Mühlbauer
High Tech International

Interim report
2. Quarter 2012

Content

Group overview *		**Q2/2012**	**Q2/2011**	**Change %**	**1 HY/2012**	**1 HY/2011**	**Change %**
Order income	EUR million	78.3	94.5	(17.1)	136.3	142.7	(4.5)
Order backlog	EUR million	226.0	207.3	9.0	226.0	207.3	9.0
Sales **	EUR million	61.5	41.9	46.5	111.9	91.5	22.3
EBIT	EUR million	1.3	2.3	(43.1)	4.1	12.1	(66.1)
EBIT margin ***	%	2.1	5.4	(3.3)	3.7	13.3	(9.6)
EBT	EUR million	1.3	2.5	(49.1)	4.1	12.4	(67.4)
Net earnings	EUR million	2.0	1.9	8.5	3.1	9.3	(66.5)
Earnings per Share	EUR	0.16	0.13	23.1	0.23	0.64	(64.1)
Free Cashflow	EUR million	13.3	(16.4)	180.5	0.9	(2.6)	135.8
Employees ****	Number	2,753	2,448	12.5	2,753	2,448	12.5

* Negative figures in brackets

** The sales figures are to be understood as the gross value before deduction of revenue reductions amounting to EUR 0.1 million (previous year EUR 0.06 million) for Q1

*** Change % in percentage points

**** as per end of period

Interim Management Report

OVERVIEW OF THE BUSINESS DEVELOPMENT IN THE GROUP

Overall, the globally active Mühlbauer technology group asserted itself well within an ever harsher market environment and managed to keep order income at a high level – with the support of the booming Tablet PC and Smartphone market, as well as the strong demand for technology solutions for the production of RFID Smart Labels. In parallel, sales rose considerably, as a result of continually clearing the order backlog. While sales development should accelerate in the second half of the year, the company is currently still expecting to increase total annual sales year-on-year. The increasing pressure from Asian competitors, the recent distinct attenuation of the semiconductor industry and the alarming development of the global economy have prompted the company's management to adjust risk provisions in respect of inventory assets to the current environment. Against this background, the operating result in 2HY 2012 will be higher than in 1HY 2012, and the company now expects to achieve an operating margin in the middle to upper single-digit percent range for the year as a whole; however, the original goal of a year-on-year increase of result will not be achieved.

The key developments in Q2 2012 were:

- At EUR 78.3 million, consolidated order income is 17.1% lower, however, compared with the second-highest value in the Group's history of EUR 94.5 million, achieved during the same quarter of the previous year, it is still at a high level. In this context, *Semiconductor Related Products* compensates for more than half of the decline in orders in the core area *Cards & TECURITY®* through the concentration of further government orders worth approx. EUR 45 million – also issued to a group company and insofar included on a pro-rata basis – at the beginning of July.
- At EUR 226.0 million, consolidated order backlog was 9.0% higher year-on-year (PY: EUR 207.3 million), thus marking a new record in corporate history.
- The consolidated sales[1] achieved by the Mühlbauer Group in Q2 2012 recorded tremendous growth year-on-year, with a plus of EUR 19.6 million or 46.5%, to EUR 61.5 million (PY: EUR 41.9 million).
- Due to the adjustment of the risk provision in inventory assets to the current market and economic environment, the gross earnings margin dropped from 38.3% to 25,6%. Against this background, earnings before interest and taxes (EBIT) amounted to EUR 1.3 million, after EUR 2.3 million for the same quarter of the previous year. This corresponds to an EBIT margin of 2.1%, after 5.4% year-on-year. During the reporting period, the share of profit applicable to each share totals EUR 0.16, after EUR 0.13 year-on-year.
- The liquidation of stocks as well as higher downpayments received in respect of ID projects, while investment expenditure remained virtually equal, bestowed a free cashflow of EUR 13.2 million on the solution provider, after minus EUR 16.4 million during the same quarter of the previous year.
- Even though the increasing competitive pressure from Asia, the recent distinct attenuation of the semiconductor industry and the alarming development of the global economy have resulted in the company acting more conservatively, the medium- and long-term prospects on the markets relevant to Mühlbauer remain positive, overall. Mühlbauer therefore intends to ramp up its efforts considerably, in order to benefit strongly from this situation and to improve its 2013 earnings situation significantly.

[1] The sales figures are to be understood as the gross value before deduction of revenue reductions amounting to EUR 0.1 million (previous year EUR 0.06 million) for Q1

The percentages were determined on the basis of the exact figures and may differ from the rounding figures.

FRAMEWORK CONDITIONS

Economic framework conditions

Global economy

The world economy is currently in a phase of mild expansion. At present, the renewed intensification of the state debt crisis in the eurozone represents a particular burden to the global economy. The possibility of Greece leaving the eurozone or the collapse of the eurozone, as well as the economic situation in other European countries such as Spain or Italy render Europe an incalculable risk to the global economy. Thus, even the International Monetary Fund (IMF) warned that the European debt crisis could result in massive risks to the worldwide economy and also cautioned against an aggravation of the budgetary position in several industrialized countries. The recovery of the global economy, which was borne by the newly industrializing countries last year, is currently receiving less impetus, due largely to a slackening of export and investment dynamics in China. The society for advanced economies, OECD, pointed out that the largest newly industrializing countries China and India could fail as global economic motors. Thus, the National Bureau of Statistics in Beijing reported an economic growth of only 7.6% for Q2 – the lowest value in three years. Overall, the Asian economy is currently characterized by sustained concerns regarding growth, which is reflected in consistently weak economic figures. The economy has also slackened in the USA, after having showed brief signs of a recovery in spring. Due to the high level of unemployment and the unsure economic prospects, the US Federal Reserve System lowered its outlook for the North American economy and extended a program for the exchange of government bonds, which was due to expire this month, until the end of the year. While the German economy proved to be relatively stable on the difficult international playing field, despite the slowing down of the underlying momentum, the mood on the German market has, however, deteriorated significantly. The Ifo business climate index dropped for the second month in succession and in June it reached its lowest level since March 2010. Thus, clouds are gathering strength on the global economic horizon.

Industry development

Cards & TECURITY®. The markets and industries relevant to the Mühlbauer Group are still characterized by the rising worldwide trend for security. Demand for the introduction of biometric ID documents and government ID solutions is still unbroken. Also, an increasing number of governments consider themselves service providers for their citizens, thus driving ahead the process of rendering administrative processes less bureaucratic. In the area of industry-based automation solutions, the trend toward the transformation of conventional magnetic stripe cards to forge-proof EMV and dual interface cards is continuing – as in previous quarters. Furthermore, pent-up demand for mobile communication in newly industrializing and developing countries is a decisive driver on the market.

