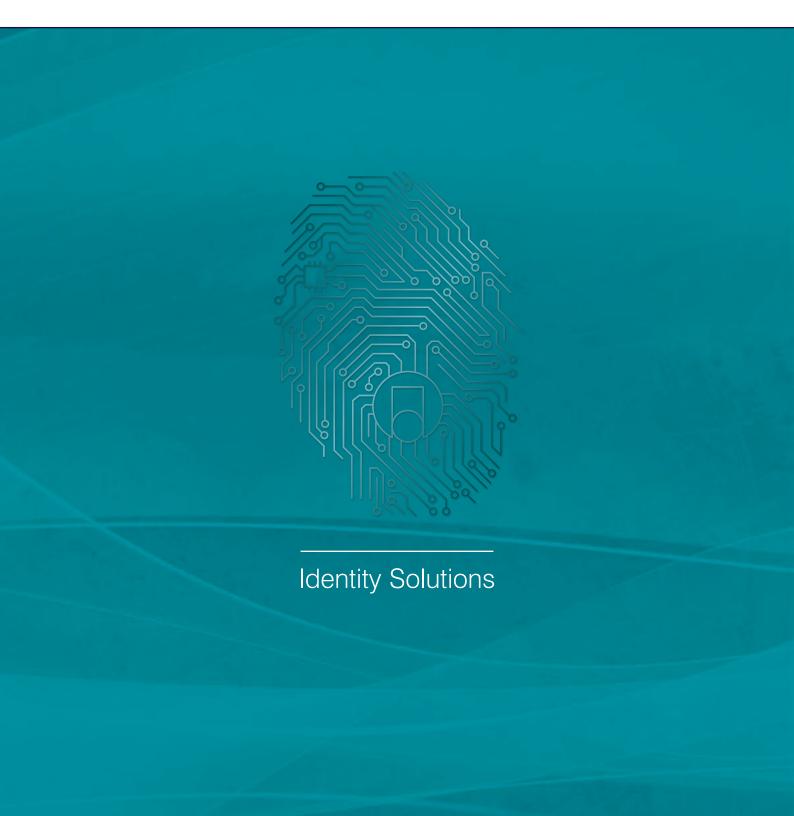


Annual Report 2010



Key figures

		2010	2009	Change %
Sales	TEUR	207,247	160,488	29.1
Research and development expenses	TEUR	23,904	21,088	13.4
EBIT ¹	TEUR	38,191	9,616	297.2
Pretax profit margin	%	18.4	6.0	207.6
Net earnings	TEUR	30,293	7,347	312.3
Earnings per share	EUR	2.09	0.50	318.0
Free cashflow	TEUR	25,884	3,342	674.5
Working capital ²	TEUR	38,065	49,570	(23.2)
Working capital-intensity ³	%	18.4	30.9	(40.5)
Gross capital expenditures without capitalized development costs	TEUR	27,006	16,643	80.2
Equity ratio	%	73.5	77.9	(5.6)
Dividend per share ⁴	EUR	1.30	1.00	30.0
Share price (Year-End-Close)	EUR	39.95	17.15	132.9
Market Capitalization (Year-End-Close)	TEUR	587,108	252,038	132.9
Employees (Average per year)	number	2,098	1,897	10.6

¹ Earnings before interest and tax

² Non interest short-term assets – non interest current liabilities

³ Working capital/Sales

⁴ Subject to the approval of the AGM

Our values

>> We honor our commitments.

As competent, reliable partner we take over full responsibility for our products and services.

We are solution-oriented.

Our customers appreciate us being a business partner who completely serves their needs and gives them full advantage by offering customized and complete solutions from one single source.

▶ We set new standards.

As worldwide technology leader we always think one step ahead and develop innovative solutions on the highest level.

We promote sustainable growth.

Through efficient process management, we create sustainable growth for our company and our customers.

Mühlbauer – Worldwide close to the customer

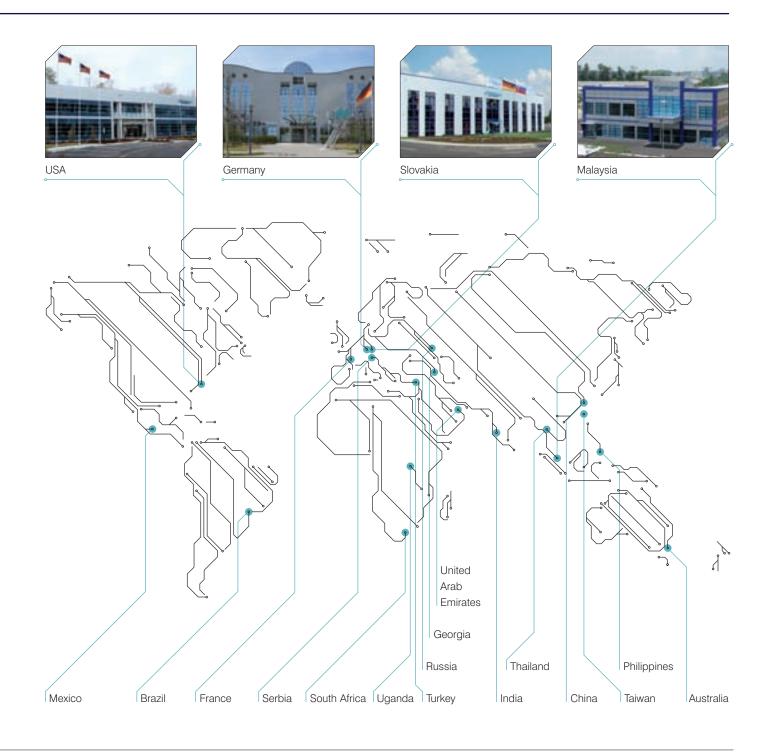




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02 Preface of the CEO



To our shareholders, business partners and employees

Ladies and Gentlemen,

2010 was a very special year for the Mühlbauer Group – in more ways than one:

- On the one hand, I am particularly pleased to present this 2010 Annual Report to you, which covers the best financial year the Mühlbauer Group has ever experienced in its entire history. A financial year in which we managed to convince further government organizations of the benefits of cooperating with us as a fully responsible system partner for innovative ID applications thanks to our technological and market expertise, the concentration of which is unique in the world. With the additional support of the global economic recovery on the industrial markets relevant to us, sales rose 29.1%, to EUR 207.5 million. Even the EBIT is more than impressive. At EUR 38.2 million it increased nearly threefold against the previous year (PY: EUR 9.6 million). We also want our shareholders to participate in this success. The personally liable shareholder and Supervisory Board therefore intend to propose to the Annual General Meeting the payment of a 30% higher divided of EUR 1.30 per participating share.
- On the other hand, the 2010 financial year, in particular, was virtually predestined to disclose internal weaknesses, due to its development, which completely opposed that of the economically stricken previous year and the resultant high requirements toward the flexibility of a company and its team. Against this background alone, 2010 was also a year of change, in which we identified weaknesses and largely eliminated them by means of consistent action. Thus, our business was further strengthened by a clear orientation and streamlining of the organization and by taking measures to cut costs and boost productivity. Furthermore, we raised the effectiveness and performance of the Group by restructuring our precision parts production and by successfully operating on our markets. This resulted in a further gain of market share, in particular in our core business area Cards & TECURITY® and in the product line RFID-Smart Label. It was precisely here that we managed to win the confidence of many new customers with our high level of innovative strength and our unique concept as a competent solution provider.

In the future we want to consistently continue our solution-oriented approach and constantly improve. In doing so, it is our goal to grow on the basis of historic strengths and to increase the value of the company sustainably. In order to control the cost-efficiency of goal attainment even better in future, Mühlbauer started forming corporate business units with clear responsibilities in 2010. At the same time, massive investments were made to generate the conditions for even more extensive action on the markets. Thus, the production of precision parts at the Slovakian site in Nitra was, for example, further reinforced by equipping it with state-of-the-art production technologies and a very modern sheet metal and assembly center was built at the company's headquarters in Roding. As a result, our precision parts customers will, in future, not only benefit from more production competence in the cutting area. This supplementation by the areas Sheet Metal and System Assembly now provides customers at the Roding site, in particular,

Preface of the CEO _______ 03



Management Board of the Mühlbauer AG (l.t.r.): Thomas Betz Josef Mühlbauer Hubert Forster

with the full range of product solutions – starting with the raw material, to surface processing and through to the completely assembled module or system. Furthermore, a state-of-the-art technology center was constructed at the Roding site for the business line Semiconductor Related Products, which now bundles its business activities. This spatial concentration not only renders internal processes of the business line more efficient. At the same time, Cards & TECURITY® benefits from greater capacities; this will ensure long-term growth of this business unit.

Worldwide demand in our core area Cards & TECURITY® is still driven by the strong interest in offering people greater security and mobility. It is this requirement that forms the basis of our solutions. Our profound knowledge of the end-use applications in which the products manufactured by our systems are utilized and our extensive technical experience as well as the full competence in consulting our customers make us the solution partner of choice and differentiate us from our competitors. A strong management team is indispensable in order to maintain and further extend our worldwide leading position as a system partner for the complete transfer of technology and expertise from a single source in future. Therefore, we consider the further development of our management team and its competences to be one of our greatest tasks over the next few years. In this process, reliability and discipline are virtues we want our management to internalize and are to render our entire company even more efficient. We want to promote entrepreneurial thought and action and increase our speed through a clear organizational structure and lean processes – with the goal of a sustainable development of our employees and of the company itself.

Finally, I would like to extend my gratitude and that of my colleagues on the Management Board to our employees. Thanks to the commitment of our entire team in overcoming the challenges in 2010, of which some were rather extreme, the success achieved in the past financial year was made possible in the first place. And we are convinced that we will be able to complete important milestones toward a sustained business development in 2011 and that we will be able to further consolidate our worldwide leading position as a competent provider of complete solutions in the area of Smart Identification – with our strong team and our solid, organically grown basis.

In so doing, we are well aware of the confidence that you, our valued customers, shareholders and business partners, invest in the Mühlbauer Group. I would like to thank you for this on behalf of the entire Management Board and would be happy if you continued to accompany us in 2011 – the thirtieth anniversary of the company.

Josef Mühlbauer

Chief Executive Officer (CEO)

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04 ______ The Mühlbauer Share



The Mühlbauer Share

Stock markets: fluctuations in the first half of the year; rally in the second half

2010 was characterized by the unexpectedly swift recovery of the global economy which was borne in particular by the major emerging economies. Nevertheless, the performance on the international stock markets in the first half of the year was variable as a result of the debt crisis in Europe and the weak economic data from the US. The positive economic outlook for the year 2011 ultimately ensured a genuine year-end rally on the stock markets from mid-October onwards. This upturn was, however, primarily helped by the high volume of liquidity that was provided by the US Federal Bank and the European Central Bank. The DAX 30 consequently increased by +14.5% overall compared to the previous year. The changeable developments on the stock markets over the course of the reporting year were also shown in the international stock indices. The Euro Stoxx and the Nikkei closed at -7.5% and -5.3% respectively below their previous year values, whereas the Dow Jones climbed +13.1%. The performance of the stock indices on the emerging markets also showed only moderate growth – in Russia at +17.9%, India at +17.4% and China at +5.3% compared to the previous year's levels.

