

Interim report
2. Quarter 2009



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Group overview		Q2/2009	Q2/2008	1HY/2009	1HY/2008
Order income	EUR million	31.1	54.2	83.3	102.4
Order backlog	EUR million	80.2	83.4	80.2	83.4
Sales	EUR million	43.2	44.4	81.3	87.6
EBIT	EUR million	2.7	7.5	5.1	14.6
EBT	EUR million	2.6	7.4	5.1	15.0
Net earnings	EUR million	1.8	5.7	3.6	11.4
Earnings per share	EUR	0.12	0.39	0.24	0.78
Employees	Number	1,865	1,816	1,865	1,816

Interim Management Report

OVERVIEW OF THE BUSINESS DEVELOPMENT IN THE GROUP

The Mühlbauer technology group faced a difficult market environment during the reporting period. While the industry business continued to suffer from the effects of the global economic crisis in Q2 2009, as anticipated, and partially had to accept considerable declines in orders, the TECURITY® business, which depends on the implementation of worldwide government projects for the introduction of security-oriented ID systems in Smart Card and passport formats, was unable to fully compensate for the weak demand in the industry business, due to project-related business, despite the successful realization of an ID project with overall responsibility for the capturing, management and verification of biometric data during the reporting period. Mühlbauer has reacted to this unsatisfactory development with a host of measures that focus on the fight for additional market share worldwide, new technology areas, the streamlining of the organizational structure and targeted cost savings. These measures are to stably steer the company through the economic crisis and step forward stronger following an economic recovery.

Key events in Q2 2009 were:

- At EUR 31.1 million (PY: EUR 54.2 million), order income was 42.6% under the comparatively high quarter of the previous year, as a result of the weak industry business and a lower government-related TECURITY® business
- At EUR 80.2 million, order backlog was 15.3% under the level of 31 March 2009 (EUR 94.7 million) due to the lower order income during the reporting period
- Sales¹ only 2.7% under the year-on-year value at EUR 43.3 million (PY: EUR 44.5 million) – core business area Cards & TECURITY® records sales growth of 32.0%, to EUR 32.4 million and cushions the sales decline in the industry business
- Gross sales result significantly lower year-on-year at EUR 14.6 million (PY: EUR 19.0 million) due to higher risk provisions in the inventories
- EBIT adjusted for special effects affecting net income from further net allocations to provisions for legal fees in connection with patent infringement suits that do not impact liquidity, at EUR 4.1 million (PY: EUR 7.5 million); EBIT adjusted for special effects was EUR 2.7 million
- Earnings per share against the background of the decline in consolidated EBIT at EUR 0.12 – after EUR 0.39 year-on-year
- Free cashflow at EUR -4.8 million (PY: EUR +7.0) significantly lower year-on-year due to scheduled payments in respect of the completion of the new technology centers in the USA and Slovakia
- If the industry business does not intensify within the foreseeable future and the government-related TECURITY® business declines due to delayed projects it is to be assumed that both sales and earnings in 2009 will not match the level of the previous year

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

FRAMEWORK CONDITIONS

Global economy

In Q2 2009 the global economy was still on the downturn, while its speed, however, decelerated somewhat. Economists have been able to make out the global economic stimulus packages and the expansive monetary policy of the central banks to be the reason for the emerging gradual stabilization. Additionally, several countries have taken measures to stabilize the financial markets. Nevertheless, macroeconomic production dropped even further in many countries during Q2.

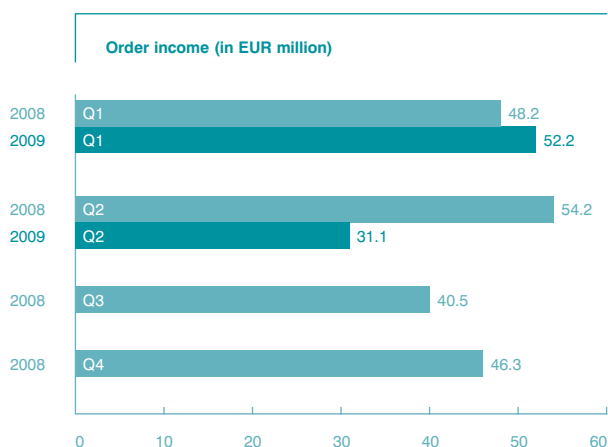
Industry development

Although the plans of many states to implement security-oriented ID systems in Smart Card and passport formats was unbroken in Q2 2009, the TECURITY® industry suffered more from project-related than from economic issues during this period. In the same period the development of the industries and markets relevant to Mühlbauer's industry business was characterized by the results of the overall economic decline in production. Development of the general semiconductor industry was significantly lower year-on-year, while demand in the industries relevant to the Traceability market – such as the electronics and automotive industries – stagnated at a very low level.

Business development

Order income and order backlog

In Q2 2009, at EUR 31.1 million (PY: EUR 54.2 million) order income of the Mühlbauer Group was 42.6% under the comparable quarter of the previous year due to the volatile project business in the government-related TECURITY® sector and the stagnation of the industry business as a result of the economic development.



While order income in the core area Cards & TECURITY® of EUR 19.1 million (PY: EUR 33.7 million) despite an unbroken interest in technological solutions for the production of innovative Smart Card and ePassport applications lagged the same quarter of the previous year, which was supported by a major order, by 43.3%, order income in the product area Semiconductor Related Products was 21.3% lower year-on-year, at EUR 8.5 million (PY: EUR 10.8 million) due to the stagnating semiconductor industry. Even order incomes for the areas Traceability and Precision Parts & Systems dropped from EUR 4.7 million in the same quarter of the previous year to EUR 1.0 million and from EUR 5.0 million to EUR 2.5 million, due to the sustained economy-related investment restraint in the industry business. This corresponds to a decline of 78.7% and 50.0% respectively.

