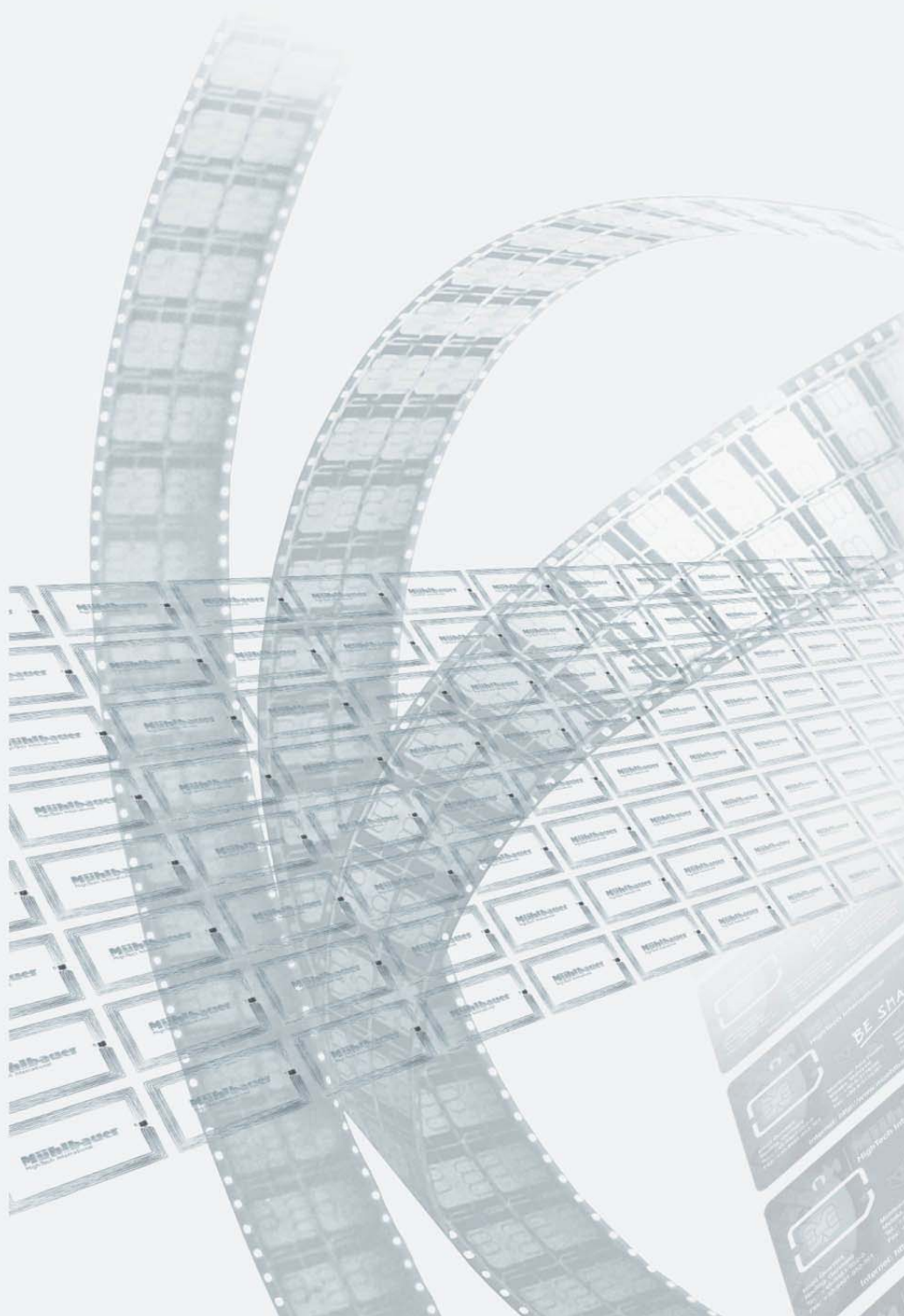
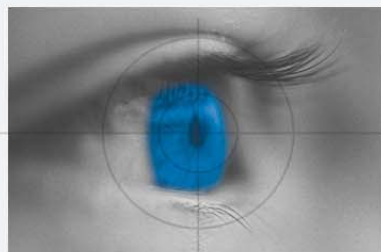




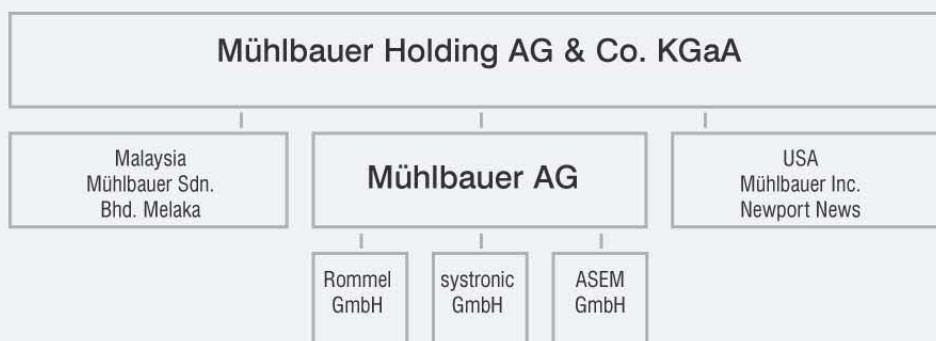
Mühlbauer
HighTech International



ANNUAL REPORT 2001



BOARDS OF THE MÜHLBAUER HOLDING AG & CO. KGAA



MANAGEMENT BOARD



Josef Mühlbauer, CEO



Hubert Forster, CFO



Gerhard Gregori, COO

SUPERVISORY BOARD

Herbert Geißler, Senior Civil Servant, Chairman
Peter Drexel, Dipl.-Ing. (FH), Member of the Board of Directors at SIEMENS Dematic AG
Wolfgang Brückl, Member

The following details refer to the group. The separate report for the Mühlbauer Holding AG & Co. KGaA can be obtained from the company. The English translation is for the convenience of the reader only. The original German version is the legally binding text.

SUMMARY OF SELECTED FINANCIAL DATA (US-GAAP)
MÜHLBAUER HOLDING AG & CO. KGAA AND SUBSIDIARIES

BUSINES FIGURES

		2001	2000	1999	1998
Taken from consolidated statements of income					
Sales by applications	TEUR	89,422	110,322	71,026	53,910
Smart identification	TEUR	47,781	48,552	34,984	23,226
Semiconductor related products	TEUR	24,464	42,427	22,159	17,880
Board handling	TEUR	7,366	8,616	5,421	7,336
Precision parts & systems	TEUR	10,116	10,981	8,597	5,203
Other	TEUR	(305)	(254)	(135)	265
Sales by regions	TEUR	89,422	110,322	71,026	53,910
Germany	TEUR	38,059	33,545	27,244	25,098
Other Europe	TEUR	24,422	41,482	23,559	11,992
Africa	TEUR	947	1,410	53	2,807
North America	TEUR	2,545	6,478	5,598	4,126
South America	TEUR	3,740	2,592	1,324	1,362
Asia	TEUR	19,479	25,016	13,356	8,242
Australia	TEUR	535	53	27	18
Other	TEUR	(305)	(254)	(135)	265
Taken from consolidated balance sheets					
Total assets and liabilities	TEUR	137,942	144,934	128,791	125,480
Total current assets	TEUR	83,626	93,293	85,849	81,201
Total financial assets	TEUR	7,749	10,762	9,819	13,100
Total fixed assets	TEUR	45,169	38,870	31,903	29,837
Total intangible assets	TEUR	1,398	2,009	1,220	1,342
Total current liabilities	TEUR	23,138	27,344	20,665	24,746
Total long-term liabilities	TEUR	12,980	13,275	13,297	13,593
Total shareholders' equity	TEUR	101,824	104,315	94,829	87,141
Fixed assets					
Capital expenditures	TEUR	13,099	14,137	7,825	11,627
Depreciation and amortization	TEUR	7,319	6,216	5,443	5,133
Taken from consolidated statements of cashflows					
Cash provided by (used for) operating activities	TEUR	15,159	15,307	(6,037)	(949)
Cash used for investing activities	TEUR	(9,872)	(4,701)	(751)	(37,412)
Cash provided by (used for) financing activities	TEUR	(6,840)	(8,558)	(6,335)	52,402
Net increase (decrease) in cash and cash equivalents ¹⁾ TEUR		(1,553)	2,048	(13,123)	14,041
Human resources					
Number of Employees (average)	Number	1,299	1,206	898	756
Skilled worker	Number	574	542	392	345
Executives	Number	464	403	296	250
Trainees and part-timers	Number	261	261	210	161
Mühlbauer Holding AG & Co. KGaA					
Total stock capital ²⁾	TEUR	18,811	18,805	18,786	18,765
Total issued and outstanding shares ³⁾	Thousand	14,696	14,692	14,677	14,660
Dividend	EUR	⁴⁾ 0.30	0.35	0.30	0.23
Stock price (year-end close)	EUR	29.60	84.00	41.00	33.52
Market capitalization (year-end close) ³⁾	TEUR	435,004	1,234,128	601,757	491,403

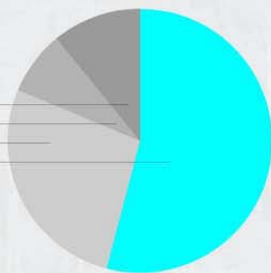
¹⁾ Less effect of foreign exchange rate changes on cash and cash equivalents

²⁾ Common stock and fixed capital contribution of the personally liable shareholder

³⁾ Obtained on total stock capital

⁴⁾ Subject to the consent of the annual general meeting

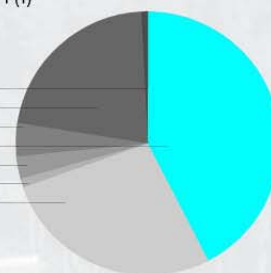
Semiconductor related products 27 (38)
Board Handling 8 (8)
Precision parts & systems 12 (10)



Smart Identification 53 (44)

Sales by applications in %
(previous year in brackets)

Germany 42 (30)
South America 4 (2)
Asia 22 (23)
Africa 1 (1)



Other Europe 27 (38)
Australia 1 (0)
North America 3 (6)

Sales by regions in %
(previous year in brackets)

KEY FIGURES (US-GAAP)

		2001	2000	1999	1998
Taken from consolidated statements of income					
Sales	TEUR	89,422	110,322	71,026	53,910
Gross margin	TEUR	28,664	44,660	31,965	22,508
of sales	%	32.1	40.5	45.0	41.8
EBITDA ¹⁾	TEUR	15,802	30,210	20,627	15,925
of sales	%	17.7	27.4	29.0	29.5
EBIT ²⁾	TEUR	8,483	23,994	15,184	10,792
of sales	%	9.5	21.7	21.4	20.0
EBT ³⁾	TEUR	6,563	25,080	17,493	10,727
of sales	%	7.3	22.7	24.6	19.9
Net earnings	TEUR	5,551	17,697	13,824	8,533
of sales	%	6.2	16.0	19.5	15.8
Total personal costs	TEUR	37,888	39,236	27,984	23,116
Earnings per share	EUR	0.35	1.02	0.68	0.36
Return on equity (before tax)	%	6.4	24.0	18.4	12.3
Return on capital employed ⁴⁾	%	8.0	24.3	18.4	13.4
Taken from consolidated balance sheets					
Working capital ⁵⁾	TEUR	59,215	57,776	49,321	27,166
Working capital intensity ⁶⁾	%	66.2	52.4	69.4	50.4
Capital employed ⁷⁾	TEUR	105,782	98,656	82,444	80,500
Net dept	TEUR	(5,202)	(3,493)	(7,937)	4,483
Equity ratio	%	73.8	72.0	73.6	69.4
Taken from consolidated statements of cash flows					
Free cashflow	TEUR	(2,156)	(63)	(9,018)	(8,612)
of sales	%	(2.4)	(0.1)	(12.7)	(16.0)

¹⁾ Earnings before interest, tax, depreciation and amortization

²⁾ Earnings before interest and tax

³⁾ Earnings before tax

⁴⁾ ROCE = EBIT/Capital Employed

⁵⁾ Working capital = Trade receivables + Inventories + Prepaid expenses + Other current assets
– Trade liabilities – prepayments received – Other current liabilities

⁶⁾ Working capital intensity = Working capital/Sales

⁷⁾ Capital employed = Working capital + Total Fixed assets

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*Dear shareholders,
employees,
partners and friends,*



In the year 2001 we again made consistent progress with the development of our company, which has now been going for 20 years. Mühlbauer has been able to intensify even more both its position among its competitors as a leader in technology and also its regional presence - with the opening of offices in South Africa and in Russia we now cover all five continents. The group has also been able to substantiate these by means of new and directing introductions into the market.

However, one was not been able to overlook the developments that have overcast the economic situation and also specifically our line of business in 2001. In addition to the general lack of confidence in the entire economic development world-wide, which was already prevailing at the beginning of the year, the crisis in the semiconductor market makes itself all the more noticeable, with some dramatic results. The problems in the electronics industry also contributed to this change in circumstances. And the events we all know about in the USA in September 2001 also put a considerable strain on the entire world economy, especially in the area of technology, which is so characterised by innovation and ambitious aims.

Mühlbauer demonstrated positive actions in 2001, in particular with the investments for the capacity expansion in Roding, and the clear organisational aims towards challenges of the future. This enabled Mühlbauer to generate sales of 89.4 million EUR and a pre-tax profit of 6.6 million EUR in 2001, in spite of the continued nervousness and the resulting restraint with orders on the part of the clients and also additional sales fluctuations. We are suggesting to our shareholders a dividend payout of 0.30 EUR. With this measure, we are underlining once again our long-term shareholder-orientated company policy.

With regard to the rising demands for security in many fields of our daily lives, our business activities have been exceptionally promoted during the period of this report. For this reason, our market presence focuses more strongly on the area of smart identification. We have gained important results which serve as a basis for a new high-performance implementation of the security aspect:

for instance, even today smart cards can be personalized not merely with the customary data but also with additional biometric characteristics such as iris, fingerprint, and an image of your voice or your face. Besides having their primary function as a security medium, for example in airports or at events, smart labels will in future take their place additionally throughout the country as "intelligent labels" in libraries and supermarkets. With our clear focus on the company's aims and our concentration on core competences, we see ourselves as well equipped to maintain and to further develop our leadership in the world market with our manufacture of production lines for smart cards and smart labels.

Simultaneously we have also strengthened our position in the division of semiconductor related products by attractive and revolutionary solutions, in part due to the new flip-chip technology. With new investments in the parts & systems segment we have also been able to strengthen the basis for the reliable and high-quality execution of orders.

To sum up for the year 2001 it can be said that we have used the time exceedingly well to place ourselves in a technologically favourable position. In addition to the smart identification segment, we have also created in the department of semiconductor related products the pre-conditions for being right at the front again in the year 2002 when the economy has recovered. The same is also true of our competence centre, the segment of parts & systems, through which all our business areas - characterised by intensive research and development work - have been able to show reciprocal lasting synergetic effects. In particular the recent acquisition of systronic GmbH in January 2002 emphasises Mühlbauer's strategic intentions to expand consistently the production chain in the area of smart label by adding the segment coating & drying, on the way to a full system supplier. Not least because of the excellent work of our experts, the continuous desire for further training on the part of the motivated staff, and our lively innovation force, we are determined and prepared to go for ambitious targets. For this purpose we shall make every exertion in order to transform our enormous potential of ideas, experience, and creativity into new products and methods and also into new chances in the market.

All of us, from the managing board to the youngest trainee, want to justify the faith of our shareholders, our clients and our business friends with our joint success. Mühlbauer has always stood for innovation, competence and growth - help us to do justice to this commission more than ever in the year 2002 as well.

Roding, March 2002

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Josef Mühlbauer', written in a cursive style.

Josef Mühlbauer
Chief Executive Officer (CEO)

The Share

CONSISTENT INFORMATION POLICY

The Mühlbauer Holding AG & Co. KGaA share, listed on the Neuer Markt since July 1998, survived 2001 as its most turbulent year: while the share initially developed very favourably - at the beginning of the year the price was 84.00 EUR - and prices approaching 100.00 EUR seemed possible, the Mühlbauer share could not escape the general market situation and the downswing in technology during the course of the year. Parallel to companies of the peer group, the Mühlbauer share could not maintain its high value and was corrected downward with the trend, however somewhat later than the general index.

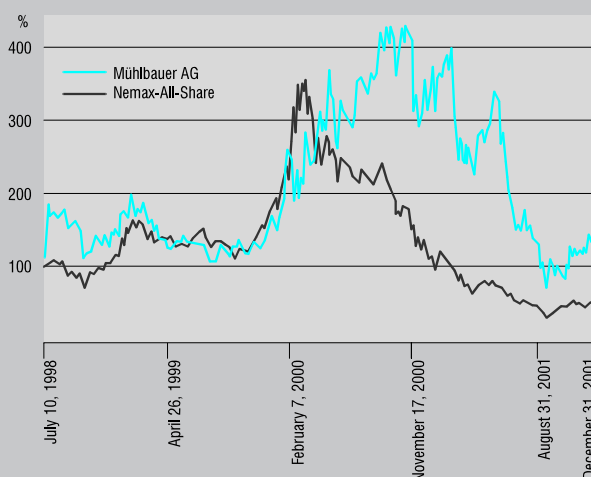
Although there were indications of recovery, the price dropped - partially due to the attacks of September 11, 2001 - finally to 17.10 EUR. The Mühlbauer share was able to recover quickly and closed out the year with a price of 29.60 EUR. This is again an increase of 73 percent, which emphasizes both the potential and the substantiality of the share. Compared with the initial listing on July 10, 1998, the share increased in value by 20 percent by the end of the year 2001, while the NEMAX All-Share Index in the same period suffered losses of more than 50 percent.

KEY FIGURES ¹⁾	2001	2000
Share price (Frankfurt)		
Year's high (in EUR)	96.50	105.90
Year's low (in EUR)	17.10	38.75
Year's closing (in EUR)	29.60	84.00
Number of shares (thousand)		
basic	6,261	3,867
fully diluted	6,275	4,269
Market capitalization²⁾		
Year's high (in thous. EUR)	1,418,171	1,555,857
Year's low (in thous. EUR)	251,303	569,306
Year's closing (in thous. EUR)	435,004	1,234,107
Earnings per share		
Net earnings (in EUR)	0.35	1.02
Dividend (in EUR) ³⁾	0.30	0.35
Dividend payout / net earnings of common shareholders ³⁾ (in %)	85.70	34.30

¹⁾ All figures ex splitt

²⁾ Total number of common shares and capital share of personally liable shareholder

³⁾ Proposal of annual general meeting



Mühlbauer's development and the capital measure carried out during the business year met with lively interest among investors. The upward trend of the Mühlbauer share since October 2001 was accompanied by high sales. The average trading per day increased to more than 17,000 shares. The market capitalization¹⁾ at the end of the year was 435 million EUR. In this way the investors honour the consistent implementation of the corporate concept even in generally unfavourable times.

**MÜHLBAUER IN
NEMAX-30-INDEX**

The increase of capital, which is based on a conversion of complementary capital approved by the annual general meeting, created the prerequisites for a further increase of the free float. This enables the increase of the proportion of free floating share capital from currently just below 30 percent to 42.7 percent. This also increases the prospect for inclusion in the NEMAX-50 index, which according to experts means increased public exposure and therefore an improved image. With the inclusion in the NEMAX-30-index²⁾ - founded in December 2001 - of the stock exchange journal "Das Wertpapier" Mühlbauer already clearly emphasized its demands as an outperformer on the Neuer Markt in 2001. With the listing in the sub-indices NEMAX-Technology - the second largest industry at the Neuer Markt after the Internet - and CDAX-Technology, the Mühlbauer share is also contributing significantly to the development of the stock market culture.

An elementary part of our corporate strategy in this context is investor relations. The main theme for the investor relations activities remains the open, comprehensive and continuous information policy. For this reason, we introduced the preparation of a structured quarterly report on a voluntary basis in the second quarter of 2001 - before it became compulsory. The periodic reporting of the business development and up-to-date information on diverse new products - a total of 19 reports were published - provides constant contact to our partners. The topmost goal is to reinforce and expand the confidence of the shareholders, potential investors and financial analysts and to enable a realistic assessment of the Mühlbauer share.

The increased interest of foreign investors, primarily from the United States and Great Britain, has boosted the international character of the shareholder structure. This enhanced reputation of the Mühlbauer share worldwide has been taken into account with several road shows in London, Frankfurt, Cologne, Paris, Switzerland and the United States, plus five technology conferences

¹⁾ Total number of common shares and capital share of personally liable shareholder

²⁾ See also "Das Wertpapier", issue 25/2001.

FINANCIAL CALENDAR:

March 26, 2002	Balance sheet press conference/analyst conference, Frankfurt
April 26, 2002	Annual general meeting, Roding
May 14, 2002	Quarterly report 1/2002
August 13, 2002	Quarterly report 2/2002
November 12, 2002	Quarterly report 3/2002
March 2003	Annual report 2002

and numerous teleconferences. As a result of the increased interest of the financial community, the number of analyses by independent financial institutions that are important for public opinion has also risen: in 2001, 15 renowned banks (previous year: nine) published a total of 22 research reports on Mühlbauer.

Mühlbauer primarily uses the Internet as a central medium for up-to-date information and intensive communication - in addition to numerous personal contacts. Investors, analysts and prospects have worldwide access via the homepage to all available information of relevance. For example, publications can be viewed online, or investors can be automatically notified by e-mail of new developments. In addition, questions can be answered within a very short time.

At this point we wish to express our sincere thanks to our shareholders, analysts and partners in the financial market for their many years of confidence and cooperation. In the future, too, we will continue to fulfil the above criteria by making transparency and information our top priorities - so that the shareholders of Mühlbauer Holding AG & Co. KGaA are convinced of the value of their investment and continue to place their confidence in the Mühlbauer share.

Investor Relations

Armin Polster

Tel.: +49-9461-952-653

Fax: +49-9461-952-8520

E-Mail: investor-relation@muehlbauer.de

Security with a System

In the middle of the nineteen-nineties Richard L. (name altered) managed it: without any pistol or metal saw this dangerous criminal, who was already in prison, escaped from the Lancaster County Prison in the American state of Pennsylvania. His trick: Richard L. had simply exchanged papers with a fellow prisoner, and walked out of the main prison gate with a friendly smile, his suitcase in his hand. Today an iris-scanner records the unmistakable pattern of the iris of each new arrival. And anyone wanting to leave the prison must first of all pass the iris test. It is only then that his identity is established beyond any doubt.

