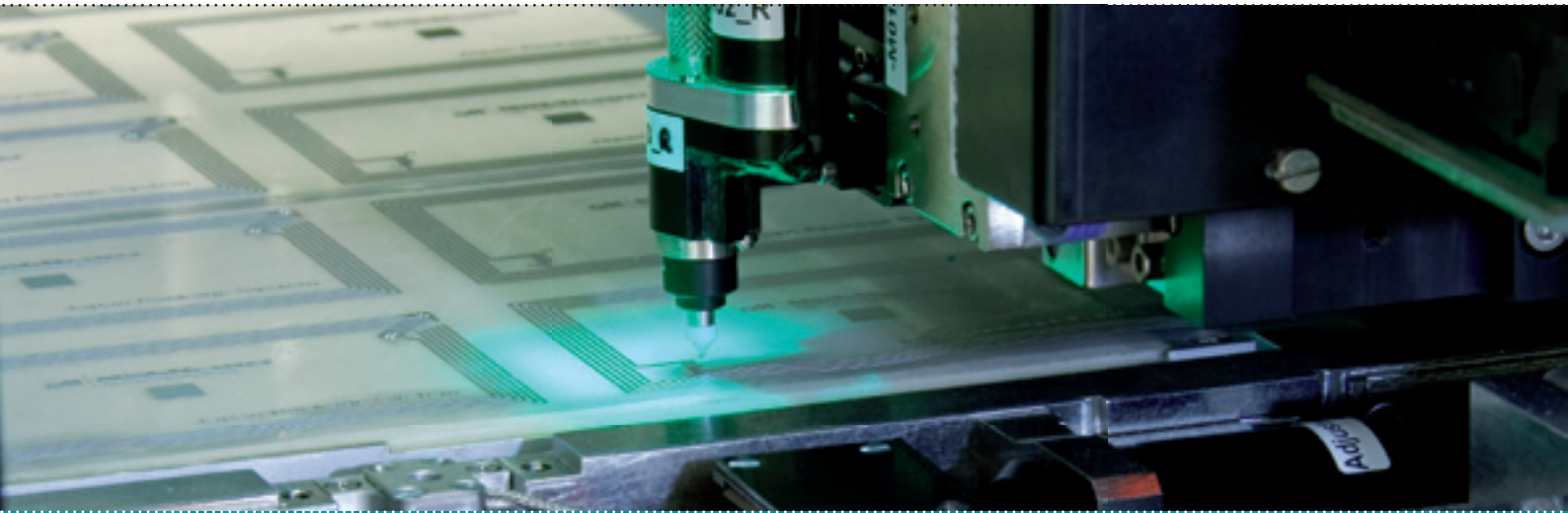


Interim report  
3. Quarter 2010



# Content

Interim Management Report . . . . .	03
Consolidated Statement of Income . . . . .	10
Consolidated Statement of Comprehensive Income . . . . .	10
Consolidated Statement of Financial Position . . . . .	11
Consolidated Statement of Cash-Flows . . . . .	12
Consolidated Statement of Changes in Shareholders' Equity . . . . .	13
Notes . . . . .	14
Financial Calendar . . . . .	24

<b>Group overview</b>		<b>Q3/2010</b>	<b>Q3/2009</b>	<b>9m/2010</b>	<b>9m/2009</b>
Order income	EUR million	62.8	44.8	235.9	128.1
Order backlog	EUR million	155.6	82.4	155.6	82.4
Sales	EUR million	54.5	41.7	147.3	123.0
EBIT	EUR million	11.4	2.4	27.6	7.5
EBT	EUR million	11.5	2.4	27.9	7.5
Net earnings*	EUR million	9.2	1.8	21.8	5.4
Earnings per Share**	EUR	0.63	0.12	1.50	0.36
Free Cashflow	EUR million	+10.4	+8.0	+24.6	+3.2
Employees	Number	2,225	1,917	2,225	1,917

\* Inclusive minority interests

\*\* Without minority interests

# Interim Management Report

## OVERVIEW OF THE BUSINESS DEVELOPMENT IN THE GROUP

In Q3, the globally active Mühlbauer technology group benefited equally from the sustained high demand for ID and RFID-based system solutions for intelligent identification and from industry-based technology products, thus continuing the positive business development recorded since the beginning of the year in all business areas. The result is a significant increase in sales and earnings against the previous year. Based on this positive business development, the company has initiated investments to streamline organization, increase flexibility and position the company even better in future. At the same time, the outlook for the total year again underwent a significant upwards adjustment.

Key events in Q3 2010 were:

- Order income climbed 40.2% to EUR 62.8 million (PY: EUR 44.8 million) due to considerable increases of orders in all business areas
- At EUR 155.6 million (previous quarter: EUR 149.5 million) highest order backlog in the 2010 financial year so far
- At EUR 54.5 million (PY: EUR 41.7 million) the strong increase in turnover in all business areas results in a total growth in sales of 30.7%
- The significant sales growth and comparatively stable expenses result in the rise of EBIT to EUR 11.4 million (PY: adjusted for special effects EUR 4.2 million) – the EBIT margin thus rose to 20.9% (PY: adjusted 10.1%)
- At EUR 0.63 (PY: EUR 0.12) earnings per share increased more than five-fold year-on-year
- Free cashflow benefited from a significant increase in earnings in parallel with a reduction of working capital and recorded EUR +24.6 million – after EUR +3.2 million in the previous year – despite higher investments
- Mühlbauer is planning investments of approx. EUR 28 million for the total year, of which EUR 15.9 million were already completed to the end of the reporting period
- Against the background of the strong order situation recorded in the first nine months of 2010 Mühlbauer technology group is again adjusting its outlook for the total year 2010 upwards and is now expecting to achieve sales of at least EUR 195 million and an EBIT rate of approx. 18%. Provided that the general economic conditions are not impaired, the company is also expecting sales and earnings to rise even further in the 2011 financial year

## FRAMEWORK CONDITIONS

### Global economy

Despite the uncertainty and tension caused by the expanding worldwide imbalances, the global economy continued picking up speed in Q3 according to leading economic research institutes. Emerging Asian economic powers such as China and India as well as several other newly industrializing countries still represented the force driving the global economy. In contrast, the economies of the industrialized nations were divided. While the countries of the euro zone continued to stabilize, with Germany as forerunner of the recovery, growth in the USA increasingly stagnated.

### Industry development

The predominant interest of numerous states and public authorities in replacing existing ID documents with new electronic and biometric ID applications respectively continued to characterize the Cards & TECURITY® market in Q3 2010. Additionally the industry benefited from the transformation of conventional magnetic stripe cards to chip cards for payment transactions that is being pushed ahead worldwide as well as from the high demand for SIM/GSM cards in developing and newly industrializing countries. In Q3, growth continued both in the RFID industry and on the semiconductor market, although the growth impulses on the semiconductor market diminished slightly to the end of the quarter due to the latent uncertainty of the general business environment. Meanwhile the economic recovery remained stable in the automotive and electronics industries relevant to Traceability, as well as in the industries relevant to Precision Parts & Systems.