Overall, the order income of the Mühlbauer technology group totaled EUR 83.3 million (PY: EUR 102.4 million) to the end of 1HY 2009, thus posting a decline of 18.7%. While the core area Cards & TECURITY® lagged the previous year's value by only 5.8%, at EUR 59.7 million (PY: EUR 63.4 million), the remaining areas posted a total order income of EUR 23.6 million (PY: EUR 39.0 million), which represents a significant downturn of 39.5% compared with the previous year's value. The order backlog at the end of the reporting period was EUR 80.2 million, thus dropping 15.3% against the value achieved to the end of Q1 2009 (EUR 94.7 million).

Sales²

With regard to sales, the globally active Mühlbauer technology group was able in cushioning the effects of the decline in the industry business through the significant growth in its core area Cards & TECURITY®, so that quarterly sales lagged the value of the same period of the previous year only slightly, at EUR 43.3 million (PY: EUR 44.5 million).

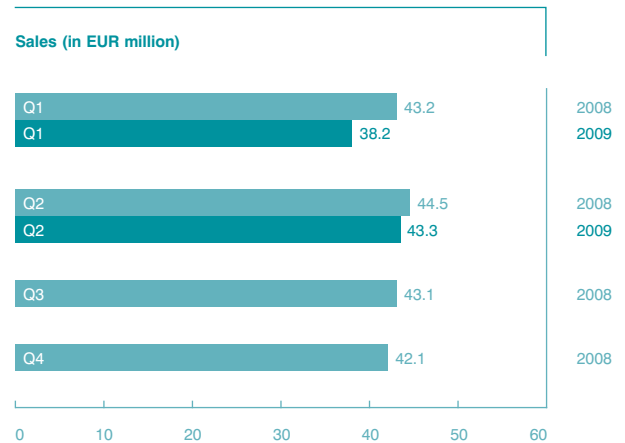
Due to the increased call of government-related orders for the personalization of official documents and the successful realization during the reporting period of the ID project with overall responsibility for the capturing, management and verification of biometric data, sales of the core business area Cards & TECURITY® recorded a rise of 31.7%, thus climbing to EUR 32.4 million (PY: EUR 24.6 million). While the company thus achieved the second-highest quarterly sales of this business area in the company's history, the remaining business areas lagged the level of the previous year due to the negative development of orders recorded as a result of

² The sales figures are the gross value before the deduction of earnings of EUR 0.1 million (PY: EUR 0.1 million) for Q2.

the declining economy. In Semiconductor Related Products, sales were 28.7% lower year-on-year, at EUR 7.2 million (PY: EUR 10.1 million); the business areas Traceability and Precision Parts & Systems recorded sales declines of 78.3% to EUR 1.0 million (PY: EUR 4.6 million) and of 48.1% to EUR 2.7 million (PY: EUR 5.2 million), respectively. On a semi-annual comparison, sales of the international Mühlbauer Group totaled EUR 81.5 million (PY: EUR 87.7 million) – 7.1% lower year-on-year.

Viewed from a regional perspective, Europe remained the largest export region for the product range of the Mühlbauer Group with a share in sales of 42.7%. However, it dropped significantly against the previous year (PY: 71.9%). The African continent achieved considerably sales growth, with a share in sales of 19.6% (PY: 0.3%), followed by Asia and Australia with a share of 18.9% (PY: 16.7%). North and South America contributed 18.8% to quarterly sales, thus exceeding the previous year's value by 11.1%.

Please refer to page 21 of the notes for more detailed information on regional sales development.



EARNINGS, FINANCIAL AND ASSET SITUATION

Earnings before interest and taxes (EBIT), which totaled EUR 4.1 million in Q2 2009, adjusted for the special effect affecting net income from further net allocations to provisions for legal fees, was 45.3% lower than in the same period of the previous year (PY: EUR 7.5 million). The reason for this decline in earnings is largely the higher risk provisions in inventory assets resulting from the economic weakness in demand. In relation to sales, the adjusted EBIT margin was thus 9.6%, after 16.9% in the same period of the previous year. Including the special effect affecting net income of EUR 1.4 million, which is primarily related to legal fees in connection with the defense against a further patent infringement claim, the EBIT achieved during the reporting period totals EUR 2.7 million.

While sales proceeds were 2.8% lower on a quarterly comparison, the cost of sales ratio climbed from 57.2% to 66.2%, largely due to the above mentioned value adjustments in inventory assets that do not impact liquidity. As a result of this development, the gross earnings margin for the reporting period was 33.8%, 9.0% points lower year-on-year (PY: 42.8%). Against the background of the abolition of the higher risk provisions formed in the previous year in trade accounts receivable, selling expenses dropped 12.5% on a quarterly comparison, while the slight rise of EUR 0.1 million in administrative costs are opposed by a EUR 0.5 million decline in research and development costs largely due to the higher share in capitalization. The expense balance of other income and other expenses of EUR 1.4 million, primarily results from the net allocation to provisions for legal fees in connection with patent infringement suits. Taking into consideration the virtually unchanged year-on-year financial result of EUR -0.1 million, and the considerably higher tax rate of 30.8% against the same quarter of the previous year (PY: 22.9%), the increase of which is largely due to the value adjustment in respect of capitalized deferred taxes on loss carryovers of EUR 0.3 million, effected during the reporting period, net earnings for the period amounted to EUR 1.8 million, after EUR 5.7 million year-on-year.