We are living in a time that is characterised by a high **mobility** and an increasing **complexity**. A mobility that permits people, and also information and things, to move with tremendous speed from one place to the next - all around the world. Besides this, the systems that guarantee and improve our lives' foundations are developing an ever greater complexity. A complexity that makes them more liable to breakdowns. To protect these systems we need systematic thought, we need **security with a system**.

We from Mühlbauer group have been working on such systems for many years. We are glad to be able to help create a safer world.

SMART IDENTIFICATION - THE CONTRIBUTION BY MÜHLBAUER GROUP

Smart identification is an important section of our product and service range. This programme slogan is the name for our search for the technological basis for the ability to identify people and things at all times, fast, and without making a mistake. There are two keys to our idea of smart identification: the **smart card** and the **smart label**.

The **smart card** (or chip-card) is used for the one-hundred-percent identification of people. For almost two decades Mühlbauer has been developing and building systems for the production of smart cards.

Even though Mühlbauer offers the machines for the entire production process of smart cards, it is above all the procedure of the **personalisation of the cards** that is the focal point of

our security-orientated thoughts. During the course of the personalisation, the hitherto anonymous mass-product, the chip-card, becomes the individual carrier of data that refer to a single person. It is only during this personalisation process that the small piece of plastic gets an identity of its own.

Smart labels on the other hand make communication with things possible. These adhesive electronic labels can be quickly read and even inscribed at great distances. A microchip and an antenna in the label make this possible. The result: objects that are equipped with the future halfpenny-price product smart label are identified precisely, and their travels - for example as airline freight or as a posted parcel - can be exactly traced.

Mühlbauer machines produce smart cards and smart labels.

**COMPETENCE,
TECHNOLOGY,
SOLUTION -
FOR EXAMPLE WITH
THE SMART CARD**

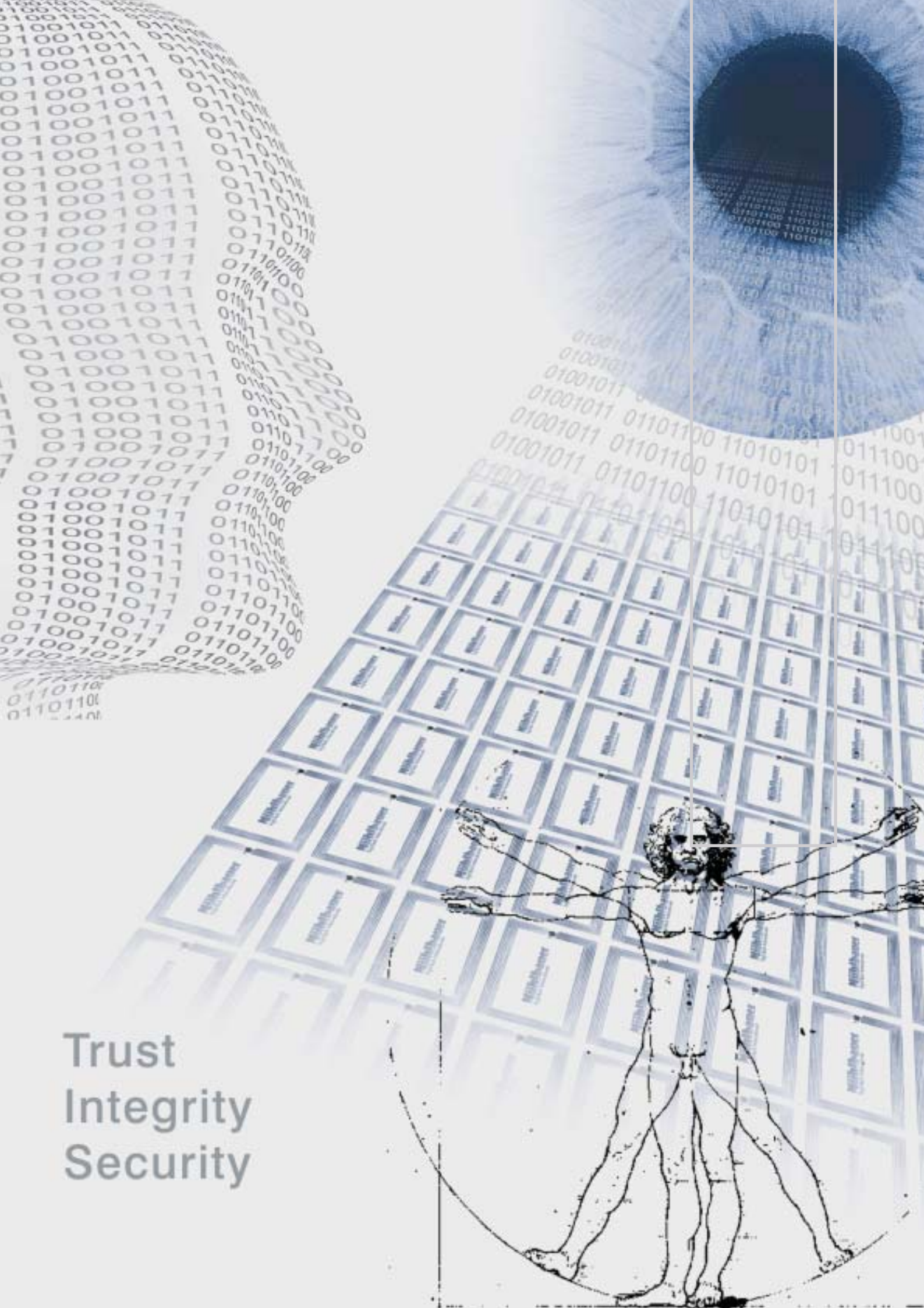
The development and the use of high-performance identification technology is linked to a number of problems and open questions. These are organisational questions (e.g. about obtaining data), socio-political questions (e.g. data protection), and technical questions. Mühlbauer and their partners are looking for the answers to the technical questions. Let us show you some of the answers we have found, using the smart card as an example.

Problem **access control**. Smart cards play a very important role throughout the world in this security-orientated task. Here the relevant control systems always ask the same two questions - millions of times a day:-

1. Is the smart card used here an **original**, or has it been forged?
2. Is the person using the smart card really its legitimate **owner**?

The answers to both these questions are supplied by the personalisation technology from Mühlbauer.

There are various methods of personalisation which we offer as options and in any combination you like. Many techniques have an effect on the actual **body of the card itself**, the



Trust
Integrity
Security

plastic. Here Mühlbauer works with a whole series of printing and engraving procedures to apply personal information individually onto every single card.

The procedures that are applied here range from inkjet- and thermo-transfer print to the more difficult (but nevertheless fast) laser techniques. The elements that are applied to the body of the card can be texts, combinations of numbers, bar-codes, or pictures of the most varied kinds. And this is where we answer the question about **forgery-free cards**: particularly complicated procedures such as the production of complicated holograms, or a laser engraving with several levels and angles, make it practically impossible for a potential forger to copy an original card.

In addition to the visible characteristics, there is also the invisible "electronic" information on personalised cards. It is to be found on the module, the chip, on the card. Mühlbauer's personalisation systems load data onto this chip at high speed and without any contact. These data can be recalled by suitable reading machines. Usually the real efficiency of a smart card is to be found in the data management of the module.

And in the field of data management on chip-cards Mühlbauer is world leader for several years. Our most recent software idea, MCES (Mühlbauer Chip Encoding/Personalisation System), is a flexible, universal personalisation programme that extends over many processes, and which works according to the "open platform" principle. With the help of MCES the Mühlbauer machines load individual, and frequently sensitive, personal data quickly and safely onto the modules of the smart cards.

It would also be possible to include the electronically coded finger-print of the later user, the structure of his iris, or even the geometry of his face in this data. And here we can answer the question number 2 of the access control: is the person in question really the **legitimate owner** of the smart card? An appropriate scan-module at the closed door reads the finger-print, eye or face and compares the data thus gained with those that are saved on the chip-card. It is only when these data agree that the system will permit access.

Biometric procedures are becoming more and more important. Several dozen companies and public establishments throughout the world are working on the continuous improvement of biometric detection methods. The basis of these methods is the assumption that man bears characteristics which do not alter with increasing age and which cannot be manipulated.

The best-known characteristic of biometric procedures is surely the finger-print. In addition to the iris or facial geometry, biological characteristics such as the voice or the structure of the veins on the back of a person's hand have also recently become the focus of attention. Even the quite conventional signature can say a lot - when detectors analyse, and save, not just the writing but also the power, dynamics, and speed of the pen-tip during signing.

In the systems in use today, the smart card serves as a data-carrier. The check with the card-bearer's biometric characteristics goes by means of the appropriate reading-machines straight to the systems which can permit access. Besides this, there have already been smart cards for more than two years on which a relevant biometric sensor - for example the reading-space for the finger-print - is mounted directly onto the body of the card.

**NOT JUST IN THE
MINISTRY OR
FORT KNOX**

Until recently access controls using biometrically obtained data have been reserved just for highly sensitive centres with a large potential for danger. Today an increase in the need for security together with the continued development of biometric methods have created a wide expansion in technology. This means that the smart card is predestined to control the **access to real and virtual worlds**.

In the real world this could be airports and other establishments for vehicular traffic, sensitive industrial plants (for example production plants, laboratories, power stations), information centres, computer centres, archives, calculation centres, centres of political power, offices for military and police security forces, border crossing posts.

But even the access to the virtual world of data systems or networks can be made secure in

the same way by a combination of smart cards and biometric procedures. Here, the security specialists will in particular focus on those data systems in which or with the help of which tremendous damage can be caused - whether to our very lives, to objects and establishments, or by manipulating computer-based financial transactions.

The domain of the smart labels is the identification of goods and objects of all kinds. The demand here is rising dramatically with the contact with packaged goods of every kind - for example flight luggage, letters and parcels, and transport freight.

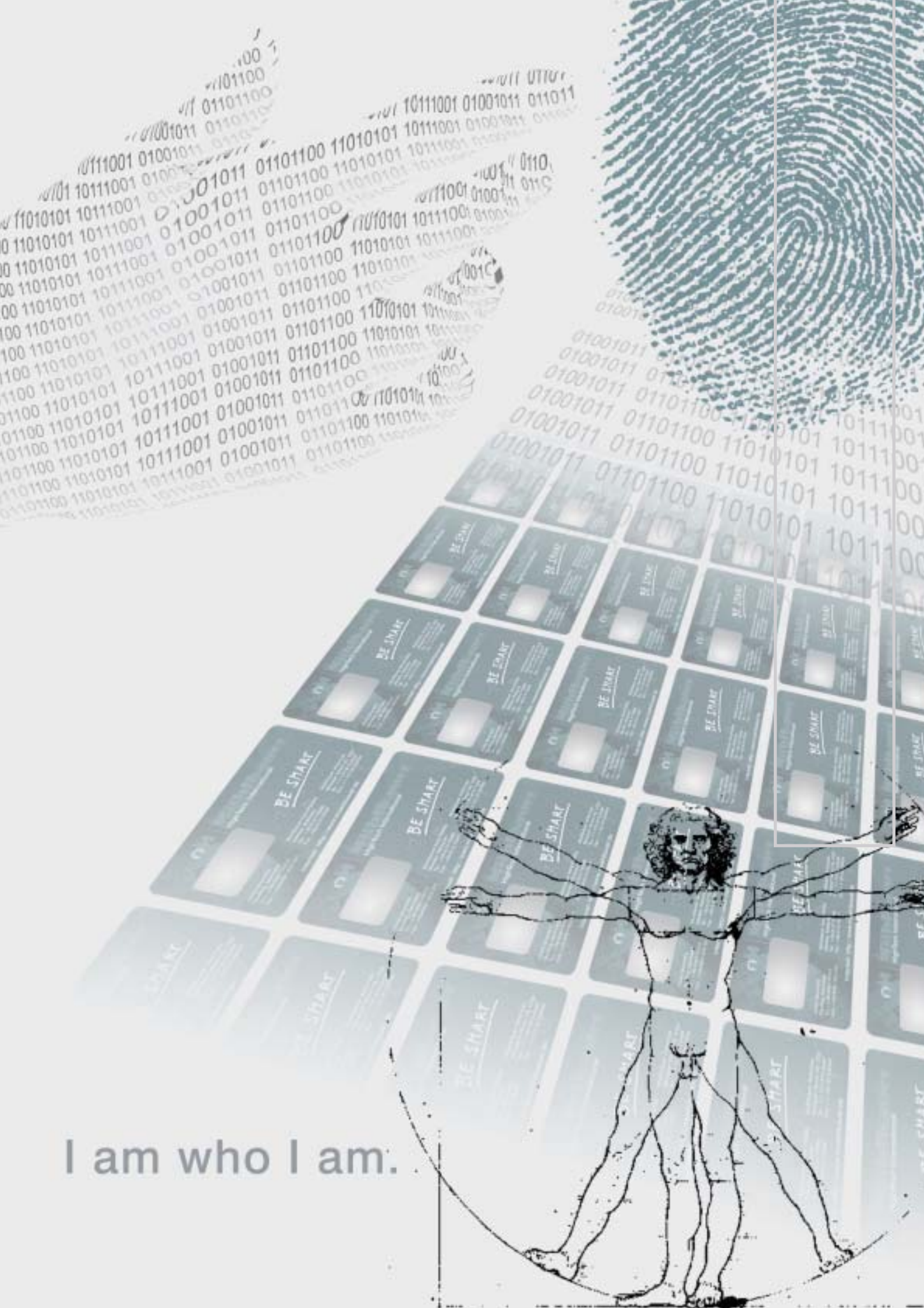
BEST PROSPECTS

Micro-electronics can help to increase the personal safety of each and every person. Micro-electronics can also help to protect sensitive areas. It is not merely in recent months that the demand for the relevant technology has risen significantly.

- Since the middle of last year the inhabitants of the Sultanate of Brunei have had absolutely **forgery-free, multifunctional identity cards** which also have the functions of credit card and insurance card. This card is equipped with a digital finger-print function.
- The Ministry of the Interior of the Federal Republic of Germany is preparing a parliamentary bill which should make it possible to include the **digital finger-print** in the identity-card.
- American airline companies are demanding, within the course of an improved **“passenger monitoring”**, the possibility of linking the indubitable identification of their flight passengers with extracts from the criminal records of the federal authorities.

Just three examples of the many developments that highlight the increasing significance of security systems based on biometric and chip-card technology. The market forecasts show a steep upwards tendency.

- The British analysts **Frost and Sullivan** prophesied as early as 1999 that the turnover of the biometric recognition systems in Europe would rise to US \$ 158.9 million by the year 2006. Chris Cherrington, author of the Biometric Study, said at that time: “It is in particular



I am who I am.

the complementary techniques of the smart card and the mobile telephones that are the key to the market of biometric identification systems.“

- At the end of 2001 the analysts of **IDC Research** confirmed this trend. They are expecting an average annual market increase of 50 % up to the year 2006. In the year 2006 it is expected that US \$ 1.3 billion will be turned over throughout the world with biometric systems.

- Analyses by the American **Morgan Keegan** are even more positive. They expect that the world-wide turnover with biometric systems will pass the 2-billion mark in the year 2005. Besides which, Morgan Keegan foresees a clear expansion of the market: whereas today it is public authorities and government offices that have a very clear lead as the best customers in the market for biometric security systems, there is expected to be a reverse in this ratio within the next three years in favour of commercial users.

Mühlbauer is going to participate in this development.

Management's Discussion and Analysis

**ECONOMIC
SITUATION AND
INDUSTRY
DEVELOPMENT**
POSITIVE SIGNALS
INDICATE TURN IN
ECONOMIC
DEVELOPMENT

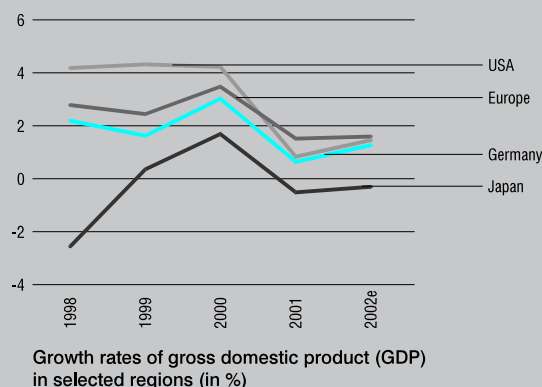
After a significant decline in activity on the global economy during the year 2001 - climaxing with the crisis of September 11 in New York - the stimulating factors are gradually regaining the upper hand with the regain of ground. In connection with this still somewhat uncertain outlook, the German Board of Economic Research Institutes (Arbeitsgemeinschaft deutscher wirtschaftswissenschaftlicher Forschungsinstitute) is expecting an increase in the **worldwide** gross domestic product (GDP) of 1.6 percent for the year 2002, as compared with 1.0 percent in the preceding year.

Based on the drastic changes in the economic situation and the continued weak economy, referred to by many experts as a recession, the research institutes are predicting a discernible improvement in the economy in the course of the year 2002, primarily in the second half of the year. A distinct recovery is expected especially in the **USA** - with an expected increase in the GDP of +1.7 percent (after +0.9 percent in the preceding year), primarily due to the new expansion course of the economic policy. The continued vigorous private spending is certainly an important factor here.

Japan on the other hand, after a negative growth (-0.6 percent) in the year 2001, is expected to again fall short of the GDP in 2002 by -0.3 percent in comparison to the preceding year, since a slight recovery is only expected in the second half of 2002.

As a result of the downward trend in the USA, economic stimulation in **Europe** has also waned, especially due to a downswing in exports. For the year 2002 a continued slight growth (GDP +1.8 percent) is expected in Europe - after an increase of 1.5 percent in 2001. **Germany**, however, especially burdens the European development, since after a slight increase of the GDP (+0.7 percent) in 2001, a growth of only 1.3 percent is expected in 2002.

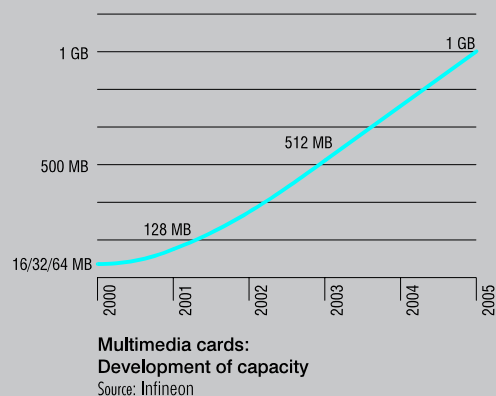
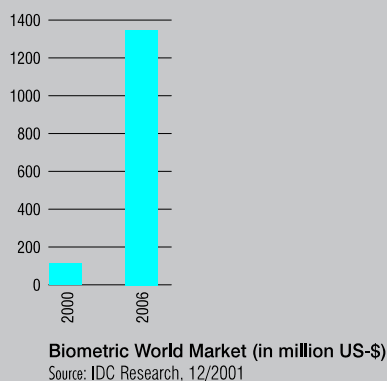
The **Mühlbauer group** satisfactorily concluded the year 2001 despite the forthcoming economic decline, and was also able to create a good starting position especially for the



future. The first half-year of the reporting period was marked by an extremely high-yielding business trend, preceding an overall worsening of the situation in the second half-year, particularly in the fourth quarter. The factors responsible for this, in addition to the general downward trend, were the general reluctance of investors caused by the atmosphere of uncertainty as well as the downturn in the semiconductor industry. While the worldwide semiconductor industry looks back on 2001 as its worst year in history, which also particularly affected Mühlbauer's semiconductor related products segment, the group was able, by concentrating strongly on its core competences, to push new technologies and pioneering developments, for example the revolutionary flip-chip technology and the related processing of wafer level packages.

The smart identification segment (smart cards and smart labels), as a distinctive future market, was able to maintain a high level and to expand in percentage terms. Studies predict annual growth rates of 30 to 100 percent for various applications. Mühlbauer has already invested in these developments for some time and can use its potential for performance and know-how to good advantage in this sector.

With the worldwide rising demand for increased data security, biometric data storage is also gaining in importance. At the end of 2001, IDC Research estimated an average annual growth of 50 percent and a worldwide volume of more than 1.3 billion dollars for the extremely dynamic biometric market by 2006. With state-of-the-art technologies, Mühlbauer enables the manufacture of personalized smart cards - equipped with mechanisms for fingerprint, iris and voice identification to combine intelligence and security - in order to expand the market position as leading system supplier - from bank cards to drivers licenses and ID cards. Also in the area of smart label production, which likewise profits from the increasing demand for security, Mühlbauer was able - thanks to significant capacity increases and quality improvements - to introduce newly developed technologies to the market. With the TAL 8000 resp. the Flexline, the production capacity was increased to as many as 50 million smart labels per year, which not only provides a competitive edge, but also further expands the leading posi-





SMART IDENTIFICATION

In 2001 it was possible to maintain and develop proportionally at a high level the field of "smart identification" (smart cards and smart labels). The rising demand for increased security throughout the world will continue to create an unusual growth rate in this field. The company of Mühlbauer has been investing in these developments for a long time, and can therefore make consistent use of its potential in this respect. The personalization system SCP 5600 for instance makes it possible for the first time to link up time-intensive security algorithms and labels of cards for banks, pay-TV, e-commerce, and identity cards, with the demands of mass production.

on on the world market. Through the development of new applications, such as UMTS, and the continued expansion of the opportunity-laden area of multimedia card applications, Mühlbauer is opening up extensive future markets, without neglecting to concentrate on core competences.

The board handling segment is characterized by a solid concept and intelligent technical solutions, resulting in reliable, customer-oriented products that meet the highest standards of quality. In addition to transport systems, the concept known as traceability - the tracing of goods and products based on individual characteristics - is becoming increasingly important in this area. The precision parts manufacturing division has always provided Mühlbauer with an exceptionally customer-oriented order processing system, which excels especially due to the high-quality production based on state-of-the-art processing methods. This division is also the supplier for the other Mühlbauer segments.

Mühlbauer created a basis for further growth by doubling the assembly area and further expanding the facilities for the strategically important research and development division. The opening of additional sales offices in Johannesburg/South Africa, Coventry/UK and Kiev/Russia constituted a further step toward internationalisation and worldwide market penetration.

STRATEGY

CLEAR FOCUS ON THE ESSENTIALS

Mühlbauer has evolved from manufacturer of high-quality precision parts to supplier of comprehensive and integrated solutions for the entire chain of added value in smart card production. Our strategic business goal is to consistently carry on with this solution-oriented view. The primary goal is to retain and further expand our core competence and worldwide market leadership in the key field of smart identification. In addition, we will enhance the security of identification systems in the light of growing security demands in our electronic age with new, tailor-made, modular technologies, in order to strengthen Mühlbauer's leading position in the traditional markets and, at the same time, to open up new growth markets for the future. This is why the strength of innovation must be continuously expanded. Another goal of the company is to further extend its activities to related branches outside its original core business segment and to concentrate on new and attractive niches which are largely independent of market cycles.

