Mühlbauer
High Tech International

Interim report
2nd Quarter 2011

Q2

Content

Group overview *		Q2/2011	Q2/2010	Change %	1 HY/2011	1 HY/2010	Change %
Order income	EUR million	94.5	59.2	59.6	142.7	173.1	(17.6)
Order backlog	EUR million	207.3	149.5	38.6	207.3	149.5	38.6
Sales	EUR million	41.9	63.4	(33.9)	91.5	92.9	(1.5)
EBIT	EUR million	2.3	14.4	(84.0)	12.1	16.2	(25.3)
EBIT margin **	%	5.4	22.7	(17.3)	13.3	17.5	(4.2)
EBT	EUR million	2.5	14.5	(82.8)	12.4	16.4	(24.4)
Net earnings	EUR million	1.9	10.5	(81.9)	9.3	12.6	(26.2)
Earnings per Share	EUR	0.13	0.73	(82.2)	0.64	0.87	(26.4)
Free cashflow	EUR million	(16.4)	12.9	(227.1)	(2.6)	14.2	(118.3)
Employees ***	Number	2,448	2,015	21.5	2,448	2,015	21.5

* Negative values in parentheses
** Change % in percentage points
*** As per reporting date

Interim consolidated Management Report

OVERVIEW OF THE BUSINESS DEVELOPMENT IN THE GROUP

Based on the award of further tenders for government projects with overall responsibility and the ongoing positive demand from a host of different industries for high-precision mechanical parts and components, the globally active Mühlbauer technology group achieved a significant increase of order income in Q2 2011. However, the different character in execution of deliveries and services provided in respect of government projects in Q2 and delays caused by customers resulted in the fact that the sales and earnings achieved in the quarter under review were significantly lower than in the comparatively high quarter of the previous year.

The key developments in Q2 2011 were:

- Consolidated order income 59.6% higher year-on-year, at EUR 94.4 million (PY: EUR 59.2 million) – largely driven by the two business areas Cards & TECURITY® and Precision Parts & Systems)

- At EUR 207.3 million or 33.7%, order backlog considerably higher than the order backlog to the end of the previous quarter (EUR 155.1 million)

- Quarterly sales[1] 33.9% lower year-on-year, at EUR 41.9 million (PY: EUR 63.4 million). The reasons for this are, on the one hand, that material services in respect of the large-scale order awarded in Q1 of the previous year, worth EUR 64.2 million, were already provided in the following quarter, resulting in sales, while services in respect of the remaining ID projects in the order backlog largely extend over a longer period of time. On the other hand, customer backlogs pertaining to the development of local infrastructure resulted in the delay of deliveries.

- Gross profit dropped strongly, by 40.7%, from EUR 27.0 million to EUR 16.0 million, due to the sales-related lower overhead degression, higher personnel expenditure due to the recruitment of new employees in the production and assembly areas, higher project-related traveling expenses and the formation of a provision for anticipated losses.

- Significantly higher research and development expenses result in a drop of EBIT by 84.0%, from EUR 14.4 million to EUR 2.3 million. This corresponds to an EBIT margin of 5.4%, after 22.7% year-on-year.

[1] The sales figures for Q2 2011 are the gross values prior to any deductions in earnings of EUR 0.1 million (PY: EUR 0.1 million)

- The statement of income reports net earnings of EUR 1.9 million, EUR 8.6 million less year-on-year (PY: EUR 10.5 million). During the reporting period, the share of profit applicable to each share totals EUR 0.13, after EUR 0.73 year-on-year.

- Low net earnings for the year, higher outflows for the financing of order-related production costs, the build-up of stocks to ensure short delivery times and ongoing investment activities resulted in the fact that free cashflow totals EUR -16.4 million in the quarter under review, after EUR +13.0 million year-on-year.

- While the company is still assuming that it will manage to increase total sales year-on-year – based on its high order backlog and the unchanged positive outlook on the markets relevant to Mühlbauer – this expectation, which has so far also been linked with the earnings development, will largely depend on government decisions in respect of projects currently under discussion, their allocation to Mühlbauer and the speed of their implementation. At the current point in time, it can therefore not be excluded that earnings will be lower than the comparatively high level achieved year-on-year. Meanwhile the national and international extension of the Group is being pushed ahead in order to support the available global market potential in the best possible way. The company is expecting to spend up to EUR 30 million on investments in the current financial year.

FRAMEWORK CONDITIONS

Global economy

Despite the earthquake and nuclear disaster in Japan and the political turbulences in the Arab world and North Africa, the development of the global economy was still positive in Q2 2011, even though this upswing lost some of its momentum compared with Q1 2011 and the previous year. Economic development varied considerably in the different regions of the world. While the US labor market has shown weak signs of recovery and the stricken real estate sector may finally be at a turning point, according to reports by the Office of Federal Housing Enterprise Oversight and the National Association of Realtors, the economic situation in the USA is still tense, in particular in view of the massive national debt and impending bankruptcy of the country, if Congress does not come to an agreement with regard to raising the legally defined upper limit of USD 14.3 billion, which was already exceeded as early as May 2011. A deceleration of economic momentum can be observed in the newly industrializing countries, following an extremely rapid economic upturn. In China, for example, growth is intentionally curbed by a tighter monetary policy and low fixed asset investments by the government and central bank, in order to counter the rising inflation. In the euro zone, economic growth remained cautious, on average. In so doing, the chasm between the core countries of the European Union and the periphery countries widened. While Greece and Ireland faced a deep recession and painful fiscal consolidation measures, export nations such as Germany or Finland recorded a strong upturn.

Industry development

Governments, ministries and their downstream administrative bodies worldwide are responsible for providing their citizens with safe, nationally and internationally acknowledged identification and travel documents. In the period under review there have not been any major changes compared with the positive developments on the ID market forecast in the 2010 Annual Report.

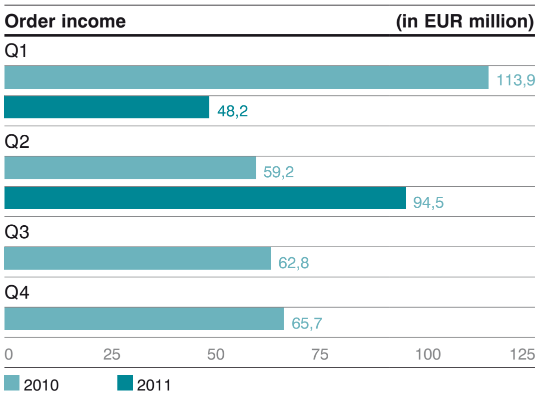
With regard to the RFID market, demand improved tangibly overall in Q2, after a slow start at the beginning of the year. Nevertheless, a strong volatility can still be felt in the development of the market, which is decisively influenced by the realization of important large-scale projects, in particular in the USA. The semiconductor market has lost some of its momentum compared with the previous year as well and has thus been slightly under the level of the previous year, over the past six months. The situation on the markets for board handling and marking solutions for electronic components was similar.

In Q2 2011, mechanical engineering and plant construction, which is one of the key indicators for Precision Parts & Systems continued the positive development already recorded at the beginning of the current financial year.

BUSINESS DEVELOPMENT

Order income and order backlog

Based on the award of further tenders for government projects with overall responsibility, the globally active Mühlbauer Group recorded a significant increase of order income. The order income of EUR 94.5 million achieved in Q2 of 2011 not only outperformed the value achieved in the previous year (PY: EUR 59.2 million) by 59.6%; this value also marks the second-highest quarterly value ever achieved in the solution provider's 30 year company history.



