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Vara olik
renca Suatu perbezaan
Anders sein 与众不同
كُنْ مَخْولاً Being different
Farklı olmak

Key figures

		2009	2008	Change %
Sales	TEUR	160,488	172,575	(7.0)
Research and development expenses	TEUR	21,088	22,731	(7.2)
EBIT ¹	TEUR	9,616	24,293	(60.4)
Pretax profit margin	%	6.0	14.1	(57.4)
Net earnings	TEUR	7,347	18,274	(59.8)
Earnings per share	EUR	0.50	1.24	(59.7)
Free cashflow	TEUR	3,342	6,331	(47.2)
Working capital ²	TEUR	49,570	53,748	(7.8)
Working capital-intensity ³	%	30.9	31.1	(0.8)
Gross capital expenditures without capitalized development costs	TEUR	16,643	8,999	84.9
Equity ratio	%	77.9	77.5	0.5
Dividend per share ⁴	EUR	1.00	1.00	0.0
Share price (Year-End-Close)	EUR	17.15	17.40	(1.4)
Market Capitalization (Year-End Close)	TEUR	252,038	255,712	(1.4)
Employees (Average per year)	number	1,897	1,841	3.0

¹ Earnings before interest and tax

² Non interest short-term assets – non interest current liabilities

³ Working capital/Sales

⁴ Subject to the approval of the AGM



The **unique nature** of our company is expressed in different areas and motifs. As **market leader** in the area of **intelligent identification** we offer a unique portfolio of solutions. We accept complete responsibility for entire ID projects and are developing to become the worldwide leading system partner for the entire **transfer of technology and know-how** for our customers. This is possible due to the fact that we understand our business from the ground up and implement it ourselves. In so doing, our path is sometimes **unconventional and different**.

Mühlbauer – Worldwide close to the customer



USA



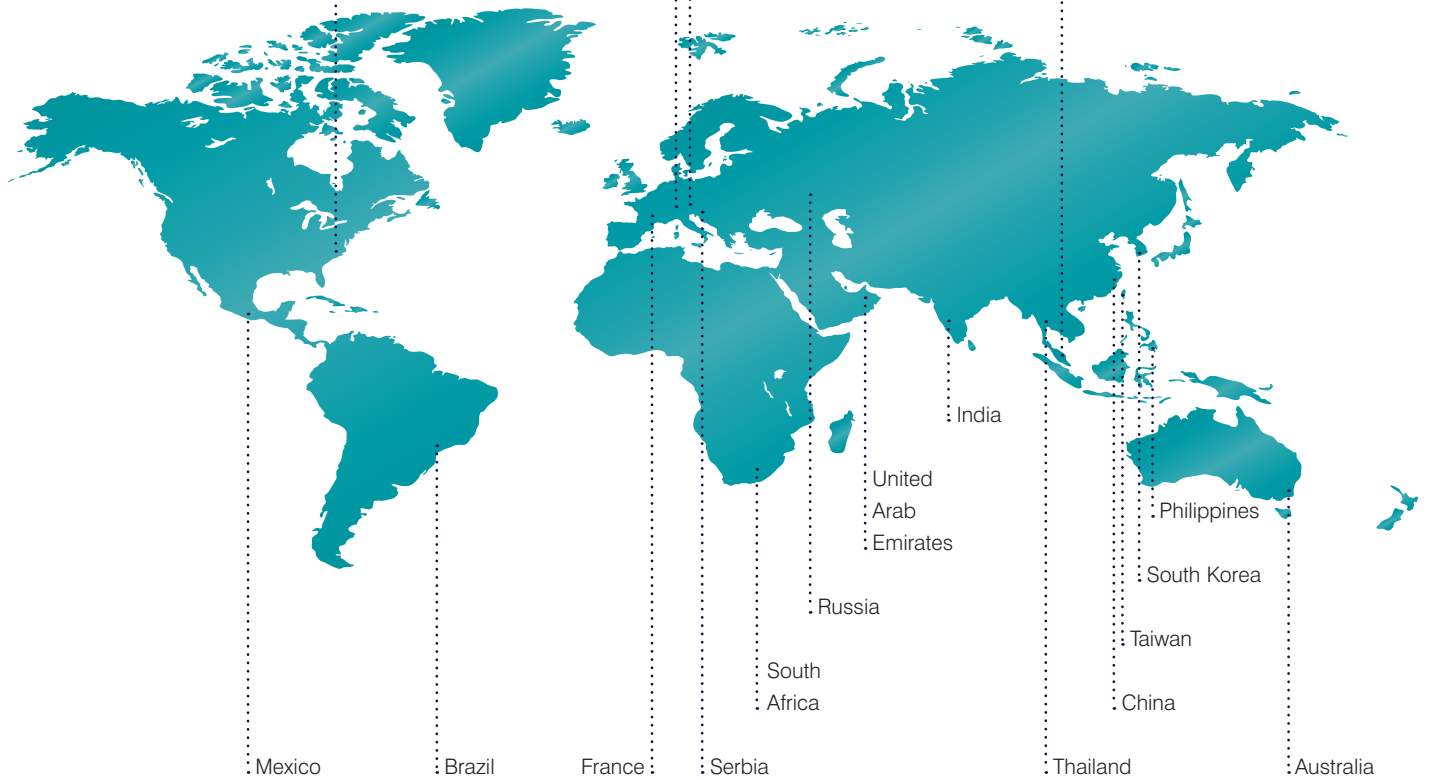
Germany



Slovakia



Malaysia



Mexico

Brazil

France

Serbia

South Africa

Russia

United Arab Emirates

India

Thailand

Philippines

South Korea

Taiwan

China

Australia

Table of Contents

Preface of the CEO	02
The Mühlbauer Share	04
Corporate Governance	06

Financial Report

Management Report	14
Overview of the 2009 financial year	14
Business and framework conditions	16
Earnings situation	23
Financial situation	24
Asset situation	28
Value-oriented control parameters	31
Sustainability Report	34
Factor Input	38
Employment	40
Other Details	44
Events after the 2009 financial year	44
Risk Report	44
Outlook	48
Important Notice	53
Consolidated Statement of Income	54
Consolidated Statement of Financial Position	55
Consolidated Statement of Cash-Flows	56
Consolidated Statement of Changes in Shareholders' Equity	57
Notes	58

Assurance of the Legal Representative	100
Auditor's Report	101
Report of the Supervisory Board	102
Several years overview	106
Technical Glossary	108
Financial Glossary	110

To our shareholders, business partners and employees

Ladies and Gentlemen,

We had many resolutions for the 2009 financial year. Admittedly, we did not achieve our extremely ambitious goal of stable sales and earnings development. While the company reported an increase in sales in its core business Cards & TECURITY®, we were, however, unable to compensate for the expected weakness in demand in the industry business caused by the cyclical investment restraint. As a result, at EUR 160.5 million, sales lagged the previous year by 7.0%. Despite this, we have once again come a little bit closer to fulfilling our vision of qualifying the Mühlbauer technology group as a fully responsible system partner for the complete transfer of technologies and expertise for government-related ID projects or for the production of innovative ID documents, by awarded projects with overall responsibility. Project partnerships and the constantly increasing confidence of the market in our competence were the results of our efforts in our core business and prevented the most comprehensive post-war economic crisis of impacting our company even more negatively.

Clear strategy to reach the goal

Mühlbauer remains on track: we are unwaveringly pursuing our strategy of complete solutions. Wherever intelligent identification is in demand, the Mühlbauer technology group positions itself as a partner offering complete solutions. Meanwhile, this comprises project planning, the technological provision of hardware and software solutions as well as the complete service and support – not merely for cards and ID projects but for RFID applications as well. This comprehensive competence is a unique feature to Mühlbauer, resulting in a high level of attractiveness on the market. No other company in this industry offers the entire technological and market expertise as a one-stop provider as we do. The sales increase in our core business, achieved in the year under review, despite the general weakness of the economy, shows that our strategy pays. In the industry business, characterized by the Traceability and Precision Parts & Systems, we intensified our efforts to find new markets and consumers for our competence, in order to further relativize the dependence of business development on particular industries. In so doing we specifically focus on niches in which the company can generate additional benefits for the customer and is able to offset itself from its competitors, due to its solution concept and complete understanding of the market. After all, Mühlbauer feels at home where we can take over the overall responsibility.



*Management Board of
the Mühlbauer AG (I.t.r.):
Hubert Forster
Josef Mühlbauer
Thomas Betz
Karl-Heinz Plank*

Thanks to our stable financial base and our independence, e.g. from investors and finance providers, we were able to fully utilize the year under review to get ourselves fit for future challenges – both strategically and technologically. With the official opening of the Slovakian site in Nitra and the US American site in Newport News, the internationalization process that forms part of our regional market penetration reached a visible highlight. With its state-of-the-art customer support center and fully equipped showrooms, our team in the USA is now superbly prepared to acquire new customers and to convince them of Mühlbauer's efficiency on site. Our commitment has already reaped initial successes with regard to the award of various driver's license projects in the North and South America.

Investments for the future

In the 2009 financial year, research, construction and production commenced at the company's Slovakian site in Nitra, in buildings fitted with state-of-the-art technologies. In combination with the Mühlbauer Group the site reinforces Mühlbauer's position as an independent technology and production center, in particular on the up and coming eastern European markets and regions. Additionally, in 2009 we commenced the extension of our Malaysian site in order to further improve our proximity to the market and generate additional cost benefits by strengthening this location. Apart from these structural measures, we pursued our research and development activities unperturbed. Existing technology solutions underwent further development and the focus was directed on markets and industries new to Mühlbauer. In the solar industry, within which we operate in special niches for industrial applications, we are still at the beginning of our development, however, existing synergies from the semiconductor backend area are accelerating our progress.

In view of the insecurities that are still present in the current economic environment, the Mühlbauer Group will once again face considerable challenges in 2010. The decisive points for the future have been set. Our foundation: a straightforward corporate strategy, an excellent position on our markets and a high level of innovative strength. As this is a solid foundation, we can focus fully on future challenges – be it as a system partner with overall responsibility for complete ID project or as a niche player in sensitive industries. With regard to costs, we will maintain our discipline and do whatever we can in order to identify and exploit further potential for efficiency. This should enable a sustained business development, even in challenging times. The approach we take may frequently be "different", but it is always: solid, consistent, responsible. Thank you for your confidence. I would be happy if you accompany us on this undertaking.

Complete focus on future challenges

A handwritten signature in black ink, appearing to read 'J. Mühlbauer'.

Josef Mühlbauer
Chief Executive Officer (CEO)

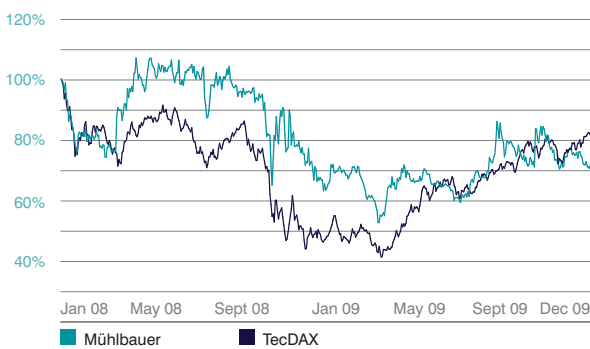
The Mühlbauer Share

Recovery on the stock markets

Despite the economic crisis, stock markets largely ended the 2009 year with a very gratifying performance. While the financial market crisis had resulted in dramatic downturns on the global stock markets as early as 2008, and the share indexes subsequently reached their trough in March of the year under review, the markets recovered distinctly in the further course of the year. The DAX 30 climbed +24% year-on-year and even the international share indexes underwent significant price increases: the Euro Stoxx closed with a +21% year-on-year increase while the Dow Jones and the Nikkei recorded increases of +19%. The stock markets were, however, outshone by the performance on the emerging markets – with gains of almost 130% in Russia and around 80% in Brazil, China and India.

Development of the Mühlbauer share

Share performance (January 2008 - December 2009)



While the Mühlbauer share clearly and positively set itself off from the development of the TecDAX in the 2008 financial year – which was marked by the financial market crisis – it lagged behind the TecDAX in the 2009 financial year. The Mühlbauer share largely followed the performance of the TecDAX until the beginning of April and rapidly recovered from the annual low of EUR 13.00 achieved in 2008. However, in the further course of the year the share was unable to follow the trend and commenced an extremely volatile lateral movement from April to the end of July. One of the explanations for this development may be the behavior of institutional investors, who prefer to invest in indexes and shares, the value of which dropped significantly in 2008 – the year of crisis – while the Mühlbauer share managed to keep its losses comparatively low. While the upturn following the publication of the Q2 report at the beginning of August, marked an annual high, at EUR 21.10, in hindsight neither it proved sustainable – even against the background of the outlook for the 2009 financial year, which was adjusted to economic developments – nor did the brief increase in October. To the end of the year the Mühlbauer share finally closed at EUR 17.15 (PY: EUR 17.40) with a slight year-on-year lag of 1.4%.

At EUR 252.0 million, the market capitalization of Mühlbauer Holding AG & Co. KGaA was virtually at the level of the previous year (PY: EUR 255.7 million). Trading volumes of the Mühlbauer share, however, decreased. While an average of 5,630 Mühlbauer shares were traded at stock exchanges per trading day in 2008, the number of shares traded dropped to 3,761 in the year under review. The reason for the decline in trading volume is the greater caution in respect of share investments among both private and institutional investors, which led to an overall significant drop in trading volume at Xetra, the Frankfurt stock exchange and the various regional stock exchanges in Germany.

Ratios	2009	2008
Share price (Xetra)		
Annual high (in EUR)	21.10	26.18
Annual low (in EUR)	13.00	15.55
Year end (in EUR)	17.15	17.40
Market capitalization¹		
Annual high (in EUR thousand)	310,087	384,743
Annual low (in EUR thousand)	191,049	228,524
Year end (in EUR thousand)	252,038	255,712
Share values		
Earnings (in EUR)	0.45	1.24
Dividend (in EUR)	1.00 ²	1.00
Trading volume (in share certificates)²		
Average per trading day	3,761	5,630
Whole year (in million share certificates)	1.0	1.4

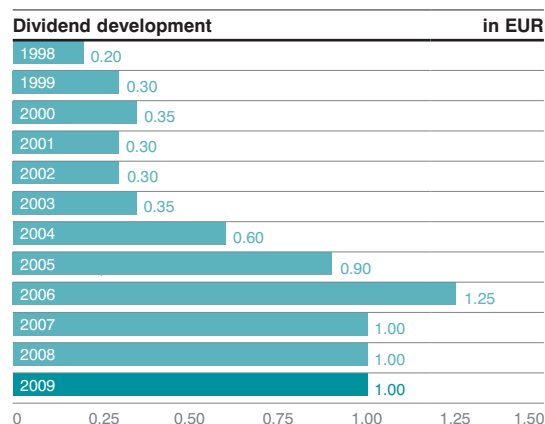
Mühlbauer has been implementing a stable dividend policy oriented on continuity since its IPO in 1998. As one of very few technology companies Mühlbauer have been paying an annual dividend to its shareholders since its IPO. This year the shareholders are once again to participate adequately in the company's development. The personally liable shareholder and the Supervisory Board therefore propose the payment of a dividend of EUR 1.00 in respect of the 2009 financial year. Based on the closing price for the year the dividend yield thus amounts to 5.8%.

Dividend since IPO

The transparent financial reporting and the regular, intensive dialog with private and institutional investors, analysts and representatives of the financial and business press remained a high priority in Mühlbauer's Investor Relations work in the year under review. During the reporting period, the technology group provided information to investors at international roadshows and conferences, e.g. at the German Equity Forum in Frankfurt or the LBBW Technology & Engineering Conference in London. Management provided information on the economic situation, the corporate strategy and the future outlook of the company in numerous one-on-ones and telephone conversations. Further opportunities at which capital market players were able to form their own image of the company's technological strength were the Capital Markets Day, at which a tour of the plant was offered, alongside the obligatory analysts' conference, and the Annual General Meeting, at which the SECURITY show truck could be viewed.

Dialog with the capital market

The range of information available to shareholders and investors is completed by a comprehensive internet service, where a host of data and information on Mühlbauer and the Mühlbauer share can be retrieved around the clock – whenever required. All Annual and Quarterly Reports, press releases and ad hoc messages, as well as securities transaction and Corporate Governance announcements are contained in the Investor Relations section. We will continue to be available for open dialog and provide institutional investors, analysts and private shareholders with comprehensive and transparent information.



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 93426 Roding, Germany

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Contact
Investor Relations

27 April 2010 Quarterly report I/2010
 29 April 2010 Annual General Meeting, Roding
 3 August 2010 Quarterly report II/2010
 3 November 2010 Quarterly report III/2010
 March 2011 Annual Report 2010

Financial calendar

Corporate Governance

DECLARATION OF CORPORATE GOVERNANCE

A correct, fair and transparent business management is not only part of the self-image and tradition of the Mühlbauer Holding AG & Co. KGaA, but is also an essential component of responsible and reliable management, as well as for a sustainable corporate compliance – the compliance with legal and ethical commitment in all corporate areas. To us, good corporate governance therefore represents a fundamental claim that covers all areas of the company and takes top priority in our daily work. In so doing, it is our primary goal to confirm the confidence placed on our management by investors, business associates, customers and the public by our daily activities and to maintain this confidence as a basis for sustained corporate development.

In the following sections the company explains the key components of its management practices:

1. Corporate Governance report

On 26 February 2002, the Government Commission German Corporate Governance Code presented a code of conduct for the Management and Supervisory Boards of publicly listed companies (German Corporate Governance Code, hereinafter also referred to as the "Code"). Once a year, the Management and Supervisory Boards of a company that is publicly listed in Germany are legally required to declare – by means of a Declaration of Conformity – whether the current version of the Code was and is complied with or which recommendations of the Code were or are not applied. In this context, the German Corporate Governance Code is oriented solely to the conditions and circumstances of a joint stock corporation. Mühlbauer Holding AG & Co. KGaA therefore independently investigated and determined how the Code could be correspondingly applied to a partnership limited by shares.

The amendments to the German Corporate Governance Code of June 2009 were discussed in the Supervisory Board with the personally liable shareholder and management and incorporated into the company's own Corporate Governance Code.

In December 2009 the personally liable shareholder and the Supervisory Board issued a Declaration of Conformity for 2009 and made it available to the public on the company's homepage (www.muehlbauer.de). The declaration explains which provisions of the current German Corporate Governance Code the company observed and which recommendations of the Code were or are not applied.

Many of the target provisions of the German Corporate Governance Code are met by the legal form of Mühlbauer Holding AG & Co KGaA. However, the personally liable shareholder and the Supervisory Board have also decided that the company will not correspond with several provisions of the German Corporate Governance Code's recommendations in the version of 6 June 2008 ("Code 2008") since its declaration of conformity from 19 December

2008 to 17 June 2009 and subsequently the recommendations of the new version of the German Corporate Governance Code dated 18 June 2009 ("Code 2009"). In December 2009, the following Declaration of Conformity in accordance with § 161 AktG (German Stock Corporation Act) was issued and subsequently provided to shareholders on the website of Mühlbauer Holding AG & Co. KGaA at www.muehlbauer.de on a sustained basis:

Declaration of Compliance

The Personally Liable Shareholder and the Supervisory Board declare that at the Mühlbauer Holding AG & Co. KGaA (hereinafter referred to as the "Company") in its legal form should be complied with all recommendations of the Government Commission German Corporate Governance Code in the version of June 18, 2009 ("Code 2009") with the **following exceptions**:

The D&O insurance for the Supervisory Board does not include a deductible. A deductible would restrict opportunities for acquiring members for the Supervisory Board with extensive entrepreneurial experience, as these would have to take into account liability risks, even in the event of negligent conduct. Moreover, the agreement of deductibles in the Supervisory Board area is still uncommon (Code 2009 section 3.8 paragraph 2).

Deductible for D&O insurance

The Chairman of the Supervisory Board will not disclose any information on the company's remuneration system and possible modifications to the Annual Shareholders' Meeting (Code 2009 section 4.2.3 paragraph 6).

Disclosure and explanation of the remuneration of the Management

The total remuneration of the Personally Liable Shareholder and the members of the Management Board of the Mühlbauer Aktiengesellschaft (hereinafter referred to as "Management") for the performance of their duties in the company and the subsidiary companies is disclosed as total amount in the notes to the consolidated financial statements. The disclosure is divided according to non result-based and result-based components as well as components with long-term incentive effect respectively according to the rules of the relevant international accounting principles.

No disclosure of other information than compulsory according to the law, the explanation of the remuneration system as well as the explanation of information on the nature of the fringe benefits provided by the company in a remuneration report will be given (Code 2009 section 4.2.4 and 4.2.5).

The remuneration system is the result of confidential discussions within the Supervisory Board as well as between the Supervisory Board and the Management. The publication of details in excess of the legally required ones would increase the risk of a targeted solicitation of executives, as details of the remuneration structure would subsequently also be transparent to competition.

Sideline activities that are not legally compulsory subject to approval can be taken partly on the members of the Management even without approval of the Supervisory Board. The interests of the corporation and the expectations towards responsible decisions of the Management are preserved sufficiently by the legally compulsory regulations and other contractual obligations of the Management (Codex 2009 section 4.3.5).

Formation of Supervisory Board committees

No committees will be formed for as long as the Supervisory Board of Mühlbauer Holding AG & Co. KGaA only consists of 3 members (Code 2009 section 5.2 clause 2, 5.3.1 clause 1, 5.3.2 clause 1 and 2, 5.3.3).

Composition and remuneration paid to members of the Supervisory Board

There is no age limit for members of the Supervisory Board, as in the company's judgement, the age of a person is not an indication whether the person is able to observe a mandate adequately or not (Code 2009 section 5.4.1 clause 2).

Concerning the composition of the Supervisory Board the professional counseling and monitoring of the Management is in the center. Members of the Supervisory Board may also be suitable, even if they do not satisfy the criteria for independence in the sense of section 5.4.2 clause 1 in the German Corporate Governance Code (Code 2009 section 5.4.2).

As far as the Annual General Meeting elects the present representative of the Personally Liable Shareholder or a Management Board member of the Mühlbauer Aktiengesellschaft in the Supervisory Board of the company, it will be decided about their change in the chairmanship of the Supervisory Board as the case arises. No reason will be given to the General Meeting for such an intention. The Personally Liable Shareholder and the Supervisory Board consider that in some cases it may prove beneficial that former Management Board members transfer to the chairmanship of the Supervisory Board. As the internal knowledge of former Management Board members about the company increases the efficiency of Supervisory Board monitoring, the Personally Liable Shareholder and the Supervisory Board do not see any need for justifying separately a possible transfer at the Annual General Meeting (Codex 2009 section 5.4.4).

The remuneration paid to members of the Supervisory Board is set forth in the Articles of Association of Mühlbauer Holding AG & Co. KGaA. The Articles of Association do only include a fixed payment to members of the Supervisory Board. The introduction of a variable remuneration schemes is not intended as the company does not believe that such a component would generate additional incentive (Code 2009 section 5.4.6 paragraph 2 clause 1).

Financial statement

The Personally Liable Shareholder is responsible for drawing up the half-year and quarterly reports in accordance with the respective legal provisions. They are drawn up within a tight schedule. For this reason no discussions about the half-year and any quarterly financial reports are made between the Personally Liable Shareholder and the Supervisory Board prior to the publications (Code 2009 section 7.1.2 clause 2).

In accordance with the Declaration of Conformity from December 19, 2008, the Personally Liable Shareholder and the Supervisory Board declare that at the Mühlbauer Holding AG & Co. KGaA in its legal form was complied with the recommendations of the German Corporate Governance Code – in the version of June 06, 2008 (Code 2008) – until August 05, 2009, and subsequently with the recommendations of the German Corporate Governance Code in the version of June 06, 2009 (Code 2009), **except in the respects set out below:**

Deductible for D&O insurance

For board members and/or the Supervisory Board, the D&O insurance did not include a deductible. A deductible would have restricted opportunities for acquiring members for the Supervisory Board with extensive entrepreneurial experience, as these would have taken into account liability risks, even in the event of negligent conduct. Moreover, the agreement of deductibles in the Supervisory Board area was still uncommon (Code 2008 and Code 2009 section 3.8 paragraph 2).

For extraordinary, unforeseeable developments, a possibility of limitation (cap) of stock option plans did not exist. The company did not consider a necessity of a cap, as the distribution of stock options was scheduled to be effected on an individual basis and at the most in small tranches. (Code 2008 section 4.2.3 paragraph 3 clause 4).

Disclosure and explanation of the remuneration of the Management

The Chairman of the Supervisory Board did not disclose any information on the company's remuneration system and possible modifications to the Annual Shareholders' Meeting (Code 2008 and Code 2009 section 4.2.3 paragraph 6).

The total remuneration of the Personally Liable Shareholder and the members of the Management Board of the Mühlbauer Aktiengesellschaft (hereinafter referred to as "Management") for the performance of their duties in the company and the subsidiary companies was disclosed as total amount in the notes to the consolidated financial statements. The disclosure was divided according to non result-based and result-based components as well as components with long-term incentive effect respectively according to the rules of the relevant international accounting principles.

No disclosure of other information than compulsory according to the law, the explanation of the remuneration system as well as the explanation of information on the nature of the fringe benefits provided by the company in a remuneration report was given (Code 2008 section 4.2.5 paragraph 1 and Code 2009 section 4.2.5 paragraph 1).

Disclosure and explanation beyond the Management's remuneration elements, information on the value of stock options (when applicable), the annual contribution to the pension provisions as well as the basic principles of the stock option plan resolved by the Annual General Meeting, the concrete design of stock option plans, the essence of benefits in case of the termination of a member's activity in the Management as well as information on fringe benefits provided by the company in a remuneration report was not given (Code 2008 section 4.2.5 paragraph 2 and 3 and code 2009 section 4.2.5 paragraph 2).

The remuneration system was the result of confidential discussions within the Supervisory Board as well as conversations between the Supervisory Board and the Management. The publication of details in excess of legally required ones would have increased the risk of a targeted solicitation of executives, as details of the remuneration structure would subsequently also be transparent to competition.

Sideline activities that are not legally compulsory subject to approval could be taken partly on the members of the Management even without approval of the Supervisory Board. The interests of the corporation and the expectations toward responsible decisions of the Management are preserved sufficiently by the legally compulsory regulations and other contractual obligations of the Management (Codex 2008 and Codex 2009 section 4.3.5).

No Supervisory Board committees were formed as the Supervisory Board only consists of 3 members (Code 2008 and Code 2009 section 5.2 clause 2, 5.3.1 clause 1, 5.3.2 clause 1 and 2, 5.3.3).

Formation of Supervisory Board committees

No age-limit for members of the Supervisory Board was set, as in company's judgment the age of a person is not an indication whether the person is able to observe a mandate adequately or not (Code 2008 and Code 2009 section 5.4.1 clause 2).

Composition and remuneration paid to members of the Supervisory Board

Members of the Supervisory Board could also be qualified for counseling and monitoring the Management, even if they did not meet the criteria for independence in the sense of section 5.4.2 clause 1 of the German Corporate Governance Code (Code 2008 and Code 2009 section 5.4.2).

The change of the representative of the Personally Liable Shareholder or a Management Board member of the Mühlbauer Aktiengesellschaft to the chairmanship of the Supervisory Board could be individually decided without giving reasons to the Annual General Meeting (Code 2008 section 5.4.4).

In case the Annual General Meeting had elected the present representative of the Personally Liable Shareholder or a Management Board member of the Mühlbauer Aktiengesellschaft in the Supervisory Board of the company, their change in the chairmanship of the Supervisory Board would have been decided as the case arises. A reason to the Annual General Meeting would not have given (Code 2009 section 5.4.4).

According to the opinion of the Personally Liable Shareholder and the Supervisory Board it can be beneficial in some cases that former Management Board members transfer to the chairmanship of the Supervisory Board. As the internal knowledge of former Management Board members about the company increases the efficiency of Supervisory Board monitoring, the Personally Liable Shareholder and the Supervisory Board did not see any need for justifying separately a possible transfer at the Annual General Meeting.

No full (or partial) performance-oriented remuneration was paid to members of the Supervisory Board. The Articles of Association did only include a fixed payment to the Supervisory Board. The introduction of a variable remuneration schemes was not intended as the company does not believe that such a component would generate additional incentive (Code 2008 and Code 2009 section 5.4.6 paragraph 2 clause 1).

Financial statement

The Personally Liable Shareholder was responsible for drawing up the half-year and quarterly reports in accordance with the respective legal provisions. They were drawn up within a tight schedule. For this reason no discussions about the half-year and any quarterly financial reports were made between the Personally Liable Shareholder and the Supervisory Board prior to the publications (Code 2008 and Code 2009 section 7.1.2 clause 2).

Roding, 23 December 2009

The
Personally Liable Shareholder

The
Supervisory Board

Risk management

Good corporate governance also includes the company's responsible handling of risks. Mühlbauer Holding AG & Co. KGaA has implemented a risk management system that regularly identifies and monitors risks throughout the group. The risk management system of the Mühlbauer Group is continually monitored with regard to its efficiency and adapted to changing framework conditions. Details on risk management are depicted in the risk report, in the context of which the company also reports on the accounting-related internal control and risk management system passed by way of the German Accounting Law Modernization Act.

Transparency

Uniform, comprehensive and timely information plays a major role at Mühlbauer Holding AG & Co. KGaA. Mühlbauer informs capital market participants and the interested public of business and new developments on a regular basis and, where applicable, with immediate effect. The Annual Report, the interim reports and the semi-annual financial statements are published within the set periods. Press releases and – insofar legally required – ad-hoc messages provide information on current events and new developments. All capital market-related information can be viewed on the internet under Investor Relations. A detailed list of all published capital market-related information is contained in the "Annual document" that is published for each past financial year, pursuant to § 10 WpPG.

In accordance with § 15a WpHG individuals with management responsibility and people closely associated with these must disclose the purchase or disposal of Mühlbauer shares. Mühlbauer Holding AG & Co. KGaA publishes the disclosures in respect of such transactions on the homepage of Mühlbauer Holding AG & Co. KGaA.

Share transactions

As at 31 December 2009, the personally liable shareholder held 3,296,852 shares via his sole participation in SECURA Vermögensverwaltungs GmbH. This shareholding represents 52.50% of the shares issued by Mühlbauer Holding AG & Co. KGaA. The Supervisory Board held 165 shares (which corresponds to 0.00%) and the management of Mühlbauer Aktiengesellschaft held 316,478 shares (which corresponds to 5.00%). Neither the personally liable shareholder, the Supervisory Board, nor the management of Mühlbauer Aktiengesellschaft held options or any other derivatives as at 31 December 2009.

Shareholdings

Mühlbauer Holding AG & Co. KGaA draws up its consolidated financial statements and the consolidated interim statements in accordance with the International Financial Reporting Standards (IFRS). The Consolidated Financial Report for 2009 was established by the personally liable shareholder and audited by KPMG AG Wirtschaftsprüfungsgesellschaft – the auditor appointed by the 2009 Annual General Meeting – and the Supervisory Board.

Accounting and audit of the financial statements

Before presenting the recommendation for the appointment of the external auditor, the Supervisory Board obtained a statement from the external auditor explaining to what extent relationships existed between the external auditor, his corporate bodies, the audit manager of the company or its corporate bodies. There were no doubts as to the independence of the external auditor. In addition, the Supervisory Board came to an agreement with the external auditor, in accordance with Figure 7.2.3 of the German Corporate Governance Code, that the external auditor was to immediately report all events and findings made in the course of the audit, that were relevant to the responsibilities of the Supervisory Board. The Supervisory Board also determined that the auditor was to inform the Supervisory Board or make a note in the audit report if he detected any deviations to the declaration in respect of the Code, provided by the personally liable shareholder and the Supervisory Board.

The remuneration of the members of the Supervisory Board is laid down in the Articles of Association of Mühlbauer Holding AG & Co. KGaA and exclusively provides for fixed remuneration. In the year under review, the members of the Supervisory Board received the following remuneration:

Remuneration of Supervisory Board members

Supervisory Board members	Fixed remuneration¹⁾ in EUR
Dr. Thomas Zwissler	12,000
Prof. Dr. Kurt Falthäuser	6,700
Steffen Harlfinger	4,000

¹⁾ Amounts are derived from the position held within the respective corporate body at Mühlbauer Holding AG & Co. KGaA and Mühlbauer Aktiengesellschaft

Dr. Thomas Zwissler, Chairman of the Supervisory Board, is also an attorney and partner of the law firm Zirngibl Langwieser Rechtsanwälte Partnerschaft. The firm occasionally provides legal consultation to the Mühlbauer Group. The fees for such services amounted to TEUR 63 (PY: TEUR 36) in the year under review.

2. Relevant information on management practices

Company's own Code

Above and beyond legal requirements, Mühlbauer Holding AG & Co. KGaA passed its own Corporate Governance Code, which underpins the importance of a value-oriented and transparent management for the Mühlbauer Group, taking into consideration the individual situation of the company as a partnership limited by shares. The personally liable shareholder and the Supervisory Board have agreed to the company's own Corporate Governance Code, which is largely based on the version dated 18 June 2009. Additionally, all members of the Management Board of Mühlbauer Aktiengesellschaft voluntarily and individually declared their compliance with the provisions set out in the Code.

Code of conduct

In order to guarantee uniform exemplary action and conduct in respect of a sustainable Corporate Compliance, a code of conduct was developed in the year under review that is based on the company's corporate culture, which has developed over decades. The code of conduct, which is published on the internet, defines firm principles and rules that are to be followed by all employees of the Mühlbauer Group. The code of conduct is to assist employees in responding to ethical and legal challenges in their daily work and to provide an orientation in conflicts. It also contains rules on how to handle complaints or notices regarding violations of the guidelines. In the interest of all employees and the company, violations are investigated and the causes thereof removed.

3. Mode of operation and composition of the personally liable shareholder and the Supervisory Board

Representation of the company by the personally liable shareholder

Due to the legal form of Mühlbauer Holding AG & Co. KGaA, the company is not represented by a Management Board but solely by the personally liable shareholder. He is also responsible for the management of Mühlbauer Holding AG & Co. KGaA. The personally liable shareholder is not subject to the personnel competence of the Supervisory Board and can therefore not be dismissed. In accordance with the Articles of Association of the company, the right of approval, which shareholders of a limited partnership are entitled to in respect of extraordinary transactions, is excluded. The Articles of Association, however, contain a catalog of transactions – also exceeding ordinary business proceedings – that require the approval of the Supervisory Board and enable it to influence material legal transactions and activities of the personally liable shareholder. Several resolutions of the Annual General Meeting require the approval of the personally liable shareholder; these include amendments to the Articles of Association and the approval of the annual financial statements.

Consultation and monitoring by the Supervisory Board

The key function of the Supervisory Board is the regular provision of consultation to and monitoring of management. It is also involved in decisions that are of fundamental importance to the company. In contrast to the Supervisory Board of a joint stock corporation, the Supervisory Board of Mühlbauer is not qualified to appoint or dismiss the personally liable shareholder. With regard to the composition of the personally liable shareholder's management, the Supervisory Board holds a right of cooperation to the extent that it must be informed prior to the appointment or dismissal of members to the Management Board of the general partner and must be provided an opportunity to comment. In its meetings, the Supervisory Board passes resolutions with a majority of votes cast. The Supervisory Board of Mühlbauer Holding AG & Co. KGaA consists of three members. In the 2008 financial year, two members were appointed by the shareholders of the Annual General Meeting and one member was appointed by the owner of share no. 1, by exercising its right of appointment laid down in § 11 para. 1 of the Articles of Association. The term of the Supervisory Board members is generally five years. The responsibilities of the Supervisory Board are regulated by law and the Articles of Association. Supervisory Board committees are not formed with regard to the total number of Supervisory Board members.