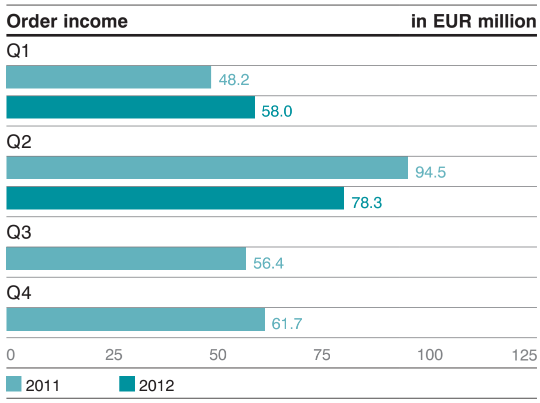
Semiconductor Related Products. The high potential demand for RFID-based solutions persists. As a result, the market grew by USD 900 million in the previous year, according to an analysis by ABI Research, a market research institute. The labeling of goods in retail remains the strongest driver on the RFID market. The transport and logistics industry is also increasingly utilizing RFID-based track and trace solutions at different levels, in order to provide a tight network of information to its service providers and customers. The semiconductor markets relevant to Mühlbauer experienced an extreme boost of demand in Q2 2012. According to the Gartner research institute, the strongest impulses derive from the Smartphone and Tablet PC business. The automotive sector, which is relevant to Traceability, was at a continuously high level in the first half of 2012, thanks to the high level of demand from abroad. In the solar industry the radical shift of market shares continued. The price dumping of Chinese solar companies left the German solar industry in dire straits so that numerous companies had to file for insolvency. Due to its many application benefits, the market for thin-film solar modules, which is only just starting out, is still considered to hold plenty of potential.

Precision Parts & Systems. The European debt crisis is still impacting the mechanical engineering and plant construction industry relevant to *Precision Parts & Systems*. According to the VDA, order income is therefore still significantly below the record values achieved last year. While order income from non-European countries has been picked up in Q2, demand from the countries of the eurozone does not seem to have hit the bottom yet.

The percentages were determined on the basis of the exact figures and may differ from the rounding figures.

Business Development

Order inflow and order backlog



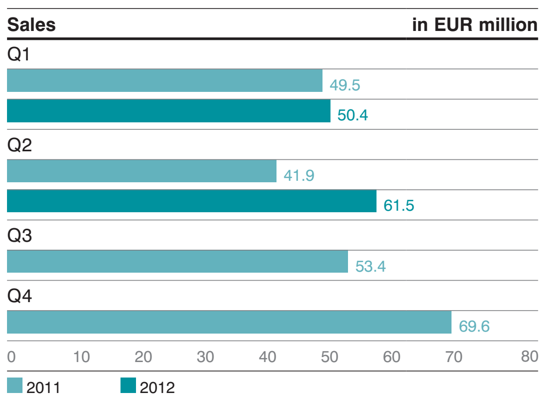
Based on the high demand for semiconductor backend technologies, the *total number of orders* acquired during the reporting period was maintained at a high level, at EUR 78.3 million. While the second-highest value in the company's history, achieved in the same quarter of the previous year, was undershot by EUR 16.2 million or 17.1 % – at EUR 94.5 million – due to the natural fluctuations that occur in project business, order income still rose by EUR 20.3 million or 35.0 % against the previous quarter (EUR 58.0 million).

Whereas the order income of EUR 39.7 million posted in the core business area *Cards & TECURITY®* in the reporting period was EUR 31.0 million lower compared with the record value achieved year-on-year (PY: EUR 70.7 million), the distinct growth of orders in *Semiconductor Related Products* compensated for more than half of this decline. On top of that, due to the concentration of further government orders – also issued to a group company and insofar included on a pro rata basis – *Cards & TECURITY®* posted a total of approx. EUR 45 million at the beginning of July. The reasons behind this huge increase in *Semiconductor Related Products* are the booming Tablet PC and Smartphone market, as well as the strong demand for technology solutions for the production of RFID Smart Labels. Both are responsible for the fact that order income almost doubled year-on-year, at EUR 32.3 million (PY: EUR 16.4 million). Order income was further underpinned by another order from the fledgling product line of thin-film solar modules. After partly marked increases over the past two years, order income in *Precision Parts & Systems* was 15,0 % lower, at EUR 6.3, than in the same quarter of the previous year (PY: EUR 7.4).

The consolidated order incomes recorded in the first half of 2012 amounted to EUR 136.3 million in the order book and corresponded to a decline of EUR 6.4 million or 4.5 % against the first half of 2011 (PY: EUR 142.7 million). This decline is largely reflected in the core business area *Cards & TECURITY®*. While, at EUR 74.4 million, the order income posted for this area was EUR 20.8 million or 21.8 % lower year-on-year (PY: EUR 95.2 million), due to the natural fluctuations that occur in project business, this decline was largely compensated by *Semiconductor Related Products*. This area was extremely successful in the first half of the year, posting an order income of EUR 48.7 million, which represents an increase of EUR 17.1 million or 54.1 % year-on-year (PY: EUR 31.6 million). In contrast, *Precision Parts & Systems* was unable to reach the previous year's value, as a result of the slowing down of the economy. At EUR 13.2 million, the orders acquired in the first half of the year were EUR 2.7 million or 17.0 % lower year-on-year (PY: EUR 15.9 million).

To the end of the reporting period the consolidated order backlog totaled EUR 226.0 million. Compared with 30 June 2011 (EUR 207.3 million) this corresponds to an increase of EUR 18.7 million or 9.0 %.

Sales[2]



The consolidated sales achieved by the Mühlbauer Group in Q2 2012 recorded tremendous growth year-on-year, with a plus of EUR 19.6 million or 46.5 %, to EUR 61.5 million (PY: EUR 41.9 million). This marked increase is due both to the company's core area *Cards & TECURITY®*, which raised its share in sales by EUR 13,9 million or 67.2 % to EUR 34.5 million (PY: EUR 20.6 million, by continually clearing its order backlog, and *Semiconductor Related Products*, which also developed positively with an increase in sales of EUR 5.7 million or 39,9 % to EUR 20.0 million (PY: EUR 14.3 million). This massive growth can primarily be attributed to the semiconductor backend business, which most recently benefited greatly from the high demand for Tablet PCs and Smartphones. *Precision Parts & Systems* proved stable: As in Q2 2011, sales totaled EUR 7.0 million.

[2] The sales figures are to be understood as the gross value before deduction of revenue reductions amounting to EUR 0.1 million (previous year EUR 0.06 million) for Q1

The percentages were determined on the basis of the exact figures and may differ from the rounding figures.

Even the comparison with 1HY 2011 is positive. Consolidated sales rose by EUR 20.4 million or 22.3% to EUR 111.9 million (PY: EUR 91.5 million) year-on-year. At EUR 67.0 million, the company's core area *Cards & TECURITY®* achieved a sales plus of EUR 16.5 million in the first half of 2012. Compared with the first half of 2011 (EUR 50.5 million), this corresponds to a growth of 32.6%. *Semiconductor Related Products* also achieved significant growth. Sales in this area during the first six months of the current year rose by EUR 4.8 million to EUR 31.0 million; compared to the same period of the previous year (EUR 26.2 million) this corresponds to a growth of 18.0%. *Precision Parts & Systems* reported a slight decline. Compared with the 1HY 2011 (EUR 14.7 million), sales in this area dropped by EUR 0.8 million or 5.7% to EUR 13.9 million.

On a regional breakdown, the majority of sales is still achieved in the Asian region. Thus, sales in this region grew by EUR 3.5 million, to EUR 21.2 million year-on-year and achieved 34.4% of the consolidated sales of the Mühlbauer Group. During the current reporting period, Europe again achieved the second-highest share in sales, at EUR 18.2 million (PY: EUR 17.4 million); this corresponds to 29.6% of total sales. Compared with the second quarter of the past year, sales in Germany remained relatively stable, at EUR 10.2 million (PY: EUR 9.5 million), thus amounting to 16.6% of the solution provider's consolidated sales. The African continent, the sales of which underwent a more than five-fold project-related increase (PY: EUR 2.7 million) year-on-year, achieved 22.7% of total sales. The American continent also recorded an increase. Whereas it recorded sales of EUR 4.2 million for the same quarter of the previous year, this figure rose to EUR 8.0 million during the reporting period. The share the American continent contributes to the total sales of the Mühlbauer Group thus amounts to 13.1%.