The order income relating to the core business area Cards & TECURITY® amounts to EUR 70.7 million. Thus, with a 112.3% increase, the company more than doubled the order income of EUR 33.3 million achieved year-on-year. This positive development was caused by further orders for ID projects that are to be progressively realized. The projects include the provision of systems for the development of national databases including data collection and personalization and all process steps and materials concerning document production through to their issue to citizens. In the past reporting period Semiconductor Related Products also contributed a good basis for future business development. While order income in this area lagged the previous year's value (PY: EUR 20.2 million) by 18.8%, after strong growth in the previous year, which was due to the elimination of the investment backlog resulting from the global economic crisis, and its normalization in the current financial year, the order book remained at a high level with orders to the value of EUR 16.4 million, an almost consistent demand for semiconductor backend systems (in comparison with the previous quarter) and further growth in orders for RFID Smart Label production facilities. The order situation in Precision Parts & Systems continued to improve significantly. At EUR 7.4 million (PY: EUR 5.7 million), the order volume posted here exceeds the previous year's value by 29.8%.

The orders placed in 1HY 2011 amounted to EUR 142.7 million; in comparison with the order value of EUR 173.1 million achieved in the 1HY 2010, which also includes an individual high-volume ID order of approx. EUR 64.2 million, this corresponds to a 17.6% decline. This decline is largely reflected in the core business area Cards & TECURITY®. Here, at EUR 95.2 million (PY: EUR 124.5 million), order incomes are 23.5% lower year-on-year, while Semiconductor Related Products dropped 14.8%, from EUR 37.1 million to EUR 31.6 million, as a result of the economy-related investment backlog. Precision Parts & Systems has, however, grown strongly, year-on-year. With orders worth EUR 15.9 million, the previous year's value of EUR 11.5 million was outstripped by 38.3%.

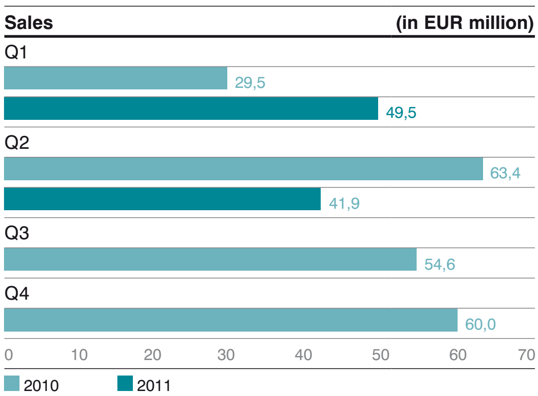
The order backlog to the end of the reporting period benefited from the high growth of order income and totaled EUR 207.3 million (PY: EUR 149.5 million), which corresponds to a 38.6% increase.

Sales[1]

On a quarterly comparison, consolidated sales of the solution provider dropped by 33.9%, from EUR 63.4 million to EUR 41.9 million. The reasons for this are, on the one hand, that material services in respect of the large-scale order awarded in the first quarter of the previous year, worth EUR 64.2 million, were already provided in the following quarter, resulting in sales, while services in respect of the remaining ID projects in the order backlog largely extend over a longer period of time. On the other hand, customer backlogs pertaining to the development of local infrastructure resulted in the delay of deliveries. As a result, sales in the core business area Cards & TECURITY® declined by 52.6%, dropping from EUR 43.5 million in Q2 2010 to EUR 20.6 million in the quarter under review. By contrast, Semiconductor Related Products virtually retained the comparatively high level of the previous year and, at EUR 14.3 million in Q2 2011, only lagging slightly behind the previous year's value of EUR 14.7 million. Precision Parts & Systems recorded marked growth. With sales of EUR 7.0 million during the reporting period, this area exceeded the previous year's value by 34.6% (PY: EUR 5.2 million).

On a half-yearly comparison, at EUR 91.5 million, consolidated sales were virtually at the level of the previous year (PY: EUR 92.9 million). While the core business area Cards & TECURITY® lagged the previous year's value by 12.4%, at EUR 50.5 million (PY: EUR 57.7 million) – largely due to timely differences in execution of deliveries and services provided in respect of ID projects and customer-related delivery delays – Semiconductor Related Products records a slight plus of 2.3% year-on-year, at EUR 26.3 million (PY: EUR 25.6 million). Precision Parts & Systems has, however, grown strongly, on a half-yearly comparison. With sales worth EUR 14.7 million, the previous year's value of EUR 9.6 million was outstripped by 53.3%.

With regard to regional sales breakdown, severe shifts were recorded during the reporting period. While, on a percentage basis, Europe grew by a further 4.7% year-on-year, to 41.4% (PY: 36.7%), against the background of the increase of 24.3% recorded in Germany, on an absolute basis, however, Europe dropped from EUR 23.3 million to EUR 17.4 million. In contrast to the above development, the second-largest region, Asia, extended its share in sales from EUR 12.4 million to EUR 17.1 million. On a relative basis, this corresponds to a significant increase of its share from 19.5% to 40.8%. Africa recorded the greatest change – both on an absolute and on a relative basis. The quarterly comparison recorded a project-related sales decline from EUR 20.0 million to EUR 2.7 million. Based on total sales, this corresponds to a share of 6.5%. In the previous year the regional share in sales in this region was 31.6%. The share in sales contributed by America amounted to EUR 4.2 million or 9.9% for the reporting period. Year-on-year, the share in sales totaled EUR 7.8 million or 12.2%. Please refer to page 25 of the notes for more in-depth information on regional sales development.



EARNINGS, FINANCIAL AND ASSET SITUATION

Earnings development

Earnings before interest and taxes (EBIT) of EUR 2.3 million in respect of the quarter under review have decreased considerably year-on-year (PY: EUR 14.4 million). The key reasons for the declining earnings development are the 33.9% drop in sales (which is both project-related and due to customer-related delivery delays) in conjunction with a 4.4% point higher cost-of-production ratio (61.7%; PY: 57.3%) and a higher personnel-related research and development expenditure. Based on the sales achieved in the reporting period, this corresponds to an EBIT margin of 5.4%, after 22.7% year-on–year. The statement of income for the period under review reports net earnings of EUR 1.9 million, EUR 8.6 million less than in the same period of the previous year (PY: EUR 10.5 million). During the reporting period, the share of profit applicable to each share totals EUR 0.13, after EUR 0.73 year-on-year.

[1] The sales figures for Q2 2011 are the gross values prior to any deductions in earnings of EUR 0.1 million (PY: EUR 0.1 million)

As a result of the weak quarterly result, the EBIT of EUR 12.1 million, in respect of the first half of the current financial year was 25.2% lower than in the same period of the previous year (PY: EUR 16.2 million). Based on the virtually unchanged sales figures on a half-yearly comparison, this corresponds to an EBIT margin of 13.3%, after 17.5% year-on–year. Net earnings achieved by the solution provider in 1HY 2011 thus amount to EUR 9.3 million, after EUR 12.6 million for the same period of the previous year. This corresponds to earnings per share of EUR 0.64, after EUR 0.87 in the previous year.