Development of Mühlbauer shares

250%
200%
150%

Jan Apr Jun Aug Oct Dec

Mühlbauer TecDAX

The very good development of business in the reporting year had a significant impact on the development of the Mühlbauer share price. After the slight upward trend that was discernible at the

beginning of the financial year, the price left the TecDAX Performance Index behind for the first time in mid-March with the publication of the business figures and announcement of the proposed dividend and, accompanied by positive company reports and investor road shows, rose further. With the publication of the Q1 report and the closing of the shareholders' meeting, the share price subsequently fell slightly and made a sideward movement, accompanied by strong volatility in places, until the beginning of July before it underwent a renewed upturn with the publication of the Q2 report, posting its provisionally highest level for the year at EUR 27.70 on 6 August. After a subsequent short-term decline until the end of August, the Mühlbauer share price continued its upward trend, leaving the reference index further and further behind it. With the publication of the Q3 report and the forecast which was adapted substantially upwards by the personally liable partner for the entire year, the Mühlbauer share price, accompanied by further international road shows and conferences, then started a genuine share price rally and,

supported by further positive company reports, reached its highest level for the year at EUR 40.84 on 21 December, before finishing trading with a year-end price of EUR 39.95 (PY: EUR 17.15). With an increase of 132.9%, the share price of the Mühlbauer share thus performed substantially better than the TecDAX Performance Index which only increased by 1.9% year-on-year.

The market capitalization of Mühlbauer Holding AG & Co. KGaA at the end of the year was EUR 587.1 million and thus twice as high as in the previous year when it was EUR 252.0 million. The positive development of the Mühlbauer share price was shown accordingly also in its daily trading volume: Whereas an average of 3,761 Mühlbauer shares were traded every day in 2009, the number of shares traded daily increased significantly in the reporting year to 6,731. The reason for the increased trading volume is the enhanced interest among both private and institutional investors in the Mühlbauer business model, which is unparalleled anywhere in the world, the very good development of business in 2010 and the positive market prospects in the markets relevant for Mühlbauer.

The Mühlbauer Share 05

Ratios	2010	2009
Share price (Xetra)		
Annual high (in EUR)	40.84	21.10
Annual low (in EUR)	17.70	13.00
Year end (in EUR)	39.95	17.15
Market capitalization ¹		
Annual high (in EUR thousand)	600,188	310,087
Annual low (in EUR thousand)	260,121	191,049
Year end (in EUR thousand)	587,108	252,038
Share values		
Earnings (in EUR)	2.09	0.45
Dividend (in EUR)	1.30 ²	1.00
Trading volume (in share certificates) ³		
Average per trading day	6,731	3,761
Whole year (in million share certificates)	1.7	1.0

Since its IPO in 1998, Mühlbauer has conducted a stable dividend policy that is oriented to continuity and has always fundamentally been based on earnings. This year too, the shareholders are to share in the positive development of the company accordingly. For the 2010 financial year, the personally liable shareholder and the Supervisory Board are therefore proposing the distribution of a dividend of EUR 1.30, which is 30% higher year-on-year. Based on the year-end price, the dividend yield thus amounts to 3.3%.

Dividend increase

Active and open dialogue with the capital market

in EUR

1.30

Contact

1.50

1.25

Fair and transparent communication is decisive for the trust that investors place in a company. Mühlbauer has therefore always seen itself as being in an intensive and open dialogue with insti-

tutional and private investors, analysts and representatives of the financial and business press. The particular focus of investor relations is on personal contact. In the reporting year, the technology corporation provided information to investors at international road shows, for instance in Paris, Zurich or Scandinavia, and at conferences such as that of the German Equity Forum in Frankfurt. In numerous one-on-ones and telephone calls, the management provided comprehensive and straightforward information on the commercial situation, the corporate strategy and the company's perspectives for the future. Another opportunity for the players on the capital market to gain their own picture of the company's business model was also offered by the Annual General Meeting at which participants were able to closely view the card dispatch system CARDMAIL 1500.

0.35 0.30 0.30 0.35 0.60 0.90 1.25 1.00 1.00 1.00

0.75

1.00

Dividend development

0.30

0.50

In addition, the range of information available to shareholders and investors is completed by a comprehensive internet service, where a host of data and information on Mühlbauer and the Mühlbauer share can be

retrieved around the clock. All annual and quarterly reports, press releases and ad-hoc messages, as well as securities transaction or Corporate Governance announcements are contained in the Investor Relations. We will continue to be available for open dialog and provide institutional investors, analysts and private shareholders with comprehensive and transparent information in order to establish substantial trust in our corporation in the long term.

Mühlbauer Holding AG & Co. KGaA E-mail: investor-relations@muehlbauer.de Josef-Mühlbauer-Platz 1 Phone: +49 (9461) 952-1653 **Investor Relations** 93426 Roding, Germany Fax: +49 (9461) 952-8520 Financial calendar



Corporate Governance

DECLARATION OF CORPORATE GOVERNANCE

A correct, fair and transparent business management is not only part of the self-image and tradition of the Mühlbauer Holding AG & Co. KGaA, but is also an essential component of responsible and reliable management, as well as for a sustainable corporate compliance – the compliance with legal and ethical commitment in all corporate areas. To us, a credible and in a conscientious way applied corporate governance therefore represents a fundamental claim that covers all areas of the company and takes top priority in our daily work. In so doing, it is our primary goal to confirm the confidence placed on our management by investors, business associates, customers and the public by our daily activities and to maintain this confidence as a basis for sustained corporate development.

In the following sections the company explains the key components of its management practices:

1. Corporate Governance report

On 26 February 2002, the Government Commission German Corporate Governance Code presented a code of conduct for the Management and Supervisory Boards of publicly listed companies (German Corporate Governance Code, hereinafter also referred to as the "Code"). Once a year, the Management and Supervisory Boards of a company that is publicly listed in Germany are legally required to declare – by means of a Declaration of Conformity – whether the current version of the Code was and is complied with or which recommendations of the Code were or are not applied. In this context, the German Corporate Governance Code is oriented solely to the conditions and circumstances of a joint stock corporation. Mühlbauer Holding AG & Co. KGaA therefore independently investigated and determined in what way the Code could be correspondingly applied to a partnership limited by shares.

The amendments to the German Corporate Governance Code of May 2010 were discussed in the Supervisory Board with the personally liable shareholder and management and incorporated into the company's own Corporate Governance Code.

In November 2010 the personally liable shareholder and the Supervisory Board issued a Declaration of Conformity for 2010 and made it available to the public on the company's homepage (www.muehlbauer.de). The declaration explains which provisions of the current German Corporate Governance Code the company observed and which recommendations of the Code were or are not applied.

Many of the target provisions of the German Corporate Governance Code are met by the legal form of Mühlbauer Holding AG & Co KGaA. However, the personally liable shareholder and the Supervisory Board have also decided that the company will not correspond with several provisions of the German Corporate Governance Code's recommendations in the

version of 18 June 2009 ("Code 2009") since its declaration of conformity from 23 December 2009 to 2 July 2010 and subsequently the recommendations of the new version of the German Corporate Governance Code dated 26 May 2010 ("Code 2010"). In November 2010, the following Declaration of Conformity in accordance with § 161 AktG (German Stock Corporation Act) was issued and subsequently provided to shareholders on the website of Mühlbauer Holding AG & Co. KGaA at www.muehlbauer.de on a sustained basis:

Declaration of Compliance

The personally liable shareholder and the Supervisory Board declare that at the Mühlbauer Holding AG & Co. KGaA (hereinafter referred to as the "Company") in its legal form should be complied with all recommendations of the Government Commission German Corporate Governance Code in the version of 26 May 2010 ("Code 2010") with the **following exceptions:**

The D&O insurance for the Supervisory Board does not include a deductible. A deductible would restrict opportunities for acquiring members for the Supervisory Board with extensive entrepreneurial experience, as these would have to take into account liability risks, even in the event of negligent conduct. Moreover, the agreement of deductibles in the Supervisory Board area is still uncommon (Code 2010 section 3.8 paragraph 3).

When filling management positions, the company takes into account diversity. However, the focus here is on the technical qualification of the candidates (men and women) (Code 2010 section 4.1.5).

The Chairman of the Supervisory Board will not disclose any information on the company's remuneration system and possible modifications to the Annual Sharholders' Meeting (Code 2010 section 4.2.3 paragraph 6).

The total remuneration of the personally liable shareholder and the members of the Management Board of the Mühlbauer Aktiengesellschaft (hereinafter referred to as "Management") for the performance of their duties in the company and the subsidiary companies is disclosed as total amount in the notes to the consolidated financial statements. The disclosure is divided according to non result-based and result-based components as well as components with long-term incentive effect respectively according to the rules of the relevant international accounting principles.

No disclosure of other information than compulsory according to the law, the explanation of the remuneration system as well as the explanation of information on the nature of the fringe benefits provided by the company in a remuneration report will be given (Code 2010 section 4.2.4 and 4.2.5).

Deductible for D&O insurance

Diversity regarding to the filling of management positions

Disclosure and explanation of the remuneration of the Management

0

Corporate Governance

The remuneration system is the result of confidental discussions within the Supervisory Board as well as between the Supervisory Board and the Management. The publication of details in excess of the legally required ones would increase the risk of a targeted solicitation of executives, as details of the remuneration structure would subsequently also be transparent to competition.

Sideline activities that are not legally compulsory subject to approval can be taken partly on the members of the Management even without approval of the Supervisory Board. The interests of the corporation and the expectations towards responsible decisions of the Management are preserved sufficiently by the legally compulsory regulations and other contractual obligations of the Management (Codex 2010 section 4.3.5).

Diversity regarding to the composition of the Management

When filling management positions in the company, the Supervisory Board also takes into account diversity. However, the focus here is on the technical qualification of the candidates (men and women)(Code 2010 section 5.1.2).

Formation of Supervisory Board committees

No committees will be formed for as long as the Supervisory Board of Mühlbauer Holding AG & Co. KGaA only consists of three members (Code 2010 section 5.2 clause 2, 5.3.1 clause 1, 5.3.2 clause 1 and 2, 5.3.3).

Composition and remuneration paid to members of the Supervisory Board

Referring to section 5.4.1 the Supervisory Board shall specify concrete objectives regarding its composition that take into account the international activities of the company, potential conflicts of interest, an age limit to be defined for the members of the Supervisory Board and diversity under consideration of the specific situation of the company. Considering the fact that the Supervisory Board of the company only consists of three members, of which only two are elected by the Annual General Meeting, and the fact that new elections to the Supervisory Board are not due before 2013, the Supervisory Board has not yet mentioned any concrete objectives regarding its (future) composition. However, it will develop criteria that a potential new member should predominantly fulfil – in a timely manner before the next election to the Supervisory Board. In so doing, the focus will be on technical aspects. There will neither be an age limit nor a quota or a certain number of seats for female and male members. In the opinion of the company, neither the age nor the gender of a person are criteria that allow for the drawing of conclusions as to whether or not a Supervisory Board mandate can be appropriately or successfully perceived. A publication of the criteria in the Corporate Governance Report is currently not planned (Code 2010 section 5.4.1).