**RESEARCH AND
DEVELOPMENT**
EXPANSION OF BASIC
TECHNOLOGIES FOR
INNOVATIVE PRODUCTS

The research and development division continues to focus on increasing productivity and efficiency, allowing Mühlbauer to reinforce its leading market position as an innovative systems provider. All concepts and solutions that are developed in close cooperation with our partners and customers are implemented consistently in production systems. Investments of 10.2 million EUR (previous year: 9.9 million EUR) were provided for research and development in 2001, corresponding to a proportion of 11.5 percent (previous year: 9.0 percent) of total sales.

In all five development facilities - Roding, Ehingen, Stollberg, Dresden and Oberhaching - we are expanding our technological know-how in the form of specific programs and projects with partner companies, universities and institutes. Our excellent experience in the areas of precision parts manufacture and production of precision mechanical components, in addition to experience in processes, provides us with the necessary foundations for the timely implementation of new products.

The core activities in the segment of smart identification extend to the smart card production technology, the flip-chip assembly technology as well as personalization. The SCP 5600 personalization system enables for the first time the coupling of difficult security algorithms and parameters from bank, pay-TV, e-commerce and ID cards with the requirements of mass production. Modularity, data security, configurability and flexibility open up a very wide range of applications. In addition, we are constantly expanding the personalization processes and the required software tools.

Due to the increased acceptance of mass storage cards, Mühlbauer has supplemented the spectrum of non-volatile chip memory technology with two new machine types. Thanks to new soldering technologies, the system concept of the SCI 8700 implanting system could be expanded in order to manufacture the related secure digital (SD) card. The addition of the new MCL 8700 high-speed labelling system puts the firm in the leading position for this production technology, as well.

Especially in the field of smart card and smart label technology, there is a trend toward higher integration and increasing processing cycles for the components to be automati-

cally processed. With the future-oriented TAL 4000 system, the reel-to-reel process can be used to bond RFID chips with flexible antennas by means of flip-chip technology. This production process for smart label inlets is extremely flexible and gives the user nearly unlimited design possibilities for the transponder, in addition to a large number of processes. In the related area of smart card module applications, we are developing the new FCM 6000 (flip-chip mounter 6000) die-bonder generation, which combines precision and speed.

Further innovative technologies were expanded in order to reinforce core competences. Last year, for example, Mühlbauer developed the card scan technology with the PI 36000 Power Inspection system into the fastest and most powerful card inspection system, which allows the optimization of all colour printing and laminating processes, especially for the high-quality cards used for ID technology.

The company set another record with the introduction of the DS 6000 high speed die sorter. It operates on the basis of conventional die-bonding and vision technology, making use of the latest technological trends in the world of semiconductors, with its modular machine concept, by taking the components (wafer level package) from the wafer and placing them directly in the carrier tape after inspection - optionally with or without the flip-chip option. This process makes use of the synergies of carrier tape technology.

Reduced cycle times in the production lines require further reduction of the cycle times in the area of board handling down to eight seconds. The newly developed MP 80 magazine buffer, which fulfils these high standards for transfer systems, buffers and transport distribution systems, was achieved within a very short time. The Mühlbauer group has developed a base cell for use in traceability systems that integrates the three most common labelling processes - label, laser and ink. In the current start-up production phase, functional expansions are being executed in close contact with the customer, which also proves Mühlbauer's short-term flexibility and customization options right up to the delivery date.



RESEARCH AND DEVELOPMENT

Our emphasis in the research and development division is still, as before, the expansion of our technological basis. All the plans and solutions which we work out in close co-operation with our partners are implemented consistently in production systems.

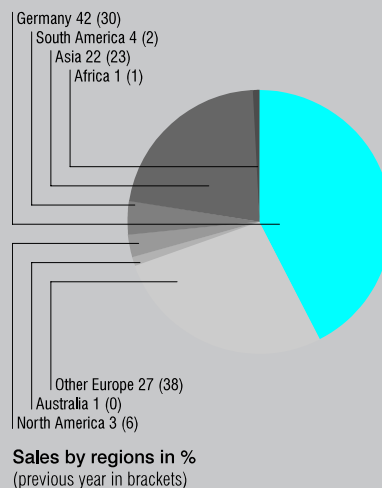
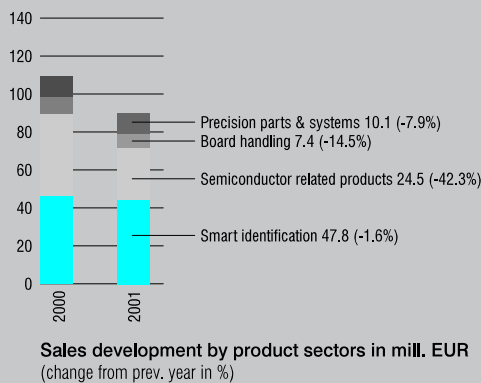
Thanks to our powerful modular concept of mechatronics, together with the standardization of our basic components, we offer our customers a high degree of flexibility in adapting our system concepts to their production and process technology. The positive results are user-friendly operation and maintenance of the system engineering - our "turnkey solution" for the customer.

SALES
INITIAL SALES WITH
HIGH-PERFORMANCE
SYSTEMS FOR SMART
LABEL PRODUCTION

Following the sharp increase in sales in the past two years, the consolidated sales of the Mühlbauer group were lower than in the previous year, in view of the general downward business trend, together with order postponements and the expanding crisis in the semiconductor industry. The extremely positive development in the first half of the year 2001 - an increase in sales of more than 50 percent was recorded in the growth market of smart identification - was followed by a marked decline in the second half of the year, particularly in the fourth quarter. For the entire financial year 2001, the Mühlbauer group achieved sales of 89.4 million EUR (previous year: 110.3 million EUR), a decrease of 18.9 percent as compared with the extremely positive financial year 2000.

In the strategically vital sector of smart identification, the aspect of security gained clearly in importance for all sectors during the reporting period. In the strategic future market for smart labels, we were able to report the first sales from the latest technologies for the high-volume production of smart labels with a capacity of up to 50 million labels per year. With a volume of 47.8 million EUR (previous year: 48.6 million EUR), this division was nearly at the same level as the previous year (-1.6 percent). The development in the segment semiconductor related products was a decisive factor, with a decline in sales of 42.3 percent to 24.5 million EUR (previous year: 42.4 million EUR) as a result of the overcast situation in the semiconductor market.

The current downswing in the trade became particularly noticeable in the fourth quarter of the year 2001, leading to a decline of 82.2 percent as compared with the same quarter of the previous year. Sales in the segment of board handling were also below the previous year's level, at 7.4 million EUR (previous year: 8.6 million EUR), which means a decrease of 14.5



percent. The segment of precision parts & systems reported sales of 10.1 million EUR due to its remarkably broad customer base, a decrease of 7.9 percent, which was only slightly below the previous year's figure (11.0 million EUR), despite the general economic downswing.

EUROPE REMAINS THE CORE MARKET

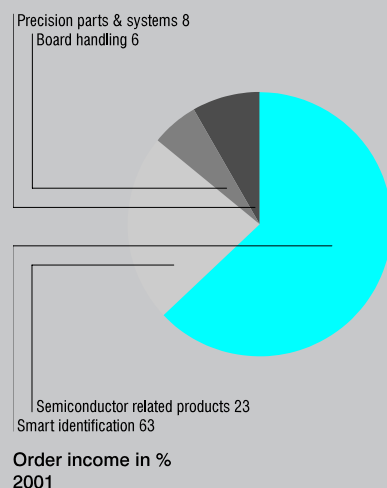
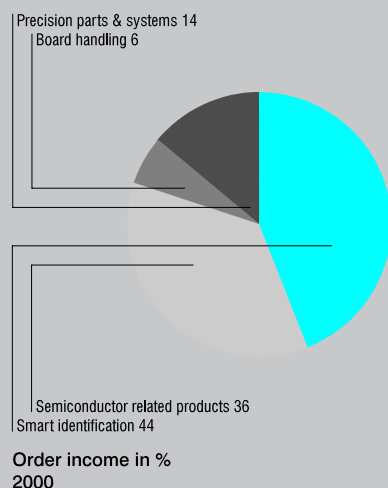
With the continuing, clear focus on the European market, the core area of smart card production so far continued to play an impelling role: Mühlbauer was able to register a sales volume in Germany of 38.1 million EUR (previous year: 33.6 million EUR), which means both an increase of 13.4 percent and a quota of 42.4 percent of total sales. The whole of Europe, including Germany, reported a quota of 69.6 percent of total sales, or 62.5 million EUR (previous year: 75.0 million EUR). Sales in Asia, which is also an important region for Mühlbauer, dropped 22.1 percent to 19.5 million EUR (previous year: 25.0 million EUR).

In North America - studies are predicting a tremendous increase in sales here in the coming years¹⁾ - the demand in this market decreased in comparison with the previous year by 60.7 percent, contributing 2.5 million EUR (previous year: 6.5 million EUR) to the sales of the Mühlbauer group in the financial year of the reporting period. The growth in the North American market predicted by many institutes confirms the goal of the Mühlbauer group to further intensify the internationalisation of the group beyond Europe. In the previously insignificant markets of South/Central America, Australia and Africa, sales of 3.7 million EUR (previous year: 2.6 million EUR; +44.3 percent), 0.5 million EUR (previous year: 0.1 million EUR; +909.4 percent) and 0.9 million EUR (previous year: 1.4 million EUR; -32.8 percent) signify substantial increases as compared with the year 2000.

ORDER INCOME SECURITY-ORIENTED SOLUTIONS IN DEMAND

The economic conditions specific to Mühlbauer's industry in the business year 2001 have also been apparent in the incoming orders in the Mühlbauer group. The morale in the technology branch, which was characterised by uncertainty especially in the second half of the year, forced many clients to postpone their planned investments because of the economic situation. In view of this situation, the demand for standardised solutions turned out weaker than in the previous year. In the year of this report the orders received by the Mühlbauer concern reached a total of 93.6 million EUR, which shows a decline of 31.3 per cent after the record values of 136.3 million EUR achieved in the previous year.

¹⁾ Dataquest, for example, assumes a growth in the market volume for smart cards in the USA from 2.4 billion dollars (2000) to more than 8 billion dollars (2004).

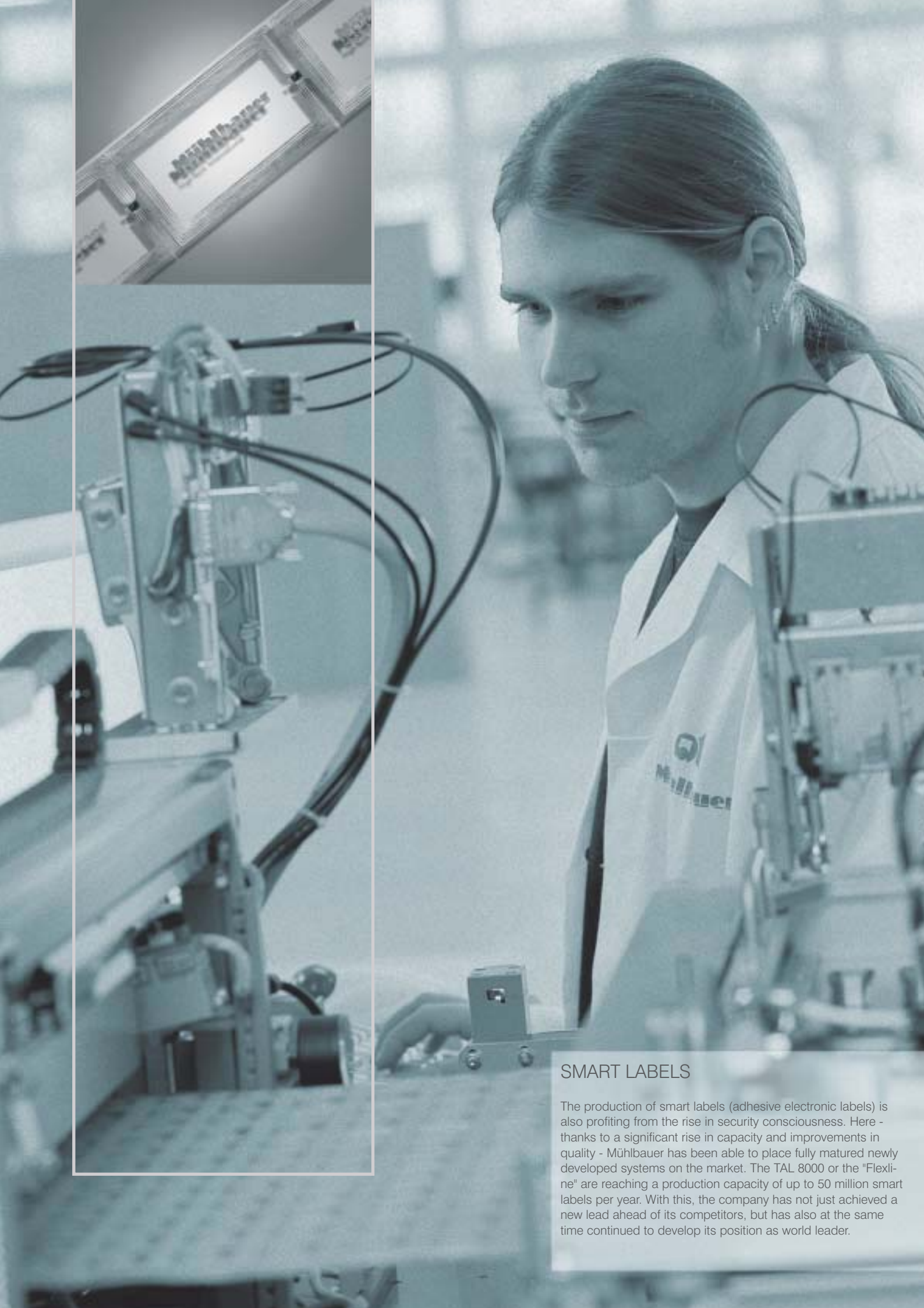


As a result of the particular need for security, for example for the individual marking of luggage articles for the purpose of uninterrupted tracing in airline traffic, the segment of smart identification, a distinct growth market, developed into the unchallenged nucleus of the Mühlbauer concern during the period covered by this report and was able to show order income of 58.3 million EUR in 2001 (previous year: 59.7 million EUR), which means a slight reduction of 2.4 per cent. The reason for this, in addition to the increased demands, is in particular the introduction of new technology onto the market. Thanks to the flip-chip technology, it has been possible to introduce innovations to the market that are simultaneously both new and revolutionary - the TAL 4000 and the high-capacity TAL 8000, of which the latter generates up to 50 million labels per year.

In addition to the increasing demand for contactless identification systems, customers are demanding the personalization of every type of card, which has also been the focus of our attention to a greater extent. In the year 2001, for example, Mühlbauer offered a pioneering innovation in addition to the continued qualitative and quantitative development of the Power Inspection technology: the personalization system SCP 5600, which meets the customers' needs for very flexible and, at the same time, inexpensive solutions by the fact that the finished cards bear both GSM and UMTS functions. Besides all this, production lines in this product area have been developed for biometric data acquisition, which is becoming increasingly important.

The weakness of the semiconductor market is also reflected in the incoming orders for the Mühlbauer group. These reached a level of 21.9 million EUR, which compared with the high level of orders in the previous year (49.1 million EUR), means a decrease of about 55 percent. In spite of this weakness, many very interesting orders were received. The new variety high speed die sorter, for example, is currently one of the most high-performance systems in the world with a throughput of up to 6500 components per hour.

In the segment of board handling the incoming orders during the period covered by this report reached 5.7 million EUR (previous year: 8.8 million EUR), showing a decline of 34.6 percent. The orders received by the division of precision parts & systems, which is characterized by its flexibility, its speed, and its extremely well-developed customer-orientation, showed



SMART LABELS

The production of smart labels (adhesive electronic labels) is also profiting from the rise in security consciousness. Here - thanks to a significant rise in capacity and improvements in quality - Mühlbauer has been able to place fully matured newly developed systems on the market. The TAL 8000 or the "Flexline" are reaching a production capacity of up to 50 million smart labels per year. With this, the company has not just achieved a new lead ahead of its competitors, but has also at the same time continued to develop its position as world leader.

a value of 7.7 million EUR, which was 58.9 per cent below that of the previous year (18.7 million EUR) due to a decline in the number of orders.

The order backlog at the end of the year 2001 totalling 48.1 million EUR (previous year: 56.4 million EUR) help to keep us busy in times of economic downswing in order to be able to profit from an increase in sales when the situation recovers again.

PURCHASING
CONTINUED
DEVELOPMENT OF THE
STRATEGIC
REALIGNMENT

With the formation of strategic alliances with so-called "preferred suppliers", the strategic realignment, which had been prepared over many years, was consistently further developed and updated in the department of materials management in 2001. In addition to the uninterrupted control of purchasing expenses, it was possible to keep the cost prices at a minimum and simultaneously to considerably reduce the risk of purchase bottlenecks by means of grouping the amounts, optimising procedure expenses, and using second-source strategies. In addition, it was possible to reduce the purchase times with the help of long-term co-operation with A-suppliers, the conclusion of high-quantity contracts, and the establishment of consignment stores both at the suppliers' and also on Mühlbauer's own premises. This time reduction is important, as it plays an even more significant role especially in this day of just-in-time production. And so during the period covered by this report the Mühlbauer concern purchased goods, articles, and services for a total of 32.4 million EUR (previous year: 39.3 million EUR) on a world-wide basis. This purchasing policy, which extends beyond our group, the continuous development of the organisation of the suppliers, and the global aims of the concern also lead to a better strategic position of the company in the purchasing market.

In spite of the large number of alliances and partnerships, our independence from our business partners remains an important pillar in Mühlbauer's entire process. Beside the classical process methods, the e-purchasing projects are gaining increasingly in importance in the development of effective and efficient purchasing procedures. Using them means not only that our purchasing department is relieved of routine tasks, but also that in particular free space is created for the central tasks.



INVESTMENTS

The emphasis for investments in 2001 was on the expansion of the headquarters in Roding, which now provides an area of 18,500 square metres since spring 2001. We have doubled the assembly areas. The research and development division now include an area of 5,000 square metres. With its state-of-the-art equipment the Mühlbauer group now has first-class conditions, both with regard to space requirements and processing technology, for meeting the demands of the market in the forthcoming years with the latest technologies at highest quality.

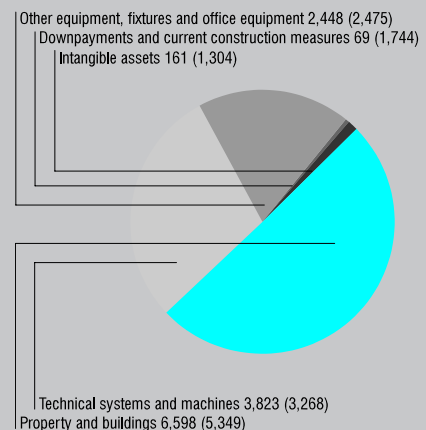
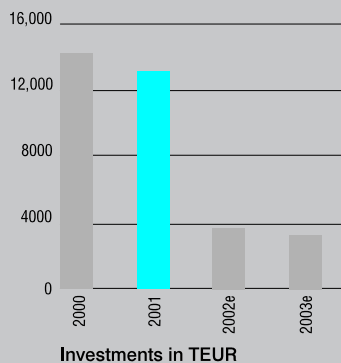
INVESTMENTS
 MÜHLBAUER WELL
 PREPARED FOR
 FUTURE GROWTH

In order to increase our competitiveness, extensive investments were made in the business year 2001 as well. Altogether the Mühlbauer group invested 13.1 million EUR (previous year: 14.1 million EUR) during the period covered by this report. With the increased investment quota of currently 14.6 per cent (previous year: 12.8 per cent) Mühlbauer has created an important range of prerequisites for the achievement of medium-term and long-term company goals.

In 2001, investment expenditures again focused on the expansion of the capacities of the plant at the headquarters in Roding. Since the beginning of the extensions in the year 2000 we now have 18,500 square metres at our disposal since the building complex was completed in the spring of 2001. In particular, it has been possible to double the size for the research and development division, which now has an area of 5,000 square metres - a considerable extension for the nucleus of the Mühlbauer group. We have also set up a clean room class 10,000 for the analysis of various processes. Altogether Mühlbauer spent approximately 6.6 million EUR on building sites and buildings during the period covered by this report. In addition, we invested in new production engineering techniques. For instance, a new five-axle milling-machine guarantees the processing or manufacture of high-quality, extremely resistant components for clients in the field of space technology and other fields where they can be used. With an eye to the future, investments have also been placed in high-tech equipment at the Stollberg plant so that we can do justice to the technological demands of future generations while at the same time coping with the necessary expansion of our plant's capacity. This combination has led to investments in technical systems and machines at a value of 3.8 million EUR (previous year: 3.3 million EUR).

The expenditures for other equipment, fixtures and office equipment amounted to 2.4 million EUR (previous year: 2.5 million EUR). Intangible assets of 0.2 million EUR (previous year: 1.3 million EUR) were purchased.

When the expansion work in the new buildings has been completed, we expect a clear-cut reduction in our investment activity for the next two business years, which we anticipate as being approximately 3 to 4 million EUR. With the present-day state-of-the-art equipment, the Mühlbauer group has at its disposal first-class pre-conditions with regard to both space and



Breakdown of investments in TEUR
 (previous year in brackets)

technical procedures, which react with flexibility to our clients' wishes, can work out turn-key solutions, and thereby satisfy the demands of the market of the coming years with technology that is always up to date and of the highest quality. While keeping an eye on the demands for continuously rising speeds in production, our focus remains directed at our continued leadership of the market and of technology.

EMPLOYEES
TRAINING AS AN
IMPORTANT FACTOR
FOR SUCCESS

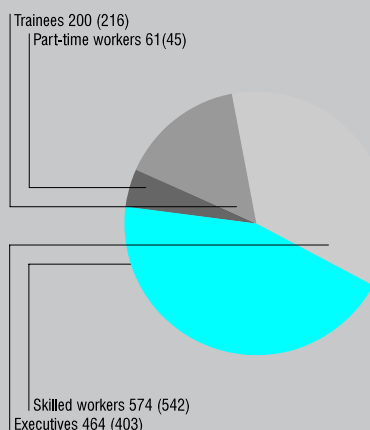
The primary goal of our personnel policy is the continued development of a corporate culture that is characterized by flexibility, commitment and responsibility among all employees. An innovative spirit and international attitude, a customer-oriented approach and quality consciousness make our company unique and provide the foundation for our further development.