With regard to 1HY 2009, EBIT adjusted for special effects from patent disputes was EUR 7.0 million lower, at EUR 7.6 million, than in the same period of the previous year (PY: 14.6 million). The EUR 6.3 million decline in sales are opposed by a EUR 2.6 million higher cost of sales. This both relative and absolute increase in costs is primarily due to the risk provisions for inventories that do not affect liquidity. Furthermore, a higher level of depreciation on the production lines set up in the showrooms of the national and international sites resulted in special charges in 1HY 2009. Another major reason for the considerable lag of the result behind that of 1HY 2008 are the EUR 2.0 million higher net expenses from patent infringement disputes. Taking into consideration all special effects impacting earnings, EBIT for 1HY 2009 amounts to EUR 5.1 million, after EUR 14.6 million for the same period of the previous year. Under consideration

Earnings

of the lower financial result and the relative increase of the tax burden, the net income for 1HY 2009 has dropped to EUR 3.6 million, after EUR 11.4 million year-on-year. Earnings per share have decreased from EUR 0.78 to EUR 0.24 for the same period.

Cashflow

At EUR +19.4 million, cashflow from operating activities in 1HY 2009 was significantly above the level of the previous year (PY: EUR +14.3 million). The EUR 7.8 million lower net earnings in contrast to 1HY 2008 and the EUR 2.7 million increase in long-term trade accounts receivable are primarily opposed by higher net inflows from the acquisition and disposal of short-term securities of EUR 9.7 million and a reduction in working capital of EUR 6.5 million. The expected higher outflow from investment activities of EUR 11.1 million (PY: EUR 6.6 million) in 1HY 2009 was predominantly due to the higher payments for fixed assets in respect of the completion of the new technology centers in the USA and Slovakia. In the reporting period, discontinued expenses for long-term loans and investments in long-term securities in respect of which EUR 1.4 million and EUR 1.0 million were paid in the same quarter of the previous year, had a reverse effect. Due to the development outlined above, free cashflow was EUR -11.8 million lower year-on-year, at EUR -4.8 million (EUR +7.0 million). The dividend payments made to the shareholders and the personally liable shareholder in Q2 2009, offset against the taxes of EUR 12.8 million, paid by the company on behalf of the personally liable shareholder, were serviced from sales of securities as well as cash and cash equivalents. Against the background of the above mentioned dividend payments and the scheduled investments, net liquidity dropped from EUR 32.2 million to EUR 17.5 million in 1HY 2009.

Assets

The Group's balance sheet total dropped 4.4%, to EUR 178.8 million against 31 December 2008 (EUR 187.0 million). In so doing, the ratio of short-term assets to the balance sheet total declined from 68.6% to 62.3%. The equity ratio slid from 77.5% to 74.6%. Due to the adjustment of working capital management to the current development, working capital in 1HY 2009 decreased by a total of EUR 2.5 million to EUR 51.2 million, while recording different developments within this entry. Thus, trade accounts receivable rose by EUR 2.2 million, other accruals by EUR 2.2 million, advance payments by EUR 2.1 million, tax receivables by EUR 1.2 million as well as accrued income taxes by EUR 0.5 million, while other short-term liabilities decreased by EUR 1.6 million, other receivables by EUR 1.5 million and inventory assets by EUR 1.2 million. Long-term assets increased significantly by EUR 8.6 million. This increase largely comprises the rise in fixed assets (EUR 5.9 million), trade accounts receivable (EUR 1.6 million), deferred tax assets (EUR 0.6 million) and intangible assets (EUR 0.5 million). In 1HY 2009 shareholders' equity dropped from EUR 145.0 million to EUR 133.4 million. The payment of dividends to shareholders and parallel distribution of profits to the personally liable shareholder in Q2 2009 of EUR 15.1 million played a decisive role in this decline. The net earnings of EUR 3.6 million, achieved in 1HY 2009, had a significant positive impact on shareholders' equity.

FACTOR INPUT

At EUR 9.4 million (PY: EUR 3.2 million), gross investments in fixed and intangible assets were significantly higher in 1HY 2009 than in the previous year. In the first six months investments focused on the completion of the new technology site in Newport News (USA) and the scheduled development of the state-of-the-art technology center in the Slovakian city of Nitra, as well as the associated acquisition of production centers and technical equipment.

Investments

As at 30 June 2009 the research and development expenses of the Mühlbauer technology group amounted to EUR 5.3 million (PY: EUR 5.8 million) and totaled EUR 10.2 million (PY: EUR 12.1 million) for 1HY 2009. This corresponds to a R&D ratio of 12.6% (PY: 13.8%). While the Cards & TECURITY® area primarily developed client and project-specific hardware adjustments to meet individual customer requirements, on the software side the ID card issuing system underwent further development to decentralized enrollment and personalization. This enables a data communication in a closed information system both via the internet and offline, on the basis of mass storage. This guarantees the complete flow of data, from data capturing and personalization through to the issue of documents, even without an existing infrastructure. Continual research and development activities were effected in Semiconductor Related Products: modules for TAL 15.000, a fully automatic system for antenna assembly, were newly developed or underwent further development, and in the Smart Label area, Mühlbauer has set a new benchmark with the CL 60.000 relating to the speed and continuity in the further processing of inlays to tickets or electronic paper labels.

Research and development

To the end of the 1HY 2009 1,865 (PY: 1,816) staff were employed by the Mühlbauer Group. The increase of employment results from the the need for additional staff in consequence of the development of international sites and the rise in the number of apprentices. To the end of the half-year Mühlbauer provided training to 290 young people – 26 more than in the comparable quarter of previous year. With a figure of 334 employees (PY: 338) the share of highly qualified engineers and specialists in the research and development sector remained high.

Employment

EVENTS AFTER THE END OF THE QUARTER

The special events occurring between the reporting date of the quarter (30 June 2009) and publication date (29 July 2009) are described in the notes (19) of the interim financial statements.

RISK REPORT

In the 2008 Annual Report, Mühlbauer provides detailed information on the different risks it considers the Group exposed to. It also explains how the Group counters the individual risks. The statements of the risk report contained in the 2008 Annual Report still apply.