EARNINGS SITUATION

Earnings development

The earnings before interest and taxes (EBIT) of EUR 1.3 million, achieved during the quarter under review, declined by EUR 1.0 million or 43.1% against the same period of the previous year (PY: EUR 2.3 million). This is largely due to the – also depreciation-related – rise in cost of goods sold, which, at EUR 45.7 million, was EUR 19.9 million or 77.1% higher year-on-year, thus resulting in the increase of the cost-of-production ratio by 12.7% points to 74.7%. A significant boost of sales by EUR 19.6 million or 46.5% in Q2 2012, however, enabled the company to retain gross profit at the same level year-on-year – at EUR 15.7 million (PY: EUR 16.0 million). The remaining expense and earnings items feature comparatively low changes, which are shown in greater depth in the analysis of earnings development. Based on the sales achieved in the reporting period, this corresponds to an EBIT margin of 2.1%, after 5.4% year-on–year.

As a result of the first two weaker quarters of 2012, the operating result for the first half of the year is 66.1% lower at EUR 4.1 million (PY: EUR 12.1 million). Based on the sales that are EUR 20.4 million or 22.3% higher in 1HY 2012 than in 1HY 2011, this corresponds to an EBIT margin of 3.7%, after 13.3% year-on-year. The significantly higher cost-of-production ratio, which climbed 11.7% points, from 58.4% to 70.1%, is also shown on a half-yearly comparison. Due to the EUR 0.4 million lower financial result and the EUR 2.2 million lower tax expenditure, the net profit of EUR 3.1 million, achieved in the first half of the year undershoots the result for 1HY 2011, of EUR 9.3 million, by EUR 6.2 million.

Analysis of earnings development (quarter)

Apart from the – also depreciation-related – rise in cost of goods sold, further causes for the decline in earnings development in Q2 were the increase of other operating expenses, which were EUR 0.5 million higher year-on-year and were largely due to price losses and in non-recurring effects (insurance payouts and compensation) included in the other operating income of Q2 2011, which resulted in a lower earnings contribution of EUR 0.1 million compared with the quarter under review. With an increase of EUR 0.1 million or 1.9%, research and development costs, which ensure the company's competitiveness, were maintained at a high level and amount to 12.1% of sales. While administrative costs virtually remained unchanged, selling expenses were reduced by EUR 0.1 million. The statement of income for Q2 2012 reports net earnings of EUR 2.0 million, EUR 0.1 million more than for the same period of the previous year (PY: EUR 1.9 million). The reversal compared with earnings before taxes is largely due to tax income in respect of real and deferred state taxes (foreign subsidiaries), which were EUR 1.2 million higher year-on-year. During the reporting period, the share of profit applicable to each share totals EUR 0.16, after EUR 0.13 year-on-year.

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Analysis of earnings development (half-year)

Analysis of earnings development (half-year). The increase of cost of production by EUR 25.0 million or 46.9%, which is strong compared to the sales growth of 22.3%, largely results from value adjustments in inventory assets that have no effect on liquidity.

In contrast, personnel costs rose insubstantially, at EUR 0.9 million, so that the share of personnel costs in cost of production has since dropped by 3.8% points to 21.2%, based on sales. Even though cost increases in the remaining functional areas may have been low, they all contributed to the EUR 8.0 million or 66.1% drop in operating EBIT to EUR 4.1 million. The cost increases include EUR 1.0 million or 11.6% more in selling expenses, EUR 0.3 million or 2.1% higher research and development expenses as well as a EUR 0.2 million or 4.2% rise in administrative costs and a EUR 1.9 million rise of expenditure from the balance of other operating income and expenses, which largely resulted from the negative price differences in 2012 and special effects contained in the other operating income in 2011. The decline of financial result by EUR 0.4 million was essentially due to the drop in financial income, while financial expenditure rose slightly. As a result of the EUR 2.2 million or 70.1% drop in tax expense against 1HY 2011 caused by the decline in result, the decrease of consolidated net earnings for the year is lower, at EUR 6.2 million, than the decrease in operating result. During the same period, earnings per share dropped from EUR 0.64 to EUR 0.23.

FINANCIAL SITUATION

Cashflow

At EUR 19.8 million in the period under review, cashflow from operating activities was EUR 4.5 million higher year-on-year (PY: EUR 15.3 million), despite EUR 6.2 million lower net earnings for the half-year.

The cashflow reflects the marked decrease of stocks of finished and semi-finished goods. While the build-up of stocks during the same period of the previous year had led to a commitment of funds of EUR 18,3 million at the time, the extension of sales under consideration of the significant increase of trade accounts receivable resulted in an outflow of only EUR 3.6 million.

The rise of trade accounts payable, in particular of downpayments received, resulted in an inflow of EUR 14.2 million.

While the disposal and acquisition of short-term marketable securities during the same period of the previous year resulted in an outflow of EUR 5.2, according to the balance sheet, no transactions were recorded for the period under review.

In the quarter under review, outflows from investment activities were EUR 5.9 million above the previous year's level, at EUR 18.8 million (PY: EUR 12.9 million). This increase is largely due to the investments into the new building for large part production in Roding, the construction of a technology centre in Serbia as well as the purchase and modernization of machines for Precision Parts.

The cashflow from financing activities is characterized by the dividend distribution of EUR 6.1 million to the limited partners and the outflows of EUR 1.9 million from the settlement account of the personally liable shareholder.

According to the balance sheet the outflow thus dropped to EUR 4.8 million during the reporting period, after EUR 17.5 million in 1HY 2011.

Due largely to the Group's development outlined above, free cashflow was EUR 3.5 million higher year-on-year, at plus EUR 0.9 million (PY: minus EUR 2.6 million). The increase is primarily characterized by the liquidation of stocks and higher downpayments received, which more than compensate for the EUR 5.8 million higher investment expenditure.

The percentages were determined on the basis of the exact figures and may differ from the rounding figures.

ASSET SITUATION

Balance sheet total

Compared with the end of the previous financial year (PY: EUR 235.4 million), the Group's balance sheet total on 30 June 2012 rose by EUR 7.7 million or 3.3% to EUR 243.1 million. This is primarily due to the investment activities, which were largely concluded in the second quarter. Completed and current investments in buildings and production plants made a significant contribution of EUR 12.3 million to this increase. Overall, long-term assets rose by EUR 8.0 million, while short-term assets dropped by EUR 0.2 million. In relation to the balance sheet total, short-term assets declined from 59.7% in the previous year to 57.7% in the reporting period, while long-term assets climbed from 40.3% in the previous year to 42.3% to the end of the quarter under review.

Assets

The Group's unbroken extension of business activities is reflected in the short-term assets by the EUR 9.2 million increase of trade accounts receivable and the EUR 1.8 million rise in real and deferred taxes. The liquidation of inventories by a total of EUR 7.9 million bears special mention. This is essentially due to the – also depreciation-related – decline of semi-finished services of EUR 4.1 million and finished services of EUR 2.7 million. Due to the extension of operating activities and the resultant free cashflow of EUR 0.9 million that was achieved, cash and cash equivalents only decreased by EUR 4.8 million despite the dividend payment of EUR 6.1 million in Q2 2012.