Financial Report

Management Report	14
Overview of the 2009 financial year	14
Business and framework conditions	16
Earnings situation	23
Financial situation	24
Asset situation	28
Value-oriented control parameters	31
Sustainability Report	34
Factor Input	38
Employment	40
Other Details	44
Events after the 2009 financial year	44
Risk Report	44
Outlook	48
Important Notice	53
Consolidated Statement of Income	54
Consolidated Statement of Financial Position	55
Consolidated Statement of Cash-Flows	56
Consolidated Statement of Changes in Shareholders' Equity	57
Notes	58

Assurance of the Legal Representative	100
Auditor's Report	101
Report of the Supervisory Board	102
Several years overview	106
Technical Glossary	108
Financial Glossary	110

Management Report

OVERVIEW OF THE 2009 FINANCIAL YEAR

In view of the further acceptance of the overall responsibility for complete ID projects, the Mühlbauer technology group consistently pursued its strategy as a globally leading system partner for the complete transfer of technology and expertise for the production of innovative ID documents. While this was insufficient to fully compensate for the economy-related weakness in demand in Mühlbauer's industry business during the 2009 financial year, it did in fact cushion the declining business development significantly. Meanwhile, the completion of the new technology center in Newport News (USA) and the scheduled further development of the Slovakian site in Nitra in the year under review opened up long-term access to additional sales markets and new customers. Overall, the Mühlbauer Group is based on a solid foundation. With a clear corporate strategy, its global positioning and complete independence it can actively face future challenges to secure a sustained development of business.

Major developments in the 2009 financial year were:

- The order income of EUR 155.8 million, generated by Mühlbauer in the year under review, was EUR 33.4 million lower year-on-year (PY: EUR 189.2 million) as a result of economic trends impacting the company's industry business. Although the globally active technology group was unable to fully compensate for the expected weakness in its industry business – as anticipated – due to the project fluctuations naturally occurring in the TECURITY® business, overall the company further consolidated its market position as system partner for security-oriented ID systems.
 - Compared to the good development of the previous year, sales in the past financial year declined as a result of the severe downturn of the economy. In the year under review, sales dropped to EUR 160.5 million, a 7.0% decline year-on-year (PY: EUR 172.6 million). The drop in sales was exclusively based on a downturn in demand for industrial products – caused by the recession – which could not be fully compensated despite the further sales growth of 11.8% in the company's core area Cards & TECURITY®.
 - In the 2009 financial year the positive earnings development of previous years did not continue, as a result of unfavorable macroeconomic framework conditions. The decline of EBIT from EUR 24.3 million to EUR 9.6 million, reported in the year under review, was largely triggered by the downturn in sales, while the higher cost of sales largely resulting from the lower utilization of production capacity and the rise in value adjustments on inventory assets, as well as the further increase in legal costs in connection with the defense against patent infringement suits year-on-year, impacted earnings additionally.
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- The investments effected in respect of the scheduled completion of the technology centers in the USA and the Slovakian city of Nitra led to a drop of free cashflow in the year under review – at EUR 3.3 million it was EUR 3.0 million under the level of the previous year. In so doing, the significantly lower inflows from operating activities incurred as a result of the decline in earnings, were tangibly opposed by the reduction of finances tied up in working capital.
 - At EUR 19.3 million, the investment volume in intangible and fixed assets exceeded the previous year's value of EUR 10.4 million significantly. Apart from initial expenses relating to the implementation of a new ERP system, the focus in the year under review was largely on the completion and equipment of the technology centers in the USA and Slovakia, on the extension of production capacities commenced in Malaysia and on the modernization and extension of surface technology and the training center at the company's headquarters in Roding.
 - In order to further extend its innovative lead and competitive position by means of state-of-the-art technologies, Mühlbauer invested EUR 21.1 million (PY: EUR 22.7 million) in research and development. The activities primarily comprised the continuation of the concept of complete solutions for ID government and card systems and on the flexibilization of the semiconductor-related automation solution with the new "Variation" machine generation. Mühlbauer also pursued developments for future technologies in the solar industry.
 - The change in economic framework conditions in the year under review resulted in a higher focus on the flexibility of personnel capacities in the company's employment policies. In parallel, Mühlbauer continued both its trainee and apprentice recruitment as well as its personnel development measures in order to boost the competences of its staff and be able to meet global challenges long-term.
 - The personally liable shareholder and the Supervisory Board intend to continue the company's dividend policy, which is characterized by continuity and reliability and will therefore make a proposal to the Annual General Meeting to pay an unchanged dividend of EUR 1.00 per no-par value share in respect of the 2009 financial year.
 - Mühlbauer's business model is based on a solid foundation. Its unique characteristic and the good positioning of the technology group should therefore, on principle, enable the company to increase sales and earnings on a year-on-year basis in the current financial year and to achieve further growth in the following year – irrespective of project-based fluctuations on the government-related TECURITY® market and the risk that the economy may not recover sustainedly. Furthermore, the company will continue its strategy of developing a leading position in the Cards & TECURITY® area as a system partner for worldwide ID solutions.
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BUSINESS AND FRAMEWORK CONDITIONS

The company

Mühlbauer Holding AG & Co. KGaA was formed in May 1998, from what was originally a one-man business, founded in 1981 by Josef Mühlbauer. The Mühlbauer Group can look back on a history of 28 years that are characterized by pioneering achievements in mechanical engineering and plant construction. With more than 1,900 employees, technology centers on all continents relevant to Mühlbauer and a worldwide sales and service network, the technology group has since become the leading system partner for the complete transfer of technology and expertise pertaining to the production of electronic ID documents in a market segment the company refers to as the TECURITY® market.

Strategy

Our strategy pursues the goal of achieving sustained profitability and increasing the value of the company long-term. In order to reach this goal we are constantly extending our globally leading market position and are further setting ourselves off against our worldwide competition. For this purpose, Mühlbauer is pursuing a strategy of value-oriented growth. It is based on technology and market competence and is driven by continuous innovations in our range of products. Hereby, we focus on rapidly growing and future-oriented areas of our market and open up new promising markets. We are extending our presence globally, in order to secure the sustained access to our markets worldwide, without neglecting our primary market in Europe. As the leading solutions provider in the world, Mühlbauer offers a comprehensive range from a single source with its various standard and customer-specific products. In so doing, intelligent software solutions support the production process and ensure the utmost in quality and manufacturing efficiency. This ensures that we can continuously extend our position on the globalized markets.

Satisfied customers are a prerequisite for Mühlbauer's sustained growth: we want our customers to see Mühlbauer as their most efficient and reliable partner on the markets relevant to us. Our primary focus is therefore both on the support of governments' and public authorities' efforts in providing their citizens with greater security and flexibility and on increasing the competitiveness of our industrial customers with the assistance of our products and services. This business policy is based on our technological competence and our market expertise, which are part of our most valuable assets. Innovations, resulting from our continuous research and development activities, ensure the continued existence of our company, as these open up new applications, offer our customers better solutions and extend business contacts. In order to be close to customers around the globe, Mühlbauer has a worldwide network of technology, sales and service locations – that develop and produce high-technology – as well as sales engineers and technical experts in order to provide customer care around the clock. This global network is constantly being extended.

Product portfolio and sales markets

Mühlbauer is the only company in the world that offers its customers the entire range of technologies and expertise and supports every process step related to digital security and intelligent identification as a system partner. Its portfolio for ID projects and card production ranges from data enrollment technology to systems for card or ePassport production, including personalization, through to fully automatic access control. Apart from hardware systems, Mühlbauer also offers comprehensive software-based solutions for the capturing and verification of data and for the complete control of production. Besides customers from the card industry, the key consumers of this technology and software portfolio are, in particular, government-related organizations and public authorities. Mühlbauer offers a complete Smart Label factory for the production and personalization of RFID inlays for the contactless identification of goods and flows of goods and for their subsequent conversion to Smart Labels for the security, supply and textile industries, as well as the retail industry. To identify electronic components and modules, the company develops and manufactures marking systems for the traceability of components in the automotive and electronics industries. Furthermore, the product range in this area covers the corresponding reading devices, data management systems, machines for the handling of circuit boards and customer-specific automation solutions. The basic element within Mühlbauer's own technology platform is its specialization on sophisticated automation processes as well as particularly small and thin components and semiconductors. Mühlbauer therefore develops, produces and sells innovative technology solutions for specific niche applications in the back-

end area of the semiconductor industry. The product portfolio comprises carrier tape systems for the punching, cutting and winding of carrier tapes, die sorting systems that sort semiconductors into different packaging forms and systems for flip chip bonding, which bond chips with the carrier. To meet the extremely high demands toward quality and precision, Mühlbauer produces highly precise individual parts at two independent production sites in Germany as well as at its Slovakian technology center and, with its longstanding competence in production, supports both sales of its high-quality products and safety-sensitive industries such as the aerospace industry, motor sports and the medical technology industry.

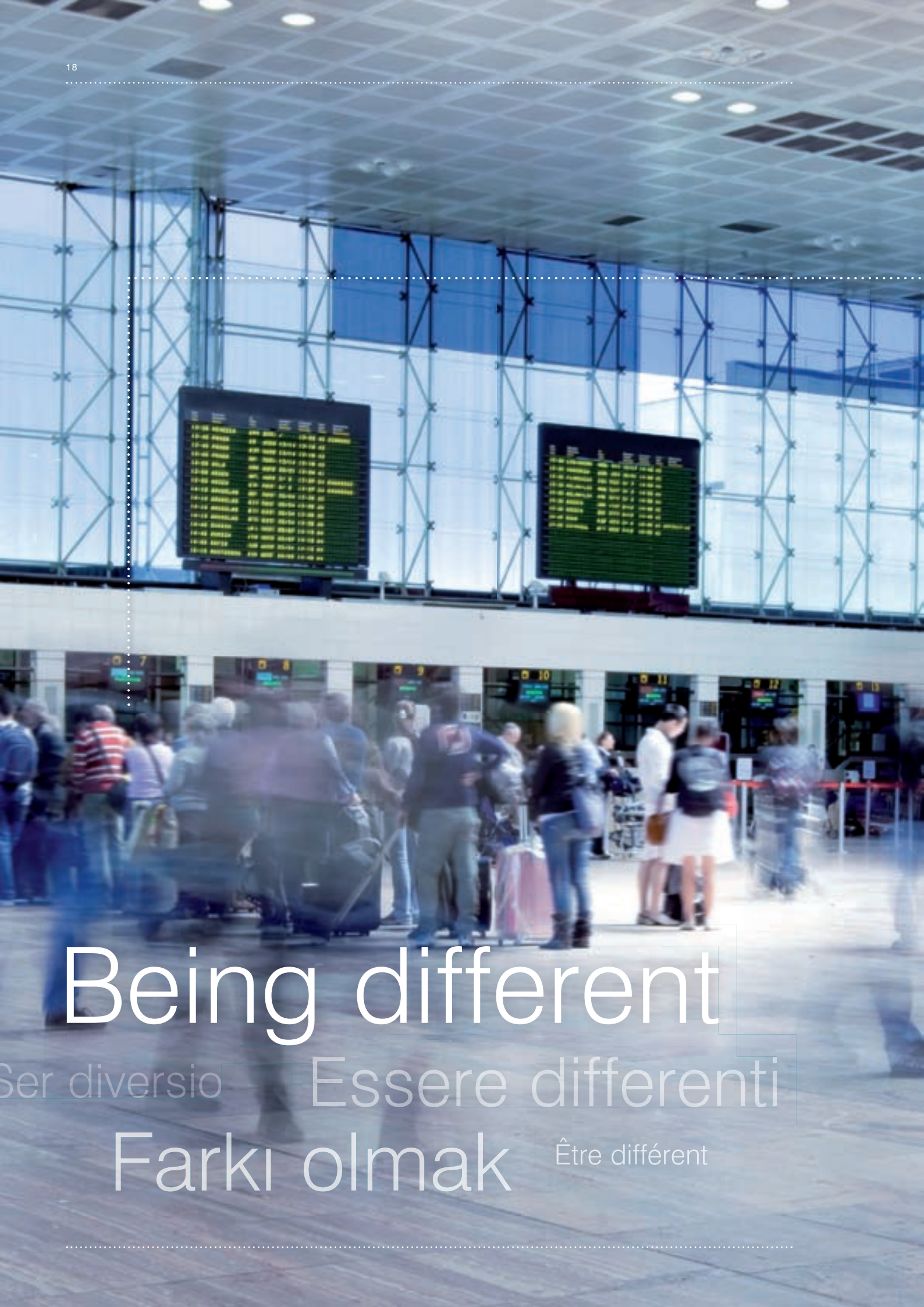
Due to its widespread product portfolio of largely independent industries and sales markets, Mühlbauer's business model is subject to a variety of different factors. While economic developments play a major role in the industry business, political framework conditions, such as political decisions or amendments of international regulations on entry requirements or ID documents, for example, are some of the key factors of the government business that impact the company's business.

Key legal and economic factors

Economic framework conditions

The 2009 financial year was characterized by the most severe worldwide economic crisis since the end of World War II. Only rapid, comprehensive state-backed and -implemented economic stimulus packages and strongly expansive monetary policies contributed to the stabilization of the financial markets and the moderate recovery of production and trade in the course of the year under review, following the unprecedented overall economic decline to the turn of the year 2008/2009. The global economy thus appears to have overcome the worldwide recession as of the end of 2009. Overall, however, market research companies consider global gross domestic product (GDP) to be considerably lower than in the previous year. While GDP grew by 1.9% in 2008, a downturn of 2.0% was recorded for 2009. To the end of the reporting period, the US American recession, which had been ongoing for more than four quarters, is considered to have been overcome. Following the reduction of overcapacities, which was effected in the course of the economic and financial crisis, the decline in production decelerated over the year and finally underwent an upturn, resulting in a growth of GDP. Private consumption – a typical economic contributor in the USA – recently rose slightly. Japan recorded a hesitant recovery of its economy, due to a rise in exports, in particular to Asian target markets. The central bank is trying to counter the deflationary tendencies resulting from the revaluation of the yen during the crisis by relaxing the monetary policy. In the newly industrializing countries, the economy climbed significantly in the course of the year. China's economy benefited from an extremely comprehensive economic stimulus package. Domestic demand was thus noticeably stimulated, in particular by the subsidization of infrastructure projects. Exports, which had also dropped as a result of the economic crisis, underwent an upswing during the year. India's national economy mastered the crisis reasonably well, not least due to fiscal measures such as tax reductions and considerably higher state spending. In the year under review the remaining newly industrializing countries in East Asia rapidly recovered from the crisis. While the crisis-related downturn of world trade was particularly noticeable in these countries, they also benefited exceptionally strongly from the global economic recovery. After the most severe recession since the existence of the euro zone, an economic upturn eventuated as of autumn 2009. Both monetary policies and fiscal measures and the rise in exports were responsible for this development. While private consumption did not emit any positive signals, due to the rise in unemployment and weak development of income, the improvement on the financial markets had a stabilizing effect. In 2009 even the export-dependent German economy declined more strongly than ever before in the history of the Federal Republic. In the second half of the year, Germany's economic development stabilized at a low level due to national and international economic stimulus packages, as well as an ease of monetary policies; this was, however, insufficient to prevent the record decline of gross domestic product.

World economy



Being different

Ser diversio

Essere differenti

Farkı olmak

Être différent



Offering complete solutions

Never before have people worldwide been so mobile, flexible and networked as today. Travel, cashless payment transactions and wireless telecommunications are completely natural these days. The technologies and expertise of the Mühlbauer Group contribute to enabling these common applications. As partner of governments and public authorities, Mühlbauer already provides technologies, e.g. for the production of electronic passports or other ID documents, in the context of numerous ID projects. Mühlbauer's portfolio comprises complete solutions, ranging from technologies for data capturing to document production and personalization, through to fully automatic border crossing procedures – software solutions included. **Complete one-stop solutions – unique to Mühlbauer.**

Industry development

In the 2009 financial year, quite varied trends were observed with regard to the markets relevant to the Mühlbauer Group. While the industry-oriented sectors suffered from the economic development and partly had to put up with dramatic declines, the government-related TECURITY® market continued to report high growth potential due to the sustained high level of interest in innovative and reliable ID documents in card and passport formats – despite project-related volatilities. The focus here was on the worldwide interest by states and public authorities on achieving a higher level of security and flexibility by converting their conventional ID documents to new electronic ID applications. Altogether, demand in the government ID business therefore proved to be economy-resistant – in spite of the general economic weakness. An increasing number of states are introducing new ID applications such as ID cards, healthcare cards or driver's licenses in Smart Card formats. With the implementation of new electronic passports they are also realizing international standards and guidelines, e.g. of the ICAO (International Civil Aviation Organization) or the US Visa Waiver Program. In the 2009 financial year this not only generated demand from industrialized countries, but increasingly from developing and newly industrializing countries as well. The Smart Card industry was also supported by the sustained need for chip cards in the banking and telecommunications sectors. While the conversion from conventional magnetic stripe cards to chip cards for payment transactions (EMV) continued in the banking sector, the telecommunications sector reported stable demand due to the spread of mobile telephony and the resultant need for SIM/UMTS cards in densely populated countries such as India, China and Brazil. The industry expert Eurosmart estimates that a total of 5.1 billion cards (PY: 5.0 billion) cards were issued on the entire Smart Card market in 2009.

On the market for contactless identification by means of RFID labels acceptance of the technology continued. While the overall market was not accompanied by major rollouts in the year under review, the industry was characterized by numerous individual projects, which – regardless of economic influences – resulted in RFID growth of 5%. In so doing, the applications range from the use of the RFID technology in optimizing logistics, e.g. in the dispatch of goods, to contactless access control in public transport or at events, through to the improvement of goods and product security by providing protection against forgery and theft. In the year under review Hong Kong Airport International (HKIA), which deals with an annual passenger volume of approx. 48 million persons, e.g. announced that it had now fully changed the barcode system for luggage management, it had previously used, over to RFID. As a result, 40,000 pieces of luggage a day were being fitted with electronic "RFID bag tags" in order to optimize logistics. The contactless transmission of the relevant data means that the reading of the barcode using hand-held scanners is no longer necessary, so that luggage can now be loaded faster and more safely. IDTechEx estimates the 2009 RFID market to be worth around USD 5.6 billion, which means that this market almost tripled over the past five years.

In 2009, the general semiconductor market, on which Mühlbauer focuses on specific promising niches, was still characterized by the economic weakness in demand and a decline in sales. It was only to the end of the reporting period that initial signs of a recovery became discernible. Their sustainability remains yet to be proven. According to a temporary outlook by the Gartner market research institute, the semiconductor market shrank 11.4% against the previous year after its 2.8% decline in the 2008 calendar year. Investments of semiconductor producers recorded a very distinct decline: according to Garner, they invested approximately 43% less for new equipment in 2009 than in 2008.

Traceability and Precision Parts & Systems, the industries and markets relevant to the Mühlbauer Group's industry business, were also impacted by the economic crisis. In the automotive and electronics industries, which are among the primary consumers of labeling and board handling systems, and in mechanical engineering, which is relevant to Precision Parts & Systems, the readiness to invest underwent a drastic downturn in the year under review. Resultant overcapacities, in conjunction with liquidity problems, prevented investments in new technologies. It was only in the second half of the reporting period that initial signs became discernible that the downturn on the above mentioned markets had hit the trough and that the situation could stabilize.

Business development

Against the background of the volatility naturally occurring with government projects and the economically weak industry business, the order income of the Mühlbauer Group in the 2009 financial year is 17.7% under the previous year's value, at EUR 155.8 million. At the same time, order backlog dropped from EUR 80.8 million at the end of the previous year by 12.3%, to EUR 70.9 million to the end of the reporting period. In so doing, the international order backlog rose slightly, from 88.7% to 90.1%, while the national order backlog dropped 23.1% year-on-year.

Irrespective of the ID projects with overall responsibility awarded to Mühlbauer during the reporting period, in respect of which Mühlbauer once again qualified itself as a complete solution provider for the production of ID applications and further extended its market position as a reliable and competent partner to governments and public authorities worldwide, accumulated orders for Cards & TECURITY® solutions lagged the previous year's value by 12.7%. In the year under review they amounted to EUR 109.7 million (PY: EUR 125.7 million). While, in particular, the government-related TECURITY® business worldwide proved resistant to the general economic trend, the volatility naturally occurring with such projects overall resulted in a year-on-year decline of order income. The order backlog to the end of the financial year totaled EUR 59.0 million (PY: EUR 67.4 million), which corresponds to a 12.5% downturn.

The semiconductor-related products of the Mühlbauer Group generated order income of EUR 28.5 million (PY: EUR 28.5 million), which was at the previous year's level. While the company benefited from its focus on the promising niches in the semiconductor backend area and the largely stable demand for Smart Label systems in the first half of the year, and set itself distinctly apart from the all-time lows recorded in the second half of the previous year, the renewed slump in the propensity to invest in the latter half of the financial year resulted in a repeated dampening of order income. Consequently, the order backlog to 31 December 2009 dropped from EUR 7.2 million to EUR 6.9 million year-on-year.

The sales decline in the automotive and electronics industries – relevant to Traceability – caused by the general economic situation, and the resultant investment restraint among consumers of marking and board handling systems were the major factors contributing to the massive year-on-year slump in order income of 69.0% - from EUR 15.8 million in the previous year to EUR 4.9 million in the year under review. Initial impulses of a bottoming out and a slight increase in order income during the second half of the reporting period were unable to prevent the order backlog from dropping to EUR 0.8 million in the year under review, after EUR 1.9 million in the previous year.

During the reporting period the recessionary influences also affected Precision Parts & Systems: due to the weakness in demand caused by the economic crisis in industries relevant to the manufacture of precision parts, such as the automotive and mechanical engineering industries, and the decisions of several teams regarding the withdrawal from Formula 1 racing, order incomes dropped 33.9% against the previous year, to EUR 12.7 million (PY: EUR 19.2 million). To 31 December 2009, order backlog totaled EUR 4.2 million and was thus just below the level of the previous year (EUR 4.3 million).

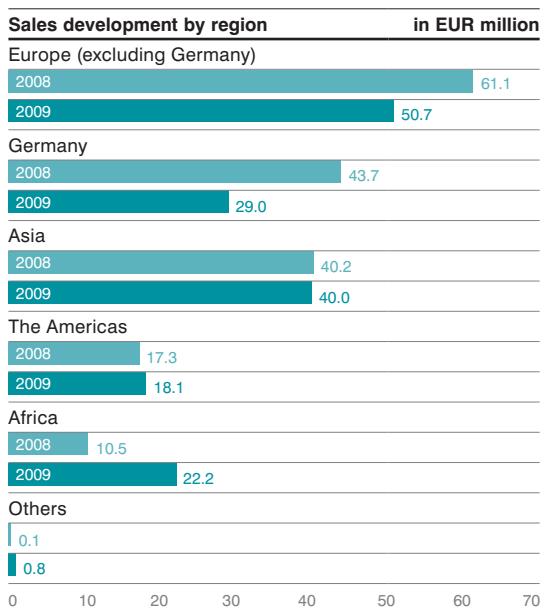
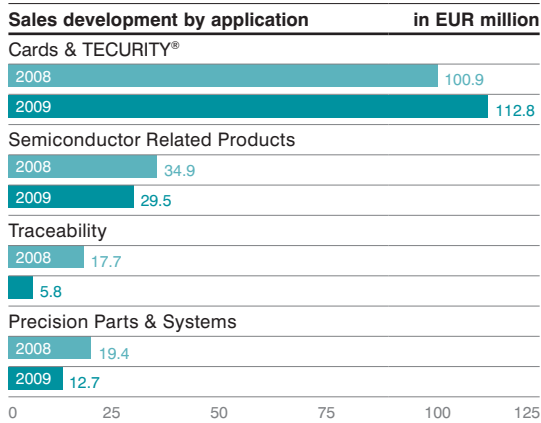
In contrast to the good development of the previous year, sales in the past financial year dropped as a result of the strong economic decline. In the year under review, sales proceeds decreased to EUR 160.8 million (PY: EUR 172.9 million), a year-on-year downturn of 7.0%. The declines in sales were based exclusively on the downturn in demand for industrial products – triggered by the recession – which could not be fully compensated, despite the further increase in the company's core business Cards & TECURITY®.

Order income and order backlog

Order income and order backlog		in EUR million
Order income		
2008		189.2
2009		155.8
Order backlog		
2008		80.8
2009		70.9

Sales¹

¹ The sales figures are the gross values prior to any deductions in earnings of EUR 0.3 million (PY: EUR 0.3 million)



The core business area Cards & TECURITY® achieved annual sales of EUR 112.8 million, thus exceeding the previous year's value of EUR 100.9 million by 11.8%. In so doing, Mühlbauer benefited, in particular, from the realization of worldwide government projects for the implementation of electronic passports, ID cards and driver's licenses and the confidence shown by the market, particularly with regard to projects in respect of which Mühlbauer holds the overall responsibility.

Meanwhile, however, sales in Semiconductor Related Products dropped 15.5% in the year under review, from EUR 34.9 million to EUR 29.5 million. While the sales development for products for the manufacture of RFID Smart Labels proved reasonably stable in contrast to the previous year, sales for semiconductor-related automation systems in the semiconductor backend area lagged the previous year's figures significantly due to a lack of investment propensity.

The Traceability and Precision Parts & Systems areas, which primarily focus on the automotive and electronics industries, were partly faced with severe recession-related sales slumps. While Traceability recorded a distinct 67.2% sales decline to EUR 5.8 million (PY: EUR 17.7 million) during the reporting period, due to the overcapacities caused by the massive economic slump among automotive suppliers and the resultant downturn in demand, Precision Parts & Systems was also unable to withdraw from the difficult framework conditions and recorded a 34.5% sales decline to EUR 12.7 million (PY: EUR 19.4 million) in the year under review. The primary consumers in the Precision Parts & Systems area are customers from the automotive, mechanical engineering and medical industries.

Viewed by region, Europe once again proved to be the greatest contributor, despite the fact that its share of 49.6% in total sales was considerably lower than in the previous year (PY: 60.6%). In Germany, due to the unfavorable economic development in the industry business, sales shrank by one-third, from EUR 43.7 million in the previous year to EUR 29.0 million in the 2009 financial year. Despite the general weakness of the semiconductor-related market, the Asian region virtually remained stable, with sales of EUR 40.0 million (PY: EUR 40.2 million). Furthermore, the Americas and Africa recorded sales increases. While the strong sales growth recorded by the Americas in the previous financial year again rose slightly, from EUR 17.3 million to EUR 18.1 million in the year under review, project-related sales achieved in Africa climbed significantly, to EUR 22.2 million (PY: EUR 10.5 million).

While the strong sales growth recorded by the Americas in the previous financial year again rose slightly, from EUR 17.3 million to EUR 18.1 million in the year under review, project-related sales achieved in Africa climbed significantly, to EUR 22.2 million (PY: EUR 10.5 million).

EARNINGS SITUATION

The Mühlbauer Group achieved a gross profit of EUR 54.1 million in an economically difficult environment, after EUR 70.7 million in the previous year. This earnings development is primarily due to the above mentioned sales decline of EUR 12.1 million or 7.0% in consideration of a – also depreciation-related – EUR 4.5 million or 4.4% increase in cost of sales. The gross profit margin was 7.3% points below the level of the previous year, at 33.7% (PY: 41.0%). The operating income of the Mühlbauer Group totaled EUR 9.6 million (PY: EUR 24.3 million), while earnings before income taxes dropped EUR 14.7 million, to EUR 9.7 million (-60.2%). This corresponds to a profit margin of 6.0%, after 14.1% in the previous year. At EUR 7.3 million, consolidated net earnings for the year were down EUR 11.0 million year-on-year (-60.1%), which amounts to earnings per share of EUR 0.50 (PY: EUR 1.24).

Earnings development

Consolidated statements of income in millions	2009		2008		+/-	
	EUR	%	EUR	%	EUR	%
Sales	160.5	100.0	172.6	100.0	(12.1)	(7.0)
Cost of sales	(106.4)	(66.3)	(101.9)	(59.0)	(4.5)	4.4
Gross profit	54.1	33.7	70.7	41.0	(16.6)	(23.5)
Selling expenses	(13.2)	(8.2)	(14.5)	(8.4)	1.3	(9.0)
Administrative expenses	(8.0)	(5.0)	(8.1)	(4.7)	0.1	(1.2)
Research and development expenses	(21.1)	(13.1)	(22.7)	(13.1)	1.6	(7.0)
Other income	1.5	0.9	2.3	1.3	(0.8)	(34.8)
Other expenses	(3.7)	(2.3)	(3.4)	(2.0)	(0.3)	8.8
Operating income (EBIT)	9.6	6.0	24.3	14.1	(14.7)	(60.5)
Financial result	0.1	0.0	0.1	0.0	0.0	0.0
Income before income taxes	9.7	6.0	24.4	14.1	(14.7)	(60.2)
Income taxes	(2.4)	(1.5)	(6.1)	(3.5)	3.7	(60.7)
Net earnings	7.3	4.5	18.3	10.6	(11.0)	(60.1)

The positive earnings development of previous years did not continue in the past financial year. The decline in earnings is significantly impacted by the downturn in sales in the industry business, which was triggered by the general insecure investment climate due to the worldwide financial and economic crisis. The higher year-on-year cost of sales also impacted earnings. Apart from the lower utilization of production capacity and the resultant higher idle costs, this was largely caused by the EUR 5.7 million increase in non-cash value adjustments on inventory assets, higher investment-related overheads in production, an increase in travel expenses in connection with the support of our international production sites and higher product guarantee payments.

Analysis of the earnings development

The early introduction of structural adjustment and cost savings measures resulted in the reduction of selling expenses, general administrative costs and research and development costs. While in particular the lower need for value adjustments in respect of trade accounts receivable was reflected in the decline of selling expenses by EUR 1.3 million, the reduction of administrative costs by EUR 0.1 million is in particular due to the drop in personnel costs. The decrease of research and development costs by EUR 1.6 million is an outflow of the EUR 1.3 million higher share in capitalization and the EUR 0.1 million lower depreciations against the previous year. The R&D ratio, adjusted for capitalized development costs and the resultant depreciation, was 12.6% for the reporting period – after 11.9% in the previous year and is proof of the constant high intensity of our efforts to launch pioneering technology solutions on the market.

Other operating income and expenses largely comprise effects outside the Group's core activities, business transactions relating to other periods and other business transactions not directly associated with the company's core business. The EUR 1.1 million year-on-year rise in the balance of expenses is primarily due to a further EUR 0.5 increase in legal costs, in connection with the defense of patent infringement suits, as well as realized and unrealized losses from exchange differences totaling EUR 0.1 million (PY: gains of EUR 0.4 million).

At EUR 0.1 million, combined earnings from securities and interest income, included in the financial result, are at the level of the previous year. The reason for the decline in earnings against previous years is, on the one hand, the utilization of liquidity reserves for the development of national and international sites and the resultant considerably lower asset positions. On the other hand, the conservative policy retained by the company in the year under review of investing only in select low-risk investment types – due to the ongoing capital market risks – led to a lower volume of interest and securities income.

In total, the company posts earnings before taxes of EUR 9.7 million. This value is EUR 14.7 million under the previous year's value (EUR 24.4 million) and corresponds to a profit margin of 6.0%, against 14.1% in the previous year.

Due to the lower consolidated tax rate, consolidated net earnings for the year dropped disproportionately lower than earnings before taxes, from EUR 18.3 million to EUR 7.3 million (-60.1%). At 24.5%, the tax rate was under the previous year's value of 25.1%. In relation to individual shares, earnings totaled EUR 0.50, after EUR 1.24 in the previous year.

Dividend

The company wants to continue its dividend policy of previous years and enable its shareholders to continually participate in the long-term success of the Group. The personally liable shareholder and Supervisory Board therefore intend to propose to the Annual General Meeting the payment of an unchanged dividend of EUR 1.00 per no-par share in respect of the 2009 financial year. Taking into consideration the current number of shares entitled to dividends, the amount distributed to the shareholders of the limited partnership totals approx. EUR 6.1 million, as in the previous year. The personally liable shareholder will receive EUR 7.8 million (PY: EUR 9.0 million), in accordance with his share in capital.

FINANCIAL SITUATION

Cashflow

The cashflow demonstrates the origin and utilization of cashflows in the reporting periods. It thus plays a key role in evaluating the financial situation of the company. The outflows from investment and financing activities are determined in direct relation to payments. The inflows from operating activities are indirectly derived from the consolidated profit for the year. With the free cashflow, we provide our investors with a ratio that shows the change in liquidity, taking into account investments. Free cashflow is defined as an inflow from operating activities and an outflow from investment activities, adjusted for the purchase and disposal of securities and financial assets as well as the resultant net profits and losses, payments from the disposal of fixed assets as well as the resultant profits and losses. The liquid funds shown in the cashflow statement comprise cash and cash equivalents as well as short-term marketable securities, insofar as these have a residual term of no more than three months on purchase.

Consolidated statement of cashflows in millions	2009 EUR	2008 EUR	+/- EUR	%
Cashflow from operating activities	30.2	22.0	8.2	37.3
Cashflow from investing activities	(15.7)	(6.0)	(9.7)	161.7
Cashflow from financing activities	(12.7)	(14.9)	2.2	(14.8)
Free cashflow	3.3	6.3	(3.0)	(47.6)
Liquid funds	18.8	17.1	1.7	9.9

At EUR 30.2 million, inflows from operating activities in the reporting period exceeded the previous year's level by EUR 8.2 (PY: EUR 22.0). This development is primarily attributable to the significantly higher year-on-year inflows from the disposal of short-term securities, which – offset against the outflows for the acquisition of such securities – amount to EUR 11.2 million (PY: EUR 1.4 million). This development was additionally supported by an inflow of EUR 4.2 million, largely resulting from the reduction of finances tied up in the working capital. In so doing,

the downsizing of inventory assets in parallel with the lower production for stock represent the major share. The significantly lower net earnings for the year, achieved in respect of the reporting period, had an opposite effect; taking into consideration income and expenses not affecting payment as well as interest and income taxes, net earnings were EUR 4.8 million under the level of the previous year.

On a year-on-year comparison, outflows from investment activities rose sharply by EUR 9.7 million to EUR 15.7 million, after the inflows of EUR 3.2 million from the full disposal of long-term securities achieved in the previous year and offset against the repayment of loans, were not opposed by comparable transactions in the year under review. Outflows in respect of intangible and fixed assets as well as capitalized development services climbed EUR 1.4 million, to EUR 13.2 million and EUR 1.2 million to EUR 2.6 million. These outflows were compensated slightly by inflows of EUR 0.2 million from the disposal of long-term assets. In the previous year the inflows from such disposals amounted to EUR 4.0 million.

In the 2009 financial year, outflows from financing activities totaled EUR 12.7 million and EUR 14.9 million in the previous year, and were predominantly associated with the distribution of profits in the two financial years of EUR 12.8 million and EUR 12.7 million to the shareholders of the limited partnership and the personally liable shareholder. The EUR 2.2 million lower net outflows from financing activities against the previous year largely result from the EUR 2.3 million lower outflows in respect of the personally liable shareholder's personal tax payments. The dividend distribution of EUR 1.00 per dividend-entitled share, proposed in respect of the 2009 financial year, is not yet included in the cashflow statement for 2009, as no resolution has been passed so far and no outflows have occurred.

