Mühlbauer
High Tech International

Interim report
2. Quarter 2010

Content

Group overview		**Q2/2010**	**Q2/2009**	**1HY/2010**	**1HY/2009**
Order income	EUR million	59.2	31.1	173.1	83.3
Order backlog	EUR million	149.5	80.2	149.5	80.2
Sales	EUR million	63.3	43.2	92.8	81.3
EBIT	EUR million	14.4	2.7	16.2	5.1
EBIT margin	%	22.7	6.3	17.5	6.3
EBT	EUR million	14.5	2.6	16.4	5.1
Net earnings*	EUR million	10.5	1.8	12.6	3.6
Earnings per Share**	EUR	0.73	0.12	0.87	0.24
Free Cashflow	EUR million	+12.9	-4.4	+14.2	-4.8
Employees	Number	2,015	1,865	2,015	1,865

* Inclusive minority interests
** Without minority interests

Interim Management Report

OVERVIEW OF THE BUSINESS DEVELOPMENT IN THE GROUP

Based on its strong government business and the progressive intensification of its industry business, the globally active Mühlbauer technology group was able to build on its positive start to the financial year in Q2 2010 and to achieve a significant increase of orders and sales – as expected. Both sales and earnings climbed to a historic quarterly record high, and significantly exceeded the values for the same quarter of the previous year. Due to the sustained high order backlog to the end of the reporting period and the still positive industry prospects, Mühlbauer considers itself ideally positioned to continue the positive business development in the second half of the year.

The key developments in Q2 2010 were:

- Consolidated order income 90.4% higher year-on-year, at EUR 59.2 million (PY: EUR 31.1 million) – significant growth of orders in all business areas of the Mühlbauer technology group
- Order backlog, at EUR 149.5 million, only slightly below Q1 2010 (EUR 154.6 million)
- Strong government business and progressive intensification of demand in the industry business result in highest quarterly sales in the company's history (EUR 63.4 million; PY: EUR 43.3 million[1])
- Marked extension of business brings strong rise of EBIT from EUR 2.7 million in the same quarter of the previous year to EUR 14.4 million in the quarter under review – EBIT margin climbs to 22.7% (PY: 6.3%)
- Earnings per share increased more than six-fold, at EUR 0.73 (PY: EUR 0.12)
- Adjusted free cashflow benefits strongly from significant earnings increase and low capital lockup in the working capital and climbs from EUR -4.8 million in the previous year to EUR +14.2 million
- Based on the significant increase in sales and earnings recorded in Q2 2010, and the high order backlog to the end of the quarter under review, the Mühlbauer Group raises its earnings forecast issued for the total year and is now expecting to achieve an EBIT of at least EUR 25 million in the 2010 financial year

[1] The sales figures are the gross value before the deduction of earnings of EUR 0.1 million (PY: EUR 0.1 million) for Q2.

FRAMEWORK CONDITIONS

Global economy

In Q2 2010, worldwide economic trends have fallen back into step, resulting in a continuing recovery of the global economy in the reporting period. The momentum of recovery, however, varied when viewed from a regional perspective. The upturn of the global economy was thus borne, in particular, by upcoming Asian economic powers such as China and India. Due to the expansive effect of the monetary and fiscal policies, however, the sustainability of recovery in the industrialized countries was still fraught with insecurity. Thus, the economic framework conditions were clouded somewhat by the crisis in confidence in the countries of the euro zone and the resultant turbulences on the financial markets. For all that, the negative effect on global growth was low.

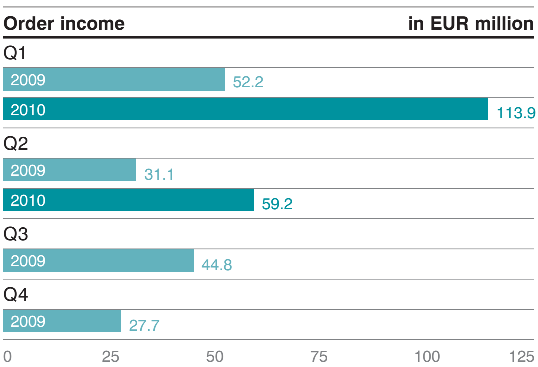
Industry development

The process of transformation toward new, innovative ID applications, triggered primarily by the predominant interest by states and public authorities in greater security and flexibility and the development of a complete eGovernment infrastructure, intended by many countries, once again positively impacted the Cards & TECURITY® market in Q2 2010. Furthermore, in the quarter under review, the positive growth impulses on the RFID market and in the semiconductor industry, forecast to the end of the 2009 financial year and already discernible in Q1 2010, have continued. The economic revival also led to the intensification of recovery trends in the automotive and electronics industries relevant to Traceability and the industries important to Precision Parts & Systems.

Business Development

Order income and order backlog

Significant increases of order income in all business areas of the Mühlbauer technology group resulted in a total order income of EUR 59.2 million in Q2 2010 and thus to an upturn of 90.4% against the same period of the previous year (EUR 31.1 million).



While the order book in the company's core business area Cards & TECURITY® rose 74.3%, to EUR 33.3 million, due largely to government orders for the implementation of ID projects, the order volume in Semiconductor Related Products in fact more than doubled year-on-year, from EUR 8.5 million to EUR 17.7 million. In so doing, Mühlbauer's semiconductor-related business area benefited from the increasing acceptance of the RFID technology, which is further picking up speed through its application in supply chain management and the textile industry, and from the ongoing high propensity to invest by the semiconductor backend industry. Orders in Traceability and Precision Parts & Systems also benefited from the overall economic recovery. In Traceability, orders increased from EUR 1.0 million to EUR 2.5 million year-on-year, which represents growth of 150.0%. At EUR 5.7 million (PY: EUR 2.5 million), Precision Parts & Systems recorded an increase of orders of 128.0% for the same period.

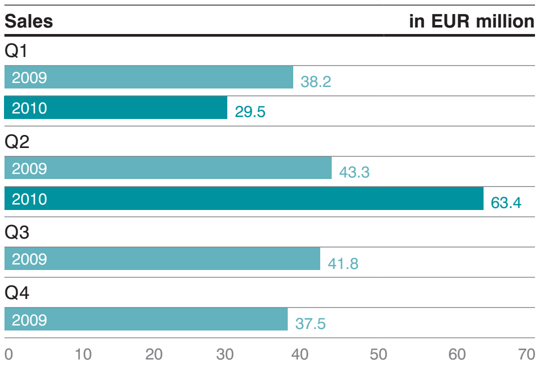
In the first half of 2010, the high growth of order income of the Mühlbauer technology group led to a cumulated order income of EUR 173.1 million, thereby doubling incoming orders compared to same period in the previous year (EUR 83.3 million). The significant increase was equally borned by all business areas. Hence, order income of the core business Cards and TECURITY increased by 108.5% from EUR 59.7 million to EUR 124.5 million, while the semiconductor-related business area Semiconductor Related Products grew by 104.3% from EUR 16.1 million to EUR 32.9 million. The other business areas Traceability and Precision Parts & Systems recorded increases of 133.3% to EUR 4.2 million and 101.8% to EUR 11.5 million, which were respectively significantly above the previous year's figures of EUR 1.8 million and EUR 5.7 million.