Analysis of earnings development

The considerably lower sales achieved during the quarter under review and the simultaneous 4.4% point rise in the share of cost of goods sold, were the main reason for the drop in gross profit on a quarterly comparison from EUR 27.0 million by 40.7% to EUR 16.0 million. This corresponds to a gross profit margin of 38.3%, after 42.7% year-on-year. The disproportionately small decline of cost of goods sold in comparison with sales is largely due to the lower sales-related overhead degression, higher personnel expenditure as a result of the recruitment of new employees in the production and assembly areas, higher project-related traveling expenses and the formation of a provision for anticipated losses of EUR 0.8 million. Selling expenses dropped by EUR 0.4 million on a quarterly comparison, from EUR 5.2 million to EUR 4.8 million. This decline is, on the one hand, due to the EUR 1.0 million higher non cash related risk provision in respect of trade accounts receivable. On the other hand, general cost increases have partially equalized this decline. The EUR 0.3 million increase of administrative expenses to EUR 2.4 million (PY: EUR 2.1 million) represent an outflow of expenditure in respect of the successive streamlining of the organization and the progressive internationalization and expansion of the Mühlbauer Group. The build-up of personnel capacity and the comparatively lower capitalization of internal development results led to a significant year-on-year increase of research and development costs for the quarter by 29.2%, from EUR 5.7 million to EUR 7.3 million. The balance of other operating income and expenses, which largely comprises effects outside the Group's core activities as well as business transactions relating to other periods recorded a plus of EUR 0.8 million in the quarter under review, after a plus of EUR 0.3 million in the same quarter of the previous year. Combined earnings from securities and interest income, which are summarized in the financial result has more than doubled year-on-year with a plus of EUR 0.2 million (PY: EUR 0.1 million). Income taxes dropped by EUR 3.4 million, from EUR 4.0 million to EUR 0.6 million, against the background of the significantly lower amount of earnings before taxes.

While the level of sales remained virtually constant on a half-yearly comparison, the gross profit achieved was EUR 1.7 million or 2.5% higher than for the same period of the previous year. This corresponds to a gross profit margin of 41.6%, after 39.1% year-on-year. The reason for this rise in earnings is largely due to appreciations in value of inventory assets. Cost increases pertaining to selling and general administrative expenses as well as in the research and development area had the opposite effect, ultimately resulting in the fact that the EBIT of EUR 12.1 million, achieved in 1HY 2011 lagged the previous year's result by EUR 4.1 million (PY: EUR 16.2 million), irrespective of the gain recorded in respect of the gross profit. The EUR 1.0 million increase in costs in the sales area is essentially due to the rise in personnel expenditure as well as project-related selling expenses. The risk provision in respect of trade accounts receivable that does not affect income, formed in the same period of the previous year, had the opposite effect. The rise in costs of EUR 0.5 million recorded in respect of general administrative expenses is largely due to expenses in connection with the successive streamlining of the organization and the progressive internationalization and expansion of the Mühlbauer Group. Research and development expenses have risen markedly with an increase of EUR 3.8 million on a half-yearly comparison. The reasons for this were first and foremost the capacity build-up and the comparatively lower activation of development results. Furthermore, project-related research activities played a decisive role in this increase in costs. On a half-yearly comparison, the positive balance of other operating income and expenses declined by EUR 0.5 million, which is largely due to the comparatively lower dissolution of provisions in connection with the conclusion of patent disputes. The financial result achieved in 1HY 2011 rose EUR 0.2 million against the first half of 2010, due primarily to the capital market environment, which is slowly starting to regenerate. Income taxes decreased due to the decline in result by EUR 0.7 million, from EUR 3.8 million to EUR 3.1 million. Over the same period, earnings per share dropped from EUR 0.87 to EUR 0.64.

Cashflow

In the first six months of the current financial year, cashflow from operating activities was EUR 3.7 million below the previous year's level, at EUR 15.3 million (PY: EUR 19.0 million). Adjusted for cashflows from transactions with short-term marketable securities (reporting period: EUR 5.2 million; PY: EUR -5.9 million), cashflow from operating activities for the first half of the year under review is EUR 14.8 million lower than for the same period of the previous year. Apart from the EUR 3.3 million lower net earnings for the year, the main reasons for this decline were primarily the outflow for the financing of the order-related production costs, which, at EUR 17.6 million, were EUR 9.1 million higher, and the build-up of stocks to ensure short delivery times. The rise of outflows in respect of income taxes by EUR 6.4 million, to EUR 8.3 million, comprises EUR 2.2 million pertaining to capital gains taxes from dividend payments that were not incurred during the same period of the previous year.

In the first six months of the current financial year, outflows from investment activities were EUR 2.3 million above the previous year's level, at EUR 12.9 million (PY: EUR 10.6 million). This increase is essentially due to the financial settlement of the structural extensions at the Group's headquarters primarily executed in the second half of 2010 as well as the extension and modernization of movable fixed assets – largely at domestic sites.

As a result of the development outlined above, free cashflow was EUR 16.9 million lower year-on-year, at minus EUR 2.6 million (PY: EUR 14.2 million).

The dividend payments of EUR 17.3 million made to shareholders and the personally liable shareholder in Q2 2011 – after deducting the taxes paid by the company on account of the personally liable shareholder – were paid for from the disposal of securities as well as cash and cash equivalents. Against this background, net liquidity dropped from EUR 38.4 million on 31 December 2010 to EUR 15.9 million on 30 June 2011.

Assets

The Group's balance sheet total declined 0.5% against 31 December 2010 (EUR 213.3 million), to EUR 212.2 million. In the process, the share of short-term assets in the balance sheet total dropped from 61.5% at the end of the previous year to 60.3% at the end of the reporting period. In parallel, the share of long-term assets rose from 38.5% to 39.7%. While the share of short-term liabilities on the liabilities side of the balance sheet rose from 25.6% to 30.6%, the share of long-term liabilities dropped slightly, from 0.9% to 0.7%. As a result of this development, the equity ratio declined from 73.5% to 68.7%.

Cash and cash equivalents as well as securities decreased by EUR 22.5 million in 1HY 2011, to EUR 15.9 million. The key factors in this decline were the rise in inventories by EUR 17.6 million to EUR 70.4 million, caused by the extension of business volume, the dividend payment made to shareholders during the reporting period and the distribution of profits to the personally liable shareholder in the amount of EUR 19.0 million. In parallel, tax receivables rose markedly, by EUR 4.8 million, to EUR 6.7 million - largely due to the payment of capital gains taxes in respect of the distribution of profits within the Group. The rise in long-term assets from EUR 82.2 million to EUR 84.3 million is due to the investment-related increase in tangible fixed assets.

The increase in short-term liabilities by EUR 10.3 million primarily results from higher advance payments by customers (EUR 8.3 million), the rise of other accruals (EUR 2.5 million) and higher other short-term liabilities (EUR 1.9 million). The decline of trade accounts payable (EUR 1.9 million) and tax accruals (EUR 0.5 million) had the opposite effect. The above mentioned dividend payment to shareholders and the distribution of profits to the personally liable shareholder as well as the decline of other comprehensive income of EUR 1.8 million were key factors in respect of the decline of shareholders' equity. The latter is directly connected with the devaluation of the currencies of certain group companies abroad, recorded during the period under review, against the group currency (euro).

FACTOR INPUT

Investments

In Q2 2011 gross investments in intangible and fixed assets totaled EUR 4.3 million (PY: EUR 8.8 million). As a result, the investment volume for the entire first half-year amounted to EUR 9.8 million, thus lagging the high year-on-year investment level (PY: EUR 11.8 million). During the quarter under review the focus of investments by the Mühlbauer Group was on the purchase of state-of-the-art machines and systems for the two production sites Roding and Stollberg, for the modernization and extension of the machinery.

Research and development

In the period under review, the research and development expenses of the Mühlbauer technology group totaled EUR 7.3 million (PY: EUR 5.7 million). Based on the first half-year, expenses amounted to EUR 14.3 million (PY: EUR 10.5 million), which corresponds to an R&D rate of 15.6% (PY: 11.3%).