Liquid funds, as the total of the individual cashflows, rose EUR 1.7 million year-on-year, to EUR 18.8 million (PY: EUR 17.1 million) against 31 December 2008. Total liquidity, including the securities not contained in liquid funds, declined by EUR 9.3 million, from EUR 35.1 million to EUR 25.8 million, in the course of the Group's extension of business and implementation of the internationalization strategy.

At EUR 3.3 million, free cashflow was EUR 3.0 million below the previous year's level of EUR 6.3 million, due largely to the lower earnings achieved in the financial year, the higher expenses for the financing of the development of international technology centers and for capitalized development services.

In the 2010 financial year we will require capital to finance our operating activities, pay our other financial obligations, insofar as such arise, to effect the scheduled investments and the distribution of profits. We expect to meet these requirements through inflows from current business, available funds and disposable securities as well as short-term credit lines of a total of EUR 5.0 million, available at the end of 2009, of which EUR 0.6 million had been utilized by this time.

Cashflow from	in EUR million	
Operating activities		
	2008	22.0
	2009	30.2
Investing activities		
	(6.0)	
	(15.7)	2009
Financing activities		
	(14.9)	2008
	(12.7)	2009
Free cashflow		
		6.3
		3.3
Liquid funds		
	2008	17.1
	2009	18.8

Free cashflow

Capital requirements
and refinancing



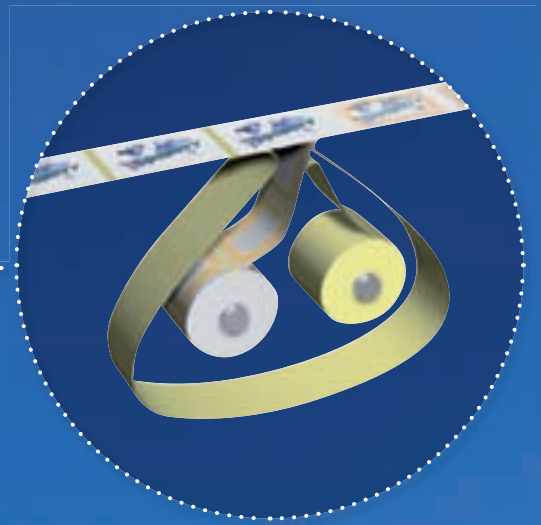
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Enabling flexibility

On many markets, speed and flexibility determine our lives these days. Not only can sort, delivery and loading processes of all types of goods be accelerated using RFID, the contactless transmission of information, even access systems, e.g. in public transport or at mass events can be optimized using RFID. For these promising markets, which are only just beginning to develop, Mühlbauer systems ensure the production of RFID inlays and their subsequent conversion to self-adhesive labels or RFID ticket. **The variety of individual RFID solutions – this is what Mühlbauer works at day after day.**

ASSET SITUATION

Balance sheet total

The Group's balance sheet total dropped EUR 10.9 million year-on-year, to EUR 176.1 million (PY: EUR 187.0 million). While long-term fixed assets rose significantly, by EUR 5.3 million, in the year under review, due primarily to the increased investment activities in respect of the development of our technology centers in the USA and the Slovakian city of Nitra, which resulted in an upward shift of the ratio of long-term assets to the balance sheet total, from 31.3% to 36.3%, short-term assets declined by EUR 16.2 million. As consequence of this development, the relations of short-term assets to the balance sheet total dropped from 68.7% in the previous year to 63.7% in the reporting period. Furthermore, liabilities decreased EUR 3.0 million, to EUR 39.0 million, while the equity ratio, at 77.9% (PY: 77.5%) changed only slightly year-on-year, irrespective of the primarily dividend-related decline of shareholder's equity by EUR 7.9 million, to EUR 137.1 million.

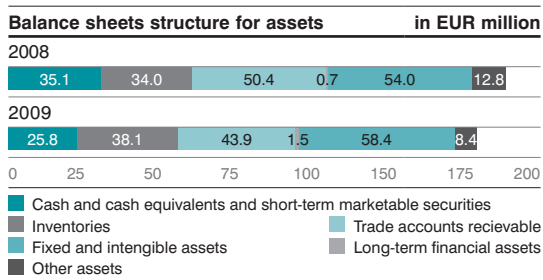
Balance sheet (outline) in millions	2009		2008		+/-	
	EUR	%	EUR	%	EUR	%
Short-term assets	112.1	63.7	128.3	68.7	(16.2)	(12.6)
Long-term assets						
Financial assets	1.5	0.9	0.7	0.4	0.8	114.3
Fixed assets	51.6	29.2	47.0	25.1	4.6	9.8
Intangible assets	6.8	3.8	7.0	3.7	(0.2)	(2.9)
Long-term tax receivables	2.1	1.2	2.3	1.2	(0.2)	(8.7)
Deferred tax assets	1.0	0.6	0.8	0.4	0.2	25.0
Other long-term assets	1.0	0.6	0.9	0.5	0.1	11.1
Total assets	176.1	100.0	187.0	100.0	(10.9)	(5.8)
Short-term liabilities	36.8	20.8	39.4	21.1	(2.6)	(6.6)
Long-term liabilities	2.2	1.3	2.6	1.4	(0.4)	(15.4)
Shareholders' equity	137.1	77.9	145.0	77.5	(7.9)	(5.4)
Total liabilities	176.1	100.0	187.0	100.0	(10.9)	(5.8)

Short-term assets

Within short-term assets, cash and cash equivalents rose EUR 1.7 million to EUR 18.8 million while trade receivables climbed EUR 4.1 million, to EUR 38.1 million. The increase of the latter is primarily due to extended collection periods in the project business. This rise within short-term assets was overcompensated for by a decline in short-term securities by EUR 11.0 million, resulting mainly from our increased investment activities and the dividend payment made. The downturn in inventories by EUR 6.5 million to EUR 43.9 million is largely due to a business-related lower production for stock and EUR 5.7 million higher value adjustments. The EUR 3.0 million change in other receivables, from EUR 5.8 million to EUR 2.8 million is primarily associated with the reimbursement of taxes paid in respect of the personally liable shareholder, while tax assets dropped EUR 1.4 million to EUR 1.5 million in connection with the reporting date.

Long-term assets

Within long-term assets, fixed assets rose EUR 4.6 million, to EUR 51.6 million in the course of scheduled investments and offset against depreciations and disposals. Long-term trade accounts receivable climbed EUR 0.8 million to EUR 1.5 million largely due to the extended collection periods in the project business. Deferred tax assets increased EUR 0.2 million year-on-year. In contrast, intangible assets dropped EUR 0.2 million, to EUR 6.8 million, as development costs capitalized in the year under review, as well as acquired software and licenses were overcompensated by the depreciations on intangible assets.



Within short-term liabilities, downpayments received on orders rose EUR 3.5 million to EUR 10.9 million, while other accruals rose EUR 0.5 million, to EUR 9.2 million; the latter predominantly increased due to higher services during the product guarantee period. These increases were overcompensated for by a EUR 3.5 million reduction in trade payables, to EUR 7.1 million, by a EUR 2.8 million drop in other short-term liabilities, to EUR 7.9 million and an earnings-related decline in accrued taxes of EUR 0.3 million, to EUR 1.6 million.

Short-term liabilities

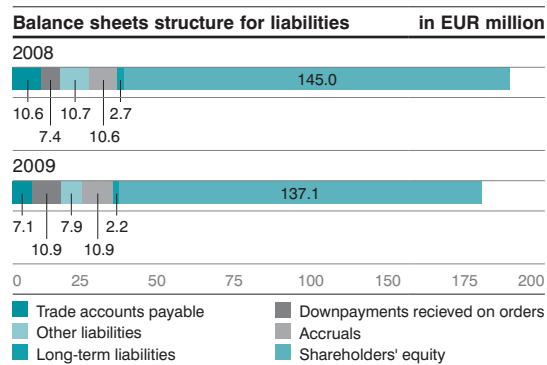
On the reporting date, long-term liabilities amounted to EUR 2.2 million (PY: EUR 2.6 million). These include only the deferred taxes that IFRS has determined must be posted as long-term liabilities.

Long-term liabilities

Shareholders' equity dropped from EUR 145.0 on 31 December 2008 to EUR 137.1 million on 31 December 2009. EUR 15.1 million of the decline is due to dividend payments, while EUR 0.2 million is due to the reduction of other accruals. Shareholders' equity was primarily boosted by the earnings before taxes of EUR 7.3 million, achieved in the year under review.

Shareholders' equity

Long-term capital, consisting of shareholders' equity and long-term liabilities, provides 217.7% coverage for the long-term assets. At 162.1% (PY: 175.9%), the extended coverage of long-term assets (long-term capital in relation to the total of long-term assets and 50% of inventories) is still at a very solid level.



Ordinary share capital is posted as subscribed capital. The ordinary share capital of Mühlbauer Holding AG & Co. KGaA was EUR 8,037,376.00 on the reporting date and is divided up into 6,279,199 no-par bearer shares and one no-par registered share with a nominal theoretical value of EUR 1.28 each. Each of the no-par limited partnership shares entitles its bearer to one vote. The shareholding of the general partner, held by the personally liable shareholder of Mühlbauer Holding AG & Co. Verwaltungs KG, that is not allocated to the ordinary share capital, amounts to EUR 10,773,600.00. With the agreement of the personally liable shareholder, the Annual General Meeting can resolve the conversion of the general partner's share to ordinary share capital.

SECURA Vermögensverwaltungs GmbH, headquartered in Metten – a company fully controlled by the personally liable shareholder – participates in the ordinary share capital of Mühlbauer Holding AG & Co. KGaA with 3,296,852 no-par bearer shares or 52.50%. This value comprises 2,000,000 no-par bearer shares or 31.85% of the ordinary share capital, in respect of which SECURA Vermögensverwaltungs GmbH has entered into a voting agreement. The personally liable shareholder has made a commitment to the company commencing on 9 September 2002 and for a term of ten years – not to exercise the voting right for these shares as long as he owns them. The only exclusion from this commitment are cases in which the exercise of the voting right or the perception of the right to attend is necessary to avert serious damage from the company or if the Annual General Meeting decides on matters that require at least 75% of the entire ordinary share capital of the company, in accordance with the Articles of Association of the company.

The no-par registered share held by Ms. Anna Antonie Mühlbauer, Metten, grants her the power to appoint one third of all members of the Supervisory Board to the Supervisory Board. The power to appoint shall not apply insofar and to the extent that the owner of the share granting the power to appoint is the personally liable shareholder, his personally liable shareholder or one of the members of the Management Board. The holder of the no-par registered share shall neither hold this share as a trustee nor as a recipient of instructions issued by the personally liable shareholder or an affiliated person. The transfer of the no-par registered share is only permitted following agreement by the company; the Supervisory Board shall, in accordance with the Articles of Association, make a decision on such transfer at its discretion.

Mühlbauer Holding AG & Co. KGaA is represented solely by the personally liable shareholder. He is not subject to the personnel competence of the Supervisory Board and can therefore not be dismissed. In accordance with the Articles of Association of the company, the right of approval, which shareholders of a limited partnership are entitled to in respect of extraordinary transactions, is excluded. The Articles of Association, however, contain a catalog of transactions – also exceeding ordinary business proceedings – that require the approval of the Supervisory Board and enable it to influence material legal transactions and activities of the personally liable shareholder. Several resolutions of the Annual General Meeting require the approval of the personally liable shareholder; these include amendments to the Articles of Association and the approval of the annual financial statements.

The ordinary share capital has been conditionally increased by up to EUR 1,996,800.00, through the issue of up to 1,560,000 no-par bearer shares (conditional capital III). The conditional capital increase is only executed to the extent that the Annual General Meeting, with the approval of the personally liable shareholder, resolves the conversion of the capital share to ordinary share capital. The new shares shall participate in earnings from the beginning of the financial year in which they are issued, after exercising the exchange privilege.

The personally liable shareholder is authorized to increase the ordinary share capital once or several times by 15 April 2013 – with the approval of the Supervisory Board – but only by a maximum of EUR 4,018,688.00 (authorized capital 2008/I), by issuing new, no-par bearer shares against cash and/or non-cash contributions. The shareholders shall, on principle, be granted subscription rights. With the approval of the Supervisory Board, the personally liable shareholder is, however, entitled to

- a) exclude fractions from the subscription right;
- b) preclude the subscription rights of shareholders to issue the new shares against cash contributions at an issue price that is not significantly below the stock market price;
- c) preclude the subscription rights of shareholders to render the shares available for the conversion of general partners' capital;
- d) preclude the subscription rights of shareholders to issue the shares against non-cash contributions for the acquisition of companies or company participations.

As per the resolution of the Annual General Meeting of 29 April 2009, the personally liable shareholder is authorized – until 30 September 2010 – to acquire shares of the company with a theoretical share in the subscribed capital of a maximum of 10%, i.e. up to 627,920 shares, to be able to offer these to third parties in the context of mergers with other companies or in the context of the acquisition of businesses or participations, to collect them, offer them to holders of subscription rights for purchase or to offer them to employees and/or members of the company's management or an associated company for purchase.

VALUE-ORIENTED CONTROL PARAMETERS

The reporting of the Mühlbauer Group delivers select value-oriented control parameters in a timely and responsible manner, thus providing a management tool that is predictive and indicates the need for change at an early stage. Management with value-oriented control parameters extends along the entire manufacturing process of the product portfolio: From procurement to production, research and development to sales – the implementation of value-oriented management's mission statement is based on clearly defined ratios. This controlling concept, which has been implemented throughout the Group, enables management to communicate results both inside and outside the Group, and to control and coordinate business processes targetedly. The values determined in accordance with IFRS form the basis of our reporting system.

Ratios (Selection)	2009	2008
1 Investment rate	36.4%	31.4%
2 Rate of circulation	63.6%	68.6%
3 Inventories to total capital	25.0%	26.9%
4 Rate of inventory turnover	3.4	3.8
5 Turnover time of inventories in days	106	94
6 Days of sales outstanding	83	69
7 Equity ratio	77.9%	77.5%
8 Return on equity	5.2%	12.7%
9 Total return on capital	4.0%	10.1%
10 Equity-to-fixed assets ratio	265.9%	308.1%
11 Personnel expenses ratio	35.9%	35.9%
12 Material costs ratio	35.5%	37.8%
13 R&D ratio	13.1%	13.2%
14 EBIT ratio	6.0%	14.1%

Management controls the company through strategic and operational goals and on the basis of monetary and non-monetary parameters. Key financial control parameters of the Mühlbauer Group are earnings before interest and taxes (EBIT), the pre-tax profit margin (earnings before taxes, based on sales) and the free cashflow (balance from inflows provided by operating activities and used for investment). The form in which value-oriented management is practiced within the individual business processes varies. In procurement, the values of purchase volumes and the effectiveness of cost reduction programs are monitored and investment rates are observed. By calculating the return on investment in respect of investment proposals, the anticipated return from the respective capital expenditure required is depicted. The activities in production are controlled on the basis of cost rates and expense ratios, prices, productivity ratios, as well as absolute and relative values on inventory development. We use the R&D ratio (R&D investment expenditure based on sales) to depict our research and development activities. In production and R&D, in particular, headcount is periodically depicted by means of staff change values, so that existing personnel capacities can be flexibly maneuvered between the individual product areas in the event of varying employment situations. Order income, sales and collection periods constitute the primary control information within the sales organization. Sales utilizes an additional control parameter – customer value – for the identification of key accounts. This value is determined using quantitative and qualitative criteria.

The on-time provision of all ratios is linked to the matching of actual with target values. Due to the processing of this information by management, which is always effected promptly, it is guaranteed that escalation processes and countermeasures can be initiated immediately in the event that deviations are identified. These processes and countermeasures include measures intended to counteract unfavorable developments, decisions on investment measures, the selection and expansion of product areas with which the targeted growth is to be realized or the withdrawal from activities that do not achieve sufficient earnings contributions. This controlling concept implemented by the Mühlbauer Group supports the goal of a long-term, sustained enhancement of value instead of a short-term optimization of return.

- 1 **Investment rate** =
Long-term assets/Total assets
- 2 **Rate of circulation** =
Short-term assets/Total assets
- 3 **Inventories to total capital** =
Inventories/Total assets
- 4 **Rate of inventory turnover** =
Sales/Average inventories
- 5 **Turnover time of inventories in days** =
Average inventories * 360 days/Sales
- 6 **Days of sales outstanding** =
Average trade accounts receivable *
360 days/Sales
- 7 **Equity ratio** =
Equity/Total capital
- 8 **Return on equity** =
Consolidated net earnings or losses for the
year/Average equity
- 9 **Total return on capital** =
(Consolidated net earnings or losses for the
year + longterm interest expenses)/Average
total capital
- 10 **Equity-to-fixed-assets ratio** =
Equity/Fixed assets
- 11 **Personnel expenses ratio** =
Personnel expenses/Sales
- 12 **Material costs ratio** =
Material costs/Sales
- 13 **R&D ratio** =
Research and development costs/Sales
- 14 **EBIT ratio** =
Earnings before interest and taxes/Sales

The average of the balance sheet value is determined as the average of the value on the reporting date of the current and the previous year.



与众不同

Anders zijn | Being different

Ser diferente | Vara olik



Realizing demands

Be it in everyday objects such as mobile phones, organizers, PCs or consumer electronics, in Smart Cards or RFID labels – these days a multitude of complex systems is operated by extremely, small, thin microchips. The trend toward miniaturization is unbroken, however, it also makes increasingly higher demands on manufacturing technologies and machine solutions such as die sorters or flip-chip and wafer level packaging systems. With its semiconductor backend solutions, Mühlbauer focuses on this promising niche on the semiconductor market, enabling the realization of future products through state-of-the-art technological expertise. **Meeting state-of-the-art demands is Mühlbauer's strength.**

SUSTAINABILITY REPORT

To the Mühlbauer Group, sustained corporate management means creating a stable foundation with regard to economic, ecological and social aspects, on which customers, suppliers, shareholders and employees can rely in equal measure, even in economically difficult times. For this reason, the Mühlbauer Group has always felt an obligation to implement a corporate strategy that combines economic necessity, ecological reason and social responsibility, thus providing all stakeholders with added value. Our understanding of sustainability is also reflected in our Code of Conduct published in 2009, which addresses legal and ethical principles that should be taken into consideration in day-to-day operations and the adherence of which are mandatory for the entire Mühlbauer Group and all its employees.

Efficiency and quality

As a manufacturer of high-tech system solutions, Mühlbauer utilizes all technical and operational opportunities to ensure the maximum in working efficiency and product quality. All business and production processes are therefore subjected to continual testing and improvement in the context of quality management. Apart from the annual certification in accordance with DIN EN ISO 9001 by an independent external expert, internal auditors also continuously monitor the management system in the context of defined audit programs. If deviations are recognized with regard to functions or processes, the company can take corresponding measures at an early stage.

Production and environment

More than 420 employees at the German sites Roding and Stollberg and at the company's Slovakian site Nitra manufacture high-precision parts for Mühlbauer's product portfolio. Furthermore, the company also produces parts for external customers from sensitive industries, including the aerospace, motor sports, semiconductor or medical technology industries. The most important production processes for these industries comprise drilling, turning, milling, welding and punching, while the raw materials primarily include aluminum, stainless steel, cast iron scrap, synthetic materials, titanium and copper. Areas of particular environmental relevance are:

- Surface treatment systems
- Central wastewater treatment systems for process water from preliminary and final surface treatment
- Waste management systems
- Hazardous substances store
- Central oil store
- Gas station for company vehicles
- Fuel oil tanks for the operation of the combined heat and power plants

To prevent or avert potential environmental damage at an early stage, technically trained staff pay attention to the observance of all statutory environmental standards when handling hazardous materials. Furthermore, waste is consistently reduced by means of waste prevention and recycling.

Workplace safety and health

To Mühlbauer it is a matter of course to create ideal and safe working conditions throughout the Group in order to prevent occupational accidents and diseases. After all, only employees who feel well and safe within their working environment can permanently provide top performance. A key focus here is on workplace health and safety measures. These include regular training measures to sensitize the employees of all departments to potential hazards and the provision of technical facilities such as monitoring and fire alarm systems for the notification of disruptions or emergencies. Furthermore, Mühlbauer supports general workplace safety by means of a safety and health-related improvement of workplace design and by providing protective equipment for work involving particular risks. The number of occupational accidents per 1,000 employees that are subject to registration amounts to 18 employees and declined compared to the previous year (PY: 23)

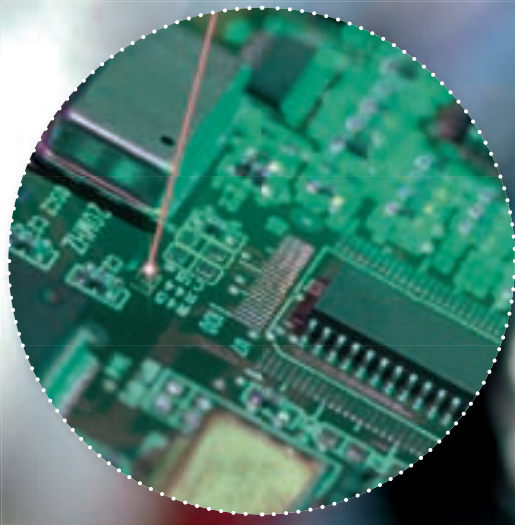
Another important contribution toward working efficiently is Mühlbauer's corporate healthcare. This not only comprises the services of a company medical officer who performs the statutory preventive occupational medical examinations for all employees and is available in the event of acute illnesses, but also unusual preventive health services. Employees can, for example, utilize a modern fitness center and wellness area of 1,500 m², in order to counter the physical inactivity their daily work entails. Under the expert guidance of qualified fitness trainers and physiotherapists, a health-oriented training can, for example, balance or prevent physical impacts caused by the workplace. The healthcare measures and services offered by Mühlbauer not only act as an incentive, they also result in low illness-related expenses, long-term. Throughout the group, the average annual amount of sick leave totaled 6.4 days (PY: 7.6 days).

As an attractive and responsible employer, Mühlbauer places great value on maintaining a fair and constructive partnership with its more than 1,900 employees, from which it can draw long-term. It is therefore of particular importance to the company that it continually improves the qualification levels of its employees so that these can permanently meet the rising requirements of a globalized economy. Apart from purely technical qualification measures this includes intercultural training and language courses. Additionally, Mühlbauer provides almost 360 young people with excellent training in numerous industrial and commercial professions, thus easing their way into the paid workforce. The rate of trainees and apprentices amounted to 18.8% to the end of the year under review and is thus significantly higher than the national average. It is also extremely gratifying that the number of trainees and apprentices includes an increasing number of young women who are completing industrial-technical training at Mühlbauer. The company welcomes this development as an expression of gender equality. To the end of the reporting period the share of women on Mühlbauer's payroll was 22.3% across the group (PY: 21.3%) – a respectable figure for the industry. Moreover, the Mühlbauer Group provides support to its employees with regard to the development of an additional company pension scheme, as a supplement of the existing statutory social security systems. All employees can realize an increase of their future pension payments in the course of deferred compensation.

Within the Mühlbauer Group, social commitment ranks high. The company not only appreciates the voluntary commitments of its employees but considers it important to accept social responsibility within society itself. Under the umbrella of the Josef Mühlbauer Foundation, initiated by the company's founder, the company supports select social initiatives and projects with major monetary donations both nationally and internationally. Even the traditional Mühlbauer-Lauf, which was hosted for the fifth time in the year under review and which was one of the largest running events in the region with 1,600 participants, fully reflects the company's social commitment. By involving sponsors, employees and external participants, the Mühlbauer-Lauf raised a total of EUR 40,000 in donations, of which equal shares were passed on to two charity projects.

Personnel development

Social commitment



Providing an identity

Identical at first glance, individual at the second. The marking of electronic components and modules provides individual products with their unique identity. As a result, the manufacturing process even of complex end products can be traced, whenever required. The traceability of components renders individual process steps transparent, enables the rapid correction of errors and increases product safety. As a specialist for components for the traceability of electronic modules, Mühlbauer's portfolio not only covers laser, print and labeling stations but also scanning stations, data management systems and complete board handling and automation solutions. **Technology that imparts identity – no one else continues this path as consistent as Mühlbauer.**

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FACTOR INPUT

Investments

In the 2009 reporting year, gross investment volume in fixed and intangible assets totaled EUR 19.3 million, exceeding the previous year's value of EUR 10.4 million by 85.6% and significantly topping the corresponding depreciation values – as in previous years.

The investments in intangible assets of EUR 3.8 million are primarily due to the development of new innovative products for the markets relevant to Mühlbauer as well as initial expenses in connection with the implementation of a new Enterprise Resource Planning (ERP) system, which is to meet the rising requirements toward efficiency, transparency and flexibility, resulting from the progressive internationalization of the Group.

In the 2009 financial year, the focus of the investments in fixed assets was on the continuous internationalization of the technology group. The state-of-the-art technology and customer center in Newport News, USA, was completed in March and equipped with an extensive showroom. Another focus was on the completion of the research and development center in the Slovakian city of Nitra in May and its furnishing with state-of-the-art machining and production centers. In October the company commenced the extension of production capacities at the Malaysian production site in Melaka, to increase value-added at the site. Furthermore, funds were invested in the extension and modernization of machinery at the Roding site, the modernization and extension of surface technology and the extension of the training center.

Viewed by region, investments focused on Europe, with EUR 13.4 million (PY: EUR 9.3 million), while EUR 5.6 million (PY: EUR 0.3 million) and EUR 0.3 million (PY: EUR 0.8 million) were spent on the USA and Asia, respectively.

The investment rate, which depicts the ratio of fixed assets to sales, rose from 6.0% to 12.0%. The investments were fully financed by the operative cashflow.

Research and development

Expenditures in research and development in EUR million	
2008	22.7
2009	21.1

Continuous, intensive research and development activities are the basis for the sustained development of the Mühlbauer Group. The company therefore endeavors to maintain its innovative strength at the highest possible level and to both secure and further extend its technological market leadership and competitive position with the assistance of new procedures and products. A total of 338 highly qualified staff (PY: 340) work in the development departments in Germany, Malaysia and Slovakia. Research and development cooperations for the realization of new products and solutions exist with universities and external research institutes, as well as with companies that participate in development projects. Furthermore, Mühlbauer is also involved in research projects on basic development, which are in the public interest due to their relevance in safeguarding the economic future and industry's competitiveness and are therefore subsidized by the public. Mühlbauer secures its own research and development lead against worldwide competition by means of an internationally active Intellectual Property Management: in the past financial year the Mühlbauer Group registered 36 property rights (PY: 48). Overall, expenditure for research and development totaled EUR 21.1 million in the 2009 financial year and were thus only 7.0% lower than in the previous year (PY: EUR 22.7 million). In relation to sales, the R&D rate amounted to 13.1% (PY: 13.2%).

Apart from customer- and project-specific adaptations, the research and development activities in ID Government Systems extended to the successive continuation of the one-stop-solution concept. In the reporting year Mühlbauer developed a highly flexible system for the fully automatic production of passport booklets (BookletLine), which provides for collating, lamination and punching of standard or electronic passports and thus extends the product portfolio für passports. Furthermore it can not only process the passport-specific ID 3 format but other formats as well, following a minimum of adaptation. With regard to software, the chip coding and quality control features of the existing production and personalization management system INCAPE was adapted to the current requirements toward electronic travel documents with new access procedures. The ID Card Issuing System underwent further development

with regard to decentralized enrollment and personalization: data communication in a closed information system is not only enabled via data networks but also offline, on the basis of mass storage. The complete flow of data, from registration and personalization through to the output of documents, can be guaranteed, even without a provided infrastructure.

In respect of system solutions for the card production and personalization, Mühlbauer focused its development activities on the increase of productivity of existing solutions and on supplementing its product portfolio. Another step toward a complete solution was, for example, the development of the new personalization system Hyprint 50: as a result of combining a laser and a thermo printing module, the Hyprint 50 can personalize Smart Cards in both black and white by means of laser engraving or color by means of thermo transfer printing in a single system. Mühlbauer's newly developed tape layer MAE 12, which guarantees the production of magnetic, signature and security stripes with the utmost in flexibility and speed is also worth mentioning. It is ideally suited to card manufacturers who require a maximum in flexibility with regard to card type and layout. Additional development activities concentrated on "ecoline" solutions. Due to their simple and compact structure, products of the ecoline series guarantee an ideal cost-benefit ratio, as well as extremely high quality, thanks to proven process stations.

In semiconductor-related solutions, development focused primarily on applications for the new Variation machine generation. Its goal is the union of the existing Die sorting and TAL machine platforms. Customers are thus provided with considerably more flexibility: special applications can be realized within extremely short time spans and, overall, a wider range in the semiconductor backend niche can be covered. Furthermore, on the basis of the Variation platform, Mühlbauer extended its TAL range, which is designed to directly fit chips with antennas: the cost-efficient TAL 9000, developed in the year under review, is particularly well suited to customers who are entering the market and completes the RFID range, alongside TAL 15000 and TAL 20000. With regard to the further processing of RFID inlays to tickets or electronic paper labels, Mühlbauer set a new benchmark in speed and continual process with its converting line CL 60000, while the IL 15000 was specifically extended for the production of contactless readable luggage tags.

Mühlbauer's traceability-related portfolio also benefited from continual development. In the Board handling sector, developments in cooperation with the Malaysian site focused on traceability solutions in the ecoline series. Initial systems were already presented to the public in August, at the Shenzhen (China) exhibition. Further progress was made in respect of the portfolio containing systems for the marking of electronic components. Apart from the newly developed and even more precise fiber laser module that can be integrated into existing laser cells, the new laser marking system WL 500 LCW was developed, a small laser marking cell with an integrated flat conveyor system, which can also mark low volumes extremely efficiently with the assistance of an automatic marking field orientation. Moreover, a new labeling system (WL 2001 turret) was completed, which can also apply labels as the most productive system in its class due to the integration of a quadruplicate stamp unit.

Furthermore, Mühlbauer also worked on future technologies in the solar industry. Research and development activities in this area extended to complete solutions for the production of concentrator solar cells and on the automation of thin-film solar processors. In so doing, Mühlbauer's competence in the semiconductor backend area has proven to be of particular benefit, as a result of which existing synergies can be utilized.

Due to the strained economic development and the resultant cost pressure on the corporate landscape, the 2009 financial year presented major challenges to the procurement activities of the Mühlbauer Group. In view of the increasing risk of supplier default and extended procurement times due to capacity bottlenecks, the technology group focused more strongly on the security of supply, in order to continue to meet customer requirements rapidly and flexibly. However, as a result of the intensified development of alternative sources of supply, long-term supply contracts under utilization of the advantageous situation on the commodities market and the stocking of key components, Mühlbauer prevented the development of supply bottlenecks and secured its continuous flexibility of production. The Group's international positioning

Procurement

played a major role in this. In the context of global sourcing, it rendered international procurement activities possible, as a firm component of the daily purchasing process and opened up great opportunities. On the one hand, the pool of potential suppliers was extended, on the other hand, the decentralized procurement activities of the Group's sites in Malaysia, the USA and Slovakia resulted in savings potential.

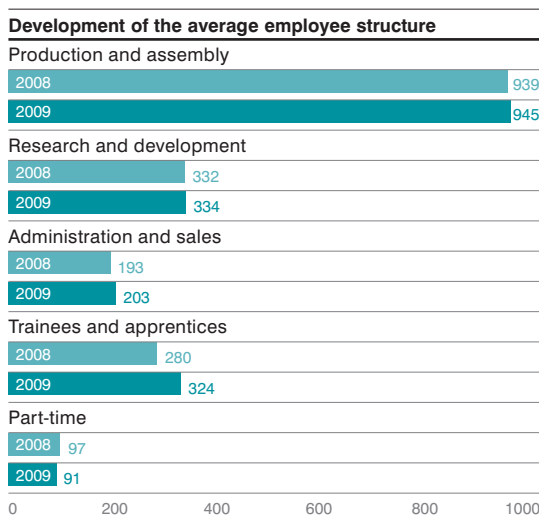
In order to obligate only the most optimal suppliers for Mühlbauer, with regard to price, innovation, reliability, service and quality, new and existing suppliers were evaluated on the basis of objective ratios. The result of the Group's standardized evaluation procedure is utilized as a foundation for negotiation, thus offering an ideal base for the development of supply relationships. Furthermore, Mühlbauer has strategic cooperations with key suppliers: intensive negotiations and the early involvement of suppliers in development activities enabled savings and the minimization of potential procurement risks in advance. This allowed Mühlbauer to utilize the expertise of its suppliers while reinforcing its innovative strength in a sustained manner at the same time.

Internally, in the year under review, Mühlbauer worked toward the further electronization of purchasing processes. Due to the scheduled introduction of a new ERP system for the optimization of purchasing efficiency and productivity, all material management-related processes of the Mühlbauer Group were analyzed during the reporting period and savings potential as well as any growth in efficiency in connection with the new system identified.

Due to the declining business volume in the year under review, expenditure for raw, auxiliary and operating materials as well as for acquired services decreased to EUR 57.0 million in the 2009 financial year (PY: EUR 65.3 million²). The Mühlbauer Group intends to consistently pursue its close cooperations with suppliers without waiving its independence. We are working at improving the quality of our services and increasing customer satisfaction in conjunction with our suppliers. We are convinced that our procurement strategy in combination with a modern purchasing management is the right way to master future challenges.

EMPLOYMENT

As a responsibly-minded company, Mühlbauer is characterized by long-term thought and action and values the high level of commitment and loyalty of its staff. To the end of the reporting period the Mühlbauer Group employed 1,905 staff (PY: 1,903), thereof approx. 15,5% outside Germany. Mühlbauer's corporate culture is internationally oriented, with open structures and a constant exchange of information throughout the Group.



In some areas of the Group, a change in economic framework conditions has led to a greater focus on the flexibility of staff capacities. Site-specific and individual measures were developed and implemented in accordance with different requirements. Apart from the streamlining of the organizational structure in order to increase efficiency, employees were also deployed in other areas of the organization to compensate for utilization below capacity. The personnel adjustment measures focused, in particular, on flexible working-time accounts, the premature use of recreation leave, the cutback of fixed-term positions and, in part, short-time. In the 2010 financial year these tools will continue to be used in personnel adjustment. It is Mühlbauer's goal to ensure the flexibilization of staff capacities and to retain personnel costs at an appropriate level.

While the average number of employees climbed to 1,897 (PY: 1,841), personnel expenditure dropped to EUR 57.6 million (PY: EUR 62.0 million). Salaries and wages accounted for EUR 48.1 million (PY: EUR 51.4 million) and social security contributions amounted to EUR 9.5 million (PY: EUR 10.6 million).