OUTLOOK

Global economy

Although the economic decline has leveled off in Q2 and there are indications that the economic development is gradually reaching its trough, an economic turnaround and subsequent rapid recovery of the global economy is not to be expected. In fact, macroeconomic recovery is expected to develop non-uniformly and slowly: Thus, economic expansion could develop a relatively high momentum in the newly industrializing countries in the course of a gradual recovery, while the economic weakness is likely to continue in the USA, Japan and the countries in the euro zone, according to the opinion of economic research institutes. Overall, the IWF is anticipating the global economy to shrink by 1.4% in 2009. The outlook for the OECD nations was reduced to a 4.3% decline in economic performance. The leading market research institutes are anticipating GDP in Germany to shrink by 6%.

Industry development

Despite the effects of the economic and financial crisis on a range of different industrial sectors, the interest of the market in Cards & TECURITY® solutions remains high. Worldwide, governments and public authorities are pushing to replace their official ID documents with new innovative ID documents in Smart Card and passport formats. While this government-related project business is, as a matter of course, subject to high volatility, the market still offers major potential for growth. Irrespective of the current economic turbulence, the market for contactless identification by means of RFID labels can also be expected to develop positively in a long-term view. Even though only a slight increase of volume is to be expected on the overall market in 2009 and the development of capacity is being curbed by the current economic trend, a range of individual projects have been kicked off in which RFID will optimize logistics or where access control is ensured by RFID tickets. According to recent estimates, the industry expert IDTechEX is anticipating RFID growth of 5% in 2009. The Semiconductor Industry Association (SIA) has forecast a sales decline for the general semiconductor market, within which Mühlbauer focuses on promising niches in the semiconductor backend process, of approximately 21%. According to an estimate by the analysts of IC Insights, semiconductor sales are set to rise in 2HY 2009. The industries in the Traceability area, which are developing slowly, will continue to be characterized by insecurity in the second half of 2009. Initial investment impulses are not to be expected before the end of the year, in line with the indicated economic recovery.

Business development

Due to the expected persistence of the weak investment situation in the industry business, the Mühlbauer technology group is continuing to focus on the government-related TECURITY® business in its core business area Cards & TECURITY®. Numerous government and public authorities are pushing ahead the implementation of innovative electronic passports and ID documents and targeting the introduction of new solutions, such as verification and border crossing systems, e.g. for accelerated border crossing. As globally leading system partner, Mühlbauer has both the technological hardware and the software to take over complete government-related ID projects and to support the production of innovative ID documents with its entire technology and market expertise. Mühlbauer system solutions for the TECURITY® market will therefore continue to enjoy high demand in the medium- to long-term future, although the project business will continue to be subject to fluctuations. While Mühlbauer's core business area Cards & TECURITY® thus still offers unbroken potential for development, it is to be expected that the semiconductor-related area of the company will still face weak demand in the second half of the year. Mühlbauer is ideally positioned on promising markets with its semiconductor-backend solutions and its associated product line Smart Label, yet investment delays caused by the current economic trend will most likely continue to impact the development in this area in the 2009 financial year. The company is not expecting a significant improvement to occur in the areas Traceability and Precision Parts & Systems in 2009.

Mühlbauer has reacted to the unsatisfactory development in the industry business with a host of measures that include the worldwide battle for further market share, focus on new technology areas and the streamlining of the company's organizational structure, as well as targeted cost savings measures, in order to both stably steer the company through the economic crisis and, in the event of a recovery, to step forward stronger. If the industry business does not intensify within the foreseeable future, irrespective of these actions, and if projects in the government-related TECURITY® business diminish, it can be assumed that sales and earnings in 2009 will not match the level of the previous year.

IMPORTANT NOTICE

This Interim Management Report contains future-oriented statements; statements that are not based on historical facts but on current plans, assumptions and estimates. Forward-looking statements are only applicable to the period in which they are made. Mühlbauer accepts no liability to revise these once new information becomes available. Future-oriented statements are always subject to risk and uncertainty. We therefore wish to point out that a range of factors can impact the actual results to the extent that these deviate considerably from those forecast. Some of these factors are described in the "Risk Report" and in other sections of the Annual Report 2008 and other parts of this interim report.

**CONSOLIDATED STATEMENT OF INCOME (IFRS) FROM JANUARY 1 TO JUNE 30, 2009
OF MÜHLBAUER HOLDING AG & CO. KGaA¹⁾**

	Notes	April 1 - June 30, 2009 TEUR	April 1 - June 30, 2008 TEUR	January 1 - June 30, 2009 TEUR	January 1 - June 30, 2008 TEUR
1. Sales		43,174	44,405	81,293	87,555
2. Cost of sales	(3)	(28,593)	(25,384)	(52,299)	(49,713)
3. Gross profit		14,581	19,021	28,994	37,842
4. Selling expenses		(3,143)	(3,593)	(7,180)	(7,486)
5. Administrative expenses		(2,051)	(1,918)	(4,164)	(3,814)
6. Research and development	(4)	(5,271)	(5,801)	(10,246)	(12,077)
7. Other income		562	256	827	640
8. Other expenses	(5)	(1,967)	(438)	(3,144)	(520)
9. Operating income		2,711	7,527	5,087	14,585
10. Financial result					
a) Financial income	(6)	109	529	207	1,570
b) Financial expenses	(6)	(181)	(630)	(217)	(1,131)
11. Income before income taxes		2,639	7,426	5,077	15,024
12. Income taxes	(7)	(813)	(1,701)	(1,443)	(3,631)
13. Net earnings		1,826	5,725	3,634	11,393
Earnings per share in EURO					
basic	(8)	0.12	0.39	0.24	0.78
fully diluted	(8)	0.12	0.39	0.24	0.78
Weighted average of shares					
basic	(8)	6,123,051	6,113,711	6,123,051	6,113,711
fully diluted	(8)	6,123,051	6,113,713	6,123,051	6,113,713