In the Cards & TECURITY® area, the research and development activities largely focused on the continued increase of efficiency of standard products. As a result of the further extension of the so-called “Eco Line”, a simple and reliable machine generation, the company further consolidated its competitiveness, particularly in respect of Asian competitors. In the card personalization area, research and development activities focused on the new and further development of various process modules, such as a new label and laser module, a new CardMail link and a new inspection module. As a result of the corresponding integration of the modules into the personalization systems SCP800 and SCP1500, or their completion, the company has come even closer to its goal of being able to address virtually all customer applications. With regard to the personalization of passports, the further development of the personalization system ID6000 has resulted in greater economy. A greater customer benefit was also achieved in the mailing area, where the CardMail1500 and PassMail systems were extended by the function labeling and processing of passports and booklets.

Developments in Semiconductor Related Products focused on the extension of the pick-and-place system “Variation” by further applications. A version of “Variation” was, for example, implemented that can remove the components from the wafer and from a tape feeder and place them. Also, the development of a cost-efficient system was initiated that can deposit the modules on waffle packs or Jedec trays. With five-side inspection, the first ever sorter systems have been delivered that not only inspect the top and bottom of a module for defects, but the front side as well. Furthermore, with the DS20k, which is a consistent further development of the DS15k, a die sorter system has been built that features a higher speed of operation while offering the same performance with regard to depth of inspection. In the RFID area the focus remained on the cost optimization of systems and the improvement of production stability.

Employment

To the end of 1HY 2011 the Mühlbauer Group employed 2,448 staff (PY: 2,015) across the Group. 185 of the new staff – or more than 40% of new recruitments – are employed by the headquarters in Roding. The production and assembly area recorded the highest level of personnel growth, which is first and foremost due to the high internal and external demand for high-precision parts and components and the consistent extension of the product portfolio. At the end of the reporting period, this area employed 1,335 staff, after 1,069 year-on-year. The number of new employees in research and development has again increased strongly. The increase from 349 highly qualified staff to 452 year-on-year underpins the high value the company places on innovation and its constant pursuit thereof. At 304 (PY: 307), the number of trainees and apprentices employed by the company remained virtually constant to the end of Q2 .

EVENTS AFTER THE END OF THE QUARTER

No special events occurred between the reporting date of the quarter (30 June 2011) and the approval for publication (1 August 2011) that require reporting.

RISK REPORT

An in-depth report of the Mühlbauer Group's risk and opportunity situation was provided in the 2010 Annual Report. In the context of the regular review of these risks and opportunities, certain risk situations were reevaluated and substantiated as per the reporting date.

The extension of business volumes with governments and government-related institutions involves a constant rise of new, partly complex large-scale projects in respect of which Mühlbauer accepts overall responsibility. The nature of such large-scale projects means that Mühlbauer must occasionally provide prior performance, which could narrow down the existing scope of liquidity if Mühlbauer consistently continues its investment activities. As a result of the increasing involvement of customers in the financing of projects, the use of existing liquidity reserves and available cash credit lines, as well as the further intensification of the corporate working capital management, the company has various options at its disposal to counter such trends.

Compared with the risk analysis of 31 December 2010 a significant intensification of competition, caused by the actions of new providers, is discernible in the market-competition environment in respect of the Mühlbauer Group's industrial area. As a result of continual technological innovations and cost reductions in the areas affected, Mühlbauer is already actively countering this change in market situation.

The persistent positive development of the global economy also means that competition for all categories of specialists has increased during the reporting period – at both the national and certain international sites of the Mühlbauer Group – and that this can enforce corresponding personnel or remuneration-related adjustments. The company's independence from local labor markets is maintained by offering an approved and good initial professional training, close contacts with select universities and an internationally oriented personnel recruitment - securing high-quality young talents at all levels.

As a further effect of global economic development and amplified by the natural catastrophe in Japan, procurement risks could increase further as could storage risks pertaining to purchased part and raw material inventories, as a result of preventatively procured volumes. Mühlbauer counters this risk by extending its circle of second source suppliers, the specific identification of purchased parts with long procurement times through sales forecasts and the continual monitoring of stocks.

There have been no significant changes in respect of all other risks outlined in the consolidated management report for the 2010 financial year.

OUTLOOK

Global economy

While the prospects of the global economy for further growth are to remain intact overall, according to economic researchers, there are factors such as the rise of raw material prices, the more restrictive monetary policy in some newly industrialized countries and the sustained burden on private households in the USA and, in particular, the debt problem of the "number one global power", that will at least have a dampening effect on the economy. Nevertheless, compared with 2010, the experts at Oxford Economics forecast global economic growth of 4.3% for the 2011 calendar year. In the process, the gross domestic product (GDP) of the emergent markets is expected to grow by 7.6% more than the previous year, while that of the established markets is expected to grow by 2.5% more. How the US American economy will develop is the hardest to predict. As the worst appears to have been overcome with regard to the oil price and the Japanese industry, the US economy is anticipated to grow more strongly again in Q3. The attenuation of early indicators and the political maneuvering in respect of the raising of the debt level, are, however, once again sparking off a discussion regarding a possible double-dip of the US American economy. In order to further counteract the overheating of the economy, the newly industrializing countries are continuing the controlled cooling down of the expansion. Despite this, the Chinese GDP is expected to rise by 8.6% in 2011. Thanks to the government rescue packages and the reconstruction work, Japan is also anticipated to contribute positively to growth in the second half of the year. Meanwhile, the economic situation in the euro zone will remain split: Thus, the highly indebted peripheral countries will continue to be considered a pressing concern of and potential risk for the community, while the economic boom in Germany, which is no longer solely based on export but also on the increasingly important domestic demand, is anticipated to continue unabatedly. Economic research institutes agree that economic growth of at least 3.5% is to be expected in 2011. As a result, the German economy is expected to be as strong in 2011 as it used to be prior to the German reunification.

Industry development

Countries and governments around the globe will continue to push ahead the transformation process from conventional ID documents towards electronic, chip-based documents such as ID cards, healthcare cards or driver's licenses – in the interest of rendering ID forge-proof and enabling their citizens to travel restriction-free as well as modernizing and rationalizing their internal administrative structures. In recent years, as a result of introducing biometric features to ID documents, a completely new architecture of production and safety features in ID documents has developed. The chip and laser technologies have rendered the classic printed identification document obsolete. With the integration of biometric data such as fingerprints and photos in chips as well, entirely new demands are made on the collection of such data. Biometric features must be correctly collected and electronically transmitted. Apart from the production process, this has also changed the entire enrollment process.

As the RFID technology is continually conquering new application areas and new regions, the 2011 financial year will be another important milestone with regard to the long-term distribution and global establishment of this technology. The short-term increase of volume in this year will largely be characterized by the somewhat delayed start-up curve of the established reference projects in the retail sector and, in particular, the apparel industry. Due to the typical volatility of the semiconductor market, the development for the whole of 2011 is still relatively hard to predict. Mühlbauer is, however, anticipating a further recovery of the market in the course of the second half of the year. Long-term, the company still sees good opportunities for growth of the new technologies in respect of which Mühlbauer equipment technologies are utilized. In the solar industry, the thin-film technology is also considered to be very promising, in particular in flexible solar modules; Mühlbauer already has initial reference systems on the market. Decisive progress is expected to be made in the development from a prototype to a high-volume market over the next few years. In contrast, market analysts only see scope for moderate growth in the automotive and electronic industries, relevant to board handling and marking solutions.

In the second half of 2011, mechanical engineering and plant construction, which are relevant to Precision Parts & Systems will continue their upward trend already recorded in 2010 and 1HY 2011. Growth rates are, however, anticipated to be somewhat lower. German mechanical engineering companies are well on their way; the pre-crisis level will, however, not be attained before 2013/2014.

