

Interim report
1. Quarter 2010



Q1

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

Group overview		Q1/2010	Q1/2009
Order income	EUR million	113.9	52.2
Order backlog	EUR million	154.6	94.7
Sales	EUR million	29.4	38.1
EBIT	EUR million	1.8	2.4
EBT	EUR million	1.9	2.4
Net earnings	EUR million	2.1	1.8
Earnings per Share	EUR	0.14	0.12
Employees	Number	1,889	1,901

Interim Management Report

OVERVIEW OF THE BUSINESS DEVELOPMENT IN THE GROUP

Based on an increase in orders in all business areas and a large-scale order in Cards & TECURITY® placed during the reporting period, the globally active Mühlbauer technology group kicked off the 2010 financial year extremely positively with the highest order income in the history of the company. While sales and earnings have not yet benefited from this good development – as expected – the strong rise in order backlog to the end of the reporting period, borne in equal share by the robust government business and the significant increase in the industry business, is fuelling expectations of a distinct rise in sale and earnings growth as of the second quarter.

Key events in Q1 2010:

- Order income more than doubled year-on-year at EUR 113.9 million (EUR 52.2 million) – 124.6% increase in orders in the company's core business Cards & TECURITY® as result of a large-scale order worth EUR 64.2 million
- Order backlog records a 63.3% rise and climbs to the new historic record high of EUR 154.6 million (PY: EUR 94.7 million)
- Sales were 22.8% lower year-on-year, at EUR 29.4 million (PY: EUR 38.1 million) due to the recession-related slump in the industry business and project-related order fluctuations in the government business
- Taking into account a special effect from the discontinuation of liabilities of EUR 2.0 million in connection with the settlement of patent disputes, EBIT at EUR 1.8 million, largely due to the lower level of sales and comparatively higher manufacturing costs, 23.4% lower than comparable value of the previous year (EUR 2.4 million), which was affected by a special effect from the formation of such obligations at a level of EUR 1.0 million
- Earnings per share rise from EUR 0.12 to EUR 0.14
- Rise of free cashflow from EUR -0.4 million in the previous year to EUR 1.3 million in the reporting period, largely due to the reduction of trade receivables and lower payments in respect of investments
- Although it cannot be fully excluded – irrespective of the recent recovery in industry business – that this positive development may not prove sustainable against the background of the latent risk of a permanent economic recovery, the technology group confirms its outlook for the whole of the year of bringing about a year-on-year sales and earnings increase, as a result of the considerable order growth and the continued positive trend in its core area Cards & TECURITY®

FRAMEWORK CONDITIONS

Global economy

The Q1 2010 was characterized by a continued recovery of the world economy and encouraging signs of stronger economic activity. Nevertheless, the stimulation of the global economy remained very fragile, because of still permanent market uncertainties on the financial markets and a overall weak labor market. While the USA reported slightly higher growth than Japan and the euro zone, the emerging markets benefited strongly from the rise in demand worldwide. Economic recovery in the industrialized countries was largely supported by the expansive economic policy.

Industry development

With respect to the developments forecast in the Annual Report 2009 regarding the industries and markets relevant for Mühlbauer, no significant changes have occurred. As expected, the positive development of the government-related TECURITY® market in Q1 2010 continues due to the demand for new ID and Card applications driven by the increasing needs with regard to worldwide security and flexibility. Even for the semiconductor industry, in which Mühlbauer concentrates on selected niches, the recovery tendencies announced by market researchers have been confirmed so that the industry recorded growth in Q1 2010 according to the Semiconductor Industry Association (SIA). Furthermore signs of a gradual recovery based on economic stimulation appeared in the industries relevant for Traceability around electronics and automotive as well as in the industries important for Precision Parts & Systems such as mechanical engineering and medical technology.

Business Development

Order income and order backlog

Based on a wide growth of orders in the industry business and a large-scale order in the government business, the Mühlbauer technology group recorded the highest order income for a quarter so far in the history of the company. With an order income of EUR 113.9 million, Mühlbauer thus more than doubled the comparatively high value of the previous year (PY: EUR 52.2 million) and achieved growth of 118.2%.

Order income	in EUR million
Q1	
2009	52.2
2010	113.9
Q2	
2009	31.1
Q3	
2009	44.8
Q4	
2009	27.7

The company's core area Cards & TECURITY® was the greatest contributor to order income, with EUR 91.2 million (PY: EUR 40.6 million), which represents an increase of 124.6%. This growth was borne by the large-scale order worth approx. EUR 64.2 million, awarded in the reporting period, which comprises the provision of mobile data capture systems, the development of a central population database and the set-up of a personalization center for the subsequent personalization of biometric data. Moreover, order volumes in the business areas Semiconductor Related Products and Traceability doubled as a result of the increased investment activities on the respective markets. Thus, order income in Semiconductor Related Products climbed to EUR 15.2 million (PY: EUR 7.6 million) due to the greater demand for both semiconductor backend and Smart Label systems, while Traceability exceeded the value for the same period of the previous year by 112.5%, at EUR 1.7 million (PY: EUR 0.8 million). Even in Precision Parts & Systems, the gradually increasing propensity to invest and the measures for the reinforcement of sales activities introduced in the previous year have produced results leading to a significant increase of order income: year-on-year, order income rose by 81.3% to EUR 5.8 million (PY: EUR 3.2 million).