Training is a main focus of our personnel development. About one in six Mühlbauer employees is engaged in career training. We constantly employ part-time students. The average age of our employees is 30 years. The theoretical knowledge of young university graduates and technicians is supplemented ideally by the abilities gained through internal training and the experience of our senior employees.

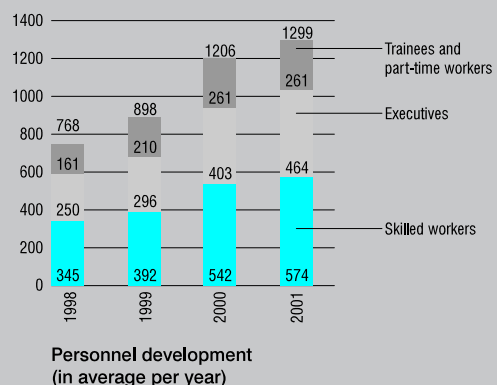
Those hired in the past year also include all employees who completed their training in the company in 2001. Company-wide, 38 young skilled workers signed fixed employment contracts, three of them in Stollberg. And more trainees are in sight. The number of trainees in the entire Mühlbauer Group was raised, and 78 new traineeship contracts were signed in the year 2001. Altogether, 227 young men and women are learning - more than ever before. In addition to the traditional occupations, new job descriptions play an increasingly important role. We currently have nine trainees in the field of mechatronics¹⁾, three in IT system electronics and one in industrial computer engineering.

In order to continually expand competence through the knowledge and ideas of the employees, Mühlbauer invested a total of 0.1 million EUR in the reporting year in internal training programs that are open to all employees. The programs range from IT user programs and additional training in the field of mechatronics to foreign language courses. Made-to-measure training programs also serve to enable young people with potential to pursue a career in our

¹⁾ Mechatronics workers perform assembly and maintenance work on machines and equipment. They process mechanical parts, combine these in components and program controls.



Structure of personnel 2001
according to average figures
(previous year in brackets)



Personnel development
(in average per year)

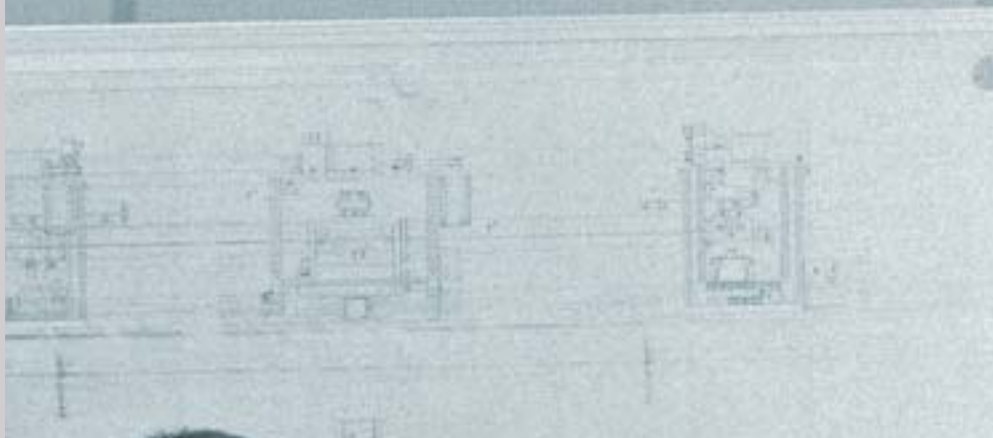
company. Our employees receive internationally recognized certificates for completion of the majority of our training measures.

In the technological field, we improve the qualifications of our employees by means of our "job-rotation model". Employees exchange jobs, especially in the areas of service and assembly. This enables the combination of experiences in the construction of machine systems and the utilization of the system at the customer's facilities and optimization of this experience for both the familiar and the supplementary area.

In the year 2001, Mühlbauer again provided its employees with the opportunity to purchase employee shares in the company at a reduced price. Many took advantage of this offer. Our employees know that their commitment and activities are a significant factor affecting the price of the share.

Yearly evaluation and promotion interviews are obligatory in almost all departments of our company. Each supervisor has a critical look at each and every employee. The individual area of responsibility and personal performance are the key topics of these interviews. Intensive communication with the employees is just as important as optimizing their performance and promoting individual abilities.

The right management decisions for achieving the company's goals are one thing - but these goals could not be implemented without the untiring dedication, hard work and frequently high degree of personal commitment on the part of the employees. The management board of Mühlbauer wishes to thank all its employees for their commitment and performance.



TRAINING

Training and advanced training are the main focus of our personnel development. About one in six employees is engaged in career training. The broad spectrum of internal training possibilities extends from IT-user-programmes and additional training in the mechatronics field to courses in foreign languages. Mühlbauer's made-to-measure training programs also serve to enable young people with potential to pursue a career within our company.

**PROFIT SITUATION,
BALANCES AND
CASH FLOWS**
WEAK WORLD
ECONOMY AND
STRONG COLLAPSE IN
THE SEMICONDUCTOR
BRANCH IMPACT
PROFITS

Presentation of the profit situation: Earnings before tax for the reporting year were 6.6 million EUR (previous year: 25.1 million EUR) and therefore fell short of expectations. On the one hand this decrease is the result of a weak world economy and a strong collapse in the semi-conductor branch: Sales, as part of the overall sales in the area of semiconductor related products, were reduced from 38.4 percent the previous year to 27.3 percent in the reporting year. On the other hand the ratio between cost of sales and sales increased from 59.5 percent the previous year to 67.9 percent in the reporting year. The relative increase in **cost of sales** during the business year is particularly due to higher costs for launching production of new technologies, to an increase in depreciation because of continuing investments in the most modern production facilities, as well as to the costs of unrealized production capacity.

Selling, general and administrative expenses for the reporting year were reduced by 8.2 percent to 13.5 million EUR (previous year: 14.7 million EUR). The relative share of these costs increased from 13.3 percent in the year 2000 to 15.1 percent in the reporting year and reflects the effect of decreasing sales. **Expenses for research and development** cover development-specific expenses for personnel, software and fixed assets used in development. Expenses for research and development increased in the reporting year by 4 percent to 10.2 million EUR (previous year: 9.9 million EUR). The balance of **other earnings** of 3.5 million EUR (previous year: 3.9 million EUR) essentially contains investment grants of 1.7 million EUR (previous year: 1.5 million EUR).

As a result of the aforementioned factors, **earnings before interest and tax (EBIT)** amounted to 8.5 million EUR for the reporting year. This corresponds to 9.5 percent of sales. In the previous year EBIT amounted to 24.0 million EUR respectively 21.7 percent of sales. The **financial results** for the reporting year amounted to -1.9 million EUR (previous year: +1.1 million EUR) and contain interest expenses for short- and long-term credits, the balance of realized gains and losses from trading- and available-for-sale-securities as well as the balance of unrealized gains and losses from trading-securities. This decline is essentially due to a further weakening of capital markets. The decline in **income taxes** by 6.4 million EUR, from 7.4 million EUR the previous year to 1.0 million EUR for the reporting year, is due to the results in the reporting year. This corresponds to a tax rate of 15.4 percent (previous year:

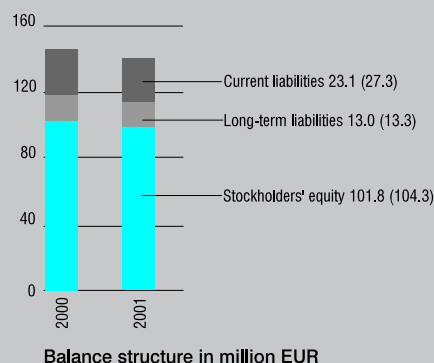
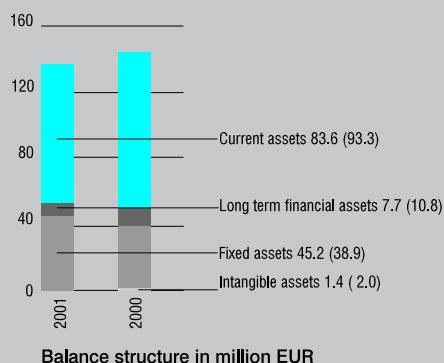
29.4 percent). The relative decline in tax rate is essentially the result of tax free accruals from the stock option program for the amount of 1.4 million EUR (previous year: -2.3 million EUR). In addition, tax refunds for previous years of 0.3 million EUR had a tax cutting effect. The **net earnings** for the reporting year amounts to 5.6 million EUR and therefore lies 68.6 percent below the previous year's value (17.7 million EUR).

In acknowledgment of shareholder confidence in the future development of our business we will suggest at the annual general meeting to pay out a dividend of 0.30 EUR for the business year 2001 (previous year: 0.35 EUR). With a share capital of 8 million EUR, the paid dividends amount to about 1.9 million EUR.

Presentation of the assets: Mühlbauer's balance of **total assets** had declined as of December 31, 2001 by 4.8 percent to 137.9 million EUR (previous year: 144.9 million EUR).

Cash and cash equivalents and **securities held as current assets** were reduced by 4.8 million EUR (previous year: 10.2 million EUR). This reduction is essentially due to outflow of funds for investments. **Trade receivables** declined by 36.4 percent to 19.6 million EUR (previous year: 30.9 million EUR) due to payments and lower sales. **Inventories** increased by 5.9 million EUR to 52.1 million EUR (previous year: 46.3 million EUR). **Fixed assets** grew by 5.2 percent to 54.3 million EUR (previous year 51.6 million EUR). The increase is due to investments in intangible and fixed assets of 13.1 million EUR (previous year: 14.1 million EUR), balanced by outflows and changing market values of securities held as fixed assets.

Liabilities declined by 11.1 percent to 36.1 million EUR (previous year: 40.6 million EUR). **Short term debts** have increased, mainly in connection with the expansion of our Roding and Stollberg plants, by 1.3 million EUR to 2.3 million EUR (previous year: 1.0 million EUR). **Trade payables** were reduced by 16.7 percent to 5.6 million EUR (previous year: 6.8 million EUR) due to declining orders. **Downpayments received on orders** increased by 53.4 percent to 4.6 million EUR (previous year: 3.0 million EUR). Furthermore, **accrued liabilities** were reduced by 58.5 percent to 4.6 million EUR (previous year: 11.2 million EUR) due to payment of income taxes for the business year 2000.

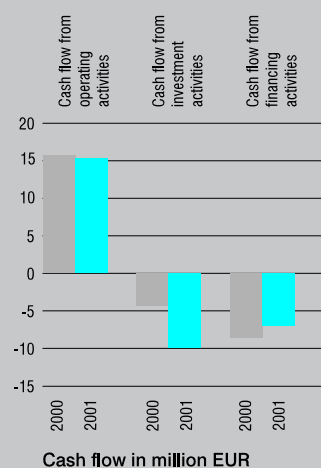


Stockholders' equity declined for the business year by 2.4 percent to 101.8 million EUR (previous year: 104.3 million EUR). In particular this is the result of paying out dividends for the business year 2000 for the amount of 7.5 million EUR and the decline of the adjustment item for stock option programs for group employees of 1.4 million EUR, compensated by the net income. The capital ratio as of December 31, 2001 amounts to 73.8 percent (previous year: 72.0 percent).

Cash flow statement: Cash inflow from operating activities totals 15.2 million EUR and thereby reaches last year's level (15.3 million EUR). The essential cash receipts result from the collection of trade receivables of 11.2 million EUR (previous year: -9.7 million EUR), a decline in securities held as non-trading or current assets amounting to 4.3 million EUR (previous year: 1.3 million EUR), and an increase in downpayments received on orders of 1.6 million EUR (previous year: 0.9 million EUR), set off against payments for inventories amounting to 5.9 million EUR (previous year: 6.2 million EUR), a decline of other current assets amounting to 1.1 million EUR (previous year: 0.7 million EUR) and liabilities of 6.4 million EUR (previous year: +8.1 million EUR).

The high investment activities of the group are manifested in the **balance of the outflow of investment activities**. Net investments increased for the reporting year by 5.2 million EUR to 9.9 million EUR (previous year: 4.7 million EUR). Substantially this is in regard to outflow of funds for the expansion of our Roding and Stollberg plants amounting to 13.1 million EUR (previous year: 14.1 million EUR). There was a cash inflow through disinvestments in connection with the sale of securities amounting to 3.0 million EUR (previous year: 9.2 million EUR).

The **cash flow from financing activities** amounted for the business year to 6.8 million EUR (previous year: 8.6 million EUR). Payments, in particular, increased due to taking on short-term debts of 1.5 million EUR (previous year: -1.0 million EUR). Dividend payouts for the business year 2001 have increased compared to the previous year by 0.9 million EUR to 7.5 million EUR (previous year: 6.6 million EUR). Through the purchase and sale of own shares the company had a cash inflow, on balance, of 0.3 million EUR (previous year: -0.1 million EUR). The portfolio of cash and cash equivalents changed to 2.2 million EUR (previous year: 3.6 million EUR).





PRECISION

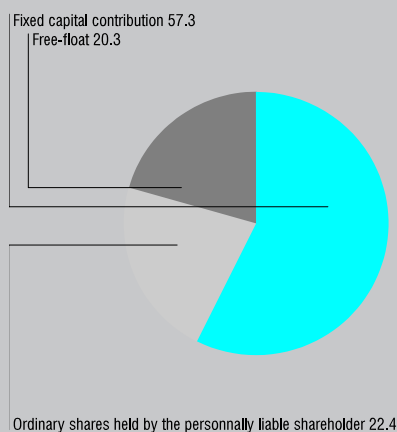
With the division of precision parts & systems Mühlbauer has always had a marked customer-orientated working procedure. This division is characterised by a very high-quality production by means of the most recent processing technology and a high depth of manufacture. Precision parts & systems is also the supplier for Mühlbauer's other divisions.

STOCKHOLDERS' EQUITY
HIGHER WEIGHTING IN INTERNATIONALLY IMPORTANT INDEXES

The number of Mühlbauer shares has increased in the business year 2001 from 3.9 million to 6.3 million shares. In May and December 2001, 2.4 million shares were issued through the shareholder-approved conversion of personally liable shareholder capital into share capital, thereby increasing the share capital portion of the total capital from 26.5 percent to 42.7 percent. The Mühlbauer share profits from this measure as well: Due to the higher number of issued stocks as well as to the higher free-float made possible through this measure, the weighting in internationally important indexes is increased and enjoys a markedly higher attention with the investing public.

RISKS OF FUTURE DEVELOPMENT
GROUP-WIDE EXPANSION OF THE RISK MANAGEMENT SYSTEM

In compliance with the Law on Control and Transparency in Business (KonTraG), which took effect on May 1, 1998, we boosted our existing risk management system in the year 2001 and expanded it into a group-wide risk management system. This enabled us to accurately identify the opportunities and risks resulting from business activities, and to analyse and control relevant data and to communicate this data accordingly, the business divisions of the Mühlbauer group forming the basis of this system. The Mühlbauer group uses a detailed risk management system to identify and record risks as they occur; a condensed version of this system is published in the intranet. This provides each employee with all information necessary for handling potential risks. The underlying principle of the system allows successful, group-wide risk communication only if each individual employee is assigned corresponding responsibility in handling risks. The system is based on periodic monitoring, in which those responsible for the risks describe and analyse the identified risks. This procedure ensures the constant control and communication of risks. The responsible risk committee within the risk management system prepares a current risk report for each quarter, which is submitted to the management board as a decision-making aid.



Shareholder structure as of December 31, 2001 in %

MARKET AND
ECONOMIC RISKS

Since the Mühlbauer group conducts business almost exclusively in innovative, high-tech markets (semiconductor and chip card market) with corresponding **economic fluctuations of the market**, we see the greatest potential for opportunities and risks in this aspect. In order to reduce this risk to a minimum, detailed observations, analyses and the corresponding documentation of the identified developments are performed for the various market segments. Representative studies and analyses are conducted by qualified employees, in order to adapt to both short-term market developments and long-term trends. The results and the corresponding solutions and recommendations are submitted to the responsible persons at regular intervals in a timely manner, as a target-oriented decision-making aid.

DEVELOPMENT RISKS

In just such innovative markets it is especially important that products and services be constantly adapted to current market and customer needs. The group counters the risk of **off-market product developments** by subjecting the entire product and service portfolio to periodic reviews for constant updating. In cooperation with strategic customers and renowned development institutes, Mühlbauer also works increasingly on new market-oriented developments and the acquisition of future markets or market niches.

The right **selection of the basic technology** is one of the most important decisions in an innovative company and must be communicated regularly and critically. Especially in the area of drive technology, software and electronics, changes in the basic technology are significant and decisive for the continued existence of the company. To minimize risks, we observe the competitors from both a technological and strategic point of view, enabling a quick, flexible and demand-oriented response by the company to emerging innovations.

In the development of new products and also in the further development of existing products and the diversification of a product line, there is the risk that a competitor **meets the market more rapidly**, giving him a more favourable position. The company counters this risk with a consistent and disciplined definition of development processes with corresponding impulses and objectives from the product management system. In addition, a so-called balanced scorecard analysis is performed, which takes a closer look at the following factors: customers, personnel, finances and processes.

GENERAL RISKS For an international company, the constant availability of IT systems, the global networking of the company's own plants and the transfer of data to external partners is both necessary and taken for granted. In order to meet all these constantly changing internal and external requirements, the risk of **data availability, security and integrity** is of special importance. Virus protection programs are continually being installed and updated. Diverse security measures are conceived and implemented in order to guarantee optimum network stability. Risks arising in the area of **personnel strategy**, such as enticement of employees by competitors and the shortage of qualified personnel in the Roding area, where the company headquarters is located, the management counters by active and demand-oriented personnel policies. **External risks**, to which the Mühlbauer group is exposed due to superior force (storm, water, fire), are covered by appropriate insurance policies, which are not only prudent from the point of view of business, but also required by law in some cases.

The management of the Mühlbauer group is aware of the above risks - especially concerning the market and economy, and technological issues - and of their possible effects. Our strategic goal, however, is not only the avoidance of risks, but also risk awareness in order to take advantage of potential opportunities associated with risks. This is the only way to maintain and expand the leading market position.

Based on all available information and analyses, the Mühlbauer group is currently not exposed to risks that would significantly affect the financial and profit situation so as to endanger the continued existence of the group. Prerequisite for this is continued financial stability, further diversification of the product strategy, improved customer relations and, last but not least, awareness of existing risk potentials.

FUTURE PROSPECTS

EXCELLENT
POSITIONING IN
THE MARKETS

Although the uncertain world economic and current market conditions make it difficult to forecast results, leading economists of various institutions assess the future more positively again. In January, the Ifo index with 84.1 points reached a pre-September 11 level again. After the terrorist attacks it had collapsed to 70.7 points. However, economic experts continue to assess the present situation with caution.

In the reporting year Mühlbauer has continued to concentrate on its core business and to further develop its technological basis. Through technological innovations in smart card production engineering, flip-chip assembly engineering as well as the personalization of biometric data, the company has a widely spread technology portfolio of flexible turnkey solutions at its disposal, in order to meet the growing demand of the customers for tailor-made solutions and the most varied applications. Through streamlining of structures, the organization's clear orientation towards its business objective and the excellent positioning in the markets we are confident to disproportionately profit from a recovery and, moreover, use it to improve both our service to the customer and our competitiveness.

DISCLAIMER This financial statement contains information projected into the future that is based on the assumptions and estimates of the Mühlbauer corporate management. Although we assume the expectations of these predictions for the future to be realistic, we cannot guarantee that these predictions will prove to be correct. The assumptions may conceal risks and uncertainties that could lead to a significant discrepancy between the actual results and the predictions. Factors that can cause such discrepancies include: changes in the economic and commercial situation, deviations in exchange rates and interest, the introduction of competitive products, lack of acceptance of new products or services and changes in the corporate strategy. An update of the predictions by Mühlbauer is neither planned nor does Mühlbauer assume the responsibility for such an update.

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CONSOLIDATED STATEMENT OF INCOME (US-GAAP) FROM JANUARY 1 TO DECEMBER 3, 2001 OF MUEHLBAUER HOLDING AG & CO. KGAA

		01.01.-31.12.01		01.01.-31.12.00	
		TEUR	%	TEUR	%
	Notes				
1.	Sales (24)	89,422	100.0	110,322	100.0
2.	Cost of Sales	60,758	67.9	65,662	59.5
3.	Gross profit	28,664	32.1	44,660	40.5
4.	Operating expenses				
a)	selling, general and administrative	13,486	15.1	14,697	13.3
b)	research and development	10,244	11.5	9,854	9.0
5.	Operating income	4,934	5.5	20,109	18.2
6.	Other income and expenses				
a)	interest income	6,397	7.1	5,623	5.1
b)	interest expenses	8,317	9.3	4,537	4.1
c)	other income (25)	3,549	4.0	3,885	3.5
7.	Income before income taxes	6,563	7.3	25,080	22.7
8.	income taxes (13)	1,012	1.1	7,383	6.7
9.	Net earnings	5,551	6.2	17,697	16.0

Earnings per common share in EUR

basic	0.35	1.02
fully diluted	0.35	1.02

Weighted average of common shares

basic	6,261,165	3,867,345
fully diluted	6,275,246	4,269,170

The accompanying notes are an integral part of these Consolidated Financial Statements.