¹⁾ uncertified
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM JANUARY 1 TO JUNE 30, 2009
OF MÜHLBAUER HOLDING AG & CO. KGaA¹⁾**

	Notes	April 1 - June 30, 2009 TEUR	April 1 - June 30, 2008 TEUR	January 1 - June 30, 2009 TEUR	January 1 - June 30, 2008 TEUR
Net earnings		1,826	5,725	3,634	11,393
Change of market value of available-for-sale securities	(17)	(53)	88	50	(930)
Difference due to currency translation	(17)	(668)	(113)	(299)	(438)
Deferred taxes	(17)	1	29	(1)	28
Total income and expenses recognized in equity		(720)	4	(250)	(1,340)
Total income and expenses		1,106	5,729	3,384	10,053

¹⁾ uncertified

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS) AS AT JUNE 30, 2009
OF MÜHLBAUER HOLDING AG & CO. KGaA**

	Notes	June 30, 2009 ¹⁾ TEUR	Dec. 31, 2008 ²⁾ TEUR
ASSETS			
Short-term assets			
Cash and cash equivalents		12,422	17,122
Marketable securities	(9)	5,115	17,981
Trade accounts receivable	(10)	36,225	34,033
Other current assets	(11)	4,367	5,830
Tax receivables		4,051	2,882
Inventories	(12)	49,200	50,398
		111,380	128,246
Long-term assets			
Investment and long-term financial assets			
Trade accounts receivable	(10)	2,305	741
		2,305	741
Fixed assets			
Land and buildings		37,942	27,819
Technical equipment		8,953	8,895
Furniture and office equipment		4,833	5,251
Buildings and equipment in progress		1,193	5,083
		52,921	47,048
Intangible assets			
Software and licenses		529	591
Capitalized development costs		6,938	6,413
		7,467	7,004
Other long-term assets			
Long-term tax receivables		2,406	2,334
Deferred tax assets	(13)	1,373	759
Plan assets	(16)	940	913
		4,719	4,006
		178,792	187,045
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term liabilities			
Financial liabilities		17	22
Trade accounts payable		10,723	10,578
Downpayments		9,496	7,439
Other liabilities	(14)	9,047	10,689
Accrued income taxes	(15)	2,354	1,900
Other accruals	(15)	10,989	8,789
		42,626	39,417
Long-term liabilities			
Deferred tax liabilities		2,782	2,658
		2,782	2,658
Shareholders' equity			
Ordinary share capital		8,038	8,038
Own shares	(17)	(191)	(202)
Fixed capital contribution		(2,980)	(2,980)
Additional paid-in capital		60,817	60,677
Other comprehensive income	(17)	(699)	(449)
Retained earnings	(17)	68,399	79,886
		133,384	144,970
		178,792	187,045

¹⁾ uncertified ²⁾ certified

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

**CONSOLIDATED STATEMENT OF CASH-FLOWS (IFRS)
OF MÜHLBAUER HOLDING AG & CO. KGaA¹⁾**

	January 1 - June 30, 2009 TEUR	January 1 - June 30, 2008 TEUR
Cash provided by operating activities		
1. Net earnings	3,634	11,393
2. + Income taxes	1,443	3,631
3. + Interest expenses	191	90
4. - Interest incomes	(89)	(181)
Adjustments for non cash expenses and income		
5. +/- Expenses/(income) from employee profit-sharing programs	71	75
6. +/- Depreciations/(appreciations) to fixed assets	3,363	3,097
7. +/- Depreciations/(appreciations) to intangible assets	231	333
8. +/- Depreciations/(appreciations) to capitalized development costs	1,134	1,985
9. +/- (Gains)/losses from the sale of fixed assets	(15)	(78)
10. +/- Realized net (gains)/losses from short- and long-term marketable securities	(65)	(259)
11. +/- (Gains)/losses from the change in fair value of financial instruments	(3)	(47)
12. +/- (Increase)/decrease of deferred tax assets	(614)	102
13. +/- Increase/(decrease) of deferred tax liabilities	124	(200)
Changes in long-term assets and working capital		
14. +/- (Increase)/decrease of inventories	1,198	(4,294)
15. +/- (Increase)/decrease of trade accounts receivables and other short-term assets	(5,715)	(7,212)
16. +/- Increase/(decrease) of trade accounts payables and other liabilities	2,463	6,915
17. + Proceeds from sales of short-term marketable securities (available-for sale and held-to-maturity papers)	22,436	27,166
18. - Acquisitions of short-term marketable securities (available-for sale and held-to-maturity papers)	(9,456)	(23,869)
19. = Cash generated from operating activities	20,331	18,647
20. - Income tax paid	(995)	(4,509)
21. - Interest paid	(20)	(4)
22. + Interest received	67	147
23. = Cash provided by operating activities	19,383	14,281
Cashflow from investing activities		
24. + Proceeds from disposals of fixed assets	129	116
25. +/- (Increase)/decrease of other loans	-	(1,380)
26. - Purchase of fixed assets	(9,392)	(3,085)
27. - Purchase of intangible assets	(171)	(333)
28. - Expenditures for capitalized development costs	(1,675)	(906)
29. - Acquisitions of long-term marketable securities (available-for sale-papers)	-	(977)
30. = Cash used for investing activities	(11,109)	(6,565)
Cashflow from financing activities		
31. +/- Increase/(decrease) of short-term financial liabilities	(5)	(1)
32. + Proceeds from sales of own shares	79	131
33. - Dividends paid	(12,790)	(13,364)
34. +/- Tax withdrawal personally liable shareholder	(1)	(1,114)
35. = Cash used for financing activities	(12,717)	(14,348)
36. +/- Increase/(decrease) of currency exchange rate changes	(257)	(248)
37. = Net increase/(decrease) in cash and cash equivalents (Total of lines 23, 30, 35 and 36)	(4,700)	(6,880)
38. + Liquid funds on January 1	17,122	16,425
39. = Liquid funds on June 30	12,422	9,545

¹⁾ uncertified

We refer to additional informations on page 21 of the accompanying notes.