To the end of the first quarter the order backlog of the globally active technology group totaled EUR 154.6 million (PY: EUR 94.7 million), which is 63.3% higher year-on-year.

Sales¹

As expected, sales have as yet been unable to benefit from this positive development and, at EUR 29.5 million, lagged the year-on-year value by 22.8% (PY: EUR 38.2 million) due to the recession-related weakness in the industry business and project-related order fluctuations in the government business experienced in recent months. While the sales of EUR 14.1 million, achieved in Cards & TECURITY®, declined by 44.9% (PY: EUR 25.6 million) against this background, sales in the remaining business areas benefited from the recovery of the short-dated industry business. Thus, Semiconductor Related Products profited from the general intensifica-

¹ The sales figures are the gross value before the deduction of earnings of EUR 0.06 million (PY: EUR 0.09 million) for Q1.

tion of the semiconductor market and recorded a year-on-year increase in sales of 25.3%, to EUR 9.4 million (PY: EUR 7.5 million). Sales with product solutions from the Traceability area achieved in the quarter under review totaled EUR 1.6 million and were thus stable year-on-year (PY: EUR 1.6 million), while Precision Parts & Systems recorded an increase in sales of 25.7%, to EUR 4.4 million (PY: EUR 3.5 million).

Viewed by region, a shift was observed in Q1 2010: with a share of 42.9% (PY 19.9%) in total sales, Asia replaced Europe (42.6%; PY: 50.3%) as largest sales market for Mühlbauer's technology portfolio as a result of the strengthening semiconductor environment in this region. With a share in sales of 7.3%, North and South America lagged the figure for the same period of the previous year (PY: 8.6%), while the continent Africa contributed 7.2% (PY: 21.2%) to quarterly sales. We refer to page 22 of the notes for further in-depth information on regional sales development.

Sales		in EUR million				
Q1						
2009		38.2				
2010		29.5				
Q2						
2009		43.3				
Q3						
2009		41.8				
Q4						
2009		37.5				
	0	10	20	30	40	50

EARNINGS, FINANCIAL AND ASSET SITUATION

In Q1 2010 the EBIT of EUR 1.8 million (PY: EUR 2.4 million) of the Mühlbauer technology group – which benefited from a special effect from the discontinuation of obligations of EUR 2.0 million in connection with the settlement of patent disputes – lagged the EBIT for the same period of the previous year – which was affected by a special effect from the formation of such obligations at a level of EUR 1.0 million – by EUR 0.6 million. The primary reasons for this decline in earnings are lower sales, caused by the recession-related weakness in the industry business and project-related sales fluctuations in the government business, with a comparatively high share in cost of sales.

While sales proceeds were 22.8% lower year-on-year against this background, the cost of sales ratio rose from 62.2% to 68.6%. The primary reason for this rise is the relative increase of the share of overheads in the cost of sales, resulting from the decline in sales. Due to this development the gross profit margin was 6.4% points lower year-on-year, at 31.4% (PY: 37.8%). In contrast, the consistent reduction of selling expenses, general administrative and research and development costs as well as the distinctly positive balance of other operating income and expenses resulted in the fact that the EBIT margin dropped only slightly year-on-year, to 6.2% (PY: 6.3%). The latter largely comprise effects outside the Group's core activities, business transactions relating to other periods and other business transactions not directly associated with the company's core business. The EUR 3.0 million year-on-year increase in the earnings balance pertaining to other operating income and expenses is primarily due to the discontinuation of obligations of a total of EUR 2.0 million in connection with the conclusion of patent disputes (please refer to the comments on page 44 of our 2009 Annual Report). In the same period of the previous year, provisions of EUR 1.0 million with a negative impact on earnings were formed in respect of such obligations. Against the background of tax income of EUR 0.2 million (in the previous year: tax expenses of EUR 0.6 million) reported in the period under review, resulting from the gains achieved by specific group companies in the quarter under review on which no taxes needed to be formed due to prior loss carryovers, the Group posted net earnings for Q1 of EUR 2.1 million, after EUR 1.8 million for the same period of the previous year.

Earnings development

Analysis of earnings development

Cashflow

In the first three months of the current financial year, at EUR +7.7 million (PY: EUR 2.7 million), cashflow from operating activities significantly exceeded the value for the same period of the previous year. This positive development is largely due to the cashflow from the disposal of short-term securities of EUR 1.8 million achieved in the period under review, after having paid EUR 3.4 million – offset against the disposal of securities – for the purchase of such securities in the previous year. In the quarter under review, at EUR 4.6 million, outflows from investment activities were markedly below the level of the previous year (PY: EUR 6.4 million). While investment expenditure largely concentrated on the construction of the two technology centers in the USA and Slovakia in the previous year, the investments effected in the quarter under review predominantly focused on the equipment of the technology center in Slovakia with machines, the extension of our Malaysian site and the extension and modernization of intangible and tangible assets at our domestic sites. At EUR +1.3 million, free cashflow was EUR +1.7 million higher year-on-year (PY: EUR -0.4 million), due primarily to the development already described.