**CONSOLIDATED BALANCE SHEETS (US-GAAP) AS AT DEC. 31, 2001
OF MÜHLBAUER HOLDING AG & CO. KGAA**

	Notes	31.12.01 TEUR	31.12.00 TEUR
ASSETS			
Current assets			
Cash and cash equivalents		2,206	3,618
Securities	(4)	2,592	6,609
Trade receivables	(5)	19,645	30,868
Inventories	(6)	52,132	46,253
Deferred tax assets	(13)	459	529
Prepaid expenses		120	126
Other current assets	(7)	6,472	5,290
		83,626	93,293
Investment and long-term financial assets			
Securities	(4)	7,749	10,762
		7,749	10,762
Fixed assets			
Land	(8)	1,449	1,333
Buildings, net	(8)	31,030	24,378
Technical and other equipment, net	(8)	12,621	11,416
Buildings and equipment in progress	(8)	69	1,744
		45,169	38,871
Intangible assets			
Goodwill	(9)	468	548
Software and licenses	(9)	930	1,461
		1,398	2,009
		137,942	144,935
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Short-term debt	(10)	2,308	959
Debt maturing within one year	(11)	1,174	1,042
Trade payables		5,646	6,781
Downpayments received on orders		4,565	2,976
Shareholders' loans		43	53
Other current liabilities	(12)	4,757	4,338
Accruals for income taxes	(13)	217	5,326
Deferred tax liabilities	(13)	0	323
Other accruals	(14)	4,428	5,546
		23,138	27,344
Long-term liabilities			
Convertible bonds		39	49
Long-term debt	(15)	3,883	5,057
Investment grants received	(16)	6,721	6,020
Deferred tax liabilities	(13)	2,013	1,868
Postretirement and postemployment benefit liabilities	(17)	324	281
		12,980	13,275
Stockholders' equity			
Common stock (par value 1,28 EUR; 4,380,000 common shares authorized; 2,000,000 common shares unauthorized; 4,279,200 common shares issued; (of which 4,262,464 common shares are outstanding)	(19)	8,038	4,986
Own shares	(19), (22)	(22)	(21)
Fixed capital contributions	(19)	(2,980)	66
Additional paid-in capital	(19)	60,086	61,018
Retained earnings		36,442	38,468
Other comprehensive income	(20)	260	(201)
		101,824	104,316
		137,942	144,935

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASHFLOWS (US-GAAP) OF MÜHLBAUER HOLDING AG & CO. KGAA

	01.01. until 31.12.01 TEUR	01.01. until 31.12.00 TEUR
Operating activities		
1. Income before income taxes including profit of the personally liable shareholder	6,563	25,080
2. Consolidated net income including profit of the personally liable shareholder	5,551	17,697
Adjustments to reconcile consolidated net income to net cash (used in) provided by current operating activities:		
3. +/- Expenses/Income from the employee profit-sharing program	(1,377)	2,284
4. - Tax adjustment personally liable shareholder	0	(4,487)
5. +/- Depreciations/(appreciations) to		
- fixed assets	6,548	5,718
- goodwill	78	78
- software and licenses	693	420
6. -/+ (Gains)/losses from the sale of objects from the assets	(101)	(8)
7. -/+ Currency differences from the transition of assets	2	(18)
8. -/+ Realized net (gains)/losses from securities and long-term financial assets	2,570	166
9. -/+ Unrealized (gains)/losses from securities (trading papers)	214	(429)
10. - purchase in securities (trading papers)	(8,711)	(20,627)
11. + Sales of securities (trading papers)	10,242	22,149
12. -/+ (Increase)/decrease of trade receivables	11,356	(10,302)
13. +/- Increase/(decrease) of value adjustments for trade receivables	(133)	613
14. -/+ (Increase)/decrease of inventories	(9,096)	(6,225)
15. + Value adjustments on inventories	3,217	0
16. -/+ (Increase)/decrease of deferred tax assets	70	(529)
17. -/+ (Increase)/decrease of prepaid expenses	6	89
18. -/+ (Increase)/decrease of other current assets	(1,182)	(238)
19. +/- Increase/(decrease) of trade payables	(1,135)	1,741
20. +/- Increase/(decrease) of downpayments received on orders	1,589	857
21. +/- Increase/(decrease) of other liabilities	419	1,089
22. +/- Increase/(decrease) of tax reserves	(5,109)	2,708
23. +/- Increase/(decrease) of deferred tax liabilities	(178)	(930)
24. +/- Increase/(decrease) of other accruals	(1,118)	2,353
25. +/- Increase/(decrease) of investment grants received	701	1,097
26. +/- Increase/(decrease) of pension liabilities	43	41
27. = cash provided by (used for) operating activities	15,159	15,307

	01.01. until 31.12.01 TEUR	01.01. until 31.12.00 TEUR	
Investing activities			
28. +	Payments received from disposals of objects of the assets	192	191
29. -	Investment in fixed assets	(12,938)	(12,833)
30. -	Investment in software and licenses	(161)	(1,304)
31. -	Investment in securities of fixed assets (available-for-sale papers)	(5,276)	(3,683)
32. +	Purchase in securities (available-for-sale papers)	8,310	12,928
33. =	cash used for investing activities	(9,872)	(4,701)
Financing activities			
34. -	Repayments of long-term debt	(1,174)	(1,294)
35. +/-	Increase/(decrease) of short-term debt	1,481	(984)
36. +/-	Increase/(decrease) of shareholder loans	(10)	1
37. -	Exercise of convertible bonds	(6)	(19)
38. -	Collection of convertible bonds	(4)	(4)
39. +	Proceeds from increases of the share capital	106	365
40. -	Purchase of own shares	(204)	(538)
41. +	Sale of own shares	474	487
42. -	Dividends paid	(7,508)	(6,572)
43. +	Payments on the offset account of the personally liable shareholder	5	0
44. =	cash used for financing activities	(6,840)	(8,558)
45. +/-	Net increase (decrease) in cash and cash equivalents	141	119
46. =	change of the cash assets (Total of lines 45, 44, 33 and 27)	(1,412)	2,167
47. +	Cash and cash equivalents on January 1	3,618	1,451
48. =	Cash and cash equivalents on December 31	2,206	3,618
Additional cashflow information:			
	Tax paid	10,553	6,524
	Interest paid	529	665

Non-cash transactions:

In 2001 unrealized gains and losses from available-for-sale papers are shown under other comprehensive income.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Financial Statements

DEVELOPMENT OF THE CONSOLIDATED SHAREHOLDERS' EQUITY (US-GAAP) OF MÜHLBAUER HOLDING AG & CO. KGAA

							Other comprehensive income (loss)		
	Notes	Number of shares	Common stock TEUR	Fixed capital TEUR	Additional paid-in capital TEUR	Retained earnings TEUR	Cumulative translation adjustment TEUR	Available- for-sale securities TEUR	Total TEUR
Balance Jan. 1, 2000		3,855,200	4,935	66	58,203	32,077	0	(452)	94,829
Consolidated net income		-	-	-	-	17,697	-	-	17,697
Other comprehensive income (loss)	(20)	-	-	-	-	-	118	133	251
Total comprehensive income (loss)		-	-	-	-	17,697	118	133	17,948
Deferred compensation	(18)	-	-	-	2,284	-	-	-	2,284
Issuance of common stock	(18)	14,880	19	-	346	-	-	-	365
Purchase of own shares	(19), (22)	(7,000)	(9)	-	(153)	(376)	-	-	(538)
Sale of own shares	(19), (22)	15,505	20	-	338	129	-	-	487
Dividends		-	-	-	-	(6,572)	-	-	(6,572)
Tax adjustment related to the personally liable shareholder		-	-	-	-	(4,487)	-	-	(4,487)
Balance Dec. 31, 2000		3,878,585	4,965	66	61,018	38,468	118	(319)	104,316
Consolidated net income		-	-	-	-	5,551	-	-	5,551
Net interest income offset account personally liable shareholders		-	-	-	-	5	-	-	5
Other comprehensive income (loss)	(20)	-	-	-	-	-	141	320	461
Total comprehensive income (loss)		-	-	-	-	5,556	141	320	6,017
Deferred compensation	(18)	-	-	-	(1,377)	-	-	-	(1,377)
Issuance of common stock	(18), (19)	2,384,320	3,052	(3,046)	100	-	-	-	106
Purchase of own shares	(19), (22)	(7,000)	(9)	-	(121)	(74)	-	-	(204)
Sale of own shares	(19), (22)	6,559	8	-	466	-	-	-	474
Dividends		-	-	-	-	(7,508)	-	-	(7,508)
Balance Dec. 31, 2001		6,262,464	8,016	(2,980)	60,086	36,442	259	1	101,824

The accompanying notes are an integral part of these Consolidated Financial Statements.

**DEVELOPMENT OF CONSOLIDATED FIXED ASSETS SCHEDULE (US-GAAP)
OF MÜHLBAUER HOLDING AG & CO. KGAA**

	Gross Acquisition and Manufacturing Costs				Accumulated Depreciations				Book value	
	Balance	Currency	Additions	Disposals	Balance	(=depreciations)	Disposals	Balance	Balance	
	Jan. 1, 01	changes	TEUR	TEUR	Jan. 1, 01	of the financial	TEUR	Dec. 31, 01	Dec. 31, 00	
	TEUR	TEUR	TEUR	TEUR	TEUR	year)	TEUR	TEUR	TEUR	TEUR
I. Intangible assets										
1. Other intangible assets	4,058	0	161	(3)	2,597	693	(4)	3,286	930	1,461
2. Goodwill	787	0	0	(2)	239	78	0	317	468	548
Intangible assets	4,845	0	161	(5)	2,836	771	(4)	3,603	1,398	2,009
II. Property, plant and equipment										
1. Land, leasehold improvements and buildings including buildings on land owned by others	33,598	0	⁹⁾ 8,342	(0)	7,887	1,574	0	9,461	32,479	25,711
2. Technical equipment and machinery	27,869	0	3,823	(86)	20,754	2,846	(86)	23,514	8,092	7,115
3. Other equipment, factory and office equipment	13,632	21	2,448	(550)	9,331	2,128	(459)	11,022	4,529	4,301
4. Advance payments relating to plant and equipment and construction in progress	1,744	0	69	⁹⁾ (1,744)	0	0	0	0	69	1,744
Property, plant and equipment	76,843	21	14,682	(2,380)	37,972	6,548	(645)	43,957	45,169	38,871
III. Investments and long-term financial assets										
1. Securities	11,142	0	5,276	(8,670)	380	(11)	(370)	(1)	7,749	10,762
Investments and long-term financial assets	11,142	0	5,276	(8,670)	380	(11)	(370)	(1)	7,749	10,762
Total	92,830	21	20,119	(11,065)	41,188	7,308	(919)	47,599	54,316	51,642

⁹⁾ The disposal in case of advanced payments and construction in progress represents direct costs incurred for construction works in 2000. These were transferred with the completion of construction work on land, rights equivalent to real property and buildings including buildings on land owned by others.

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES

(1) THE COMPANY

Mühlbauer Holding AG & Co. Kommanditgesellschaft auf Aktien, Roding ("Mühlbauer" or "company") is an international enterprise that develops, produces and distributes a wide range of systems and turn-key solutions for the manufacture of

- smart cards - chip cards, contactless cards, dual-interface cards, smartmedia/multimedia cards;
- smart labels - intelligent labels for contactless data transfer;
- semiconductor products for a variety of microelectronic applications.

Additional segments of activity are board handling and precision parts manufacturing. Mühlbauer's spectrum of services also encompasses the development and production of systems for the manufacture of carrier tapes for the electronics industry.

The company has production plants located in the German cities of Roding and Stollberg. Mühlbauer also operates a network of international sales and service offices in France, South Africa, China, Taiwan, Australia, Mexico and Brazil, in addition to independent sales and service companies in the USA and Malaysia. Additionally, the company maintains contact to commercial agencies in various countries.

(2) BASIS OF PRESENTATION

The company has been listed since July 10, 1998 on the "Geregelter Markt" of the Frankfurt stock exchange and on the Neuer Markt of the Deutsche Börse AG.

The consolidated financial statement was prepared based on the financial reporting standards used in the USA ("United States Generally Accepted Accounting Principles" or "US-GAAP").

Mühlbauer Holding AG & Co. KGaA is a joint stock company according to German law. In accordance with the regulations of the German Commercial Code (HGB) and the Corporation Law (AktG) the company must prepare consolidated financial statements based on the accounting regulations of the HGB. According to § 292a HGB consolidated financial statements according to German law are not required if consolidated financial statements based on international principles such as US-GAAP are submitted. With the present consolidated financial statements, Mühlbauer is exempt as defined in § 292a HGB. In order to comply with the prerequisites for the exemption, the notes contain additional information not required by US-GAAP. The management discussions and analysis report was prepared in accordance with the regulations of § 290 par. 1 ff HGB.

All numerical figures contained in this consolidated financial statements are indicated in thousand Euro ("TEUR"), unless explicitly stated otherwise. Negative amounts are indicated in parentheses.

As at December 31, 2001, the consolidated companies includes three German and two foreign subsidiary companies listed below:

German companies:

Mühlbauer Aktiengesellschaft, Roding

Interest 100 percent

ASEM Präzisions-Automaten GmbH, Dresden

Interest 100 percent

Rommel GmbH, Ehingen

Interest 100 percent

Foreign companies:**Mühlbauer Inc., Newport News, Virginia**

Interest 100 percent

Mühlbauer Sdn. Bhd., Melaka, MalaysiaInterest 100 percent

ABOS Automation, Bildverarbeitung, Optische Systeme GmbH, which was included in the previous year's consolidated financial statement, was merged with Mühlbauer Aktiengesellschaft based on a corporate resolution of March 27, 2001 with effect from January 1, 2001. As a result of the merge, Mühlbauer Aktiengesellschaft took over the entire assets and liabilities. This measure has no effect on the consolidated financial statements.

Further information on the individual companies can be found in the supplement to the financial statements of the respective company on file at the commercial registration office of the city of Regensburg, register no. HRB 7036.

**(3) SUMMARY OF
SIGNIFICANT
ACCOUNTING
POLICIES
BASIS OF
CONSOLIDATION**

The consolidated financial statements includes, in addition to Mühlbauer, all subsidiaries in which Mühlbauer exerts direct or indirect control due to the majority of the voting rights. Companies in which Mühlbauer has no control, but still exerts considerable influence on the business operations ("associated companies"), are accounted for according to the equity method. The existence of such a decisive influence is generally assumed for companies in which Mühlbauer has an interest of 20 percent to 50 percent. Subsidiaries in which the company has an interest of less than 20 percent are accounted for at the cost of acquisition less any extraordinary depreciations. As far as Mühlbauer has the opportunity to exert a decisive influence on the business operations of these companies, the equity method is applied.

Any material transactions between the consolidated companies are eliminated from the consolidated financial statements.

**FOREIGN CURRENCY
TRANSLATION**

Financial statements of foreign subsidiaries that use a functional currency other than the Euro are converted according to the Statement of Financial Accounting Standards (SFAS) no. 52 "Foreign Currency Translation". According to this statement, the assets and liabilities, with the exception of stockholders equity, which is converted at historical rates, are to be converted at the rate on the closing date, while the conversion of items of the profit and loss analysis is based on average rates. Differences resulting from this conversion are indicated as separate neutral components in the stockholders' equity.

The following chart shows the conversion rates used for preparation of the consolidated financial statements:

Currency:		Rate on closing date		Mean average rate	
		December 31, 2001 EUR	December 31, 2000 EUR	2001 EUR	2000 EUR
Malaysia	100 MYR	29.8151	28.2813	29.4014	29.3178
USA	1 USD	1.1347	1.0747	1.1169	1.0825

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Purchases and sales in foreign currencies are translated at the valid daily rate at the time of the transaction and foreign currency gains and losses are posted under the other operational earnings or expenses as affecting the operating result.

SALES RECOGNITION	Sales are indicated less customer premiums and rebates, upon delivery of goods or performance of service. A delivery is deemed fulfilled when risks and opportunities connected with the goods have been transferred to the purchaser. Commission expenses are listed as sales and distribution costs.															
PRODUCT-RELATED COSTS	Expenditures for product marketing and advertising and for other sales-related activities are recorded as expenses as they occur. In the fiscal year 2001 this totalled 1,290 TEUR (2000: 774 TEUR). Guarantee reserves are formed beginning at the time the turnover is realized. Research and development costs are posted as expenses at the full cost as they occur.															
EARNINGS PER SHARE	<p>In calculating the earnings per share, all effects from rights of conversion into stockholders' equity are included, in accordance with SFAS no. 128 "Earnings per Share". When this dilution is applied, two categories are to be indicated for the earnings per share. For the category "basic earnings per share", diluted shares are not taken into account; the consolidated earnings are divided by the weighted average of the issued shares. The category "diluted earnings per share", in addition to the weighted average of shares issued, also takes into account diluted shares, which arise as a result of convertible bonds, for example.</p> <p>The conversion of the weighted average of shares issued for calculation of the basic earnings per share to the weighted average of the shares issued for calculation of the diluted earnings per share is calculated as follows:</p>															
	<table><thead><tr><th></th><th>2001 shares</th><th>2000 shares</th></tr></thead><tbody><tr><td>Weighted average of shares for calculation of the "basic earnings per share"</td><td>6,261,165</td><td>3,867,345</td></tr><tr><td>Dilutive effect of convertible bonds</td><td>14,081</td><td>21,825</td></tr><tr><td>Dilutive effect from the conversion of personally liable shareholders fixed capital contribution into share capital</td><td>-</td><td>380,000</td></tr><tr><td>Weighted average of shares for calculation of the "diluted earnings per share"</td><td>6,275,246</td><td>4,269,170</td></tr></tbody></table>		2001 shares	2000 shares	Weighted average of shares for calculation of the "basic earnings per share"	6,261,165	3,867,345	Dilutive effect of convertible bonds	14,081	21,825	Dilutive effect from the conversion of personally liable shareholders fixed capital contribution into share capital	-	380,000	Weighted average of shares for calculation of the "diluted earnings per share"	6,275,246	4,269,170
	2001 shares	2000 shares														
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Dilutive effect from the conversion of personally liable shareholders fixed capital contribution into share capital	-	380,000														
Weighted average of shares for calculation of the "diluted earnings per share"	6,275,246	4,269,170														
CASH AND CASH EQUIVALENTS	Cash and cash equivalents refer to current credit balances at financial institutions, cash assets and capital that can be liquidized on short notice (3 months or less).															
TRADE RECEIVABLES	Trade receivables are assessed at the nominal amount. Discernible risks are allowed for by appropriate revaluations.															

INVENTORIES Inventories are assessed either at the cost of acquisition and manufacture or at the lower market value. Raw materials, auxiliary and operational materials are assessed primarily at the floating average price. Non-sellable and reduced-value inventory is assessed according to the lower-of-cost-or-market principle. Finished and unfinished products, including order-related development tasks, are assessed according to the principle of unit valuation. Direct material and production unit costs and proportional material and production overhead costs are carried as assets under standard utilization.

SECURITIES Securities are assessed by "specific identification" in accordance with SFAS no. 115 "Accounting for Certain Investments in Debt and Equity Securities" at the stock exchange or market price on the closing date. Unrealized gains and losses are posted as affecting the operating result for "trading" securities that were acquired for ready sale. Unrealized gains and losses for securities that are neither intended as a permanent component of the company's assets nor for reselling ("available-for-sale" securities) are not posted as affecting the operating result; instead, they are included in the "Other Comprehensive Income". In the event of available-for-sale securities that are expected to permanently decrease in value, the negative difference is posted as affecting the operating result.

FIXED ASSETS Fixed assets are assessed at the purchase or manufacturing cost less cumulative depreciations. The schedule depreciations are linear, over a normal serviceable life based on categories, as follows:

Buildings	10 - 33 years
Technical equipment	5 - 10 years
Other equipment, fixtures and office equipment	3 - 10 years

Buildings that were purchased or the construction of which began on January 1, 2001 or later are depreciated over a normal useable life of 33 years. The depreciation of buildings acquired or build prior to this date remains unchanged, i.e. a normal life of 25 years.

Costs for replacement parts, periodic maintenance and repairs are recorded as they occur based on actual costs. Significant renewal or expansion investments are carried as assets, if they increase the useable life of an asset. In the event of losses in assets, the corresponding historical purchase costs and cumulative depreciations are accounted for as write-offs and the difference to the sale proceeds is posted as a profit or loss under the other operational earnings or expenses.

The acquisition and manufacturing costs of certain long-term construction projects contain capitalized financing costs during the period of manufacture. These costs are depreciated over the normal useable life of the corresponding asset. Of the interest expenses of 529 TEUR incurred in the fiscal year 2001, interest totalling 63 TEUR was carried as assets.

NOTES

INTANGIBLE ASSETS	Acquired intangible assets consist primarily of licenses and acquired technological know-how, which are carried as acquisition costs and linearly depreciated over the expected useable life of three years. Furthermore, assets of goodwill based on the acquisition of business operations are reported if the purchase price exceeds the market value of the acquired assets and debts, and are depreciated linearly over a period of ten years.
VALUE PRESERVATION OF LONG-TERM ASSETS	Intangible assets and other long-term assets are subjected to the "impairment test" in accordance with SFAS no. 121 "Accounting for the Impairment of Long-term Assets and for Long-term Assets to be Disposed of" if facts or changes in circumstances indicate that the respective book values are no longer valid. A decrease is to be considered if the total of all future non-discounted cash flows from the utilization of the asset is not sufficient to cover the corresponding book value. The book value of the respective asset is depreciated to the market value, which is generally determined based on the discounted future cash flows.
PENSION AND POSTRETIREMENT BENEFITS	The assessment of reserves for pensions is based on the pension report according to the "projected unit credit method" in compliance with SFAS no. 87 "Employers' Accounting for Pensions".
OTHER ACCRUALS	Accruals are formed if an obligation toward third parties exists on the closing date. The assessment of the other accruals is based on the facts on the balance sheet date and any information or events that come to light after the closing date. The calculation of the contingency accrual is based on a variable percentage of the guaranteed revenue, which is calculated based on past experience with a certain probability for service under a guarantee.
INCOME TAX	<p>The company applies SFAS no. 109 "Accounting for Income Taxes". According to the liabilities method, deferred taxes and reserves for deferred taxes are formed for the expected tax liabilities resulting from the differences in assets and liabilities between the consolidated book values and the tax values. The applicable tax rates and tax regulations are used that are valid at the time these differences are eliminated. Debit-side taxes are examined for future realizability and depreciated, if necessary.</p> <p>As far as shares in incorporated bodies can be sold tax-exempt in Germany beginning January 1, 2002 due to new legislature, this tax exemption was taken into account in determining deferred taxes as at December 31, 2001.</p> <p>The personally liable shareholder is subject only to trade tax within the company. The taxation of his share of profits with respect to corporation tax and solidarity tax is within the personal realm of the personally liable shareholder, in which the applicable individual tax rates are used.</p>

INVESTMENT GRANTS RECEIVED	<p>Tax-exempt investment grants received are recorded as income at the time of lawful claim. Taxable investment subsidies for fixed intangible assets are deferred and assigned as income congruent to the corresponding expenses for the period. The investment grants allocated to the research and development of new products and processes are assigned as income affecting the operating result analogous to the related costs incurred in the respective period.</p>
STOCK COMPENSATION PLAN	<p>The company accounts for its obligations from share option plans according to APB 25 "Accounting for Stock Issued to Employees" and also publishes the supplementary information required by SFAS no. 123 "Accounting for Stock-Based Compensation".</p>
USE OF ESTIMATES AND ASSUMPTIONS	<p>The preparation of the consolidated financial statements requires, to a certain degree, estimates and assumptions by the management. These estimates and assumptions affect the presentation of assets and liabilities, the statement of eventual liabilities on the balance sheet date and the presentation of profits and losses for the reporting period. The actual amounts can deviate from the estimates.</p>
RECENT FINANCIAL REPORTING REGULATIONS	<p>The Financial Accounting Standards Board (FASB) published SFAS no. 141 "Business Combinations" and SFAS no. 142, "Goodwill and Other Intangible Assets" in July 2001. SFAS no. 141 requires the utilization of the purchase method in the consolidation of subsidiaries for which the acquisition was initiated after June 30, 2001. Furthermore, the standard specifies criteria according to which intangible assets acquired as a result of the acquisition of a company are to be accounted for separately from the goodwill.</p> <p>SFAS No. 142 regulates the initial recording of intangible assets not acquired as the result of the acquisition of a company and the subsequent assessment of all intangible assets, including goodwill. According to this standard, goodwill and intangible assets with an indefinable useable life are not to be depreciated according to a schedule, but instead are to be valued at least once per year in an impairment test. According to SFAS no. 142, intangible assets with a definable useable life are to be depreciated beyond their expected useful life according to the schedule only for the amount of any existing residual value and furthermore, according to SFAS No. 121 "Accounting for the Impairment of Long-term Assets and for Long-term Assets to be Disposed of", in the event of signs of a reduction in value to be valued. The entire standard is compulsory for all affected companies for financial years beginning after December 15, 2001. Within a period of three months for intangible assets and six months for goodwill beginning with the initial full utilization of the standard, regular impairment tests must be carried out for these. The assignment of intangible assets acquired in previous periods is to be reassessed in accordance with SFAS no. 141 and reclassified, if applicable.</p> <p>In June 2001 the FASB published the SFAS no. 143 "Accounting for Asset Retirement Obligations", which addresses the reporting of liabilities from the retirement of long-term assets and the corresponding retirement costs. This standard can be applied to all liabilities connected with the termination of long-term assets from acquisitions, construction, development and/or normal use of the asset. The standard is to be applied by all companies for business years beginning after June 15, 2002.</p>

NOTES

In August 2001 the FASB published SFAS no. 144 "Accounting for the Impairment or Disposal of Long-term Assets". SFAS no. 144 replaces SFAS No. 121 and modifies single specifications of APB no. 30 "Reporting the Results of Operations" and the Accounting Research Bulletin (ARB) No. 51 "Consolidated Financial Statements". The standard essentially contains additional regulations for the execution of impairment tests. It retains the existing specification to carry out non-scheduled revaluations in connection with respective assets only if the future income surpluses do not cover the remaining book value of the assets on a non-discounted basis. Furthermore, it changes the previous regulations for accounting for discontinued operations. This standard can first be applied for business years beginning after December 15, 2001.