Concerning the composition of the Supervisory Board the professional counseling and monitoring of the Management is in the center. Members of the Supervisory Board may also be suitable, even if they do not satisfy the criteria for independence in the sense of section 5.4.2 clause 1 in the German Corporate Governance Code (Code 2010 section 5.4.2).

As far as the Annual General Meeting elects the present representative of the personally liable shareholder or a Management Board member of the Mühlbauer Aktiengesellschaft in the Supervisory Board of the company, it will be decided about their change in the chairmanship of the Supervisory Board as the case arises. No reason will be given to the General Meeting for such an intention. The personally liable shareholder and the Supervisory Board consider that in some cases it may prove beneficial that former Management Board members transfer to the chairmanship of the Supervisory Board. As the internal knowledge of former Management Board members about the company increases the efficiency of Supervisory Board monitoring, the personally liable shareholder and the Supervisory Board do not see any need for justifying separately a possible transfer at the Annual General Meeting (Code 2010 section 5.4.4).

The remuneration paid to members of the Supervisory Board is set forth in the Articles of Association of Mühlbauer Holding AG & Co. KGaA. The Articles of Association do only include a fixed payment to members of the Supervisory Board. The introduction of a variable remuneration schemes is not intended as the company does not believe that such a component would generate additional incentive (Code 2010 section 5.4.6 paragraph 2 clause 1).

The personally liable shareholder is responsible for drawing up the half-year and quarterly reports in accordance with the respective legal provisions. They are drawn up within a tight schedule. For this reason no discussions about the half-year and any quarterly financial reports are made between the personally liable shareholder and the Supervisory Board prior to the publications (Code 2010 section 7.1.2 clause 2).

In accordance with the Declaration of Conformity from 23 December 2009, the personally liable shareholder and the Supervisory Board declare that at the Mühlbauer Holding AG & Co. KGaA in its legal form was complied with the recommendations of the German Corporate Governance Code – in the version of 18 June 2009 (Code 2009) – until 2 July 2010, and subsequently with the recommendations of the German Corporate Governance Code in the version of 26 May 2010 (Code 2010), **except in the respects set out below:**

For board members and/or the Supervisory Board, the D&O insurance did not include a deductible. The same also applied to the Management until 30 June 2010. According to the shareholder's view a deductible would have restricted opportunities for acquiring members for the Supervisory Board with extensive entrepreneurial experience, as these would have taken into account liability risks, even in the event of negligent conduct. Moreover, the agreement of deductibles in the Supervisory Board area was still uncommon (Code 2009 section 3.8 paragraph 2 and Code 2010 section 3.8 paragraph 3).

When filling management positions in the company, the Supervisory Board also took into account diversity. However, the focus here was on the technical qualification of the candidates (men and women)(Code 2010 section 4.1.5).

The Chairman of the Supervisory Board did not disclose any information on the company's remuneration system and possible modifications to the Annual Shareholders' Meeting (Code 2009 and Code 2010 section 4.2.3 paragraph 6).

The total remuneration of the personally liable shareholder and the members of the Management Board of the Mühlbauer Aktiengesellschaft (hereinafter referred to as "Management") for the performance of their duties in the company and the subsidiary companies was disclosed as total amount in the notes to the consolidated financial statements. The disclosure was divided according to non result-based and result-based components as well as components with long-term incentive effect respectively according to the rules of the relevant international accounting principles.

No disclosure of other information than compulsory according to the law, the explanation of the remuneration system as well as the explanation of information on the nature of the fringe benefits provided by the company in a remuneration report was given (Code 2009 and Code 2010 section 4.2.4 and section 4.2.5).

The remuneration system was the result of confidential discussions within the Supervisory Board as well as conversations between the Supervisory Board and the Management. The publication of details in excess of legally required ones would have increased the risk of a targeted solicitation of executives, as details of the remuneration structure would subsequently also be transparent to competition.

Sideline activities that are not legally compulsory subject to approval could be taken partly on the members of the Management even without approval of the Supervisory Board. The interests of the corporation and the expectations toward responsible decisions of the Management are preserved sufficiently by the legally compulsory regulations and other contractual obligations of the Management (Code 2009 and Code 2010 section 4.3.5).

The management structure does not pay particular attention to the appropriate consideration of women, as the company is of the opinion that the focus should not be on gender but first and foremost on the technical and personal qualifications of the candidates (Code 2010 section 5.1.2).

Financial statement

Deductible for D&O insurance

Diversity regarding to the filling of management positions

Disclosure and explanation of the remuneration of the Management

Diversity regarding to the composition of the Management

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Formation of Supervisory Board committees

Composition and remuneration paid to members of the Supervisory Board No Supervisory Board committees were formed as the Supervisory Board only consists of three members (Code 2009 and Code 2010 section 5.2 clause 2, 5.3.1 clause 1, 5.3.2 clause 1 and 2, 5.3.3).

Referring to section 5.4.1 the Supervisory Board shall specify concrete objectives regarding its composition that take into account the international activities of the company, potential conflicts of interest, an age limit to be defined for the members of the Supervisory Board and diversity under consideration of the specific situation of the company. Considering the fact that the Supervisory Board of the company only consists of three members, of which only two are elected by the Annual General Meeting, and the fact that new elections to the Supervisory Board are not due before 2013, the Supervisory Board has not yet mentioned any concrete objectives regarding its (future) composition. However, it will develop criteria that a potential new member should predominantly fulfil - in a timely manner before the next election to the Supervisory Board. In so doing, the focus will be on technical aspects. There will neither be an age limit nor a quota or a certain number of seats for female and male members. In the opinion of the company, neither the age nor the gender of a person are criteria that allow for the drawing of conclusions as to whether or not a Supervisory Board mandate can be appropriately or successfully perceived. A publication of the criteria in the Corporate Governance Report is currently not planned. (Code 2010 section 5.4.1).

The focus, with regard to the composition of the Supervisory Board, is on the professional consultation and monitoring of management. For this members of the Supervisory Board could also be qualified for counseling and monitoring the Management, even if they did not meet the criteria for independence in the sense of section 5.4.2 clause 1 of the German Corporate Governance Code (Code 2009 and Code 2010 section 5.4.2).

In case the Annual General Meeting had elected the present representative of the personally liable shareholder or a Management Board meber of the Mühlbauer Aktiengesell-schaft in the Supervisory Board of the company, their change in the chairmanship of the Supervisory Board would have been decided as the case arises. A reason to the Annual General Meeting would not have given (Code 2009 section 5.4.4).

According to the opinion of the personally liable shareholder and the Supervisory Board it can be beneficial in some cases that former Management Board members transfer to the chairmanship of the Supervisory Board. As the internal knowledge of former Management Board members about the company increases the efficiency of Supervisory Board monitoring, the personally liable shareholder and the Supervisory Board did not see any need for justifying separately a possible transfer at the Annual General Meeting.

No full (or partial) performance-oriented remuneration was paid to members of the Supervisory Board. The Articles of Association did only include a fixed payment to the Supervisory Board. The introduction of a variable remuneration schemes was not intended as the company does not believe that such a component would generate additional incentive (Code 2009 and Code 2010 section 5.4.6 paragraph 2 clause 1).

The personally liable shareholder was responsible for drawing up the half-year and quarterly reports in accordance with the respective legal provisions. They were drawn up within a tight schedule. For this reason no discussions about the half-year and any quarterly financial reports were made between the personally liable shareholder and the Supervisory Board prior to the publications (Code 2009 cand Code 2010 section 7.1.2 clause 2).

Roding, 30 November 2010

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Personally Liable Shareholder Supervisory Board

Financial statement

Corporate Governance _______ 11

Good corporate governance also includes the company's responsible handling of risks. Mühlbauer Holding AG & Co. KGaA has implemented a risk management system that regularly identifies and monitors risks throughout the group. The risk management system of the Mühlbauer Group is continually monitored with regard to its efficiency and adapted to changing framework conditions. Details on risk management are depicted in the risk report, in the context of which the company also reports on the accounting-related internal control and risk management system passed by way of the German Accounting Law Modernization Act.

Uniform, comprehensive and timely information plays a major role at Mühlbauer Holding AG & Co. KGaA. Mühlbauer informs capital market participants and the interested public of business and new developments on a regular basis and, where applicable, with immediate effect. The Annual Report, the interim reports and the semi-annual financial statements are published within the set periods. Press releases and – insofar legally required – ad-hoc messages provide information on current events and new developments. All capital market-related information can be viewed on the internet under Investor Relations. A detailed list of all published capital market-related information is contained in the "Annual document" that is published for each past financial year, pursuant to § 10 WpPG.

In accordance with § 15a WpHG individuals with management responsibility and people closely associated with these must disclose the purchase or disposal of Mühlbauer shares. Mühlbauer Holding AG & Co. KGaA publishes the disclosures in respect of such transactions on the homepage of Mühlbauer Holding AG & Co. KGaA.

As at 31 December 2010, the personally liable shareholder held 3,296,852 shares via his sole participation in SECURA Vermögensverwaltungs GmbH. This shareholding represents 52.50% of the shares issued by Mühlbauer Holding AG & Co. KGaA. The Supervisory Board held 165 shares (which corresponds to 0.00%) and the management of Mühlbauer Aktiengesellschaft held 270,372 shares (which corresponds to 4.31%). Neither the personally liable shareholder, the Supervisory Board, nor the management of Mühlbauer Aktiengesellschaft held options or any other derivatives as at 31 December 2010.

Mühlbauer Holding AG & Co. KGaA draws up its consolidated financial statements and the consolidated interim statements in accordance with the International Financial Reporting Standards (IFRS). The Consolidated Financial Report for 2010 was established by the personally liable shareholder and audited by KPMG AG Wirtschaftsprüfungsgesellschaft – the auditor appointed by the 2010 Annual General Meeting – and the Supervisory Board.

Before presenting the recommendation for the appointment of the external auditor, the Supervisory Board obtained a statement from the external auditor explaining to what extent relationships existed between the external auditor, his corporate bodies, the audit manager of the company or its corporate bodies. There were no doubts as to the independence of the external auditor. In addition, the Supervisory Board came to an agreement with the external auditor, in accordance with Figure 7.2.3 of the German Corporate Governance Code, that the external auditor was to immediately report all events and findings made in the course of the audit, that were relevant to the responsibilities of the Supervisory Board. The Supervisory Board also determined that the auditor was to inform the Supervisory Board or make a note in the audit report if he detected any deviations to the declaration in respect of the Code, provided by the personally liable shareholder and the Supervisory Board.