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

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (IFRS)
OF MÜHLBAUER HOLDING AG & CO. KGaA**

	Notes	Total number of shares	Own shares Number	Ordinary share capital TEUR	Fixed capital TEUR	Additional paid-in capital TEUR	Other com- prehensive income/ (loss) TEUR	Retained earnings TEUR	Total TEUR
Balance January 1, 2008 ¹⁾		6,279,200	(167,240)	7,824	(2,980)	60,483	326	76,090	141,743
Net earnings		-	-	-	-	-	-	11,393	11,393
Other comprehensive income/(loss)	(17)	-	-	-	-	-	(1,340)	-	(1,340)
Total comprehensive income/(loss)	(17)	-	-	-	-	-	(1,340)	11,393	10,053
Deferred compensation	(17)	-	-	-	-	75	-	-	75
Proceeds from sales of own shares	(17)	-	9,245	12	-	119	-	-	131
Dividends	(17)	-	-	-	-	-	-	(14,478)	(14,478)
Balance June 30, 2008 ²⁾		6,279,200	(157,995)	7,836	(2,980)	60,677	(1,014)	73,005	137,524
Balance January 1, 2009 ¹⁾		6,279,200	(157,995)	7,836	(2,980)	60,677	(449)	79,886	144,970
Net earnings		-	-	-	-	-	-	3,634	3,634
Other comprehensive income/(loss)	(17)	-	-	-	-	-	(250)	-	(250)
Total comprehensive income/(loss)	(17)	-	-	-	-	-	(250)	3,634	3,384
Deferred compensation	(17)	-	-	-	-	71	-	-	71
Proceeds from sales of own shares	(17)	-	9,000	11	-	68	-	-	79
Dividends	(17)	-	-	-	-	-	-	(15,121)	(15,121)
Balance June 30, 2009 ²⁾		6,279,200	(148,995)	7,847	(2,980)	60,817	(699)	68,399	133,384

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 30 June 2009, 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 and amendments to published standards, that need not yet be urgently applied and that were not applied prematurely

- Revised IFRS 3 “Business Combinations”:
The revised IFRS 3 shall be applied to financial years commencing on or after 1 July 2009. Premature application is permitted if both IFRS 3 (revised) and IAS 27 (revised) are applied simultaneously. Mühlbauer will apply the revised IFRS 3 as of 1 January 2010. The key amendments relate to the extension of application area in contrast to IFRS 3 (2004) and amendments of content with regard to 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. Premature application is permitted if both IFRS 3 (revised) and IAS 27 (revised) are applied simultaneously. Mühlbauer will apply the amendments as of 1 January 2010. The amendments primarily relate to the provisions regarding the presentation of minority shares on the balance sheet and reporting in the event that the control over a subsidiary is lost. This does not affect the financial statements and notes of the Mühlbauer Group.
- IFRIC 16 “Hedges of a Net Investment in A Foreign Operation”:
IFRIC 16 shall, at the latest, be applied to financial years commencing on or after 1 July 2009. Premature application is permitted. Mühlbauer will apply IFRIC 16 as of 1 January 2010. The interpretation defines what is considered a risk when hedging a net investment in a foreign operation and where the hedging tool for the reduction of this risk can be held within the Group. 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 2008 Annual Report.

**SUMMARY OF KEY
ACCOUNTING PRINCIPLES**

(2)

B. EXPLANATIONS TO THE CONSOLIDATED STATEMENT OF INCOME

(3) COST OF SALES

Apart from directly attributable costs such as material and personnel costs as well as depreciations, cost of sales also comprise overhead costs as well as the balance of devaluations and revaluations on inventories. In Q2 2009 this resulted in expenses of TEUR 4,956 (PY: TEUR 763) and in 1HY 2009 to TEUR 4,572 (PY: TEUR 2,210).

(4) RESEARCH & DEVELOPMENT

The research and development expenses in Q2 2009 and in 1HY 2009 include value adjustments of TEUR 332 due to amended evaluations pertaining to the future usability of individual development results. In the first half of the previous year TEUR 1,236 were expended for this purpose, that were exclusively attributed to the first quarter.

(5) OTHER EXPENSES

In Q2 2009, other expenses mainly include the increase of accruals for legal fees and other costs totaling TEUR 1,787 (PY: TEUR 480) for legal procedures in connection with the utilization of specific development results. In 1HY 2009 expenses for such lawsuits amounted to TEUR 2,825 (PY: TEUR 480).

(6) FINANCIAL RESULT

	1 Apr. - 30 June 2009 TEUR	1 Apr. - 30 June 2008 TEUR	1 Jan. - 30 June 2009 TEUR	1 Jan. - 30 June 2008 TEUR
Realized income from securities and financial assets	85	101	88	570
Interest and dividend income	16	211	56	779
Other interest and similar earnings	8	217	63	221
Financial income	109	529	207	1.570
Realized losses from securities and financial assets	(12)	(132)	(22)	(311)
Interest and similar expenses	(169)	(498)	(195)	(820)
Financial expenses	(181)	(630)	(217)	(1,131)
Total	(72)	(101)	(10)	439

(7) INCOME TAXES

The income taxes of Q2 2009 and 1HY 2009 contain value adjustments of TEUR 300 on deferred tax assets, formed in connection with tax loss carryovers.