Business development

Mühlbauer has for many years been a reliable partner to numerous governments and government-related institutions and offers customized system solutions for the modernization of existing data structures and the production of high-security ID documents in its core business area Cards & TECURITY® based on its comprehensive and longstanding technology and market experience. In the process, customers benefit particularly from the unique position that Mühlbauer holds as a one-stop developer and manufacturer of the entire range of hardware and software systems.

In Semiconductor Related Products, the company considers itself very well positioned in emerging markets, both on the RFID market, in niches within the semiconductor industry and in the flexible solar module technology.

Based on its high order backlog, the unchanged positive outlook on the ID market in its core area Cards & TECURITY® and the upward trends in Semiconductor Related Products and Precision Parts & Systems, the technology group is further expecting to raise total sales above and beyond the level of the previous year. Whether Mühlbauer's expectation – which is also linked to earnings development – will be fulfilled, is largely dependent on government decisions on projects currently under discussion, their award to Mühlbauer and the speed of their implementation. At the current point in time, it can therefore not be excluded that earnings will be lower than the comparatively high level achieved year-on-year.

Meanwhile, the national and international extension of the Group is being pushed ahead in order to support the global market potential available in the best possible way. The company is expecting to spend up to EUR 30 million on investments in the current financial year.

IMPORTANT NOTICE

This Interim Management Report contains future-oriented statements; statements that are not based on historical facts but on current plans, assumptions and estimates. Forward-looking statements are only applicable to the period in which they are made. Mühlbauer accepts no liability to revise these once new information becomes available. Future-oriented statements are always subject to risk and uncertainty. We therefore wish to point out that a range of factors can impact the actual results to the extent that these deviate considerably from those forecast. Some of these factors are described in the “Risk Report” and in other sections of the 2010 Annual Report and other parts of this interim report.

CONSOLIDATED STATEMENT OF INCOME (IFRS) FROM JANUARY 1 to JUNE 30, 2011 OF MÜHLBAUER HOLDING AG & CO. KGaA[1)]

	Notes	April 1 - June 30, 2011 TEUR	April 1 - June 30, 2010 TEUR	Jan. 1 - June 30, 2011 TEUR	Jan. 1 - June 30, 2010 TEUR
1. Sales		**41,847**	**63,344**	**91,296**	**92,770**
2. Cost of sales	(3)	(25,815)	(36,325)	(53,336)	(56,498)
3. Gross profit		**16,032**	**27,019**	**37,960**	**36,272**
4. Selling expenses	(4)	(4,792)	(5,194)	(8,903)	(7,938)
5. Administrative expenses		(2,431)	(2,087)	(4,536)	(4,006)
6. Research and development	(5)	(7,324)	(5,670)	(14,265)	(10,468)
7. Other income	(6)	683	527	2,528	2,868
8. Other expenses	(6)	106	(230)	(676)	(532)
9. Operating income		**2,274**	**14,365**	**12,108**	**16,196**
10. Financial result					
a) Financial income		316	191	509	346
b) Financial expenses		(80)	(81)	(170)	(162)
11. Income before income taxes		**2,510**	**14,475**	**12,447**	**16,380**
12. Income taxes		(623)	(3,995)	(3,120)	(3,795)
13. Net earnings		**1,887**	**10,480**	**9,327**	**12,585**
- Minority interests		*(5)*	*(5)*	*(8)*	*(18)*
- Attributable to shareholders of Mühlbauer Holding AG & Co. KGaA		*1,892*	*10,485*	*9,335*	*12,603*
Earnings per share in EURO					
basic	(7)	0.13	0.73	0.64	0.87
fully diluted	(7)	0.13	0.73	0.64	0.87
Weighted average of shares					
basic	(7)	6,132,405	6,130,727	6,132,405	6,130,727
fully diluted	(7)	6,132,417	6,130,727	6,132,417	6,130,727

[1)] uncertified

The accompanying notes are an integral part of these Consolidated Financial Statement

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS) FROM JANUARY 1 TO JUNE 30, 2011 OF MÜHLBAUER HOLDING AG & CO. KGAA[1)]

		April 1 - June 30, 2011 TEUR	April 1 - June 30, 2010 TEUR	Jan. 1 - June 30, 2011 TEUR	Jan. 1 - June 30, 2010 TEUR
Net earnings		**1,887**	**10,480**	**9,327**	**12,585**
Change of market value of available-for-sale securities	(15)	(67)	(6)	(54)	(6)
Difference due to currency translation	(15)	(522)	2,316	(1,696)	4,313
Deferred taxes	(15)	3	(1)	0	(1)
Total income and expenses recognized in equity		**(586)**	**2,309**	**(1,750)**	**4,306**
Total income and expenses		**1,301**	**12,789**	**7,577**	**16,891**
- Minority interests		*(5)*	*(5)*	*(8)*	*(18)*
- Attributable to shareholders of Mühlbauer Holding AG & Co. KGaA		*1,306*	*12,794*	*7,585*	*16,909*

[1)] uncertified

The accompanying notes are an integral part of these Consolidated Financial Statement

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS) AS AT JUNE 30, 2011 OF MÜHLBAUER HOLDING AG & CO. KGaA

	Notes	June 30, 2011[1) TEUR	Dec. 31, 2010[2) TEUR
ASSETS			
Short-term assets			
Cash and cash equivalents		7,720	25,209
Marketable securities	(8)	8,163	13,190
Trade accounts receivable	(9)	26,143	29,589
Other current assets	(10)	8,737	8,345
Tax receivables		6,746	1,976
Inventories	(11)	70,402	52,825
		127,911	**131,134**
Long-term assets			
Investment and long-term financial assets			
Trade accounts receivable	(9)	1,315	1,904
		1,315	**1,904**
Fixed assets			
Land and buildings		46,386	46,125
Technical equipment		15,094	14,463
Furniture and office equipment		7,510	6,588
Buildings and equipment in progress		1,725	940
		70,715	**68,116**
Intangible assets			
Software and licenses		2,267	2,087
Capitalized development costs		5,330	5,313
		7,597	**7,400**
Other long-term assets			
Long-term tax receivables		1,942	1,952
Deferred tax assets		1,449	1,486
Plan assets	(14)	1,255	1,305
		4,646	**4,743**
		212,184	**213,297**
PASSIVA			
Short-term liabilities			
Trade accounts payable		9,037	10,962
Downpayments		25,139	16,849
Other liabilities	(12)	12,615	10,690
Accrued income taxes	(13)	3,661	4,146
Other accruals	(13)	14,530	12,023
		64,982	**54,670**
Long-term liabilities			
deferred tax liabilities		1,488	1,825
		1,488	**1,825**
Shareholders' equity			
Ordinary share capital		8,038	8,038
Own shares	(15)	(180)	(189)
Fixed capital contribution		(2,980)	(2,980)
Additional paid-in capital		61,136	60,840
Other comprehensive income	(15)	832	2,582
Retained earnings		78,863	88,498
Equity excluding minority interests		145,709	156,789
Minority interests		5	13
		145,714	**156,802**
		212,184	**213,297**

1) uncertified 2) certified

The accompanying notes are an integral part of these Consolidated Financial Statement

CONSOLIDATED STATEMENT OF CASH-FLOWS (IFRS) FROM JANUARY 1 TO JUNE 30, 2011 OF MÜHLBAUER HOLDING AG & CO. KGaA[1)]