## BUSINESS DEVELOPMENT

### Order income and order backlog

Due to significant increases in all business areas of the Mühlbauer technology group, order income in Q3 2010 rose 40.2 %, to EUR 62.8 million (PY: EUR 44.8 million).

Order income	in EUR million	
<b>Q1</b>		
2009	52.2	
2010	113.9	
<b>Q2</b>		
2009	31.1	
2010	59.2	
<b>Q3</b>		
2009	44.8	
2010	62.8	
<b>Q4</b>		
2009	27.7	

In its core business area Cards & TECURITY® Mühlbauer benefited primarily from orders for the implementation of government-related ID projects and, with an order volume of EUR 35.3 million (PY: EUR 33.8 million), achieved growth of 4.4%. Demand in Semiconductor Related Products was also undiminished: due to a significantly increased need for RFID technology and semiconductor backend solutions, the order volume in the semiconductor-related area rose from EUR 6.5 million to EUR 15.9 million year-on-year. This corresponds to growth of 144.6%. Traceability experienced an even higher growth in orders. As a result of the sustained positive development in the automotive and electronics industries during the quarter under review, Mühlbauer almost quadrupled its sales in this area, at EUR 4.6 million (PY: EUR 1.2 million). Moreover, in Precision Parts & Systems order income increased more than two-fold in the same period. They climbed from EUR 3.3 million for Q3 2009 to EUR 7.0 million for the reporting period, thus recording an increase of 112.1%.

On a nine-month comparison, the high order increases achieved in past quarters resulted in the highest order levels in the history of the company. At EUR 235.9 million, order income was 84.2% higher year-on-year. At EUR 155.6 million, the order backlog to the end of the reporting period was 88.8% higher to the comparable quarter of the previous year (EUR 82.4 million).

### Sales<sup>1</sup>

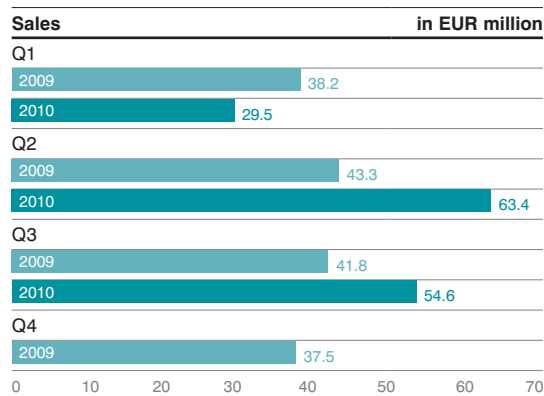
Based on the positive business development in all business areas since the beginning of the year, Mühlbauer achieved consolidated sales of EUR 54.6 million (PY: EUR 41.8 million) in Q3 and thus an increase of 30.6% year-on-year.

At EUR 35.6 million, Cards & TECURITY® contributed the largest share to sales and improved 19.5% year-on-year (PY: EUR 29.8 million) due to the sustained strong government business. The remaining business areas were also characterized by distinct sales increases. As a result of the sustained intensified demand for Smart Label and semiconductor backend solutions, Semiconductor Related Products recorded an increase of 52.8%, to EUR 11.0 million (PY: EUR 7.2 million) comparable to the same period of the previous year. In Traceability sales were

<sup>1</sup> The sales figures are the gross value before the deduction of earnings of EUR 0.08 million (PY: EUR 0.02 million) for Q3.

extended from EUR 1.7 million to EUR 2.4 million, which corresponds to a growth of 41.2%. Precision Parts & Systems contributed a total of EUR 5.6 million (PY: EUR 3.1 million) to total sales. At 80.6%, this area achieved the highest growth in percent. On a nine-month comparison sales climbed from EUR 123.3 million to a record high of EUR 147.5 million, which corresponds to a rise of 19.6%.

With regard to the regional sales breakdown, there was a distinct trend towards Asia as largest export region in Q3. At 31.9% (PY: 27.0%), due to the rise in demand on the semiconductor market, Asia overtook the continent Europe, which dropped notably year-on-year, at 29.3% (PY: 63.4%). The African continent continued to record significant sales growth with its share in sales of 27.4% (PY: 1.6%). Meanwhile the share of sales for North and South America improved slightly with a share of 11.4% (PY: 8.0%) year-on-year. For more detailed information on regional sales development please refer to page 21.



## EARNINGS, FINANCIAL AND ASSET SITUATION

With growth of EUR 7.2 million, earnings before interest and taxes (EBIT) for the quarter under review rose considerably year-on-year to EUR 11.4 million (PY: EUR 4.2 million); in doing so, the previous year's result was adjusted by the special effect from net allocations – that do not impact liquidity – to provisions for legal disputes, which have since been finalized. This corresponds to a two-fold increase of the EBIT margin to 20.9%, after adjusted 10.1% in the previous year. Taking into consideration the special effect, the EBIT margin in fact climbed 15.2% points. The main reasons for this extremely positive development of earnings are considerably higher sales and a noticeably lower cost-of-production ratio and the resultant increase of gross profit.

### Earnings development

At EUR 25.3 million, EBIT, adjusted for the special effects affecting income from the legal disputes that have since been finalized, has increased more than two-fold over the first nine months of 2010 against the EBIT of EUR 11.7 million achieved for the same period of the previous year. Based on sales, this corresponds to an EBIT margin of 17.2%, after 9.5% year-on-year. Taking into account these special effects, EBIT achieved in the first nine months of 2010 totals EUR 27.6 million, thus exceeding the EBIT of EUR 7.5 million, achieved in the same period of the previous year by more than three-and-a-half-fold. This corresponds to an EBIT margin of 18.7%, after 6.1% year-on-year.

The basis for the significant earnings increase in the quarter under review is largely the 30.7% sales increase. While these were again predominantly achieved by the core business area Cards & TECURITY® in Q3 2010, the distinct extension of sales is also reflected in the strong recovery of the industry-related business areas, which was aided by the general economic upturn. The percentage decline of production costs recorded on a quarterly comparison also contributed to the significant increase of earnings, even though these are impacted during the reporting period by EUR 4.0 million higher value adjustments in inventories that do not impact liquidity but are overcompensated for by both project-related lower variable costs and an only moderate increase of overheads. As a result of this development, the gross profit for the period under review totaled EUR 22.0 million; EUR 7.1 million or 47.5% higher than the gross profit of EUR 14.9 million achieved for the same period of the previous year. Based on sales, this corresponds to a gross earnings margin of 40.4%, after 35.8% year-on-year. While selling expenses, as well as research and development costs, were at the level of the same quarter of the previous year, viewed in real terms, general administrative costs dropped EUR 0.3 million, to EUR 1.7 million. This decline is due to a non-recurrent effect caused by cutbacks to pension provisions. The income balance posted in the period under review in respect of other income and expenses of EUR 0.3 million (PY: expense balance of EUR 1.4 million) represents the outflow for legal disputes in connection with active and passive patent infringement suits that have since been finalized. The Group incurred expenses of EUR 1.5 million in respect of such legal disputes in the previous year, while the earnings in the quarter under review related to expenses reimbursed by the defeated party of EUR 0.4 million. Whereas the financial result improved slightly – by EUR 0.1 million – against the third quarter of the previous year, the income tax rate

### Analysis of earnings development

dropped from 27.0% to 19.9% during the reporting period. This decline is largely due to value adjustments on deferred tax assets for loss carryovers effected in the same quarter of the previous year. As a result, net earnings achieved in the period under review totaled EUR 9.2 million. Compared with the net earnings achieved year-on-year (PY: EUR 1.8 million), this corresponds to a severe increase of EUR 7.4 million. Based on the earnings per share, this amounts to a five-fold increase compared to the same period of the previous year (EUR 0.63; PY: EUR 0.12).