To the end of the reporting period order backlog totaled EUR 149.5 million and thus lagging only slightly behind the Q1 2010 figure (EUR 154.6 million).

Sales[1]

With consolidated sales of EUR 63.4 million, the Mühlbauer Group achieved the highest level of quarterly sales in the history of the company so far, based on the significant increase of order income in all business areas. At the same time the comparable quarter of the previous year (EUR 43.3 million) was exceeded by 46.4%. Mühlbauer's core area Cards & TECURITY® contributed the largest volume share, which achieved an increase of 34.3%, at EUR 43.5 million (PY: EUR 32.4 million). Sales of the other business areas also benefited from the significant intensification of demand for industry products commencing in 2010 and from the resulting order increases for the technology group: at EUR 12.9 million, sales in Semiconductor Related Products were 79.2% higher year-on-year (PY: EUR 7.2 million), while the area Traceability increased sales from EUR 1.0 million to EUR 1.8 million. The area Precision Parts & Systems contributed sales of EUR 5.2 million (PY: EUR 2.7 million). This corresponds to an increase of 92.6%.

On a half-yearly comparison, sales climbed from EUR 81.5 million to EUR 92.9 million, which is equivalent to a growth in sales by 14.0%. While the core business Cards & TECURITY contributed EUR 57.7 million, which is approximately the same level as in the previous year (EUR 58.1 million), the other business areas have been considerably higher: Hence, the business area Semiconductor Related Products has grown by 51.0% to EUR 22.2 million (PY EUR 14.7 million). The sales volume in the areas Traceability and Precision Parts & Systems was EUR 3.4 million and EUR 9.6 million (PY EUR 2.5 million and EUR 6.2 million), up 36.0% and 54.8% compared to the previous year's period, respectively.



With regard to sales breakdown a decline of the strong sales concentration to Europe was realized in Q2 2010. Indeed Europe remained the largest export region (36.7%; PY: 42.7%). The regions Asia and Africa, however, recorded further growth with a share in sales of 19.5% (PY: 18.9%) and 31.6% (PY: 19.6%). In contrast the sales region North and South America remained with a share of 12.2% behind the comparable previous year's level of 18.8%. for more detailed information on regional sales development please refert to page 21.

EARNINGS, FINANCIAL AND ASSET SITUATION

Earnings development

Earnings before interest and taxes (EBIT) for the quarter under review have risen significantly, from EUR 4.1 million year-on-year – adjusted from the special effect from net allocations to provisions for legal fees – to EUR 14.4 million in Q2 2010, which is an increase of EUR 10.3 million. This corresponds to an EBIT margin of 22.7% (PY: 9.5%). The primary factors for this extremely positive earnings development are the 46.7% higher level of sales while the share in cost of sales dropped 8.9% points (57.3%, PY: 66.2%) and the resultant rise of gross profit by EUR 12.4 million or 85.3%.

Adjusted for special effects from legal disputes with an effect on the income statement, which have, however, since been settled, the EBIT of EUR 14.2 million, achieved in 1HY 2010, almost doubled year-on-year (PY: EUR 7.6 million). Taking into account these special effects, the EBIT achieved in 1HY 2010 totals EUR 16.2 million, which amounts to more than triple the EBIT achieved in the same period of the previous year (EUR 5.1 million). This corresponds to an EBIT margin of 17.5%, after 6.3% year-on-year.

Analysis of earnings development

The strong increase in sales recorded in the quarter under review results from the government business, which already proved extremely robust during the weak global economy and managed to gain momentum as a result of the orders placed in 1HY 2010. Furthermore the growth is supported by the distinct recovery of the industry business relevant to Mühlbauer since the beginning of the current financial year. While this vigorous increase led to a significant rise in cost of sales by EUR 7.7 million in the quarter under review, as expected, in proportion to sales, however, the share in cost of sales dropped 8.9% points year-on-year, to 57.3%. The reasons

[1] The sales figures are the gross value before the deduction of earnings of EUR 0.1 million (PY: EUR 0.1 million) for Q2.

for this are both lower variable costs – due to projects – and, as a result of the degression effect, the weak increase of overheads. As a result of this development, the gross profit for the reporting period was EUR 27.0 million and was thus EUR 12.4 million or 85.3% higher year-on-year (PY: EUR 14.6 million). Based on sales, this corresponds to a gross profit margin of 42.7%, after 33.8% for the same quarter of the previous year. The year-on-year rise of selling expenses by 0.9% points is largely due to a project-related increase in shipping costs of EUR 0.7 million and a EUR 0.9 million higher risk provisions in respect of trade accounts receivable that do not affect income, while administrative expenses remained virtually constant year-on-year, from an absolute point of view, but dropped from 4.7% to 3.3% in relation to the considerably higher sales. The rise in research and development costs, which rose 7.6% year-on-year, reflects the sustained high claim of the company toward innovation and hold a share of 9.0% (PY: 12.2%), based on quarterly sales. The income balance in respect of other operating income and expenses of EUR 0.3 million (PY: expense balance of EUR 1.4 million) posted for the period under review represents the outflow of legal disputes in connection with the defense of patent infringement suits that have since been finalized. The Group incurred expenses of EUR 1.4 million in respect of such legal disputes in the previous year, while the expenses in the quarter under review related to the finalization of these amounted to EUR 0.3 million. Taking into consideration a slight year-on-year improvement of financial result by EUR 0.2 million, and the drop in income tax ratio from 30.8% to 27.6% - due largely to value adjustments on deferred tax assets of loss carryovers effected in the same quarter of the previous year - net earnings totaled EUR 10.5 million. Compared with the net earnings achieved year-on-year (PY: EUR 1.8 million), this corresponds to a severe increase of EUR 8.7 million. Referring to the earnings per share, this means a sixfold increase compared to the same period of the previous year (EUR 0.73; PY 0.12 EUR).

The 14.1% higher sales on a half-yearly comparison first and foremost reflect the noticeable rise in demand in the industry business since Q4 2009, which has been strenghten throughout the current financial year. Taking into account the weak increase in cost of sales in contrast to this sales increase, due largely to the product mix, the overhead degression effect associated with an extension of sales and the discontinuation of a special charge from the higher level of depreciation on the production lines set up in the showrooms of the national and international sites, the gross profit achieved by the company in 1HY 2010 was 25.1% higher year-on-year and thus increased strongly against sales. While selling expenses in 1HY 2010 are EUR 0.8 million higher year-on-year, largely due to higher project-related shipping expenses, general administrative costs were reduced slightly, by EUR 0.1 million, irrespective of the distinct increase in business volume. Research and development expenses dropped based on sales from 12.6% to 11.3%, with a year-on-year increase of EUR 0.2 million. The significant reduction of the balance of other operating income and expenses established during the half-yearly comparison is essentially characterized by the omission of legal and other fees associated with patent disputes that have since been finalized. While the formation and the discontinuation of such costs resulted in net earnings of a total of EUR 2.0 million in 1HY 2010, net expenses for such legal disputes in the same period of the previous year totaled EUR 2.5 million. Taking into account the EUR 0.2 million year-on-year increase in financial result and the earnings-related higher income tax burden of EUR 2.4 million, the net earnings achieved in the first half-year amounts to EUR 12.6 million, after EUR 3.6 in the same period of the previous year. Earnings per share more than tripled year-on-year, from EUR 0.24 to EUR 0.87.