The remuneration of the members of the Supervisory Board is laid down in the Articles of Association of Mühlbauer Holding AG & Co. KGaA and exclusively provides for fixed remuneration. In the year under review, the members of the Supervisory Board received the following remuneration:

Supervisory Board members	Fixed remuneration ¹⁾ in EUR
Dr. Thomas Zwissler	12,000
Prof. Dr. Kurt Faltlhauser	6,700
Steffen Harlfinger	4,000

¹⁾ Amounts are derived from the position held within the respective corporate body at Mühlbauer Holding AG & Co. KGaA and Mühlbauer Aktiengesellschaft

Risk management

Transparency

Share transactions

Shareholdings

Accounting and audit of the financial statements

Remuneration of Supervisory

Board members

Dr. Thomas Zwissler, Chairman of the Supervisory Board, is also an attorney and partner of the law firm Zirngibl Langwieser Rechtsanwälte Partnerschaft. The firm occasionally provides legal consultation to the Mühlbauer Group. The fees for such services amounted to TEUR 58 (PY: TEUR 63) in the year under review.

2. Relevant information on management practices

Company's own Code

Above and beyond legal requirements, Mühlbauer Holding AG & Co. KGaA passed its own Corporate Governance Code, which underpins the importance of a value-oriented and transparent management for the Mühlbauer Group, taking into consideration the individual situation of the company as a partnership limited by shares. The personally liable shareholder and the Supervisory Board have agreed to the company's own Corporate Governance Code, which is largely based on the version dated 26 May 2010. Additionally, all members of the Management Board of Mühlbauer Aktiengesellschaft voluntarily and individually declared their compliance with the provisions set out in the Code.

Code of conduct

Acting responsible and in a law obeying way within the meaning of a sustainable Corporate Compliance is an essential condition for a successful business development. Due to this reason the Mühlbauer Group worked out a code of conduct for the entire group, based upon the company's corporate culture, which has developed over decades. The code of conduct, which is published on the internet, defines firm principles and rules that are to be followed by all employees of the Mühlbauer Group. The code of conduct is to assist employees in responding to ethical and legal challenges in their daily work and to provide an orientation in conflicts. It also contains rules on how to handle complaints or notices regarding violations of the guidelines. In the interest of all employees and the company, violations are investigated and the causes thereof removed.

3. Mode of operation and composition of the personally liable shareholder and the Supervisory Board

Representation of the company by the personally liable shareholder

Due to the legal form of Mühlbauer Holding AG & Co. KGaA, the company is not represented by a Management Board but solely by the personally liable shareholder. He is also responsible for the management of Mühlbauer Holding AG & Co. KGaA. The personally liable shareholder is not subject to the personnel competence of the Supervisory Board and can therefore not be dismissed. In accordance with the Articles of Association of the company, the right of approval, which shareholders of a limited partnership are entitled to in respect of extraordinary transactions, is excluded. The Articles of Association, however, contain a catalog of transactions – also exceeding ordinary business proceedings – that require the approval of the Supervisory Board and enable it to influence material legal transactions and activities of the personally liable shareholder. Several resolutions of the Annual General Meeting require the approval of the personally liable shareholder; these include amendments to the Articles of Association and the approval of the annual financial statements.

Consultation and monitoring by the Supervisory Board

The key function of the Supervisory Board is the regular provision of consultation to and monitoring of management. It is also involved in decisions that are of fundamental importance to the company. In contrast to the Supervisory Board of a joint stock corporation, the Supervisory Board of Mühlbauer is not qualified to appoint or dismiss the personally liable shareholder. With regard to the composition of the personally liable shareholder's management, the Supervisory Board holds a right of cooperation to the extent that it must be informed prior to the appointment or dismissal of members to the Management Board of the general partner and must be provided an opportunity to comment. In its meetings, the Supervisory Board passes resolutions with a majority of votes cast. The Supervisory Board of Mühlbauer Holding AG & Co. KGaA consists of three members. In the 2008 financial year, two members were appointed by the shareholders of the Annual General Meeting and one member was appointed by the owner of share no. 1, by exercising its right of appointment laid down in § 11 para. 1 of the Articles of Association. The term of the Supervisory Board members who had been chosen by the shareholders gathered at the Annual General Meeting is generally five years. The responsibilities of the Supervisory Board are regulated by law and the Articles of Association. Supervisory Board committees are not formed with regard to the total number of Supervisory Board members.

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Consolidated Statement of Changes in Shareholders' Equity 61

Financial Report



OVERVIEW OF THE 2010 FINANCIAL YEAR

Due to its technology and market know-how, which are worldwide unique in this combination, the technology group Mühlbauer convinced further government organizations in the 2010 financial year of the benefits in partnering with it as a fully responsible and reliable system partner for innovative ID applications. In addition, supported by its market leadership and many years of experience as a technology equipment supplier for the production of industry-based card applications and of RFID-based smart labels for the identification of merchandise and flows of goods, the company posted its best result in its history in 2010. The solutions provider has also strengthened its international presence with the establishment of further subsidiaries and undertaken massive investment to create the prerequisites for even more comprehensive activity on the markets.

The key developments in the 2010 financial year were:

- The highly positive development in demand in all lines of business and markets relevant for the Mühlbauer Group resulted in an exceptional increase in orders received, which reached EUR 301.6 million. This means not only a huge increase of 93.6% compared to the orders received in the comparative period in the previous year that valued EUR 155.8 million; this record figure is also the highest volume of orders received to date in the company's history.
- The increase in global demand for innovative ID and card applications as well as RFID-based smart labels, supported by the general economic upturn in the reporting year, resulted in a turn in the trend in the sales¹ of the Mühlbauer Group compared to falling sales of the previous year. Based on the record volume of orders received in the 2010 financial year, Mühlbauer generated sales revenues of EUR 207.5 million and thus an increase of 29.1% compared to the previous year (EUR 160.8 million) and the highest in the company's history.
- Earnings benefited to an above-average extent from this positive development in business.
 With an EBIT of EUR 38.2 million, the previous year's figure of EUR 9.6 million was not only exceeded nearly threefold but also reached a new record in the group's history. In particular, the gross profit from sales, increased in the 2010 financial year by EUR 28.3 million or 52.3%, made a fundamental contribution to this positive development in earnings. The earnings per share are 2.09 EUR opposed to 0.50 EUR in the previous year.
- Free cashflow benefited from the historically high annual surplus and, at EUR 25.9 million, recorded a huge increase of EUR 22.6 million over the previous year. This development needs to be rated all the more positively in light of the fact that outflows for investments were substantially higher year-on-year at EUR 27.9 million (PY: EUR 15.7 million) but were more than compensated for by the cashflow from operating activities of EUR 47.9 million (PY: EUR 30.2 million), to which the lower commitment of assets in the working capital contributed to, in particular.

Management Report _______ 15

• In order to strengthen its globally leading market position, the technology company Mühlbauer invested a total of EUR 30.0 million in property, plant and equipment and in intangible assets and thus exceeded again by 55.4% the previous year's figure, which was comparatively high in itself. With the completion of a state-of-the-art technology and production center for the Semiconductor Related Products business line and the construction of a highly efficient sheet metal and assembly centre for the Precision Parts & Systems division, Mühlbauer has created important prerequisites for sustainable growth, particularly at the company's head-quarters in Roding.

- As a technology and innovation-driven company, Mühlbauer invested EUR 23.9 million (PY: EUR 21.1 million) in research and development in order to keep its innovative strength at the highest level and to further expand its leading market positioning. The activities predominantly extended to the continuation of the complete solution concept for government ID and card systems, to the increase in the cost-efficiency of existing system types in the semiconductor related sector, and to new developments in the area of flexible solar energy.
- The strong and vibrant corporate culture and the company's long-term personnel policy enabled the technology group to cope well with the sharp turn in business development compared to the previous year and the resulting requirements with regard to speed and flexibility. Particularly in situations like these, the company benefits to a particular extent from its traditionally intensive and comprehensive trainee policy at its German and, to an increasing degree, also at its international sites. Parallel to the internal and external recruitment of personnel, in particular flexible working hour models were also used to adjust the personnel capacities within the company upwards in the short term.
- Based on the positive development of business, the Board of Management and the Supervisory Board will propose to the Annual General Meeting that a dividend of EUR 1.30 per share, an increase of 30% over the previous year (EUR 1.00), will be distributed from the balance sheet profits for the reporting year.
- As a system partner that is unique worldwide, the technology group Mühlbauer offers the full technology and market expertise from one source in the Cards & TECURITY® market and on the market for contact-free identification using RFID smart labels, and sees itself in a strategically excellent position to benefit to an over-avarage extent from the potential available in these markets. Against this backdrop, Mühlbauer is adhering to its long-term strategy for growth and is anticipating a further increase in sales and profits in the current financial year, compared to the already extremely good previous year, and further growth for 2012.







As unique and inimitable as their holders,

ID cards and electronic passports

ensure the unambiguous identification of a person

due to the use of customized biometric and security-related features.

However, the path from data capture to the finished card is long and complicated and can only be reliably implemented with a competent, experienced partner.

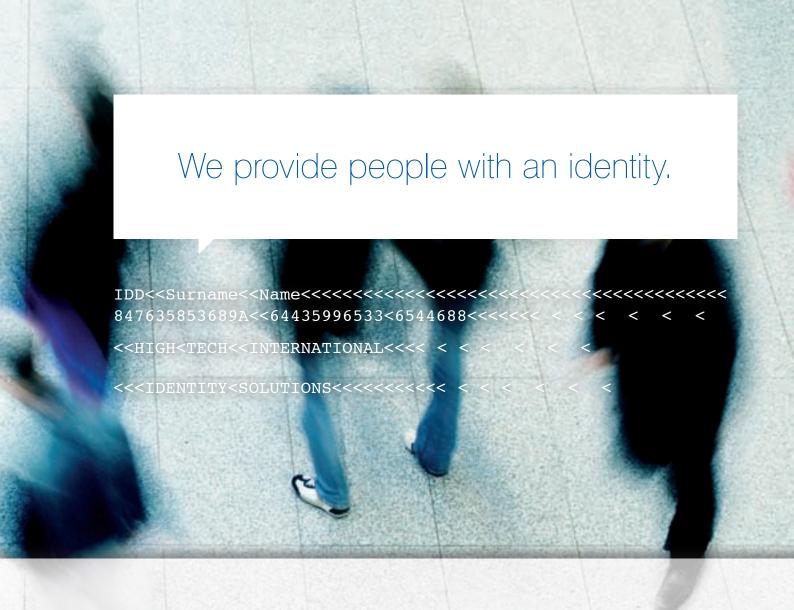
In Cards & TECURITY®, Mühlbauer offers

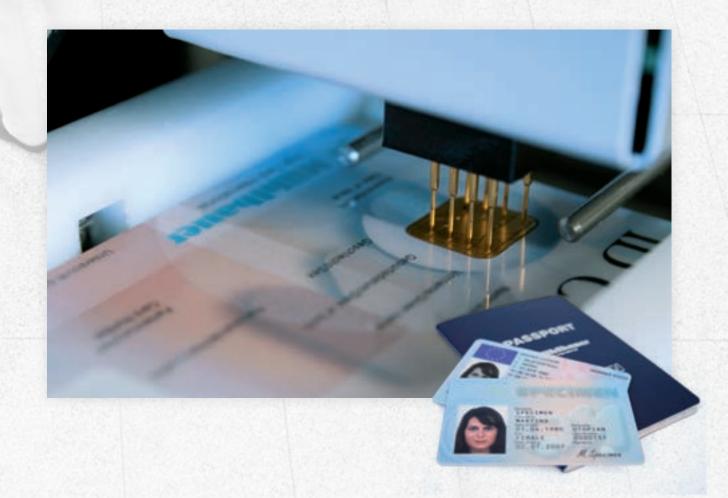
turn-key solutions from a single source,