The distinct earnings increase recorded over the first nine months of 2010 is primarily due to the positive business development ascertained on all sales markets relevant to Mühlbauer, without exception. This results in accumulated growth of 19.7% for the first nine months of 2010. Furthermore, the percentage decline of production costs recorded on a nine-month comparison contributed to the significant rise in earnings, although, in 2010, these are affected by EUR 6.6 million higher value adjustments for inventories that do not impact liquidity; however, these are overcompensated by a changed product mix and the degression effect in respect of overheads, which generally accompanies a sales increase. Due to the above mentioned development, the gross profit was 3.9% points higher on an annual comparison. Selling expenses for the first nine months of 2010 were EUR 0.8 million higher year-on-year, due largely to higher project-related shipping expenses. In contrast, general administrative costs, impacted by non-recurrent cutbacks to pension provisions of EUR 0.3 million, were EUR 0.4 million lower year-on-year. While research and development costs rose EUR 0.3 million in the nine-month comparison, they declined from 13.5% to 11.4% due to considerably higher sales. The significant reduction of the balance of other operating income and expenses is essentially due to the omission of legal and other fees associated with patent disputes that have since been finalized. While the formation and the discontinuation of such costs resulted in net earnings of a total of EUR 2.3 million in the first nine months of the year under review, net expenses for such legal disputes totaled EUR 4.2 million for the same period of the previous year. Taking into account the EUR 0.3 million higher year-on-year increase in financial result and the earnings-related higher income tax burden of EUR 4.0 million, net earnings for the first nine months of 2010 amounts to EUR 21.8 million (PY: EUR 5.4 million). The extremely positive development of earnings is also reflected in the earnings per share, which increased more than four-fold year-on-year (EUR 1.50; PY: EUR 0.36).

## Cashflow

In the first nine months of the current financial year, cashflow from operating activities was only slightly above the previous year's level, at EUR 36.8 million (EUR 35.3 million) – EUR 1.5 million higher. Adjusted for external cashflows from transactions with short-term marketable securities (reporting period: EUR -5.9 million; PY: EUR +18.1 million) cashflow from operating activities for the first nine months of the year under review is EUR 25.5 million higher year-on-year. The reason for the distinct rise of cashflow from operating activities adjusted for securities transactions is primarily the net earnings achieved in the first nine months of 2010, which resulted in EUR 16.9 million higher inflows, taking into account income and expenses not affecting payment as well as interest and income taxes paid. A further key factor with regard to the increase of inflows from operating activities is the reduction of working capital, which declined by EUR 6.4 million.

On a nine-month comparison, the outflow from investment activities was 29.3% or EUR 4.1 million higher year-on-year, at EUR 18.1 million (PY: EUR 14.0 million). As investment expenditure focused primarily on the completion of the two new technology centers in the USA and Slovakia in the previous year, the investments in the current financial year focused predominantly on the fitting of the Slovakian technology center with machines, structural extensions at the Malaysian site and the modernization and extension of fixed assets at the company's German site. Domestic investments related to the purchase of real estate, structural extensions of stores and production halls and the construction of a customer and technology center at the company's headquarters. Other domestic investments related to the modernization and extension of machinery, other furniture and office equipment and the software for information and communications technology.

On a nine-month comparison, due largely to the development outlined previously, free cashflow was EUR 21.4 million higher year-on-year, at EUR 24.6 million (PY: EUR 3.2 million). In the first nine months of the year under review cash and cash equivalents, as well as short-term marketable securities, rose from EUR 25.8 million to EUR 36.7 million, or 42.2%.

The Group's balance sheet total rose 14.4% to EUR 201.4 million (PY: EUR 176.1 million) against 31 December 2009. While the ratio of short-term assets to the balance sheet total hardly changed (63.3%; PY: 63.6%), it climbed by EUR 15.5 million in the year under review, due largely to the extension of business volume. In parallel, the share of long-term assets rose by EUR 9.8 million, in real terms, against the background of the massive investments; in relation to the balance sheet total, however, it remained virtually constant year-on-year, at 36.7% (PY: 36.4%). The increase in sales over the first nine months and the resultant extension of value-added activities led to a strong rise of borrowed capital, as expected. Thus the share of borrowed capital in the balance sheet total climbed from 22.1% to 26.7%, while the equity ratio dropped from 77.9% to 73.3%.

## Assets

The absolute growth of short-term assets over the first nine months of 2010 is predominantly characterized by the order-related rise of inventory assets of EUR 9.0 million and of cash and cash equivalents and short-term securities of EUR 10.9 million in total. Long-term assets rose by EUR 9.8 million against the end of the previous year; this is essentially due to investments in the modernization and extension of buildings, technical equipment and machines as well as intangible assets.

The increase of short-term liabilities by EUR 14.9 million extends to all items of the balance sheet contained therein and reflects the significant growth of business activities of the Group over the first nine months of the year under review. In the same period, shareholders' equity climbed from EUR 137.1 million to EUR 147.6 million. The key factors responsible for this increase were the net earnings of EUR 21.8 million achieved during the reporting period and the rise of other comprehensive income of EUR 2.5 million. The latter is directly linked to the revaluation of the currencies of certain group companies abroad against the Group currency (euro) in the period under review. The dividend payment to shareholders and the distribution of profits to the personally liable shareholder of EUR 13.9 million in Q2 2010 played a major role in the reduction of shareholders' equity.

## FACTOR INPUT

In Q3 2010, gross investments in respect of purchased and produced intangible and fixed assets amounted to EUR 4.1 million (PY: EUR 1.8 million). In the accumulated nine-month comparison the investment volume thus comprised EUR 15.9 million and therefore slightly lagged the previous year's investment level of EUR 16.8 million. The investments largely related to the purchase of real estate at the Dresden site for the accommodation of the risen staff in Research and Development, the exchange of the fleet in Germany and the ongoing equipment of national and international sites with hardware and software.