Cashflow

In the first half of the current financial year, cashflow from operating activities at EUR +19.0 million was by EUR 0.4 million slightly below the previous year's level (EUR +19.4 million). After adjusting cashflows from transactions with short-term marketable securities (reporting period: EUR -5.9 million; PY: EUR +13.0 million) cashflow from operating activities for the first half-year of the year under review is EUR 18.5 million higher against the first half-year of the previous year. The reason for the distinct rise of cashflow from operating activities adjusted for securities transactions is primarily the net earnings achieved in 1HY 2010, which resulted in EUR 8.8 million higher inflows, taking into consideration income and expenses not affecting payment, as well as interest and income taxes paid. Another key factor in respect of the rise of inflows from operating activities is the reduction of working capital, in particular the decline of short-term trade accounts receivable, offset against the only minor rise in long-term trade accounts receivable. Overall, these two factors led to a EUR 6.4 million higher inflow.

In the first half of the current financial year, at EUR 10.6 million (PY: EUR 11.1 million), the outflow from investment activities was only marginally lower year-on-year. As investment expenditures focused primarily on the completion of the two new technology centers in the USA and Slovakia in the previous year, the investments in the first half of 2010 focuses mainly on the fitting of the Slovakian technology center with machines, structural extensions at the Malaysian site and the extension and modernization of intangible and tangible assets at the company's domestic sites.

Due largely to the development outlined above, at EUR +14.2 million, free cashflow was EUR +19.0 million higher year-on-year (PY: EUR -4.8 million).

The dividend payments to shareholders and the personally liable shareholder of EUR 13.9 million in Q2 2010 as well as the taxes of EUR 1.7 million, paid by the company in respect of the personally liable shareholder, were primarily paid from the free cashflow. Against the background of the above mentioned dividend and tax payments and the investment expenditures, which were realized as scheduled, net liquidity rose only slightly in the first half-year, from EUR 25.8 million to EUR 27.4 million or 6.2%.

Assets

The Group's balance sheet total climbed 7.5% against 31 December 2009 (EUR 176.1 million), to EUR 189.2 million. In so doing, the share of short-term assets in the balance sheet total dropped from 63.6% to 61.4%, at an absolute growth of EUR 4.2 million. In parallel, the share of long-term assets rose from 36.4% to 38.6%. While the share of liabilities in the balance sheet total increased from 22.1% to 25.9% in 1HY 2010, the equity ratio conversely declined from 77.9% to 74.1%.

The absolute growth of short-term assets in the first half of 2010 is characterized by a rise in inventory assets, caused by a significant upturn in business volume and the resultant development of stocks. Long-term assets rose EUR 9.0 million against the end of the previous year, which is largely due to the investment-related increase in respect of buildings and technical facilities and machines and the increase of deferred tax assets.

The increase in short-term liabilities by EUR 10.1 million extends across all balance sheet items contained therein and reflects the significant growth in business activities of the Group in the first half of the year under review. Shareholders' equity rose from EUR 137.1 million to EUR 140.1 million in 1HY 2010. The major reasons for this increase were the net earnings of EUR 12.6 million achieved in the reporting period and the growth of other accruals to EUR 4.3 million. The latter are directly associated with the appreciation of the national currencies of certain foreign group companies against the group currency (euro) during the reporting period. The primary reason for the reduction in shareholders' equity was the payment of dividends to shareholders and the distribution of profits to the personally liable shareholder in the amount of EUR 13.9 million in Q2 2010.

FACTOR INPUT

Investments

In Q2 2010, gross investments in respect of intangible and fixed assets totaled EUR 8.8 million (PY: EUR 7.4 million). As a result, the investment volume for the entire first half-year amounted to EUR 11.8 million, thus lagging behind the high investment level for the same period of the previous year (PY: EUR 15.0 million). The investments by the Mühlbauer Group mainly focused on the further fitting of the Slovakian technology center in Nitra with state-of-the-art production facilities and on the completion of the structural extensions of production capacity at the Malaysian technology center in Melaka. In the quarter under review, the extension of facilities for surface technology at the Roding site was completed and extension and the modernization of the machinery continued.

Research and development

In Q2 2010, the research and development expenses of the Mühlbauer technology group rose to EUR 5.7 million (PY: EUR 5.3 million) and totaled EUR 10.5 million (PY: EUR 10.2 million) for 1HY 2010. This corresponds to an R&D rate of 11.3% (PY: 12.6%). In the Cards & TECURITY® area, the research and development activities focused on the development of a new passport personalization line with corresponding process modules and on the extension of the Smart card product range in the so-called eco area – the cost-optimized entry-level equipment for Smart Card production. Furthermore, new modules were developed for the production of dual SIM cards as well as a new special personalization system for this application. In the semiconductor-related area, the extension of the still young machine platform Variation was continued with further applications and a focus was directed on the further development of special features for Die Sorter 15000. In the business area Traceability, Mühlbauer's developers succeeded in integrating a UV curing process on the basis of the automation cell WL 3000, developed in the first quarter for the purpose of marking and labeling, with the assistance of which customers in the production process are provided with the opportunity of curing bonding surfaces with UV light within a matter of seconds. Furthermore, the scanning station WL 500 ID-X underwent considerable cost optimization by incorporating the surface scanning system into the casing.

Employment

To the end of 1HY 2010 the Mühlbauer Group employed 2,015 staff (PY: 1,865) across the Group. The increase in staff numbers is the result of a considerable revival of business and the rise in personnel required due to the progressive internationalization of the Group in connection with the development of the sites abroad. Also, the number of trainees and apprentices within the Mühlbauer Group has increased. To the end of the reporting period 301 (PY: 290) young people were employed as trainees and apprentices in 14 different jobs throughout the Group. The share of highly qualified employees in the R&D area also recorded an increase. Here the number of employees rose from 334 to 361 staff, emphasizing the importance of the company's continual research and development activities.

EVENTS AFTER THE END OF THE QUARTER

The special events occurring between the reporting date of the quarter (30 June 2010) and the approval for publication (28 July 2010) are described in the notes (18) of the interim financial statements.

RISK REPORT

In the 2009 Annual Report, Mühlbauer reported extensively on various risks the group was facing. It also described the measures with which the Group counters the individual risks. The statements of the risk report in the 2009 financial year continue to apply.