Mühlbauer will apply SFAS no. 141, 142 and 144 beginning with financial year 2002 and SFAS no. 143 beginning with financial year 2003. The management has examined the new regulations and expects that the initial application of these standards will not significantly affect business transactions occurring prior to the balance sheet date.

(4) SECURITIES AND LONG-TERM FINANCIAL ASSETS

The acquisition costs and market values of the debt instruments and securities with equity interests presented under "Securities" and "Financial Assets" break down as follows:

	December 31, 2001				December 31, 2000			
	Acquisition costs TEUR	gain TEUR	unrealised loss TEUR	Exchange/ market value TEUR	Acquisition costs TEUR	gain TEUR	unrealised loss TEUR	Exchange/ market value TEUR
Available-for-Sale								
Debt instrument (federation and federal state)	7,748	77	(76)	7,749	11,142	42	(422)	10,762
Debt instrument from public limited companies	0	0	(0)	0	785	0	(18)	767
Total	7,748	77	(76)	7,749	11,927	42	(440)	11,529
Trading								
Shares	2,912	183	(503)	2,592	7,013	446	(1,617)	5,842
Total	2,912	183	(503)	2,592	7,013	446	(1,617)	5,842
	10,660	260	(579)	10,341	18,940	488	(2,057)	17,371

The following table presents the costs of acquisition and the market price of the assets at the end of the year after the residual term:

	December 31, 2001		December 31, 2000	
	Acquisition costs TEUR	Market value TEUR	Acquisition costs TEUR	Market value TEUR
Available-for-sale securities due within one year	1,077	1,058	1,299	1,268
between 2 and 5 years	2,106	2,149	5,388	5,178
between 6 and 10 years	4,565	4,542	3,241	3,139
after 10 years	0	0	1,999	1,944
	7,748	7,749	11,927	11,529

The actual due dates can vary due to selling or repayment rights.

"Trading" securities contain no securities with a term of more than one year. The proceeds from the sale of "available-for-sale" securities total 9,077 TEUR (2000: 12,928 TEUR). The realized losses from these in the reporting year total 377 TEUR (2000: 166 TEUR). The sale of "trading" securities resulted in proceeds of 10,242 TEUR (2000: 22,149 TEUR). The realized gains from these total 944 TEUR (2000: 3,946 TEUR) and the realized losses 3,513 TEUR (2000: 1,035 TEUR). The market value of the "available-for-sale" securities include unrealised gains of 1 TEUR (unrealised losses of 398 TEUR in the previous year). The unrealised losses from existing "trading" securities in the reporting year total 320 TEUR (2000: 1,171 TEUR).

(5) TRADE RECEIVABLES

Trade receivables as at December 31, 2001 and 2000 break down as follows:

	December 31	
	2001	2000
	TEUR	TEUR
Gross value of the trade receivables	21,402	32,758
less value adjustments	(1,757)	(1,890)
	19,645	30,868

All trade receivables have a residual term of less than one year.

(6) INVENTORIES

The inventories as at December 31, 2001 and 2000 break down as follows:

	December 31	
	2001	2000
	TEUR	TEUR
Raw materials, auxiliary and operating mat. incl. pre-payments for mat.	6,016	5,458
Unfinished products	33,129	32,646
Finished products	12,987	8,149
	52,132	46,253

In the reporting year 2001 the company adjusted the value of inventories for the amount of 3,217 TEUR.

(7) OTHER CURRENT ASSETS

The other current assets as at December 31, 2001 and 2000 break down as follows:

	December 31	
	2001	2000
	TEUR	TEUR
Tax accruals	5,148	3,034
Investment premiums	531	430
Investment and technology grants	346	1,214
Interest demands	196	279
Pre-payments paid	120	91
Other	131	242
	6,472	5,290

NOTES

(8) FIXED ASSETS

The breakdown of the fixed assets as at December 31, 2001 and 2000 is presented in the following overview:

	December 31 2001 TEUR	2000 TEUR
Acquisition costs		
Land	1,449	1,333
Buildings	40,491	32,265
Other facilities, fixtures and office equipment	47,157	41,501
Buildings and equipment under construction	69	1,744
	89,166	76,843
Cumulative depreciations from previous years	37,449	32,254
Depreciations for the financial year	6,548	5,718
	45,169	38,871

(9) INTANGIBLE ASSETS

The intangible assets as at December 31, 2001 and 2000 break down as follows:

	December 31 2001 TEUR	2000 TEUR
Software (derivative)	3,340	3,183
Sales licenses	876	876
Goodwill	785	786
	5,001	4,845
Cumulative depreciations from previous years	2,832	2,338
Depreciations for the financial year	771	498
	1,398	2,009

The company executed scheduled depreciations of 78 TEUR (previous year: 78 TEUR) on the goodwill in the reporting year and assumes that the scheduled depreciation of this amount will no longer be relevant in the following years, in accordance with SFAS No. 141 „Business Combinations“.

(10) SHORT-TERM DEBTS

The company has agreed to separate short-term credit lines with several financial institutions for the expected financing requirements. As at December 31, 2001 and 2000 these credit lines are 51,033 TEUR and 38,956 TEUR and are unsecured. Of these credit lines, 45,280 TEUR and 37,326 TEUR were available at December 31, 2001 and 2000, consisting of the following two groups. The first group consists of assured short-term credit lines from credit institutions for the financing of working capital and guarantees totalling 34,500 TEUR, of which 30,673 TEUR were available but unused as at December 31, 2001. The second group of credit lines contains non-assured short-term credit lines totalling 16,533 TEUR, of which 14,607 TEUR were available but unused as at December 31, 2001. The primarily variable interest is based on a variable reference rate plus a margin.

Interest is paid, according to the agreements with various banks, either monthly or quarterly.

**(11) DEBTS
MATURING WITHIN
ONE YEAR**

The debts maturing within one year have the following maturities:

	2001 TEUR	2000 TEUR
1 st quarter	183	21
2 nd quarter	500	500
3 rd quarter	6	21
4 th quarter	485	500
	1,174	1,042

Interest is paid, according to the agreements with various banks, either monthly, quarterly or semi-annually. With respect to the securities provided we refer to note 15.

**(12) OTHER CURRENT
LIABILITIES**

The other current liabilities as at December 31, 2001 and 2000 break down as follows:

	December 31 2001 TEUR	2000 TEUR
Wages and salaries	1,933	1,850
Social security contributions	1,250	1,176
Income tax on salaries and wages	676	719
Grants	576	101
Commissions	159	70
Wealth Creation	43	41
Taxes	0	185
Other	120	196
	4,757	4,338

(13) INCOME TAX

The expenditures (proceeds) from income taxes are determined for the financial year ending December 31, 2001 and 2000 as follows:

	December 31 2001 TEUR	2000 TEUR
German corporation tax	402	5,936
German solidarity tax	(17)	441
German trade tax	772	3,802
Foreign income tax	41	202
Current taxes	1,198	10,381
Deferred tax earnings	(186)	(3,455)
Other tax expenditure	0	457
Total	1,012	7,383
Of total		
Germany	1,057	7,163
Foreign	(45)	220

NOTES

The following chart shows a transitional calculation from the expected tax expenditure to the actual tax expenditure presented in the financial statements. To determine the expected tax expenditure, the effective corporation tax of 26.375 percent (previous year: 42.2 percent) for the financial year 2001 was multiplied by the earnings after trade tax.

	December 31		December 31	
	2001	in	2000	in
	TEUR	%	TEUR	%
Earnings before tax (EBT)	6,563	100.0	25,080	100.0
Trade tax expenditure	(430)	(6.6)	(3,567)	(14.2)
Earnings after trade tax	6,133	93.4	21,513	85.8
Expected corporation tax expenditure (incl. solidarity tax)	(1,618)	(26.4)	(9,078)	(42.2)
Production of tax on dividends	0	0.0	194	0.9
Tax difference (foreign)	(83)	(1.4)	81	0.4
Non-tax-deductible depreciation on goodwill	(21)	(0.3)	(33)	(0.1)
Tax-exempt earnings	540	8.8	219	1.0
Non-tax-deductible expenditures	(4)	(0.1)	(1,033)	(4.8)
Deductible taxes	236	3.9	719	3.3
Other	(40)	(0.6)	(85)	(0.4)
Effect of tax reform in Germany in 2001	0	0.0	285	1.3
Other changes of the value adjustments on deferred taxes	0	0.0	2,129	9.9
Corporation tax expenditure (incl. solidarity tax)	(990)	(16.1)	(6,602)	(30.7)
Tax expenditure before tax reduction from earnings share of the personally liable shareholder	(1,420)	(21.6)	(10,169)	(40.5)
Tax relief on earnings share of the personally liable shareholder	408	6.2	2,786	11.1
Tax expenditure	(1,012)	(15.4)	(7,383)	(29.4)

The tax relief on the earnings share of the personally liable shareholder originates due to the fact that the corporation tax and the solidarity tax on the earnings share of the personally liable shareholder must not be indicated in the company financial statements. These taxes are allocated directly to the personally liable shareholder and are paid by him separately - independent of the applicable tax rates for the company. The percentage of the tax expenditure before tax reduction from the earnings share of the personally liable shareholder (21.6 percent) is therefore the same as the effective rate of taxation to be applied to the profits to be allocated to the limited liability shareholders. In the previous year this was 40.5 percent.

In calculating the foreign deferred taxes, the local applicable tax rate was used. For deferred taxes in Germany, the following tax rates were used:

- 13.97 percent for trade tax
- 26.38 percent for corporation tax and corresponding solidarity tax (5.50 percent).

The total tax burden was reduced by the return of previously paid taxes of 328 TEUR. Tax losses carried forward are treated as tax reductions and are included in the determination of the deferred taxes. These tax losses carried forward (468 TEUR)- notwithstanding changes in legislation - can be carried forward without limitations.

The deferred tax assets and liabilities as at December 31, 2001 and 2000 break down as follows:

	December 31	
	2001	2000
	TEUR	TEUR
Inventories	614	0
Securities	109	399
Investment grants	1,603	1,824
Pension obligations	61	29
Tax losses carried forward	468	1,705
Unrealised earnings and losses from currency differences	211	0
Other	31	0
	3,097	3,957
Total deferred tax assets	915	1,028
Securities	0	1,500
Property, plant and equipment	8,776	9,201
Investment grants	2	0
Other	26	125
	8,804	10,826
Total deferred tax liabilities	(2,469)	(2,690)
Net amount of deferred taxes	(1,554)	(1,662)

A valuation reserve for deferred taxes did not exist as at the closing date of the reporting period.

The deferrals and accruals for deferred taxes are calculated as follows:

	December 31	
	2001	2000
	TEUR	TEUR
Short-term deferred tax liabilities	(7)	(323)
Short-term deferred tax assets	466	529
	459	206
Long-term deferred tax liabilities	(2,461)	(1,868)
Long-term deferred tax assets	448	0
	(1,554)	(1,662)

(14) OTHER ACCRUALS

The other accruals as at December 31, 2001 and 2000 break down as follows:

	December 31	
	2001	2000
	TEUR	TEUR
Personnel and social security obligations	2,004	3,391
Guarantees	1,095	777
Taxes	457	457
Services yet to be performed	452	232
Third-party services	233	268
Commissions	0	309
Other	187	112
	4,428	5,546

NOTES

(15) LONG-TERM DEBTS

The long-term debts as at December 31, 2001 and 2000 break down as follows:

	December 31 2001 TEUR	2000 TEUR
Syndicated loan from the Schmidt Bank KGaA (5,113 TEUR) and the Landesanstalt für Aufbaufinanzierung (2,556 TEUR), fixed value 7,669 TEUR, term through June 30, 2006, semi-annual repayment of 480 TEUR on June 30 and December 30, variable interest rate based on tranches 1 st instalment 2,556 TEUR, interest 5.71 % (fixed through June 30, 2006) 2 nd instalment 2,556 TEUR, interest 5.74 % (fixed through June 30, 2006) 3 rd instalment 2,557 TEUR, interest 5.76 % (fixed through June 30, 2006)	4,314	5,273
Loan from the Sparkasse Ehingen Fixed value 614 TEUR, annuity repayment with monthly payment of 5.1 TEUR Interest rate 7 % (fixed through April 30, 2006)	552	574
Loan from the Sparkasse Ehingen Fixed value 179 TEUR, annuity repayment with monthly payment of 0.1 TEUR Interest rate 5.85 % (fixed through February 19, 2002)	162	167
Loan from the Sparkasse Ehingen Fixed value 256 TEUR, annuity repayment with monthly payment of 5 TEUR Interest rate 6.20 % (fixed through April 30, 2002)	29	85
Loans	5,057	6,099
less debts maturing within one year	1,174	1,042
Long-term debts	3,883	5,057

The maturity of the long-term debts to financial institutions can be taken from the following chart:

	31.12.01 TEUR
2002 (short-term)	1,174
2003	984
2004	986
2005	988
2006	507
Thereafter	418
	5,057

The total amount of assured debts as at December 31, 2001 and 2000 was 5,057 TEUR (thereof 4,314 secured debts and 743 registered land debts) and 6,099 TEUR (thereof 5,273 secured debts and 826 registered land debts). Of these, 1,174 TEUR (2000: 1,042 TEUR) are allocated to the maturing within one year.

(16) INVESTMENT GRANTS RECEIVED

The company received funds for the erection of production, administrative and technological facilities from various public institutions as a result of state-sponsored business promotion programs. The investment grants contained in the present financial statement as at December 31, 2001 and 2000 break down as follows:

	December 31 2001 TEUR	2000 TEUR
At beginning of financial year	6,020	4,922
Investment grants received during the financial year	1,759	2,138
	7,779	7,060
Depreciation for financial year analogous to corresponding assets	1,058	1,040
At end of financial year	6,721	6,020

**(17) POSTRETIRE-
MENT AND
POST EMPLOYMENT
BENEFIT LIABILITIES**

Mühlbauer has warranted pensions to members of the management board. The pension commitments encompass entitlements to retirement, disability and survivors' pensions, and is conceived as guaranteed on the one hand and dependent on the income, on the other. All warranted pensions are covered by appropriate insurance policies (special pension fund or plan assets). At the end of the reporting period, all insurance policies had been concluded, with one exception.

The assessment of the pension obligations and the necessary expenditures to cover these obligations is based on SFAS no. 87 "Employers' Accounting for Pensions" according to the "Projected Unit Credit" method. Future salary increases and other increases are included in the assessment.

The benefit obligations for the reporting year break down into the following components:

	2001 TEUR	2000 TEUR
Service cost	60	61
Interest cost	24	20
Projected return on plan assets	0	0
Transition asset	(1)	(1)
	83	80

The following table shows the change in the future interest cash value with respect to the projected benefit obligation (PBO), the change in the plan assets, the funded status and the pension reserves:

	2001 TEUR	2000 TEUR
Projected benefit obligation (PBO) as at January 1	406	339
Service cost	60	61
Interest cost	24	20
Actuarial losses/(-)gains	2	(14)
Projected benefit obligation (PBO) as at December 31	492	406
Fair value of plan assets as at January 1, 2000	162	122
Plan assets	7	(2)
Benefits paid during the financial year	33	42
Fair value of the plan assets as at December 31	202	162
Funded status	290	244
Actuarial gains	12	14
Transition Asset	22	23
Benefit liability as at December 31	324	281

The calculation of the actuarial values is based on the following assumptions:

	2001 TEUR	2000 TEUR
Interest rate	6%	6%
Salary trend	3%	3%
Pension trend	2%	2%

NOTES

(18) STOCK COMPENSATION PLANS

Based on a decision of the annual general meeting of June 25, 1998 the management was authorized, with the approval of the supervisory board, to introduce a management participation program in the form of the issue of convertible bonds. For this purpose, the share capital was increased by 153 TEUR for the issue of up to 120,000 shares in stock issued to the owner (Limited Capital I). By decision of the annual general meeting of Mai 4, 2000, the usage of the Limited Capital I was changed by the amount of 84 TEUR (corresponding to 66,000 shares in stock issued to the owner), so that the Limited Capital I is no longer used to grant conversion rights to owners of convertible bonds, but rather for the serving of subscription rights that can be granted in the form of "naked options" to members of the management, the executive staff and employees. This change of purpose resulted in Limited Capital II. The previous Limited Capital I was renamed Limited Capital III.

CONVERTIBLE BONDS PROGRAM

The limited capital increase (Limited Capital I), which serves to grant conversion rights to the owners of convertible bonds, is implemented only insofar as the owners of the issued convertible bonds makes use of their conversion right.

The convertible bonds were offered to members of the executive staff and those filling key positions in the Mühlbauer group. The subscription right of the shareholders of the company have been excluded from this. On July 10, 1998, 1,490 interest-free convertible bonds with a total face value of 71 TEUR and a term through July 04, 2003 were issued.

Each convertible bond with a face value of 51.13 EUR entitles the owner to an exchange for 40 shares in stock ("stock options") of the Mühlbauer Holding AG & Co. KGaA. The conversion right can be exercised no earlier than 2 years after issue of the bond (i.e. no earlier than July 10, 2000 at up to 30 percent, no earlier than July 10, 2001 at up to 60 percent, and no earlier than July 10, 2002 at up to 100 percent), with the prerequisite that the development of the stock market price of the Mühlbauer share exceeds the development of the Neuer Markt index and the pre-tax profit margin is above 15 percent. The newly issued shares on the basis of conversions take part in profit sharing beginning with the start of the financial year in which they were sold through the exercise of conversion rights.

The following table reflects the development of the number of share option rights granted in the course of the financial years 2001 and 2000:

	2001	2000
	Quantity	Quantity
January 1	37,920	55,600
Granting of new options	-	-
Conversion	(4,320)	(14,880)
Decline of subscription rights	(3,080)	(2,800)
Expiration of conversion period	-	-
December 31	30,520	37,920

The conversion price of the individual stock options corresponds to the sales price per share in stock (24.54 EUR) achieved within the IPO.

As of the qualifying date, the prerequisites were fulfilled for exercising conversion rights for 15,000 share options.

In the financial year, share-oriented deferred items (capital reserve) for the amount of 1,377 TEUR were effectively allocated for this plan. In the previous year, an expenditure of 2,284 TEUR was recorded.

The weighted average market value of the convertible bonds issued in 1998 amounted to 11.50 EUR at the time of allocation, using the option assessment model of Black Scholes. The calculation was based on the following assumptions: volatility factor 67 percent, projected distribution factor 0 percent, risk free interest rate 4.1 percent, projected life three years.

If the expenditures for convertible bonds had been determined according to the method stated in SFAS no. 123, based on the current value at the time of granting, this would have resulted in the following changes in the financial statement:

		2001	2000
Net income			
as reported	TEUR	5,551	17,697
pro forma	TEUR	4,078	19,804
Earnings per share			
Basic			
as reported	EUR	0.35	1.02
pro forma	EUR	0.27	1.17
Diluted			
as reported	EUR	0.35	1.02
pro forma	EUR	0.27	1.16

OPTION PROGRAM

Due to the change in purpose of the Limited Capital I to Limited Capital II for the amount of 84 TEUR resolved in the annual general meeting of May 4, 2000, the management board has been authorized, with the approval of the supervisory board, to issue to members of the management, the executive staff and employees in key positions subscription rights for up to 66,000 shares in stock issued to the owner in the form of "naked options". The new ordinary shares participate in the profit beginning with the start of the financial year in which they are issued by exercising subscription rights.

The subscription price corresponds to the average spot rate of the company's share on the Frankfurt stock exchange on the last five trading days before the beginning of the issue period. The subscription rights can be exercised up to 30 percent after expiration of a waiting period of two years, up to 60 percent after a waiting period of three years and up to 100 percent after a waiting period of four years.

The subscription rights can be exercised by those entitled only if the pretax profit margin (based on US-GAAP) is at least 15 percent according to the last quarterly report before the time of exercise or if the increase in value of the shares between granting of the subscription rights and the last trading day before the time of exercise is at least as high as the NEMAX-All-Share-index during the same period. The management has been authorized to define further individual criteria within the option contract. Subscription rights not exercised expire upon termination of the employment contract of the entitled person or after a period of 6 years after granting of the rights.

No subscription rights were granted from this program during the reporting year.