## Investments

In Q3 2010, the research and development expenses of the Mühlbauer technology group amounted to EUR 6.4 million (PY: EUR 6.3 million), thus totaling EUR 16.8 million (PY: EUR 16.6 million) for the first nine months. As measured by the significantly increased sales the R&D rate for this period lowered from 13.5% to 11.4%. In the Cards & TECURITY® area, research and development activities not only focused on the further development of personalization modules for Smart Card and ePassport systems but also on new card inspection lines with higher functionality for the detection of security features as well as on the further optimization of costs of serially-produced machines in the economy area, in particular, in order to enable new customers from developing and newly industrializing countries to enter Smart Card production. In the Semiconductor Related Area, the focus was on the new and further development of different applications of the still young machine platform "Variation" and on measures for the optimization of costs of the RFID equipment TAL 15.000 and FCM 10.000. In Traceability, the development of an UV curing process, which commenced in Q2, was made ready for the market with the WL 3000 UV; this is a fully automatic UV curing system which can cure a range of different adhesives with UV light at up to 24 freely definable positions.

## Research and development

To the end of Q3 2010 the Mühlbauer Group employed 2,225 staff (PY: 1,917) worldwide. As a result of the progressive internationalization of the company, additional personnel was required, in particular in Asia and Eastern Europe; due to the significant increase of growth in orders,

## Employment

however, personnel at the Roding company headquarters was also stocked up considerably in the course of the year. The number of highly qualified staff in research and development recorded a substantial increase. This area grew from 336 employees in the previous year to 404, emphasizing the great importance of the Group's continual research and development activities. The number of trainees and apprentices of the Mühlbauer Group is still high: to the end of the reporting period 365 (PY: 358) young people were employed as trainees and apprentices throughout the Group. Mühlbauer thus focuses on sustainability, through the high-quality training of skilled personnel within the company.

### EVENTS AFTER THE END OF THE QUARTER

The special events occurring between the reporting date of the quarter (30 September 2010) and the approval for publication (2 November 2010) are described in the notes (18) of the interim financial statements.

### RISK REPORT

For Mühlbauer, the assessment of the risk situation has not changed fundamentally against the end of 2009. However, there is considered to be a higher risk potential in respect of the fiscal risks relating to large projects and the procurement risks outlined there.

Due to the brisk economic recovery in the first half of 2010, the procurement risk has increased to the extent that a range of purchased parts are experiencing limited availability as of the reporting date and will continue to do so medium-term. Mühlbauer is counteracting this situation with a continued consistent supply chain management and an extension of its range of second source suppliers.

Due to some rather ambitious delivery periods in order to fulfill customer orders, Mühlbauer, as a provider of complete systems, must in such cases increasingly budget for and provide resources at a point in time at which project financing has not been fully secured by the customer. Particularly with regard to large projects, considerable amounts of cash and cash equivalents must thus be financed in advance. Additionally, Mühlbauer's global commitment in such projects involves country-specific risks. In certain countries, social and political development processes can result in situations (social unrest, war, insolvency of a state, breaking of legally binding commitments, etc.) in which the initiation or processing of orders by Mühlbauer is negatively impacted. This risk is minimized by means of a country-specific risk assessment, the selection of potential customers on the basis of creditworthiness criteria and an accompanying project controlling.

Please refer to the 2009 Annual Report for additional information on key risks; it provides an in-depth description of the structure and development of risk management and the risks the Mühlbauer Group faces, as well as the measures the Group takes to delimit the risk.

### OUTLOOK

#### Global economy

The worldwide economy recovered faster in the first nine months 2010 than leading economic research institutes forecast to the beginning of 2010. Despite this development and the worldwide economic growth of more than 4.5% for the 2010 financial year forecast the long-term continuation of the upturn remains fragile. Not only lower rates of growth are expected to be achieved as early as the end of the year, the impending competitive devaluation of currencies could pose a risk regarding to the stable growth of the global economy that is not to be underestimated. According to the forecasts, the newly industrializing countries will remain the global economy's motor, while development in the industrialized nations will be extremely irregular. Due to its continued weak employment market and the restrained consumer behavior, thereby the USA still poses a problem. Even the euro zone will lag behind the remaining developed national economies with an estimated growth rate of 1.7%. The exception thereof is Germany, whose outlook has been adjusted upwards to 3.5%.



Due to the predominant interest of governments and public authorities in providing their citizens with greater security and flexibility through new security-oriented documents in Smart Card or passport formats, the interest of the market in Cards & TECURITY® solutions should continue throughout the financial year, despite the natural volatilities that occur in the project business. In so doing, the industry is increasingly focusing on developing and newly industrializing countries, whose conventional ID documents are subject to change. Furthermore, a continued high level of demand for EMV and GSM/SIM cards is to be expected. Worldwide, the former EMV magnetic stripe cards are increasingly being fitted with a chip, while predominantly developing and newly industrializing countries contribute to an increased demand for GSM/SIM cards. In the RFID industry as well it is to be expected that the positive development will be maintained. Promising extensions of capacity, in particular due to a rise in demand for UHF-based RFID projects in supply chain management and in the apparel industry, are to provide growth impulses for this. Irrespective of a possible deceleration in respect of the general semiconductor market, on which Mühlbauer focuses specifically on semiconductor backend solutions, market researchers are forecasting a potential growth of approx. 30% for the 2010 financial year. The automotive and electronic industries relevant to Traceability and the mechanical engineering-related industries relevant to Precision Parts & Systems should retain their positive market development even though a slight attenuation of the previously high rates of growth cannot be excluded to the end of the financial year.

#### Industry development

Even though the further development of the economy is subject to certain imponderabilities, as a result of recent occurrences, the Mühlbauer technology group is again adjusting its outlook for the total year 2010 upwards, against the background of the strong order situation recorded in the first nine months of 2010. It is now expecting to achieve sales of at least EUR 195 million and an EBIT rate of approx. 18%.

#### Business development

Provided that the general economic conditions are not impaired, the company is also expecting sales and earnings to rise even further in the 2011 financial year.

Based on the positive business development and the principally positive expectation of the market, Mühlbauer has initiated investments to streamline the organization, increase flexibility and position itself even better for the future. Mühlbauer is planning investments of approx. EUR 28 million for the total year, of which EUR 15.9 million were already completed to the end of the reporting period.

#### IMPORTANT NOTICE

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

**CONSOLIDATED STATEMENT OF INCOME (IFRS) FROM JANUARY 1 TO SEPTEMBER 30, 2010  
OF MÜHLBAUER HOLDING AG & CO. KGaA<sup>1)</sup>**