OUTLOOK

Global economy

Due to the discontinuation of economic stimuli, leading economic research institutes are expecting a weaker continuation of global economic recovery for the second half of 2010. Furthermore, the crisis of confidence of the European deficit countries still held risks in respect of economic recovery. According to the forecasts, the entire global economy is nevertheless to increase by 4.5% this year. The greatest momentum is still to be expected from the group of newly industrializing countries with a 2010 growth rate of 6.8%. The increase of overall economic production in the USA is forecast to be 3.3% for 2010. While the growth of production in the euro zone is to be moderate, at 1.3%, due to the partly drastic course of consolidation of the deficit countries, a rise of 2.1% has been forecast for the German economy, due to its brisk foreign trade.

Industry development

In the further course of the year, the market for Cards & TECURITY® should develop positively. In so doing, the industry benefits increasingly from the sustained worldwide trend towards the replacement of conventional identification documents by new, innovative card and ID applications. In particular states and public authorities, which do not only want to provide their citizens with greater security through innovative documents but also with new verification opportunities and the intensified development of an eGovernment infrastructure, while increasing flexibility at the same time, are ensuring growth potential in the medium and long-term. Furthermore, the growing demand for EMV and GSM cards should have a supportive effect on the industry. Previous EMV magnetic stripe cards are increasingly being fitted with chips, while the developing and newly industrializing countries are contributing to a robust demand for GSM/SIM cards. The market for contactless identification via RFID Smart Labels is also expected to undergo a continuing positive development. There are increasing signs that RFID projects will be implemented in the course of 2010, that are intended to optimize logistics processes or in the textile industry in particular by means of UHF technology. Market research institutes are forecasting a continuation of the willingness to invest that was sparked off in Q1 in respect of the general semiconductor market and within which Mühlbauer is focusing on promising niches in the semiconductor backend process. Semiconductor Industry Association (SIA) is, for example, expecting sales growth of 28% for the 2010 financial year. Even with regard to the development of the mechanical engineering industries important to Precision Parts & Systems and the automotive and electronics industries relevant to Traceability, the recovery of the industry should continue – subject to the positive development of the economy. In the opinion of industry specialists, the most important stimuli here are the high rates of growth in the newly industrializing countries.

Business development

Due to the strong position Mühlbauer holds as leading system partner for the complete transfer of technology and expertise worldwide, the company should continue to benefit from the basically positive industry prospects for Cards & TECURITY® in the further course of the year, apart from the volatilities that occur naturally in project business. Mühlbauer's industry business offers further potential for growth: If the economy trend continues to develop positively, the industry-related business areas should have best preconditions in the second half of the year to benefit from further investments.

Based on the significant increase in sales and earnings recorded in Q2 2010, and the high order backlog to the end of the quarter under review, the Mühlbauer Group raises its earnings forecast issued for the total year and is now expecting to achieve an EBIT of at least EUR 25 million in the 2010 financial year.

IMPORTANT NOTICE

This Interim Management Report contains future-oriented statements; statements that are not based on historical facts but on current plans, assumptions and estimates. Forward-looking statements are only applicable to the period in which they are made. Mühlbauer accepts no liability to revise these once new information becomes available. Future-oriented statements are always subject to risk and uncertainty. We therefore wish to point out that a range of factors can impact the actual results to the extent that these deviate considerably from those forecast. Some of these factors are described in the "Risk Report" and in other sections of the Annual Report 2009 and other parts of this interim report.

CONSOLIDATED STATEMENT OF INCOME (IFRS) FROM JANUARY 1 TO JUNE 30, 2010 OF MÜHLBAUER HOLDING AG & CO. KGaA[1)]

	Notes	Apr. 1 - June 30, 2010 TEUR	Apr. 1 - June 30, 2009 TEUR	Jan. 1 - June 30, 2010 TEUR	Jan. 1 - June 30, 2009 TEUR
1. Sales		**63,344**	**43,174**	**92,770**	**81,293**
2. Cost of sales	(3)	(36,325)	(28,593)	(56,498)	(52,299)
3. Gross profit		**27,019**	**14,581**	**36,272**	**28,994**
4. Selling expenses	(4)	(5,194)	(3,143)	(7,938)	(7,180)
5. Administrative expenses		(2,087)	(2,036)	(4,006)	(4,134)
6. Research and development	(5)	(5,670)	(5,271)	(10,468)	(10,246)
7. Other income	(6)	527	562	2,868	827
8. Other expenses	(7)	(230)	(1,967)	(532)	(3,144)
9. Operating income		**14,365**	**2,726**	**16,196**	**5,117**
10. Financial result					
a) Financial income		191	161	346	311
b) Financial expenses		(81)	(248)	(162)	(351)
11. Income before income taxes		**14,475**	**2,639**	**16,380**	**5,077**
12. Income taxes		(3,995)	(813)	(3,795)	(1,443)
13. Net earnings		**10,480**	**1,826**	**12,585**	**3,634**
- Minority interests		*(5)*	-	*(18)*	-
- Attributable to shareholders of Mühlbauer Holding AG & Co. KGaA		*10,485*	*1,826*	*12,603*	*3,634*
Basic and fully diluted earnings per share in EURO	**(8)**	**0.73**	**0.12**	**0.87**	**0.24**
Basic and fully diluted weighted average of shares	**(8)**	**6,130,727**	**6,123,051**	**6,130,727**	**6,123,051**

[1)] uncertified

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS) FROM JANUARY 1 TO JUNE 30, 2010 OF MÜHLBAUER HOLDING AG & CO. KGaA[1)]

		Apr. 1 - June 30, 2010 TEUR	Apr. 1 - June 30, 2009 TEUR	Jan. 1 - June 30, 2010 TEUR	Jan. 1 - June 30, 2009 TEUR
Net earnings		**10,480**	**1,826**	**12,585**	**3,634**
Change of market value of available-for-sale securities	(16)	(6)	(53)	(6)	50
Difference due to currency translation	(16)	2,316	(668)	4,313	(299)
Deferred taxes	(16)	(1)	1	(1)	(1)
Total income and expenses recognized in equity		**2,309**	**(720)**	**4,306**	**(250)**
Total income and expenses		**12,789**	**1,106**	**16,891**	**3,384**
- Minority interests		*(5)*	-	*(18)*	-
- Attributable to shareholders of Mühlbauer Holding AG & Co. KGaA		*12,794*	*1,106*	*16,909*	3,384

[1)] uncertified

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS) AS AT JUNE 30, 2010 OF MÜHLBAUER HOLDING AG & CO. KGaA