Assets

The Group's balance sheet total rose 3.6% against 31 December 2009, from EUR 176.1 million to EUR 182.5 million. While balance sheet ratios – based on short- and long-term assets and on shareholders' equity and debt capital – hardly changed in the process, distinct changes are in part discernible within the individual asset and debt positions. The rise of short-term assets in the first quarter by EUR 3.6 million to EUR 115.6 million largely results from increases in inventory assets (EUR 4.0 million), cash and cash equivalents (EUR 3.2 million) as well as other assets and receivables (EUR 1.6 million), offset against the decline in trade receivables (EUR 4.3 million), short-term securities and tax receivables of EUR 0.5 million each. Compared with the end of the previous year long-term assets increased by EUR 2.8 million, which is primarily due to the investment-related rise in respect of assets (EUR 1.7 million) and buildings (EUR 1.0 million) in progress. The increase of short-term liabilities of EUR 3.1 million is largely the result of higher advance payments by customers (EUR 2.6 million) and the rise in other short-term liabilities (EUR 1.4 million), which are offset by a reduction of other accruals (EUR 1.7 million). The growth of shareholders' equity by EUR 4.1 million is primarily due to the net earnings of EUR 2.1 million achieved in the reporting period and the rise of other comprehensive income (EUR 2.0 million). The latter are directly linked to the devaluation of the Group currency (euro) in contrast to the national currencies of certain group companies abroad, recorded in the period under review.

FACTOR INPUT

The gross investments in produced intangible and fixed assets amounted to EUR 3.0 million (PY: EUR 7.6 million). In the quarter under review, the investment focus was on the expansion of structural production capacities of the Malaysian development and production location Melaka and the equipment of the technology center in the Slovakian Nitra with state-of-the-art production machinery. Furthermore, the expansion and modernization of surface technology at the location Roding as well as the implementation of a new ERP system were continued.

Investments

On 31 March 2010, the expenses for research & development of the technology group Mühlbauer amounted to EUR 4.8 million and were thus lower by EUR 0.2 million compared with the same quarter last year (EUR 5.0 million). Based on sales, this corresponds to an R&D rate of 16.3% (PY: 13.1%). In the core business, the research & development activities concentrated in addition of customer-specific adaptation developments on the extension of the product portfolio. The focus was on an optimum cost-benefit ratio which allows new customer groups the entry into the card/epassport production and personalization also with regard to strict consideration of costs. The developments in semiconductor product solutions were focused on an expansion of the young machine platform "Variation" by further applications such as wafer-to-wafer or wafer-to-waffle pack, as well as on the optimization of assembly components for the Die Sorter and TAL series. In the area of Traceability, a new automation cell (WL 3000) was developed in which different processes such as laser marking or labelling can be integrated with small effort. The aim is to provide the customer with a single basis cell for their various applications and processes.

Research and development

At the end of Q1 2010, the Mühlbauer Group employed 1,889 (PY: 1,901) employees worldwide. The increase of staff abroad as a result of the internationalization of the group was opposed by a slightly higher decrease in the number of employees in Germany. Further the number of trainees in the group increased: While in the same quarter last year 289 young people were trained, 301 trainees were in a training relationship with Mühlbauer at the end of the reporting period. Mühlbauer continues its training activities with high intensity and quality to be able to secure access to qualified and committed staff long-term. Additionally, the share of highly qualified employees in R&D recorded a slightly increase. The number of employed staff grew from 340 to 348 employees there.

Employment

EVENTS AFTER THE END OF THE QUARTER

The special events occurring between the reporting date of the quarter (31 March 2010) and the approval for publication (26 April 2010) are described in the notes (18) of the interim financial statements.

RISK REPORT

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

OUTLOOK

Global economy

Despite the clearly positive development of the mood indicators, the economic institutes do not expect that the production slump of last year will be followed by a comparably strong upturn in the industrialized countries. Against this background, it is forecast that the stimulation of the economy will continue but however, only in a moderate way. The industrialized states are expected to benefit especially from the higher growth dynamic in the emerging markets. For the entire world production, a growth rate of 2.9 % is forecast for the current year. The gross domestic product of the USA is expected to increase by 2.8% this year. While for the euro zone for 2010, only a slight economic recovery with an increase of the economic performance of 0.9% is predicted, the German economy is expected to increase by 1.5% in the same period.

Industry development

Furthermore the continuing transformation process worldwide towards new security-oriented identification systems will have a positive impact on demand for innovative and reliable technology and software solutions for the production of documents in smart card and passport format. Especially the interest of states and authorities in increasing flexibility and security continues to be seen as key driver for the implementation of innovative ID applications and is expected to contribute to further growth of the Card & TECURITY® market in the future. Moreover, the market for contactless identification via RFID Smart Labels is full of maintaining growth potential. The number of RFID projects worldwide has increased both in the area of ticketing for events or local public transport and in the area of logistics for the optimization of the supply chain management. Additionally the signs substantiate that RFID with the aim of increasing product security and the trademark protection especially in the apparel market is increasingly used which can give further impetus. The general semiconductor market is expected to result in growth opportunities after its considerable slump in the financial year of 2009. It is too early to make medium and long-term growth forecasts, however, it is evident that the willingness to invest of the semiconductor backend industry gains momentum and contributes to promising prospects. Recovery trends based on the economic stimulation are evident in the industries important for Precision Parts & Systems around mechanical engineering as well as for the automotive and electronics industries which are relevant for Traceability; nevertheless, the trends in the last-mentioned markets must be considered with caution.

Business development

The request for greater flexibility, constantly rising requirements of states and authorities regarding the security of their citizens and the increasing number of possible applications for innovative ID documents should continue to affect demand for technology and software solutions for the production of security-oriented ID systems in card and passport formats. Even though the government-related project business may be subject to fluctuations the company should continue overall to benefit strongly from the positive growth prospects of the Cards & TECURITY industry due to its outstanding positioning as a one-stop solution provider. In the industry business as well, the Mühlbauer technology group stands good chances of benefiting from the gradual rise in demand.