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

EARNINGS PER SHARE (8)

		1 Apr. - 30 June 2009 TEUR	1 Apr. - 30 June 2008 TEUR	1 Jan. - 30 June 2009 TEUR	1 Jan. - 30 June 2008 TEUR
Income before income taxes	TEUR	2,639	7,426	5,077	15,024
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	1,127	3,172	2,169	6,419
Effective tax rate	%	32.83	23.78	30.85	25.51
Effective tax amount	TEUR	370	754	669	1,637
Portion of net earnings for the year applicable to the shareholders of the limited partnership	TEUR	757	2,418	1,500	4,782
Weighted average of common shares	No.	6,279,200	6,279,200	6,279,200	6,279,200
Repurchased shares (weighted)	No.	(156,149)	(165,489)	(156,149)	(165,489)
Weighted average of shares outstanding	No.	6,123,051	6,113,711	6,123,051	6,113,711
Dilution effects from subscription rights of employees and executives	No.	-	2	-	2
Weighted average of shares outstanding (diluted)	No.	6,123,051	6,113,713	6,123,051	6,113,713
Basic earnings per share	EUR	0.12	0.39	0.24	0.78
Diluted earnings per share	EUR	0.12	0.39	0.24	0.78

C. EXPLANATIONS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(9) MARKETABLE SECURITIES

In Q2 2009, earnings of TEUR 18,322 (PY: TEUR 20,256) were achieved from the sale of securities of the categories "available for sale" and TEUR 22,436 (PY: TEUR 25,716) in 1HY 2009. Payments for the purchase of "available for sale" securities amounted to TEUR 7,544 in 1HY 2009 and concern exclusively the first quarter. In the previous year TEUR 10,667 were expended for the purchase of such securities in Q2 and TEUR 22,881 in the first half-year.

Payments for the purchase of securities of the category "held to maturity" amounted to TEUR 1,912 in Q2 and in 1HY 2009. Earnings from the disposal of such securities totaled TEUR 950 and TEUR 1,450 in Q2 and 1HY of the previous year.

(10) TRADE ACCOUNTS RECEIVABLE

in TEUR	30 June 2009			31 December 2008		
	With a residual term of up to 1 year	With a residual term of more than 1 year	Total	With a residual term of up to 1 year	With a residual term of more than 1 year	Total
Trade accounts receivable	38,330	2,305	40,635	35,684	741	36,425
Less value adjustments	(2,105)	-	(2,105)	(1,651)	-	(1,651)
	36,225	2,305	38,530	34,033	741	34,774

(11) OTHER CURRENT ASSETS

in TEUR	30 June 2009	31 December 2008
Advance payments made	1,229	344
Commission payments	835	-
Deferred expenses	708	477
VAT-receivables	563	899
Claims on investment and technology grants	525	626
Receivables from suppliers	103	107
Guarantees	97	85
Derivative financial instruments	20	17
Claims on investment subsidies	5	703
Receivables from the personally liable shareholder	1	2,331
Other	281	241
	4,367	5,830

(12) INVENTORIES

in TEUR	30 June 2009	31 December 2008
Raw materials, auxiliary and operating materials	6,781	8,181
Unfinished products	34,461	35,484
Finished products and trade goods	7,958	6,733
	49,200	50,398

In Q2 2009, the inventory assets were devalued by TEUR 4,956 (PY: TEUR 763) and in 1HY 2009 by TEUR 4,572 (PY: TEUR 2,210).

(13) DEFERRED TAX ASSETS

In Q2 2009 and 1HY 2009 value adjustments of TEUR 300 were effected in respect of deferred tax assets that were linked to loss carryovers.

(14) OTHER LIABILITIES

in TEUR	30 June 2009	31 December 2008
Salaries and wages	6,782	6,207
Commissions	741	155
Customer liabilities	543	2,242
Income tax on salaries and wages	535	1,039
Social security contributions	176	151
Capital formation	65	65
Other liabilities – personnel	61	64
VAT-tax burden	16	570
Other	128	196
	9,047	10,689

in TEUR	Difference due to					As per 30 June 2009
	As per 1 January 2009	currency translation	Consumption	Addition	Dissolution	
Accrued income taxes	1,900	-	(807)	1,261	-	2,354
Personnel and social security obligations	1,125	-	(467)	308	(78)	888
Guarantee obligations	3,035	-	(1,499)	1,986	-	3,522
Service in progress	776	-	(388)	1,021	-	1,409
Litigation risks	3,234	17	(1,851)	3,080	(438)	4,042
Other	619	-	(321)	894	(64)	1,128
	10,689	17	(5,333)	8,550	(580)	13,343

ACCRUED INCOME TAXES AND OTHER ACCRUALS

(15)

The addition in accruals for litigation risks is largely the result of the increase in legal fees and other expenses for the defense of an action for infringement of a patent and obligations for the acceptance of opposing legal charges.

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 2009	30 June 2009	1 Jan. - 31 Dec. 2008	31 December 2008
Accruals for pension obligations at the beginning of the reporting period		(913)		(1,302)
Amounts recorded as income				
Current service cost	86		212	
Interest expenses on obligations	133		249	
Expected earnings on plan assets	(104)		(192)	
Amortization of past service costs	-		361	
Amortization of actuarial losses	-	115	-	630
Contributions to plan assets		(142)		(241)
Accruals for pension obligations at the end of the reporting period		(940)		(913)

PENSION AND POST-RETIREMENT BENEFITS

(16)

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 157,995 own shares with a nominal value of EUR 202,233.60 at the beginning of the financial year, 1,385 shares with a nominal value of EUR 1,772.80 were ceded in the form of anniversary shares free of charge in the period from January up to including June 2009. In the course of the asset formation campaign undertaken on behalf of employees of the Mühlbauer Group 7,615 own shares were disposed with a nominal value of EUR 9,747.20 for a price per share of EUR 10.50. This corresponds to a portion of the ordinary share capital of 0.12%. The profit totalling TEUR 80 will be used to enhance the working capital. As per 30 June 2009 the company holds a stock of 148,995 own shares of a nominal value of EUR 190,713.60. At this point in time, the percentage of own shares in the ordinary share capital is 2.37%.