	Notes	June 30, 2010 [1] TEUR	Dec. 31, 2009 [2] TEUR
ASSETS			
Short-term assets			
Cash and cash equivalents		11,586	18,798
Marketable securities	(9)	15,804	6,983
Trade accounts receivable	(10)	28,590	38,051
Other current assets	(11)	5,739	2,810
Tax receivables		2,055	1,473
Inventories	(12)	52,444	43,935
		116,218	**112,050**
Long-term assets			
Investment and long-term financial assets			
Trade accounts receivable	(10)	1,728	1,534
		1,728	**1,534**
Fixed assets			
Land and buildings		39,905	36,456
Technical equipment		12,414	9,225
Furniture and office equipment		5,176	4,751
Buildings and equipment in progress		363	1,136
		57,858	**51,568**
Intangible assets			
Software and licenses		1,385	1,203
Capitalized development costs		5,988	5,550
		7,373	**6,753**
Other long-term assets			
Long-term tax receivables		2,259	2,144
Deferred tax assets		2,808	1,037
Plan assets	(15)	980	966
		6,047	**4,147**
		189,224	**176,052**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term liabilities			
Trade accounts payable		9,499	7,128
Downpayments		12,225	10,881
Other liabilities	(13)	10,209	7,866
Accrued income taxes	(14)	5,025	1,581
Other accruals	(14)	9,851	9,243
		46,809	**36,699**
Long-term liabilities			
Deferred tax liabilities		2,286	2,221
		2,286	**2,221**
Shareholders' equity			
Ordinary share capital	(16)	8,038	8,038
Own shares	(16)	(189)	(191)
Fixed capital contribution	(16)	(2,980)	(2,980)
Additional paid-in capital	(16)	60,840	60,817
Other comprehensive income	(16)	3,641	(664)
Retained earnings	(16)	70,785	72,112
Equity excluding minority interests		140,135	137,132
Minority interests		(6)	-
		140,129	**137,132**
		189,224	**176,052**

[1] uncertified [2] certified

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

CONSOLIDATED STATEMENT OF CASH-FLOWS (IFRS) FROM JANUARY 1 TO JUNE 30, 2010 OF MÜHLBAUER HOLDING AG & CO. KGaA

			Jan, 1 - June 30, 2010 TEUR	Jan, 1 - June 30, 2009 TEUR
Cash provided by operating activities				
1,		Net earnings	12,585	3,634
2.	+	Income taxes	3,795	1,443
3.	+	Interest expenses	10	191
4.	-	Interest income	(211)	(89)
Adjustments for non cash expenses and income				
5.	+/-	Expenses/(income) from employee profit-sharing programs	25	71
6.	+/-	Depreciations/(appreciations) to fixed assets	3,551	3,363
7.	+/-	Depreciations/(appreciations) to intangible assets	280	231
8.	+/-	Depreciations/(appreciations) to capitalized development costs	1,186	1,134
9.	+/-	(Gains)/losses from the sale of fixed assets	(45)	(15)
10.	+/-	Realized net (gains)/losses from short- and long-term marketable securities	(103)	(65)
11.	+/-	(Gains)/losses from the the change in fair value of financial instruments	(278)	(3)
12.	+/-	(Increase)/decrease of deferred tax assets	(1,771)	(614)
13.	+/-	Increase/(decrease) of deferred tax liabilities	65	124
Changes in long-term and short-term assets				
14.	+/-	(Increase)/decrease of inventories	(8,509)	1,198
15.	+/-	(Increase)/decrease of trade accounts receivables and other short-term assets	7,484	(5,715)
16.	+/-	Increase/(decrease) of trade accounts payables and other liabilities	8,642	2,463
17.	+	Proceeds from sales of short-term marketable securities	8,233	22,436
18.	-	Cash outflows for short-term marketable securities	(14,151)	(9,456)
19.	=	Cash generated from operating activities	20,788	20,331
20.	-	Income tax paid	(1,892)	(995)
21.	-	Interest paid	(3)	(20)
22.	+	Interest received	66	67
23.	=	Cash provided by operating activities	18,959	19,383
Cashflow from investing activities				
24.	+	Proceeds from disposals of fixed assets	199	129
25.	-	Purchase of fixed assets	(7,849)	(9,392)
26.	-	Purchase of intangible assets	(1,326)	(171)
27.	-	Expenditures for capitalized development costs	(1,603)	(1,675)
28.	=	Cash used for investing activities	(10,579)	(11,109)
Cashflow from financing activities				
29.	+/-	Increase/(decrease) of short-term financial liabilities	-	(5)
30.	+	Proceeds from sales of own shares	-	79
31.	+	Capital increase at subsidiaries (of other shareholders)	12	-
32.	-	Dividends paid	(13,929)	(12,790)
33.	+/-	Tax withdrawal personally liable shareholder	(1,665)	(1)
34.	=	Cash used for financing activities	(15,582)	(12,717)
35.	+/-	Increase/(decrease) of currency exchange rate changes	2,520	(257)
36.	=	Net increase/(decrease) in cash and cash equivalents (Total of lines 23, 28, 34 and 35)	(4,682)	(4,700)
37.	+	Liquid funds on January 1	18,798	17,122
38.	=	Liquid funds on June 30	14,116	12,422

[1] uncertified

We refer to additional information on page 21 of the accompanying notes.
The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (IFRS) FROM JANUARY 1 TO JUNE 30, 2010 OF MÜHLBAUER HOLDING AG & CO. KGaA

	Notes	Total number of shares	Own shares Number	Ordinary share capital in considera-tion of own shares TEUR	Fixed capital TEUR	Additional paid-in capital TEUR	Other compre-hensive income/(loss) TEUR	Retained earnings TEUR	Minority interests TEUR	Total TEUR
Balance Jan. 1, 2009 [1)]		**6,279,200**	**(157,995)**	**7,836**	**(2,980)**	**60,677**	**(449)**	**79,886**	**-**	**144,970**
Net earnings		-	-	-	-	-	-	3,634	-	3,634
Other comprehensive income/(loss)	(16)	-	-	-	-	-	(250)	-	-	(250)
Total comprehensive income/(loss)	(16)	-	-	-	-	-	(250)	3,634	-	3,384
Deferred compensation	(16)	-	-	-	-	71	-	-	-	71
Proceeds from sales of own shares	(16)	-	9,000	11	-	68	-	-	-	79
Dividends	(16)	-	-	-	-	-	-	(15,121)	-	(15,121)
Cash capital increase		-	-	-	-	-	-	-	-	-
Balance June 30, 2009 [2)]		**6,279,200**	**(148,995)**	**7,847**	**(2,980)**	**60,817**	**(699)**	**68,399**	**-**	**133,384**
Balance Jan. 1, 2010 [1)]		**6,279,200**	**(148,995)**	**7,847**	**(2,980)**	**60,817**	**(664)**	**72,112**	**-**	**137,132**
Net earnings		-	-	-	-	-	-	12,603	(18)	12,585
Other comprehensive income/(loss)	(16)	-	-	-	-	-	4,305	-	-	4,305
Total comprehensive income/(loss)	(16)	-	-	-	-	-	4,305	12,603	(18)	16,890
Deferred compensation	(16)	-	-	-	-	25	-	-	-	25
Proceeds from sales of own shares	(16)	-	1,335	2	-	(2)	-	-	-	-
Dividends	(16)	-	-	-	-	-	-	(13,930)	-	(13,930)
Cash capital increase		-	-	-	-	-	-	-	12	12
Balance June 30, 2010 [2)]		**6,279,200**	**(147,660)**	**7,849**	**(2,980)**	**60,840**	**3,641**	**70,785**	**(6)**	**140,129**

[1)] certified [2)] uncertified

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

Notes

A. GENERAL INFORMATION

(1) BASIC PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

Description of business activities

Mühlbauer Holding AG & Co. Kommanditgesellschaft auf Aktien (referred to as the company) and its subsidiaries (together referred to as the Mühlbauer Group) develop, produce and distribute products and services within the chip card, passport, Smart Label, semiconductor and electronic technology. The development and production sites of the company are located in Germany, Malaysia and Slovakia. Sales are effected globally, via the company's own sales and services network and in different countries via trade representations depending on projects.