starting with data capture,

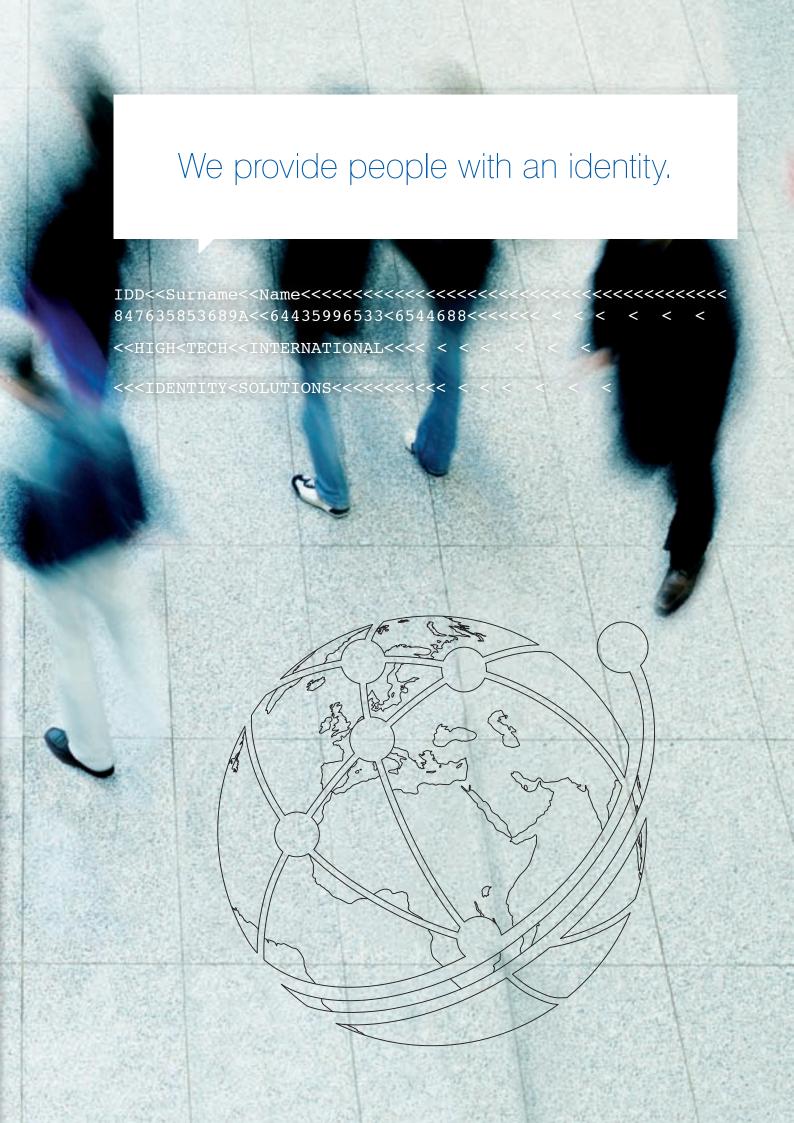
through to the production of innovative ID documents such as ID cards and ePassports and fully automatic access control.

Innovative solutions for intelligent products: That's Mühlbauer!









BUSINESS AND FRAMEWORK CONDITIONS

The company

Mühlbauer Holding AG & Co. KGaA was formed in May 1998 from what was originally a one-man business, founded in 1981 by Josef Mühlbauer. The Mühlbauer Group can look back on a history of meanwhile 30 years that are characterized by pioneering achievements in mechanical engineering and plant construction. With more than 2,200 employees, technology centers on all continents relevant to Mühlbauer and a worldwide sales and service network, the Group has since become the leading international technology provider for the production of innovative card applications, such as bank cards, credit cards or SIM cards. Furthermore, as a fully responsible system partner, the company supports the turn-key realization of innovative ID projects of government-related organizations.

Strategy

Our strategy pursues the goal of sustained profitability and of increasing the value of the company long-term. In order to achieve this goal, we are constantly extending our globally leading market position and are further setting ourselves off against our worldwide competition. For this purpose, Mühlbauer is pursuing a strategy of value-oriented growth. It is based on technology and market competence and is driven by continuous innovations in our range of products. Hereby, we focus on sustainable areas of our market with great potential, while opening up new promising markets. We are extending our presence globally, in order to secure sustained access to our markets worldwide, without neglecting our traditional markets. As the leading solutions provider in the world, Mühlbauer offers a comprehensive range of different standard and customer-specific products from a single source. In so doing, intelligent software solutions support the production process and ensure the highest level of quality and manufacturing efficiency. This ensures that we can continuously extend our position on the globalized markets.

The confidence and the satisfaction of our customers form the basis for sustainable development. We want our customers to see Mühlbauer as an efficient and reliable partner with regard to their needs and requirements. Our primary focus is therefore both on the support of governments' and public authorities' efforts in providing their citizens with greater security and flexibility as well as in rationalizing their administration systems, and on constantly increasing the competitiveness of our industrial customers with the assistance of our products and services. This business policy is based on our technological competence and our market expertise, which are part of our most valuable assets. Innovations, resulting from our continuous research and development activities, ensure the continued existence of our company, as these open up new applications, offer our customers better solutions and extend business contacts. In order to be close to our customers around the globe, Mühlbauer has a worldwide network of technology, sales and service locations – that develop and produce high-technology – as well as sales engineers and technical experts in order to provide rapid and reliable customer care around the clock. This global network is constantly being extended.

Product portfolio and sales markets

Mühlbauer is the only company in the world that offers its customers a complete technology platform for the production of innovative card applications and security documents from a single source – starting with industry-based card applications for such sensitive areas as banking or mobile telephony through to security-oriented identification systems such as ID cards, healthcare cards, driver's licenses or electronic passports in the public sector and fully automatic and biometric access and border controls – in its core business area Cards & TECURITY®. Apart from hardware systems, Mühlbauer also offers comprehensive software-based solutions for the entry and verification of data and for the complete control of production. Customers from the card industry as well as government-related organizations and public authorities benefit equally from more than 25 years of technology and market expertise and from the proven project experience resulting from more than 300 ID projects worldwide.

Management Report

In Semiconductor Related Products, Mühlbauer offers a complete Smart Label factory for the production and personalization of RFID inlays for the contactless identification of goods and flows of goods and for their subsequent conversion to Smart Labels for the security, supply and textile industries, as well as the retail industry. The basis within this own technology platform is Mühlbauer's specialization on sophisticated automation processes as well as on the processing of particularly small and extremely thin components and semiconductors. Against this background, the company develops and produces innovative systems for specific niche applications in the semiconductor backend area. The product portfolio comprises carrier tape systems for the punching, cutting and winding of carrier tapes, die sorting systems that sort semiconductors into different packaging forms and systems for flip chip bonding, which bond chips with the carrier. In order to identify electronic components and modules, Mühlbauer develops and manufactures marking systems for the traceability of components - primarily for the automotive and electronics industries. Furthermore, the product range in this area covers the corresponding reading devices, data management systems, machines for the handling of circuit boards and customerspecific automation solutions. Moreover, Mühlbauer has recently been utilizing its competence to develop modern production concepts for the flexible thin-film solar technology.

Within Precision Parts & Systems, Mühlbauer produces highly precise individual parts at two independent production sites in Germany and at its Slovakian technology center to meet the extremely high demands toward quality and precision. With its longstanding production competence, the company thus supports both sales of its own high-quality products and security-sensitive industries such as the aviation and aerospace industry, electronics industry and medical technology.

With its widespread range of products, the Mühlbauer Group covers sales markets and industries that are largely independent from one another. Consequently, the Group's business model is subject to a variety of different factors that affect the business development of the company. While economic developments play a major role in the industry business, political framework conditions, such as political decisions or amendments of international regulations on entry requirements or of the safety features of ID documents, for example, are some of the key factors in the government business.

Economic framework conditions

In the 2010 financial year, the global economy surprised everyone. At the beginning of the year the overall economic development was still viewed skeptically, after the crisis-torn year of 2009. Over the past twelve months, however, the global economy has undergone a surprisingly fast and seemingly solid recovery - with growth of 4.8%. Mid-year, worldwide production had already exceeded the pre-crisis level, while worldwide trade was only close behind. Nevertheless, this development was very heterogeneous. The impetus for growth was primarily issued by the high rates of expansion of the newly industrializing countries, headed by the new economic power China, whereas the economic recovery in the USA was restrained - with GDP growth of a mere 2 - 3% - despite the overall positive development. The repercussions of the crisis could still be clearly felt, even in the western industrialized countries. Severe budgetary deficits as a result of economic aid programs emphasize the fact that the economic recovery is still extremely fragile and the time is not yet ripe for excessive economic optimism.

Due to the problems on the labor market and the still severely battered real estate market, the flexibility of economic development in the USA was limited in 2010. While the economy recovered noticeably in the first half of the year - also as a result of the expansive monetary and fiscal policy of the US American government - the insecurity among consumers and the resultant trend of private households to save rose in the course of the year, thus thwarting private demand. As a result, the economic development in the USA was, at most, moderate in 2010, with a growth of GDP of 2.6%.

Key legal and economic factors

Global economy

Management Report

In Japan as well, the traces of the financial crisis remained visible in 2010. Following a distinct recovery of economic momentum in Q1 2010, due to a tangible increase of exports, particularly to neighboring Asian countries, and the positive development of private demand, this trend diminished in the course of year. The reasons for this were expiring economic support measures, the decline of demand on important export markets and the strong appreciation of the Yen against the US dollar, which hampered an expansion of export volumes. On an annual average, the growth of Japanese GDP thus amounted to 2.9%.

In 2010, the driving forces behind the global economic development were the newly industrializing countries, headed by China as the meanwhile largest economic power with a growth in GDP of approx. 10.5% for the whole of 2010. The Chinese government counteracted the concern regarding the development of a new investment and real estate bubble with different measures to restrict the issue of loans, such as the elevation of the key interest rate in October 2010 and the slackening of the tie of the Yuan to the US Dollar. In 2010, the economic development in India and Brazil benefited, in particular, from a strong domestic market. This, however, resulted in the fact that these states had to deal with increasing cashflows and, consequently, with a greater appreciation pressure of their own currencies.

The development in the euro zone was contradictory in 2010, despite the general upward trend. On the one hand, Europe's financial status underwent a severe upheaval, with the Greek debt crisis in spring, and subsequently with the Irish debt crisis in November 2010, and the resultant massive financial aid from the European crisis fund. On the other hand, Germany fortunately emerged as the driver of Europe's economy, with a growth of GDP of 3.7%. In 2010, the impulses from international trade and the strong domestic demand were largely responsible for this, as was the fact that economic control measures of the federal government – in the form of the economic stimulus packages I and II – took effect.