Although it cannot be fully excluded, regardless of the recent recovery in the industry business, that this positive development may not prove sustainable against the background of the latent risks of a permanent economic recovery, the technology group confirms its outlook for the year as a whole of an increase in sales and earnings above the level of the previous year, due to the significant growth in orders and the continued positive trend in its core business area Cards & TECURITY®.

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 2008 and other parts of this interim report.

**CONSOLIDATED STATEMENT OF INCOME (IFRS) FROM JANUARY 1 TO MARCH 31, 2010
OF MÜHLBAUER HOLDING AG & CO. KGaA¹⁾**

	Notes	Jan. 1 - Mar. 31, 2010 TEUR	Jan. 1 - Mar. 31, 2009 TEUR
1. Sales		29,426	38,119
2. Cost of sales	(3)	(20,173)	(23,706)
3. Gross profit		9,253	14,413
4. Selling expenses		(2,744)	(4,037)
5. Administrative expenses		(1,919)	(2,098)
6. Research and development	(4)	(4,798)	(4,975)
7. Other income	(5)	2,341	265
8. Other expenses		(302)	(1,177)
9. Operating income		1,831	2,391
10. Financial result			
a) Financial income		155	150
b) Financial expenses		(81)	(103)
11. Income before income taxes		1,905	2,438
12. Income taxes	(7)	200	(630)
13. Net earnings		2,105	1,808
- <i>Minority interests</i>		(13)	-
- <i>Attributable to shareholders of Mühlbauer Holding AG & Co. KGaA</i>		2,118	1,808
Earnings per share in EURO			
basic	(8)	0.14	0.12
fully diluted	(8)	0.14	0.12
Weighted average of shares			
basic	(8)	6,129,759	6,120,736
fully diluted	(8)	6,129,759	6,120,736

¹⁾ uncertified

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS) FROM JANUARY 1 TO MARCH 31, 2010
OF MÜHLBAUER HOLDING AG & CO. KGaA¹⁾**

		Jan. 1 - Mar. 31, 2010 TEUR	Jan. 1 - Mar. 31, 2009 TEUR
Net earnings		2,105	1,808
Change of market value of available-for-sale securities	(16)	-	103
Difference due to currency translation	(16)	1,997	369
Deferred taxes	(16)	-	(2)
Total income and expenses recognized in equity		1,997	470
Total income and expenses		4,102	2,278
- <i>Minority interests</i>		(13)	-
- <i>Attributable to shareholders of Mühlbauer Holding AG & Co. KGaA</i>		4,115	2,278

¹⁾ uncertified

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS) AS AT MARCH 31, 2010
OF MÜHLBAUER HOLDING AG & CO. KGaA**

	Notes	March 31, 2010 ¹⁾ TEUR	Dec. 31, 2009 ²⁾ TEUR
ASSETS			
Short-term assets			
Cash and cash equivalents		21,961	18,798
Marketable securities	(9)	6,475	6,983
Trade accounts receivable	(10)	33,789	38,051
Other current assets	(11)	4,428	2,810
Tax receivables		1,007	1,473
Inventories	(12)	47,960	43,935
		115,620	112,050
Long-term assets			
Investment and long-term financial assets			
Trade accounts receivable	(10)	1,705	1,534
		1,705	1,534
Fixed assets			
Land and buildings		37,418	36,456
Technical equipment		9,147	9,225
Furniture and office equipment		4,729	4,751
Buildings and equipment in progress		2,852	1,136
		54,146	51,568
Intangible assets			
Software and licenses		1,233	1,203
Capitalized development costs		5,737	5,550
		6,970	6,753
Other long-term assets			
Long-term tax receivables		2,210	2,144
Deferred tax assets		840	1,037
Plan assets	(15)	973	966
		4,023	4,147
		182,464	176,052
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term liabilities			
Financial liabilities		-	-
Trade accounts payable		7,719	7,128
Downpayments		13,507	10,881
Other liabilities	(13)	9,293	7,866
Accrued income taxes	(14)	1,749	1,581
Other accruals	(14)	7,506	9,243
		39,774	36,699
Long-term liabilities			
Deferred tax liabilities		1,419	2,221
		1,419	2,221
Shareholders' equity			
Ordinary share capital	(16)	8,038	8,038
Own shares	(16)	(189)	(191)
Fixed capital contribution	(16)	(2,980)	(2,980)
Additional paid-in capital	(16)	60,840	60,817
Other comprehensive income	(16)	1,333	(664)
Retained earnings	(16)	74,230	72,112
Equity excluding minority interests		141,272	137,132
Minority interests		(1)	-
		141,271	137,132
		182,464	176,052