Principles of presentation

The present unaudited and unrevised consolidated interim financial statements were drawn up in accordance with International Financial Reporting Standards (IFRS) and the relevant interpretation of the International Accounting Standards Board (IASB) for interim reporting, as applicable in the European Union. As a result, these consolidated interim financial statements do not contain all the information and notes required by the IFRS for consolidated financial statements at the end of a financial year.

In the personally liable shareholder's view, the present unaudited and unrevised consolidated interim financial statements contain all adjustments necessary to reflect the actual earnings situation of the interim result. The results for the reporting period ending on 30 June 2010, do not necessarily enable the drawing of conclusions with regard to the development of future results.

In the context of drawing up consolidated interim financial statements in accordance with IAS 34 'Interim Financial Reporting', the personally liable shareholder has to make assessments, estimates and assumptions that impact the application of reporting principles within the group and the statement of assets and liabilities as well as income and expenses. The actual results may deviate from these estimates.

Amendments to published standards, which must be applied from 2010 onwards and which have not been applied prematurely

Amendments to IFRS 1 "Additional Exemptions for First-time Adopters":
The amendments to IFRS 1 shall be applied to financial years commencing after 31 December 2009, at the latest. Mühlbauer has been applying the amendments as of Q2 2010. According to the amendments to IFRS 1, companies that are engaged in oil and gas and convert to IFRS can post the book values determined for oil and gas deposits in accordance with their previous accounting principles. The companies that decide to make use of this exemption should be held to assess disposal, recovery and similar obligations in connection with oil and gas deposits in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and to record the liability in retained earnings. The amendments to IFRS 1 also relate to the re-assessment of the determination of a lease relationship. This does not affect the financial statements and notes of the Mühlbauer Group.

Amendments to published standards that are prematurely applied in 2010

Amendments to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters":
The amendments to IFRS 1 and IFRS 7 shall, at the latest, be applied to the first financial year commencing after 30 June 2010. Mühlbauer will apply the amendments as of Q2 2010. As first-time adopters of the IFRS are not relieved from the comparative disclosures in respect of fair value measurements and liquidity risk, which IFRS 7 provides in cases in which comparative periods end prior to 31 December 2009, this amendment to IFRS 1 shall also provide these companies with relief. This does not affect the financial statements and notes of the Mühlbauer Group.

SUMMARY OF KEY ACCOUNTING PRINCIPLES (2)

Principles of consolidation

The accounting principles applied to the consolidated interim financial statements correspond with those of the last consolidated financial statements at the end of the financial year. A detailed description of accounting principles is provided in the notes to the consolidated financial statements of our 2009 Annual Report.

Changes in the scope of consolidation

On 1 April 2010 the company founded the Mühlbauer Uganda Limited, headquartered in Kampala, Uganda and keeps 99,999 of overall 100,000 company shares. The entry into the Commercial Register of Kampala, Uganda, was effected under the reference number 117378. The Mühlbauer Uganda Limited initially acts as a marketing, trading and service company and is supplemented by development and production corresponding to the further business development in Africa. The subscribed capital of the company totals TUSD 100 and is fully paid up.

B. EXPLANATIONS TO THE CONSOLIDATED STATEMENT OF INCOME

(3) COST OF SALES

Apart from directly attributable costs such as material and personnel costs as well as depreciations, cost of sales also comprise overhead costs as well as the balance of devaluations and revaluations on inventories. In Q2 2010 this resulted in expenses of TEUR 4,518 (PY: TEUR 4,956) and in 1HY 2010 to TEUR 7,091 (PY: TEUR 4,572).

(4) SELLING EXPENSES

The selling expenses in Q2 2010 contain expenses for outbound cargo of TEUR 1,250 (PY: TEUR 507), as well as non-cash expenses from the addition of value adjustments on trade accounts receivable offset by earnings from discontinuation of such value adjustments in the amount of TEUR 633 (PY: TEUR 284). In the first half of 2010, these expenses totaled TEUR 1,651 (PY: TEUR 926) and TEUR 460 (PY: TEUR 370).

(5) RESEARCH & DEVELOPMENT

The research and development expenses in 1 HY include value adjustments of TEUR 425 due to amended evaluations pertaining to the future usability of individual development results that were exclusively attributed to Q1. In the previous year TEUR 332 were expended in Q2 and in 1HY.

(6) OTHER EARNINGS

	1 Apr - 30 June 2010 TEUR	1 Apr - 30 June 2009 TEUR	1 Jan - 30 June 2010 TEUR	1 Jan - 30 June 2009 TEUR
Earnings from closing accruals and liabilities	-	351	2,047	351
Insurance compensation and others	247	87	275	110
Canteen earnings	130	90	255	202
Earnings from the sale of old material	85	12	131	63
Gains from the sale of long-term assets	45	19	87	22
Rental income	-	3	-	12
Other	20	-	73	67
Sum of other operating income	**527**	**562**	**2,868**	**827**

(7) OTHER EXPENSES

Other operating expenses of the quarter under review and of the first half of 2010 largely comprise remaining expenses in respect of legal fees and other costs of TEUR 314 in connection with the liquidation of finished legal procedures. In Q2 and 1HY 2009, the expenses for such legal disputes totaled TEUR 1,787 and TEUR 2,825 in this period.