The government-related TECURITY® market again proved to be extremely robust in 2010. The unbroken interest of governments and public authorities in offering their citizens greater security and flexibility by converting conventional ID documents into electronic ID documents was the driver of the positive development on the TECURITY® market. In so doing, demand in 2010 was generated via two types of consumers: On the one hand, industrialized countries were already considering the next generation of their ID documents, on the other hand, demand in developing and newly industrialized countries, which are only just starting to replace their conventional ID documents, rose continuously. During the period under review, a strong trend toward contactless or to a combined contactless/contact-based (dual interface) use of documents was observed.

The Smart Card industries and markets in the industry-related sectors – important to the Mühlbauer Group – also benefited from the generally positive development of the global economy; in particular banking and telecommunications. In the banking sector and predominantly in Latin America and Asia, the move to chip-based EMV cards was accompanied by the trend to dual interface cards, which can utilize both contact-based and contactless interfaces. The largest volumes in the telecommunications sector were again achieved in the GSM area, with the greatest demand for SIM/UMTS cards stemming from the large up and coming national economies of China, India, Indonesia and Brazil. According to the industry expert Eurosmart, around 5.3 billion cards (PY: 4.5 billion) were issued on the entire Smart Card market in 2010.

Industry development

The industry expert IDTechEx predicted that the market for contactless identification through RFID labels would recover significantly in 2010 – not least due to the drop in the cost of label production, as a result of which the practical implementation of various applications became interesting. The technology was able to achieve solid rates of growth in 2010, particularly thanks to the increasing use of passive UHF-RFID labels. With regard to volume, IDTechEx estimates that the entire RFID industry achieved approximately USD 5.6 billion in 2010, against approx. USD 5 billion in 2009, whereby 43% of the RFID tags were sold and used in North America in 2010. In so doing, the applications range from the use of the RFID technology for the optimization of logistics processes, e.g. in the shipping of goods, to contactless access control at events or in public transport, through to the improvement of goods and products security by providing protection against forgery and theft.

According to the industry expert Gartner, the general semiconductor market, on which Mühlbauer predominantly focuses on specific applications in future-oriented niches, can be considered one of the winners of the 2010 economic recovery. With record growth of 31.5%, the industry achieved an annual volume of USD 300 billion, against USD 227 billion in the previous year. In the first half of the year, in particular, a major backlog for components was observed, as a result of which manufacturers upped capacities. Due to a slight weakness in demand in the second half of 2010, this eventually led to a drop in delivery times and higher stocks.

According to the US American market research company iSuppli, the fact that conditions for investments in the photovoltaics sector are still very good has stimulated the solar industry in 2010. In Germany, the market for solar power grew approx. 70% against 2009. Thus, development opportunities for new and growing areas of the solar market, such as the emerging market of flexible solar technology – on which Mühlbauer positioned itself with its plant technology and its expertise and was awarded the first major order for a production plant for flexible solar cells in 2010 – were extremely positive.

In 2010, the Traceability-related industries and markets relevant to the industry business also developed positively and stabilized noticeably in the first half of the year. High order incomes in the second half of the year perpetuated this trend and assisted the recovery of the entire industry. As a result of the dissolution of the investment backlog, the build-up of stocks and the intensified manufacture of innovative products, this development is particularly strong in the automotive sector. Apart from the automobile industry, however, EMS (Electronics Manufacturing Services) and industrial electronics also benefited from the economic recovery.

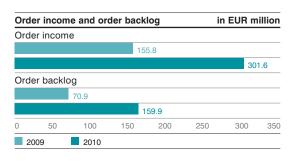
Contrary to the cautious outlooks provided at the beginning of the year, in 2010 the mechanical engineering industry relevant to Precision Parts & Systems recovered rapidly and significantly and in many areas it was again heading for pre-economic crisis 2009 levels. The industry was, in particular, stimulated by the worldwide rise in demand resulting from the positive global economic development over the past 12 months. Thus, future investments by companies and governments were the drivers of production growth in 2010. In Germany, for example, order values rose 35% in the first eight months, due to the high level of demand from Brazil and China and the high level of domestic demand. Thus, mechanical engineering in Germany achieved total growth of 6% in 2010.

Management Report

Business development

Order income and order backlog

The government-related TECURITY® market, which was again extremely robust in the past financial year – as expected – and the consistent positive development of demand in all other



industries relevant to the Mühlbauer Group, resulted in an extraordinary surge of order income in the 2010 financial year, to EUR 301.6 million. This not only corresponds to a massive increase of 93.6% against the order income of EUR 155.8 million, achieved in the same period of the previous year; moreover, with this record high, the solution provider Mühlbauer achieved the highest order income in the history of the company. This extremely dynamic development had an equally positive effect on order backlog, which was 125.5% higher, at EUR 159.9 million, than the previous year's value of EUR 70.9 million. Despite a slight decrease, the international order backlog dominated, at 89.1% (PY: 90.1%), while the national backlog, largely due to the economy-related acceleration of demand for

traceability systems and precision parts, rose slightly year-on-year, at 10.9% (9.9%).

In Cards & TECURITY®, the solution provider was able to convince further government organizations of the benefits of cooperating with Mühlbauer as a fully responsible system partner for innovative ID applications, thanks to its technological and market expertise, the concentration of which is unique in the world. At the same time, existing partnerships were reinforced. This resulted in numerous further government orders, including one large-scale order worth approx. EUR 64.2 million comprising the provision of mobile data capture systems for the recording of personal data, to the development of a central population database, through to the set-up of a personalization center for the subsequent personalization of biometric ID documents. On this basis and supported by the rise in orders for the supply of technology solutions for the production and personalization of industrial card applications such as bank or GSM cards, the order income of the Mühlbauer Group increased massively during the reporting period and, at EUR 199.9 million (PY: EUR 109.7 million), rose 82.2% against the order income of the previous year. The order income of Cards & TECURITY® thus recorded a new historic high. The order backlog to the end of the reporting period benefited from the high growth of order income and totaled EUR 127.4 million (PY: EUR 59.0 million), which corresponds to an improvement of 115.9%.

In the past financial year, both the backend market in the semiconductor industry and the market for contactless identification using RFID Smart Labels generated an extremely healthy basis for the positive development of the technology provider's business. In so doing, the company was able to benefit from the high level of pent-up demand for components in the semiconductor industry, which was related to economic developments, and from the constantly rising use of the contactless RFID technology, e.g. in supply chain management or ticketing. The result of this positive trend is a year-on-year rise in order income by 122.4%, to EUR 63.4 million (PY: EUR 28.5 million). With this level, the technology provider has, at the same time, also achieved a new record high in Semiconductor Related Products. As a result of this development, order backlog to the end of December 2010 rose to EUR 20.1 million, which corresponds to nearly three times the value achieved in the same period of the previous year (PY: EUR 6.9 million).

In 2010, the interest in components for the traceability of components and products and in board handling systems picked up in line with the positive development in the automotive and electronics industries, relevant to Traceability. In the past financial year, Traceability benefited significantly from this and recorded a 144.9% increase in order income, to EUR 12.0 million (PY: EUR 4.9 million). The order backlog rose in parallel. To the end of the reporting period it climbed to EUR 3.6 million (PY: EUR 0.8 million), which corresponds to a 350% year-on-year increase.

Above all, the economic recovery in 2010 also stimulated the mechanical engineering industry relevant to Precision Parts & Systems. As a result of this, orders received in precision parts manufacturing have more than doubled, by 107.1% to be more precise, to EUR 26.3 million (PY: EUR 12.7 million). This corresponds to the best order income in Precision Parts & Systems so far in the history of the Mühlbauer Group. As at 31 December 2010, the order backlog was EUR 8.8 million and was thus 109.5% higher than in the previous year (PY: EUR 4.2 million).

The global demand for innovative ID solutions and the increasing use of RFID-based smart labels, aided by the economic upturn, resulted in the technology group Mühlbauer generating

Sales²

EUR 207.5 million in the year under review, the highest sales revenues in the company's history. Compared to the previous year's sales of EUR 160.8 million, this equates to an increase of 29.1%, whereby all business areas without exception contributed to this substantial growth.

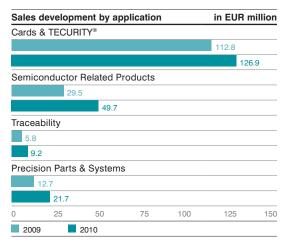
In the process, the sales generated in the core business of Cards & TECURITY® in 2010 benefited in particular from the implementation of further government projects with overall responsibility, some of which were high-volume. This extremely positive development was accompanied by the increased demand for technology solutions for the manufacture and personalization of industrial card applications such as bank cards or GSM cards. Based on this, the sales revenues at 126.9 million EUR were 12.5% over the comparable previous year of 112.8 million EUR.

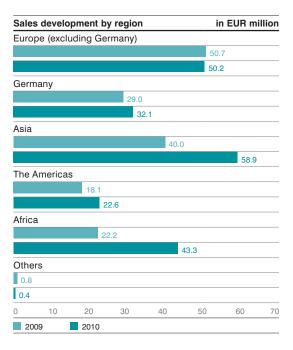
With an increase in sales of 68.8%, the business area Semiconductor Related Products proved to be the driving force in 2010 with regard to development of sales across the group. Here, Mühlbauer generated record sales of EUR 49.7 million – compared to EUR 29.5 million in the comparable previous year. Particularly the high demand for automation solutions for the production of RFID smart labels and the strong interest in semiconductor back-end solutions made a key contribution to this positive development in sales.

The areas Traceability and Precision Parts & Systems also benefited from a clear recovery. The automotive and electronics industry, for instance, which is so important for Traceability, was boosted by the general economic upturn. In line with this positive development, Traceability posted sales revenues of EUR 9.2 million. This corresponds to an increase of 58.6% over the previous year's figure of EUR 5.8 million. Meanwhile, the Precision Parts & Systems business area posted a historic record figure. At EUR 21.7 million and thus an increase of 70.9% over the previous year (EUR 12.7 million), Mühlbauer achieved the highest sales in the company's history with the manufacture of high-precision mechanical parts for a host of different industries.