¹⁾ uncertified ²⁾ certified

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

**CONSOLIDATED STATEMENT OF CASH-FLOWS (IFRS) FROM JANUARY 1 TO MARCH 31, 2010
OF MÜHLBAUER HOLDING AG & CO. KGaA**

	Jan. 1 - Mar. 31, 2010 TEUR	Jan. 1 - Mar. 31, 2009 TEUR
Cash provided by operating activities		
1. Net earnings	2,105	1,808
2. + Income taxes	(200)	630
3. + Interest expenses	7	22
4. - Interest income	(107)	(58)
Adjustments for non cash expenses and income		
5. +/- Expenses/(income) from employee profit-sharing programs	25	70
6. +/- Depreciations/(appreciations) to fixed assets	1,653	1,646
7. +/- Depreciations/(appreciations) to intangible assets	131	115
8. +/- Depreciations/(appreciations) to capitalized development costs	780	411
9. +/- (Gains)/losses from the sale of fixed assets	(24)	1
10. +/- Realized net (gains)/losses from short- and long-term marketable securities	(23)	8
11. +/- (Gains)/losses from the the change in fair value of financial instruments	(13)	(16)
12. +/- (Increase)/decrease of deferred tax assets	197	(26)
13. +/- Increase/(decrease) of deferred tax liabilities	(802)	249
Changes in long-term and short-term assets		
14. +/- (Increase)/decrease of inventories	(4,025)	(1,385)
15. +/- (Increase)/decrease of trade accounts receivables and other short-term assets	2,994	411
16. +/- Increase/(decrease) of trade accounts payables and other liabilities	2,994	2,459
17. + Proceeds from sales of short-term marketable securities	1,754	4,114
18. - Cash outflows for short-term marketable securities	-	(7,544)
19. = Cash generated from operating activities	7,446	2,915
20. - Income tax paid	248	(291)
21. - Interest paid	(1)	(1)
22. + Interest received	29	46
23. = Cash provided by operating activities	7,722	2,669
Cashflow from investing activities		
24. + Proceeds from disposals of fixed assets	163	37
25. - Purchase of fixed assets	(2,778)	(5,537)
26. - Purchase of intangible assets	(994)	(68)
27. - Expenditures for capitalized development costs	(956)	(836)
28. = Cash used for investing activities	(4,565)	(6,404)
Cashflow from financing activities		
29. +/- Increase/(decrease) of short-term financial liabilities	-	(16)
30. + Proceeds from sales of own shares	-	-
31. + Capital increase at subsidiaries (of other shareholders)	12	-
32. - Dividends paid	-	-
33. +/- Tax withdrawal personally liable shareholder	(1)	-
34. = Cash used for financing activities	11	(16)
35. +/- Increase/(decrease) of currency exchange rate changes	1,206	133
36. = Net increase/(decrease) in cash and cash equivalents (Total of lines 23, 28, 34 and 35)	4,374	(3,618)
37. + Liquid funds at beginning of reporting period	18,798	17,122
38. = Liquid funds at end of reporting period	23,172	13,504

¹⁾ uncertified

We refer to additional informations on page 22 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 MARCH 31, 2010
OF MÜHLBAUER HOLDING AG & CO. KGaA**

	Notes	Total number of shares	Own shares Number	Ordinary share capital in considera- tion of own shares TEUR	Fixed capital TEUR	Additional paid-in capital TEUR	Other compre- hensive income/ (loss) TEUR	Retained earnings TEUR	Minority interests TEUR	Total TEUR
Balance Jan. 1, 2009 ¹⁾		6,279,200	(157,995)	7,836	(2,980)	60,677	(449)	79,886	-	144,970
Net earnings		-	-	-	-	-	-	1,808	-	1,808
Other comprehensive income/(loss)	(16)	-	-	-	-	-	470	-	-	470
Total comprehensive income/(loss)	(16)	-	-	-	-	-	470	1,808	-	2,278
Deferred compensation	(16)	-	-	-	-	70	-	-	-	70
Proceeds from sales of own shares	(16)	-	1,385	1	-	-	-	-	-	1
Cash capital increase		-	-	-	-	-	-	-	-	-
Balance March 31, 2009 ²⁾		6,279,200	(156,610)	7,837	(2,980)	60,747	21	81,694	-	147,319
Balance Jan. 1, 2010 ¹⁾		6,279,200	(148,995)	7,847	(2,980)	60,817	(664)	72,112	-	137,132
Net earnings		-	-	-	-	-	-	2,118	(13)	2,105
Other comprehensive income/(loss)	(16)	-	-	-	-	-	1,997	-	-	1,997
Total comprehensive income/(loss)	(16)	-	-	-	-	-	1,997	2,118	(13)	4,102
Deferred compensation	(16)	-	-	-	-	25	-	-	-	25
Proceeds from sales of own shares	(16)	-	1,335	2	-	(2)	-	-	-	-
Cash capital increase		-	-	-	-	-	-	-	12	12
Balance March 31, 2010 ²⁾		6,279,200	(147,660)	7,849	(2,980)	60,840	1,333	74,230	(1)	141,271

¹⁾ certified ²⁾ 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 31 March 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 interpretations, revisions and amendments of published standards, which must be applied from 2010 onwards and which have not been applied in the past.