	Notes	July 1 - Sept. 30, 2010 TEUR	July 1 - Sept. 30, 2009 TEUR	Jan. 1 - Sept. 30, 2010 TEUR	Jan. 1 - Sept. 30, 2009 TEUR
<b>1. Sales</b>		<b>54,505</b>	<b>41,737</b>	<b>147,275</b>	<b>123,030</b>
2. Cost of sales	(3)	(32,497)	(26,816)	(88,995)	(79,115)
<b>3. Gross profit</b>		<b>22,008</b>	<b>14,921</b>	<b>58,280</b>	<b>43,915</b>
4. Selling expenses	(4)	(2,841)	(2,824)	(10,779)	(10,004)
5. Administrative expenses		(1,702)	(1,979)	(5,708)	(6,113)
6. Research and development	(5)	(6,366)	(6,334)	(16,834)	(16,580)
7. Other income	(6)	797	281	3,665	1,108
8. Other expenses	(7)	(493)	(1,677)	(1,025)	(4,821)
<b>9. Operating income</b>		<b>11,403</b>	<b>2,388</b>	<b>27,599</b>	<b>7,505</b>
10. Financial result					
a) Financial income		211	146	557	457
b) Financial expenses		(90)	(112)	(252)	(463)
<b>11. Income before income taxes</b>		<b>11,524</b>	<b>2,422</b>	<b>27,904</b>	<b>7,499</b>
12. Income taxes		(2,295)	(655)	(6,090)	(2,098)
<b>13. Net earnings</b>		<b>9,229</b>	<b>1,767</b>	<b>21,814</b>	<b>5,401</b>
- Minority interests		(5)	-	(23)	-
- Attributable to shareholders of Mühlbauer Holding AG & Co. KGaA		9,234	1,767	21,837	5,401
<b>Earnings per share in EURO</b>					
basic	(8)	0.63	0.12	1.50	0.36
fully diluted	(8)	0.63	0.12	1.50	0.36
<b>Weighted average of shares</b>					
basic	(8)	6,131,061	6,125,301	6,131,061	6,125,301
fully diluted	(8)	6,131,062	6,125,301	6,131,062	6,125,301

<sup>1)</sup> uncertified

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS) FROM JANUARY 1 TO SEPTEMBER 30, 2010  
OF MÜHLBAUER HOLDING AG & CO. KGaA<sup>1)</sup>**

		July 1 - Sept. 30, 2010 TEUR	July 1 - Sept. 30, 2009 TEUR	Jan. 1 - Sept. 30, 2010 TEUR	Jan. 1 - Sept. 30, 2009 TEUR
<b>Net earnings</b>		<b>9,229</b>	<b>1,767</b>	<b>21,814</b>	<b>5,401</b>
Change of market value of available-for-sale securities	(16)	63	(9)	57	41
Difference due to currency translation	(16)	(1,819)	(452)	2,494	(751)
Deferred taxes	(16)	(14)	1	(15)	-
<b>Total income and expenses recognized in equity</b>		<b>(1,770)</b>	<b>(460)</b>	<b>2,536</b>	<b>(710)</b>
<b>Total income and expenses</b>		<b>7,459</b>	<b>1,307</b>	<b>24,350</b>	<b>4,691</b>
- Minority interests		(4)	-	(22)	-
- Attributable to shareholders of Mühlbauer Holding AG & Co. KGaA		7,463	1,307	24,372	4,691

<sup>1)</sup> uncertified

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

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

	Notes	Sept. 30, 2010 <sup>1)</sup> TEUR	Dec. 31, 2009 <sup>2)</sup> TEUR
<b>ASSETS</b>			
<b>Short-term assets</b>			
Cash and cash equivalents		23,572	18,798
Marketable securities	(9)	13,139	6,983
Trade accounts receivable	(10)	30,181	38,051
Other current assets	(11)	5,915	2,810
Tax receivables		1,847	1,473
Inventories	(12)	52,913	43,935
		<b>127,567</b>	<b>112,050</b>
<b>Long-term assets</b>			
<b>Investment and long-term financial assets</b>			
Trade accounts receivable	(10)	1,658	1,534
		<b>1,658</b>	<b>1,534</b>
<b>Fixed assets</b>			
Land and buildings		40,046	36,456
Technical equipment		12,044	9,225
Furniture and office equipment		5,465	4,751
Buildings and equipment in progress		2,302	1,136
		<b>59,857</b>	<b>51,568</b>
<b>Intangible assets</b>			
Software and licenses		1,980	1,203
Capitalized development costs		6,081	5,550
		<b>8,061</b>	<b>6,753</b>
<b>Other long-term assets</b>			
Long-term tax receivables		1,962	2,144
Deferred tax assets		984	1,037
Plan assets	(15)	1,316	966
		<b>4,262</b>	<b>4,147</b>
		<b>201,405</b>	<b>176,052</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Short-term liabilities</b>			
Trade accounts payable		9,056	7,128
Downpayments		18,356	10,881
Other liabilities	(13)	10,549	7,866
Accrued income taxes	(14)	3,716	1,581
Other accruals	(14)	9,962	9,243
		<b>51,639</b>	<b>36,699</b>
<b>Long-term liabilities</b>			
Deferred tax liabilities		2,164	2,221
		<b>2,164</b>	<b>2,221</b>
<b>Shareholders' equity</b>			
Ordinary share capital	(16)	8,038	8,038
Own shares	(16)	(189)	(191)
Fixed capital contribution	(16)	(2,980)	(2,980)
Additional paid-in capital	(16)	60,840	60,817
Other comprehensive income	(16)	1,872	(664)
Retained earnings	(16)	80,019	72,112
Equity excluding minority interests		147,600	137,132
Minority interests		2	-
		<b>147,602</b>	<b>137,132</b>
		<b>201,405</b>	<b>176,052</b>

<sup>1)</sup> uncertified <sup>2)</sup> certified

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

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

	Jan. 1 - Sep. 30, 2010 TEUR	Jan. 1 - Sept. 30, 2009 TEUR
<b>Cash provided by operating activities</b>		
1. Net earnings	21,814	5,401
2. + Income taxes	6,090	2,098
3. + Interest expenses	31	237
4. - Interest income	(291)	(173)
<b>Adjustments for non cash expenses and income</b>		
5. +/- Expenses/(income) from employee profit-sharing programs	25	71
6. +/- Depreciations/(appreciations) to fixed assets	5,431	5,013
7. +/- Depreciations/(appreciations) to intangible assets	477	337
8. +/- Depreciations/(appreciations) to capitalized development costs	1,817	2,832
9. +/- (Gains)/losses from the sale of fixed assets	(189)	(24)
10. +/- Realized net (gains)/losses from short- and long-term marketable securities	(173)	(74)
11. +/- (Gains)/losses from the the change in fair value of financial instruments	(54)	17
12. +/- (Increase)/decrease of deferred tax assets	53	(480)
13. +/- Increase/(decrease) of deferred tax liabilities	(57)	(439)
<b>Changes in long-term and short-term assets</b>		
14. +/- (Increase)/decrease of inventories	(8,978)	2,272
15. +/- (Increase)/decrease of trade accounts receivables and other short-term assets	6,025	(3,285)
16. +/- Increase/(decrease) of trade accounts payables and other liabilities	15,661	5,200
17. + Proceeds from sales of short-term marketable securities	13,491	25,641
18. - Cash outflows for short-term marketable securities	(19,379)	(7,545)
19. = Cash generated from operating activities	41,794	37,099
20. - Income tax paid	(5,048)	(1,896)
21. - Interest paid	(7)	(23)
22. + Interest received	78	152
23. = Cash provided by operating activities	36,817	35,332
<b>Cashflow from investing activities</b>		
24. + Proceeds from disposals of fixed assets	384	179
25. - Purchase of fixed assets	(13,943)	(12,117)
26. - Purchase of intangible assets	(2,163)	(213)
27. - Expenditures for capitalized development costs	(2,333)	(1,854)
28. = Cash used for investing activities	(18,055)	(14,005)
<b>Cashflow from financing activities</b>		
29. +/- Increase/(decrease) of short-term financial liabilities	-	(22)
30. + Proceeds from sales of own shares	-	79
31. + Capital increase at subsidiaries (of other shareholders)	24	-
32. - Dividends paid	(13,929)	(12,790)
33. +/- Tax withdrawal personally liable shareholder	(1,665)	(1)
34. = Cash used for financing activities	(15,570)	(12,734)
35. +/- Increase/(decrease) of currency exchange rate changes	1,582	(537)
36. = Net increase/(decrease) in cash and cash equivalents (Total of lines 23, 28, 34 and 35)	4,774	8,056
37. + Liquid funds on January 1	18,798	17,122
38. = Liquid funds on September 30	23,572	25,178