Liabilities

Total liabilities increased by EUR 18.8 million or 25.1%. Short-term liabilities rose by EUR 19.1 million or 25.8%, while long-term liabilities decreased by EUR 0.3 million or 30.0%. The principal causes behind the rise of short-term liabilities are the EUR 14.1 million or 61.7% increase of downpayments received and the liability toward the personally liable shareholder from the 2011 share of profit of EUR 8.5 million, which has not yet been paid. In contrast, trade accounts payable declined by EUR 9.3 million or 41.6%. They are opposed by increases in short-term liabilities to banks of EUR 1.7 million, accruals for income taxes of EUR 0.8 million, other provisions of EUR 1.0 million and other short-term liabilities of EUR 2.3 million. Long-term liabilities exclusively comprise deferred tax debts, which dropped by EUR 0.3 million or 30.0%.

As per 30 June 2012, shareholders' equity decreased by a total of EUR 11.0 million or 6.9%, largely due to the appropriation of earnings (EUR 14.7 million) and the positive result for the first half of the year of EUR 3.1 million. Based on the increase of short-term liabilities and the decline of shareholders' equity, the equity ratio fell to 61.4% as per 30 June 2012 – against 68.1% on 31 December 2011.

FACTOR INPUT

Investments

In Q2 2012 gross investments in intangible and fixed assets totaled EUR 6.6 million (PY: EUR 4.3 million). The investment volume in respect of the entire first half of 2012 thus amounted to EUR 15.1 million and significantly exceeds that for the same period of the previous year (PY: EUR 9.8 million). Investments focused on the procurement of machines and plants for *Precision Parts & Systems* at the Roding site as well as on the technical equipment for the technology centre in the Serbian city of Stara Pazova, which commenced operation in April 2012.

Research and development

In Q2 2012 the research and development expenses of the Mühlbauer technology group totaled EUR 7.5 million (PY: EUR 7.3 million). In the first half of 2012, Mühlbauer invested EUR 14.6 million (PY: EUR 14.3 million). Based on sales, this corresponds to an R&D ratio of 13,0% (PY: 15,6%) In *Cards & TECURITY®*, research and development expenditure focused on boosting the efficiency of standard products in order to increase their competitiveness on the market. Thus, a new system for the production of dual interface cards combines the cutting of the cavity with the application of the adhesive, achieving a throughput of up to 2,500 cards per hour. A card mailing system was developed for high-volume mailing processes, which enables as many as 3,000 letters per hour. A newly constructed chip module punch, into which up to three punch modules can be integrated if required, represents a flexible solution for the punching of Eco-SIM cards, mini SIM cards or mini VISA cards. The revision and extension of the passport booklet line has resulted in the optimization of costs and increase of competitiveness.

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The development in *Semiconductor Related Products* focused on the realization of high-volume RFID personalization systems. The core processes of these roll-to-roll systems are the digital and visual personalization of labels and tickets. The first machines have already been delivered to customers. With this system, the Mühlbauer Group has extended its product portfolio in the RFID area by the personalization sector. In the solar area a second thin-film solar system is currently being implemented, which is primarily characterized by the fact that it is not individual solar cells that are being produced but rather monolithic interconnected modules. Apart from “mechanical scribing”, a new process referred to as "laser scribing" is now being used for the first time. This second system is a further important milestone. It demonstrates that thin-film solar technology can be produced with a very high level of automation and thus is more than merely an alternative to the photovoltaic technology – even commercially. With the ECO variation, the company has realized a pick and place system with significantly improved cost ownership performance. The construction of this machine has been concluded, its completion is scheduled for the end of the fourth quarter.

EMPLOYMENT

The development of staffing figures within the Mühlbauer Group greatly depends on the project-heaviness of *Cards & TECURITY®*. The order situation or the receipt of orders for projects may necessitate the takeover of employees from existing projects or temporary short-term recruitment.

As a result, the number of employees in the production and assembly area, which, at 24.9%, already recorded the largest staff growth in 1HY 2011, grew by a further 204 or 15.3% during the reporting period, to 1,539 employees (PY: 1,335). The company’s constant pursuit of innovations is also reflected in the staffing figures of the research and development area. Thus, the number of employees rose by a further 5.3% against the massive increase in the previous year and totaled 476 at the end of the first half-year 2012. The number of trainees and apprentices at Mühlbauer rose by 32 or 10.5% to 336 (PY: 304) year-on-year. This exceptionally high figure shows the important role training plays within the company.

To the end of the first half-year 2012, Mühlbauer thus employed a total of 2,753 staff throughout the Group, which is 305 or 12.5% more year-on-year (PY: 2,448). Overall, however, personnel numbers declined. To the end of Q2 2012, Mühlbauer had 82 fewer employees than at the end of the 2011 financial year.

EVENTS AFTER THE END OF THE QUARTER

No special events occurred between the reporting date of the quarter (30 June 2012) and the approval for publication (08 August 2012) that require reporting..

RISK REPORT

An in-depth report of the Mühlbauer Group’s risk and opportunity situation was provided in the 2011 Annual Report. In the context of the regular review of these risks and opportunities, certain risk situations were reevaluated and substantiated as per the reporting date.

An intensification of competition, caused by the actions of aggressively-priced suppliers can be ascertained in respect of the Mühlbauer Group’s industry business. Mühlbauer is reacting to these framework conditions through continued technological innovations and cost reductions in the areas affected and has asserted its position as market leader in the corresponding product areas.

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Mühlbauer faces the risk of insufficient or excessive capacities deriving from partly extremely volatile order income and the emerging economy-related decline in demand for precision parts with forward-looking corporate planning and the constant optimization of production processes.
In the first half of 2012, there have been no significant changes in respect of all other risks outlined in the consolidated management report for the 2011 financial year.

OUTLOOK

Global economy

The forecast regarding the further development of the global economy has rarely been subject to such a high degree of insecurity and risk. The outlook on worldwide economic development is largely characterized by the outcome of the European state debt crisis. A collapse of the eurozone or a long phase in which such a scenario seems possible could result in a severe recession in the eurozone and dampen the economy in the rest of the world considerably – either via trade or the international financial markets. Global economic indicators give reason to expect that the worldwide economy will lose even more momentum. The World Bank is expecting worldwide growth of 2.5% for 2012. Consequently, the economy in the eurozone is set to shrink by 0.3% this year. Furthermore, the World Bank expressly warned the newly industrializing countries of a severe slump of the global economy. The growth motor China is already losing its vigor. The International Monetary Fund (IMF) has corrected its annual growth forecast for the world's largest national economy downward, to 8%. This would represent the lowest growth of the Chinese national economy in three years. Some analysts actually doubt that China will manage to reach the psychologically important level of 8%. Overall, the outlook for the Asian economy is clouding over. The Asian Development Bank (ADB) reduced its outlook for the Asian economy and is now expecting economic growth of 6.6%. Even the growth forecast for the USA was boldly reduced by the Federal Reserve. While a rise of gross domestic product of up to 2.9% was still assumed as late as April, the Fed is now expecting a mere 2%. In contrast, the Ifo Institute for Economic Research (ifo) raised its economic outlook for Germany slightly for the current year; however, it also pointed out major insecurities. Gross domestic product will most likely grow 0.7% in 2012, after growth of 3% in the previous year. According to ifo, the German economy will experience a period of weakness in summer. It is only to the end of the year that the upward tendencies will prevail.

All in all, the IWF's forecast for the global economy is rather somber: The outlook had given rise to concern.