- Revised IFRS 3 “Business combinations”:
The revised IFRS 3 shall be applied to financial years commencing on or after 1 July 2009. Its premature application is permitted insofar as both IFRS 3 (revised) and IAS 27 (revised) are applied in parallel. Mühlbauer has been applying the revised IFRS 3 since 1 January 2010. The revisions relate primarily to the extension of the area of application in contrast to IFRS 3 (2004) and changes of content relating to the purchase method. This does not affect the financial statements and notes of the Mühlbauer Group.
 - Amendments to IAS 27 “Consolidated and separate financial statements”:
The amendments to IAS 27 shall be applied to financial years commencing on or after 1 July 2009. Their premature application is permitted insofar as both IFRS 3 (revised) and IAS 27 (revised) are applied in parallel. Mühlbauer has been applying the amendments since 1 January 2010. The amendments relate primarily to the amended provisions on the depiction of minority shares on the balance sheet and on the reporting procedure to be adopted in the event of a loss of the controlling influence over a subsidiary. In the consolidated financial statements of the Mühlbauer Group the attributable overall result is allocated to the non-controlling shares even if the non-controlling shares feature a negative balance.
 - IFRIC 16 “Hedges of a net investment in a foreign operation”:
IFRIC 16 shall, at the latest, be applied to financial years commencing on or after 30 June 2009. Its premature application is permitted. Mühlbauer has been applying IFRIC 16 since 1 January 2010. The interpretation clarifies what is to be considered a risk when hedging a net investment in a foreign business and where, within the Group, the hedging tool for the reduction of this risk may be held. This does not affect the financial statements and notes of the Mühlbauer Group.
 - IFRIC 15 “Agreements for the construction of real estate”:
IFRIC 15 shall, at the latest, be applied to financial years commencing on or after 1 January 2010. Its premature application is permitted. Mühlbauer has been applying IFRIC 15 since 1 January 2010. The interpretation clarifies when the regulations of IAS 11 or IAS 18 apply to contracts on the construction of real estate. Insofar as IAS 18 is applicable, IFRIC 15 contains guidelines as to when sales on the construction of real estate are to be realized in contracts. This does not affect the financial statements and notes of the Mühlbauer Group.
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- Amendment to IAS 39 “Financial instruments: recognition and measurement: eligible hedged items”:
The amendment to IAS 39 shall, at the latest, be applied to financial years commencing on or after 1 July 2009. Its premature application is permitted. Mühlbauer has been applying the amendment to IAS 39 since 1 January 2010. The amendment to IAS 39 contains guidelines as to the determination of qualifying basic transactions, on the determination of the financial items as hedged basic transactions and on the assessment of the effectiveness of a hedging relationship. This does not affect the financial statements and notes of the Mühlbauer Group.
 - Revisions on IFRS 1 “First time adoption of IFRS”:
The revised standard shall, at the latest, be applied to financial years commencing on or after 1 January 2010. Its premature application is permitted. Mühlbauer has been applying the revised IFRS 1 since 1 January 2010. The primary revision of the standard relates to its structural classification, which is to facilitate its use and future amendments. Furthermore, several obsolete transitory guidelines were deleted and some minor changes in text effected. The material requirements of IFRS 1 remain unchanged. This does not affect the financial statements and notes of the Mühlbauer Group.
 - IFRIC 17 “Distributions of non-cash assets to owners”:
IFRIC 17 shall, at the latest, be applied to financial years commencing on or after 1 November 2009. Its premature application is permitted. Mühlbauer has been applying IFRIC 17 since 1 January 2010. The amendments to IFRS 5 and IAS 10, resulting from IFRIC 17, were adopted by the EU Commission with the same provision. The interpretation contains guidelines on the accounting of dividends that are not paid to the owners of a company in the form of cash. As Mühlbauer does not pay non-cash dividends to its shareholders, this does not affect the financial statements and notes of the Mühlbauer Group.
 - IFRIC 18 “Transfers of assets from customers”:
IFRIC 18 and the resultant amendments pertaining to IFRS 1 shall, at the latest, be applied at the beginning of the first financial year commencing after 31 October 2009. Its premature application is permitted. Mühlbauer has been applying IFRIC 18 and the amended IFRS 1 since 1 January 2010. The interpretation clarifies and explains how customers shall report the transfer of fixed assets or finances for the construction or acquisition of fixed assets. This does not affect the financial statements and notes of the Mühlbauer Group.
 - Improvements of the International Financial Reporting Standards (published in April 2009 by IASB):
The improvements shall, at the latest, be applied on commencement of the first financial year beginning after 31 December 2009. Their premature application is permitted. Mühlbauer has been applying the improvements since 1 January 2010. Most of the amendments are clarifications or corrections of existing IFRS or amendments resulting from previous modifications to the IFRS. The amendments to IFRS 8, IAS 17, IAS 36 and IAS 39 comprise amendments of existing requirements or additional guidelines on the implementation of these requirements. This does not affect the financial statements and notes of the Mühlbauer Group.
 - Amendments to IFRS 2 “Group-settled share-based payment transactions”:
The amendments to IFRS 2 shall, at the latest, be applied on commencement of the first financial year beginning after 31 December 2009. Their premature application is permitted. Mühlbauer has been applying the amendments since 1 January 2010. The amendment to IFRS 2 clarifies the accounting method for share-based remuneration in which a supplier of goods and services is paid in cash and the obligation for the cash settlement is held by another company of the Group (share-based remuneration with cash settlement by a group company). This does not affect the financial statements and notes of the Mühlbauer Group.
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Amendment to a published standard that is prematurely applied in 2010

- Amendment to IAS 32 "Classification of rights issues":

The amendment to IAS 32 shall, at the latest be applied on commencement of the first financial year beginning after 31 January 2010. Its premature application is permitted. Mühlbauer has been applying the amendment since 1 January 2010. The amendment to IAS 32 clarifies how specific subscription rights are reported if the tools issued are stated in a currency different to the functional currency of the issuer. If such tools are offered to the current owners on a pro rata basis at a fixed amount, they should be classified as equity tools even if the rights issue price is stated in a currency other than the functional currency of the issuer. So far, such cases have been reported as derivative liabilities. 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.