<sup>1)</sup> uncertified

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

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

	Notes	Total number of shares	Own shares Number	Ordinary share capital in considera- tion of own shares TEUR	Fixed capital TEUR	Additional paid-in capital TEUR	Other compre- hensive income/ (loss) TEUR	Retained earnings TEUR	Minority interests TEUR	Total TEUR
<b>Balance January 1, 2009 <sup>1)</sup></b>		<b>6,279,200</b>	<b>(157,995)</b>	<b>7,836</b>	<b>(2,980)</b>	<b>60,677</b>	<b>(449)</b>	<b>79,886</b>	<b>-</b>	<b>144,970</b>
Net earnings		-	-	-	-	-	-	5,401	-	5,401
Other comprehensive income/(loss)	(16)	-	-	-	-	-	(710)	-	-	(710)
Total comprehensive income/(loss)	(16)	-	-	-	-	-	(710)	5,401	-	4,691
Deferred compensation	(16)	-	-	-	-	71	-	-	-	71
Proceeds from sales of own shares	(16)	-	9,000	11	-	68	-	-	-	79
Dividends	(16)	-	-	-	-	-	-	(15,121)	-	(15,121)
Cash capital increase		-	-	-	-	-	-	-	-	-
<b>Balance September 30, 2009 <sup>2)</sup></b>		<b>6,279,200</b>	<b>(148,995)</b>	<b>7,847</b>	<b>(2,980)</b>	<b>60,816</b>	<b>(1,159)</b>	<b>70,166</b>	<b>-</b>	<b>134,690</b>
<b>Balance January 1, 2010 <sup>1)</sup></b>		<b>6,279,200</b>	<b>(148,995)</b>	<b>7,847</b>	<b>(2,980)</b>	<b>60,817</b>	<b>(664)</b>	<b>72,112</b>	<b>-</b>	<b>137,132</b>
Net earnings		-	-	-	-	-	-	21,837	(22)	21,815
Other comprehensive income/(loss)	(16)	-	-	-	-	-	2,536	-	-	2,536
Total comprehensive income/(loss)	(16)	-	-	-	-	-	2,536	21,837	(22)	24,351
Deferred compensation	(16)	-	-	-	-	25	-	-	-	25
Proceeds from sales of own shares	(16)	-	1,335	2	-	(2)	-	-	-	-
Dividends	(16)	-	-	-	-	-	-	(13,930)	-	(13,930)
Cash capital increase		-	-	-	-	-	-	-	24	24
<b>Balance September 30, 2010 <sup>2)</sup></b>		<b>6,279,200</b>	<b>(147,660)</b>	<b>7,849</b>	<b>(2,980)</b>	<b>60,840</b>	<b>1,872</b>	<b>80,019</b>	<b>2</b>	<b>147,602</b>

<sup>1)</sup> certified <sup>2)</sup> uncertified

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 effected globally, via the company's own sales and services network and in different countries via trade representations depending on projects.

#### Principles of presentation

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

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

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

---

---

### **Published and amended interpretations, revisions and amendments of published standards that are prematurely applied in 2010**

- Amendments to IFRIC 14 "Prepayments of a Minimum Funding Requirement":  
The amendments to IFRIC 14 shall, at the latest, be applied on commencement of the first financial year after 31 December 2010. Mühlbauer applies the amendments as of Q3 2010. These amendments are to remove an unintended result of IFRIC 14 in cases in which a company that is subject to a minimum funding requirement pays contributions in advance and companies that make such advance payments would, in certain cases, have to record these as an expense. If a minimum funding requirement exists in respect of a performance-oriented plan, the advance payment must, like other advance payments, be treated as an asset – according to the current amendment of IFRIC 14. This does not affect the financial statements and notes of the Mühlbauer Group.
- Revision of IAS 24 "Related Party Disclosures" and amendment of IFRS 8 "Operating Segments":  
The revised IAS 24 and the amendments to IFRS 8 shall, at the latest, be applied on commencement of the first financial year following 31 December 2010. Mühlbauer applies the amendments as of Q3 2010. The revised version of IAS 24 shall clarify the definition of associated companies and persons and exempt companies that are associated with public offices from specific details on business occurrences with associated companies and persons. The amendments to IFRS 8 relate to consequential amendments from the adoption of IAS 24 with reference to the disclosure obligation in respect of key state customers. This does not affect the financial statements and notes of the Mühlbauer Group.
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" and the amendment of IFRS 1 "First-time adoption of international financial reporting standards":  
IFRIC 19 and the amendment to IFRS 1 shall, at the latest, be applied to financial years commencing on or after 1 July 2010. Mühlbauer applies the amendments as of Q3 2010. IFRIC 19 contains guidelines for the reporting of equity instruments that a debtor issues after renegotiating the conditions in respect the full or partial redemption of a financial liability. This does not affect the financial statements and notes of the Mühlbauer Group.

### **Principles of consolidation**

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

### **SUMMARY OF KEY (2) ACCOUNTING PRINCIPLES**

---

## B. EXPLANATIONS TO THE CONSOLIDATED STATEMENT OF INCOME

### (3) COST OF SALES

Apart from directly attributable costs such as material and personnel costs as well as depreciations, cost of sales also comprise overhead costs as well as the balance of devaluations and revaluations on inventories.

### (4) SELLING EXPENSES

The selling expenses in Q3 and the first nine months of 2010 contain expenses for outbound cargo of TEUR 693 (PY: TEUR 443) and TEUR 2,344 (PY: TEUR 1,369). In Q3 2010 selling expenses declined by earnings from the discontinuation of value adjustments on trade accounts receivable, offset by expenses from the addition of such value adjustments totaling TEUR 895 (PY: TEUR 107). In the first nine months of 2010 these earnings amount to TEUR 435 (PY: expenses of TEUR 476).

### (5) RESEARCH & DEVELOPMENT

The research and development expenses in Q3 2010 include value adjustments of TEUR 239 (PY: 1,017) due to amended evaluations pertaining to the future usability of individual development results. In the first nine months 2010 TEUR 664 (PY: TEUR 1,350) were expended for such value adjustments.