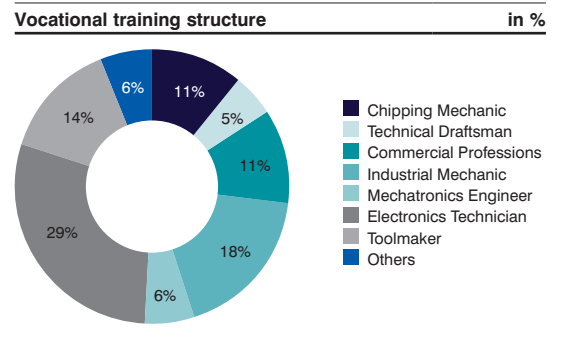
² excluding the increase in inventory of EUR 11.1 million

Recruitment of trainees and apprentices

To secure access to qualified and committed staff long-term, even in times of an imminent demographic change, Mühlbauer is continuing its vocational training program for young people, even in economically turbulent times. In so doing, the company's training activities are not only being pushed ahead intensely and at a high level in Germany but, in the year under review, are also being implemented at Mühlbauer's Slovakian site. During the reporting period, 97 (PY: 100) new trainees and apprentices were recruited throughout the Group so that the company employed 358 (PY: 328) young people as trainees and apprentices in 15 different trades and commercial professions to the end of the year under review. This corresponds to a training quota of 18.8% (PY: 17.2%). Apart from general vocational training, the Mühlbauer Group also enables vocational training including a university of applied sciences entrance qualification. By participating in the DBFH program (dual vocational training including university of applied sciences entrance qualification), trainees and apprentices acquire both their certificate of proficiency and the university of applied sciences entrance qualification, which enables them to undertake a course of study. Additionally, in cooperation with regional universities of applied sciences, Mühlbauer offers school leavers holding the university of applied sciences entrance qualification a mutually interlocked training program, in which in-house training is offered in parallel with a fully fledged course of study, including a bachelor's degree (integrated degree program). With regard to the recruitment of graduates and university students, Mühlbauer reinforced its contacts with universities at national and international sites and was presented at several career fairs and lecture evenings. In so doing, Mühlbauer is also keen on providing interested students with practical experience at an early stage: in the year under review, 76 students grasped the opportunity to acquaint themselves with Mühlbauer during their period of study in the context of work experience, as student trainees and undergraduates.

The Mühlbauer Group continually pursued its efforts in personnel development. The company's own "Mühlbauer Academy", which established itself as a permanent institution in the year under review, plays a major role in this. The Mühlbauer Academy specifically promotes the internal transfer of knowledge through training offered by company employees for employees and also comprises further education measures offered by external partners. The latter include intercultural training, language courses and customized qualification measures that reinforce methodical and social competencies. At Mühlbauer we not only strive to increase the efficiency of our staff at all levels through training and further education, we also try to fill executive positions in-house. For this reason, we execute regular assessment centers in order to identify staff with leadership skills – by means of analyses of potential – for the next steps of their career. This approach is also applied to our trainees and apprentices. Talents are screened as early as the stage of vocational training and these are offered additional support in the form of language courses, visits abroad, training for soft skills and are presented with interesting career options in the context of a separate "Leadership development program". Mühlbauer's modern training center is further proof of the high value the company places on holistic personnel development based on its corporate culture. Apart from a training workshop, IT and training facilities, the training center is also home to a separate fitness center where staff can pursue a health-oriented physical fitness program.

Personnel development



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Guaranteeing reliability

Precision and quality are often decisive factors with regard to success and failure, not only in medical technology but also in many other sensitive areas. It is not seldom that the functioning of an entire system depends on the quality of a minute precision part. As manufacturer for our own requirements and as sought after partner for the manufacture of precision parts for other sensitive industries, we guarantee the highest level of quality – from the first to the last step in production. Mühlbauer manufactures within cycle time, partly by means of overnight processing and is therefore convincing, both with regard to quality and with regard to speed. **Perfection down to the most minute detail – this is how Mühlbauer guarantees reliability.**

OTHER DETAILS

In the context of the legal dispute in the financial years 2007 and 2008 between the personally liable shareholder and the Cham tax office regarding the taxation of the personally liable shareholder of a KGaA, the Bavarian State Ministry of Finance, to which the personally liable shareholder appealed in parallel to the action taken, advised in November 2008, that the partner view were to be applied to the taxation of the personally liable shareholder of a KGaA – within the meaning of a partially transparent taxation concept – and thus complied with the opinion of the personally liable shareholder. The result had no impact on the company, as the company had already effected its determination of income in accordance with the partner view.

The Federal Ministry of Finance is planning a Germany-wide regulation with regard to the taxation of the personally liable shareholder of a KGaA. Although it cannot be fully excluded that the Federal Ministry of Finance may arrive at a different opinion in view of its planned Germany-wide regulation, the personally liable shareholder is assuming – until further notice and against the background of the notice issued to him by the State Ministry of Finance – that the partially transparent taxation concept will continue to apply. If, contrary to our expectations, the planned Germany-wide regulation no longer supports the current opinion of the personally liable shareholder, the personally liable shareholder will react correspondingly.

EVENTS AFTER THE 2009 FINANCIAL YEAR

Proceedings were instituted against several companies of the Mühlbauer Group in the USA and Germany (hereinafter referred to as the “respondents”). It was claimed that the companies had violated the intellectual property of third parties. As at 31 December 2009, the companies reported liabilities of EUR 1.2 million and accruals of EUR 1.1 million in respect of legal and consultancy fees in connection with these proceedings. On 15 January 2010, the parties signed a settlement agreement before the US American court with which they settled their legal disputes in the USA and in Germany extrajudicially. In the context of the negotiations on the extrajudicial settlement of the difference in opinions on certain proceedings-related costs, conducted by the respondents after the settlement agreement, an agreement was arrived at on 22 February 2010 to the extent that EUR 1.1 million and EUR 0.9 million of the liabilities and accruals reported as at 31 December 2009 need not be paid. The companies will state the no longer applicable share of obligations, reported as per 31 December 2009, in the 2010 financial year, with an effect on the income statement.

Other events of major significance did not occur after the 2009 reporting date.

RISK REPORT

Our endeavor to further extend Mühlbauer's market position globally without losing track of the value-oriented development of the company entails opportunities and risks. The risk policy of the Mühlbauer Group therefore not only consists of the perception of existing opportunities but also of the early recognition and evaluation of risks, as well as their delimitation and control with suitable countermeasures.

For this purpose, the company utilizes an opportunity and risk management system that has been established for several years and that is constantly further developed and checked for efficiency. Sensitization of all staff to report and to monitor identified risks at an early stage is communicated and executed across the Group. The legally required risk management is comprehensively documented in a risk management manual and can be viewed by all staff worldwide. Short interaction paths result in the rapid and unbureaucratic notification of newly identified risks to the risk committee or a member of the Management Board.

The risk report, which results from the half-yearly risk inventory of all group companies, is drawn up centrally and, in addition to other reporting elements, is used by management to control the company in a value-oriented way. It provides information on all individual risks of the Group, presents their development in chronological order and breaks them down into individual area portfolios. Their evaluation on the basis of probability of occurrence and extent of damage in dependence on earnings before interest and taxes is effected by the respective executive responsible for the risk. The plausible calculation of the possible expectancy, the provision of a detailed reason, the listing of countermeasures and the scheduled date of their implementation are mandatory and are discussed in detail in risk committee meetings.

Every executive is responsible for monitoring the effectiveness of the opportunity and risk management. At the same time, the efficiency of the system is monitored by an independent third party on the basis of regular internal audits and further optimized. As in previous financial years, the auditors have evaluated the early recognition system utilized in the year under review. They have ascertained that it meets legal requirements.

Currently no developments can be discerned within the Mühlbauer Group, which pose a risk to the company as a going concern. Risks can, however, never be fully excluded. Thus, natural catastrophes, an escalation of terrorist activities, possible pandemics or amendments of taxes or customs duties on individual export markets, could possibly impact the sale of technology solutions. Irrespective of this, the Mühlbauer Group is currently experiencing the following risks, which could prove a considerable negative impact on the asset, financial and earnings situation of the Group.

To suppliers the interference of the current financial market crisis with the real economy means that the risks resulting from the existing dynamic and successively harsher market and competitive conditions may become aggravated through a restraint in demand in the capital goods sector.

On such markets there is a risk that the faulty or delayed analysis of the market situation results in a lack of correspondence between the products and solutions offered and the needs of customers. This results in dissatisfied customers. Through the active dialog with our customers and intensive internal analyses and research on the market environment, customer requirements and on our competition, we can react to new developments and requirements in the industry at an early stage. For this purpose, we utilize a constantly up-to-date and comprehensive information and communication tool, as well as analyses on existing market information.

The financial market crisis bears the risk of declining demand from our customers in the industrial sector, whereas business with governments and government-related institutions should prove to be more stable. Other consequences of the financial crisis are manifested in that payment guarantees, which were previously considered good, may not be as secure as anticipated or that the payment practices of customers with a history of good payment practices could have deteriorate in future. On the basis of the good market position we hold in the government business, we are currently assuming that we will be able to compensate for the negative impact in the industry business - at least in part. We counter the lower trustworthiness of payment promises by performing more intensive checks of the respective banks and through other safeguards.

To further extend its technological and market leadership on the markets relevant to the company, Mühlbauer usually positions itself and its innovative machine and solution concepts on the market at a very early stage. As a result, there is a potential risk that our technologies are copied by other companies. The possible outflow of expertise through industrial espionage or the poaching of carriers of expertise, is counteracted by a host of measures: The continual observation of the market, the protection of key technologies and procedures by patents, the targeted further development of our technological lead and the further expansion of our international organization are a few of the critical control measures we take.

The processing of our global business activities is subject to an internally organized export control with regard to the supply of goods to other countries. However, as a result of the scope and the complexity of existing export regulations and constant changes to them, there is a

Business environment
and industry risks

risk that corresponding provisions are not observed, entailing a range of different sanctions. The implementation of IT security features in our IT system, the intensive cooperation with the Federal Office of Economics and Export Control, as well as staff training on the risks involved are effective, risk-minimizing measures that Mühlbauer employs.

Business with governments or government-related institutions for which Mühlbauer increasingly accepts overall responsibility can, in particular, be associated with complex contractual constructs. And frequently these refer to regional legislation. This can result in contractual risks, which Mühlbauer meets with contract and project-specific risk analyses and against which Mühlbauer introduces project-related precautions for risk reduction, if necessary. These precautions extend from the initiation of business, to the signing of the contract and through to perennial project implementing.

Technology risks

Damage caused by defects or consequential damage can arise if our machines have quality defects that are not recognized in a timely manner during our internal production qualification. Any end products that were defectively produced and possibly brought into circulation for the above reason, can result in production downtime or new production at customers and cause substantial costs, in respect of which Mühlbauer might be held liable. Further consequences are effects that may damage the reputation of the company. Preventive measures, such as internal product qualifications for new developments, the auditing of preliminary process developments, support with the installation of quality management systems for the customer's production, as well as corresponding contract designs in respect of financial loss, help to keep risk at a manageable level.

The inadequate or incorrect evaluation of the current and future market can result in wrong release of orders for development projects and/or machines. The consequences are high development costs and a continuous rise in inventories, which can also represent a negative impact on earnings and liquidity if value adjustments become necessary. To avoid such erroneous developments, the focus of all R&D projects must be on the benefit to the customer. We cooperate closely with concept customers at all stages of product development. A committee of experts from R&D, Product Management, Production and Service provides the orientation for further developments and makes decisions based on market analyses and considerations of economic efficiency.

In a company with a high share of research and development and with a continuous extending of its product portfolio, the risk increases that through the development of new technology solutions violate foreign trade marks and thus disrupting the development, production and market launch of innovative products. Mühlbauer protects itself against possible infringements of trade marks by systematically executing research, to determine and evaluate third-party trademarks.

Expansion risks

The internationalization of the group bears the risk that a high level of cash and cash equivalents is required, apart from the high level of staffing, to activate newly founded companies or sites. During the initial stages, these funds cannot be fully covered by the organic earnings of the branch. This risk is met by a transparent organization in connection with an unambiguous allocation of responsibilities, constant dialog with the local organization, training sessions on work procedures and the transfer of the company's corporate culture, as well as the communication of the company's technological expertise.

IT risks

IT risks consist of failing networks and the alteration, destruction or copying of data through incorrect or unauthorized access to data. We counter these risks through regular investments in the hardware and software areas, the use of state-of-the-art virus scanners, firewall systems and penetration tests by external service providers, who test the Group's IT security. The sensitization of staff with regard to data security and data abuse, as well as a comprehensive authorization management and encryption concept are all measures that help keep risk in this area at a manageable level.

Personnel risks

In the industry and the regions in which the Mühlbauer Group is active, competition for highly qualified specialists and executives is still high. To implement its corporate strategy, the company must recruit superbly qualified personnel within a highly competitive environment and retain

their enthusiasm long-term. Mühlbauer counteracts this risk with intensive training and further education programs for its junior staff, through customized trainee programs and the further development of loyal staff members to future executives. In so doing, Mühlbauer's corporate culture is incorporated into all staff development concepts.

Fluctuating demand can result in overcapacities in certain areas. To counter this risk without having to lay off employees, we count on uniform qualification standards for staff, thus being able to deploy employees flexibly and across departments. Limited term contracts also assist in meeting this risk.

It is Purchasing's objective to procure high quality raw materials and services in a timely manner and at the best possible cost. This procurement process can involve price and purchasing risks, as well as quality risks on the part of the supplier. As a result of budget agreements for raw materials and a global procurement strategy, prices are fixed for defined periods and single source situations relativized. Comprehensive process and test instructions for the receiving area ensure that only qualitatively unobjectionable goods enter the production and assembly process.

Procurement risks

Structural and procedural regulations exist in the Mühlbauer Group for the prevention of risks within accounting processes.

Accounting process

For the staff employed in the regional and functionally oriented organization of Finance exist in addition to an internal corporate accounting manual also comprehensive checklists. The implementation and the control of the adherence concerning the given contents therein guarantees a uniform and complete approach within the Group both with regard to the ongoing accounting and with regard to the establishment of the annual financial statements in accordance with LOCAL GAAP and IFRS.

In the individual financial statements of Mühlbauer Holding AG & Co. KGaA's subsidiaries, accounting procedures are largely recorded using a standardized accounting systems across the group. In parallel, the accounting data are also transferred directly into a consolidation system. These data are checked by the officer of the respective accounting area responsible for the financial statement. Subsequently, all consolidation processes for the establishment of the consolidated financial statement of Mühlbauer Holding AG & Co. KGaA, such as the capital consolidation, the asset and debt consolidation or the expense and earnings elimination, are generated in the consolidation system and fully documented. In the next step of the procedure the consolidated data established are passed through a plausibility grid. In so doing, the focus is on the review of individual group positions with regard to their relative and absolute change against reference periods.

An internal control system is in place to ensure the conformity of accounting with regulations. Key components of the internal control system are a consistent four-eye principle and a separation of functions – both within Finance and across departments. Furthermore, a chart of accounts that is uniform, clear and unambiguous across the Group and the regular control of adherence to the generally accepted accounting principles ensure a high level of reliability of accounting. Reporting and valuation as key accounting processes, on the one hand, and the establishment of the notes and drawing up of statements in the management report, on the other hand, are subject to a structured control. Along the line accounting area officer, Head of Finance, CFO, the results emerging from the accounting processes are checked at different stages of drawing up the financial statements. The occasional commissioning of internal, independent persons for the checking of select facts and circumstances is utilized by the internal accounting audit.

The reliability of the IT systems implemented in Finance is ensured by the fact that relaunches or changes to the relevant systems must always be subjected to systematic testing within the context of a test client before being implemented in the live system. The IT systems implemented are centrally oriented, i.e. they are maintained by the Group's headquarters. The granting of access rights for IT systems (write and read access) is subject to an approval procedure. As a result of the corresponding documentation, the access rights structure can be depicted whenever required.

Neither structural nor procedural regulations can provide absolute security with regard to the non-occurrence of risks in accounting processes. On principle, decisions within individual steps of an accounting procedure that are based on personal discretion can be erroneous.

There is also a risk that checks do not work in individual cases due to easy errors or mistakes or that changes of surrounding variables are not recognized in time despite corresponding monitoring. Ultimately, systems can also be circumvented, through criminal acts, in particular if performed jointly by several people.

Fiscal risks

Apart from a regular, intensive observation of the market, Mühlbauer utilizes contractual agreements and derivatives to minimize currency risks from exchange rate or interest rate fluctuations. Any financial transactions in foreign currencies that exceed the anticipated net cashflows of a currency unit are rate-hedged on completion of the basic transaction or, insofar as market expectations permit, at a later point in time. Default risks are minimized by applying a consistent management of receivables fitted with escalation processes and linked to regular reporting as well as an extensive creditworthiness check of new customers. The delimitation of the liquidity risk is effected by concluding credit lines with banks and by maintaining liquidity reserves in the form of capital investments. The risk involved with capital investments, apart from the absolute development of price, is that a complete, disposal of the securities whenever required may not be possible or only to a limited degree, as a result of market irregularities. The delimitation of this risk is effected by means of a targeted selection of investments and their continual monitoring. With regard to the disclosure requirements on opportunity and risk management codified in § 315 para. 2 HGB (German Commercial Code) relating to the use of financial instruments, we also refer to the corresponding statements provided in the notes at 30 "Additional information regarding financial instruments" and at 31 "Risk management and financial derivatives".

Other risks

The Mühlbauer Group is protected against external influences such as damage caused by storm, water or fire by a comprehensive insurance package, which is regularly checked and adjusted as required.

OUTLOOK

Global economy

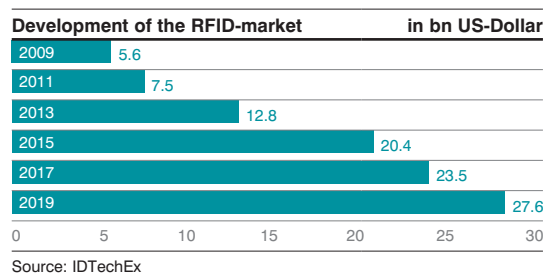
Worldwide economic stimulus packages, brought about by fiscal measures and monetary policies, as well as the provision of liquidity, have resulted in renewed confidence among companies and consumers. As worldwide production is, however, still significantly under the pre-crisis level, due to lower incomes and unutilized capacities, and fiscal programs are expiring, the leading market research companies are assuming that consumption and investments will continue to recover only slowly. Global economic development will also, to a large measure, depend on the development of the financial sector. The still existent risk of credit restrictions due to the yet high depreciation requirements of banks have to be taken into consideration. According to the opinion of leading economists, economic growth in the USA will develop less momentum than after past phases of recession. The repayment of debts by consumers and the strong rise of unemployment are likely to result in an increase in savings. Private consumption is therefore set to increase only slowly. With regard to corporate investments, major rises are not to be expected, as these are largely dependent on private spending and financing conditions for companies are still unfavorable, despite the expansive monetary policy. Japan's economy is expected to receive stimuli from foreign demand, while domestic demand will continue to recover only hesitantly. Due to the revaluation of the yen and the lower capacity utilization the rise in corporate investments is likely to be only slow. In view of the ongoing state-backed economic stimulus packages the slow stabilization in demand for exports and the strong domestic demand, China will probably continue to achieve the highest rates of growth on an international comparison. India's economic growth, which resumed as early as 2009, is likely to continue in 2010. The primary reason for this growth is most probably the increase in domestic demand, which was brought about by fiscal measures. In the course of the global economic recovery, a rise in exports could contribute to a further rise in growth for the euro zone. This development will, however, most likely be dampened by opposing internal effects: supportive economic measures by the government will gradually expire and a low level of utilization of production capacity will freeze investments at a low level. On principle, the German economy could also benefit from the anticipated increase in international trade. For Germany's economy, however,

whose production is largely geared toward export, this depends greatly on the extent to which capital goods are in demand from abroad. Export momentum could decelerate as a result of the rejuvenation of the machine population in many countries during the most recent investment boom. Even domestic investments are likely to be modest in view of the continued low level of capacity utilization and the restricted financing opportunities. The labor market, which follows the general economy, is likely to experience adjustments of employment to the low production levels. Against the background of increasing workplace insecurity, private consumption is likely to develop only weakly, despite tax reductions.

As a result of the ongoing worldwide process of transformation toward new security-oriented ID systems, demand for new electronic passports, ID cards, healthcare cards or driver's licenses should continue to ensure further growth potential on the government-related TECURITY® market in future. Apart from international standards and provisions, which are for example issued by the ICAO, the US Visa Waiver Program or the European Union, the interest of states and governments in offering its citizens greater security and flexibility through the use of innovative ID applications is one of the main drivers behind the implementation of innovative ID applications. In Germany, in 2009, the way was cleared for the introduction of new ID cards instead of the traditional personal identification badge. Apart from the biometric storage of one's facial image and – voluntarily – of fingerprints on a chip, the electronic ID is to combine security with comfort. Holders of such ID card can electronically prove their identity on the internet – towards authorities and private service providers, e.g. online banking or online shopping – by means of an electronic signature stored on the chip. This is to safely and cheaply enable the provision of electronic services that have so far required the personal signature of the service recipient. However, it is not only the industrialized countries that offer particular potential for growth but even the developing and newly industrializing countries, as these will require major investments over the next few years in order to modernize their conventional ID documents. Furthermore, the global increase in chip-based ID documents should boost demand for electronic and biometry-based verification systems for the matching of persons and data. Market research companies therefore consider growth of the worldwide biometric market at a compound annual growth rate of 18% for the period 2010 to 2012 possible. Moreover, the increasing demand for chip-based bank/EMV and SIM cards will result in sustained stable growth prospects for the cards market. While the migration to new EMV cards is being pushed ahead globally in the banking sector by the replacement of the forgery-prone magnetic stripe cards, the further spread of mobile telephone services in the telecommunications sector, primarily in developing and newly industrializing countries, will ensure a rise in demand for mobile phone cards. The industry expert Eurosmart has therefore forecast that approx. 5.5 billion chip-based Smart Cards will be issued in 2010.

Industry development

Apart from the cards and TECURITY® market, the market for contactless identification through RFID labels should also be characterized by growth potential over the next few years. Worldwide, the number of individual RFID projects involving the optimization of logistics processes, the guarantee of product security or ticketing for events or public transport has increased. Signs of major rollouts in the next few years are slowly increasing: the clothing manufacturer Gerry Weber is, for example, planning the introduction of RFID Germany-wide in 2010, to secure its goods. For this purpose, textile RFID tags will be sewn into the products and the more than 150 proprietary stores nationally and internationally will be fitted with the new RFID technology. In the ticketing area, the British government, for example, intends to introduce smart ticketing systems based on RFID in Great Britain's major cities over the next five years, which are to replace conventional tickets. According to estimates by IDTechEx, the RFID market holds the potential to grow by almost 34% from 2009 to 2011.



The general semiconductor market, on which Mühlbauer focuses on the semiconductor backend technology, was characterized by initial signs of recovery as early as the end of 2009. The industry expert Semiconductor Industry Association (SIA) therefore considers the industry to be on the upswing again and even the Gartner market research institute is anticipating signs of growth, resulting from a change in technology of the semiconductor manufacturers as well as from imminent capacity increases. In its outlook for the general semiconductor industry, Gartner is expecting an increase of 13%, so that the market should return to its 2008 sales level.



Proving foresight

Setting the course for tomorrow today. This necessity applies not only to the technological requirements of products and processes, it applies in equal measure to the people behind the products and services. An innovative company like Mühlbauer will continue to require specialists with a high level of qualification who will keep the corporate culture alive. Therefore, we have always considered the in-house training and further development of our employees important. After all, those who want to be prepared for the future must look far ahead. **Keeping the day after tomorrow in mind – that is what Mühlbauer understands sustainability to be.**

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Being different



Signs of a gradual recovery can also be seen in the Traceability and Precision Parts & Systems industries relevant to Mühlbauer. A possible recovery due to economic impulses would, however, have to be very cautiously evaluated at this point in time. The automotive industry, which is relevant to Traceability, is, in particular facing the challenge of decreasing overcapacities and procuring the financing required for new investments. Any growth on the automobile markets will most likely be slowed down by early effects of the global subsidy programs for the promotion of worldwide demand for cars. In the mechanical engineering industry, which is also relevant to Precision Parts & Systems, indications that the trough might have been reached are increasing, after the sharp decline in production in 2009 – a stagnating to slightly positive development is predicted for 2010.

Outlook for the Mühlbauer Group

As anticipated, the government business, managed within the company's core business area Cards & TECURITY® proved exceptionally economy-resistant, irrespective of the extremely difficult overall economic situation. The positive trend of the TECURITY® market is unbroken: long-term, the need for greater flexibility and the valid, constantly rising requirements of governments regarding the security of their citizens, the fulfillment of international safety provisions and the increasing possibilities for the application of ID cards, even in online transactions, will positively impact demand for technology and software solutions for the production of security-oriented ID systems in card and passport formats. The opportunity that the company may benefit strong from this development – due to its globally unique positioning as a system partner who can offer the entire range of technologies and market expertise – is opposed by the risk that the realization of scheduled projects may be delayed or that certain projects do not lead to firm orders, as anticipated.

In Semiconductor Related Products the Mühlbauer technology group focuses on promising niches on the semiconductor market. With its semiconductor-related automation solutions that combine high-speed with maximum quality and that can be conjoined to form a complete production solution, as proven by the "Smart Label Factory", the company hopes to benefit strongly from the intensification within the industry, forecast by market research companies. The expected change of technology – resulting from customers' needs for greater flexibility and cost efficiency, which Mühlbauer already met in the year under review with the development of new system generations – could prove helpful, while the worldwide rise in RFID applications holds opportunity with regard to demand for mature technology solutions. Although we basically consider a gradual recovery of the industry and a returning preparedness of our customers to invest possible, over the next two years, due to the market stimuli received in recent weeks, it cannot currently be estimated whether this development is in fact sustainable. Another risk factor is the increasing competition from predominantly Asian low-price providers who could negatively impact our business, particularly in Asia. We are countering this development through the further internationalization and strengthening of our Asian sites, in order to improve customer proximity and reduce costs.

Despite initial signs of a recovery in the industries relevant to the business area Traceability, the future business development of this area is still fraught with uncertainty. The automotive and electronics industries, in particular, which used to be among the most avid consumers of traceability and board handling solutions, are now facing an industry upheaval, following the recent downturn. Mühlbauer therefore intends to further intensify its strategy of product diversification and extend its industry radius further by focusing on new markets and technologies. In parallel, the company is consistently working toward extending its technical and qualitative lead as a turnkey supplier in the laser and automation technology area in order to best meet the requirements of extremely quality-oriented applications and to push ahead continual improvements of productivity in close cooperation with our customers. It can, however, not be excluded that operating activities may well continue to decline in 2010, against the background of the economically severely impacted automotive and electronics industries, and that a gradual sales and earnings increase is not recorded before 2011. We consider the key risks to be a delay of sustained economic recovery and a further intensification of competition.

In recent weeks, the measures introduced in Precision Parts & Systems during the year under review, which are to increase market penetration, resulted in a slight recovery of order income, following considerable declines. Mühlbauer will therefore continue to direct its primary focus on the reinforcement of sales activities and the extension of its market position in order to acquire customers in new industries and markets. In parallel, the company is focusing on the structural improvement of its production network and on the further increase of its productivity and efficiency by utilizing its new Slovakian technology center. In view of these measures, we basically consider an improvement of the sales situation for the 2010 financial year and further growth for the following year possible. In our opinion, the largest risk lies in the delayed recovery of the economy and a sustained restraint with regard to investments in long-lived assets.

The unique position of the Mühlbauer technology group, of being able to offer the market expertise and the technology necessary for the introduction of security-oriented ID documents in card and passport format from a single source, as an internationally active system partner, and its overall extremely good positioning on the markets relevant to it, should, on principle, enable the company to push sales and earnings in 2010 over the level of the previous financial year and to achieve further growth in the following year. At this point in time, the company, however, finds it difficult to estimate to what extent the ongoing current difficult framework conditions and the potential risk of a lack of sustainability of economic recovery may negatively impact the further development of activities in the industry business and to what extent the government business on the TECURITY® market – which is characterized by project-related fluctuations – will be able to compensate for possible negative developments in the industry business. Against this background the technology group will closely observe the further development of the market.

Mühlbauer's business model is built on a solid foundation. In the current financial year the company intends to reinforce this base with a scheduled investment expenditure of EUR 10 million. Furthermore, comprehensive measures to increase innovative strength and efficiency in all business areas are scheduled. Irrespective of the above, the Cards & TECURITY® area will continue to pursue its strategy of pushing toward a leading position as system partner for worldwide ID solutions.

A change of our dividend policy is not under consideration. Based on our expected earnings, we are again considering the payment of a profit-oriented dividend to our shareholders. In so doing we pay particular attention to stability and continuity.

IMPORTANT NOTICE

This Management Report contains statements that are projected into the future; statements that are based not on historic facts but rather on current plans, assumptions and estimates. Future-oriented statements are only applicable to the period in which they are established. 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 other parts of this report.

**CONSOLIDATED STATEMENT OF INCOME (IFRS) FROM JANUARY 1 TO DECEMBER 31, 2009
OF MÜHLBAUER HOLDING AG & CO. KGaA**

	Notes	Jan. 1 - Dec. 31, 2009 TEUR	Jan. 1 - Dec. 31, 2008 TEUR
1. Sales	(3)	160,488	172,575
2. Cost of sales	(5)	(106,383)	(101,851)
3. Gross profit		54,105	70,724
4. Selling expenses	(6)	(13,177)	(14,538)
5. Administrative expenses	(7)	(8,000)	(8,171)
6. Research and development	(8)	(21,088)	(22,731)
7. Other income	(9)	1,466	2,335
8. Other expenses	(9)	(3,690)	(3,326)
9. Operating income		9,616	24,293
10. Financial result			
a) Financial income	(10)	688	4,052
b) Financial expenses	(10)	(577)	(3,946)
11. Income before income taxes		9,727	24,399
12. Income taxes	(11)	(2,380)	(6,125)
13. Net earnings		7,347	18,274
Earnings per share in EURO			
basic	(12)	0.50	1.24
fully diluted	(12)	0.50	1.24
Weighted average of shares			
basic	(12)	6,127,552	6,118,333
fully diluted	(12)	6,127,552	6,118,334

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS) FROM JANUARY 1 TO DECEMBER 31, 2009
OF MÜHLBAUER HOLDING AG & CO. KGaA**

		Jan. 1 - Dec. 31, 2009 TEUR	Jan. 1 - Dec. 31, 2008 TEUR
Net earnings		7,347	18,274
Change of market value of available-for-sale securities	(26)	41	(458)
Difference due to currency translation	(26)	(256)	(320)
Deferred taxes	(26)	-	3
Total income and expenses recognized in equity		(215)	(775)
Total income and expenses		7,132	17,499

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS) AS AT DECEMBER 31, 2009
OF MÜHLBAUER HOLDING AG & CO. KGaA**

	Notes	Dec. 31, 2009 TEUR	Dec. 31, 2008 TEUR
ASSETS			
Short-term assets			
Cash and cash equivalents	(13)	18,798	17,122
Marketable securities	(14)	6,983	17,981
Trade accounts receivable	(15)	38,051	34,033
Other current assets	(16)	2,810	5,830
Tax receivables	(17)	1,473	2,882
Inventories	(18)	43,935	50,398
		112,050	128,246
Long-term assets			
Investment and long-term financial assets			
Trade accounts receivable	(15)	1,534	741
		1,534	741
Fixed assets			
Land and buildings	(19)	36,456	27,819
Technical equipment	(19)	9,225	8,895
Furniture and office equipment	(19)	4,751	5,251
Buildings and equipment in progress	(19)	1,136	5,083
		51,568	47,048
Intangible assets			
Software and licenses	(20)	1,203	591
Capitalized development costs	(20)	5,550	6,413
		6,753	7,004
Other long-term assets			
Long-term tax receivables	(21)	2,144	2,334
Deferred tax assets	(11)	1,037	759
Plan assets	(25)	966	913
		4,147	4,006
		176,052	187,045
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term liabilities			
Financial liabilities		-	22
Trade accounts payable		7,128	10,578
Downpayments	(22)	10,881	7,439
Other liabilities	(23)	7,866	10,689
Accrued income taxes	(24)	1,581	1,900
Other accruals	(24)	9,243	8,789
		36,699	39,417
Long-term liabilities			
Deferred tax liabilities	(11)	2,221	2,658
		2,221	2,658
Shareholders' equity			
Ordinary share capital	(26)	8,038	8,038
Own shares	(26)	(191)	(202)
Fixed capital contribution	(26)	(2,980)	(2,980)
Additional paid-in capital	(26)	60,817	60,677
Other comprehensive income	(26)	(664)	(449)
Retained earnings	(26)	72,112	79,886
		137,132	144,970
		176,052	187,045

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

**CONSOLIDATED STATEMENT OF CASH-FLOWS (IFRS) FROM JANUARY 1 TO DECEMBER 31, 2009
OF MÜHLBAUER HOLDING AG & CO. KGaA**

	Jan. 1 - Dec. 31, 2009 TEUR	Jan. 1 - Dec. 31, 2008 TEUR
Cash provided by operating activities		
1. Net earnings	7,347	18,274
2. + Income taxes	2,380	6,125
3. + Interest expenses	548	124
4. - Interest income	(483)	(526)
Adjustments for non cash expenses and income		
5. +/- Expenses/(income) from employee profit-sharing programs	72	75
6. +/- Depreciations/(appreciations) to fixed assets	6,648	6,358
7. +/- Depreciations/(appreciations) to intangible assets	432	627
8. +/- Depreciations/(appreciations) to capitalized development costs	3,507	3,587
9. +/- (Gains)/losses from the sale of fixed assets	(54)	(97)
10. +/- Realized net (gains)/losses from short- and long-term marketable securities	(99)	1,215
11. +/- (Gains)/losses from the the change in fair value of financial instruments	(35)	(17)
12. +/- (Increase)/decrease of deferred tax assets	(278)	(597)
13. +/- Increase/(decrease) of deferred tax liabilities	(437)	(834)
Changes in long-term and short-term assets		
14. +/- (Increase)/decrease of inventories	6,463	(10,485)
15. +/- (Increase)/decrease of trade accounts receivables and other short-term assets	(2,282)	(5,208)
16. +/- Increase/(decrease) of trade accounts payables and other liabilities	(3,638)	13,087
17. + Proceeds from sales of short-term marketable securities	27,577	65,843
18. - Cash outflows for short-term marketable securities	(16,385)	(64,475)
19. = Cash generated from operating activities	31,283	33,076
20. - Income tax paid	(1,190)	(11,495)
21. - Interest paid	(59)	(30)
22. + Interest received	205	484
23. = Cash provided by operating activities	30,239	22,035
Cashflow from investing activities		
24. + Proceeds from disposals of fixed assets	207	3,989
25. +/- (Increase)/decrease of other loans	-	(1,380)
26. - Purchase of fixed assets	(12,917)	(11,463)
27. - Purchase of intangible assets	(297)	(358)
28. - Expenditures for capitalized development costs	(2,644)	(1,397)
29. + Proceeds from sales of long-term marketable securities	-	6,081
30. - Cash outflows for long-term marketable securities	-	(1,476)
31. = Cash used for investing activities	(15,651)	(6,004)
Cashflow from financing activities		
32. +/- Increase/(decrease) of short-term financial liabilities	(22)	1
33. + Proceeds from sales of own shares	79	131
34. - Dividends paid	(12,790)	(12,720)
35. +/- Tax withdrawal personally liable shareholder	(1)	(2,331)
36. = Cash used for financing activities	(12,734)	(14,919)
37. +/- Increase/(decrease) of currency exchange rate changes	(178)	(415)
38. = Net increase/(decrease) in cash and cash equivalents (Total of lines 23, 31, 36 and 37)	1,676	697
39. + Liquid funds on January 1	17,122	16,425
40. = Liquid funds on December 31	18,798	17,122

We refer to additional informations on page 90 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 DECEMBER 31, 2009
OF MÜHLBAUER HOLDING AG & CO. KGaA**

	Notes	Total number of shares	Own shares Number	Ordinary share capital in consideration of own shares TEUR	Fixed capital TEUR	Additional paid-in capital TEUR	Other com- prehensive income/ (loss) TEUR	Retained earnings TEUR	Total TEUR
Balance Jan. 1, 2008		6,279,200	(167,240)	7,824	(2,980)	60,483	326	76,090	141,743
Net earnings		-	-	-	-	-	-	18,274	18,274
Other comprehensive income/(loss)	(26)	-	-	-	-	-	(775)	-	(775)
Total comprehensive income/(loss)	(26)	-	-	-	-	-	(775)	18,274	17,499
Deferred compensation	(26)	-	-	-	-	75	-	-	75
Proceeds from sales of own shares	(26)	-	9,245	12	-	119	-	-	131
Dividends	(26)	-	-	-	-	-	-	(14,478)	(14,478)
Balance Dec. 31, 2008		6,279,200	(157,995)	7,836	(2,980)	60,677	(449)	79,886	144,970
Balance Jan. 1, 2009		6,279,200	(157,995)	7,836	(2,980)	60,677	(449)	79,886	144,970
Net earnings		-	-	-	-	-	-	7,347	7,347
Other comprehensive income/(loss)	(26)	-	-	-	-	-	(215)	-	(215)
Total comprehensive income/(loss)	(26)	-	-	-	-	-	(215)	7,347	7,132
Deferred compensation	(26)	-	-	-	-	72	-	-	72
Proceeds from sales of own shares	(26)	-	9,000	11	-	68	-	-	79
Dividends	(26)	-	-	-	-	-	-	(15,121)	(15,121)
Balance Dec. 31, 2009		6,279,200	(148,995)	7,847	(2,980)	60,817	(664)	72,112	137,132

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

Notes

(1) BASIC PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

A. GENERAL INFORMATION

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 generated globally via the company's own sales and service network and trade representations in different countries.