			Jan. 1 - June 30, 2011 TEUR	Jan. 1 - June 30, 2010 TEUR
Cash provided by operating activities				
1.		Net earnings	9,327	12,585
2.	+	Income taxes	3,120	3,795
3.	+	Interest expenses	168	10
4.	-	Interest income	(231)	(211)
Adjustments for non cash expenses and income				
5.	+/-	Expenses/(income) from employee profit-sharing programs	120	25
6.	+/-	Depreciations/(appreciations) to fixed assets	4,535	3,551
7.	+/-	Depreciations/(appreciations) to intangible assets	502	280
8.	+/-	Depreciations/(appreciations) to capitalized development costs	1,282	1,186
9.	+/-	(Gains)/losses from the sale of fixed assets	(247)	(45)
10.	+/-	Realized net (gains)/losses from short- and long-term marketable securities	(286)	(103)
11.	+/-	(Gains)/losses from the the change in fair value of financial instruments	79	(278)
12.	+/-	(Increase)/decrease of deferred tax assets	37	(1,771)
13.	+/-	Increase/(decrease) of deferred tax liabilities	(337)	65
Changes in long-term and short-term assets				
14.	+/-	(Increase)/decrease of inventories	(17,577)	(8,509)
15.	+/-	(Increase)/decrease of trade accounts receivables and other short-term assets	(693)	7,484
16.	+/-	Increase/(decrease) of trade accounts payables and other liabilities	18,529	8,642
17.	+	Proceeds from sales of short-term marketable securities	21,807	8,233
18.	-	Cash outflows for short-term marketable securities	(16,575)	(14,151)
19.	=	Cash generated from operating activities	23,560	20,788
20.	-	Income tax paid	(8,338)	(1,892)
21.	-	Interest paid	(3)	(3)
22.	+	Interest received	88	66
23.	=	Cash provided by operating activities	15,307	18,959
Cashflow from investing activities				
24.	+	Proceeds from disposals of fixed assets	323	199
25.	-	Purchase of fixed assets	(11,174)	(7,849)
26.	-	Purchase of intangible assets	(756)	(1,326)
27.	-	Expenditures for capitalized development costs	(1,311)	(1,603)
28.	=	Cash used for investing activities	(12,918)	(10,579)
Cashflow from financing activities				
29.	+	Proceeds from sales of own shares	185	-
30.	+	Capital increase at subsidiaries (of other shareholders)	-	12
31.	-	Dividends paid	(17,305)	(13,929)
32.	+/-	Tax withdrawal personally liable shareholder	(1,948)	(1,665)
33.	=	Cash used for financing activities	(19,068)	(15,582)
34.	+/-	Increase/(decrease) of currency exchange rate changes	(810)	2,520
35.	=	Net increase/(decrease) in cash and cash equivalents (Total of lines 23, 28, 33 and 34)	(17,489)	(4,682)
36.	+	Liquid funds at beginning of reporting period	25,209	18,798
37.	=	Liquid funds at end of reporting period	7,720	14,116

[1)] uncertified

We refer to additional informations on page 25 of the accompanying notes.
The accompanying notes are an integral part of these Consolidated Financial Statement

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY(IFRS) FROM JANUARY 1 TO JUNE 30, 2011 OF MÜHLBAUER HOLDING AG & CO. KGaA

	Notes	Total number of shares	Own shares Number	Ordinary share capital in considera-tion of own shares TEUR	Fixed capital TEUR	Additional paid-in capital TEUR	Other compre-hensive income/(loss) TEUR	Retained earnings TEUR	Minority interests TEUR	Total TEUR
Balance Jan. 1, 2010[1)]		**6,279,200**	**(148,995)**	**7,847**	**(2,980)**	**60,817**	**(664)**	**72,112**	**-**	**137,132**
Net earnings		-	-	-	-	-	-	12,603	(18)	12,585
Other comprehensive income/(loss)	(15)	-	-	-	-	-	4,305	-	-	4,305
Total comprehensive income/(loss)		-	-	-	-	-	4,305	12,603	(18)	16,890
Deferred compensation	(15)	-	-	-	-	25	-	-	-	25
Proceeds from sales of own shares	(15)	-	1,335	2	-	(2)	-	-	-	-
Dividend		-	-	-	-	-	-	(13,930)	-	(13,930)
Cash capital increase		-	-	-	-	-	-	-	12	12
Balance June 30, 2010[2)]		**6,279,200**	**(147,660)**	**7,849**	**(2,980)**	**60,840**	**3,641**	**70,785**	**(6)**	**140,129**
Balance Jan. 1, 2011[1)]		**6,279,200**	**(147,660)**	**7,849**	**(2,980)**	**60,840**	**2,582**	**88,498**	**13**	**156,802**
Net earnings		-	-	-	-	-	-	9,335	(8)	9,327
Other comprehensive income/(loss)	(15)	-	-	-	-	-	(1,750)	-	-	(1,750)
Total comprehensive income/(loss)		-	-	-	-	-	(1,750)	9,335	(8)	7,577
Deferred compensation	(15)	-	-	-	-	120	-	-	-	120
Proceeds from sales of own shares	(15)	-	7,316	9	-	176	-	-	-	185
Dividend		-	-	-	-	-	-	(18,970)	-	(18,970)
Cash capital increase		-	-	-	-	-	-	-	-	-
Balance June 30, 2011[2)]		**6,279,200**	**(140,344)**	**7,858**	**(2,980)**	**61,136**	**832**	**78,863**	**5**	**145,714**

[1)] certified [2)] uncertified

The accompanying notes are an integral part of these Consolidated Financial Statement

Notes

A. GENERAL INFORMATION

(1) BASIC PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

Description of business activities

Mühlbauer Holding AG & Co. Kommanditgesellschaft auf Aktien (referred to as the company) and its subsidiaries (together referred to as the Mühlbauer Group) develop, produce and distribute products and services within the chip card, passport, Smart Label, semiconductor and electronic technology. Furthermore, the Mühlbauer Group markets precision parts manufactured by means of chipping and the processing of metals and plastics, as well as products, modules and systems based on such precision parts. The development and production sites of the company are located in Germany, Malaysia and Slovakia. Sales are effected globally, via the company's own sales and services network and in different countries via trade representations depending on projects.

Principles of presentation

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

In the personally liable shareholder's view, the present unaudited and unrevised consolidated interim financial statements contain all adjustments necessary to reflect the actual earnings situation of the interim result. The results for the reporting period ending on 30 June 2011, do not necessarily enable the drawing of conclusions with regard to the development of future results.

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

Amendments of published standards and interpretations which must be applied for the first time in 2011 and which have not been applied in the past

Improvements in the International Financial Reporting Standards (issued by the IASB in May 2010): The amendments must be applied at the latest as of the commencement of the first financial year starting after 30 June 2010 (IFRS 3, IFRS 7 – impact of amendments in IFRS 3, IAS 32, IAS 39, IAS 21, IAS 28 and IAS 31) and/or the first financial year starting after 31 December 2010 (IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13). Mühlbauer has applied the improvements as of 1 January 2011. Most of the amendments consist of clarifications or corrections of already existing International Financial Reporting Standards and/or changes as a consequence of amendments to the IFRS that were implemented previously. In the case of amendments to IFRS 1 and IAS 34, existing requirements have been modified or additional guidelines have been issued for the implementation of those requirements. This does not affect the financial statements and the notes of the Mühlbauer Group.

(2) SUMMARY OF KEY ACCOUNTING PRINCIPLES

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 2010 Annual Report.