Industry development

Cards & TECURITY®. Due to the demand for forge-proof ID documents and the rationalization of administrative processes, the worldwide interest of governments in switching from conventional ID documents to electronic, chip-based documents will endure. The process of change toward forge-proof EMV and dual interface cards will also endure in the industry business. The introduction of contactless EC cards for payment via radio technology will also affect the market. While some 1.5 million customers of Sparkasse were given such a card in April for the purpose of testing it, all 45 million Sparkasse customers are to be issued radio-based bank cards by 2015. Other banks are subsequently also likely to commence conversion. The unbroken rise in demand for mobile phone cards in developing and newly industrializing countries will continue to boost demand for state-of-the-art product solutions for the production of Smart Cards.

Semiconductor Related Products. Due to the numerous existing application areas and potential future application options resulting from the benefits of the RFID technology, the RFID market still holds tremendous potential for growth. According to an analysis by ABI Research, a market research institute, the market volume for RFID transponders, reading devices, software and services is set to rise to USD 70.5 billion by the end of 2012. This amounts to an annual rate of growth of approx. 20% over the next five years. While the automotive and clothing industry, primarily, still offer extensive application options, the area of Near Field Communication (NFC), in particular, is forecast to hold major potential. Thus the market research institute IMS

The percentages were determined on the basis of the exact figures and may differ from the rounding figures.

Research is expecting more than 700 million NFC-capable mobile phones to be shipped by 2016. As in the previous quarter, the Smartphone and Tablet PC market will remain a strong driver of business.

The development on the semiconductor backend market is very difficult to assess, due to its tremendous cyclical fluctuations. Order income in Q3 is expected to normalize, after a very strong order income in Q2.

According to the VDA (German Association of the Automotive Industry), the automotive market, relevant to board handling and marking solutions, is still set for growth worldwide. Due to the difficult and complex position of the global economy, however, a far more cautious investment behavior is to be expected.

Demand for thin-film solar modules will increase further as a result of their numerous application and production benefits. The outlook in this area is optimistic, due to the market position the Mühlbauer Group holds by virtue of its technical innovations. Thus, there are prospects for further projects. As yet, however, it is not clear when these projects will be ultimately realized.

Precision Parts & Systems. Whether the reinvigoration of demand in the mechanical engineering industry, which is important to *Precision Parts & Systems*, from non-European countries will be able to compensate for the weak order income from the eurozone largely depends on the development of the European state debt crisis. Even though the VDMA (German Engineering Federation) is in fact expecting a weak development of demand from Europe and a leveling out of the Chinese economy, the Federation is expecting companies will be able to maintain stable production figures in 2012 and will once again achieve production growth in 2013.

Business development

Global economic prospects deteriorated even further in Q2 2012. In Europe, in particular, the debt crisis is increasingly slowing down the economy. In addition, the competitive pressure from Asia and the recent distinct downward trend of the semiconductor industry have prompted the company to act more cautiously overall, in order to stably pilot the business, which is based on sustainability, through increasingly difficult waters. While sales development is meant to pick up speed during the second half of the year and ensure that total annual sales are higher year-on-year, operating income will not reach the original goal, namely a year-on-year increase of earnings – irrespective of the expected boost in 2HY 2012 against 1HY 2012. This boost is to be derived from the adjustment of the risk evaluation to the current environment. The company is now expecting to achieve an operating margin in the middle to upper single-digit percent range in respect of the entire year.

The medium- and long-term prospects on the markets relevant to Mühlbauer, however, remain positive, overall. Mühlbauer therefore intends to ramp up its efforts considerably in order to benefit strongly from this situation and to improve its 2013 earnings situation significantly.

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 2011 Annual Report and other parts of this interim report.

The percentages were determined on the basis of the exact figures and may differ from the rounding figures.

CONSOLIDATED STATEMENTS OF INCOME (IFRS) FROM JANUARY 1 TO JUNE 30, 2012 OF MÜHLBAUER HOLDING AG & CO. KGaA[1)]

		Notes	April 1 - June 30, 2012 TEUR	April 1 - June 30, 2011 TEUR	Jan. 1 - June 30, 2012 TEUR	Jan. 1 - June 30, 2011 TEUR
1.	**Sales**		**61,413**	**41,847**	**111,696**	**91,296**
2.	Cost of sales	(3)	(45,710)	(25,815)	(78,341)	(53,336)
3.	**Gross profit**		**15,703**	**16,032**	**33,355**	**37,960**
4.	Selling expenses	(4)	(4,741)	(4,792)	(9,938)	(8,903)
5.	Administrative expenses		(2,428)	(2,431)	(4,727)	(4,536)
6.	Research and development	(5)	(7,460)	(7,324)	(14,564)	(14,265)
7.	Other income		(368)	106	(949)	(676)
8.	Other expenses	(6)	598	683	924	2,528
9.	**Operating income**		**1,295**	**2,274**	**4,101**	**12,108**
10.	Financial result					
	a) Financial income		75	316	147	509
	b) Financial expenses		(93)	(80)	(187)	(170)
11.	**Income before income taxes**		**1,277**	**2,510**	**4,061**	**12,447**
12.	Income taxes		770	(623)	(933)	(3,120)
13.	**Net earnings**		**2,047**	**1,887**	**3,128**	**9,327**
	- Minority interests		*(16)*	*(5)*	*(8)*	*(8)*
	- Attributable to shareholders of Mühlbauer Holding AG & Co. KGaA		*2,063*	*1,892*	*3,136*	*9,335*
Earnings per share in EURO						
basic		(7)	0.16	0.13	0.23	0.64
fully diluted		(7)	0.16	0.13	0.23	0.64
Weighted average of shares						
basic		(7)	6,139,242	6,132,405	6,139,242	6,132,405
fully diluted		(7)	6,139,242	6,132,417	6,139,242	6,132,417

[1)] uncertified

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (IFRS) FROM JANUARY 1 TO JUNE 30, 2012 OF MÜHLBAUER HOLDING AG & CO. KGaA[1)]

	April 1 - June 30, 2012 TEUR	April 1 - June 30, 2011 TEUR	Jan. 1 - June 30, 2012 TEUR	Jan. 1 - June 30, 2011 TEUR
Net earnings	**2,047**	**1,887**	**3,128**	**9,327**
Change of market value of available-for-sale securities	0	(67)	0	(54)
Difference due to currency translation	802	(522)	489	(1,696)
Deferred taxes	0	3	0	0
Total income and expenses recognized in equity	**802**	**(586)**	**489**	**(1,750)**
Total income and expenses	**2,849**	**1,301**	**3,617**	**7,577**
- Minority interests	*(16)*	*(5)*	*(8)*	*(8)*
- Attributable to shareholders of Mühlbauer Holding AG & Co. KGaA	*2,865*	*1,306*	*3,625*	*7,585*

[1)] uncertified

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (IFRS) AS AT JUNE 30, 2012 OF MÜHLBAUER HOLDING AG & CO. KGaA