Principles of presentation

The company is a partnership limited by shares, founded and headquartered in Roding, Germany.

The company is listed on the regulated market of the Frankfurt Stock Exchange with admission to the "Prime Standard".

Mühlbauer Holding AG & Co. KGaA is a parent company within the meaning of § 290 HGB (German Commercial Code). As a result of issuing equity investments on the capital market, the company must draw up the consolidated financial statements of the company in accordance with § 315a para. 1 HGB, in connection with Article 4 of the regulation of the European Parliament and Council of 19 July 2002 according to the International Financial Reporting Standards (IFRS) acknowledged by the EU. The consolidated financial statements of the Mühlbauer Group are in accordance with the IFRS, as it is applied in the European Union. To achieve equivalence with consolidated financial statements drawn up in accordance with the regulations of commercial law, the information and explanations required by German Commercial Law are made in addition to fulfilling the disclosure requirements in accordance with IFRS.

The consolidated financial statements are drawn up in euro, which represents both the functional currency and the reporting currency of the company. Insofar as no other representation is pointed out, all amounts shown in these consolidated financial statements relate to thousand euro ("TEUR"). Negative values are represented in brackets.

The consolidated financial statements are prepared on the basis of historical cost, restricted by the financial assets that are available for disposal as well as financial assets and financial debts (including derivative financial instruments) that have an effect on the statements of income at the fair value.

The establishment of the consolidated financial statements under consideration of IFRS requires that estimates and assumptions are made for some items which affect the amount stated on the balance sheet or in the statement of income of the Group as well as the information in respect of contingent assets and debts. The values actually occurring in later periods may deviate considerably from the estimates and assumptions. This, in particular, affects

Realization of sales for customized production orders: Sales from customized orders are realized upon attaining certain milestones and performance progress respectively. Order risks and other assessments are the relevant estimation values used. The estimation values are continually evaluated and adjusted if necessary.

Trade accounts receivable: The Mühlbauer Group makes adjustments to bad debt to account for estimated losses, resulting from customers' inability to pay. The basis used by management for the assessment of the appropriateness of the value adjustments in respect of bad debts is the maturity structure of the accounts receivable balances and the experience gained with the loss of accounts receivable in the past, the creditworthiness of customers and changes of the terms of payment. In the event that the customers' financial situation deteriorates, the scope of the actual loss may exceed the scope of the anticipated loss. If these assumptions prove false, a corresponding increase in value will be made. The company makes additional assumptions so that it can map the economic content of specific contracts from the sales of goods and services and distribute them across the respective fair values of the individual elements. These assumptions represent the expected processing of such contracts that require the use of assessments when estimating the impact of these contracts on the trade accounts receivable.

Inventories: In its valuation, Mühlbauer takes into account inventory risks resulting from higher stockholding periods and the reduced ability to realize inventory assets. The provisions for these inventory risks are in the form of value adjustments made on the basis of the evaluation of individual risk factors in regards to market potential, price deterioration and stockholding periods exceeding the anticipated length of time. The valuation of these inventory risks represents assumptions in respect of the anticipated market development and the resultant ability to realize the inventory assets, which render the utilization of assessments necessary when estimating the impact of these inventory risks on inventories.

Development expenses: When investigating the intrinsic value of the capitalized development costs, the company, on principle, targets the opportunity to draw a future economic benefit from the utilization of any resulting products. Factors such as the overall market and competitive assessment and the corresponding marketability risks as well as alterations of base technologies can result in a value adjustment.

Accruals: The valuation of pension obligations is based on a method that takes into account the various parameters, such as percentage of discount, the expected salary, wage and pension trend as well as earnings from plan assets. If these parameters develop considerably different than expected, this can impact pension obligations significantly. The formation of other accruals is based on assumptions in respect of the obligations. The assumptions can entail risks and insecurities that may lead to the fact that the actual obligations deviate considerably from the amounts currently estimated accruals provided for guarantees are calculated based on historical experience values; the most probably value is applied to calculate process risks. Any change of estimate is recorded for the respective period and offset against the item in respect of which it was formed.

Interpretations and amendments of published standards, which must be applied from 2009 onwards and which have not been applied in the past

- IFRIC 13 “Customer Loyalty Programs”:
IFRIC 13 shall be applied to financial years commencing on or after 1 January 2009. Mühlbauer has been applying IFRIC 13 since 1 January 2009. The interpretation regulates the statements, valuation and disclosure of “award credits” in the context of customer loyalty programs. This does not affect the financial statements and notes of the Mühlbauer Group.
- Amendment to IAS 23 “Borrowing Costs”:
The amendment shall be applied to financial years commencing on or after 1 January 2009. Mühlbauer has been applying the amendment to IAS 23 as of 1 January 2009. The amendment relates to the removal of the option of immediately recognizing as an expense borrowing costs that relate directly to the purchase, the generation or the production of a qualified asset – in favor of capitalization. This does not affect the financial statements and notes of the Mühlbauer Group.
- Amendments to IAS 1 Presentation of Financial Statements: “A Revised Presentation”:
The amendments shall be applied to financial years commencing on or after 1 January 2009. Mühlbauer has been applying the amendments to IAS 1 as of 1 January 2009. The amendments relate to both the terminology and the new components of an IFRS financial statement: As a result, the names for the balance sheet and cashflow statement have changed. “Other comprehensive income” can either be depicted together with the statement of income in a statement of comprehensive income or separately, in an independent statement. The net result for the year and the overall result incl. changes in shareholders' equity with no effect on the income statement shall be allocated to the shareholders of the parent company and to minority shareholders. With regard to the individual components of the “other comprehensive income”, the corresponding income tax effect and the effects caused by restructures shall, e.g. be provided in a preliminary column of the statement of income or in the notes. Additionally, three reporting dates must be depicted if a reporting method was used retrospectively, the correction of the statement, the valuation or the disclosure of items must be retrospectively performed or an item was restructured as per the reporting date. To Mühlbauer this largely affects the depiction of “other comprehensive income”, which was previously explained in the notes and which will – from 2009 onwards – be presented in a separate “statement of comprehensive income”, as part of the overall result.
- Amendments to IFRS 2 Share-based Payment: “Vesting conditions and cancellations”:
The amendments shall be applied to financial years commencing on or after 1 January 2009. Mühlbauer has been applying the amendments to IFRS 2 as of 1 January 2009. The amendments relate to two facts. On the one hand, it has been defined that “vesting conditions” merely refers to “service conditions” and “performance conditions”. On the other hand, it is specified that all terminations must be equally taken into consideration in accounting, irrespective of whether they were issued by the company or other parties. This does not result in any effect on the financial statements or notes of the Mühlbauer Group.
- Amendments to IAS 32 and IAS 1 “Puttable Financial Instruments and Obligations Arising on Liquidation”:
The amendments shall be applied to financial years commencing on or after 1 January 2009. Mühlbauer has been applying the amendments to IAS 32 and IAS 1 since 1 January 2009. Several financial instruments, which previously were defined as a financial liability will, as a result of the amendments, in future be classified as shareholders' equity. This does not affect the financial statements and notes of the Mühlbauer Group.

- Amendments to IFRS 1 and IAS 27 “Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate”:

The amendments shall be applied to financial years commencing on or after 1 January 2009. Mühlbauer has been applying the amendments to IFRS 1 and IAS 27 since 1 January 2009. According to IFRS 1 the purchase costs of participations shall be retrospectively determined in the individual financial statement. To simplify matters, the purchase costs of the participation can be optionally posted either as the fair value or the book value, in accordance with the previous national accounting principles. This option can be exercised separately for each participation. With regard to the determination of the basis for the payment of the dividend, the obligation to reduce purchase costs when paying out retained earnings achieved in the period before the acquisition of the participation, was deleted. Dividend payments shall be recorded as income and insofar as the payments exceed the annual result, shall be subjected to an impairment test. This does not affect the financial statements and notes of the Mühlbauer Group.

- IFRIC 12 “Service Concession Agreements”:

IFRIC 12 shall be applied to financial years commencing on or after 29 March 2009. Mühlbauer has been applying IFRIC 12 since 1 January 2009. The interpretation regulates the statement, valuation and disclosure of agreements on service concessions. The background: infrastructure facilities for the fulfillment of public services in which private investors can participate with regard to development, financing, operation and maintenance. This does not affect the financial statements and notes of the Mühlbauer Group.

- Amendment to IAS 39 and IFRS 7 “Reclassification of Financial Assets: Effective Date and Transition”:

The amendment to IAS 39 and IFRS 7 shall take effect on 13 September 2009, following their approval by the EU Commission on 9 September 2009. The retrospective application of the amendment is not necessary. Mühlbauer has been applying the amendments since Q3 2009. The amendment to IAS 39 and IFRS 7 substantiates the amendments to the two standards published by the EU Commission in October 2008. This does not affect the financial statements and notes of the Mühlbauer Group.

- Amendments to IFRIC 9 and IAS 39 “Embedded Derivatives”:

The amendments to IFRIC 9 and IAS 39 shall be applied to financial years commencing on or after 1 January 2009. Mühlbauer has been applying the amendments since 1 January 2009. The amendments to IFRIC 9 and IAS 39 clarify how embedded derivatives are to be treated if a hybrid agreement from the category “valued at fair value with an effect on the income statement” is reclassified. Insofar as hybrid agreements are identified within the Mühlbauer Group, the amendments to IFRIC 9 and IAS 39 shall be applied in assessing how they are recorded on the balance sheet (statement and valuation).

- Amendments to IFRS 4 and IFRS 7 “Improving Disclosures about Financial Instruments”:

The amendments to IFRS 4 and IFRS 7 shall, at the latest, be applied to financial years ending after 31 December 2008. Mühlbauer has been applying the amendments since 1 January 2009. The amendments to the two standards require more precise statements on the evaluation of the fair value and on the liquidity risk in respect of financial instruments. Mühlbauer will provide the extended statements in accordance with the amendments to IFRS 7 in the Annex. The amendments to IFRS 4 do not affect the financial statements and notes of the Mühlbauer Group.

Published interpretations, revisions and amendments to published standards, that need not yet be urgently applied and that were not applied prematurely

- Revised IFRS 3 “Business combinations”:

The revised IFRS 3 shall be applied to financial years commencing on or after 1 July 2009. Its premature application is permitted insofar as both IFRS 3 (revised) and IAS 27 (revised) are applied in parallel. Mühlbauer will apply the revised IFRS 3 as of 1 January 2010. The revisions relate primarily to the extension of the area of application in contrast to IFRS 3 (2004) and changes of content relating to the purchase method. This does not affect the financial statements and notes of the Mühlbauer Group.

- Amendments to IAS 27 “Consolidated and Separate Financial Statements”:
The amendments to IAS 27 shall be applied to financial years commencing on or after 1 July 2009. Their premature application is permitted insofar as both IFRS 3 (revised) and IAS 27 (revised) are applied in parallel. Mühlbauer will apply the amendments as of 1 January 2010. The amendments relate primarily to the amended provisions on the depiction of minority shares on the balance sheet and on the reporting procedure to be adopted in the event of a loss of the controlling influence over a subsidiary. This does not affect the financial statements and notes of the Mühlbauer Group.
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”:
IFRIC 16 shall, at the latest, be applied to financial years commencing on or after 30 June 2009. Its premature application is permitted. Mühlbauer will apply IFRIC 16 as of 1 January 2010. The interpretation clarifies what is to be considered a risk when hedging a net investment in a foreign business and where, within the Group, the hedging tool for the reduction of this risk may be held. This does not affect the financial statements and notes of the Mühlbauer Group.
- IFRIC 15 “Agreements for the Construction of Real Estate”:
IFRIC 15 shall, at the latest, be applied to financial years commencing on or after 1 January 2010. Its premature application is permitted. Mühlbauer will apply IFRIC 15 as of 1 January 2010. The interpretation clarifies when the regulations of IAS 11 or IAS 18 apply to contracts on the construction of real estate. Insofar as IAS 18 is applicable, IFRIC 15 contains guidelines as to when sales on the construction of real estate are to be realized in contracts. This does not affect the financial statements and notes of the Mühlbauer Group.
- Amendment to IAS 39 “Financial Instruments: Recognition and Measurement: Eligible Hedged Items”:
The amendment to IAS 39 shall, at the latest, be applied to financial years commencing on or after 1 July 2009. Its premature application is permitted. Mühlbauer will apply the amendment to IAS 39 as of 1 January 2010. The amendment to IAS 39 contains guidelines as to the determination of qualifying basic transactions, on the determination of the financial items as hedged basic transactions and on the assessment of the effectiveness of a hedging relationship. This does not affect the financial statements and notes of the Mühlbauer Group.
- Revisions on IFRS 1 “First Time Adoption of IFRS”:
The revised standard shall, at the latest, be applied to financial years commencing on or after 1 January 2010. Its premature application is permitted. Mühlbauer will apply the revised IFRS 1 as of 1 January 2010. The primary revision of the standard relates to its structural classification, which is to facilitate its use and future amendments. Furthermore, several obsolete transitory guidelines were deleted and some minor changes in text effected. The material requirements of IFRS 1 remain unchanged. This does not affect the financial statements and notes of the Mühlbauer Group.
- IFRIC 17 “Distributions of Non-Cash Assets to Owners”:
IFRIC 17 shall, at the latest, be applied to financial years commencing on or after 1 November 2009. Its premature application is permitted. Mühlbauer will apply IFRIC 17 as of 1 January 2010. The amendments to IFRS 5 and IAS 10, resulting from IFRIC 17, were adopted by the EU Commission with the same provision. The interpretation contains guidelines on the accounting of dividends that are not paid to the owners of a company in the form of cash. As Mühlbauer does not pay non-cash dividends to its shareholders, this does not affect the financial statements and notes of the Mühlbauer Group.
- IFRIC 18 “Transfers of Assets from Customers”:
IFRIC 18 and the resultant amendments pertaining to IFRS 1 shall, at the latest, be applied at the beginning of the first financial year commencing after 31 October 2009. Its premature application is permitted. Mühlbauer will apply IFRIC 18 and the amended IFRS 1 as of 1 January 2010. The interpretation clarifies and explains how customers shall report the transfer of fixed assets or finances for the construction or acquisition of fixed assets. This does not affect the financial statements and notes of the Mühlbauer Group.

- Amendment to IAS 32 "Classification of Rights Issues":

The amendment to IAS 32 shall, at the latest, be applied to the first financial year commencing after 31 January 2010. The premature application is permitted. Mühlbauer will apply the amendment as of 1 January 2010. The amendment of IAS 32 clarifies how certain subscription rights are reported if the issuing tools are stated in a currency different to the functional currency of the issuer. If such tools are offered to the current owners on a pro rata basis at a fixed amount, they should be classified as equity tools if the price for the subscription rights is stated in a currency different to the functional currency of the issuer. Previously, such cases were reported as derivative liabilities. This does not affect the financial statements and notes of the Mühlbauer Group.

Principles of consolidation

The consolidated financial statements comprise not only Mühlbauer Holding AG & Co. KGaA but also all subsidiaries in respect of which the company exercises control through the majority of voting rights, be it directly or indirectly. Capital consolidation is effected in accordance with the purchase method. In so doing, the purchase cost of the shares purchased is offset against the newly valued pro-rata equity applicable to the parent company. The assets and debts of the subsidiary acquired are stated at their fair value. Remaining active differences are capitalized and subjected to an annual impairment test. Negative differences are directly credited to earnings.

Subsidiaries are included in the consolidated financial statements (full consolidation) from the date on which control of the subsidiary is transferred to the Group. They are deconsolidated from the date on which this control ends.

Interim results, expenses and earnings as well as receivables and liabilities between the incorporated companies are eliminated. Where necessary, the accounting principles of subsidiaries were altered to guarantee uniform accounting principles throughout the Group.

Insofar as value adjustments on shares of incorporated companies or group receivables were formed in individual financial statements, these shall be cancelled in the context of consolidation.

On 31 December 2009, the scope of consolidation of the company not only comprised Mühlbauer Holding AG & Co. KGaA but also 8 additional subsidiaries in Germany and 12 subsidiaries abroad.

The companies in which the Group holds shares and their shareholders' equity and annual result, determined in accordance with the regulations of the respective country, are shown below.

German companies:

Name and registered office	Share in equity in %	Shareholders' equity in TEUR	Annual result in TEUR
ASEM Präzisions-Automaten-GmbH, Dresden	100	3,279	328
MBO GmbH, Roding ¹⁾	100	25	(1)
MB ID5 GmbH, Roding	100	39	1
Mühlbauer Aktiengesellschaft, Roding	100	76,101	3,795
Mühlbauer ID Services GmbH, Roding	100	4,796	1,043
Rommel GmbH, Ehingen	100	2,860	(1,994)
takeID GmbH, Oberhaching	100	2,020	1,309
Tema GmbH, Schwelm	100	(3,819)	(3,719)

¹⁾ In October 2009, MBO GmbH emerged from MB ID4, founded on 16 December 2005 as a so-called shelf company, and on this date commenced its operative business. The purpose of MBO GmbH is the production of wear-resistant, corrosion-resistant and decorative surfaces for all types of materials.

Foreign companies:

Name and registered office	Share in equity in %	Shareholders' equity in TEUR ²⁾	Annual result in TEUR ³⁾
Muehlbauer, Inc., Newport News, Virginia, USA	100	2,272	1,223
Muehlbauer America Management Corp., Newport News, Virginia, USA	100	54	(2)
Muehlbauer America LP, Newport News, Virginia, USA	100	5,507	(22)
Muehlbauer d.o.o. Beograd, Belgrade, Serbia	100	116	50
Muehlbauer (India) Private Limited, New Delhi, India	100	343	244
Muehlbauer Middle East FZ-LLC, Dubai, United Arab Emirates	100	14	(149)
OOO Muehlbauer, Moscow, Russia	100	(37)	(37)
Muehlbauer (PTY) Limited, Midrand, South Africa	100	181	(9)
Muehlbauer Smart Identification Technology (Shanghai) Co. Ltd., Shanghai, China ⁴⁾	100	280	(228)
Muehlbauer Technologies s.r.o., Luzianky, Slovakia	100	9,191	581
Muehlbauer Technologies Sdn. Bhd., Melaka, Malaysia	100	9,663	4,394
Muehlbauer Sdn. Bhd., Melaka, Malaysia	100	1,280	280

²⁾ Translation at the exchange rate on the reporting date on 31 December 2009

³⁾ Translation at the annual average exchange rate

⁴⁾ Initial consolidation on 17 March 2009

Changes in the scope of consolidation**Additions**

On 12 January 2009, the company founded "Muehlbauer Smart Identification Technology (Shanghai) Co. Ltd.", headquartered in Shanghai, China. Its entry into the Commercial Register of Shanghai, China, was effected on 17 March 2009 under the number 310115400251020. Muehlbauer Smart Identification Technology (Shanghai) Co. Ltd. functions as a sales, trading and service company. The subscribed capital of the company is TEUR 525 and is fully paid up.

On 25 November 2009, the company founded "MÜHLBAUER KART SISTEMLERI ANONIM SIRKETI", headquartered in Istanbul, Turkey and holds a 51.0% share. The entry into the Commercial Register of Istanbul, Turkey was effected on 25 November 2009 under the number 716429. MÜHLBAUER KART SISTEMLERI ANONIM SIRKETI functions as a sales, trading and service company. The subscribed capital of the company is TTRY 50 and has not yet been paid up.

Retirement

The joint venture agreement entered into on 19 June 2008 by the company and two further companies, with the purpose of founding a project company, was retrospectively cancelled, after the actual foundation was dependent on the award of a specific project, which did not in fact occur.

Alteration of reporting methods

In the previous year, the pension expense resulting from the performance-based pension scheme was fully reported in the operating income. In the opinion of the company, the interest component contained in this expense shall preferably be reported in the financial result. In parallel, the interest income from the valuation of the plan assets shall also be reported in the financial result.

The previous year's figures were depicted correspondingly comparable.

Currency translation

The annual financial statements of subsidiaries drawn up in foreign currencies are translated in accordance with the concept of the functional currency. As the subsidiaries are economically independent entities, the functional currency of the subsidiary corresponds with the respective local currency. In so doing, the exchange rate on the reporting date is used for the items on the balance sheet – with the exception of shareholders' equity, which is translated at historic exchange rates – while the items on the statement of income are translated using monthly average rates. Any differences in the currency translation of assets and debt over the translation of the previous year, as well as differences in translation between the statement of income and the balance sheet are listed separately within shareholders' equity at "Other comprehensive income", with no effect on the income statement.

In the individual financial statements, transactions in foreign currencies are valued using the exchange rate on the date the transaction was initially executed. Any gains or losses on exchange that occurred until the reporting date and resulted from the valuation of monetary assets and debts have an effect on the income statement.

The exchange rates of countries that are not members of the euro area and in which Mühlbauer is active with consolidated subsidiaries are listed below:

Currency:		Rate on reporting date 31 December 2009	Rate on reporting date 31 December 2008	Average rate 2009	Average rate 2008
		EUR	EUR	EUR	EUR
China	CNY 1	0.1020	0.1035	0.1054	0.0986
India	INR 1	0.0149	0.0143	0.0149	0.0157
Malaysia	MYR 1	0.2033	0.2051	0.2046	0.2053
Russia	RUB 1	0.0230	0.0241	0.0228	0.0275
Serbia	RSD 1	0.0103	0.0111	0.0107	0.0124
South Africa	ZAR 1	0.0941	0.0750	0.0862	0.0836
USA	USD 1	0.6977	0.7094	0.7192	0.6834
United Arab Emirates	AED 1	0.1899	0.1930	0.1959	0.1861

Realization of sales, other operating income and operating expenses

Sales comprises the fair value achieved in respect of the sale of goods and services, excluding sales tax and discounts and after elimination of sales within the Group. Sales are realized as follows:

Sales proceeds from the sale of products are recorded in correspondence with the criteria of IAS 18 "Revenue" if the relevant opportunities and risks were transferred and no right of disposal or effective authority to dispose remains, a price has been agreed or can be defined and the payment of the price can be expected and the costs pertaining to the sale can be reliably determined. In substantiating these criteria, the company defines the following conditions for a listing as sales:

- Pre-acceptance tests were successfully executed.
- Pre-acceptance tests have been proven to be reliable indicator of successful final acceptance and their share in installation is considered insignificant with regard to the overall order value.
- Opportunities and risks connected with the ownership have been transferred to the customer.

Sales of customized production orders are calculated using the Percentage of Completion Method (PoC-method) according to the achievement of certain milestones. Under certain circumstances it may be necessary in this connection to apply the criteria to individual delimitable components of an entire agreement to depict the economic content of the transaction appropriately. With regard to the division of the entire agreement value, the so-called "Relative Fair Value Method" is to be utilized. According to this method, the agreement value must be divided up at the ratio of the fair values of the individual elements.

Sales proceeds from the supply of services are recorded in the financial year in which the services are provided, in correspondence with the progress of performance, at the ratio of services already provided to the total of services to be provided.

Interest income is recorded on a pro rata basis, using the effective interest rate method. Dividend income is recorded at the date at which the right for receipt of payment arises.

Operating expenses are accounted for when expenses are incurred.

Cash and cash equivalents

Cash and cash equivalents are valued at market value and comprise cash and demand deposits. On the balance sheet, advances on current accounts that have been utilized are shown under short-term liabilities as debt.

Inventories

Inventories in the form of unfinished and finished products are valued at acquisition or production costs, whereas raw, auxiliary and operating materials are valued at the moving average price respectively at the lower fair value. In accordance with IAS 2 "Inventories", cost of production not only comprises the directly attributable individual costs but also the overheads attributable to the production process including appropriate depreciation to production systems. Financing costs are not taken into consideration. Where necessary, the lower realizable net sales value is used.

Financial Assets

Financial assets are divided into the categories "at fair value through profit or loss, held to maturity, available for sale and loans and receivables" and are each recorded separately and individually at their fair value at the time of their addition. Any alterations of market value are settled as income for such assets that are held for trading purposes (at fair value through profit or loss). Financial assets to be held until final maturity (held to maturity) are valued at amortized cost. Unrealized profits and losses in respect of securities that are allocated to the category "available for sale", due to their categorization as financial assets available for disposal, are included in shareholders' equity. If securities of the category "available for sale" are disposed of or impaired, the adjustments of the fair value accumulated in shareholders' equity are recorded in the statement of income as income, as profits or losses from financial assets. The market value of each of these securities is determined on the basis of the published share price. Initial recording and the disposal of securities is effected as soon as the underlying transaction is executed.

The category "at fair value through profit or loss" applies to free-standing currency futures, each of which is valued according to market valuations. The market valuations are derived from the price at which the currency futures are traded or listed on the reporting date. The market values were determined according to the regular daily reference exchange rate of interbank trading.

Trade accounts receivables, loans and other receivables which are due in less than one year are accounted as amortized cost. Receivables and loans that are due in more than twelve months are also valued according to the effective interest rate method. The discount factor is based on an interest rate, determined by the length of time to maturity. Default risks are accounted for in adjustments. Customized production orders are carried according the percentage of completion method. Disclosure of the orders is carried on the asset side in "Trade accounts receivable". If prepayments exceed the cumulative performance, it is recognized on the liabilities side under "downpayments".

The classification depends on each individual purpose for which the financial assets will be used. Management decides upon the respective classification of the financial assets when first applied and evaluates the classification on each reporting date. Provided that the financial assets do not have a final maturity, these instruments are carried as available for sale.

Receivables or other assets that do not constitute financial instruments are posted as amortized cost.

Fixed Assets

Fixed assets are reported at acquisition or production cost minus accumulated depreciation. A revaluation of fixed assets in accordance with IAS 16 "Property, Plant and Equipment" was not effected. Real estate held as financial investment in accordance with IAS 40 "Investment Property" does not exist. Subsequent acquisition/production costs are only recorded as a part of the acquisition/production cost of the asset if it is likely that this results in a future economic benefit to the company and that the costs of the assets can be reliably determined. The production cost of systems constructed by the company comprises all costs that are directly attributable to the production process as well as necessary shares of the production-related overheads including depreciation. Repairs and services are recorded as expenditure in the financial year in which they are executed or provided.

In the event of public grants or allowances for the acquisition or production of assets, the acquisition and production costs are reduced by the amount granted or allowed, in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance".

The assets included in fixed assets – with the exception of real estate – are depreciated on a straight-line basis, in correspondence with their utilization. The depreciation of buildings is based on a period of utilization of up to 33 years. Technical equipment is depreciated over a maximum of 10 years. Depreciation for other assets and furniture and office equipment is 3 to 10 years. Assets are checked for an impairment in value if corresponding events or changes in circumstances show that the book value may no longer be achievable (so-called triggering events). A loss through impairment in value is recorded at the level of the book value exceeding the value that can be achieved. The value that can be achieved is the higher amount from the respective time value of the asset minus selling expenses and its value in use. To execute the impairment test, assets are summarized at the lowest level at which cashflows can be separately identified (so-called cash generating units). According to this, if, after executing an impairment in value, a higher asset value could be achieved, a revaluation is effected up to a maximum of the amount achievable. The revaluation is limited to the amortized book value that would have been achieved in the past without the devaluation. The appreciation is to be performed with an effect on the income statement.

Profits and losses from the disposal of assets are determined as the difference between the disposal proceeds and the book value and recorded as income.

Intangible Assets

Intangible assets comprise software, concessions, licenses, trademarks and similar rights as well as goodwill and capitalized development costs including any advance payments made towards such rights and values.

Intangible assets are stated at amortized acquisition and production costs. In so doing, concessions, licenses, trademarks and software are, on principle, depreciated on a straight-line basis over a period of 3 to 5 years.

Goodwill from business acquisitions are not subjected to scheduled depreciation in accordance with IFRS 3 "Business Combinations" in connection with IAS 36 "Impairment of Assets" as well as IAS 38 "Intangible Assets". Instead, the impairment of goodwill is investigated annually. In so doing, the net book values of goodwill are offset against the discounted cashflows expected in accordance with medium-term planning and a subsequent perpetuity of the respective units.

Development costs for technology projects and service products are capitalized at production cost minus directly attributable public grants, insofar as technical realization and ability to utilize as well as availability of necessary resources is ensured, a clear allocation of expense possible and the intended completion and marketing as well as the probable achievement of future economic benefit is proven, as demanded by IAS 38 "Intangible Assets". Production costs comprise the costs that are directly and indirectly attributable to the development stage. Capitalized development costs are depreciated linear from the termination of essential development services or delivery of the first product over the anticipated product lifecycle of generally 3 to 8 years. Research costs are recorded as expenses in the period in which they occur. Earnings allowances that are not offset by future expenses are recorded as income.

The impairment test for intangible assets with specific utilization periods is effected similar to that for fixed assets. Capitalized development costs that are not yet systematically depreciated are subject to an annual impairment test, independent of triggering events.

Deferred tax assets

Deferred taxes result from different valuations in the annual financial statements drawn up in accordance with IFRS and tax balance sheets of the group companies as well as from consolidation measures, insofar as these differences balance out in the course of time. Moreover, deferred tax assets must be taken into account for future asset benefits from tax-related loss carryovers. The delimitation of deferred taxes is effected in accordance with IAS 12 "Income taxes". The tax rates current in the individual countries on the reporting date or resolved and known future tax rates are applied in accordance with the "Liability method". Deferred tax assets and deferred tax liabilities are only offset if the law allows for this. Deferred tax assets are not discounted in accordance with the regulations of IAS 12 "Income taxes". Deferred taxes for reporting and valuation differences as well as for tax-related loss carryovers are only taken into account insofar as their realization has been sufficiently substantiated.

Derivative financial instruments

To hedge risk positions from currency fluctuations the company also utilizes derivative financial instruments such as forward exchange deals. The hedging transactions cover risks from booked basic business and additionally from pending delivery and service activities.

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", all derivative financial instruments are reported at market value, regardless for what purpose or with what intention they were concluded. The market values of the relevant derivative financial instruments utilized are posted under other assets (positive market value) or other liabilities (negative market value). Any price differences arising in respect of the agreed forward rate are recorded as income.

The Mühlbauer Group applies the regulations governing hedging measures according to IAS 39 (Hedging Accounting) to provide security to asset positions. For these purposes, Mühlbauer primarily applies fair value hedges. A fair value hedge serves as collateralization of the fair value of firm commitments representing either assets or liabilities or which have not yet been recognized on the balance sheet. If the hedged item designated as a fair value hedge proves ineffective, it is categorized as held-for-trading. Each change in the fair value of the derivative used as hedging instrument shall be recorded as a gain or loss in the profit and loss statement.

Pension and postretirement benefits

The obligations from the performance-oriented pension scheme are valued in accordance with the "Projected Unit Credit" method (method of ongoing single premiums) in accordance with IAS 19 "Employee Benefits". The "Projected Unit Credit" method determines the expected pension payments after occurrence of the payable event and distributes these across the entire duration of employment of the staff benefited, taking into account dynamic aspects. For this purpose, actuarial expertises are drawn up on an annual basis. The calculation of the company's obligations is based on specific trend assumptions. The registration of actuarial profits and losses, arising from alterations of assumptions on which the calculations are based, is effected in accordance with the 10% corridor rule. This only records actuarial profits or losses as income if they exceed 10% of whatever value is higher: the cash value of pension obligations or the time value of plan assets. The distribution of actuarial profits or losses outside the 10% corridor is effected via the expected residual term of service of the staff benefited. An offsetting of the cash value of pension obligations against the plan assets is only undertaken if the necessary criteria have been met.

Other accruals

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", other accruals are formed if an equivalent obligation towards third parties exists that will most likely be utilized and if the expected level of the necessary accrual can be reliably estimated. The probability of occurrence must be higher than 50%. The most likely amount to be paid is posted. It is determined on a partial cost basis. Accruals with a residual term of more than one year are only discounted if the interest effect is considerable.

Financial liabilities

Financial debt is initially posted at fair value, after the deduction of transaction costs. In following periods, it is valued at amortized cost; every difference between the payment amount (after deduction of transaction costs) and the repayment amount is recorded as income over the term of the loan, utilizing the effective interest rate method.

Amounts due to banks with a term of not more than 12 months after the reporting date are considered short-term liabilities. Trade accounts payable are recorded as amortized cost. Financial debt, trade accounts payable and other financial liabilities are classified as "Financial Liabilities Measured at Amortized Cost".

Liabilities which are not considered financial instruments are carried as amortized cost.

Deferred tax liabilities

Deferred taxes result from different valuations in the commercial and tax balance sheets of the group companies and from consolidation measures, insofar as these differences balance out in the course of time. The delimitation of deferred taxes is effected in accordance with IAS 12 "Income Taxes". The tax rates current in the individual countries on the reporting date or resolved and known future tax rates are applied in accordance with the "Liability Method". Deferred tax assets and deferred tax liabilities are only offset if the law allows for this. Deferred tax liabilities are not discounted, in accordance with the regulations of IAS 12 "Income Taxes".

Stock option programs

The Group has issued share-based remuneration that is paid through the issue of company shares or, by choice of the company, through a cash settlement. The fair value of performance provided by the staff in return for the granting of options is recorded as expense. The total expense that must be recorded throughout the period, until non-forfeitability of the options, is determined on the basis of the fair value of the options on the due date of the grant, without taking into consideration the effects of non-market oriented exercise hurdles (e.g. income and sales growth goals). Non-market oriented exercise hurdles are taken into consideration in the assumptions on the number of options that are expected to become exercisable. On every reporting date, the estimated number of options that are expected to become exercisable is checked. The effects of alterations on original estimates that may need to be taken into consideration are taken into account in the statement of income and by a corresponding adjustment in shareholders' equity over the remaining term until non-forfeitability of these options.