NOTES

**(19) SHARE CAPITAL
AND FIXED CAPITAL
OF THE
PERSONALLY
LIABLE
SHAREHOLDER**
NUMBER OF ISSUED
SHARES

The number of no-par-value shares issued by Mühlbauer Holding AG & Co. KGaA on December 31, 2001 amounted to 6,279,200 (previous year: 3,894,880), consisting of 6,278,999 (previous year: 3,894,879) non-registered shares and one registered share. The owner of the registered share is entitled to dispatch one-third of all supervisory board members to the supervisory board. The dispatch right does not apply insofar and as long as the owner of the share granting dispatch rights is the personally liable shareholder or one of the members of the board of directors. Each share represents a share in the share capital for the amount of 1.28 EUR, entitles the bearer to one vote in the annual general meeting and is fully entitled to dividends. Dividends can be distributed only from the distributable earnings in accordance with the commercial financial statements of Mühlbauer Holding AG & Co. KGaA.

The shares of the personally liable shareholder are excluded from exercising the voting right insofar as the voting concerns matters involving him or his control. The personally liable shareholder is obligated to the company - with no legal obligation - for a period of ten years, not to exercise his voting right and his right to participate in annual general meetings from his 2,000,000 shares originating from his entitlement to conversion of part of his capital share B for the amount 2,560 TEUR, exercised on November 27, 2001 (see conversion of Capital Share B (personally liable shareholder contribution) to share capital) as long as he is the owner of the shares. Excepted from this are only the cases in which the exercise of the voting right or the participation right is necessary to prevent serious damage to the company or if the annual general meeting votes on matters for which a majority of at least 75 percent of the entire existing share capital of the company is necessary, according to the company charter. Furthermore, the personally liable shareholder is obligated to the company to place the shares arising from their sale as a result of exercising this right either on a broad base among institutional and/or private investors or to sell them only to institutional investors. Excepted from the above restriction of sale is the transfer of the shares in question to a company affiliated with the personally liable shareholder or to Mr. Josef Mühlbauer, whereby the personally liable shareholder is obligated in this respect to the company to execute such transfers only if the respective buyer accepts the obligations based on the statement of obligation of the personally liable shareholder toward the company.

FIXED CONTRIBUTION
OF THE PERSONALLY
LIABLE SHAREHOLDER

The personally liable shareholder joined the company on May 5, 1998 with a capital contribution not contributed to the share capital (personally liable shareholder contribution or Capital Share B) for the amount of 13,820 TEUR. The contribution of the personally liable shareholder was in the form of contributing all shares of Mühlbauer GmbH, which was converted to Mühlbauer Aktiengesellschaft on May 5, 1998.

The contribution of the company shares according to US-GAAP is a "common control transaction" and, in accordance with APB 16 "Business Combinations", was entered in the balance sheet at the book value of the shares. At the time of contribution, this was 51 TEUR.

The annual general meeting, with the approval of the personally liable shareholder, can resolve to convert the Capital Share B into share capital. The conversion takes the form of a capital increase. The subscription right of the limited liability shareholders can be excluded from this. The face value of the capital increase corresponds to the face value of the affected capital of the personally liable shareholder. As far as approved capital exists, the capital

increase for conversion of the personally liable shareholder capital into shares is to be performed from the approved capital. If this is not possible on legal grounds or if the approved capital is insufficient, then the conversion takes place by means of conducting the limited capital increase, as far as limited capital exists. If this is not possible on legal grounds or if the amount of capital increase from the limited capital increase is insufficient, then the annual general meeting is entitled to create the prerequisites for conversion by means of a capital increase. The subscription right of the limited liability shareholders can be excluded from this procedure.

In the event of a complete conversion of the Capital Share B, the increase of the share capital exceeds the book value of the fixed contribution by 13,754 TEUR.

The personally liable shareholder, in the event that his capital share is completely converted to share capital, shall cease to be the personally liable shareholder when the capital increase takes effect.

CONVERSION OF
CAPITAL SHARE B
(PERSONALLY LIABLE
SHAREHOLDER
CONTRIBUTION)
TO SHARE CAPITAL

The annual general meeting of May 4, 2000 resolved to convert 486 TEUR of the Capital Share B into share capital. The conversion took place under partial utilization of the approved capital. The 380,000 ordinary shares created by the capital increase were subscribed by the personally liable shareholder. The new shares participate from earnings beginning with the start of the financial year in which they are issued after exercising the conversion right. The entry in the commercial register took place on May 9, 2001.

Based on the resolution of the company annual general meeting of June 7, 2001, the personally liable shareholder is authorized by means of a charter amendment, in fulfilment of the entitlement of the personally liable shareholder regulated by § 8, number (2a) of the charter to convert part of his Capital Share B for the amount of up to 2,560 TEUR into share capital and in order to provide the shares required for this, with the approval of the supervisory board, to increase the share capital up to June 7, 2006 by issuing new shares in stock to the owner in return for contribution in kind, once or twice, however for a total of maximum 2,560 TEUR (Approved Capital II). The subscription right of the limited liability shareholders was excluded from this procedure. The charter amendment was entered in the commercial register of the Regensburg Registrar Court on September 5, 2001.

In a written statement of November 26, 2001, the personally liable shareholder made use of his entitlement toward the company of conversion of a part of his Capital Share B for the amount of 2,560 TEUR, i.e. of the corresponding part of his Capital Account I and also corresponding parts of his Capital Accounts II, III and his loss carryover account into share capital and decided on November 27, 2001 to increase the share capital of the company by means of contribution in kind by 2,560 TEUR, in order to contribute the capital share of the personally liable shareholder to the company for the above amount with a guarantee of 2,000,000 shares. The supervisory board approved this with a resolution of the same date.

2,000,000 shares were issued at the fixed issue price of 1.28 EUR to the debit of Capital Share B of the personally liable shareholder with participating rights beginning January 1, 2001. The entry in the commercial register took place on December 14, 2001.

NOTES

ACCOUNTS OF THE PERSONALLY LIABLE SHAREHOLDER

The following accounts are maintained at Mühlbauer Holding AG & Co. KGaA for the personally liable shareholder:

- an interest-free Capital Account I, to which the Capital Share B for the current amount of 10,774 TEUR is posted,
- an interest-free Capital Account II as a (capital) reserve account, to which additional money to be paid for the contribution of the capital share is posted, and which currently shows no balance,
- an interest-free Capital Account III as a (profit) reserve account, to which the profit shares to which the personally liable shareholder is entitled but which cannot be withdrawn are posted, and which currently shows no balance,
- an interest-free account for losses carried forward, to which the loss shares of the personally liable shareholder are posted and which currently shows no balance, and
- a clearing account as an active account, to which the accessible profit shares, withdrawals, employment compensation, interest and other payment transactions between the company and the personally liable shareholder are posted. The balance as of the closing date was 2,867 TEUR (previous year: 6,302 TEUR). As far as legally permissible, the personally liable shareholder can withdraw funds from the clearing account during the current financial year without interest accrual in any case for payment of personal taxes related to himself or his partners in connection with his participation. Otherwise, interest is to be calculated for the debit and credit balances of the clearing account at an interest rate 2 percent above the respective base interest rate of the authoritative central bank.

OWN SHARES

The development of the own stock portfolio is presented below:

	Quantity
As at December 31, 2000	16,295
- Sale as so-called employee shares as defined in § 19a EStG (Income Tax Act) to employees of the Mühlbauer group	
- as so-called employee shares as defined in § 19a EstG of the Mühlbauer group	(955)
- as so-called anniversary shares for long-term employment	(418)
- as payment for variable amounts	(286)
- Sale of shares via the stock exchange	(4,900)
+ Purchase of own shares	
- for operation of further employee shares programs	1,000
- from the authorization to purchase own shares as defined in § 71 par. 1 no. 8 AktG	6,000
As at December 31, 2001	16,736

LIMITED CAPITAL

Taking into account the reallocation of a part of the limited capital as a result of the annual general meeting of May 4, 2000, the conversion of 4,320 non-par-value shares and the expiration of subscription rights for 3,080 shares (see also note 18), the share capital was increased in a limited manner by up to 45 TEUR by issuing up to 34,800 issued to the owner (Limited Capital I). The limited capital increase serves to guarantee exchange rights of owners of convertible bonds, for the issue of which the personally liable shareholder was authorized by the resolution of the annual general meeting of June 25, 1998. The limited capital increase shall be carried out only insofar as the owners of the issued convertible bonds make use of their conversion right. The new shares participate from earnings beginning with the start of the financial year in which they are created by exercising of exchange rights.

The share capital is further increased in a limited manner by up to 84 TEUR by the issue of up to 66,000 shares to the owner (Limited Capital II). The limited capital increase for this amount

serves the utilization of subscription rights in the form of "naked options", the issue of which the personally liable shareholder was authorized by resolution of the annual general meetings of May 4, 2000 and June 7, 2001. The limited capital increase shall be carried out only insofar as the entitled persons make use of their subscription rights. The new shares participate from earnings beginning with the start of the financial year in which they are created by the exercising of subscription rights.

Furthermore, the share capital is increased by up to 1,997 EUR in a limited manner, divided into up to 1,560,000 shares issued to the owner (Limited Capital III). The limited capital increase shall be carried out only insofar as the personally liable shareholder requires the conversion of the Capital Share B into share capital. The new shares participate from earnings beginning with the start of the financial year in which they are created by the exercising of subscription rights.

AUTHORIZED CAPITAL

The authorizations to utilize approved capital granted to the personally liable shareholder were cancelled by resolution of the annual general meeting of June 7, 2001 and at the same time revised as follows:

The personally liable shareholder is authorized, with the approval of the supervisory board, to increase the share capital until June 7, 2006 by issuing new shares issued to the owner in return for cash and/or contribution in kind once or several times, however by a total of 176 TEUR (approved Capital I). The shareholders shall always be granted subscription rights. With the approval of the supervisory board, however, the personally liable shareholder can

- a) except shares in odd lots from the subscription right;
- b) exclude the subscription right of the shareholders in order to issue new shares in return for cash contributions at an issue price that is not significantly lower than the stock exchange price;
- c) exclude the subscription right of the shareholders in order to free up the shares for the conversion of personally liable shareholder capital in accordance with § 8 number (2) of the charter;
- d) exclude the subscription right of the shareholders in order to issue the shares in return for contribution in kind for the acquisition of companies or company interests.

In order to fulfil the entitlement of the personally liable shareholder regulated by § 8 number (2a) of the charter to convert part of his Share Capital B for the amount of up to 2,560 TEUR into share capital and to provide the shares required for this measure, the personally liable shareholder is authorized, with the approval of the supervisory board, to increase the share capital until June 7, 2006 by issuing new shares issued to the owner in return of contribution in kind once or several times, especially however by a maximum of 2,560 TEUR (Approved Capital II). The contribution right of the shareholders is excluded. The amount of the fixed capital increase must correspond to the amount of the affected Capital B, unless prohibited by statutory regulations. The conversion must always refer to 25.6 TEUR or a multiple of this amount. The new shares shall be issued as ordinary shares issued to the owner, in such a way that for every 1.28 EUR of the affected Capital B, i.e. of the affected part of the Capital Account I and corresponding parts of the Capital Accounts II, III and the account for carryover of losses, one share shall be guaranteed. The new shares participate from earnings beginning with the start of the financial year in which they are issued. The fixed capital increase is to be carried out in such a way that the balances of the Capital Accounts II, III and the losses carried forward account corresponding to the Capital Share B augment the reserves or the losses carried forward accounts of the company.

NOTES

With the decision of the personally liable shareholder of November 27, 2001 to convert part of his Capital Share B for the amount of 2,560 TEUR into share capital, the Approved Capital II is exhausted.

The share ownership of the limited share capital is presented below:

Name	December 31, 2001		December 31, 2000	
	TEUR	%	TEUR	%
Mühlbauer Holding AG & Co. Verwaltungs KG	4,220	52.50	1,174	23.54
Free float	3,796	47.23	3,791	76.04
	8,016	99.73	4,965	99.58
Company-owned shares	21	0.27	20	0.42
	8,037	100.00	4,985	100.00

ADDITIONAL PAID-IN CAPITAL

The additional paid-in capital refers to the premium of the capital increase entered in the commercial register on July 8, 1998 upon the initial public offering (IPO) of the company, the capital increase via new shares, which was also provided with additional capital (Greenshoe option) less the costs of the IPO. The capital increase carried out in financial year 1999 in connection with the adjustment to the Euro in accordance with Section 6 of the resolution of the annual general meeting of May 6, 1999 was posted as a debit to the additional paid-in capital.

The development of the additional paid-in capital is presented below:

	TEUR
Premium for the 2,680,000 individual share certificates of 23.26 EUR ("ex splitt") issued for IPO	62,347
- Cost of IPO	(3,907)
- Withdrawal of additional paid-in capital for adjustment of the share capital to the Euro	(7)
- Premium on the 16,736 own shares held as at December 31, 2001	(355)
+ Premium on the 14,880 newly created shares from exercise of conversion right in 2000	346
+ Increase of compensation (reserves for expenditures connected with convertible bond program in accordance with APB NO.	2,594
As at December 31, 2000	61,018
- Reduction of compensation (reserves for expenditures connected with convertible bond program in accordance with APB no.	(1,377)
+ Premium on the 4,320 newly created shares from exercise of conversion right in 2000	100
- Premium on the purchase of company-owned shares	(121)
+ Sales price exceeding the face value of sold shares	466
As at December 31, 2001	60,086

DIVIDEND DISTRIBUTION

The personally liable shareholder participates in the assets of the company including the silent reserves, and in the profit and loss of the company, as well as in liquidation revenue to the extent that the ratio of his capital share corresponds to the share capital.

The calculation of the profit and loss shares of the personally liable shareholder is based on the result determined in the individual financial statements of Mühlbauer Holding AG & Co. KGaA in accordance with commercial principles:

	Mühlbauer Holding AG & Co. KGaA TEUR
Year's result (annual surplus/deficit) before profit or loss of personally liable shareholder)	4,440
+ Corporation tax credit, if not already recorded as profit	0
+ Corporation tax expenditure (including tax amounts on the corporation tax)	289
+ Expenditure for other taxes and duties affecting only the share capital	5
Assessment basis	4,734
Profit or loss based on share of personally liable shareholder of total capital (currently 57.27 %)	2,711

The profit share to which the personally liable shareholder is entitled is - insofar as a loss is carried over - initially to be used to balance out the losses carried forward account. Otherwise, the profit shares of the personally liable shareholder are to be deposited to the personally liable shareholder's Capital Account III, if and insofar as the profit to which the limited liability shareholders is allocated to the profit reserves. The retained profit amounts thus to be allocated to Capital Account III are to be assessed in such a way that they are proportional to the ratio of the personally liable shareholder's capital share to the share capital. As far as the personally liable shareholder's profit share is not to be used to balance out the losses carried forward account or for endowment of the Capital Account III, it shall be deposited to the clearing account. The above applies accordingly if amounts are withdrawn from the profit reserves.

The personally liable shareholder shall receive compensation for all expenses incurred in connection with managing the company.

The annual general meeting resolved on June 7, 2001 to distribute a dividend of 0.35 EUR for each share qualifying for dividends for the financial year 2000. Altogether, 1,357 TEUR were distributed. The profit share allocated to the personally liable shareholder was 6,151 TEUR. The personally liable shareholder recommends the distribution of a dividend of 0.30 EUR for financial year 2001 for each share qualifying for dividends from the profit as shown in the balance sheet and to carry forward the remaining profit to new account.

For the calculation of the distribution volume in the company, only the results determined by means of commercial accounting regulations apply. The theoretically distributable volume calculated from the undistributed profits and the annual surplus of the companies affiliated with the group is 24,543 TEUR as of December 31, 2001. An additional possible distributable volume of 511 TEUR results from existing unappropriated earnings.

NOTES

(20) OTHER COMPREHENSIVE INCOME

The changes in the other comprehensive income for the financial years 2001 and 2000 are presented below:

	Before taxes TEUR	2001 Tax effect TEUR	Net TEUR	Before taxes TEUR	2000 Tax effect TEUR	Net TEUR
Difference from currency translation	259	-	259	118	-	118
Unrealised gains/(losses) from the market assessment of securities:						
Change in the unrealised gains/(losses)	360	(85)	275	(565)	113	(452)
Realized gains/(losses)	(359)	85	(274)	166	(33)	133
Unrealised gains/(losses) total	1	0	1	(399)	80	(319)
Total other comprehensive income	260	0	260	(281)	80	(201)

(21) FINANCIAL INSTRUMENTS

	December 31, 2001		December 31, 2000	
	Book TEUR	value TEUR	Book TEUR	value TEUR
Assets				
Cash and cash equivalents	2,206	2,206	3,618	3,618
Securities (current)	2,592	2,592	6,609	6,609
Trade receivables	19,645	19,645	30,868	30,868
Other current assets	6,472	6,472	5,290	5,290
Securities (long-term)	7,749	7,749	10,762	10,762
Liabilities				
Short-term debts	2,308	2,308	959	959
Short-term debts maturing within one year	1,174	1,174	1,042	1,042
Convertible bonds	39	154	49	2,255
Long-term debts	3,883	3,883	5,057	5,057

For the cash and cash equivalents and short-term debts, the book value corresponds to the market value on the qualifying date. The trade receivables are exclusively short-term. Therefore, their book values are approximately the same as their market value. The interest on the long-term debts is calculated at normal market interest rates. The market value of the convertible bonds issued by the company is regularly determined by its intrinsic value (price of the Mühlbauer share less additional payment upon conversion). As of December 31, 2001, the convertible bonds issued up until that time were assessed at 39 TEUR (previous year: 49 TEUR). Taking into account the intrinsic value as of December 31, 2001, the market value of the bonds was 154 TEUR (previous year: 2,255 TEUR).

(22) PURCHASE OF OWN SHARES

The personally liable shareholder was authorized by the annual general meeting on May 6, 1999 to repurchase up to 10 percent of the authorized shares through October 31, 2000. The purchase price per share must not exceed the maximum price determined by the Frankfurt stock exchange on the date of purchase. The minimum price must be no less than 25 percent below that amount.

By resolution of the annual general meeting of May 4, 2000, the personally liable shareholder was authorized, for a period of 18 months beginning on the date of the resolution, to purchase, as the representative of the company, shares up to 10 percent of the share capital of the company. The purchase price per share must not exceed the maximum price determined by

the Frankfurt stock exchange on the date of purchase. The minimum price must be no less than 25 percent below that amount. In the event of a public offer of sale, the offered and paid purchase price per share may be up to 10 percent above the highest stock exchange price on the third trading day before publication of the offer of sale. The personally liable shareholder was authorized to redeem the shares purchased as a result of the authorization without a further resolution of the annual general meeting. Based on this authorization, the purchase of own shares or the redemption of these shares can also be exercised in portions.

The annual general meeting resolved on June 7, 2001 to cancel the authorization of the personally liable shareholder to purchase own shares through November 4, 2001 by resolution of the annual general meeting of May 4, 2000, in view of the impending expiration of the authorization, and to authorize the personally liable shareholder, as the representative of the company, to purchase shares owned by the company in order to

- offer shares to third parties upon consolidation with companies or upon acquisition of companies or interest in companies, or
- redeem shares, or
- offer shares of the company as part of the existing share option program for sale to owners of subscription rights, or
- offer shares of the company for sale to employees and/or members of the management of the company.

The authorization is limited to the purchase of a total of up to 10 percent of the share capital. The authorization can be exercised in whole or in part, once or several times. The authorization takes effect from June 7, 2001 and is valid through November 30, 2002.

The purchase of shares takes place via the stock exchange or by means of a public offer of sale to all shareholders.

If the purchase of the shares takes place directly via the stock exchange, the value of the share paid by the company (no including incidental costs) must not exceed the price determined on the trading day by the opening auction in the XETRA system of the Deutsche Börse AG or another system replacing the XETRA system by more than 5 percent. The minimum price must not be more than 25 percent lower than that price.

If the purchase of the shares takes place by means of a public offer of sale to all shareholders, the offered purchase price or the limits of the offered purchase price spread per share (not including incidental costs) must not exceed the closing price in the XETRA system of the Deutsche Börse AG or another system replacing the XETRA system on the third trading day before the day of publication of the offer of sale by more than 10 percent, and the minimum price must be no lower than 10 percent below that price. The volume of the offer can be limited. As far as the entire application of the offer exceeds this volume, the acceptance must take place on a pro-rata basis. The privileged acceptance of a small quantity of up to 100 tendered shares of the shareholders is permissible.

In the year 1999, the company exercised the authorization granted on May 6, 1999 to purchase a total of 24,800 shares from the market. Furthermore, in the year 2001 the company exercised the authorization granted on June 7, 2001 to purchase a total of 6,000 shares from the market. Of these, the company still owned 16,736 shares or 0.27 percent of the share capital as of December 31, 2001. The assessment of the own shares is based on the par value method. The development of the own shares is presented in section 19.

NOTES

(23) SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

On January 29, 2002, Mühlbauer founded systronic Systemlösungen für die Elektroindustrie GmbH. The goal of this company is to develop, produce and sell innovative production systems and customized comprehensive solutions for the electronics industry. For this purpose, the newly founded company purchased the intangible assets, the movable fixed assets, inventories and order backlog of the insolvent systronic Systemlösungen für die Elektronikproduktion GmbH and hired the employees of that company. The property with the production and administration building was purchased by the company and leased to the newly founded company. The purchase price of the acquired assets was 1,815 TEUR and is due in instalments of 524 TEUR on June 30, 2002 and 1,291 TEUR on December 31, 2002. systronic GmbH is being fully consolidated since its founding.

(24) SEGMENT REPORT

The company develops, produces and sells products for the semiconductor and chip card industries. The main customers are the smart card and semiconductor industries. Due to the high density of the individual business sectors, which contributes to the use of comprehensive synergy effects, the reporting is conducted in accordance with SFAS no. 131 "Disclosures about Segments of an Enterprise and Related Information" in a single segment. The additional information required by SFAS no. 131 as of December 31, 2001 and December 31, 2000 appeared as follows:

Sales by application	2001 TEUR	2000 TEUR
Smart identification	47,781	48,552
Semiconductor related products	24,464	42,427
Board handling	7,366	8,616
Precision parts and systems	10,116	10,981
	89,727	110,576
Detraction in earnings	(305)	(254)
	89,422	110,322
Sales by regions	2001 TEUR	2000 TEUR
Rest of Europe	24,422	41,482
Germany	38,059	33,545
Asia	19,479	25,016
North America	2,545	6,478
South America	3,740	2,592
Africa	947	1,410
Australia	535	53
	89,727	110,576
Detraction in earnings	(305)	(254)
	89,422	110,322
Book value of intangible and fixed assets	2001 TEUR	2000 TEUR
Germany	46,404	40,678
Asia	118	146
Rest of Europe	19	52
North/South America	26	4
Total	46,567	40,880

**(25) SIGNIFICANT
TYPES OF COSTS**

The costs of materials for the financial years break down as follows:

	2001 TEUR	2000 TEUR
Expenditures for raw materials, auxiliary and operational materials and for goods purchased	30,368	37,517
Expenditures for services purchased	2,065	1,796
Total	32,433	39,313

The personnel costs for the financial years break down as follows:

	2001 TEUR	2000 TEUR
Wages and salaries	31,323	33,089
Social contributions	6,447	6,036
Pensions	118	111
Total	37,888	39,236

The other operational income for the financial years break down as follows:

	2001 TEUR	2000 TEUR
Investment grants	1,056	1,005
Investment premiums	693	451
Write-back of value adjustments on receivables	449	3
Canteen profits	232	222
Vehicle use	175	146
Write-back of provisions	153	959
Damages from insurance policies and other damages	143	120
Foreign currency gains	140	408
Gains (losses) from the sell of fixed assets	111	(42)
Rent revenue	55	0
Revenue from re-insurance policies	41	40
Other	301	573
Total	3,549	3,885

The foreign currency gains and losses for the financial years break down as follows:

	2001 TEUR	2000 TEUR
Foreign currency losses	301	491
Foreign currency gains	(140)	(408)
	161	83

**(26) COMMITMENTS
AND
CONTINGENCIES**

	2001 TEUR	2000 TEUR
Other debts		
Obligations from purchasing and maintenance contracts	2,637	6,602
Obligations from rental contracts	303	262
Obligations from planned investments	4	5,956

The other commitments and contingencies contain no liabilities with a term of more than one year.