	Notes	June 30, 2012 [1] TEUR	Dec. 31, 2011 [2] TEUR
ASSETS			
Short-term assets			
Cash and cash equivalents		10,395	15,183
Marketable securities	(8)	0	0
Trade accounts receivable	(9)	41,931	32,715
Other current assets	(10)	16,749	15,305
Tax receivables		4,213	2,388
Inventories	(11)	67,022	74,946
		140,310	**140,537**
Long-term assets			
Investment and long-term financial assets			
Trade accounts receivable	(9)	1,627	733
		1,627	**733**
Fixed assets			
Land and buildings		54,250	47,463
Technical equipment		26,014	23,875
Furniture and office equipment		7,675	8,069
Buildings and equipment in progress		373	3,352
		88,312	**82,759**
Intangible assets			
Software and licenses		3,113	2,914
Capitalized development costs		3,552	4,112
		6,665	**7,026**
Other long-term assets			
Long-term tax receivables		1,759	1,749
Deferred tax assets		2,680	939
Plan assets	(14)	1,791	1,624
		6,230	**4,312**
		243,144	**235,367**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term liabilities			
Financial liabilities		1,678	0
Trade accounts payable		13,049	22,356
Downpayments		36,995	22,877
Other liabilities	(12)	21,556	10,720
Accrued income taxes	(13)	3,058	2,261
Other accruals	(13)	16,793	15,808
		93,129	**74,022**
Long-term liabilities			
Deferred tax liabilities		704	1,006
		704	**1,006**
Shareholders' equity			
Ordinary share capital		8,038	8,038
Own shares	(15)	(179)	(180)
Fixed capital contribution		(2,980)	(2,980)
Additional paid-in capital		61,163	61,136
Other comprehensive income		3,309	2,820
Retained earnings		79,995	91,531
Equity excluding minority interests		149,346	160,365
Minority interests		(35)	(26)
		149,311	**160,339**
		243,144	**235,367**

[1] uncertified [2] certified

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

CONSOLIDATED STATEMENTS OF CASH-FLOWS (IFRS) FROM JANUARY 1 TO JUNE 30, 2012 OF MÜHLBAUER HOLDING AG & CO. KGaA[1)]

			Jan. 1 - June 30, 2012 TEUR	Jan. 1 - June 30, 2011 TEUR
Cash provided by operating activities				
1.		Net earnings	3,128	9,327
2.	+	Income taxes	933	3,120
3.	+	Interest expenses	187	168
4.	-	Interest income	(147)	(231)
Adjustments for non cash expenses and income				
5.	+/-	Expenses/(income) from employee profit-sharing programs	29	120
6.	+/-	Depreciations/(appreciations) to fixed assets	7,560	4,535
7.	+/-	Depreciations/(appreciations) to intangible assets	1,220	502
8.	+/-	Depreciations/(appreciations) to capitalized development costs	1,202	1,282
9.	+/-	(Gains)/losses from the sale of fixed assets	66	(247)
10.	+/-	Exchange rate differences from the translation of long-term assets	(299)	0
11.	+/-	Realized net (gains)/losses from short- and long-term marketable securities	0	(286)
12.	+/-	(Gains)/losses from the the change in fair value of financial instruments	(57)	79
13.	+/-	(Increase)/decrease of deferred tax assets	(1,741)	37
14.	+/-	Increase/(decrease) of deferred tax liabilities	(302)	(337)
Changes in long-term and short-term assets				
15.	+/-	Increase)/decrease of inventories	7,924	(17,577)
16.	+/-	(Increase)/decrease of trade accounts receivables and other short-term assets	(11,497)	(693)
17.	+/-	Increase/(decrease) of trade accounts payables and other liabilities	14,239	18,529
18.	+	Cash outflows for short-term marketable securities	0	21,807
19.	+/-	Investments in short-term assets (securities)	0	(16,575)
20.	=	Cash generated from operating activities	22,445	23,560
21.	-	Income tax paid	(2,626)	(8,338)
22.	-	Interest paid	(14)	(3)
23.	+	Interest received	5	88
24.	=	Cash provided by operating activities	19,810	15,307
Cashflow from investing activities				
25.	+	Proceeds from disposals of fixed assets	37	323
26.	-	Purchase of fixed assets	(16,722)	(11,174)
27.	-	Purchase of intangible assets	(1,441)	(756)
28.	-	Expenditures for capitalized development costs	(638)	(1,311)
29.	=	Cash used for investing activities	(18,764)	(12,918)
Free Cashflow			943	(2,633)
Cashflow from financing activities				
30.	+/-	Increase/(decrease) of short-term financial liabilities	1,678	0
31.	+	Proceeds from sales of own shares	(1)	185
32.	-	Dividends paid	(6,140)	(17,305)
33.	+	Capital increase at subsidiaries (of other shareholders)	0	(1,948)
34.	+	Tax withdrawal personally liable shareholder	(1,860)	0
35.	=	Cash used for financing activities	6,323	(19,068)
36.	+/-	Increase/(decrease) of currency exchange rate changes	489	(810)
37.	=	Net increase/(decrease) in cash and cash equivalents (Total of lines 24, 29, 35 and 36)	(4,788)	(17,489)
38.	+	Liquid funds at beginning of reporting period	15,183	25,209
39.	=	Liquid funds at end of reporting period	10,395	7,720

[1)] uncertified

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (IFRS) FROM JANUARY 1 TO JUNE 30, 2012 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, 2011 [1)]		**6,279,200**	**(147,660)**	**7,849**	**(2,980)**	**60,840**	**2,582**	**88.498**	**13**	**156,802**
Net earnings		-	-	-	-	-	-	9,335	(8)	9,327
Other comprehensive income/(loss)	(16)	-	-	-	-	-	(1,750)	-	-	(1,750)
Total comprehensive income/(loss)	(16)	-	-	-	-	-	(1,750)	9,335	(8)	7,577
Deferred compensation	(16)	-	-	-	-	120	-	-	-	120
Proceeds from sales of own shares	(16)	-	7,316	9	-	176	-	-	-	185
Dividend		-	-	-	-	-	-	(18,970)	-	(18,970)
Cash capital increase		-	-	-	-	-	-	-		0
Balance March 31, 2011 [2)]		**6,279,200**	**(140,344)**	**7,858**	**(2,980)**	**61,136**	**832**	**78,863**	**5**	**145,714**
Balance Jan. 1, 2012 [1)]		**6,279,200**	**(140,344)**	**7,858**	**(2,980)**	**61,136**	**2.820**	**91,531**	**(26)**	**160,339**
Net earnings		-	-	-	-	-	-	3,136	(8)	3,128
Other comprehensive income/(loss)	(16)	-	-	-	-	-	489	-	(1)	488
Total comprehensive income/(loss)		-	-	-	-		489	3,136	(9)	3,616
Deferred compensation	(16)	-	-	-	-	29	-	-	-	29
Proceeds from sales of own shares	(16)	-	1,348	1	-	(2)	-	-	-	(1)
Dividend	(16)	-	-	-	-	-	-	(14,672)	-	(14,672)
Cash capital increase		-	-	-	-	-	-	-	-	-
Balance June 30, 2012 [2)]		**6,279,200**	**(138,996)**	**7,859**	**(2,980)**	**61,163**	**3,309**	**79,995**	**(35)**	**149,311**

[1)] certified [2)] uncertified

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

Notes

A. GENERAL INFORMATION

(1) BASIC PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

Description of business activities

Mühlbauer Holding AG & Co. Kommanditgesellschaft auf Aktien (referred to as the company) and its subsidiaries (together referred to as the Mühlbauer Group) develop, produce and market chip card, passport, Smart Label, semiconductor and electronics-related products and services. The Mühlbauer Group also distributes precision parts manufactured by means of cutting and processing metals and plastics, as well as products, components and systems that are based on such precision parts. The development and production sites of the company are located in Germany, Slovakia, Serbia and Malaysia. Sales are effected worldwide through the company's own sales and service network, as well as project-dependent commercial agencies in different countries.