Changes in the scope of consolidation

In May 2011, Mühlbauer ID Solutions GmbH headquartered in Roding, Germany, emerged from MB ID5 GmbH, which had been acting as a shelf company, and commenced its operative business activity as of this date. The purpose of Mühlbauer ID Solutions GmbH is the development, implementation and turn-key realization of ID projects for the production of innovative and forge-proof identification systems on the basis of plastic cards or paper-based documents, the provision of services in respect of such ID projects as well as all associated legal transactions - in accordance with customer requirements.

On 7 June 2011, Mühlbauer ID Solutions GmbH, headquartered in Roding, founded Muhlbauer ID Solutions GmbH LTD, which has its registered office in Juba, South Sudan. The company's entry into the Commercial Register of the Republic of South Sudan was effected under the number 10195. Muhlbauer ID Solutions GmbH LTD functions as a sales, production and service company. The subscribed capital of Muhlbauer ID Solutions GmbH LTD is TUSD 500 and has not yet been paid up.

Recognition of new facts and circumstances on the balance sheet

Concession agreements with government institutions that were for the first time entered into in the financial year are disclosed in the financial statements in accordance with IFRIC 12 “Service Concession Agreements”. According to IFRIC 12, the infrastructure created is not activated by the concession holder due to a lack of respective powers. Pursuant to IAS 11 “Construction Contracts” and IAS 18 “Revenue”, earnings derived from the services rendered are disclosed; in so doing, the return received for such services shall be broken down into the respective fair values of the individual services provided (development and production). If the return consists of unconditional, contractual claims, a financial asset value is assessed. If the return consists of the right to charge fees from users, an intangible asset is assessed.

B. EXPLANATIONS TO THE CONSOLIDATED STATEMENT OF INCOME

COST OF SALES (3)

Apart from directly attributable costs such as material and personnel costs as well as depreciations, cost of sales also comprise overhead costs as well as the balance of devaluations and revaluations on inventories. In Q2 2011 this resulted in expenses of TEUR 3,205, after TEUR 4,518 year-on-year and earnings of TEUR 1,224 in the first half of 2011 (PY: expenses of TEUR 7,091). A provision for anticipated losses of TEUR 835 was formed in respect of a pending transaction entered into in Q2 2011.

SELLING EXPENSES (4)

The selling expenses of Q2 2011 comprise project-related selling expenses of a total of TEUR 500.

RESEARCH AND DEVELOPMENT (5)

The research and development expenses of Q2 and 1HY 2011 include value adjustments of TEUR 76 and TEUR 701, respectively, due to amended evaluations pertaining to the future usability of individual development results. In the previous year, value adjustments in respect of activated research and development expenses amounted to TEUR 425 and related exclusively to Q2.

OTHER OPERATING REVENUES (6)

	1 Apr – 30 June 2011 TEUR	1 Apr – 30 June 2010 TEUR	1 Jan – 30 June 2011 TEUR	1 Jan – 30 June 2010 TEUR
Insurance compensation and others	381	247	1,467	275
Canteen earnings	133	130	281	255
Gains from the sale of long-term assets	-	45	267	87
Earnings from the sale of old material	117	85	236	131
Earnings from closing accruals and liabilities	-	-	144	2,047
Rental income	16	-	39	-
Other	36	20	94	73
Sum of other operating income	**683**	**527**	**2,528**	**2,868**

EARNINGS PER SHARE (7)

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

		1 Apr – 30 June 2011	1 Apr – 30 June 2010	1 Jan – 30 June 2011	1 Jan – 30 June 2010
Income before income taxes	TEUR	2,514	14,479	12,455	16,398
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	1,074	6,187	5,322	7,007
Effective tax rate	%	25.0	28.33	26.50	24.25
Effective tax amount	TEUR	268	1,753	1,411	1,699
Portion of net earnings for the year applicable to the shareholders of the limited partnership*	TEUR	807	4,434	3,911	5,308
Weighted average of common shares	No.	6,279,200	6,279,200	6,279,200	6,279,200
Repurchased shares (weighted)	No.	(146,795)	(148,473)	(146,795)	(148,473)
Weighted average of shares outstanding (basic and diluted)	No.	6,130,405	6,130,727	6,132,405	6,130,727
Basic and diluted earnings per share*	EUR	0.13	0.73	0.64	0.87

* Without minority interests

C. EXPLANATIONS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(8) SHORT-TERM SECURITIES

In Q2 and 1HY 2011, the disposal of "at fair value through profit or loss" certificates resulted in earnings of TEUR 17,384 (PY: TEUR 6,479 and TEUR 8,233 respectively). In Q2 and 1HY 2011, the outflows for the purchase of such certificates total TEUR 6,656 (PY: TEUR 10,538) and TEUR 14,637 (PY: TEUR 11,738), respectively.

The outflows for the purchase of "available for sale" certificates amounted to TEUR 1,981 for 1HY 2011 and related exclusively to Q1. In the previous year these outflows totaled TEUR 4,943 and related exclusively to the second quarter. The disposal of such certificates resulted in earnings of TEUR 4,423 in Q2 and 1HY 2011.

(9) TRADE ACCOUNTS RECEIVABLE

	30 June 2011			31 December 2010		
in TEUR	With a residual term of up to 1 year	With a residual term of more than 1 year	Total	With a residual term of up to 1 year	With a residual term of more than 1 year	Total
Trade accounts receivable	27,302	1,315	28,617	31,270	1,904	33,174
Less value adjustments	(1,159)	-	(1,159)	(1,681)	-	(1,681)
	26,143	**1,315**	**27,458**	**29,589**	**1,904**	**31,493**

(10) OTHER CURRENT ASSETS

in TEUR	30 June 2011	31 December 2010
Claims on investment and technology grants	2,306	2,644
Receivables from the personally liable shareholder	1,948	1,665
Advance payments made	1,600	458
VAT receivables	1,152	1,669
Prepaid expenses	928	869
Claims on investment subsidies	202	134
Receivables from suppliers	188	149
Guarantees	5	5
Other	408	752
	8,737	**8,345**

(11) INVENTORIES

in TEUR	30 June 2011	31 December 2010
Raw materials, auxiliary and operating materials	15,282	11,492
Unfinished products	48,084	36,194
Finished products and trade goods	7,036	5,139
	70,402	**52,825**

Of the inventories reported, TEUR 868 (PY: TEUR 519) are stated at their net disposal values. In Q2 2011, inventory assets were devalued by TEUR 3,205 (PY: TEUR 4,518). Reffering to 1HY 2011, a total write-up in value of TEUR 1,224 (PY: devaluation of TEUR 7,091) was recorded.

(12) OTHER SHORT-TERM LIABILITIES

in TEUR	30 June 2011	31 December 2010
Salaries and wages	9,096	7,273
Liabilities to customers	1,065	972
Commissions	1,037	517
Income tax on salaries and wages	679	1,049
Social security contributions	294	282
Other liabilities - personnel	111	100
Liabilities on repurchase obligations	104	-
Capital formation	65	68
VAT-tax burden	48	57
Other	116	372
	12,615	**10,690**

ACCRUED INCOME TAXES AND OTHER ACCRUALS (13)

in TEUR	As per 1 Jan 2011	Difference due to currency translation	Consumption	Addition	Dissolution	As per 30 June 2011
Accrued income taxes	4,146	-	(1,781)	1,296	-	3,661
Personnel and social security obligations	1,389	-	(1,227)	711	(162)	711
Guarantee obligations	5,010	-	(3,155)	5,184	-	7,039
Service in progress	2,887	-	(1,834)	1,755	(319)	2,489
Litigation risks	323	-	(69)	53	(143)	164
Other	2,414	-	(444)	2,180	(23)	4,127
Other accruals	12,023	-	(6,729)	9,883	(647)	14,530
	16,169	**-**	**(8,510)**	**11,179**	**(647)**	**18,191**

The addition to the remaining other provisions can primarily be attributed to a provision for risk that was implemented for the impending assertion of claims and to a provision that was formed to cover anticipated losses from pending transactions.