The payments received on exercising the options are credited to the ordinary share capital (par value) and the additional paid-in capital after deducting directly attributable transaction costs.

The valuation of the stock options granted is effected on the basis of the fair value method in accordance with IFRS 2 "Share-based Payment" and by applying the Black-Scholes option pricing model. IFRS 2 "Share-based Payment" was not applied to stock options assured before 8 November 2002 and stock options granted after 7 November 2002, which became non-forfeitable before 1 January 2005. Such stock options are valued on the basis of the intrinsic value method, in accordance with APB 25 "Accounting for Stock Issued to Employees".

B. EXPLANATIONS TO THE CONSOLIDATED STATEMENTS OF INCOME

Sales list the payments charged to customers for deliveries and services – minus deductions in earnings and discounts. A division by application area and market can be found in section D "Segment reporting".

SALES (3)

Of sales, TEUR 145,519 (PY: TEUR 163,557) are allotted to sales of goods and TEUR 14,969 (PY: TEUR 9,018) to performance of services.

Included in sales of TEUR 160,488 (PY: 172,575) are order revenues of TEUR 34,493 (PY: TEUR 21,658), which are calculated using the percentage of completion method.

In the context of presenting the statement of income in the cost of sales format, expenses are allocated to functional areas. The following cost types were included in production, sales, administrative costs as well as in the research and development expenses:

**COSTS OF (4)
FUNCTIONAL AREAS**

	2009 TEUR	2008 TEUR
Material expenses (external supplies)	56,970	65,250
Personnel expenditure	57,615	61,974
Depreciations and impairments	9,591	9,423
Total	124,176	136,647

Cost of sales comprises costs for goods sold and the cost of funds of the merchandise sold. In accordance with IAS 2 "Inventories" they correspondingly contain not only the directly attributable costs such as material, personnel and energy costs but also the overheads including depreciation. The cost of sales also includes the balance of devaluations and revaluations on inventories executed in the respective period.

COST OF SALES (5)

In addition to the costs for the sales departments and the field staff, selling expenses also comprise advertising costs (TEUR 1,047; PY: TEUR 1,008) and costs for logistics (TEUR 2,158; PY: TEUR 2,492). The position also includes the major share of devaluations on trade accounts receivable. In the year under review value adjustment expenses on trade accounts receivable, offset against the earnings from the discontinuation of such value adjustments, totaled TEUR 663 TEUR (PY: Earnings TEUR 1,325).

SELLING EXPENSES (6)

Administrative expenses comprise personnel expenditure and material costs of the management and administrative areas including depreciation, insofar as they are not debited to other cost centers as an internal service.

ADMINISTRATIVE EXPENSES (7)

In accordance with IAS 38 "Intangible Assets", all research costs under this position are directly recorded as expenses. The costs from the development of a product which is ready for the market are capitalized if they meet the criteria for the capitalization of development costs. The non-capitalizable development costs are listed under this position. Research and development expenses without depreciation on capitalized development costs and before capitalized own funds amounted to TEUR 20,226 (PY: TEUR 20,541) in the past financial year. Research costs include refunds for research and development of TEUR 660 (PY: TEUR 1,057).

**RESEARCH AND (8)
DEVELOPMENT**

(9) OTHER INCOME AND EXPENSES

	2009 TEUR	2008 TEUR
Canteen earnings	385	393
Earnings from closing accruals	350	600
Insurance and other reparations	234	352
Earnings from the sale of old material	149	70
Gains from the sale of long-term assets	65	188
Rental income	12	17
Foreign currency profits	-	385
Income from the cancellation of contracts	-	277
Other	271	53
Sum of other operating income	1,466	2,335
Losses from the sale of long-term assets	(4)	(127)
Donations	(52)	(29)
Foreign currency losses	(148)	-
Other	(3,486)	(3,170)
Sum of other operating expenses	(3,690)	(3,326)
Total	(2,224)	(991)

(10) FINANCIAL RESULT

	2009 TEUR	2008 TEUR
Other interest and similar earnings	415	1,630
Interest and dividend income	152	1,039
Realized income from securities and financial assets	121	1,383
Financial income	688	4,052
Realized losses from securities and financial assets	(22)	(2,598)
Interest and similar expenses	(555)	(1,348)
Financial expenses	(577)	(3,946)
Total	111	106

Other interest and similar income include interest income to the amount of TEUR 208 (PY: TEUR 193) resulting from the evaluation of the plan assets. Interest and similar expenses include calculated interest expenditures to the amount of TEUR 256 (PY: TEUR 249) based on the evaluation of the performance-orientated pension plan.

(11) INCOME TAXES

Income taxes contain the income tax paid and owed by the individual group companies on income and earnings as well as deferred tax delimitations. Income taxes are comprised as follows:

	2009 TEUR	2008 TEUR
Actual tax expenditure	3,168	7,913
Relating to other periods	(238)	67
(Earnings) from the dissolution of accrued income taxes	(1)	(198)
(Earnings) from the application of tax credits	(105)	(239)
Actual taxes on income and earnings	3,062	7,476
Deferred tax expenses (gains) from loss carryovers	(402)	(453)
Deferred tax expenses (gains) from temporary differences	(280)	(898)
Taxes on income and earnings	2,380	6,125

The German corporate tax laws applied for the financial year 2009 stipulates a tax rate in the amount of 15% in addition to the solidarity surcharge of 5.5%. The commercial tax burden for German companies is between 10.9% and 15.8%.

Other taxes are included in the respective functional areas. Deferred taxes result from valuations that deviate in time between the tax balance sheets of the companies and the valuations in the consolidated balance sheet, taking into consideration the "Liability method".

The reconciliation of the deferred tax assets and liabilities on the balance sheet and the deferred taxes in the statement of income is represented as follows:

	2009 TEUR	2008 TEUR
Changes in deferred tax assets in accordance with the balance sheet	278	597
Changes in deferred tax liabilities in accordance with the balance sheet	437	834
Changes in deferred tax assets/liabilities that do not affect income	-	(5)
Exchange rate fluctuation	(33)	(75)
Deferred taxes in accordance with the statement of income	682	1.351

Overall, deferred tax assets from tax loss carryovers amount to TEUR 875 (PY: TEUR 473). All loss carryovers, for which deferred tax assets were formed, can be carried forward unrestrictedly. No accrued tax claims were applied for corporation and trade tax loss carryovers in the amount of TEUR 3,946 (PY: TEUR 0) and TEUR 4,691 (PY: TEUR 0).

The deferred tax assets and liabilities can be allocated to the following balance sheet positions:

	2009		2008	
	Assets TEUR	Liabilities TEUR	Assets TEUR	Liabilities TEUR
Trade accounts receivable	12	143	2	132
Inventories	212	35	4	42
Marketable securities	-	15	-	-
Fixed assets	217	1,442	236	1,511
Capitalized development costs	-	1,486	-	1,730
Pension accruals	568	-	511	-
Unrealized profits and losses from currency translation	6	137	15	68
Tax loss carryovers	875	-	473	-
Accruals	187	-	344	-
Other	5	8	-	1
Subtotal	2,082	3,266	1,585	3,484
Balance of deferred tax assets and liabilities	(1,045)	(1,045)	(826)	(826)
Total deferred taxes	1,037	2,221	759	2,658

Deferred tax assets and liabilities are offset if deferred taxes exist in respect of the same tax authority and they can be offset.

The following table provides a reconciliation for taxes, based on the theoretical tax rate that would arise in respect of effective taxes in accordance with the statement of income, if the regular tax rates were applied on the national and international group companies of the Mühlbauer Group:

		2009	2008
Income before income taxes	TEUR	9,727	24,399
Rate of income tax including trade tax	%	26.68	26.68
Expected income tax expenditure with uniform tax burden	TEUR	(2,595)	(6,510)
Reconciliation:			
Changes in taxes due to differences between local tax rates and the hypothetical tax rate	TEUR	1,163	194
Tax losses	TEUR	(1,277)	(256)
Tax share for:			
Tax-free earnings	TEUR	87	28
Non-tax deductible expenditure	TEUR	(133)	(467)
Actual taxes relating to other periods	TEUR	53	131
Earnings from the application of tax credits	TEUR	105	239
Other tax deviations	TEUR	(19)	3
Income tax expenditure before tax reduction on earnings related to the personally liable shareholder	TEUR	(2,616)	(6,638)
Effective tax rate	%	26.9	27.2
Tax savings on earnings related to the personally liable shareholder	TEUR	236	513
Income tax expenditure shown	TEUR	(2,380)	(6,125)
Tax rate in accordance with statement of income	%	24.5	25.1

The reduction of taxes on the share of profit of the personally liable shareholder occurs because the corporate tax and solidarity tax surcharge for the share of profit for the personally liable shareholder is not posted by the company. These taxes are directly attributable to the personally liable shareholder, who will be individually taxed at a rate that is irrespective of the tax rates which apply to the company. The percentage of the tax expenditure before tax reduction from the share of profit of the personally liable shareholder (26.9%; PY: 27.2%) thus corresponds with the actual tax rate that is to be applied to the earnings attributable to the shareholders of the limited partnership.

EARNINGS PER SHARE (12)

Basic earnings per share are determined by reducing the earnings before taxes (EBT), applicable to the shareholders of the limited partnership in correspondence with their share in the total capital, of currently 42.73%, by the share of taxes applicable to them in accordance with the effective tax rate (see also note (11)) and by subsequently dividing the resultant share of net earnings for the year applicable to the shareholders of the limited partnership by the weighted average of shares that were outstanding in the year under review.

		2009	2008
Income before income taxes	TEUR	9,727	24,399
Portion of share capital in total capital	%	42.73	42.73
Portion of income before income taxes applicable to the shareholders of the limited partnership	TEUR	4,156	10,426
Effective tax rate	%	26.9	27.2
Effective tax amount	TEUR	1,118	2,837
Portion of net earnings for the year applicable to the shareholders of the limited partnership	TEUR	3,038	7,589
Weighted average of common shares	No.	6,279,200	6,279,200
Repurchased shares (weighted)	No.	(151,648)	(160,867)
Weighted average of shares outstanding	No.	6,127,552	6,118,333
Dilution effects from subscription rights of employees and executives	No.	-	1
Weighted average of shares outstanding (fully diluted)	No.	6,127,552	6,118,334
Basic earnings per share	EUR	0.50	1.24
Diluted earnings per share	EUR	0.50	1.24

Diluted earnings per share are calculated by dividing the share of net earnings for the year applicable to the shareholders of the limited partnership through the weighted average of shares that were outstanding in the year under review plus the number of shares that would have been issued had outstanding exercise rights been executed.

C. EXPLANATIONS ON THE CONSOLIDATED BALANCE SHEETS**(13) CASH AND CASH EQUIVALENTS**

in TEUR	31 December 2009	31 December 2008
Deposits with financial institutions	18,767	17,062
Checks, cash on hand	31	60
	18,798	17,122

The development of cash and cash equivalents that form the liquid funds in accordance with IAS 7 "Cash Flow Statements" is represented in the statements of cashflows.

(14) MARKETABLE SECURITIES

in TEUR	31 December 2009	31 December 2008
Securities of the category "available for sale"	-	17,981
Securities of the category "trading"	6,983	-
	6,983	17,981

(15) TRADE ACCOUNTS RECEIVABLE

in TEUR	31 December 2009			31 December 2008		
	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	40,405	1,534	41,939	35,684	741	36,425
Less value adjustments	(2,354)	-	(2,354)	(1,651)	-	(1,651)
	38,051	1,534	39,585	34,033	741	34,774

Interest expenses resulting from discounting of long-term receivables amounted to TEUR 30 (PY: TEUR 55).

in TEUR	Book value	Of which: No impairment of value nor overdue at reporting date	No impairment of value but overdue in following timeframe Maximum of 365 days	Of which: More than 365 days
31 December 2009				
Trade accounts receivable	39,585	29,687	10,153	207
31 December 2008				
Trade accounts receivable	34,774	21,023	13,893	234

With regard to the amount of trade accounts receivables, which are neither impaired in value nor in arrears, there are no indications at the reporting date of any debtors that are unable to meet their payment obligations.

As of 31 December 2009, Mühlbauer has accepted securities of trade accounts receivable in the amount of TEUR 8,989 (PY: TEUR 9,466) in the form of bank guarantees and letter of credits. Furthermore, Mühlbauer always retains retention of title.

Value adjustments developed as follows:

in TEUR	2009	2008
Value adjustments 1 January	1,651	964
Additions (Expenses for value adjustments)	1,441	1,435
Consumption	(3)	(555)
Dissolutions	(735)	(193)
Value adjustments 31 December	2,354	1,651

The decision to which degree the overdue receivables will be adjusted depends on the individual case. On the reporting date, receivables with the following par value are individually adjusted.

in TEUR	up to 50%	over 50% until 99%	zu 100%
31 December 2009	-	-	1,892
31 December 2008	25	-	1,250

In the 2009 financial year, receivables were individual adjusted in value in the net amount of TEUR 1,892 (PY: TEUR 1,275). These value adjustments were for trade accounts receivables. The total value of the addition in the amount of TEUR 1,441 (PY: TEUR 1,435) comprises additions due to individual value adjustments in the amount of TEUR 1,046 (PY: TEUR 1,332) and the value adjustments made that are based on historical experience values in the amount of TEUR 395 (PY: TEUR 103). The consumption of TEUR 3 (PY 555 TEUR) during the reporting period related to specific allowances for bad debts. Dissolution in value adjustments included rescissions from individual value adjustments in the amount of TEUR 730 (PY: TEUR 175) and rescissions made that are based on historical experience values in the amount of TEUR 5 (PY: TEUR 18).

Customized production orders, balanced according to the percentage of completion method, are determined as follows:

in TEUR	31 December 2009	31 December 2008
Incurred order costs and stated earnings less stated losses	66,568	35,521
Less partial accounts	(65,758)	(5,856)
Production orders with amount due from customers	810	29,665

The company received advance payments of TEUR 5,700 (PY: TEUR 23,231) in respect of the customized production orders in progress on the reporting date.

in TEUR	31 December 2009	31 December 2008
Claims on investment and technology grants	1,132	626
VAT-receivables	601	899
Prepaid expenses	536	477
Advance payments made	148	344
Receivables from suppliers	147	107
Guarantees	121	85
Claims on investment subsidy	8	703
Receivables from the personally liable shareholder	1	2,331
Derivative financial instruments	1	17
Other	115	241
	2,810	5,830

OTHER CURRENT ASSETS (16)

The other current assets are reported at their fair value. If default risks or other risks exist, they are taken into consideration through value adjustments. With regard to the market values of the financial instruments, we herewith refer to information provided in note (30).

With regard to the balance of other assets, which are neither impaired in value nor in arrears, there are no indications at the reporting date of any debtors that are unable to meet their payment obligations. Other current assets contain no material items that are overdue and not impaired.

The tax receivables of TEUR 1,473 (PY: TEUR 2,882) comprise reclaimable trade tax, corporation tax and the solidarity surcharge of the national companies as well as comparable income taxes of the international companies.

TAX RECEIVABLES (17)

(18) INVENTORIES

in TEUR	31 December 2009	31 December 2008
Raw materials, auxiliary and operating materials	7,165	8,181
Unfinished products	29,206	35,484
Finished products	7,564	6,733
	43,935	50,398

Of the inventories reported on 31 December 2009, an amount of TEUR 1,264 (PY: TEUR 5,380) was valued at its net disposal value. In the year under review, expensed value adjustment on inventory assets was increased by TEUR 7,478 (PY: TEUR 1,763).

(19) FIXED ASSETS

in TEUR	Land, rights similar to land and buildings, including buildings on property owned by others	Technical equipment and machines	Other assets, furniture and office equipment	Advances paid on fixed assets and asset values in progress	Total
Accumulated acquisition values					
1 January 2008	43,440	35,539	21,833	179	100,991
Currency adjustments	86	9	5	2	102
Additions	2,807	2,738	2,043	5,034	12,622
Retirements	-	(659)	(3,445)	-	(4,104)
Transfers	53	68	3	(132)	(8)
31 December 2008	46,386	37,695	20,439	5,083	109,603
Currency adjustments	(25)	(5)	(4)	(44)	(78)
Additions	5,530	2,217	1,546	1,134	10,427
Retirements	(348)	(351)	(1,317)	(36)	(2,052)
Transfers	4,833	90	78	(5,001)	-
31 December 2009	56,376	39,646	20,742	1,136	117,900
Accumulated depreciation					
1 January 2008	(17,164)	(27,322)	(16,518)	-	(61,004)
Currency adjustments	-	(2)	(5)	-	(7)
Additions	(1,403)	(1,829)	(2,056)	-	(5,288)
Retirements	-	353	3,391	-	3,744
Transfers	-	-	-	-	-
31 December 2008	(18,567)	(28,800)	(15,188)	-	(62,555)
Currency adjustments	-	-	-	-	-
Additions	(1,681)	(1,972)	(2,028)	-	(5,681)
Retirements	328	351	1,225	-	1,904
Transfers	-	-	-	-	-
31 December 2009	(19,920)	(30,421)	(15,991)	-	(66,332)
Residual book values					
31 December 2008	27,819	8,895	5,251	5,083	47,048
31 December 2009	36,456	9,225	4,751	1,136	51,568

The fixed assets acquired or produced in the financial year have been reduced by grants and allowances totaling TEUR 1,190 (PY: TEUR 1,144).

Depreciation expenses have been taken into account as follows: TEUR 3,688 (PY: TEUR 3,295) in cost of sales, TEUR 750 (PY: TEUR 777) in selling expenses, TEUR 544 (PY: TEUR 521) in administrative expenses and TEUR 699 (PY: TEUR 694) in research and development expenses.

INTANGIBLE ASSETS (20)

in TEUR	Licenses, trademarks and patents, etc. as well as licenses to such rights and assets	Capitalized development costs	Goodwill	Total
Accumulated acquisition values				
1 January 2008	5,762	12,304	785	18,851
Currency adjustments	-	-	-	-
Additions from intra-company developments	-	1,396	-	1,396
Other additions	131	-	-	131
Retirements	(105)	(1,098)	-	(1,203)
Transfers	8	-	-	8
31 December 2008	5,796	12,602	785	19,183
Currency adjustments	(1)	-	-	(1)
Additions from intra-company developments	-	2,644	-	2,644
Other additions	1,017	-	-	1,017
Retirements	(66)	(3,545)	-	(3,611)
Transfers	-	-	-	-
31 December 2009	6,746	11,701	785	19,232
Accumulated depreciation				
1 January 2008	(4,761)	(3,701)	(785)	(9,247)
Currency adjustments	-	-	-	-
Additions	(549)	(3,586)	-	(4,135)
Retirements	105	1,098	-	1,203
Transfers	-	-	-	-
31 December 2008	(5,205)	(6,189)	(785)	(12,179)
Currency adjustments	-	-	-	-
Additions	(403)	(3,507)	-	(3,910)
Retirements	65	3,545	-	3,610
Transfers	-	-	-	-
31 December 2009	(5,543)	(6,151)	(785)	(12,479)
Residual book values				
31 December 2008	591	6,413	-	7,004
31 December 2009	1,203	5,550	-	6,753

The intangible assets acquired or produced in the financial year have been reduced by grants amounting to TEUR 142 (PY: TEUR 4). Due to a change in assessment regarding the future usability of individual development projects these have been fully value adjusted. Impairment expenses determined from impairment tests were recognized in the amount of TEUR 1,657 (PY: TEUR 1,889) and were recorded income statement-related in the function area research and development expenses.

Depreciation on intangible assets of TEUR 76 (PY: TEUR 139) was recognized as income in the statement of income via cost of sales, TEUR 15 (PY: TEUR 16) in selling expenses, TEUR 121 (PY: TEUR 126) in administrative expenses and TEUR 3,698 (PY: TEUR 3,854) in research and development expenses.

In the year under review, the long-term tax receivables comprise the cash value (interest rate 2.4%) of the claim for repayment of corporation tax reported as income due to the revision of § 37 para. 5 Corporation Tax Law composed in 2006. This claim for repayment of corporation tax derives from the conversion of the German corporation tax system on 1 January 2001, from the tax imputation system to the half-income system. The claim arises on expiry of 31 December 2006 and is paid in 10 equal annual installments, always on the 30 September of the repayment period 2008 to 2017.

LONG-TERM TAX RECEIVABLES (21)

(22) DOWNPAYMENTS

Of downpayments received to the end of the reporting period, 5,700 (PY: TEUR 1,989) was received as payments for customized orders. We refer to the notes (15) of the financial statement.

(23) OTHER SHORT-TERM LIABILITIES

in TEUR	31 December 2009	31 December 2008
Salaries and wages	5,293	6,207
Income tax on salaries and wages	963	1,039
Commissions	672	155
Customer liabilities	434	2,242
Social security contributions	175	151
VAT-tax burden	102	570
Capital formation	64	65
Other liabilities – personnel	61	64
Other	102	196
	7,866	10,689

For details regarding liquidity risk from other financial liabilities, we refer to the notes (31) of the financial statement.

(24) ACCRUED INCOME TAXES AND OTHER ACCRUALS

in TEUR	As per 1 January 2009	Difference due to currency translation	Consumption	Addition	Dissolution	As per 31 December 2009
Accrued income taxes	1,900	-	(1,335)	1,019	(3)	1,581
Personnel and social security obligations	1,125	-	(454)	501	(644)	528
Guarantee obligations	3,035	-	(3,035)	4,707	-	4,707
Service in progress	776	-	(776)	1,079	-	1,079
Litigation risks	3,234	9	(2,043)	594	(350)	1,444
Commissions	-	-	-	276	-	276
Other	619	-	(383)	1,056	(83)	1,209
Other accruals	8,789	9	(6,691)	8,213	(1,077)	9,243
	10,689	9	(8,026)	9,232	(1,080)	10,824

Accrued income taxes include current income taxes formed for the past financial years and for the 2009 financial year. The personnel-related accruals comprise obligations from variable payments as well as contributions and fees. Based on experience, the guarantee obligations comprise accruals to the amount of guarantee claims expected from sales made. The litigation risks take into account obligations from legal disputes. Other obligations largely comprise risk provisions for losses from pending business, costs relating to the drawing up and publishing of the annual financial statements and outstanding invoices, not yet presented by suppliers. In the year under review, a total of TEUR 1,080 (PY: TEUR 1,135) were dissolved. The company expects all accruals to become due or to be utilized within 12 months.

(25) PENSION AND POSTRETIREMENT BENEFITS

The Mühlbauer Group provides its employees with different retirement and pension schemes that are primarily based on the length of employment and salary of the employee. Pension obligations exclusively comprise performance-based pension schemes and only include entitlements for pensions to be paid in the future. The pension obligations are secured by assigned reinsurance policies.

The following actuarial parameters have been taken into consideration:

in TEUR	31 December 2009	31 December 2008
Discounting rate	5.25%	5.70%
Future pay increase	3.50%	3.50%
Future pension increase	2.00%	2.00%
Fluctuation	0.00%	0.00%
Expected rate of interest on plan assets	3.50%	3.50%

The value recorded on the balance sheet in respect of "Plan assets" is derived as follows:

in TEUR	31 December 2009	31 December 2008
Cash value of the backed pension commitments	5,447	4,685
Fair value of the plan assets	(6,306)	(5,793)
Financial status	(859)	(1,108)
Unrealized actuarial profits / (losses)	(107)	195
Other long-term assets	(966)	(913)

The development of the cash value of the backed pension commitments at TEUR 5,447 (PY: TEUR 4,685), the fair value of the plan assets at TEUR 6,306 (PY: TEUR 5,793) and the actuarial profits/(losses) from experience-based adjustments is represented as follows:

in TEUR	2009	2008
Cash value of the backed pension commitments at the beginning of the year	4,685	4,327
Current service cost	172	212
Interest expenses on obligations	267	249
Actuarial profits/(losses)	323	(464)
Amortization of past service costs	-	361
Cash value of the backed pension commitments at the end of the year	5,447	4,685

in TEUR	2009	2008
Fair value of the plan assets at the beginning of the year	5,793	5,374
Expected earnings on plan assets	208	192
Actuarial profits/(losses)	21	(14)
Payments made by the company	284	241
Fair value of the plan assets at the end of the year	6,306	5,793

in TEUR	2009
Experience-based profits/(losses) from the plan assets	
(a) Value	(21)
(b) in % of the plan assets	(0.3%)
Experience-based profits/(losses) from the scope of obligations	
(a) Value	169
(b) in % of the backed pension commitments	3.0%

The plan assets for backed pension commitments are largely comprised of shares, fixed interest securities and real estate funds. They do not include financial instruments issued by the company or real estate utilized by group companies.

The actual income from plan assets amounted to TEUR 229 (PY: expenses TEUR 178) in the year under review.

The company is expected to make a payment of TEUR 283 towards plan assets in the following year.

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

in TEUR	2009	2008
Accruals for pension obligations as per 1 January	(913)	(1,302)
Amounts recorded as income		
Current service cost	172	212
Interest expenses on obligations	267	249
Expected earnings on plan assets	(208)	(192)
Amortization of past service costs	-	361
Amortization of actuarial losses	- 231	- 630
Contributions to plan assets	(284)	(241)
Accruals for pension obligations as per 31 December	(966)	(913)

For contribution-based pension schemes, which result in no further obligations to the companies of the Mühlbauer Group apart from the payment of contributions, the expenses from current contribution payments amounted to TEUR 296 (PY: TEUR 301) in the reporting period. Furthermore, the company paid employer contributions to the statutory pension insurance fund of TEUR 4,234 (PY: TEUR 4,240).

All expenses in respect of performance and contribution-based pension schemes are included in the operating income.

(26) SHAREHOLDERS' EQUITY

The development of the individual components of group equity during the 2009 financial year is represented in the consolidated statements of changes in shareholders' equity.

Ordinary share capital

Ordinary share capital is reported as subscribed capital. On the reporting date, the ordinary share capital of Mühlbauer Holding AG & Co. KGaA was EUR 8,037,376.00 and was divided up into 6,279,199 bearer no-par value shares, tradable at the regulated market, and one registered no-par value share with a calculatory par value of EUR 1.28 each. Share capital is fully paid up. All limited partners' shares with dividend entitlement have one vote.

SECURA Vermögensverwaltungs GmbH, headquartered in Metten – a company fully controlled by the personally liable shareholder – holds 3,296,852 bearer no-par value shares or a 52.50% participation in the ordinary share capital of Mühlbauer Holding AG & Co. KGaA. This value includes 2,000,000 bearer no-par value shares or 31.85% of the ordinary share capital in respect of which SECURA Vermögensverwaltungs GmbH holds no voting proxy. The personally liable shareholder has made a commitment to the company, starting with 9 September 2002, for a term of ten years, not to exercise his voting rights for these shares while he owns them. The only exclusion from this commitment are cases in which the exercise of his vote or the perception of his right of participation is required to avert serious damage to the company or if the Annual General Meeting resolves matters that require a majority of at least 75% of the entire ordinary share capital of the company – in accordance with the statutes of the company.

The registered no-par value share held by Ms. Anna Antonie Mühlbauer, Metten, grants her the right to appoint one third of all members of the Supervisory Board to same. The right to appoint shall not apply insofar and to the extent that the owner of the share granting the right to appoint is the personally liable shareholder, his personally liable shareholder or one of the members of the Management Board. The owner of the registered no-par value share shall not hold this as a trustee or recipient of orders issued by the personally liable shareholder or another affiliated person. The transfer of the registered no-par value share is only permitted with the agreement of the company, on which the Supervisory Board shall decide at its discretion, in accordance with the statutes.

Mühlbauer Holding AG & Co. KGaA is represented solely by the personally liable shareholder. He is not subject to the personnel competence of the Supervisory Board and can therefore not be dismissed. In accordance with the statutes of the company, the right of approval, which the shareholders of the limited partnership hold in respect of extraordinary transactions, is excluded. The statutes, however, comprise a catalog of transactions – also exceeding ordinary business proceedings – that require the approval of the Supervisory Board, thus providing it with a certain measure of influence with regard to material legal transactions and other activities of the personally liable shareholder. Several resolutions of the Annual General Meeting require the approval of the personally liable shareholder, these include amendments to the statutes and the approval of the annual financial statements.

The ordinary share capital has been conditionally increased by up to EUR 1,996,800.00, through the issue of up to 1,560,000 bearer no-par value shares (conditional capital III). The conditional capital increase is only executed to the extent that the Annual General Meeting, with the approval of the personally liable shareholder, resolves the conversion of the capital share to ordinary share capital. The new shares shall participate in earnings from the beginning of the financial year in which they were issued, after exercising the exchange privilege.

The personally liable shareholder is authorized to increase the ordinary share capital once or several times by 15 April 2013 – with the approval of the Supervisory Board – but only by a maximum of EUR 4,018,688.00 (authorized capital 2008/I), by issuing bearer no-par value shares against cash and/or non-cash contributions. The shareholders shall, on principle be granted subscription rights. With the approval of the Supervisory Board, the personally liable shareholder is, however, entitled to

- a) exclude fractions from the subscription right;
- b) preclude the subscription rights of shareholders to issue the new shares against cash contributions at an issue price that is not significantly below the stock market price;
- c) preclude the subscription rights of shareholders to render the shares available for the conversion of general partners' capital;
- d) preclude the subscription rights of shareholders to issue the shares against non-cash contributions for the acquisition of companies or company participations.

Own shares

As per the resolution of the Annual General Meeting of 29 April 2009, the personally liable shareholder is authorized - until 30 September 2010 - to acquire shares of the company with a calculatory share in the subscribed capital of a maximum of 10%, i.e. up to 627,920 shares, to be able to offer these to third parties in the context of mergers with other companies or in the context of the acquisition of businesses or participations, to collect them, offer them to holders of subscription rights for purchase or to offer them to employees and/or members of the company's management or an associated company for purchase. In the year under review, no use was made of this authorization to purchase own shares.

From the portfolio of 157,995 of the company's own shares held at the beginning of the year (computed par value of EUR 202,233.60), the company disposed of 7,615 shares (PY: 8,405 shares) with a computed par value of EUR 9,747.20 (PY: EUR 10,758.40) for a market price of EUR 10.50 (PY: EUR 15.51) per share in the course of the asset formation campaign undertaken on behalf of employees of the Mühlbauer Group. The earnings were utilized to reinforce the operating capital. In the year under review 1,385 (PY: 840) additional shares with a computed par value of EUR 1,772.80 (PY: EUR 1,075.20) were also issued free of charge in the form of anniversary shares.

As per 31 December 2009, the company held 148,995 own shares with a computed par value of EUR 190,713.60. The percentage of own shares in the ordinary share capital was 2.37% (PY: 2.52%) as per 31 December 2009. Own shares are reported using the par value method.

Fixed capital contribution

The fixed capital contribution not related to the ordinary share capital (“fixed capital contribution of personally liable shareholder” or “equity share B”) of the personally liable shareholder amounts to EUR 10,773,600.00. The deposit of the personally liable shareholder was effected by means of contributing all shares of Mühlbauer GmbH, which was converted to Mühlbauer Aktiengesellschaft on 5 May 1998. The contribution of the shares represents a so-called “Common Control Transaction” (transaction between businesses under uniform management) and was recorded under the book value of the shares. This amounted to TEUR 51 at the time of the contribution.

The Annual General Meeting can resolve the conversion of equity capital B to ordinary share capital with the agreement of the personally liable shareholder. The conversion is effected by means of a capital increase. In so doing, the subscription right of the shareholders of the limited partnership can be excluded. The nominal amount of the capital increase corresponds with the nominal amount of the personally liable shareholder’s capital affected. Insofar as authorized capital exists, the capital increase required for the conversion of shareholders of the limited partnership’s capital to shares is to be executed using the authorized capital. If this is not legally possible or if the authorized capital is insufficient, the conversion shall be effected by executing a conditional capital increase, insofar as conditional capital is available. If this is not legally possible or if the amount of the capital increase from the conditional capital increase is insufficient, the Annual General Meeting is entitled to create the conditions for conversion by means of a capital increase. The subscription right of the shareholders of the limited partnership can be excluded in this case. In the event of a full conversion of equity share B, the increase of the ordinary share capital will exceed the book value of the fixed capital contribution by TEUR 13,754. If the equity share of the personally liable shareholder is fully converted into ordinary share capital, he must retire as personally liable shareholder when the capital increase becomes effective.

Additional paid-in capital

in TEUR	31 December 2009	31 December 2008
Premium from capital increases	59,557	59,557
Balance from the premium applicable to the purchase/disposal of own shares (pro rata)	(664)	(732)
Share-based adjustment item (reserve in respect of expenditure resulting from conversion schemes or stock option programs)	1,931	1,859
Withdrawal from additional paid-in capital to adjust the ordinary share capital to the euro	(7)	(7)
	60,817	60,677

The premiums from capital increases were reduced by the transaction costs of TEUR 3,907 directly attributable to capital procurement and the associated income tax benefits of TEUR 671 deducted in accordance with IAS 32 “Financial Instruments: Disclosure and Presentation”.

Other comprehensive income

The following table shows the development of the changes in equity that do not affect income from the market valuation of financial instruments in connection with IAS 39 "Financial Instruments: Recognition and Measurement".

in TEUR	Fair value of securities	Difference due to currency translation	Total
Status as per 1 January 2008	414	(88)	326
Unrealized gains/(losses)	(620)	-	(620)
Reclassification with an effect on the income statement	162	-	162
Currency adjustments	-	(320)	(320)
Deferred taxes			
Tax effect from unrealized gains/(losses)	5	-	5
Reclassification with an effect on the income statement	(2)	-	(2)
Status as per 31 December 2008	(41)	(408)	(449)
Status as per 1 January 2009	(41)	(408)	(449)
Unrealized gains/(losses)	90	-	90
Reclassification with an effect on the income statement	(49)	-	(49)
Currency adjustments	-	(256)	(256)
Deferred taxes			
Tax effect from unrealized gains/(losses)	-	-	-
Reclassification with an effect on the income statement	-	-	-
Status as per 31 December 2009	-	(664)	(664)

Retained earnings and appropriation of earnings

Apart from the retained earnings of Mühlbauer Holding AG & Co. KGaA, retained earnings also comprise the earnings reserves of the subsidiaries included in the consolidated financial statements as well as the effects of consolidation measures.

In addition to the payment of a dividend of EUR 1.00 per no-par value share with dividend entitlement executed in the year under review to the shareholders of Mühlbauer Holding AG & Co. KGaA, amounting to a total of TEUR 6,130, the appropriation of earnings also includes the earnings transfer of Mühlbauer Holding AG & Co. KGaA to Mühlbauer Holding AG & Co. Verwaltungs KG due in parallel as a result of the statutes. In correspondence with the capital situation, Mühlbauer Holding AG & Co. Verwaltungs KG participated in the earnings of Mühlbauer Holding AG & Co. KGaA to an amount of TEUR 8,991 (57.27%). Taxes of TEUR 2,331, paid by the company and to be borne by Mühlbauer Holding AG & Co. Verwaltungs KG are deducted from this amount. The earnings from ordinary business activities on which the statutory earnings transfer is based minus trade income tax of Mühlbauer Holding AG & Co. KGaA amounted to TEUR 15,689 in the previous year.