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 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 2012, do not necessarily enable the drawing of conclusions with regard to the development of future results.

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

Amendments of published standards and interpretations, which must be applied from 2012 onwards and which were not applied in the past

a) a) EU endorsement has already been issued

Amendment of IFRS 7 “Disclosures - Transfers of Financial Assets”:

The amendments of IFRS 7 relate to extended disclosure requirements when transferring financial assets. This is supposed to improve comprehension of the relations between financial assets that are not completely deleted from the books and the corresponding financial liabilities. Furthermore, the goal is to improve the assessment of the type and, in particular, the risks of a continuing involvement in the case of financial assets that have been deleted from the books. Alongside the amendments, additional information is required if a disproportionately large number of transfers with continuing involvement occurs toward the end of a reporting period, for example.

The amendment must be applied for the first time in financial years starting on or after 1 July 2011.

b) EU endorsement is still pending

Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”:

Through this amendment of IFRS 1, the references to the date of 1 January 2004, as fixed date of transition, used so far, will be replaced by the “Date of transition to IFRS”. Furthermore, regulations will now be incorporated into IFRS 1 for cases in which a company was unable to comply with the IFRS provisions for some time, due to the fact that its functional currency was subject to hyperinflation.

The amendment, which is as yet subject to a pending adoption as EU legislation, shall be applied for the first time in financial years starting on or after 1 July 2011.

This does not affect the financial statements and notes of the Mühlbauer Group.

SUMMARY OF KEY ACCOUNTING PRINCIPLES (2)

Principles of consolidation

The accounting and valuation principles applied in 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 2011 Annual Report.

B. EXPLANATIONS TO THE CONSOLIDATED STATEMENT OF INCOME

(3) COST OF SALES

Apart from directly attributable costs such as material and personnel costs, cost of sales also comprises the overheads and the balance of devaluations and revaluations on inventories.

(4) SELLING EXPENSES

The selling expenses of the second quarter and first half of 2012 comprise expenses from the allocation of value adjustments, trade accounts receivable, offset against income from the discontinuation of such value adjustments of TEUR 178 and TEUR 433 (PY: income of TEUR 395 and TEUR 428).

(5) RESEARCH AND DEVELOPMENT EXPENSES

In Q2 and 1HY 2012, research and development expenses comprise value adjustments of a total of TEUR 409, due to a change in assessment regarding the future usability of individual development results. In the second quarter and first half of the previous year value adjustments in respect of capitalized research and development expenses totaled TEUR 76 and TEUR 701.

(6) OTHER OPERATING INCOME

	1 April - 30 June 2012	**1 April - 30 June 2011**	**1 Jan. - 30 June 2012**	**1 Jan. - 30 June 2011**
Earnings from the sale of scrap	136	117	275	236
Earnings from the reversal of accruals and liabilities	230	-	234	144
Canteen earnings	81	133	194	281
Gains from the sale of long-term assets	78	-	103	267
Insurance and other compensation payments	19	381	47	1,467
Rental income	15	16	32	39
Other	30	36	39	94
Total other operating income	**589**	**683**	**924**	**2,528**

* As of 2012, canteen earnings and expenses are shown net.

(7) EARNINGS PER SHARE

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

		1 April - 30 June 2012	**1 April - 30 June 2011**	**1 Jan. - 30 June 2012**	**1 Jan. - 30 June 2011**
Income before income taxes	TEUR	1,308	2,514	4,081	12,455
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	559	1,074	1,744	5,322
Effective tax rate	%	(75.0)	25.0	19.11	26.50
Effective tax amount	TEUR	(419)	268	333	1,411
Portion of net earnings for the year applicable to the shareholders of the limited partnership	TEUR	978	807	1,411	3,911
Weighted average of common shares	No.	6,279,200	6,279,200	6,279,200	6,279,200
Repurchased shares (weighted)	No.	(139,958)	(146,795)	(139,958)	(146,795)
Weighted average of shares outstanding (undiluted and diluted)	No.	6,139,242	6,130,405	6,139,242	6,132,405
Undiluted and dilutes earnings per share*	EUR	0.16	0.13	0.23	0.64

* Without the shares held by other shareholders

C. EXPLANATIONS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SHORT-TERM SECURITIES (8)

In the period under review, there were no transactions involving short-term securities. In Q2 and 1HY 2011, the disposal of "at fair value through profit or loss" securities resulted in earnings of TEUR 17,384. Outflows for the purchase of such securities total TEUR 6,656 and TEUR 14,637 in Q2 and 1HY 2011.

The outflows for the purchase of "available for sale" securities amounted to TEUR 1,981 in the first half of the year and related exclusively to the first quarter. In Q2 and 1HY 2011, the disposal of such securities resulted in earnings of TEUR 4,423.

TRADE ACCOUNTS RECEIVABLE (9)

	30 June 2012			31 December 2011		
in TEUR (thousand euro)	**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	43,262	1,627	44,889	33,800	733	34,533
Less value adjustments	(1,331)	-	(1,331)	(1,085)	-	(1,085)
	41,931	**1,627**	**43,558**	**32,715**	**733**	**33,448**

OTHER ACCOUNTS RECEIVABLE AND OTHER ASSETS (10)

in TEUR (thousand euro)	**30 June 2012**	**31 December 2011**
Claims on investment and technology grants	6,459	4,802
Receivables from the personally liable shareholder	3,808	1,948
Advance payments made	2,447	2,659
VAT receivables	1,709	2,801
Prepaid expenses	1,082	629
Receivables from suppliers	221	167
Claims on investment subsidies	145	853
Other	878	1,446
	16,749	**15,305**

INVENTORIES (11)

in TEUR (thousand euro)	**30 June 2012**	**31 December 2011**
Raw materials, auxiliary and operating materials	8,331	9,493
Unfinished products	51,061	55,124
Finished products and trade goods	7,630	10,329
	67,022	**74,946**

OTHER LIABILITIES (12)

in TEUR (thousand euro)	**30 June 2012**	**31 December 2011**
Liabilities to shareholders	8,531	0
Salaries and wages	8,487	7,510
Commissions	1,499	788
Liabilities to customers	1,427	556
Income tax	642	1,033
Social security contributions	301	326
VAT burden	289	71
Other liabilities - personnel	143	150
Capital formation	68	74
Other	169	212
	21,556	**10,720**

(13) TAX ACCRUALS AND OTHER ACCRUALS

in TEUR (thousand euro)	**As per 1 Jan 2012**	**Difference due to currency translation**	**Consump-tion**	**Addition**	**Dissolu-tion**	**As per 30 June 2012**
Tax accruals	2,261	24	(739)	1,513	(1)	3,058
Personnel and social security obligations	1,395	-	(508)	807	(60)	1,634
Guarantee obligations	7,955	5	(1,690)	2,131	(35)	8,366
Service in progress	2,876	23	(2,392)	3,333	(104)	3,736
Litigation risks	302	-	(104)	193	(30)	361
Other	3,280	-	(1,302)	1,245	(527)	2,696
Other accruals	15,808	28	(5,996)	7,709	(756)	16,793
	18,069	**52**	**(6,735)**	**9,222**	**(757)**	**19,851**

The addition to the remaining other accruals is primarily due to risk provisions in respect of the impending assertion of claims and to a provision that was formed to cover anticipated losses from pending transactions.