### (6) OTHER EARNINGS

	1 July - 30 Sept 2010 TEUR	1 July - 30 Sept 2009 TEUR	1 Jan - 30 Sept 2010 TEUR	1 Jan - 30 Sept 2009 TEUR
Earnings from closing accruals and liabilities	56	-	2,103	351
Insurance compensation and others	306	83	581	193
Canteen earnings	108	88	363	290
Earnings from the sale of old material	129	39	260	102
Gains from the sale of long-term assets	148	14	235	36
Rental income	18	-	18	12
Other	32	57	105	124
<b>Sum of other operating income</b>	<b>797</b>	<b>281</b>	<b>3,665</b>	<b>1,108</b>

### (7) OTHER EXPENSES

Other operating expenses largely contain remaining expenses in respect of legal fees and other costs totaled TEUR 241. These expenses are related to the processing of finalized legal proceedings and result from costs of TEUR 314, accrued in 1HY 2010, offset by earnings of TEUR 73 from the dissolution of an accrual in the quarter under review. In Q3 2009 and the first nine months of 2009, other expenses comprise TEUR 1,776 and TEUR 4,602 in respect of such expenses.

### (8) EARNINGS PER SHARE

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

		1 July - 30 Sept 2010	1 July - 30 Sept 2009	1 Jan - 30 Sept 2010	1 Jan - 30 Sept 2009
Income before income taxes *	TEUR	11,529	2,422	27,927	7,499
Portion of share capital in total capital	%	42.73	42.73	42.73	42.73
Portion of income before income taxes applicable to the shareholders of the limited partnership	TEUR	4,926	1,035	11,933	3,204
Effective tax rate *	%	20.81	29.08	22.83	30.29
Effective tax amount *	TEUR	1,025	301	2,724	970
Portion of net earnings for the year applicable to the shareholders of the limited partnership *	TEUR	3,901	734	9,209	2,234
Weighted average of common shares	No.	6,279,200	6,279,200	6,279,200	6,279,200
Repurchased shares (weighted)	No.	(148,139)	(153,899)	(148,139)	(153,899)
Weighted average of shares outstanding	No.	6,131,061	6,125,301	6,131,061	6,125,301
Dilution effects from subscription rights of employees and executives	No.	1	-	1	-
Weighted average of shares outstanding (diluted)	No.	6,131,062	6,125,301	6,131,062	6,125,301
Basic earnings per share *	EUR	0.63	0.12	1.50	0.36
Diluted earnings per share *	EUR	0.63	0.12	1.50	0.36

\* Without minority interests



### C. EXPLANATIONS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In Q3 2010, earnings of TEUR 5,258 were achieved from the sale of "at fair value through profit or loss" certificates and TEUR 13,491 in the first nine months 2010. Payments for the purchase of such certificates amounted to TEUR 2,698 (PY: TEUR 0) and TEUR 14,436 (PY: TEUR 1,912) in these periods.

Payments for the purchase of securities of the category "available-for-sale" amounted to TEUR 4,943 in the first nine months 2010 which affecting exclusively Q2 2010. In the first nine months of the previous year TEUR 7,544 were expended for the purchase of such securities and affected exclusively Q1. Earnings from the disposal of securities of the category "available-for-sale" totaled TEUR 3,205 and TEUR 25,641 in Q3 2009 and in the first nine months 2009. In Q3 2010 as well as in the first nine months 2010 securities of that category have not been liquidated.

in TEUR	30 September 2010			31 December 2009		
	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	31,715	1,658	33,373	40,405	1,534	41,939
Less value adjustments	(1,534)	-	(1,534)	(2,354)	-	(2,354)
	<b>30,181</b>	<b>1,658</b>	<b>31,839</b>	<b>38,051</b>	<b>1,534</b>	<b>39,585</b>

#### MARKETABLE SECURITIES (9)

#### TRADE ACCOUNTS (10) RECEIVABLE

in TEUR	30 September 2010	31 December 2009
Receivables from the personally liable shareholder	1,665	1
VAT-receivables	1,207	601
Claims on investment and technology grants	939	1,132
Prepaid expenses	885	536
Advance payments made	620	148
Receivables from suppliers	175	147
Guarantees	34	121
Claims on investment subsidies	25	8
Derivative financial instruments	-	1
Other	365	115
	<b>5,915</b>	<b>2,810</b>

#### OTHER CURRENT ASSETS (11)

in TEUR	30 September 2010	31 December 2009
Raw materials, auxiliary and operating materials	10,700	7,165
Unfinished products	37,679	29,206
Finished products and trade goods	4,534	7,564
	<b>52,913</b>	<b>43,935</b>

#### INVENTORIES (12)

The value adjustment in respect of inventories rose by TEUR 5,455 (PY: TEUR 1,413) in Q3 2010 and by TEUR 12,546 (PY: TEUR 5,985) in the first nine months of 2010, and recorded as expense.

in TEUR	30 September 2010	31 December 2009
Salaries and wages	8,407	5,293
Income tax on salaries and wages	606	963
Commissions	658	672
Liabilities to customers	318	434
Social security contributions	264	175
Other liabilities - personnel	119	61
Capital formation	63	64
VAT-tax burden	9	102
Income tax liabilities	2	23
Loan of shareholders	1	-
Other	102	79
	<b>10,549</b>	<b>7,866</b>

#### OTHER LIABILITIES (13)

**(14) ACCRUED INCOME TAXES  
AND OTHER ACCRUALS**

in TEUR	As per 1 Jan 2010	Difference due to currency			As per 30 Sept 2010	
		translation	Consumption	Addition Dissolution		
Accrued income taxes	1,581	-	(687)	2,822	-	3,716
Personnel and social security obligations	528	-	(369)	1,015	(160)	1,014
Guarantee obligations	4,707	-	(2,986)	2,948	(278)	4,391
Service in progress	1,079	-	(1,073)	2,543	-	2,549
Litigation risks	1,444	(7)	(423)	192	(937)	269
Commissions	276	-	(150)	-	(126)	-
Other	1,209	-	(701)	1,254	(23)	1,739
Other accruals	9,243	(7)	(5,702)	7,952	(1,524)	9,962
	<b>10,824</b>	<b>(7)</b>	<b>(6,389)</b>	<b>10,774</b>	<b>(1,524)</b>	<b>13,678</b>

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

**(15) PENSION AND  
POSTRETIREMENT BENEFITS**

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

in TEUR	1 Jan - 30 Sept 2010	30 September 2010	1 Jan - 31 Dec 2009	31 December 2009
<b>Accruals for pension obligations at the beginning of the reporting period</b>		<b>(966)</b>		<b>(913)</b>
Amounts recorded as income				
Current service cost	136		172	
Interest expenses on obligations	210		267	
Expected earnings on plan assets	(169)		(208)	
Planning adjustment	(348)	(171)	-	231
Contributions to plan assets		(179)		(284)
<b>Accruals for pension obligations at the end of the reporting period</b>		<b>(1,316)</b>		<b>(966)</b>

The adjustment of the pension plan effected during the reporting period results from the reduction of pension obligations in respect of one employee who is a pension beneficiary.