Stock purchase programs

The personally liable shareholder is authorized, by resolution of the Annual General Meeting, to offer employees own shares of the company for purchase. So far, 5,597 options, distributed across four tranches, have been granted, of which a total of 5,571 options, distributed across two tranches, have been exercised or have expired. The rights to purchase shares ("purchase right") granted to employees, can be exercised at a previously specified subscription price per Mühlbauer share, on the basis of the prior achievement of specific personal performance and team goals. On principle, the purchase right can be exercised within a specific period, without having to observe a waiting period. The development of the stock of all purchase rights for the subscription of shares of Mühlbauer Holding AG & Co. KGaA is shown in the below table:

	Tranche 1	Tranche 2
Subscription price in EUR	21.00	28.00
Start of the exercise period	21 Mar. 2002	28 Apr. 2004
End of the exercise period	-	27 Apr. 2009
Outstanding options as per 1 January	26	1,158
Options issued within the period	-	-
Options forfeited within the period	-	1,158
Outstanding options as per 31 December	26	-
- thereof exercisable on 31 December	26	-

Stock ownership plan to employees

The company offers employees and second year apprentices and trainees (hereinafter referred to as "employees") shares at favorable conditions, within the above period. In order to qualify for shares, employees must, on principle, have been in a continuous and untermiated employment relationship or apprenticeship/traineeship in the six month period prior to the share offer as well as at the time the shares are allocated; in addition, the purchase is subject to restrictions regarding the number of shares that can be subscribed by the employees. If the shares are subject to a uniform blocking period applicable to all participating domestic group companies, they are only freely available on expiry of the blocking period. The number of own shares issued for a price of EUR 10.50 (PY: EUR 15.51) in the financial year amounted to 7,615 (PY: EUR 8,405).

The market value of the stock ownership plans to employees is specified on the respective reporting date, on the basis of the Black-Scholes model. In so doing, the following parameters were applied on 31 December 2009 and 2008:

	2009	2008
Expected dividend yield	0.0%	0.0%
Expected volatility	68.8%	42.3%
Risk free rate of interest	1.3%	4.0%
Expected maturity (in years)	0.3	0.3
Market value of the option in EUR	16.50	22.00

The difference between the purchase and market price of TEUR 48 (PY: TEUR 57) was posted as personnel expenditure. The expected volatility was determined based on the relation of the daily yield to the expected yield using the daily closing price as the underlying value. The time frame used to calculate the expected volatility was one year.

In the year under review, employees with a specified seniority received 1 share per year of employment free-of-charge. The number of own shares issued on the basis of this offer totaled 1,385 (PY: 840) in the financial year. The cost of TEUR 24 (PY: TEUR 19) was recorded as personnel expenditure.

Capital management

It is a principle of capital management to finance investments and ongoing expenses primarily from internal funds and cashflows generated, whilst targeting not only the optimization of earnings power but also the sustained increase of corporate value and the securing of solvency and independence at all times. Furthermore, the shareholders shall be paid a regular dividend in respect of their deposit.

The above objectives result in the control of capital management by focusing on and optimizing operating business, the financial result and free cashflow. With regard to capital resources, a high equity ratio is targeted. The company is not subject to any statutory capital requirements.

	31 December 2009 TEUR	31 December 2008 TEUR	Change
Short-term liabilities	36,699	39,417	
Long-term liabilities	2,221	2,658	
Liabilities	38,920	42,075	(7.5%)
in % of total capital	22.1%	22.5%	
Shareholder's equity	137,132	144,970	(5.4%)
in % of total capital	77.9%	77.5%	
Total capital	176,052	187,045	(5.9%)

	31 December 2009 TEUR	31 December 2008 TEUR
Contractual obligations:		
Obligations from other purchase and service agreements	5,318	14,335
Obligations from the purchase of fixed assets	3,344	3,994
Obligations from the purchase of intangible assets	1,099	40
Obligations from tenancy and insurance agreements	606	536
Total contractual obligations	10,367	18,905

LIABILITY AND OTHER (27) FINANCIAL OBLIGATIONS

The following table provides an overview of the due dates of the contractual obligations:

	2009 TEUR	2008 TEUR
2009	-	18,687
2010	10,110	186
2011	251	26
2012	2	2
2013	2	2
2014	1	2
thereafter	1	-
Total	10,367	18,905

On the reporting date, the following contingent liabilities by the company exist in respect of third parties:

	31 December 2009 TEUR	31 December 2008 TEUR
Contingent liabilities:		
Guarantees, sureties and agreements	2,254	9,004
Conditional benefits from public authorities	9,330	9,983
License payments	421	-
Claim for damages	168	1,360
Total contingent liabilities	12,173	20,347

The following table provides an overview of the due dates of the contingent liabilities:

	2009 TEUR	2008 TEUR
2009	-	4,503
2010	2,272	2,100
2011	7,062	5,176
2012	1,081	792
2013	1,045	7,342
2014	104	434
thereafter	609	-
Total	12,173	20,347

The company received benefits from public authorities for the construction and financing of specific production facilities, under the premise that certain project-related criteria are met within a specific timeframe after receipt of the benefits. The company must meet these requirements. If these requirements are, however, not met, a maximum of TEUR 3,177 (PY: TEUR 3,471) of the benefits can be demanded to be returned by the reporting date of 31 December 2009. Furthermore, as parent company of its consolidated subsidiaries, the company has accepted co-liability for specific projects in the event that the subsidiaries do not meet obligations associated with benefits and take responsibility for the repayment due. The maximum amount repayable by the consolidated subsidiaries on the reporting date of 31 December 2009, amounts to TEUR 6,153 (PY: TEUR 6,512).

In connection with its ordinary business activities, the company is obliged to exempt its contract partners from specific risks linked to basic business, with regard to certain sales and other agreements. The maximum amount of possible future payments for this type of agreement amounts to TEUR 10 (PY: TEUR 339) on the reporting date of 31 December 2009.

D. SEGMENT REPORTING

The products and services provided by the company do not have any significantly different risks and earnings are comparable in regard to the type of products and services provided, production processes and methods of marketing. Due to the high level of integration of the individual business areas, which serves the purpose of utilizing the synergy effects across all sectors, management and reporting is conducted as one entity, in accordance with IFRS 8 "Operating Segments". The additional information required by IFRS 8 is provided as follows at 31 December 2009 and 31 December 2008:

Sales by application area	2009 TEUR	2008 TEUR
Cards & TECURITY®	112,784	100,848
Semiconductor Related Products	29,480	34,905
Precision Parts & Systems	12,722	19,424
Traceability	5,813	17,710
	160,799	172,887
Deductions in earnings	(311)	(312)
	160,488	172,575

Sales by region	2009 TEUR	2008 TEUR
Europe (excluding Germany)	50,708	61,063
Asia	40,799	40,278
Germany	29,029	43,753
Africa	22,159	10,474
The Americas	18,104	17,319
	160,799	172,887
Deductions in earnings	(311)	(312)
	160,488	172,575

Additional information about geographical areas	Europe (excl. Germany)		Asia 2009 TEUR	The Americas 2009 TEUR	Africa 2009 TEUR	Con- solidated 2009 TEUR
	Germany 2009 TEUR	Germany 2009 TEUR				
Long-term assets (excl. financial instruments)	42,740	8,440	3,575	5,659	51	60,465
Investments in fixed assets	963	7,469	256	5,568	38	14,294
Investments in intangible assets	3,567	29	65	-	-	3,661
Deferred tax assets	776	9	85	6	161	1,037
Pension obligations	(966)	-	-	-	-	(966)

Additional information about geographical areas	Europe (excl. Germany)		Asia 2008 TEUR	The Americas 2008 TEUR	Africa 2008 TEUR	Con- solidated 2008 TEUR
	Germany 2008 TEUR	Germany 2009 TEUR				
Long-term assets (excl. financial instruments)	46,534	3,548	3,301	2,982	21	56,386
Investments in fixed assets	6,518	146	764	284	-	7,712
Investments in intangible assets	1,483	1	51	-	-	1,535
Deferred tax assets	440	17	-	329	20	806
Pension obligations	(913)	-	-	-	-	(913)

The statement of regional breakdown is determined on basis of country of delivery. In the reporting year sales proceeds from a single customer amounted to TEUR 18,434.

E. NOTES TO THE STATEMENT OF CASH-FLOWS

The cashflow statement in accordance with IAS 7 "Cash Flow Statements" records cashflows of a financial year to depict information on the financial transactions of the company. The cashflows are differentiated by operating activities as well as investing and financing activities.

The liquid fund in the cashflow statement comprises all cash and cash equivalents listed in the balance sheet as well as short-term marketable securities, insofar as these have a residual term of no more than three months, on acquisition.

The cashflow from operating activities is determined in accordance with the indirect method, by adjusting net earnings by changes in inventories, trade accounts receivable and payable, positions that do not affect income and all other positions representing cashflows in the investing or financing areas. The cashflows from investing or financing activities were determined in relation to payments. In so doing, currency translation effects and changes in the scope of consolidation were adjusted.

Free cashflow is used as an internal control parameter in respect of the liquidity contribution of the Mühlbauer Group and is the total from the inflows of business and investment activities, adjusted by the purchase and disposal of securities in current and financial assets as well as the resultant net profits and losses, payments for loans and payments from the disposal of objects included in fixed assets as well as the resultant profits and losses and differences arising from the currency translation of long-term assets.

Free cashflow is thus derived as follows:

	2009 TEUR	2008 TEUR
Cash provided by (used for) operating activities	30,239	22,035
Cash provided by (used for) investment activities	(15,651)	(6,004)
Subtotal	14,588	16,031
Transition to free cashflow		
Gains/(losses) from the sale of fixed assets and intangible assets	54	97
Realized net gains/(losses) from short and long-term marketable securities	99	(1,215)
Proceeds from disposals of long-term assets	(207)	(3,989)
Payments from long-term loans	-	1,380
Proceeds from sale of long-term assets (marketable securities)	-	(6,081)
Investments in long-term assets (marketable securities)	-	1,476
Proceeds from sale of short-term assets (marketable securities)	(27,577)	(65,843)
Investments in short-term assets (marketable securities)	16,385	64,475
Free cashflow	3,342	6,331

In the financial year, the dividend payments contained in the cashflow from financing activities were comprised as follows:

	2009 TEUR
Dividends paid to shareholders of the limited partnership	6,130
Statutory earnings transfer by the company to Mühlbauer Holding AG & Co. Verwaltungs KG in respect of the 2008 financial year	8,990
Total dividend payments and earnings transfers	15,120

F. OTHER NOTES

Proceedings were instituted against several companies of the Mühlbauer Group in the USA and Germany (hereinafter referred to as the “respondents”). It was claimed that the companies had violated the intellectual property of third parties. As at 31 December 2009, the companies reported liabilities of TEUR 1,242 million and accruals of TEUR 1,108 million in respect of legal and consultancy fees in connection with these proceedings. On 15 January 2010, the parties signed a settlement agreement before the US American court with which they settled their legal disputes in the USA and in Germany extrajudicially. In the context of the negotiations on the extrajudicial settlement of the difference in opinions on certain proceedings-related costs, conducted by the respondents after the settlement agreement, an agreement was arrived at on 22 February 2010 to the extent that TEUR 1,142 million and TEUR 923 million of the liabilities and accruals reported as at 31 December 2009 need not be paid. The companies will state the no longer applicable share of obligations, reported as per 31 December 2009, in the 2010 financial year, with an effect on the income statement.

Other events of major significance did not occur after the 2009 reporting date.

In the context of the legal dispute in the financial years 2007 and 2008 between the personally liable shareholder and the Cham tax office regarding the taxation of the personally liable shareholder of a KGaA, the Bavarian State Ministry of Finance, to which the personally liable shareholder appealed in parallel to the action taken, advised in November 2008, that the partner view were to be applied to the taxation of the personally liable shareholder of a KGaA – within the meaning of a partially transparent taxation concept – and thus complied with the opinion of the personally liable shareholder. The result had no impact on the company, as the company had already effected its determination of income in accordance with the partner view.

The Federal Ministry of Finance is planning a Germany-wide regulation with regard to the taxation of the personally liable shareholder of a KGaA. Although it cannot be fully excluded that the Federal Ministry of Finance may arrive at a different opinion in view of its planned Germany-wide regulation, the personally liable shareholder is assuming – until further notice and against the background of the notice issued to him by the State Ministry of Finance – that the partially transparent taxation concept will continue to apply. If, contrary to our expectations, the planned Germany-wide regulation no longer supports the current opinion of the personally liable shareholder, the personally liable shareholder will react correspondingly.

**EVENTS AFTER THE (28)
REPORTING DATE**

**POTENTIAL OPTION OF (29)
ALTERING THE TAXATION
CONCEPT**

**(30) ADDITIONAL INFORMATION
REGARDING
FINANCIAL INSTRUMENTS**

Valuation of financial instruments by classes

Based on the relevant balance sheet items, the following table provides a coherent overview of the classifications and stated valuations of the individual financial instruments.

in TEUR	Valuation category according to IAS 39	Book value 31 Dec. 2009	Amortized cost	Valuation balance sheet in accordance with IAS 39			Fair Value 31 Dec. 2009
				Historic cost	Fair value no effect on income	Fair value with effect on income	
Assets							
Cash and cash equivalents	-	18,798	18,798	-	-	-	18,798
Trade accounts receivable*	LaR	39,585	39,585	-	-	-	39,585
Other financial receivables	LaR	386	386	-	-	-	386
Other loans	LaR	-	-	-	-	-	-
Other primary financial assets							
Available-for-Sale Financial Assets	AfS	-	-	-	-	-	-
Financial Assets Held for Trading	FAHfT	6,983	-	6,930	-	53	6,983
Derivative financial assets							
Without effective hedge relationship	FAHfT	-	-	-	-	-	-
With hedge relationship	-	-	-	-	-	-	-
Liabilities							
Financial debt	FLAC	-	-	-	-	-	-
Trade accounts payable	FLAC	7,128	7,128	-	-	-	7,128
Derivative financial liabilities	-	1	-	-	-	1	1
Other financial liabilities	FLAC	7,733	7,733	-	-	-	7,733
Aggregated according to valuation classes							
Loans and receivables (LaR)		39,971	39,971	-	-	-	39,971
Available-for-Sale Financial Assets (AfS)		-	-	-	-	-	-
Financial Assets Held for Trading (FAHfT)		6,983	-	6,930	-	53	6,983
Financial Liabilities Measured at Amortised Cost (FLAC)		14,861	14,861	-	-	-	14,861
Financial Liabilities Held for Trading (FLHfT)		1	-	-	-	1	1

in TEUR	Valuation category according to IAS 39	Book value 31 Dec. 2008	Amortized cost	Valuation balance sheet in accordance with IAS 39			Fair Value 31 Dec. 2008
				Historic cost	Fair value no effect on income	Fair value with effect on income	
Assets							
Cash and cash equivalents	-	17,122	17,122	-	-	-	17,122
Trade accounts receivable*	LaR	34,774	34,774	-	-	-	34,774
Other financial receivables	LaR	2,764	2,764	-	-	-	2,764
Other loans	LaR	-	-	-	-	-	-
Other primary financial assets							
Available-for-Sale Financial Assets	AfS	17,981	-	18,022	(41)	-	17,981
Financial Assets Held for Trading	FAHfT	-	-	-	-	-	-
Derivative financial assets							
Without effective hedge relationship	FAHfT	-	-	-	-	-	-
With hedge relationship	-	17	-	-	-	17	17
Liabilities							
Financial debt	FLAC	22	22	-	-	-	22
Trade accounts payable	FLAC	10,578	10,578	-	-	-	10,578
Derivative financial liabilities	-	-	-	-	-	-	-
Other financial liabilities	FLAC	10,107	10,107	-	-	-	10,107
Aggregated according to valuation classes							
Loans and receivables (LaR)		37,538	37,538	-	-	-	37,538
Available-for-Sale Financial Assets (AfS)		17,981	-	18,022	(41)	-	17,981
Financial Assets Held for Trading (FAHfT)		17	-	-	-	17	17
Financial Liabilities Measured at Amortised Cost (FLAC)		20,707	20,707	-	-	-	20,707
Financial Liabilities Held for Trading (FLHfT)		-	-	-	-	-	-

* Including receivables accounted according to the percentage of completion method

The securities listed in the valuation category Financial Assets Held for Trading are discount certificates that were classified as structured products. The securities listed in the valuation category Financial Assets Held for Trading are discount certificates that were classified as structured products. As a result of being listed on an organized market, the fair value of these securities is effected in the fair value hierarchy of IFRS 7.27A in accordance with level 1 (listed market prices for identical assets or liability on active markets).

The option of valuing them as income at their fair value was exercised.

The book value of cash and cash equivalents, short-term trade accounts receivable, other financial receivables, financial debts, trade accounts payable and other short-term liabilities of the company correspond closely to the fair value on 31 December 2009, due to their short maturity. Long-term accounts receivable were valued at amortized cost using the effective interest rate method.

Net result by valuation categories

in TEUR – 2009	From interest	From revaluation		From retirements	Net result 2009	
	At fair value	Currency translation	Value adjustment			
Loans and Receivables (LaR)	173	-	(10)	(755)	-	(592)
Available-for-Sale Financial Assets (AFS)	-	-	60	-	75	135
Structured products reported at fair value (FAHfT)	-	53	-	-	25	78
Financial Assets/Liabilities held for Trading (FAHfT/FLHfT)	-	(1)	-	-	24	23
Financial Liabilities Measured at Amortised Cost (FLAC)	(3)	-	24	-	-	21
Total	170	52	74	(755)	124	(335)

in TEUR – 2008	From interest	From revaluation		From retirements	Net result 2008	
	At fair value	Currency translation	Value adjustment			
Loans and Receivables (LaR)	787	-	32	(1,125)	-	(306)
Available-for-Sale Financial Assets (AFS)	623	-	215	-	(1,209)	(371)
Structured products reported at fair value (FAHfT)	-	-	-	-	-	-
Financial Assets/Liabilities held for Trading (FAHfT/FLHfT)	-	17	-	-	(8)	9
Financial Liabilities Measured at Amortised Cost (FLAC)	(26)	-	56	-	-	30
Total	1,384	17	303	(1,125)	(1,217)	(638)

The difference between expenses and income from value adjustments to the category loans and receivables for the amendment of value adjustments in respect of trade accounts receivable (note (15)) results from direct value adjustments to trade accounts receivable, which were not preceded by anticipated value adjustments. The interest from financial instruments is reported in the financial result (note (10)).

The expenses from value adjustments to trade accounts receivable (in the previous year from income from the revocation of such value adjustments), to be allocated to the valuation category loans and receivables, are reported under selling expenses (note (6)).

Also carried in the category loans and receivables are commission expenses in the amount of TEUR 1,141 (PY: TEUR 767).

(31) RISK MANAGEMENT AND FINANCIAL DERIVATIVES**Principles of risk management**

The Mühlbauer Group is exposed to particular risks in regards to its assets, liabilities and planned transactions due to fluctuations in foreign exchange rates, interest rates and share prices.

The main objective of financial risk management is to limit these market risks, which are encountered in the course of normal, ongoing operating and financially oriented activities. Based on the risk assessment selected derivatives or non-derivative financial instruments will be implemented. Derivative financial instruments are used as hedging instruments and are, as a matter of principle, not used for trading or speculative purposes.

The guidelines for financial policies are determined on an annual basis by management and are monitored by the Supervisory Board. The implementation of financial policies as well as the ongoing risk management is incumbent upon management. Certain transactions require the explicit authorization from management, which is also continually informed by the risk committee regarding the extent and amount of current risk exposure (measurement of risk).

Foreign currency risks

Foreign currency risks to which the Mühlbauer Group is exposed primarily result from operative activities, contribution of equity to subsidiaries in non-euro countries, as well as financial receivables from and liabilities owed to foreign subsidiaries.

To avoid concluding a binding hedging transaction before the order has been placed, currency risk is eliminated during the bidding phase by a so-called price variation clause. As soon as the underlying transaction has been concluded, attempts are made to minimize the exchange risk by the use of forward exchange contracts. To the extent that market expectations permit, such transactions are also concluded at a later point in time. If there are timing differences between previously expected receipts of payments and the presumed actual receipt of payment, a hedge ensues by prolonging the forward exchange contract. If an already concluded hedging transaction proves ineffective, it will be categorized as Held-for-Trading.

Furthermore, the company encounters currency risks, particularly in the course of the construction and expansion of facilities in foreign locations. It is hereby attempted to meet payments in the local currency with the corresponding currency by invoicing in the local currency. The injected shareholders' equity funding and financial receivables from and liabilities owed to subsidiaries in foreign currencies are not currently hedged.

To demonstrate inherent market risks, IFRS 7 requires sensitivity analyses to evaluate the impacts of hypothetical changes of relevant risk variables on income and shareholders' equity. In addition to currency risks, the Mühlbauer Group is exposed to interest rate risks as well as price risks in regard to its investments. Periodic impacts are determined by projecting the hypothetical changes caused by the risk variables to the balance of the financial instruments on the financial reporting date. The underlying assumption is that the balance for the financial reporting date is representative for the entire year.

Currency risks as defined by IFRS 7 occur in financial instruments which are denominated in a currency other than a functional currency and are of a monetary type. Relevant risk variables basically apply to all non-functional currencies, in which Mühlbauer uses financial instruments.

The underlying assumptions regarding currency sensitivities are as follows:

- No currency risk is applied to financial instruments (cash and cash equivalents, receivables, interest bearing marketable securities or debt capital instruments held, interest bearing debt, non-interest bearing liabilities), which are carried in a functional currency.
- Primary and derivative financial instruments which are not carried in a functional currency are considered a currency risk and are included in the sensitivity analysis.
- Receivables and liabilities between domestic and foreign subsidiaries which are not carried in functional currency are also considered a currency risk for the Mühlbauer Group and are therefore also included in the sensitivity analysis.

If the value of the euro to the US-dollar had been 10% stronger on 31 December 2009, earnings and thereby shareholders' equity would have been TEUR 499 lower (TEUR 356 lower on 31 December 2008). If the value of the euro in regards to all other currencies had been 10% stronger on 31 December 2009, earnings would have been TEUR 63 lower (TEUR 108 lower on 31 December 2008). Converse currency developments have an analog effect.

Interest risks

The Mühlbauer Group is largely subject to interest risks with regard to investments. Interest rate risks are disclosed in accordance with IFRS 7 sensitivity analyses. These analyses depict the effects of changes of market interest rates on the fair value of financial instruments as well as on shareholders' equity. The underlying assumptions regarding interest sensitivities are as follows:

Due to the change in interest rate, the market values of fixed-interest securities alter. By evaluating long-term receivables using the effective interest method, a change in market interest ensues, which leads to a change in the fair value of the financial instrument. Currency derivatives are not subject to future changes in interest rates and therefore have no effect on interest sensitivity. Significant external interest bearing financial obligations do not currently exist. Based on the current market evaluation, the risk of a change in interest rates is considered minimal.

If the market interest level had been 100 basis points higher on 31 December 2009, earnings would have been TEUR 28 (31 December 2008: TEUR 9) and total shareholders' equity TEUR 28 (31 December 2008: TEUR 9) lower. If the market interest rates would have been lower by 100 basis points on 31 December 2009, earnings would have been TEUR 29 (31 December 2008: TEUR 9) and shareholders' equity TEUR 29 (31 December 2008: TEUR 9) higher.

Default risks

The Mühlbauer Group is exposed to the risk of default in the course of conducting business and pursuing certain financial activities. The company controls these risks by means of a consistent receivables management, which is equipped with escalation processes in conjunction with regular reporting as well as a comprehensive check on the creditworthiness of new customers. To minimize the risk of default, hedging is only concluded with leading financial institutions.

The maximum default risk is expressed by the book value of the financial assets carried on the balance sheet (incl. derivative financial instruments with a positive market value), minus the securities received (notes (15)). No significant agreements such as settlement agreements that diminished the maximum default risk existed at the financial reporting date.

Liquidity risks

31 December 2009 in TEUR	due within 1 month	due after 1 month
Financial liabilities	-	-
Trade accounts payable	7,079	49
Other financial liabilities	7,734	-
Total	14,813	49

31 December 2008 in TEUR	due within 1 month	due after 1 month
Financial liabilities	22	-
Trade accounts payable	9,886	692
Other financial liabilities	10,107	-
Total	20,015	692

To ensure the company's solvency at all times as well as its financial flexibility, Mühlbauer holds liquidity reserves in the form of lines of credit and, if necessary, cash and cash equivalents. As at 31 December 2009, the company agreed a short-term and unsecured line of credit amounting to TEUR 5,000 with a financial institution. Of this credit, TEUR 4,402 was available on the reporting date. As at 31 December 2008, the short-term and unsecured lines of credit agreed between the company and several different financial institutions amounted to TEUR 10,000, of which TEUR 4,205 was available. Interest is based on a variable base interest rate with a fixed margin.

Other price risks

To depict potential market risk, IFRS 7 requires the disclosure of how any hypothetical changes in risk variables impact the price of financial instruments. Risk variables particularly include stock prices or indices. The Mühlbauer Group is subject to price risks primarily due to the financing investments and its own shares. Due to the inevitable fluctuations in stock prices, the market value of the securities change, resulting therefore in a change in income and shareholders' equity.

If the share price of the financial instrument were 10% higher on 31 December 2009, shareholders' equity would have increased by TEUR 39 (PY: TEUR 1,798). If the interest rate on which the financial instruments are based had been 10% lower as at 31 December 2009, then shareholders' equity would have remained unchanged (PY: TEUR 1,798 lower).

Hedging measures

Hedges in accordance with IAS 39 are used in the form of fair value hedges. On the reporting date, the company held forward exchange deals with a book value of TEUR -1 (PY: TEUR 17) in the context of fair value hedges.

Gains and losses from hedging activities are as follows:

in TEUR		Gain or (loss) from hedging instruments		Gain or (loss) from hedged position	
Hedging instrument	Hedged position	2009	2008	2009	2008
Fair value hedges	Trade accounts receivable	(12)	(25)	13	47

The Declaration of Conformity in accordance with § 161 AktG (German Stock Corporation Act) was issued in December 2009 and can be permanently accessed by shareholders on the internet.

CORPORATE GOVERNANCE (32)

The remuneration for the audits executed in the financial year amounts to TEUR 126. TEUR 5 of the other services provided by the auditor in the previous year has been recorded as expense.

**INFORMATION ON THE
REMUNERATION
OF THE AUDITOR (33)**

Associated companies and persons within the meaning of IAS 24 "Related Party Disclosures" are on principle the companies controlled by Mühlbauer Holding AG & Co. KGaA, Mühlbauer Holding AG & Co. Verwaltungs KG as personally liable shareholder of Mühlbauer Holding AG & Co. KGaA and its personally liable shareholder without an equity share, Mühlbauer Beteiligungs Aktiengesellschaft and SECURA Vermögensverwaltungs GmbH, controlled by Mühlbauer Holding AG & Co. Verwaltungs KG.

**RELATIONSHIPS WITH (34)
ASSOCIATED COMPANIES
AND PERSONS**

Moreover, the disclosure requirement in accordance with IAS 24 also extends to persons who can exercise a significant influence over the company, i.e. those individuals who participate in the financial and business policies of the company without, however, being able to exert a controlling influence over these policies, including closely related family members. In the 2009 financial year this applied to members of the Group's Supervisory Board, members of the Supervisory Board and Management Board of Mühlbauer Aktiengesellschaft and their close relatives.

As per 31 December 2009, receivables existed of TEUR 1 (PY: TEUR 2,331), resulting from taxes paid by the company and to be borne by Mühlbauer Holding AG & Co. Verwaltungs KG. In addition, as per 31 December 2009, liabilities of TEUR 7 (PY: TEUR 7) existed toward Mühlbauer Beteiligungs Aktiengesellschaft. This balance results from the compensation of expenditure in connection with the management.

Following the proposal of the personally liable shareholder and Supervisory Board, the remuneration of the Supervisory Board is determined by the Annual General Meeting. Apart from the compensation of expenses paid in cash, the cash payment consists exclusively of a fixed share, while the Chairman of the company's Supervisory Board receives double the amount of a Supervisory Board member and the Vice Chairman one and a half times the amount. The Chairman of the Supervisory Board, Dr. Thomas Zwissler, was paid a fixed share of Supervisory Board remuneration in respect of the reporting period of a total of TEUR 12 (PY: TEUR 12), the member of the Supervisory Board Prof. Dr. Kurt Falthäuser was paid a total of TEUR 7 (PY: TEUR 6) and the Supervisory Board member Steffen Harlfinger TEUR 4 (PY: 4 TEUR). The amounts paid to the Supervisory Board members derived from the position held within the respective corporate body at Mühlbauer Holding AG & Co. KGaA and Mühlbauer Aktiengesellschaft, while the Supervisory Board members received a fixed remuneration in respect of the activities on behalf of Mühlbauer Aktiengesellschaft.

Dr. Thomas Zwissler, Chairman of the Supervisory Board is also an attorney and partner of the international law firm Zirngibl Langwieser. The company occasionally provides legal consultation to the Mühlbauer Group. The fees for such services amounted to TEUR 64 (PY: TEUR 36) in the year under review.

In the 2009 financial year, the Management Board of Mühlbauer Aktiengesellschaft received fixed remuneration totaling TEUR 729 (PY: TEUR 705) and variable pay amounting to TEUR 130 (PY: TEUR 165). An additional net contribution of TEUR 231 (PY: TEUR 630) were allocated to pension and postretirement benefits. In so doing, the gross allocation of TEUR 439 (PY: TEUR 822) was reduced by the expected earnings from plan assets of TEUR 208 (PY: TEUR 192).

For the claim of benefits from closely related family members TEUR 56 (PY: TEUR 54) were expanded in the reporting year.

The companies Mühlbauer Aktiengesellschaft, ASEM Präzisions-Automaten-GmbH and takeID GmbH rent office and living space from Mr. Josef Mühlbauer, who is the CEO of Mühlbauer Beteiligungs AG and holds sole power of representation. Mühlbauer Beteiligungs AG is the personally liable shareholder of Mühlbauer Holding AG & Co. Verwaltungs KG, which is in turn the personally liable shareholder of Mühlbauer Holding AG & Co. KGaA. The term of the tenancies are indefinite and can be terminated by either party under observance of a notice period of up to six months in accordance with German legislation. In the year under review, rental costs amounted to TEUR 313 (PY: TEUR 320).

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. Group companies paid TEUR 793 (PY: TEUR 387) including the current amount of VAT for such services in the year under review. In the year under review, Mühlbauer Aktiengesellschaft paid TEUR 39 (PY: TEUR 126), including the current amount of VAT, to Mr. Josef Mühlbauer or companies controlled by him in respect of services provided, products sold and sureties given.

The terms and conditions of business transactions with related companies and persons correspond to those with independent, non-affiliated business partners.

(35) NUMBER OF EMPLOYEES

The number of staff employed by the Group on an annual average is shown in the below table:

	2009 Number	2008 Number
Production and assembly	945	939
Research and development	334	332
Administration and sales	203	193
	1,482	1,464
Apprentices, trainees and part-time employees	415	377
	1,897	1,841

Number of employees by region for the financial year under review:

	2009 Number	2008 Number
Germany	1,627	1,644
Asia	157	136
Europe (excluding Germany)	87	40
The Americas	22	18
Others	4	3
Total	1,897	1,841

CORPORATE BODIES (36) OF THE COMPANY

As personally liable shareholder, Mühlbauer Holding AG & Co. Verwaltungs KG, Roding, is entitled to manage and represent the company. The sole limited partner of Mühlbauer Holding AG & Co. Verwaltungs KG is Mr. Josef Mühlbauer, the personally liable shareholder is Mühlbauer Beteiligungs Aktiengesellschaft, Roding. The sole shareholder and only Management Board member of Mühlbauer Beteiligungs Aktiengesellschaft is Mr. Josef Mühlbauer.

During the 2009 financial year the following persons were appointed to the Supervisory Board of Mühlbauer Holding AG & Co. KGaA:

	Age	End of term	Membership on further Supervisory Boards and other comparable committees
Dr. Thomas Zwissler Chairman (since 29 April 2003)	41	2011	Attorney and partner of the law firm Zirngibl Langwieser, Munich
			External seats: Member of the Supervisory Board • Mühlbauer Beteiligungs AG, Roding (Chairman) • Going Public Media AG, Wolfratshausen (Chairman)
			Group seats: Member of the Supervisory Board • Mühlbauer Aktiengesellschaft, Roding (Chairman)
Prof. Dr. Kurt Faltlhauser Vice Chairman (since 29 April 2008)	69	2013	Of Counsel at PSP Peters, Schönberger & Partner Rechtsanwälte, Wirtschaftsprüfer, Steuerberater
			External seats: Member of the Supervisory Board • Mühlbauer Beteiligungs AG, Roding • Fürst Fugger Privatbank KG, Augsburg • Prime Office AG, München
			Member of the Board of Directors • Kreditanstalt für Wiederaufbau, Frankfurt am Main
			Group seats: Member of the Supervisory Board • Mühlbauer Aktiengesellschaft, Roding
Steffen Harlfinger (since 29 April 2008)	39	2013	Head of Technical Vocational Training at Mühlbauer AG
			Group seats: Member of the Supervisory Board • Mühlbauer Aktiengesellschaft, Roding

In accordance with § 58 para. 2 AktG (German Stock Corporation Act), the dividend distribution of Mühlbauer Holding AG & Co. KGaA is based on the net income for the year shown in the annual financial statements of Mühlbauer Holding AG & Co. KGaA, drawn up according to commercial law. In accordance with the financial statements of Mühlbauer Holding AG & Co. KGaA, drawn up as required by commercial law, a net income for the year of TEUR 6,360 is distributable. The statutory share in profits of TEUR 7,798, attributable to the personally liable shareholder according to his equity share (we refer to the comments in note (26)) was deducted from the net income for the year and entered into his retained earnings. The personally liable shareholder and Supervisory Board intend to propose a dividend distribution from the net income for the year of EUR 1.00 (PY: EUR 1.00) per no-par value share with dividend entitlement and to carry forward the remaining net income for the year.

PROPOSAL FOR THE (37) APPROPRIATION OF EARNINGS

This consolidated financial report was released for publication on 11 March 2010 by the personally liable shareholder.

Mühlbauer Holding AG & Co. Kommanditgesellschaft auf Aktien

The personally liable shareholder



Josef Mühlbauer

Assurance of the Legal Representative

I herewith assure, to the best of my knowledge, that the consolidated financial statements, drawn up in accordance with the accounting principles, reflect the actual 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 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.

Roding, 11 March 2010

The personally liable shareholder



Josef Mühlbauer

Auditor's Report

We have audited the consolidated financial statements prepared by the Mühlbauer Holding AG & Co. Kommanditgesellschaft auf Aktien, Roding, comprising the statement of financial position, the statement of income, the statement of changes in shareholder's equity, the statement of cash-flows and the notes to the consolidated financial statements, together with the group management report for the business year from January 1st 2009 to December 31st 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] and supplementary provisions of articles of incorporation are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.


We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

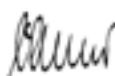
In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and supplementary provisions of articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 12 March 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft


Dr. Grottel

Wirtschaftsprüfer



Mühlhuber

Wirtschaftsprüfer

Report of the Supervisory Board

The past financial year was characterized by the effect of the economic crisis and the adjustment of the company and its strategies to the change in framework conditions. At the same time, the activities of the company in respect of the internationalization of its operative business and the further development of its organization were pushed ahead. The Supervisory Board actively assisted this process and these developments, including the resultant changes in the company's risk situation, by advising and discussing with the personally liable shareholder and management. Concurrently, the Supervisory Board exercised its statutory supervisory role.