SHAREHOLDERS' EQUITY

(17)

Other comprehensive income

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

in TEUR	Fair value measurement of securities	Difference due to currency translation	Total
Status as per 1 January 2008	414	(88)	326
Additions	497	-	497
Retirements	(1,166)	-	(1,166)
Reclassification affecting income	(261)	-	(261)
Currency adjustments	-	(438)	(438)
Deferred taxes			
Additions	35	-	35
Retirements	(6)	-	(6)
Reclassification affecting income	(1)	-	(1)
Status as per 30 June 2008	(488)	(526)	(1,014)
Status as per 1 January 2009	(41)	(408)	(449)
Additions	90	-	90
Retirements	-	-	-
Reclassification affecting income	(40)	-	(40)
Currency adjustments	-	(299)	(299)
Deferred taxes			
Additions	-	-	-
Retirements	(2)	-	(2)
Reclassification affecting income	1	-	1
Status as per 30 June 2009	8	(707)	(699)

Appropriation of earnings

The Annual General Meeting on 29 April 2009 resolved for the financial year 2008 the payment of a dividend of EUR 1.00 per no par value share entitled to participate in the profits. Apart from the payment of a total dividend of TEUR 6,130 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 8,991, due in parallel. Taxes of TEUR 2,331, paid by the company and to be borne by the personally liable shareholder are deducted from this amount.

Stock purchase programs

On the basis of specific accomplished personal or team goals, the employees of the Mühlbauer Group held a total of 1,184 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 27.85. 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).

To the end of the reporting period the contractual obligations from purchase and service agreements decreased by TEUR 6,306 to TEUR 12,599 compared to 31 December 2008 (see notes (29) of the 2008 Annual Report).

D. SEGMENT REPORTING

Segment information for the Q2 2009/2008 and 1HY 2009/2008:

Sales by application area	Q2/2009 TEUR	Q2/2008 TEUR	1HY/2009 TEUR	1HY/2008 TEUR
Cards & TECURITY®	32,440	24,573	58,089	48,406
Semiconductor				
Related Products	7,185	10,126	14,667	20,513
Precision Parts and Systems	2,709	5,198	6,227	10,134
Traceability	981	4,601	2,543	8,667
	43,315	44,498	81,526	87,720
Deductions on sales	(141)	(93)	(233)	(165)
	43,174	44,405	81,293	87,555

Sales by regions	Q2/2009 TEUR	Q2/2008 TEUR	1HY/2009 TEUR	1HY/2008 TEUR
Rest of Europe	11,116	20,979	23,723	34,705
Asia, Australia	8,170	7,425	15,768	22,309
Germany	7,386	10,989	14,006	20,197
America	8,131	4,952	11,400	9,839
Africa	8,512	153	16,629	670
	43,315	44,498	81,526	87,720
Deductions on sales	(141)	(93)	(233)	(165)
	43,174	44,405	81,293	87,555

E. NOTES TO THE STATEMENT OF CASH-FLOWS

The free cashflow is derived as follows:

	1HY/2009 TEUR	1HY/2008 TEUR
Cash provided by operating activities	19,383	14,281
Cash used for investing activities	(11,109)	(6,565)
Subtotal	8,274	7,716
Transition to free cashflow		
Gains/(losses) from the sale of fixed assets and intangible assets	15	78
Realized net gains/(losses) from short and long-term marketable securities	65	259
Proceeds from disposals of long-term assets	(129)	(116)
Balance of payments-in and payouts from long-term loans	-	1,380
Investments in long-term assets (marketable securities)	-	977
Proceeds from sale of short-term assets (marketable securities)	(22,436)	(27,166)
Investments in short-term assets (marketable securities)	9,456	23,870
Free Cashflow	(4,755)	6,998

F. OTHER NOTES

(19) EVENTS AFTER THE REPORTING DATE

No events of major significance occurred after the end of Q2 2009.

(20) 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 (36) of the Annual Report as per 31 December 2008. 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 20 (PY: TEUR 12) in 1HY 2009.

Mühlbauer Aktiengesellschaft, ASEM Präzisions-Automaten GmbH and takeID GmbH rent office space from Mr. Josef Mühlbauer or companies controlled by him. In 1HY 2009, rental costs amounted to TEUR 160 (PY: TEUR 156).

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 411 (PY: TEUR 107) additionally the current amount of VAT for such services in 1HY 2009. In 1HY 2009, Mühlbauer Aktiengesellschaft paid TEUR 12, additionally the current amount of VAT, to Mr. Josef Mühlbauer or companies controlled by him in respect of services provided and products sold.

(21) NUMBER OF EMPLOYEES

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

	30 June 2009 Number	30 June 2008 Number
Production and assembly	947	956
Research and development	332	326
Administration and sales	204	177
	1,483	1,459
Apprentices and trainees as well as part-time employees	382	357
Total	1,865	1,816

Number of employees by region at the end of the reporting period:

	30 June 2009 Number	30 June 2008 Number
Germany	1,602	1,619
Asia	150	139
Rest of Europe	82	33
America	22	18
Other	9	7
Total	1,865	1,816

This consolidated interim report was authorized to be published by the personally liable shareholder on 29 July 2009.

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.”

The personally liable shareholder

Financial calendar

September 16, 2009	Best of Germany Conference
October 29, 2009	Quarterly Report Q3/2009
November 10, 2009	German Equity Forum (Frankfurt a. Main)
November 25, 2009	Technology & Engineering Conference (London)
March 2010	Annual Report 2009
April 28, 2010	Annual General Meeting



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