In the distribution of sales, the previously highest mainstay of sales, Europe (EUR 50.2 million), was replaced by Asia (EUR 58.9 million). The Asian region posted an increase in sales of 47.3% over the previous year's figure of EUR 40.0 million due to the strong demand in the semiconductor-

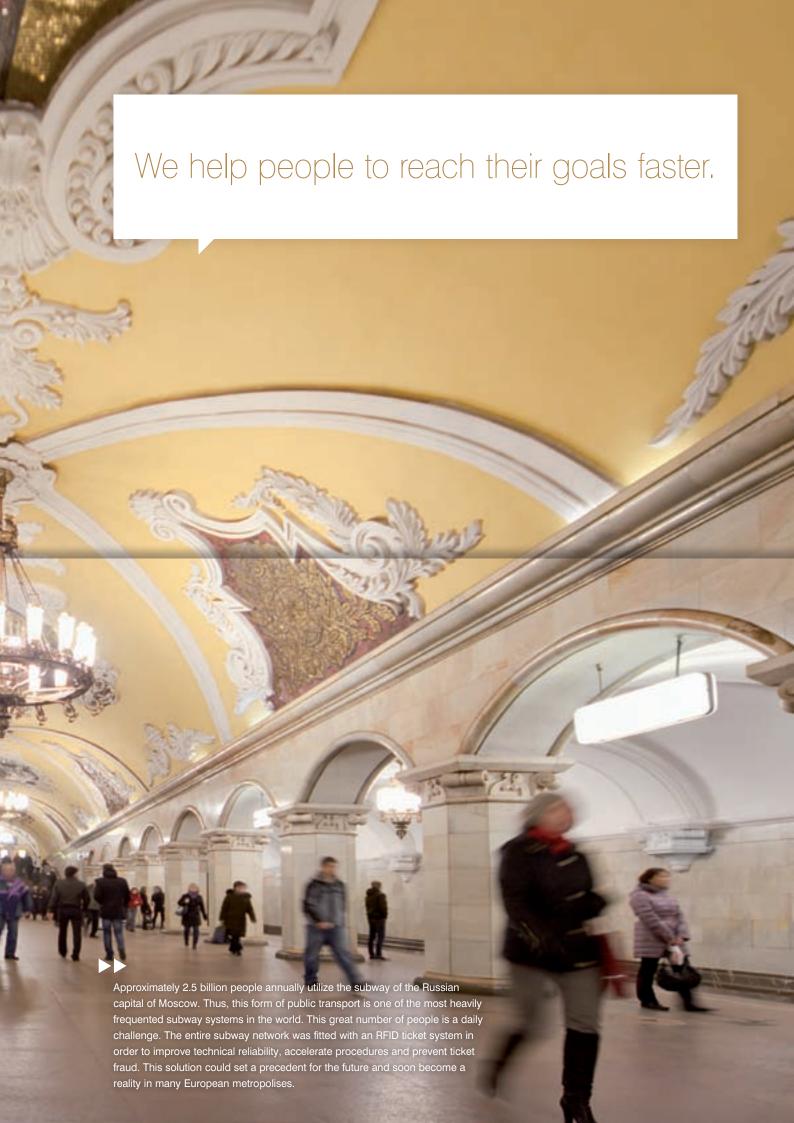
related business, whereas the sales revenues in Europe were slightly down, with a reduction of 1.0% over 2009 (EUR 50.7 million). The reasons for the positive sales development in Germany, which at EUR 32.1 million was 10.7% over the previous year's level of EUR 29.0 million, can be found primarily in the strong domestic demand in the area of precision parts manufacture. Substantial increases in sales were also posted in the regions of America and Africa. Whereas in America, the solid growth in turnover to EUR 18.1 million that was already reported in the last financial year was further improved in the year under review to EUR 22.6 million, the turnover generated on the African continent almost doubled from the comparable previous year's level of EUR 22.2 million to 43.3 EUR million as the result of various projects.





² The sales figures are the gross values prior to any deductions in earnings of EUR 0.3 million (PY: EUR 0.3 million)







RFID's and thus Smart Label's secret

is the interaction of chips,

antennas and reading devices.

Not only can the contactless transmission of information

optimize processes in public transport

or other access systems,

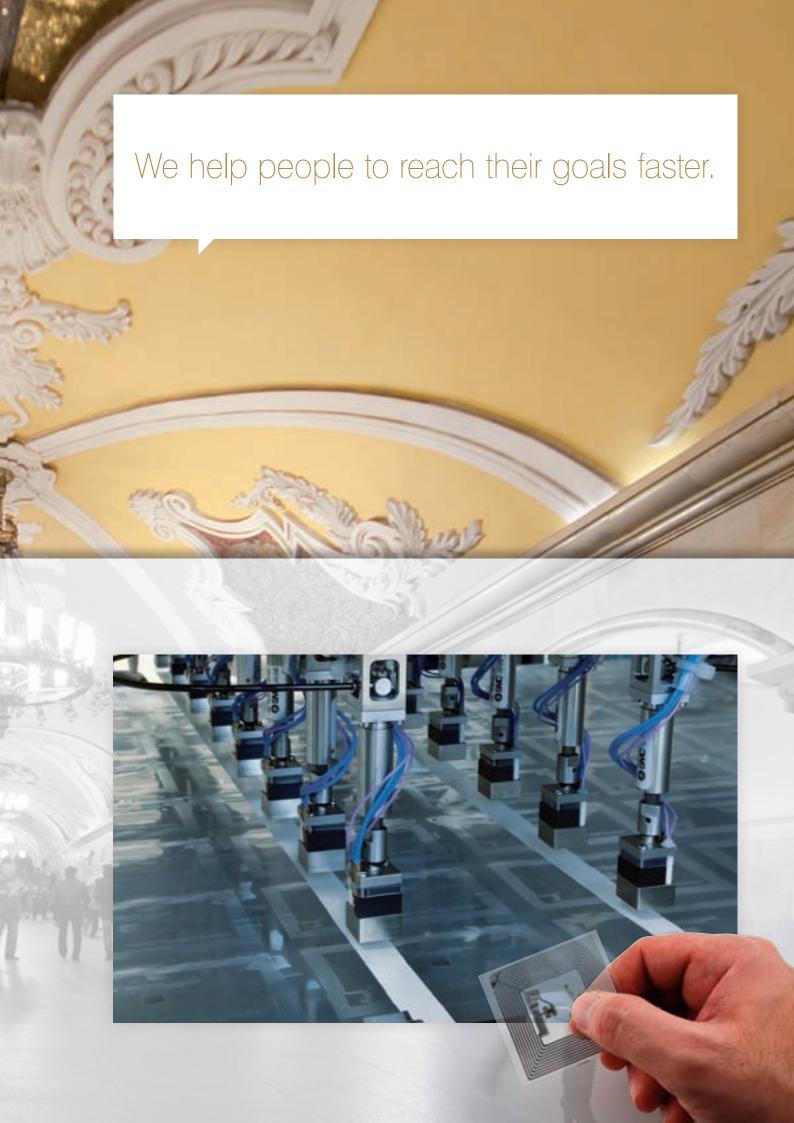
even the sorting, delivery and loading of different goods and freight can be tangibly accelerated.

With its mature high-speed systems for the **production** of RFID inlays

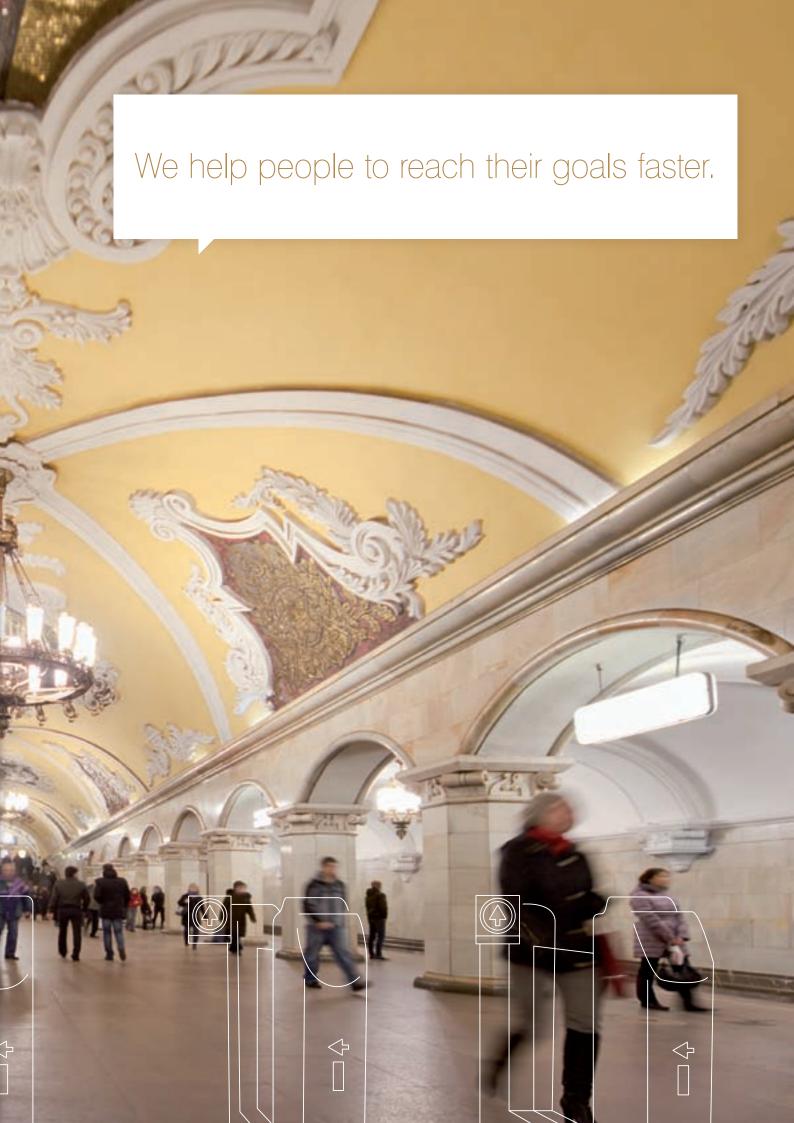
and their final CONVERSION to self-adhesive labels or RFID tickets,

Mühlbauer is a competent solution provider and thus important partner

who pushes ahead the development of these promising markets.







FARNINGS SITUATION

Development of earnings

The technology group Mühlbauer ended the 2010 financial year with an extremely positive result. With an EBIT of EUR 38.2 million, the comparable value in the previous year of EUR 9.6 million was not only exceeded by just under threefold, it also represents a new record in the Group's history. In particular, gross earnings from sales, which increased to a disproportionate extent by EUR 28.3 million or 52.3%, contributed to this gratifying development in earnings. Taking into account financial earnings, which increased moderately by EUR 0.3 million, and a tax rate that was reduced by 3.0 percentage points, earnings after tax were EUR 30.3 million. Earnings per share increased accordingly from EUR 0.50 in the previous year to EUR 2.09 in the reporting year.

Consolidated statements of	2010		2009		+/-	
income in millions	EUR	%	EUR	%	EUR	%
Sales	207.2	100.0	160.5	100.0	46.7	29.1
Cost of sales	(124.8)	(60.3)	(106.4)	(66.3)	(18.4)	17.3
Gross profit	82.4	39.7	54.1	33.7	28.3	52.3
Selling expenses	(14.9)	(7.2)	(13.2)	(8.2)	(1.7)	12.9
Administrative expenses	(8.1)	(3.9)	(8.0)	(5.0)	(0.1)	1.3
Research and development expenses	(23.9)	(11.5)	(21.1)	(13.1)	(2.8)	13.3
Other income	4.6	2.2	1.5	0.9	3.1	206.7
Other expenses	(1.9)	(0.9)	(3.7)	(2.3)	1.8	(48.6)
Operating income (EBIT)	38.2	18.4	9.6	6.0	28.6	297.9
Financial result	0.4	0.2	0.1	0.0	0.3	300.0
Income before income taxes	38.6	18.6	9.7	6.0	28.9	297.9
Income taxes	(8.3)	(4.0)	(2.4)	(1.5)	(5.9)	245.8
Net earnings	30.3	14.6	7.3	4.5	23.0	315.1

Analysis of earnings development

The expected continued demand for government-related ID solutions and the rapid recovery of the industry business resulted in gross earnings from consolidated sales increasing to a disproportionate extent in the reporting year compared to the growth in sales. Sales costs increased from EUR 106.4 million in the previous year by EUR 18.4 million or 17.3% to EUR 124.8 million in the 2010 financial year. In relation to sales, however, sales costs fell to 60.3% in the 2010 financial year, compared with 66.3% in the previous year. The cause for this positive development is, in addition to the product mix, in particular the degression in fixed costs that regularly accompanies a growth in sales. The latter is attributable to the fact that Mühlbauer has a high value creation share in its products and its sales costs do not react proportionally to an increase or decline in sales revenues.