PENSION AND POSTRETIREMENT BENEFITS (14)

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

in TEUR	1 Jan – 30 June 2011	30 June 2011	1 Jan – 31 Dec 2010	31 December 2010
Accruals for pension obligations at the beginning of the reporting period		**(1.305)**		**(966)**
Amounts recorded as income				
Current service cost	89		176	
Interest expenses on obligations	142		277	
Expected earnings on plan assets	(119)		(226)	
Reductions of profits	-	112	(348)	(121)
Contributions to plan assets		(62)		(218)
Accruals for pension obligations at the end of the reporting period		**(1.255)**		**(1.305)**

SHAREHOLDERS’ EQUITY (15)

Own shares

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 147,660 own shares with a nominal value of EUR 189,004.80 at the beginning of the financial year, 1,042 shares with a nominal value of EUR 1,333.76 were ceded free of charge in the form of anniversary shares in the period from January up to and including June 2011. During the period under review, employees with a specific number of years of seniority received 1 share for every 2 years of employment with the company free of charge, whereby the expenditure in the amount of TEUR 41 was posted as personnel costs. During the same period of time, in the course of the asset formation campaign the company executed on behalf of the employees of the Mühlbauer Group, a further 6,274 own shares with a nominal value of EUR 8,030.72 were disposed of at a unit price of EUR 29.50 each. This corresponds to a portion in the ordinary share capital of 0.10%. The earnings of a total of TEUR 185 were used to reinforce the operating capital. As at 30 June 2011, the company holds 140,344 own shares with a nominal value of EUR 179,640.32. On this date the percentage of the company’s own shares in the ordinary share capital is 2.24%.

Other comprehensive income

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

in TEUR	Fair value of securities	Difference due to currency translation	Total
Status as per 1 January 2010	**-**	**(664)**	**(664)**
Unrealized gains/(losses)	(6)	-	(6)
Reclassification with an effect on the income statement	-	-	-
Currency adjustments	-	4,321	4,312
Deferred taxes			
Tax effect from unrealized gains/(losses)	(1)	-	(1)
Reclassification with an effect on the income statement	-	-	-
Status as per 30 June 2010	**(7)**	**3,648**	**3,641**
Status as per 1 January 2011	**54**	**2,528**	**2,582**
Unrealized gains/(losses)	13	-	13
Reclassification with an effect on the income statement	(67)	-	(67)
Currency adjustments	-	(1,696)	(1,696)
Deferred taxes			
Tax effect from unrealized gains/(losses)	(3)	-	(3)
Reclassification with an effect on the income statement	3	-	3
Status as per 30 June 2011	**-**	**832**	**832**

Appropriation of earnings

The Annual General Meeting, which was held on 5 May 2011, resolved the payment of a dividend of EUR 1.30 per no par value share entitled to participate in the profits, in respect of the 2010 financial year. Apart from the payment of a total dividend of TEUR 7,981 to the shareholders of the company, the resolved appropriation of earnings also includes the transfer of profits and losses of the company, laid down in the partnership agreement, to the personally liable shareholder, Mühlbauer Holding AG & Co. Verwaltungs KG, of TEUR 10,990, due in parallel. Taxes of TEUR 1,665, paid by the company and to be borne by the personally liable shareholder are deducted from this amount.

(16) CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

To the end of the period under review, the contractual obligations from the purchase of fixed and intangible assets as well as from other purchase and service agreements increased by TEUR 7,152 to TEUR 25,330 against 31 December 2010 (see Note (28) of the Annual Report as per 31 December 2010).

D. SEGMENT REPORTING

Segment information for Q2 2011/2010 and 1HY 2011/2010:

Sales by application area	Q2 2011 TEUR	Q2 2010 TEUR	1HY 2011 TEUR	1HY 2010 TEUR
Cards & TECURITY®	20,636	43,548	50,524	57,652
Semiconductor Related Products	14,298	14,676	26,249	25,669
Precision Parts and Systems	7,019	5,216	14,727	9,604
	41,953	**63,440**	**91,500**	**92,925**
Deductions on sales	(106)	(96)	(204)	(155)
	41,847	**63,344**	**91,296**	**92,770**

Sales by region	Q2 2011 TEUR	Q2 2010 TEUR	1HY 2011 TEUR	1HY 2010 TEUR
Asia	17,703	12,412	36,319	25,064
Germany	9,534	7,673	19,797	13,961
Rest of Europe	7,821	15,587	20,979	21,872
America	4,153	7,754	9,203	9,910
Africa	2,742	20,014	5,202	22,118
	41,953	**63,440**	**91,500**	**92,925**
Deductions on sales	(106)	(96)	(204)	(155)
	41,847	**63,344**	**91,296**	**92,770**

E. NOTES TO THE STATEMENT OF CASHFLOWS

The free cashflow is derived as follows:

	1 Jan – 30 June 2011 TEUR	1 Jan – 30 June 2010 TEUR
Cash provided by operating activities	15,307	18,959
Cash used for investing activities	(12,918)	(10,579)
Subtotal	2,389	8,380
Transition to free cashflow		
Gains/(losses) from the sale of fixed assets and intangible assets	213	45
Realized net gains/(losses) from short and long-term marketable securities	286	103
Proceeds from disposals of long-term assets	(289)	(199)
Proceeds from sale of short-term assets (marketable securities)	(21,807)	(8,233)
Investments in short-term assets (marketable securities)	16,575	14,151
Free Cashflow	**(2,633)**	**14,247**

F. OTHER NOTES

(17) EVENTS AFTER THE REPORTING DATE

No events of major significance occurred after the end of Q2 2011.

(18) 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 2010. In the reporting period, major business transactions with these associated companies and persons were:

Dr. Thomas Zwissler, Chairman of the Supervisory Board until 6 May 2011, 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 16 (PY: TEUR 40) for the first half of 2011.

Mühlbauer Aktiengesellschaft, ASEM Präzisions-Automaten GmbH and takeID GmbH rent office space from Mr. Josef Mühlbauer or companies controlled by him. In the first half of 2011, rental costs amounted to TEUR 165 (PY: TEUR 158).

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 commissions, the Group paid TEUR 536 (PY: TEUR 432) plus the current amount of VAT for such services in the first half of 2011, while the previous year's value also includes sales promotion payments. In the first half of 2011, Mühlbauer Aktiengesellschaft generated proceeds of TEUR 9 (PY: TEUR 29) plus the current amount of VAT, in respect of services provided and products sold to Mr. Josef Mühlbauer or companies controlled by him.

(19) NUMBER OF EMPLOYEES

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

	30 June 2011 Number	**30 June 2010 Number**
Production and assembly	1,335	1,069
Research and development	452	349
Administration and sales	245	198
	2,032	**1,616**
Apprentices and trainees as well as part-time employees	416	399
Total	**2,448**	**2,015**

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

	30 June 2011 Number	**30 June 2010 Number**
Germany	1,829	1,623
Asia	279	218
Rest of Europe	254	138
America	67	26
Other	19	10
Total	**2,448**	**2,015**

This consolidated interim report was authorized to be published by the personally liable shareholder on 1 August 2011.

Mühlbauer Holding AG & Co.
Kommanditgesellschaft auf Aktien

The personally liable shareholder

Assurance of the legal representative

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

Roding, 01 August 2011

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

Financial calendar

3 November 2011	Quarterly report III/2011
March 2012	Annual Report 2011

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