(8) EARNINGS PER SHARE

The basic and diluted earnings per share are calculated as follows:

		1 Apr - 30 June 2010	1 Apr - 30 June 2009	1 Jan - 30 June 2010	1 Jan - 30 June 2009
Income before income taxes *	TEUR	14,479	2,639	16,398	5,077
Portion of share capital in total capital	%	42.73	42.73	42.73	42.73
Portion of income before income taxes applicable to the shareholders of the limited partnership	TEUR	6,187	1,127	7,007	2,169
Effective tax rate *	%	28.33	32.83	24.25	30.85
Effective tax amount *	TEUR	1,753	370	1,699	669
Portion of net earnings for the year applicable to the shareholders of the limited partnership *	TEUR	4,434	757	5,308	1,500
Weighted average of common shares	No.	6,279,200	6,279,200	6,279,200	6,279,200
Repurchased shares (weighted)	No.	(148,473)	(156,149)	(148,473)	(156,149)
Weighted average of shares outstanding (basic and diluted)	No.	6,130,727	6,123,051	6,130,727	6,123,051
Basic and diluted earnings per share*	EUR	0.73	0.12	0.87	0.24

* Without minority interests

C. EXPLANATIONS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARKETABLE SECURITIES (9)

In Q2 2010, earnings of TEUR 6,479 were achieved from the sale of "at fair value through profit or loss" certificates and TEUR 8,233 in 1HY 2010. Payments for the purchase of such certificates amounted to TEUR 10,538 (PY: 1,912) and TEUR 11,738 (PY: 1,912) in the reporting period and in 1HY of the current reporting year.

Payments for the purchase of securities of the category "available-for-sale" amounted in Q2 2010 and Q1 2009 as well as in 1HY 2010 and 2009 each to TEUR 4,943 and TEUR 7,544. Earnings from the disposal of such securities totaled TEUR 18,322 and TEUR 22,436 in Q2 2009 and 1HY 2009.

TRADE ACCOUNTS RECEIVABLE (10)

	30 June 2010			31 December 2009		
in TEUR	With a residual term of up to 1 year	With a residual term of more than 1 year	Total	With a residual term of up to 1 year	With a residual term of more than 1 year	Total
Trade accounts receivable	30,982	1,728	32,710	40,405	1,534	41,939
Less value adjustments	(2,392)	-	(2,392)	(2,354)	-	(2,354)
	28,590	**1,728**	**30,318**	**38,051**	**1,534**	**39,585**

OTHER CURRENT ASSETS (11)

in TEUR	30 June 2010	31 December 2009
Receivables from the personally liable shareholder	1,665	1
VAT-receivables	1,036	601
Advance payments made	898	148
Claims on investment and technology grants	863	1,132
Prepaid expenses	657	536
Receivables from suppliers	186	147
Guarantees	34	121
Claims on investment subsidies	14	8
Derivative financial instruments	-	1
Other	386	115
	5,739	**2,810**

INVENTORIES (12)

in TEUR	30 June 2010	31 December 2009
Raw materials, auxiliary and operating materials	8,607	7,165
Unfinished products	38,283	29,206
Finished products and trade goods	5,554	7,564
	52,444	**43,935**

In Q2 2010, the inventory assets were devalued by TEUR 4,518 (PY: TEUR 4,956) and in 1HY 2010 by TEUR 7,091 (PY: TEUR 4,572).

OTHER LIABILITIES (13)

in TEUR	30 June 2010	31 December 2009
Salaries and wages	7,801	5,293
Liabilities to customers	785	434
Income tax on salaries and wages	536	963
Commissions	530	672
Social security contributions	261	175
Other liabilities - personnel	74	61
Capital formation	63	64
VAT-tax burden	41	102
Loan of shareholders	14	-
Income tax liabilities	29	23
Other	75	79
	10,209	**7,866**

(14) ACCRUED INCOME TAXES AND OTHER ACCRUALS

in TEUR	As per 1 Jan 2010	Difference due to currency translation	Consumption	Addition	Dissolution	As per 30 June 2010
Accrued income taxes	1,581	-	(677)	4,121	-	5,025
Personnel and social security obligations	528	-	(370)	631	(124)	665
Guarantee obligations	4,707	-	(1,786)	1,777	(198)	4,500
Service in progress	1,079	-	(1,056)	1,713	-	1,736
Litigation risks	1,444	(7)	(300)	254	(882)	509
Commissions	276	-	(150)	-	(126)	-
Other	1,209	-	(714)	2,020	(74)	2,441
Other accruals	9,243	(7)	(4,376)	6,395	(1,404)	9,851
	10,824	(7)	(5,053)	10,516	(1,404)	14,876

The release of accruals for litigation risks is largely the result of the termination of an action for patent infringement as well as the resulting discontinuation of obligations (we refer to the notes (28) of the 2009 Annual Report).

(15) PENSION AND POSTRETIREMENT BENEFITS

During the reporting period the value in respect of “Pension provisions and similar obligations”, recorded in the balance sheet, changed as presented below. The composition of the amounts recorded as income in the statements of income can also be found in the following table:

in TEUR	1 Jan - 30 June 2010	30 June 2010	1 Jan - 31 Dec 2009	31 December 2009
Accruals for pension obligations at the beginning of the reporting period		**(966)**		**(913)**
Amounts recorded as income				
Current service cost	97		172	
Interest expenses on obligations	143		267	
Expected earnings on plan assets	(113)	127	(208)	231
Contributions to plan assets		(141)		(284)
Accruals for pension obligations at the end of the reporting period		**(980)**		**(966)**

Own shares

SHAREHOLDERS' EQUITY (16)

On the basis of the resolution passed by the Annual General Meeting on 29 April 2010, the personally liable shareholder is authorized to purchase company shares of up to 10% of the current ordinary share capital until 28 April 2015, for specific pre-defined purposes.

Of its stock of 148,995 own shares with a nominal value of EUR 190,713.60 at the beginning of the financial year, 1,335 shares with a nominal value of EUR 1,708.80 were ceded in the form of anniversary shares free of charge in the period from 1 January up to and including 30 June 2010. As per 30 June 2010 the company holds a stock of 147,660 own shares of a nominal value of EUR 189,004.80. At this point in time, the percentage of own shares in the ordinary share capital is 2.35%.

Other comprehensive income

The following table shows the development of the changes in equity that do not affect income.

in TEUR	Fair value of securities	Difference due to currency translation	Total
Status as per 1 January 2009	**(41)**	**(408)**	**(449)**
Unrealized gains/(losses)	90	-	90
Reclassification with an effect on the income statement	(40)	-	(40)
Currency adjustments	-	(299)	(299)
Deferred taxes			
Tax effect from unrealized gains/(losses)	(2)	-	(2)
Reclassification with an effect on the income statement	1	-	1
Status as per 30 June 2009	**8**	**(707)**	**(699)**
Status as per 1 January 2010	**-**	**(664)**	**(664)**
Unrealized gains/(losses)	(6)	-	(6)
Reclassification with an effect on the income statement	-	-	-
Currency adjustments	-	4,312	4,312
Deferred taxes			
Tax effect from unrealized gains/(losses)	(1)	-	(1)
Reclassification with an effect on the income statement	-	-	-
Status as per 30 June 2010	**(7)**	**3,648**	**3,641**

Appropriation of earnings

The Annual General Meeting on 29 April 2010 resolved for the financial year 2009 the payment of a dividend of EUR 1.00 per no par value share entitled to participate in the profits. Apart from the payment of a total dividend of TEUR 6,132 to the shareholders of the company, the resolved appropriation of earnings also includes the transfer of profits and losses of the company, laid down in the partnership agreement, to the personally liable shareholder, Mühlbauer Holding AG & Co. Verwaltungs KG, of TEUR 7,798, due in parallel. Taxes of TEUR 1, paid by the company and to be borne by the personally liable shareholder are deducted from this amount.