(14) PENSION AND POSTRETIREMENT BENEFITS

During the reporting period, the value in respect of "Pension provisions and similar obligations", recorded in the balance sheet, developed as follows. The composition of the amounts recorded in the statement of income with an effect on income can also be found in the following table:

in TEUR (thousand euro)	**1 Jan - 30 June 2012**	**30 June 2012**	**1 Jan - 31 Dec 2011**	**31 December 2011**
Accruals for pension obligations at the beginning of the reporting period		**(1,624)**		**(1,305)**
Amounts recorded as income				
Current service cost	62		179	
Interest expenses on obligations	158		283	
Expected earnings on plan assets	(137)		(239)	
Amortization of actuarial losses	14	97	-	223
Contributions to plan assets		(264)		(542)
Accruals for pension obligations at the end of the reporting period		**(1,791)**		**(1,624)**

(15) SHAREHOLDERS' EQUITY

Own shares

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

Of its stock of 140,344 own shares with a nominal value of EUR 179,640.32, the company issued 1,348 shares with a nominal value of EUR 1,725.44 free of charge in the form of anniversary shares in the period from 1 January up to and including 30 June 2012. As at 30 June 2012, the company holds a portfolio of 138,996 of its own shares with a nominal value of EUR 177,914.88. On this date, the percentage of the company's own shares in the ordinary share capital is 2.21%.

Other comprehensive income

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

in TEUR (thousand euro)	**Fair value of securities**	**Difference due to currency translation**	**Total**
Status as per 1 January 2011	**54**	**2,528**	**2,582**
Unrealized gains/(losses)	13	-	13
Reclassification with an effect on the income statement	(67)	-	(67)
Currency adjustments	-	(1,696)	(1,696)
Deferred taxes			
Tax effect from unrealized gains/(losses)	(3)	-	(3)
Reclassification with an effect on the income statement	3	-	3
Status as per 30 June 2011	**-**	**832**	**832**
Status as per 1 January 2012	**-**	**2,820**	**2,820**
Unrealized gains/(losses)	-	-	-
Reclassification with an effect on the income statement	-	-	-
Currency adjustments	-	489	489
Deferred taxes			
Tax effect from unrealized gains/(losses)	-	-	-
Reclassification with an effect on the income statement	-	-	-
Status as per 30 June 2012	**-**	**3,309**	**3,309**

Appropriation of earnings

The Annual General Meeting, which was held on 14 June 2012, resolved the payment of a dividend of EUR 1.00 per no par value share entitled to participate in the profits, in respect of the 2011 financial year. Apart from the payment of a total dividend of TEUR 6,140 to the shareholders of the company, the resolved appropriation of earnings also includes the transfer of the company's gains and losses, as laid down in the partnership agreement, to the personally liable shareholder, Mühlbauer Holding AG & Co. Verwaltungs KG, of TEUR 8,531, due in parallel. Taxes of TEUR 1,948, paid by the company and to be borne by the personally liable shareholder are deducted from this amount. The payment to the personally liable shareholder has not yet been made.

CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS (16)

To the end of the period under review, the contractual obligations from the purchase of fixed and intangible assets, as well as from other purchase and service agreements decreased by TEUR 1,260 to TEUR 15,173 against 31 December 2011 (see Note (28) of the 2011 Annual Report).

D. SEGMENT REPORTING

Segment information for Q2 2012/2011 and the first half of 2012/2011:

Sales by business area	Q2 2012 TEUR	Q2 2011 TEUR	1HY 2012 TEUR	1HY 2011 TEUR
Cards & TECURITY®	34,513	20,636	67,020	50,524
Semiconductor Related Products	19,998	14,298	30,980	26,249
Precision Parts & Systems	6,999	7,019	13,883	14,727
	61,510	**41,953**	**111,883**	**91,500**
Deductions on sales	(97)	(106)	(187)	(204)
	61,413	**41,847**	**111,696**	**91,296**

Sales by region	Q2 2012 TEUR	Q2 2011 TEUR	1HY 2012 TEUR	1HY 2011 TEUR
Asia	21,175	17,703	41,185	36,319
Africa	13,928	2,742	21,920	5,202
Germany	10,201	9,534	20,736	19,797
America	8,046	4,153	12,456	9,203
Rest of Europe	7,992	7,821	15,259	20,979
Australia	168	-	327	-
	61,510	**41,953**	**111,883**	**91,500**
Deductions on sales	(97)	(106)	(187)	(204)
	61,413	**41,847**	**111,696**	**91,296**

E. NOTES TO THE STATEMENT OF CASH-FLOWS

The free cashflow is derived as follows:

	1 Jan - 30 June 2012 TEUR	1 Jan - 30 June 2011 TEUR
Inflow/(Outflow) from operating activities	19,808	15,307
Inflow/(Outflow) from investing activities	(18,764)	(12,918)
Subtotal	1,044	2,389
Transition to free cashflow		
Gains/(Losses) from the sale of fixed assets and intangible assets	(66)	213
Realized net gains/(losses) from short- and long-term securities	-	286
Proceeds from disposals of long-term assets	(37)	(289)
Proceeds from the sale of short-term assets (securities)	-	(21,807)
Investments in short-term assets (securities)	-	16,575
Free cashflow	**941**	**(2,633)**

F. OTHER NOTES

(17) EVENTS AFTER THE REPORTING DATE

No events of major significance occurred after the end of Q2 2012.

(18) RELATIONSHIPS WITH ASSOCIATED COMPANIES AND PERSONS

The parties considered associated companies and persons within the meaning of IAS 24 "Related Party Disclosures" are outlined in the notes (34) of the 2011 Annual Report. In the reporting period, major business transactions with these associated companies and persons were:

Dr. Jürgen Honert, Chairman of the Supervisory Board, is also an attorney and partner of the law firm Honert + Partner Partnergesellschaft in Munich. The firm occasionally provides legal consultation to the Mühlbauer Group. In the first half of 2012, the fees for such services amounted to TEUR 41.

Mühlbauer Aktiengesellschaft, ASEM Präzisions-Automaten-GmbH and takeID GmbH rent office space from Mr. Josef Mühlbauer and from a company in which Mr. Mühlbauer holds a participation. In 1HY 2012, rental costs amounted to TEUR 216 (PY: TEUR 165).

Group companies utilize certain services in respect of the transport of passengers, sales promotion, travel arrangements, accommodation and catering, offered by companies that are controlled by Mr. Josef Mühlbauer. After deduction of commissions, the Group paid TEUR 555 (PY: TEUR 536) plus the current amount of VAT for such services in the first half of 2012. In 1HY 2012, the Mühlbauer Group generated proceeds of TEUR 8 (PY: TEUR 9) plus the current amount of VAT in respect of services provided and products sold to Mr. Josef Mühlbauer or companies controlled by him.

(19) NUMBER OF EMPLOYEES

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

	30 June 2012 Number	30 June 2011 Number
Production and assembly	1,539	1,335
Research and development.	476	452
Administration and sales	273	245
	2,288	**2,032**
Apprentices and trainees as well as part-time employees	465	416
Total	**2,753**	**2,448**

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

	30 June 2012 Number	30 June 2011 Number
Germany	1,871	1,829
Asia	304	279
Rest of Europe	298	254
America	244	67
Other	36	19
Total	**2,753**	**2,448**

This consolidated interim report was authorized to be published by the personally liable shareholder on 8 August 2012.

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 statement, 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 the key opportunities and risks of the company's anticipated development are described for the remaining months of the financial year."

Roding, 08 August 2012

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

Financial calendar

8 November 2012	Quarterly report III/2012
March 2013	Annual Report 2012

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