Changes in the scope of consolidation

On 27 January 2010, the company acquired 46.0% in "ORAMBAMBA 38 (PTY) LTD", headquartered in Midrand, South Africa. The entry into the Commercial Register of Pretoria, South Africa, was effected under the reference number 2009/022989/07. The company acts as a so-called shelf company. The business purpose of ORAMBAMBA 38 (PTY) LTD is trade and all types of investments. The subscribed capital of the company is ZAR 100 and is fully paid up.

**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. In Q1 2010 this resulted in expenses of TEUR 2,573 (PY: earnings of TEUR 384).

(4) RESEARCH AND DEVELOPMENT

The research and development expenses in Q1 2010 include value adjustments of TEUR 425 due to amended evaluations pertaining to the future usability of individual development results.

(5) OTHER EARNINGS

	1 Jan - 31 March 2010 TEUR	1 Jan - 31 March 2009 TEUR
Earnings from closing accruals and liabilities	2,047	-
Canteen earnings	125	112
Earnings from the sale of old material	46	37
Gains from the sale of long-term asset	42	3
Insurance compensation and others	28	23
Rental income	-	9
Other	53	81
Sum of other operating income	2,341	265

(6) OTHER EXPENSES

In Q1, other expenses largely include unrealized and realized losses from exchange differences in the amount of TEUR 266. In the previous year this position mainly included currency-related adjustments as well as the increase of accruals for legal fees and other costs totaling TEUR 1,039, in respect of legal procedures in connection with the utilization of specific development results.

(7) INCOME TAXES

The profits of TEUR 1,744, achieved by certain group companies in the quarter under review are opposed by reduced income taxes of TEUR 257, since these companies either did not form deferred tax assets on tax loss carryovers at all or only formed them on a pro rata basis.

(8) EARNINGS PER SHARE

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

		1. Quarter 2010	1. Quarter 2009
Income before income taxes *	TEUR	1,919	2,438
Portion of share capital in total capital	%	42.73	42.73
Portion of income before income taxes applicable to the shareholders of the limited partnership	TEUR	820	1,042
Effective tax rate *	%	(6.6)	28.7
Effective tax amount *	TEUR	(54)	299
Portion of net earnings for the year applicable to the shareholders of the limited partnership *	TEUR	874	743
Weighted average of common shares	No.	6,279,200	6,279,200
Repurchased shares (weighted)	No.	(149,441)	(158,464)
Weighted average of shares outstanding	No.	6,129,759	6,120,736
Dilution effects from subscription rights of employees and executives	No.	-	-
Weighted average of shares outstanding (diluted)	No.	6,129,759	6,120,736
Basic earnings per share *	EUR	0.14	0.12
Diluted earnings per share *	EUR	0.14	0.12

* Without minority interests

C. EXPLANATIONS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In Q1 2010, the disposal of “at fair value through profit or loss” certificates resulted in earnings of TEUR 1,754. In the same period of the previous year, the disposal of “Available-for-Sale” certificates achieved TEUR 4,114. The outflows for the purchase of “at fair value through profit or loss” certificates total TEUR 1,200 for the period under review, while payments of TEUR 7,544 were made for the purchase of “Available-for-Sale” certificates in the same period of the previous year.

in TEUR	31 March 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	35,680	1,705	37,385	40,405	1,534	41,939
Less value adjustments	(1,891)	-	(1,891)	(2,354)	-	(2,354)
	33,789	1,705	35,494	38,051	1,534	39,585

MARKETABLE SECURITIES (9)

TRADE ACCOUNTS (10) RECEIVABLE

in TEUR	31 March 2010	31 December 2009
Claims on investment and technology grants	1,443	1,132
VAT-receivables	976	601
Advance payments made	855	148
Prepaid expenses	790	536
Receivables from suppliers	193	147
Guarantees	57	121
Claims on investment subsidies	14	8
Receivables from the personally liable shareholder	1	1
Derivative financial instruments	-	1
Other	99	115
	4,428	2,810

OTHER CURRENT ASSETS (11)

in TEUR	31 March 2010	31 December 2009
Raw materials, auxiliary and operating materials	8,376	7,165
Unfinished products	33,688	29,206
Finished products and trade goods	5,896	7,564
	47,960	43,935

INVENTORIES (12)

In Q1 2010, the inventory assets were devalued by TEUR 2,573 (PY: write-up in value TEUR 384).

in TEUR	31 March 2010	31 December 2009
Salaries and wages	6,302	5,293
Commissions	754	672
Liabilities to customers	513	434
Income tax on salaries and wages	508	963
Social security contributions	177	175
Other liabilities – personnel	68	61
Capital formation	61	64
Income tax liabilities	59	23
VAT-tax burden	20	102
Other	831	79
	9,293	7,866

OTHER LIABILITIES (13)

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

in TEUR	As per 1 Jan 2010	Difference due to currency			As per 31 March 2010
		translation	Consumption	Addition Dissolution	
Accrued income taxes	1,581	-	(677)	845 -	1,749
Personnel and social security obligations	528	-	(83)	141 (124)	462
Guarantee obligations	4,707	-	(477)	349 (199)	4,380
Service in progress	1,079	-	(1,038)	911 -	952
Litigation risks	1,444	(7)	(250)	- (898)	289
Commissions	276	-	(150)	- (126)	-
Other	1,209	-	(291)	566 (61)	1,423
Other accruals	9,243	(7)	(2,289)	1,967 (1,408)	7,506
	10,824	(7)	(2,966)	2,812 (1,408)	9,255