## Own shares

## SHAREHOLDERS' EQUITY (16)

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

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

## Other comprehensive income

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

in TEUR	Fair value of securities	Difference due to currency translation	Total
<b>Status as per 1 January 2009</b>	<b>(41)</b>	<b>(408)</b>	<b>(449)</b>
Unrealized gains/(losses)	90	-	90
Reclassification with an effect on the income statement	(49)	-	(49)
Currency adjustments	-	(751)	(751)
<b>Deferred taxes</b>			
Tax effect from unrealized gains/(losses)	(2)	-	(2)
Reclassification with an effect on the income statement	2	-	2
<b>Status as per 30 September 2009</b>	<b>-</b>	<b>(1,159)</b>	<b>(1,159)</b>
<b>Status as per 1 January 2010</b>	<b>-</b>	<b>(664)</b>	<b>(664)</b>
Unrealized gains/(losses)	57	-	57
Reclassification with an effect on the income statement	-	-	-
Currency adjustments	-	2,494	2,494
<b>Deferred taxes</b>			
Tax effect from unrealized gains/(losses)	(15)	-	(15)
Reclassification with an effect on the income statement	-	-	-
<b>Status as per 30 September 2010</b>	<b>42</b>	<b>1,830</b>	<b>1,872</b>

### Stock purchase programs

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

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

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

### Stock ownership plan to employees

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

## (17) LIABILITY AND OTHER FINANCIAL OBLIGATIONS

To the end of the reporting period the contractual obligations from purchase of fixed and intangible assets as well as from other purchase and service agreements increased by TEUR 11,313 to TEUR 21,074 compared to 31 December 2009 (see notes (27) of the 2009 Annual Report).

## D. SEGMENT REPORTING

Segment information for the Q3 2010/2009 and the first nine months 2010/2009:

	Q3 2010	Q3 2009	1 Jan - 30	1 Jan - 30
Sales by application area	TEUR	TEUR	Sept 2010	Sept 2009
			TEUR	TEUR
Cards & TECURITY®	35,564	29,830	93,216	87,919
Semiconductor Related Products	11,005	7,224	33,248	21,891
Precision Parts and Systems	5,652	3,059	15,256	9,286
Traceability	2,364	1,645	5,790	4,188
	<b>54,585</b>	<b>41,758</b>	<b>147,510</b>	<b>123,284</b>
Deductions on sales	(80)	(21)	(235)	(254)
	<b>54,505</b>	<b>41,737</b>	<b>147,275</b>	<b>123,030</b>

	Q3 2010	Q3 2009	1 Jan - 30	1 Jan - 30
Sales by region	TEUR	TEUR	Sept 2010	Sept 2009
			TEUR	TEUR
Asia	17,391	11,303	42,455	27,071
Africa	14,957	651	37,075	17,280
Rest of Europe	7,529	17,097	29,401	40,820
Germany	8,487	9,374	22,448	23,380
America	6,221	3,333	16,131	14,733
	<b>54,585</b>	<b>41,758</b>	<b>147,510</b>	<b>123,284</b>
Deductions on sales	(80)	(21)	(235)	(254)
	<b>54,505</b>	<b>41,737</b>	<b>147,275</b>	<b>123,030</b>

## E. NOTES TO THE STATEMENT OF CASH-FLOWS

The free cashflow is derived as follows:

	1 Jan -	1 Jan -
	30 Sept 2010	30 Sept 2009
	TEUR	TEUR
Cash provided by operating activities	36,817	35,332
Cash used for investing activities	(18,055)	(14,005)
Subtotal	18,762	21,327
<b>Transition to free cashflow</b>		
Gains/(losses) from the sale of fixed assets and intangible assets	189	24
Realized net gains/(losses) from short and long-term marketable securities	173	74
Proceeds from disposals of long-term assets	(384)	(179)
Proceeds from sale of short-term assets (marketable securities)	(13,491)	(25,641)
Investments in short-term assets (marketable securities)	19,379	7,545
<b>Free Cashflow</b>	<b>24,628</b>	<b>3,150</b>

---

## F. OTHER NOTES

### (18) EVENTS AFTER THE REPORTING DATE

No events of major significance occurred after the end of Q3 2010.

### (19) RELATIONSHIPS WITH ASSOCIATED COMPANIES AND PERSONS

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

Dr. Thomas Zwissler, Chairman of the Supervisory Board, is also an attorney and partner of the law firm Zirngibl Langwieser. The company occasionally provides legal consultation to the Mühlbauer Group. The fees for such services amounted to TEUR 48 (PY: TEUR 61) in the first nine months 2010.

Mühlbauer Aktiengesellschaft, ASEM Präzisions-Automaten GmbH and takeID GmbH rent office space from Mr. Josef Mühlbauer or companies controlled by him. In the first nine months 2010, rental costs amounted to TEUR 234 (PY: TEUR 233).

Group companies utilize certain services in respect of the conveyance of passengers, sales promotion, the organization of travel, accommodation and catering, offered by companies that are controlled by Mr. Josef Mühlbauer. After deduction of commission services the Group paid TEUR 624 (PY: TEUR 545) additionally the current amount of VAT for such services in the first nine months 2010. In the first nine months 2010, Mühlbauer Aktiengesellschaft generates proceeds of TEUR 34 (PY: TEUR 15) additionally the current amount of VAT in respect of services provided, products sold and incurred guarantees to Mr. Josef Mühlbauer or companies controlled by him.

---

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

**NUMBER OF EMPLOYEES (20)**

	30 September 2010 Number	30 September 2009 Number
Production and assembly	1,140	932
Research and development	407	335
Administration and sales	212	205
	1,759	1,472
Apprentices and trainees as well as part-time employees	466	445
<b>Total</b>	<b>2,225</b>	<b>1,917</b>

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

	30 September 2010 Number	30 September 2009 Number
Germany	1,779	1,641
Asia	238	153
Rest of Europe	161	91
America	30	22
Other	17	10
<b>Total</b>	<b>2,225</b>	<b>1,917</b>

This consolidated interim report was authorized to be published by the personally liable shareholder on 2 November 2010.

**Mühlbauer Holding AG & Co.  
Kommanditgesellschaft auf Aktien**

The personally liable shareholder

Financial calendar

November 05, 2010 . . . . .	Roadshow Paris
November 22, 2010 . . . . .	German Equity Forum (Frankfurt)
Dezember 02, 2010 . . . . .	European Conference 2010 (London)
March 16, 2011 . . . . .	Annual Report 2010
April 28, 2011 . . . . .	Annual General Meeting

**Mühlbauer Holding AG & Co. KGaA**  
Headquarters: Josef-Mühlbauer-Platz 1  
93426 Roding, Germany  
Phone +49-9461-952-0  
Fax +49-9461-952-1101

**Contact Investor Relations:**  
investor-relations@muehlbauer.de  
Phone +49-9461-952-1653  
Fax +49-9461-952-8520

**Visit us on the web at:**  
[www.muehlbauer.de](http://www.muehlbauer.de)