Composition of the Supervisory Board

In the year under review there were no changes to the composition of the Supervisory Board.

Meetings of the Supervisory Board

In four ordinary meetings – held on 11 March, 24 June, 24 September and 24 November 2009, the Supervisory Board informed itself in detail of the company's development and situation, its strategic corporate planning and the key business transactions. In this context, great importance is attached to the reporting systems for preparing these meetings, which provide comprehensive information to the Supervisory Board in a timely manner. Questions pertaining to risk management form a regular part of the reporting system.

In the year under review, further material areas of the Supervisory Board's auditing and consulting activities were:

- the annual financial statements of the company and consolidated financial statements as at 31 December 2008 (meeting held on 11 March 2009);
 - the appointment of the Management Board of Mühlbauer AG (March 2009);
 - the award of large-scale project contracts to Mühlbauer AG (meeting held on 24 June 2009 and July 2009)
 - the strategy, opportunities and risks of the business line Precision Parts & Systems (in particular March 2009 and meetings held on 24 June 2009, on 24 September 2009 and on 24 November 2009);
 - the strategy, opportunities and risks of the business line Semiconductor Related Products (March 2009 and meeting held on 24 September 2009);
 - legal disputes in the USA, Germany and Singapore.
-

The members of the Supervisory Board participated in all Supervisory Board meetings. In the individual meetings the Supervisory Board convinced itself of the fact that the personally liable shareholder duly manages business. Furthermore, the Chairman of the Supervisory Board was kept informed by the personally liable shareholder and the management on key development and decisions within the company on an ongoing basis. Where necessary, the Supervisory Board passed resolutions in writing or by telephone.

The recommendations and suggestions of the German Corporate Governance Code were repeatedly discussed by the Supervisory Board. The Supervisory Board continuously monitored its efficiency and issued the declaration of conformity in accordance with § 161 AktG (German Stock Corporation Act). Details are provided separately in the Annual Report. No conflicts of interest were discerned among the Supervisory Board members (in particular with regard to the German Corporate Governance Code). Insofar as the Supervisory Board approved of the activities of Zirngibl Langwieser Rechtsanwälte Partnerschaft, in which Dr. Zwissler participates as a partner, Dr. Zwissler abstained from voting. Measures that are subject to the approval of the Supervisory Board were discussed before passing a resolution.

Committees

In view of the total number of Supervisory Board members, no committees were formed.

Financial accounting

The KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, was selected as external auditor by the Annual General Meeting and assigned by the Supervisory Board. The external auditor audited the annual financial statement of Mühlbauer Holding AG & Co. KGaA and the consolidated financial statement as per 31 December 2009, as well as the management report and the consolidated management report including accounting. He approved them without qualification. Furthermore, the external auditor audited the company's early risk management system pursuant to § 317 para. 4 of the German Commercial Code (HGB) and, as a result, confirmed that the statutory management obligations are fully complied with and that the system for the early recognition of risks is, on principle, suitable to recognize developments that pose a risk to the continuance of the company at an early stage.

On 16 March 2010, the balance sheet meeting of the Supervisory Board was held. In this meeting, in particular, the annual financial statement, the consolidated financial statement, the management report and the consolidated management report were discussed. The Supervisory Board was provided with all necessary documents before the meeting. The external auditor attended the meeting while the Supervisory Board debated on the annual financial statement and he gave a detailed report on the process and all major findings of the audit. He also provided additional information on request.

After own examination of the annual financial statement, the consolidated financial statement, the management report and the consolidated management report, the Supervisory Board approved the audit results obtained by the external auditor. The Supervisory Board therefore proposes that the Annual General Meeting accepts the financial statement of Mühlbauer Holding AG & Co. KGaA in the version submitted on 31 December 2009.

The Supervisory Board endorses the proposal of the personally liable shareholder to use the net income available to pay out a dividend of EUR 1.00 per share on the company's dividend-entitled capital stock for 2009.

Report of the personally liable shareholder on relations to affiliated companies

The external auditor also audited the report on relations to affiliated companies in the 2009 financial year, drawn up by the personally liable shareholder pursuant to § 312 AktG and reported on the result. The auditor issued the following certificate:

"On the basis of our obligatory audit and assessment, we confirm that

- 1. the actual information in the report is correct,*
- 2. the payment by the company for the legal services listed in the report was not inappropriately high."*

The Supervisory Board examined the report on relations to affiliated companies in the 2009 financial year and discussed it in its meeting dated 16 March 2010. It did not raise any objections against the declaration of the personally liable shareholder and the audit result of the external auditor.

The members of the Supervisory Board would like to thank the personally liable shareholder, the Management Board and all employees for their commitment in the 2009 financial year.

Roding, 16 March 2010

For the Supervisory Board



Dr. Thomas Zwissler
Vorsitzender

Several years overview 106
Technical Glossary 108
Financial Glossary 110

Several years overview ¹		2009	2008	2007	2006	2005	2004	2004	2003	2002	2001	2000
		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	US-GAAP	US-GAAP	US-GAAP	US-GAAP	US-GAAP
Consolidated Balance Sheets												
Short-term assets	TEUR	112,050	128,246	112,939	109,001	105,128	91,735	90,001	72,217	79,031	83,167	92,764
Cash and cash equivalents	TEUR	18,798	17,122	16,425	11,311	13,507	20,365	20,365	12,597	13,110	2,206	3,618
Marketable securities	TEUR	6,983	17,981	21,062	21,819	32,687	13,561	13,255	3,498	2,261	2,592	6,609
Trade accounts receivables, net	TEUR	38,051	34,033	29,536	30,106	21,985	22,462	21,703	20,348	19,161	19,645	30,868
Other short-term assets	TEUR	2,810	5,830	4,770	4,598	2,441	2,461	2,301	1,521	1,095	1,444	2,382
Tax receivables	TEUR	1,473	2,882	1,233	1,360	976	670	161	26	59	5,148	3,034
Inventories	TEUR	43,935	50,398	39,913	39,807	33,532	32,216	32,216	34,227	43,345	52,132	46,253
Long-term assets												
Financial assets	TEUR	1,534	741	8,248	12,859	11,088	10,141	10,440	9,241	7,383	7,749	10,762
Marketable securities	TEUR	0	0	4,562	11,524	10,809	10,134	10,440	9,241	7,383	7,749	10,762
Trade accounts receivables, net	TEUR	1,534	741	1,536	1,335	279	7	0	0	0	0	0
Other financial assets	TEUR	0	0	2,150	0	0	0	0	0	0	0	0
Fixed assets	TEUR	51,568	47,048	39,987	40,123	39,018	39,472	46,765	41,333	41,189	45,169	38,871
Land and Buildings, net	TEUR	36,456	27,819	26,276	25,683	27,343	28,916	34,202	29,995	31,625	32,479	25,711
Technical equipment, net	TEUR	9,225	8,895	8,217	8,895	5,965	5,010	6,174	6,016	*	*	*
Furniture and office equipment, net	TEUR	4,751	5,251	5,315	5,168	5,510	5,481	6,320	5,282	9,539	12,621	11,416
Assets in progress	TEUR	1,136	5,083	179	377	200	65	69	40	25	69	1,744
Intangible assets	TEUR	6,753	7,004	9,604	10,010	8,412	6,870	482	877	1,025	1,398	2,009
Goodwill	TEUR	0	0	0	0	0	0	0	468	468	468	548
Software and licenses	TEUR	1,203	591	1,001	1,039	638	411	482	409	557	930	1,461
Capitalized development costs	TEUR	5,550	6,413	8,603	8,971	7,774	6,459	0	0	0	0	0
Other long-term assets	TEUR	4,147	4,006	3,853	3,236	609	262	1,308	1,888	804	459	529
Long-term tax assets	TEUR	2,144	2,334	2,389	2,268	0	0	0	0	0	0	0
Deferred tax assets	TEUR	1,037	759	162	42	99	234	0	201	804	459	529
Other long-term assets	TEUR	966	913	1,302	926	510	28	1,308	1,687	0	0	0
Short-term liabilities	TEUR	36,699	39,417	29,396	30,411	35,000	32,535	31,664	17,724	20,254	23,138	27,021
debt	TEUR	0	22	21	0	960	1,023	1,023	1,025	1,050	3,525	2,054
Trade accounts payable	TEUR	7,128	10,578	6,068	7,655	6,150	8,383	7,028	4,751	7,038	5,646	6,781
Advance payments	TEUR	10,881	7,439	6,769	5,646	10,330	4,704	4,704	329	1,604	4,565	2,976
Other short-term liabilities	TEUR	7,866	10,689	5,226	4,723	6,385	5,496	5,496	4,959	5,312	4,757	4,338
Accrued income taxes	TEUR	1,581	1,900	1,962	2,540	2,919	7,230	6,424	2,135	760	217	5,326
Other accruals	TEUR	9,243	8,789	9,350	9,847	8,256	5,699	6,989	4,525	4,490	4,428	5,546
Long-term liabilities	TEUR	2,221	2,658	3,492	4,519	4,109	5,112	10,052	9,898	10,925	12,980	13,598
Convertible bonds	TEUR	0	0	0	0	0	0	0	0	37	39	49
debt	TEUR	0	0	0	0	0	925	925	1,913	3,001	3,883	5,057
Investment grants received	TEUR	**	**	**	**	**	**	7,369	5,993	5,832	6,721	6,020
Deferred tax liabilities	TEUR	2,221	2,658	3,492	4,519	4,109	4,187	1,758	1,274	1,681	2,013	2,191
Postretirement and postemployment benefit liabilities	TEUR	0	0	0	0	0	0	0	718	374	324	281
Shareholders' Equity	TEUR	137,132	144,970	141,743	140,299	125,146	110,833	107,280	97,934	98,253	101,824	104,316
Ordinary share capital	TEUR	8,038	8,038	8,038	8,038	8,038	8,038	8,038	8,038	8,038	8,038	4,986
Own shares	TEUR	(191)	(202)	(214)	(240)	(259)	(285)	(285)	(261)	(219)	(22)	(21)
Fixed capital contributions	TEUR	(2,980)	(2,980)	(2,980)	(2,980)	(2,980)	(2,980)	(2,980)	(2,980)	(2,980)	(2,980)	66
Additional paid-in capital	TEUR	60,817	60,677	60,483	59,872	59,319	58,739	57,995	57,901	58,351	60,086	61,018
Other comprehensive income	TEUR	(664)	(449)	326	1,259	2,219	1,429	1,403	1,032	156	260	(201)
Retained earnings	TEUR	72,112	79,886	76,090	74,350	58,809	45,892	43,109	34,204	34,907	36,442	38,468
Total assets and liabilities	TEUR	176,052	187,045	174,631	175,229	164,255	148,480	148,996	125,556	129,432	137,942	144,935
Change yoy												
Short-term assets	%	(12.6)	13.6	3.6	3.7	14.6		24.3	(9.3)	(4.5)	(10.4)	8.7
Investment and long-term financial assets	%	107.0	(91.0)	(35.9)	16.0	9.3		13.0	25.2	(4.7)	(28.0)	9.6
Fixed assets	%	9.6	17.7	(0.3)	2.8	(1.2)		13.1	0.3	(8.8)	16.2	21.8
Intangible assets	%	(3.6)	(27.1)	(4.1)	19.0	22.4		(45.0)	(14.4)	(26.7)	(30.4)	64.7
Other fixed assets	%	3.5	4.0	19.1	431.4	132.4		(30.7)	134.8	75.2	(13.2)	
Short-term liabilities	%	(6.9)	34.1	(3.3)	(13.1)	7.6		79.6	(12.5)	(12.5)	(15.4)	32.3
Long-term liabilities	%	(16.4)	(23.9)	(22.7)	10.0	(19.6)		(0.1)	(9.4)	(15.8)	(2.2)	(0.2)
Shareholders' Equity	%	(5.4)	2.3	1.0	12.1	12.9		9.5	(0.3)	(3.5)	(2.4)	10.0
Key figures												
Gross capital expenditures without capitalized development costs	TEUR	16,643	8,999	6,908	9,176	6,272	11,706	11,706	6,224	2,338	13,099	14,137
Depreciation and amortization	TEUR	7,080	6,985	7,066	6,741	6,172	6,424	6,424	6,190	6,656	7,319	6,216
Working Capital ²	TEUR	49,570	53,748	46,077	45,460	24,894	26,297	25,578	39,624	45,260	59,215	57,776
Working Capital-Intensity ³	%	30.9	31.1	29.0	28.3	16.8	20.4	20.0	41.6	49.6	66.2	52.4
Capital Employed ⁴	TEUR	108,857	108,713	96,970	96,519	72,834	72,667	74,133	83,521	87,474	105,782	98,656
Net cash position	TEUR	25,781	35,081	42,028	44,654	56,043	42,112	42,112	22,398	18,703	5,139	13,878
Equity ratio	%	77.9	77.5	81.2	80.1	76.2	74.6	72.0	78.0	75.9	73.8	72.0
Employees												
Average per year	Number	1,897	1,841	1,710	1,529	1,433	1,338	1,338	1,262	1,274	1,299	1,206
Production and assembly	Number	945	939	884	806	758	729					
Research and development	Number	334	332	318	289	265	220					
Administration and sales	Number	203	193	178	145	144	132					
Trainees and part-timers	Number	415	377	330	289	266	257	257	263	269	261	261
Skilled workers	Number							553	515	521	574	542
Salaried employees	Number							528	484	484	464	403
Mühlbauer Holding AG & Co, KGaA												
Total stock capital ⁵	TEUR	18,811	18,811	18,811	18,811	18,811	18,811	18,811	18,811	18,811	18,811	18,805
Total issued and outstanding shares ⁶	TPieces	14,696	14,696	14,696	14,696	14,696	14,696	14,696	14,696	14,696	14,696	14,692
Dividend per share ⁷	EUR	1.00	1.00	1.00	1.25	0.90	0.60	0.60	0.35	0.30	0.30	0.35
Share price (Year-End-Close)	EUR	17.15	17.40	24.19	29.35	40.80	26.71	26.71	20.50	10.30	29.60	84.00
Market Capitalization (Year-End Close) ⁶	TEUR	252,038	255,712	355,498	431,330	599,600	392,532	392,532	301,268	151,369	435,004	1,234,128

¹ Certain US-GAAP figures were adjusted to IFRS - statement

² Non interest short-term assets – non interest current liabilities

³ Working capital/Sales

⁴ Working capital + Fixed assets

⁵ Common stock and fixed capital contribution of the personally liable shareholder

⁶ Obtained on total stock capital

⁷ Subject to the approval of the AGM

* In furniture and office equipment included

** No information due to elimination against long-term assets

Several years overview		2009	2008	2007	2006	2005	2004	2004	2003	2002	2001	2000
		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	US-GAAP	US-GAAP	US-GAAP	US-GAAP	US-GAAP
Consolidated Income Statements												
Sales												
by applications	TEUR	160,488	172,575	159,134	160,676	147,932	128,939	128,180	95,204	91,317	89,422	110,322
Cards & TECURITY® ¹	TEUR	112,784	100,848	89,154	91,814	86,861	54,850	54,541	39,335	50,651	47,781	48,552
Semiconductor Related Products ¹	TEUR	29,480	34,905	36,138	39,361	35,564	49,325	48,875	35,619	22,103	24,464	42,427
Traceability	TEUR	5,813	17,710	13,956	13,689	10,893	7,390	7,390	5,679	6,641	7,366	8,616
Precision Parts & Systems ¹	TEUR	12,722	19,424	20,253	16,061	14,789	17,603	17,603	14,680	12,085	10,116	10,981
Other	TEUR	(311)	(312)	(367)	(249)	(175)	(229)	(229)	(109)	(163)	(305)	(254)
by regions	TEUR	160,488	172,575	159,134	160,676	147,932	128,939	128,180	95,204	91,317	89,422	110,322
Germany	TEUR	29,029	43,753	43,233	41,564	44,828	53,360	53,068	45,316	43,369	38,059	33,545
Other Europe	TEUR	50,708	61,063	56,612	40,126	31,471	34,197	34,122	21,175	26,799	24,422	41,482
Africa	TEUR	22,159	10,474	6,819	4,604	3,560	5,428	5,278	2,380	179	947	1,410
North America	TEUR	12,452	14,668	5,449	6,018	13,595	8,302	8,227	4,221	3,392	2,545	6,478
South America	TEUR	5,652	2,651	2,661	4,679	8,420	2,136	2,136	403	852	3,740	2,592
Asia	TEUR	39,975	40,227	43,905	63,882	46,160	25,382	25,215	21,676	16,766	19,479	25,016
Australia	TEUR	824	51	822	52	73	363	363	142	123	535	53
Other	TEUR	(311)	(312)	(367)	(249)	(175)	(229)	(229)	(109)	(163)	(305)	(254)
Cost of sales	TEUR	(106,383)	(101,851)	(94,931)	(91,406)	(83,518)	(75,365)	(76,205)	(63,007)	(61,370)	(60,758)	(65,662)
of sales	%	(66.3)	(59.0)	(59.7)	(56.9)	(56.5)	(58.5)	(59.5)	(66.2)	(67.2)	(67.9)	(59.5)
Gross profit	TEUR	54,105	70,724	64,203	69,270	64,414	53,574	51,975	32,197	29,947	28,664	44,660
of sales	%	33.7	41.0	40.3	43.1	43.5	41.5	40.5	33.8	32.8	32.1	40.5
Operating expenses												
Selling and administrative	TEUR	(21,177)	(22,765)	(17,242)	(19,075)	(15,926)	(14,719)	(16,799)	(16,616)	(16,682)	(13,486)	(14,697)
of sales	%	(13.2)	(13.2)	(10.8)	(11.9)	(10.8)	(11.4)	(13.1)	(17.5)	(18.3)	(15.1)	(13.3)
Research and development	TEUR	(21,088)	(22,731)	(20,280)	(17,081)	(15,264)	(13,048)	(14,006)	(11,392)	(10,761)	(10,244)	(9,854)
of sales	%	(13.1)	(13.2)	(12.7)	(10.6)	(10.3)	(10.1)	(10.9)	(12.0)	(11.8)	(11.5)	(8.9)
Other income ²	TEUR	1,466	2,335	1,000	1,409	653	1,535	4,447	4,357	3,475	3,549	3,885
of sales	%	0.9	1.4	0.6	0.9	0.4	1.2	3.5	4.6	3.8	4.0	3.5
Other expenses ²	TEUR	(3,690)	(3,326)	(1,270)	(86)	(803)	(104)	*	*	*	*	*
of sales	%	(2.3)	(1.9)	(0.8)	(0.1)	(0.5)	(0.1)					
EBITDA³	TEUR	16,696	31,222	33,477	41,178	39,246	33,662	32,041	14,736	12,635	15,802	30,210
of sales	%	10.4	18.1	21.0	25.6	26.5	26.1	25.0	15.5	13.8	17.7	27.4
EBIT⁴	TEUR	9,616	24,237	26,411	34,437	33,074	27,238	25,617	8,546	5,979	8,483	23,994
of sales	%	6.0	14.0	16.6	21.4	22.4	21.1	20.0	9.0	6.5	9.5	21.7
Financial result												
Financial income	TEUR	688	3,859	2,970	3,747	2,335	1,048	1,109	1,673	1,101	6,397	5,623
of sales	%	0.4	2.2	1.9	2.3	1.6	0.8	0.9	1.8	1.2	7.2	5.1
Financial expenses	TEUR	(577)	(3,697)	(937)	(171)	(741)	(409)	(415)	(728)	(2,290)	(8,317)	(4,537)
of sales	%	(0.4)	(2.1)	(0.6)	(0.1)	(0.5)	(0.3)	(0.3)	(0.8)	(2.5)	(9.3)	(4.1)
EBT ⁵	TEUR	9,727	24,399	28,444	38,013	34,668	27,877	26,311	9,491	4,790	6,563	25,080
of sales	%	6.1	14.1	17.9	23.7	23.4	21.6	20.5	10.0	5.2	7.3	22.7
Income taxes	TEUR	(2,380)	(6,125)	(9,330)	(10,285)	(11,648)	(10,054)	(9,374)	(2,977)	(1,871)	(1,012)	(7,383)
of sales	%	(1.5)	(3.5)	(5.9)	(6.4)	(7.9)	(7.8)	(7.3)	(3.1)	(2.0)	(1.1)	(6.7)
Ordinary income net of tax	TEUR	7,347	18,274	19,114	27,728	23,020	17,823	16,937	6,514	2,919	5,551	17,697
of sales	%	4.6	10.6	12.0	17.3	15.6	13.8	13.2	6.8	3.2	6.2	16.0
Extraordinary gains	TEUR	0	0	0	0	0	0	0	0	587	0	0
of sales	%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.0
Net earnings	TEUR	7,347	18,274	19,114	27,728	23,020	17,823	16,937	6,514	3,506	5,551	17,697
of sales	%	4.6	10.6	12.0	17.3	15.6	13.8	13.2	6.8	3.8	6.2	16.0
Change yoy												
Sales	%	(7.0)	8.4	(1.0)	8.6	14.7		34.6	4.3	2.1	(18.9)	55.3
Gross profit	%	(23.5)	10.2	(7.3)	7.5	20.2		61.4	7.5	4.5	(35.8)	39.7
EBIT	%	(60.3)	(8.2)	(23.3)	4.1	21.4		199.8	42.9	(29.5)	(64.6)	58.0
EBT	%	(60.1)	(14.2)	(25.2)	9.6	24.4		177.2	98.1	(27.0)	(73.8)	43.4
Ordinary income net of tax	%	(59.8)	(4.4)	(31.1)	20.5	29.2		160.0	123.2	(47.4)	(68.6)	28.0
Net earnings	%	(59.8)	(4.4)	(31.1)	20.5	29.2		160.0	85.8	(36.8)	(68.6)	28.0
Key figures												
Earnings per share												
basic	EUR	0.50	1.24	1.31	1.90	1.59	1.23	1.17	0.41	0.20	0.35	1.02
fully diluted	EUR	0.50	1.24	1.31	1.90	1.59	1.23	1.17	0.41	0.20	0.35	1.02
Tax rate for EPS calculation	%	26.90	27.20	34.10	28.70	34.80	37.20	36.87	38.10	45.30	21.60	40.50
Order income	TEUR	155,768	189,169	167,451	161,508	165,001	174,659	174,659	99,308	85,884	93,604	136,255
Order backlog	TEUR	70,921	80,848	72,972	79,172	81,672	67,209	67,968	27,794	31,820	48,076	56,436
Personal costs	TEUR	57,615	61,974	57,732	54,364	49,890	45,044	45,110	39,922	38,093	37,888	39,236
Return on equity (before tax)	%	7.1	16.8	20.1	27.1	27.7	25.2	24.5	9.7	4.9	6.4	24.0
Return on Capital Employed ⁶	%	8.8	22.3	27.2	35.7	45.4	37.5	34.6	10.2	6.8	8.0	24.3
Consolidated Statements of cashflow												
Cash provided by (used for) operating activities	TEUR	30,239	22,035	25,609	13,200	32,133	40,893	38,879	16,054	23,398	15,159	15,307
Cash provided by (used for) investing activities	TEUR	(15,651)	(6,004)	(3,427)	(17,453)	(21,888)	(14,707)	(21,737)	(7,344)	(1,864)	(9,872)	(4,701)
Cash provided by (used for) financing activities	TEUR	(12,734)	(14,919)	(16,879)	(13,832)	(10,606)	(9,127)	(9,131)	(8,921)	(10,243)	(6,840)	(8,558)
Net Increase/(Decrease) in Cash and Cash equivalents	TEUR	1,854	1,112	5,303	(18,085)	(361)	17,059	8,011	(211)	11,291	(1,553)	2,048
Free cashflow	TEUR	3,342	6,331	16,394	2,447	22,726	27,163	27,171	10,590	20,519	(2,156)	(63)
of sales	%	2.1	3.7	10.3	1.5	15.4	21.1	21.2	11.1	22.5	(2.4)	(0.1)

¹ Due to reclassifications from 2007 limited comparability with prior years
² No comparability due to different treatment between US-GAAP and IFRS
³ Earnings before interest, tax depreciation and amortization

⁴ Earnings before interest and tax
⁵ Earnings before tax

⁶ EBIT/Capital Employed
* Shown under function costs

TECHNICAL GLOSSARY

Adhesive Film Lamination	Attaching a heat-activated adhesive film to the reverse side of a module
Assembly & Encapsulation	Assembly and encapsulation of semiconductor components
Biometric Procedure	Procedure for registering individual personal features (e.g. fingerprints, iris structure, facial geometry); data obtained from biometric procedures are used for the unique identification of persons
Board Handling	Techniques and systems for transporting printed circuit boards in industrial manufacturing and shaping, (e.g. loading and unloading stations, magazine / buffer systems, flip/turn units and conveyors)
Border Crossing	Hard- and software for safe and quick border crossing as well as for a clear identification of documents and persons
Carrier Tape	Plastic straps for transporting and providing electronic components
Cavity	Milled cavity in a chip card for embedding the chip
Chip on Board	Technique for attaching and/or wiring dice onto carrier material such as printed circuit boards
Coating & Drying	Coating and drying of printed circuit boards
Contactless Card	Cards for contactless transmission of energy and data through electromagnetic fields
Converting	Here: further processing of the inlay in direction of a RFID label or a RFID ticket
Data Capturing	Capturing and storing biometric information
Data Enrollment	Data capture and processing (e.g. taking and optimizing pictures for further treatment)
Die Bonding	Placing small silicon chips onto carrier material
Die Sorter	Equipment for separating and packing good dice
Die, Dice	Silicon crystal equipped with an individual semiconductor-related micro-controller
Discrete Devices	Semiconductor products such as low-voltage transistors or diodes
Dual Interface Card	Card type combining the functions of contact and contactless card technologies
EMV	Refers to a specification for payment cards equipped with a processor chip and for the belonging card devices (POS terminals and ATMs). The letters EMV stand for the three developers of this standard: Europay, MasterCard and VISA.
Encapsulation	Protection of the chip and its wiring by encapsulating the reverse of a chip
Flip Chip Technology	For flipping dice 180 degrees in order to attach them to carrier material
GSM Card	Standardized chip card to be used in mobile phones. The "Global System for Mobile Communications" is an international terrestrial mobile telephone system
Hologram	Security feature which results in a three-dimensional image when viewed binocularly
ICAO	International Civil Aviation Organization; sets standards regarding safety, handling and optimizing international air traffic
Implantation	Embedding a chip in a plastic card
Inlay	An inlay is part of an RFID product and consists of an antenna and an RFID microchip connected to the antenna. The inlay is further converted into the final RFID product. Such RFID products are e.g. Smart Labels, RFID tickets, contactless plastic cards, ePassports etc.

In contrast to the hologram, which possesses three-dimensional elements, kinegrams describe a two-dimensional course of movement which changes according to the viewing angle	Kinegram
Carrier material for dice with arranged contact elements	Module
Machines for mounting, attaching and fixing parts	Mounter
“Programming” individual data on a chip card module. Application of visible data on a card, a passport or visa is also known as optical personalization	Personalization
Punching out the chip from a standardized chip card for mobile phones	Plug Punching
Small-sized chip card in particular for GSM applications	Plug-In
Semiconductor products such as high-voltage transistors or diodes	Power Devices
Loading an operating system onto a chip	Pre-Personalization
Radio Frequency Identification; components used in a high frequency range	RFID Chips
Secure memory card similar to MMC multimedia cards; card application particularly used for digital cameras or as a storage medium for music, PDA, etc.	SD (Secure Digital) Card
Chip card, i.e. plastic card equipped with a chip module	Smart Card
Ultra-flat transponders consisting of chip, antenna and substrate for identifying goods and persons	Smart Label
Card application used in particular for digital cameras or as storage medium for music, etc.	Smart Media and Multi Media Cards
Ticket which can be read contactless because of the implanted inlay	Smart Ticket / RFID Ticket
Components, which are directly soldered to a board without drill holes. SMD components significantly reduce the component density of electronic circuits	SMD (Surface Mounted Device)
RFID transponders are also termed as 'Tags'	Tag
Mühlbauer production system for the manufacture of Smart Inlays (Smart Inlay = antenna and functional chip)	TAL (Tag Assembly Line)
Terms a market for technologically sophisticated and security-relevant solutions, taken from the two words Technology and Security	TECURITY®
Testing, labeling and packaging semiconductor components for further processing	Testing & Packaging
Pursuing and tracing back units from the raw material to the end product	Traceability
Antenna located on a Smart Label between flexible carrier layers	Transponder
Turn-key product and services solutions	Turn-Key Solutions
Verification, if the user of an ID card really is the legal holder	Verification
Measuring and controlling components using camera systems and software	Vision Technology
Ultra-thin and silicon semiconductor disk for producing many individual chips. The dice are sawn from the surface of the wafer	Wafer
Finished components on a wafer-basis, which are subject to further processing	Wafer Level Package
Fully automated process for wiring dice with carrier material	Wire Bonding

FINANCIAL GLOSSARY

Balance sheets	Forms a company's financial position at the end of a fiscal year and is part of the consolidated financial statements. The balance sheets displays the origin and purpose of a company's assets
Gross cash position	Total of cash and cash equivalents and marketable securities
Gross profit on sales	Net sales less cost of sales
Capital employed	Capital employed within a certain period of time. Consists of working capital plus the residual value of fixed assets (without long-term financial assets)
Cashflow	The cash-effective balance arising from inflows and outflows of funds over the fiscal year. The cash flow statement is part of the consolidated financial statements and shows how the company generated cash during the period and where it spent cash, in terms of operating activities (cash the company made by purchasing/selling goods and services), investing activities (cash outflows for sustaining future growth), and financing activities (cash the company raised by selling stocks, bonds and loans or spent for the redemption of stocks or bonds)
Current assets	Assets intended for short-term business activities
Defined Benefit Obligation (DBO)	A measure to determine pension liabilities. The DBO is the extent of obligations determined on the basis of the projected unit credit method at a certain point of time for both forfeitable and non-forfeitable pension rights to pension beneficiaries considering salary increases. The determined cash value for all services rendered by the pension beneficiaries at this point of time will be considered
Derivate	A financial instrument that derives its value from the price or expected price of an underlying asset (e.g. a security, currency or bond)
German Corporate Governance Codex	Codex of the government commission "Deutscher Corporate Governance Kodex", summarizing principles and recommendations of responsible corporate governance for publicly traded companies in Germany
EBIT	Earnings before interest and taxes. This is the measure that Mühlbauer uses to evaluate the operating performance
EBIT margin	A measure to determine the operative profits, displayed by the EBIT in relation to sales
EBITDA	Earnings before interest, taxes, depreciation and amortization. EBIT extended by depreciation on fixed assets and amortization on intangible assets shows cash flow features, since non-liquid depreciation and amortization was added to the consolidated net earnings. EBITDA is often used for start-up companies or companies with high amortization, which might generate a annual loss
Equity ratio	An indicator of the proportion of equity capital in the Company's financing structure, calculated as the ratio of shareholders' equity capital to total assets
Earnings per share	Earnings (loss) per share – Basic earnings (loss) per share ("EPS") is calculated by estimating consolidated income (loss) before taxes (EBT) related to the original shareholders in the same percentage, that the ratio of their ordinary share capital corresponds to the total capital (fixed capital contribution of the personally liable shareholder and ordinary share capital). To determine EPS the proportional EBT has to be deducted by a specific calculated tax quote related to the original shareholders (shown in Note (8)) and divided by the weighted average number of ordinary shares outstanding during the reporting period (financial quarter or year). Diluted EPS is calculated by dividing calculated proportional net income by the sum of the weighted average number of ordinary shares outstanding plus all additional ordinary shares that would have been outstanding if potentially dilutive securities or ordinary share equivalents had been issued
Financial status	The difference between a pension plan's defined benefit obligation (see DBO) and the fair market value of plan assets designated to meet pension obligations as of a specific date
Free cashflow	Inflow and outflow of cash from operating and investing activities excluded purchases or sales of marketable securities, sales of fixed assets and realized gains or losses therefrom

Displays a company's success during the reporting period and is part of the financial statement. The statement of income includes the cost on sales and posts all major costs according to their purpose

Statement of income

An intangible asset of the company that results from a business acquisition, representing the excess of the acquired entity's purchase price (cost) over the fair value of the net assets acquired and liabilities assumed. Under US-GAAP, goodwill is not reduced through regularly scheduled amortization, but rather written down to its fair value if impaired. An impairment assessment is done at least once a year

Goodwill

Hedging of interest or currency risks of individual or several basic transactions, for example by making use of derivative financial instruments

Hedging activities

International Financial Reporting Standards for guaranteeing international comparability in financial reporting and meeting the information requirements of investors and other addressees through higher transparency. The individual paragraphs of the IFRS are referred to as IAS (International Accounting Standards). Mühlbauer has prepared its financial statement according to the IFRS/IAS requirements since 2005

IFRS/IAS

Since tax laws often differ from the recognition and measurement requirements of financial accounting standards, differences can arise between (a) the amount of taxable income and pretax financial income for a year and (b) the tax bases of assets or liabilities and their reported amounts in financial statements. A deferred tax liability and corresponding expense results from income that has already been earned for accounting purposes but not for tax purposes. Conversely, a deferred tax asset and corresponding benefit result from amounts deductible in future years for tax purposes but that have already been recognized for accounting purposes

Deferred taxes

The market price of a publicly listed company. At Mühlbauer the market price is calculated from the market value of the share multiplied by the resulting sum of shares from the division of total capital (EUR 18,810,976) and the nominal value per share of EUR 1.28

Market capitalization

Gross cash position minus current and non-current liabilities

Net cash position

Amount of pension costs realized in the income statement. They are composed of the expenses for new pension rights, interest expenses, the expected yield for plan assets, the repayment amount for actuarial gains and losses, the repayment amount for retroactive pension plan changes as well as the repayment amount for possibly underfunded initial expenses of IAS 19 (revised 1998) during the fiscal year

Pension expenses

Assets from an external insurance provider, which are only used for insurance purposes and cannot be obtained by other corporate creditors, and which can only flow back to the company, if they are used for direct pension payments, or if they are no longer required for insurance purposes

Plan assets

Systematic process of identifying, assessing and monitoring various financial risk factors and of selecting and implementing measures to handle them

Risk management

Return On Capital Employed – an indicator of operating performance, calculated as the percentage of EBIT in relation to capital employed

ROCE

Form of employee incentive and compensation. The employee is given an option to purchase a company's shares if certain targets are met under specified conditions

Stock options

Working capital indicates which part of current assets generates profits without causing capital expenses in a narrow sense and is calculated by non-interest bearing current assets less current and non-interest bearing liabilities. A low working capital base is consequently to be considered positive, since a company's supplier also generates company profits

Working capital

An indicator for determining a company's sales-related current assets, calculated as the percentage of working capital in relation to net sales

Working capital intensity

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Further Information: This report refers to the group. The separate report for the Mühlbauer Holding AG & Co. KGaA can be downloaded on the homepage or 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.

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सब से अलग Being different Être
Byt' iný Farklı olmak
Being different
他人 ヒト と異なれ Esti dife
Ser diverso Anders zij
لف
Быть не как все Biti drugaciji

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