NOTES

(27) NUMBER OF EMPLOYEES

The average number of employees was as follows:

	2001 Number	2000 Number
Skilled workers	574	542
Executives	464	403
	1,038	945
Trainees and part-time workers	261	261
	1,299	1,206

The number of employees by regions for the financial years follows:

	2001 TEUR	2000 TEUR
Germany	1,250	1,165
Rest of Europe	4	5
USA	9	5
Asia	36	31
Total	1,299	1,206

(28) SIGNIFICANT DIFFERENCES BETWEEN GERMAN TRADE LAWS AND US-GAAP

Mühlbauer Holding AG & Co. KGaA, as a German parent company, must prepare a financial statement according to the financial reporting regulations of the German Commercial Code. However, § 292a of the German Commercial Code exempts a company from this obligation if it prepares and publishes a financial statement based on internationally recognized accounting principles (such as US-GAAP). The company prepares the financial statement according to US-GAAP. In the following, the significant differences between the US-GAAP and German laws relevant for the company with respect to balance sheet, assessment and consolidation methods are explained.

ESSENTIAL DIFFERENCES

Financial reporting according to US-GAAP differs from those of the German commercial code with respect to the objectives. While US-GAAP focuses on providing information to investors that is relevant for decision-making, German financial reporting places greater emphasis on the protection of creditors and the principle of caution.

SECURITIES

The assessment of securities of current assets, which corporate shares or creditor rights, is based on the strict lowest value principle, according to § 253 III of the German Commercial Code. The assessment is determined upward by the acquisition costs and downward by the market price. Unrealised gains do not become effective until the sale of the security. Securities of the financial assets are always carried as assets with the acquisition costs. Depreciations of a lower attached fixed value (e.g. low market price) are obligatory in case of expected constant reduction in value and optional in case of non-constant reduction in value.

According to US-GAAP securities in the financial statement are assessed at their market price on the balance sheet date. Unrealised gains and losses are treated as effective for "trading" securities. Unrealised gains and temporarily unrealised losses are treated as neutral for available-for-sale securities, after taking into account deferred taxes, in a separate item in the stockholders' equity under other comprehensive income. In the event of an expected constant reduction in value of available-for-sale securities, the negative difference is also treated as effective.

FIXED ASSETS	<p>Depreciations solely on the basis of tax regulations in the financial statements of the consolidated companies, in particular special depreciations in accordance with § 3 of the Zone Edge Incentive Law (ZRFG) and § 4 of the Development areas law (FGG) are now allowed according to US-GAAP.</p>
ACCRUALS	<p>According to German trade regulations, provisions for contingencies can be accrued in certain cases without an obligation toward third parties. According to US-GAAP, provisions are to be accrued only for existing obligations toward third parties and otherwise only for very specific criteria.</p>
PENSION LIABILITIES	<p>According to US-GAAP, the pension obligations resulting from performance-oriented defined benefit plans are calculated according to the projected unit credit method. In this method, the cash value of pension liabilities required as reserves increases from year to year by the cash value of the additional entitlement earned by the employees (accumulation method). The basis for the calculation of these annual pension costs is the cash value of the earned pension expectancy, taking into consideration future salary and wage adjustments (PBO) and a discounting factor corresponding to the capital market interest of high-quality fixed-interest securities. Therefore, the PBO is not the same as the required reserve amount.</p> <p>In the financial statements of the consolidated companies prepared according to German financial reporting principles, reserves for pension liabilities toward employees that existed on the closing date of the financial statement were determined using the partial taxable value method in accordance with § 253 I p. 2 of the Commercial Code. Adjustments for future salary and wage increases are not taken into account by this method. The obligations are assessed completely as an actuarial liability with respect to retirement age, life expectancy and other factors using a fixed annual interest rate of normally 6 percent.</p>
OTHER COMPREHENSIVE INCOME	<p>Other comprehensive income according to US-GAAP includes unrealised gains and losses from the market assessment of securities (available-for-sale securities) and differences resulting from the translation of foreign currency.</p>
DEFERRED TAXES	<p>According to German accounting principles, favourable deferred taxation items that result from a tax loss carried forward, are not assessed. Only favourable deferred taxation items resulting from the assessment differences between trade law and tax regulations can be assessed. A liability is to be formed for the unfavourable deferred taxation items.</p> <p>According to US-GAAP, deferred taxes are determined using the liability method. For this purpose, time differences between book values of the consolidated balance sheet and the tax balance sheet are generally accounted for by means of deferred taxes. However, the favourable deferred taxes are reported on the balance sheet only if their realization can be deemed to be probable. After calculating the favourable deferred taxes, their value should be assessed. If necessary, a partial or complete adjustment of the item may be necessary. Contrary to German accounting principles, deferred taxes resulting from tax losses carried forward must be reported in the balance sheet.</p> <p>The assessment of deferred taxes must take place at the tax rate expected at the time of elimination of temporal differences. Amounts resulting from changes in tax rates are accounted for as effective at the time that the law takes effect.</p>

Consolidated Financial Statements

NOTES

STOCK OPTIONS PLANS	For stock options plans in the consolidated financial statement, the subscription rights granted are assessed according to US-GAAP in accordance with APB 25 "Accounting for Stock Issued to Employees" and a corresponding liability is established during the waiting period. According to German reporting principles, the plans are not included in the balance sheet.
FOREIGN CURRENCY TRANSLATION	According to US-GAAP, trade receivables and liabilities in foreign currencies are translated at the exchange rate on the balance sheet day. Unrealised gains and losses are treated as effective. According to German principles, the lowest value principle applies for foreign currency receivables and the highest value principle for foreign currency liabilities. This means that only unrealised losses are shown in the balance sheet.
OWN SHARES	According to US-GAAP, own shares that are in the possession of the company are openly deducted directly from the stockholders' equity. The German financial reporting regulations require that own shares be shown in the balance sheet in the category of securities under current assets.
CONSOLIDATED INCOME STATEMENT	According to US-GAAP the income statement is to be prepared according to the cost-of-sales method.
(29) RELATED PARTY TRANSACTIONS	<p>Mühlbauer Aktiengesellschaft and ASEM Präzisions-Automaten GmbH rent offices from Mr. Josef Mühlbauer, the sole representative and executive manager of Mühlbauer Beteiligungs AG. Mühlbauer Beteiligungs AG is the general partner of Mühlbauer Holding AG & Co. Verwaltungs KG, which in turn is the personally liable shareholder of Mühlbauer Holding AG & Co. KGaA. The rental agreement is unlimited and can be terminated by either party by giving notice of three or six months in accordance with German law. The rental costs were 275 TEUR and 275 TEUR in the years 2001 and 2000.</p>

In order to secure sufficient credit to ASEM Präzisions-Automaten GmbH, Mühlbauer Aktiengesellschaft has issued a letter of responsibility for 1,000 TEUR.

The total earnings of the management board of Mühlbauer Aktiengesellschaft for the financial year 2001 and 2000 were 741 TEUR and 968 TEUR, respectively. The shares and subscription rights received by the management board of this company as of December 31, 2001 break down as follows:

	Josef Mühlbauer	Hubert Forster	Gerhard Gregori	Ulrich Schwab
Shares				
As at January 1, 2001	10	1,210	1,270	350
prior period adjustment				10
+ purchase				
- via the stock exchange	7,390	-	-	-
- of employee shares as defined in § 19a EstG	5	5	5	5
- of anniversary shares	-	4	5	4
- based on exercise of subscription rights	-	-	-	1,200
- sale	-	-	-	(350)
As at December 31, 2001	7,405	1,219	1,280	1,219
Subscription rights				
As at January 1, 2001	-	2,800	2,800	2,800
- Reduction as a result of exercise of subscription rights	-	-	-	(1,200)
As at December 31, 2001	-	2,800	2,800	1,600

For an explanation of the subscription rights, see note 18.

On September 4, 2001, Mr. Ulrich Schwab resigned his mandate as a member of the management board. With effect from the same date, Dr. Harald Müller-Witt was appointed to the executive board by the supervisory board. He served in this function through October 30, 2001.

For its services to Mühlbauer Aktiengesellschaft, the supervisory board received 6 TEUR (previous year: 6 TEUR) for the financial year 2001.

(30) MANAGEMENT AND SUPERVISORY BOARD

The personally liable shareholder, Mühlbauer Holding AG & Co. Verwaltungs KG of Roding, is entitled to manage and represent the company. This in turn is represented by the chairman of its general partner, Mühlbauer Beteiligungs AG of Roding.

<p>Assessor Herbert Geißler Chairman Age: 54 End of office: see below</p> <p>Concern mandates: Mühlbauer Aktiengesellschaft (Chairman) End of office: see below</p> <p>Other mandates: Supervisory Board: Mühlbauer Beteiligungs AG (Chairman) End of office: see below</p> <p>Earnings: 4 TEUR</p>	<p>Dipl.-Ing. (FH) Peter Drexel Vice Chairman Age: 57 End of office: 2003</p> <p>Concern mandates: Mühlbauer Aktiengesellschaft (Vice Chairman) End of office: 2003</p> <p>Other mandates: Supervisory Board: Mühlbauer Beteiligungs AG (Vice Chairman) End of office: 2003</p> <p>Earnings: 3 TEUR</p>	<p>Wolfgang Brückl (Member) Age: 37 End of office: 2003</p> <p>Concern mandates: Mühlbauer Aktiengesellschaft (Member) End of office: 2003</p> <p>Earnings: none</p>
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Mr. Herbert Geißler has resigned his mandate as chairman of the supervisory board of the company with effect from the end of the session of the supervisory board scheduled for March 14, 2002. Furthermore, he resigned his mandate as chairman of the supervisory boards of both the Mühlbauer Aktiengesellschaft and Mühlbauer Beteiligungs AG as of December 31, 2001.

(31) STOCK PORTFOLIO OF THE MANAGEMENT AND SUPERVISORY BOARD

The development of the shares held by the personally liable shareholder as at December 31, 2001 is presented below:

	Number of shares
As at January 1, 2001	916,852
+ from the shares created based on the resolution of the annual general meeting of May 4, 2000 for to convert part of the Share Capital B for the amount of 486 TEUR into share capital	380,000
+ through shares created as a result of exercising the right granted by the annual general meeting of June 7, 2001 to convert a further part of the Capital Share B for the amount of 2,560 TEUR into share capital	2,000,000
As at December 31, 2001	3,296,852

The conversion of the Capital Share B (personally liable shareholder contribution) into share capital is explained in note 19. The approval of the shares created as a result of exercising the right granted by the annual general meeting of June 7, 2001 has not yet taken place.

NOTES

The development of the shares and subscription rights held by members of the supervisory board as at December 31, 2001 is presented below:

	Herbert Geißler	Peter Drexel	Wolfgang Brückl
Shares			
As at January 1, 2001	870	3,146	250
- Sale via the stock exchange	(40)	-	(240)
+ Purchase			
- of employee shares as defined in § 19a EStG	-	-	5
- of anniversary shares	-	-	4
- as a result of exercising subscription rights	-	-	840
As at December 31, 2001	830	3,146	859
Subscription rights			
As at January 1, 2001	-	-	1,960
- Reduction due to exercising of subscription rights	-	-	(840)
As at December 31, 2001	-	-	1,120

For an explanation of the subscription rights, see note 18.

REPORT OF THE SUPERVISORY BOARD

In the financial year of 2001 the supervisory board looked after the tasks that are its duty according to the law and the constitution, and had four ordinary meetings in which it gained information about the situation and the development of the company, the basic principles of the company policy, and the most important business events. In addition, comprehensive information was guaranteed at all times by means of regular reports in speech and in writing from the personally liable shareholder. Those measures of the personally liable shareholder which needed the approval of the board were presented as basis of decisions.

For the board meeting on March 14, 2002 concerning the balance-sheets, the annual financial statement and the group statement of Mühlbauer Holding AG & Co. KGaA as well as the inspection reports of the PwC Deutsche Revision AG, company of auditors, Munich, on both statements were available. The auditor was present at the supervisory board's discussion of the annual financial statements and the group statement, and reported extensively on the course and the important results of his examination, and was available to give further information. The documents were discussed in detail. With regard to the present system for the early detection of risks, the auditor stated that the personally liable shareholder has taken the measures necessary pursuant to § 91 (2) Corporation Law (AktG) and that the controlling system can fulfil its task. The supervisory board was complete. The confirmation note pursuant to § 322 Commercial Code (HGB) was given without restrictions each time.

After having examined the annual financial statements and the group statement, the report on the present situation, the report on the group situation, and the suggestion for the use of the declared profit, the board approved the result of the auditor's investigations. For this reason the supervisory board suggests to the annual general meeting that the annual statement for Mühlbauer Holding AG & Co. KGaA up to December 31, 2001 should be approved in the version presented. The board endorsed the suggestion made by the personally liable shareholder for the use of the declared profit.

The members of the supervisory board wish to express their thanks to the personally liable shareholder, the managers of the company, and all the members of the company staff for their dedicated work during the company year of 2001.

Roding, March 2002

THE SUPERVISORY BOARD

A handwritten signature in black ink, consisting of several stylized, overlapping loops and a long horizontal stroke at the end.

Herbert Geißler
Chairman

INDEPENDENT AUDITOR´S REPORT

We have audited the accompanying consolidated balance sheet of Mühlbauer Holding AG & Co. KGaA and subsidiaries as of December 31, 2001, and the related consolidated statement of income, statement of changes in equity and cash flows as well as notes for the years then ended. These consolidated financial statements prepared in accordance with United States Generally Accepted Accounting Principles are the responsibility of the general partner. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by the general partner, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, based on our audit the consolidated financial statements referred to above present fairly, in all material respect, the net assets and financial position of Mühlbauer Holding AG & Co. KGaA as of December 31, 2001, and of its result of operations and its cash flow for the year then ended in conformity with United States Generally Accepted Accounting Principles.

Our audit, which according to German auditing regulations also extends to the structured presentation of additional disclosures with regard to the Group´s position required by Article 36 of the 7th EU Directive prepared by the general partner for the business year from January 1 to December 31, 2001, has not led to any reservations. In our opinion, on the whole the structured presentation of additional disclosures provides a suitable understanding of the Group´s position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the structured presentation of additional disclosures with regard to the Group´s position for the business year from January 1 to December 31, 2001 satisfy the conditions required for the Company´s exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German accounting law.

Munich, February 22, 2002

PWC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Eiber)
Auditor

(Hartmann)
Auditor

GLOSSARY

Assembly & packaging	Assembly and packaging of semiconductor components
Bare die on flex	Technology for the manufacture of semiconductor components by attaching dice to flexible carrier materials
Biometric procedure	Procedure of registering individual attributes of a person (e.g. finger print, iris, face geometry); data produced by biometric procedures are used for unique identification of man
Board handling	Processes and systems for the transport of printed circuit boards during the industrial manufacturing and shaping, e.g. loading and unloading stations, buffer systems, flip-/turn units and conveyors
Carrier tape	Packing strap made of plastic for the transport and loading of electronic components
Cavity	Sinking a bed into a chip card before placing the module
Chip on board	Application and/or wiring of dice to carrier material, such as printed circuit boards
Coating and drying	Roller coating, board drying and board cleaning
Contactless card	Card in which the transfer of energy and data takes place without contact, i.e. by means of electromagnetic fields
Credit card	Card for which the credit limit is not prepaid; payment takes place after receipt of goods or services
Die bonding	Placing of a small silicon chip on carrier material
Die sorter	Machine that packages "good components" in another medium
Die, dice	Silicon crystal containing a single microcontroller designed with semiconductor technology
Dual-interface card	Card type that unites the function of contact and contactless card technologies
Epoxy die bonding	Application of dice on carrier material by means of an adhesive process (epoxy process)
Flat module production	Space-saving technology in board assembly
Flip-chip technology	Flipping of the dice by 180 degrees for application to the carrier material
GSM card	Chip card with a special standard size for use in mobile telephones; the "Global System for Mobile Communications" is an international terrestrial mobile telephone system
Implantation	Embedding a chip in a plastic card
(Adhesive film) lamination	Application of a heat-activated adhesive film to the reverse side of the module
Mechatronics	A new technological principle that unites elements of mechanics, information technology and electrical engineering. Mechatronics has a positive effect on the modularity, planning and development of machines and systems – and also relevant job outlines
Module	Carrier material for a die with contact elements
Personalization	"Programming" of a chip card module with individual data
Plug-in	Small-format chip card used especially for GSM applications
Plug punching	Punching of a small chip card from a standard chip card for use in mobile telephones
Pre-personalization	Loading of an operating system onto a chip
Printed circuit board production	Space-saving technology in printed board component insertions
Reel-to-reel process	A process in which material is taken from one reel and, after processing, is wound onto another reel
RFID chips	Components used in the high-frequency range
Secure Digital (SD) Card	Secure memory card similar to the MMC multimedia card. Card application used especially for digital cameras or as a storage medium for music, PDA, etc.
Smart Card	Chip card, i.e. plastic card with a chip module
Smart Label	Contactless identification system

GLOSSARY

Smartmedia / Multimedia card	Card application used especially for digital cameras or as a storage medium for music, etc.
Spilling	Protection of the chip and its wire tie by the application of a sealing compound on the reverse of the chip
State of the art	Always using the best, highest and most current technological standard
Testing & Packing	Testing, labelling and packing of semiconductor components for further processing
Traceability	Ability to trace processes
Transponder	Antenna placed between flexible coats within a smart label
Turn-key solutions	Ready-to-implement total solutions
Vision technology	Measuring and control of components by means of camera systems using corresponding software
Wafer	Very thin semiconductor disc made of silicon, from which many individual chips can be manufactured; the wafer is sliced, defining the elements known as dice
Wafer Level Package	A finished component manufactured on the basis of a wafer that must be further processed in order to replace SMT components
Wire bonding	Fully automatic process of wiring a die with the carrier material

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Mühlbauer AG
Werner-von-Siemens-Strasse 3
D - 93426 Roding
Phone: +49-9461-952-0
Fax: +49-9461-952-101
eMail: info@muehlbauer.de
Internet: www.muehlbauer.de

Rommel GmbH
Max-Planck-Str. 23
D - 89584 Ehingen
Phone: +49-7391-7060-0
Fax: +49-7391-7060-70
eMail: rommel@rommel-gmbh.de
Internet: www.rommel-gmbh.de

Mühlbauer Südamerika
Rua Manoel Couto, 319
Cidade Jardim
30380-080 Belo Horizonte
Brasil
Phone: +55 319 636 8813
eMail: michael.zinsser@muehlbauer.com

systronic GmbH
Nußbäume 11
D - 74223 Flein
Phone: +49-7131-5849-0
Fax: +49-7131-5849-90
eMail: info@systronic.de
Internet: www.systronic.de

Mühlbauer South Africa
7 Leyds str S.E.1
Vanderbijlpark 1911/Johannesburg
Phone: +27 169 3372 05
eMail: Muehlbauer@mweb.co.za

Mühlbauer UK
62 Abbey Court
Coventry West Midlands
CV 35 BB
United Kingdom
Phone: +44 2476 51 88 64
Fax: +44 2476 51 88 63
EMail: William.McInally@muehlbauer.com

Mühlbauer Australia
68 Bacchus Cct
Canberra 2902 ACT
Australia
Phone: +61-2-6296-5477
Fax: +61-2-6296-6256
eMail: hinneburg@telstra.com

Mühlbauer Southern Europe
106 rue de la Liberté
F - 38180 Seyssins
Phone: +33-4-7684-0861
Fax: +33-4-7684-0886
eMail: mbse@muehlbauer.de

Mühlbauer Asia Pacific
Mühlbauer Sdn. Bhd.
No. 22, Jalan Mutiara Melaka 2
Mutiara Melaka, Batu Berendam
MAL - 75350 Melaka, Malaysia
Phone: +60-6-317-6380
Fax: +60-6-317-6381
eMail: mbap@muehlbauer.de

Mühlbauer Weissrussland
Varvasheni Str., 17-1-512
220050 Minsk
Republik Belarus
eMail: alexander.schabunewski@muehlbauer.com

Mühlbauer Sdn. Bhd.
303-2-22, Krystal Point,
Jalan Sultan Azlan Shah,
Sungai Nibong
11900 Penang
Malaysia
Phone: +60-4-643-7380
Fax: +60-4-643-5151
eMail: mbmal@muehlbauer.de

Mühlbauer Americas
Mühlbauer Inc.
725 Middle Ground Boulevard
Newport News,
USA - Virginia 23606-2512
Phone: +757-873-0424
Fax: +757-873-0485
eMail: info@muhlbauer.com
Internet: http://www.muhlbauer.com

Mühlbauer China
27F-G Yun Xiang Building
72-74 Xi Kang Road,
He Ping District
300074 Tianjin
China
Phone: +86-2283-850013
Fax: +86-2283-850010
eMail: mbrag@muehlbauer.de

Mühlbauer Mexico
Calle 10 de Mayo 3727
Col. Unidad Tecnológico
Chihuahua, Chih.
Mexico C.P. 31320
Phone: +52-14-142378
Fax: +52-14-142378
eMail: armando.martinez@muhlbauer.com

Mühlbauer Taiwan
1F, No. 215 Kao-Shui Road
Kao-Fong Lii,
300 Hsin Chu
Taiwan
Phone: +886-3563-1357
Fax: +886-3563-1359
eMail: mbtaiwan@muehlbauer.de