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 - 31 March 2010	31 March 2010	1 Jan - 31 Dec 2009	31 December 2009
Accruals for pension obligations at the beginning of the reporting period		(966)		(913)
Amounts recorded as income				
Current service cost	48		172	
Interest expenses on obligations	72		267	
Expected earnings on plan assets	(56)		(208)	
Amortization of past service costs	-		-	
Amortization of actuarial losses	-	64	-	231
Contributions to plan assets		(71)		(284)
Accruals for pension obligations at the end of the reporting period		(973)		(966)

(16) SHAREHOLDERS' EQUITY**Own shares**

On the basis of the resolution passed by the Annual General Meeting on 29 April 2009, the personally liable shareholder is authorized to purchase company shares of up to 10% of the current ordinary share capital until 30 September 2010, 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 31 March 2010. As per 31 March 2010 the company holds a stock of 147,660 own shares of a nominal value of EUR 189,004.80. At this point in time, the percentage of own shares in the ordinary share capital is 2.35%.

Other comprehensive income

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

in TEUR	Fair value of securities	Difference due to currency translation	Total
Status as per 1 January 2009	(41)	(408)	(449)
Unrealized gains/(losses)	84	-	84
Reclassification with an effect on the income statement	19	-	19
Currency adjustments	-	369	369
Deferred taxes			
Tax effect from unrealized gains/(losses)	(2)	-	(2)
Reclassification with an effect on the income statement	-	-	-
Status as per 31 March 2009	60	(39)	21
Status as per 1 January 2010	-	(664)	(664)
Unrealized gains/(losses)	-	-	-
Reclassification with an effect on the income statement	-	-	-
Currency adjustments	-	1,997	1,997
Deferred taxes			
Tax effect from unrealized gains/(losses)	-	-	-
Reclassification with an effect on the income statement	-	-	-
Status as per 31 March 2010	-	1,333	1,333

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 reporting period 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.

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 6,972 to TEUR 16,733 compared to 31 December 2009 (see notes (27) of the 2009 Annual Report).

**LIABILITY AND OTHER (17)
FINANCIAL OBLIGATIONS**

D. SEGMENT REPORTING

Segment information for the Q1 2010 2010/2009:

	Q1 2010 TEUR	Q1 2009 TEUR
Sales by application area		
Cards & TECURITY®	14,104	25,649
Semiconductor Related Products	9,363	7,482
Precision Parts and Systems	4,388	3,518
Traceability	1,630	1,562
	29,485	38,211
Deductions on sales	(59)	(92)
	29,426	38,119

	Q1 2010 TEUR	Q1 2009 TEUR
Sales by region		
Asia	12,652	7,598
Germany	6,288	6,620
Other Europe	6,285	12,607
America	2,156	3,269
Africa	2,104	8,117
	29,485	38,211
Deductions on sales	(59)	(92)
	29,426	38,119

E. NOTES TO THE STATEMENT OF CASH-FLOWS

The free cashflow is derived as follows:

	1 Jan - 31 March 2010 TEUR	1 Jan - 31 March 2009 TEUR
Cash provided by operating activities	7,722	2,669
Cash used for investing activities	(4,565)	(6,404)
Subtotal	3,157	(3,735)
Transition to free cashflow		
Gains/(losses) from the sale of fixed assets and intangible assets	24	(1)
Realized net gains/(losses) from short and long-term marketable securities	23	(8)
Proceeds from disposals of long-term assets	(163)	(37)
Proceeds from sale of short-term assets (marketable securities)	(1,754)	(4,114)
Investments in short-term assets (marketable securities)	-	7,544
Free Cashflow	1,287	(351)

F. OTHER NOTES

No events of major significance occurred after the end of Q1 2010.

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 13 (PY: TEUR 15) in the first three months of 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 three months of 2010, rental costs amounted to TEUR 79 (PY: TEUR 79).

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 188 (PY: TEUR 175) additionally the current amount of VAT for such services in the first three months of 2010. In the first three months of 2010, Mühlbauer Aktiengesellschaft generates proceeds of TEUR 4, 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:

	31 March 2010 Number	31 March 2009 Number
Production and assembly	962	982
Research and development	341	328
Administration and sales	191	206
	1,494	1,516
Apprentices and trainees as well as part-time employees	395	385
Total	1,889	1,901

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

	31 March 2010 Number	31 March 2009 Number
Germany	1,566	1,655
Asia	186	146
Rest of Europe	109	75
America	24	21
Other	4	4
Total	1,889	1,901

This consolidated interim report was authorized to be published by the personally liable shareholder on 26 April 2010.

Mühlbauer Holding AG & Co. Kommanditgesellschaft auf Aktien

The personally liable shareholder

**EVENTS AFTER THE (18)
REPORTING DATE**

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

NUMBER OF EMPLOYEES (20)

Financial calendar

April 29, 2010	Annual General Meeting
June 23, 2010	Metzler Innovation Day (Frankfurt)
August 3, 2010	Quarterly Report Q2/2010
September 14, 2010	Merrill Lynch German Jour Fixe (London)
November 3, 2010	Quarterly Report Q3/2010
November 23, 2010	German Equity Forum (Frankfurt)

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