Stock purchase programs

On the basis of specific accomplished personal or team goals, the employees of the Mühlbauer Group held a total of 26 subscription rights at the end of the reporting period. Every single subscription right authorizes its holder to subscribe to one common share issued to the bearer.

The average exercise price is EUR 21.00. All subscription rights can be exercised without observing a waiting period. The company intends to make use of its right to make cash payments to beneficiaries instead of transferring shares, thus meeting all subscription rights from cash and cash equivalents.

Moreover, neither the personally liable shareholder nor the Supervisory Board held subscription rights or comparable securities in accordance with § 160 (1) No. 5 AktG (Stock Corporation Act).

Stock ownership plan to employees

In the 1HY 2010 employees with a specific period of employment with the company received one share per year of employment free of charge. The number of company shares issued as a result of this offer totaled 1,335 (PY: 1,385) in the financial year. The expenditure of TEUR 25 (PY: TEUR 24) was reported as personnel expenditure.

(17) LIABILITY AND OTHER FINANCIAL OBLIGATIONS

To the end of the reporting period the contractual obligations from purchase of fixed and intangible assets as well as from other purchase and service agreements increased by TEUR 7,790 to TEUR 17,551 compared to 31 December 2009 (see notes (27) of the 2009 Annual Report).

D. SEGMENT REPORTING

Segment information for the Q2 2010/2009 and 1HY 2010/2009:

Sales by application area	Q2 2010 TEUR	Q2 2009 TEUR	1HY 2010 TEUR	1HY 2009 TEUR
Cards & TECURITY®	43,548	32,440	57,652	58,089
Semiconductor Related Products	12,880	7,185	22,243	14,667
Precision Parts and Systems	5,216	2,709	9,604	6,227
Traceability	1,796	981	3,426	2,543
	63,440	**43,315**	**92,925**	**81,526**
Deductions on sales	(96)	(141)	(155)	(233)
	63,344	**43,174**	**92,770**	**81,293**

Sales by region	Q2 2010 TEUR	Q2 2009 TEUR	1HY 2010 TEUR	1HY 2009 TEUR
Asia	12,412	8,170	25,064	15,768
Africa	20,014	8,512	22,118	16,629
Rest of Europe	15,587	11,116	21,872	23,723
Germany	7,673	7,386	13,961	14,006
America	7,754	8,131	9,910	11,400
	63,440	**43,315**	**92,925**	**81,526**
Deductions on sales	(96)	(141)	(155)	(233)
	63,344	**43,174**	**92,770**	**81,293**

E. NOTES TO THE STATEMENT OF CASH-FLOWS

The free cashflow is derived as follows:

	1 Jan - 30 June 2010 TEUR	1 Jan - 30 June 2009 TEUR
Cash provided by operating activities	18,959	19,383
Cash used for investing activities	(10,579)	(11,109)
Subtotal	8,380	8,274
Transition to free cashflow		
Gains/(losses) from the sale of fixed assets and intangible assets	45	15
Realized net gains/(losses) from short and long-term marketable securities	103	65
Proceeds from disposals of long-term assets	(199)	(129)
Proceeds from sale of short-term assets (marketable securities)	(8,233)	(22,436)
Investments in short-term assets (marketable securities)	14,151	9,456
Free Cashflow	**14,247**	**(4,755)**

F. OTHER NOTES

(18) EVENTS AFTER THE REPORTING DATE

No events of major significance occurred after the end of Q2 2010.

(19) RELATIONSHIPS WITH ASSOCIATED COMPANIES AND PERSONS

The parties considered associated companies and persons within the meaning of IAS 24 'Related Party Disclosures' are outlined in the notes (34) of the Annual Report as per 31 December 2009. In the reporting period, major business transactions with these associated companies and persons were:

Dr. Thomas Zwissler, Chairman of the Supervisory Board, is also an attorney and partner of the law firm Zirngibl Langwieser. The company occasionally provides legal consultation to the Mühlbauer Group. The fees for such services amounted to TEUR 40 (PY: TEUR 20) in 1HY 2010.

Mühlbauer Aktiengesellschaft, ASEM Präzisions-Automaten GmbH and takeID GmbH rent office space from Mr. Josef Mühlbauer or companies controlled by him. In 1HY 2010, rental costs amounted to TEUR 158 (PY: TEUR 160).

Group companies utilize certain services in respect of the conveyance of passengers, sales promotion, the organization of travel, accommodation and catering, offered by companies that are controlled by Mr. Josef Mühlbauer. After deduction of commission services the Group paid TEUR 432 (PY: TEUR 411) additionally the current amount of VAT for such services in 1HY 2010. In 1HY 2010, Mühlbauer Aktiengesellschaft generates proceeds of TEUR 29 (PY: TEUR12) additionally the current amount of VAT in respect of services provided, products sold and incurred garantees to Mr. Josef Mühlbauer or companies controlled by him.

(20) NUMBER OF EMPLOYEES

At the end of the period under review the Group employed:

	30 June 2010 Number	30 June 2009 Number
Production and assembly	1,069	947
Research and development	349	332
Administration and sales	198	204
	1,616	1,483
Apprentices and trainees as well as part-time employees	399	382
Total	**2,015**	**1,865**

Number of employees by region at the end of the reporting period is shown in the following table:

	30 June 2010 Number	30 June 2009 Number
Germany	1,623	1,602
Asia	218	150
Rest of Europe	138	82
America	26	22
Other	10	9
Total	**2,015**	**1,865**

This consolidated interim report was authorized to be published by the personally liable shareholder on 28 July 2010.

Mühlbauer Holding AG & Co.
Kommanditgesellschaft auf Aktien

The personally liable shareholder

Assurance of the Legal Representative

"To the best of my knowledge, I herewith assure, that the interim consolidated financial statements, drawn up in accordance with the accounting principles for the interim financial reporting, reflect a true and fair view of the asset, financial and earnings situation of the Group and that the development of business, including the performance and situation of the Group – presented in the interim consolidated management report – is presented to depict a realistic image of the Group and that the key opportunities and risks of the company's anticipated development are described for the remaining months of the financial year."

Roding, 28 July 2010

The personally liable shareholder
Mühlbauer Holding AG & Co. Verwaltungs KG,
represented by the Mühlbauer Beteiligungs Aktiengesellschaft,
represented by the the CEO Josef Mühlbauer

Financial calendar

September 14, 2010	Merrill Lynch German Jour Fixe (London)
November 3, 2010	Quarterly Report Q3/2010
November 23, 2010	German Equity Forum (Frankfurt)
March, 2011	Annual Report 2010
April 28, 2011	Annual General Meeting

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