Sales costs increased by EUR 1.7 million or 12.9% in the 2010 financial year. The increase is primarily the result of the sales and advertising costs, which were higher by EUR 1.2 million, specifically as a result of higher project-based shipment costs and personnel costs, which increased by EUR 1.0 million. In contrast, risk provisions reduced by EUR 1.0 million had a costreducing impact on customer receivables. The general administration costs were virtually unchanged in a year-on-year comparison, although there were very different developments within this cost item. Whereas predominantly all costs covered by this item consistently indicated increases, a one-off effect of EUR 0.3 million from planned reductions in the pension reserves resulted in these general cost increases being almost completely compensated. The increase in the sales and administration costs was, however, lower than the sales growth, which is why sales and general administration costs were reduced overall from 13.2% in the previous year to 11.1% in the 2010 financial year. In the course of the research and development activities, which were intensified further, the research and development costs increased by EUR 2.8 million or 13.3% in a year-on-year comparison. This rise is associated with the recruitment of new staff and the resulting increase in personnel costs of EUR 1.9 million and the reduction in subsidies from authorities of EUR 0.3 million. Based on the sales revenues, the research and development costs declined from 13.1% in the previous year to 11.5% in the 2010 financial year.

The other revenues and costs from operating activities incorporate predominantly effects outside of the core activities of the group, business transactions unrelated to the accounting period and other business transactions not associated directly with the company's core business. Whereas primarily reserves for legal costs amounting to EUR 3.5 million which were associated with patent disputes resulted in a cost balance of EUR 2.2 million in the previous year, the income balance of EUR 2.7 million indicated in the results of the year under review predominantly from the end to the disputes and the elimination of the payment of EUR 2.6 million and thus a fundamental part of these obligations. In addition, the disposal of fixed assets in the year under review resulted in income being generated that was EUR 0.5 million higher than in the previous year. In contrast, unrealized and realized losses from exchange rate differences, which were EUR 0.8 million higher, had a negative effect on profits.

Earnings on securities and interest at + EUR 0.4 million were EUR 0.3 million higher than the level in the previous year. Gains in share prices of short-term securities contributed in particular to this increase.

In total, the company posts earnings before tax of EUR 38.6 million, which is EUR 28.9 million above the previous year's value (PY: EUR 9.7 million). This corresponds to a return on sales of 18.6% – compared to 6.0% in the previous year.

The technology group Mühlbauer has a consolidated profit of EUR 30.3 million, a substantial improvement over the comparable previous year's value of EUR 7.3 million. At 21.6%, the tax rate was 3.0% points below the previous year's value of 24.5% which, among others, is attributable to the recording of active deferred taxes on loss carryovers which had an impact on profits. In relation to individual shares, the earnings are EUR 2.09 – after EUR 0.50 in the previous year.

The company is aiming to continue its dividend policy of the last few years and also involve the shareholders of the limited partnership in this year in the positive results of the financial year just ended. The personally liable shareholder and the Supervisory Board will propose to the Annual General Meeting to distribute a dividend of EUR 1.30 per no-par value share, which is EUR 0.30 higher than in the previous year. Assuming that a decision to this effect will be taken by the Annual General Meeting, the distribution total to the shareholders of the limited partnership, taking into account the outstanding shares with dividend entitlement, is approx. EUR 8.0 million (PY: EUR 6.1 million). The personally liable shareholder will receive EUR 11.0 million (PY: EUR 7.8 million) in accordance with his capital share.

Dividend

FINANCIAL SITUATION

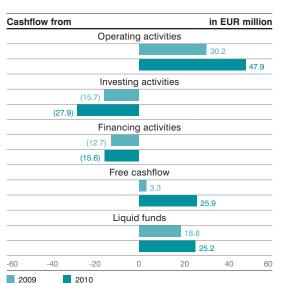
Cashflow

The cashflow demonstrates the origin and utilization of cashflows in the reporting periods. It thus plays a key role in evaluating the financial situation of the company. The outflows from investment and financing activities are determined in direct relation to payments. The inflows from operating activities are indirectly derived from the consolidated profit for the year. With the free cashflow, we provide our investors with a ratio that shows the change in liquidity, taking into account investments. Free cashflow is defined as an inflow from operating activities and an outflow from investment activities, adjusted for the purchase and disposal of securities and financial assets, as well as the resultant net profits and losses, payments from the disposal of fixed assets, as well as the resultant profits and losses. The liquid funds shown in the cashflow statement comprise cash and cash equivalents as well as short-term marketable securities, insofar as these have a residual term of no more than three months on purchase.

Consolidated statement of cashflows in millions	2010 EUR		- /	%
Cashflow from operating activities	47.9	30.2	17.7	58.6
Cashflow from investing activities	(27.9)	(15.7)	(12.2)	77.7
Cashflow from financing activities	(15.6)	(12.7)	(2.9)	(22.8)
Free cashflow	25.9	3.3	22.6	684.8
Liquid funds	25.2	18.8	6.4	34.0

Inflows from operating activities, at EUR 47.9 million, are EUR 17.7 million above the level of the previous year (PY: EUR 30.2 million). Record earnings after tax were the main factor in this substantial increase. The marked decline in working capital also had an additional positive impact. Earnings after tax, taking into account costs and revenues without impact on income and interest and income taxes paid, thus resulted in inflows that were higher by EUR 21.9 million. The reduction in the funds tied up in the working capital favored this development with an additional EUR 12.7 million. In contrast, payment flows from transactions with short-term securities (reporting period minus EUR 5.8 million, previous year plus EUR 11.2 million) had a negative impact on the cashflow from operating activities.

At EUR 27.9 million, outflows from investment activities were 77.7% or EUR 12.2 million higher than the figure for the previous year (PY: EUR 15.7 million). This increase is primarily attributable



to the enhanced investments in fixed assets, above all in our production and technology sites in Malaysia, Slovakia and Roding. In contrast, a surplus in inflows resulting from the disposal of long-term assets, predominantly plant and machinery, which was EUR 0.5 million higher than in the previous year, resulted in inflows.

The outflows from financing activities were EUR 15.6 million in the 2010 financial year (PY: EUR 12.7 million) and were primarily associated with the distribution of profits made in the financial year amounting to EUR 13.9 million (PY: EUR 12.8 million) to our shareholders of the limited partnership and the Personally Liable Shareholder. Payouts for personal tax payments of the Personally Liable Shareholder, which were EUR 1.7 million higher than in the previous year, resulted in further outflows in the year under review. The dividend proposed for the 2010 financial year of EUR 1.30 per share with dividend entitlement has not yet been reflected in the cashflow statement for the 2010 financial year as the result of no decision having been taken with regard to the distribution and the outflow.

As the total of individual cashflows, the liquid funds, at EUR 25.2 million, increased by EUR 6.4 million compared to 31 December 2009 (EUR 18.8

million). The entire liquidity, which also includes securities not included in the liquid funds, grew by EUR 12.6 million from EUR 25.8 million to EUR 38.4 million, despite the rapid expansion of business and the implementation of the Group's investment strategy.

The free cashflow benefited from the historically high annual profit and at EUR 25.9 million posted a huge increase of EUR 22.6 million over the previous year. This development is all the more positive in light of the fact that the payouts for investments were substantially higher in a year-on-year comparison (EUR 15.7 million) but were more than compensated by the cashflow from operating activities of EUR 47.9 million (PY: EUR 30.2 million), largely resulting from the reduction of finances tied up in the working capital.

In the 2011 financial year, the Mühlbauer group requires capital to finance the operating activities, for the planned implementation of investments, for the payment of other financial obligations – if these occur – and to pay profit distributions. Mühlbauer is expected to meet these requirements with inflows from ongoing activities, available payments, including disposable securities, and short-term credit facilities available at the end of the year 2010 worth a total of EUR 2.5 million, of which EUR 0.7 million had been used at this time.

Free cashflow

Capital requirements and refinancing

ASSET SITUATION

The consolidated balance sheet total as of 31 December 2010 increased by EUR 37.2 million or 21.1% to EUR 213.3 million year-on-year (PY: EUR 176.1 million), which is equally the result of the substantially expanded investment and business activities. The long-term assets thus increased substantially in the reporting year due to the investment in fixed and intangible assets by EUR 18.2 million, whereas short-assets increased by EUR 19.0 million. In relation to the balance sheet total, long-term assets increased from 36.3% in the previous year to 38.5% in the reporting year, while short-term assets fell from 63.7% in the previous year to 61.5% in the reporting year. Total liabilities as of 31 December 2010 increased by EUR 17.5 million, or 44.9%. Short-term liabilities increased by EUR 17.9 million or 48.6%, whereas long-term liabilities fell by EUR 0.4 million or 18.1%. Equity as of 31 December 2010 increased by EUR 19.7 million or 14.4%. As of 31 December 2010, the equity ratio was 73.5% (31 December 2009 77.9%).

Consolidated balance sheet total

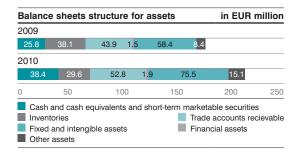
Balance sheet (outline) in millions	2010 EUR	%	2009 EUR	%	+/- EUR	%
Short-term assets	131.1	61.5	112.1	63.7	19.0	16.9
Long-term assets						
Financial assets	1.9	0.9	1.5	0.9	0.4	0.2
Fixed assets	68.1	31.9	51.6	29.2	16.5	32.0
Intangible assets	7.4	3.5	6.8	3.8	0.6	8.8
Long-term tax receivables	2.0	0.9	2.1	1.2	(0.1)	(4.8)
Deferred tax assets	1.5	0.7	1.0	0.6	0.5	50.0
Other long-term assets	1.3	0.6	1.0	0.6	0.3	30.0
Total assets	213.3	100.0	176.1	100.0	37.2	21.1
Short-term liabilities	54.7	25.6	36.8	20.8	17.9	48.6
Long-term liabilities	1.8	0.8	2.2	1.3	(0.4)	(18.1)
Shareholders' equity	156.8	73.5	137.1	77.9	19.7	14.4
Total liabilities	213.3	100.0	176.1	100.0	37.2	21.1

Short-term assets

The virtually continuous increase in short-term assets is an expression of the huge expansion of business in the reporting year. Whereas inventories increased as a result of orders by EUR 8.9 million, the high cashflow resulted in an increase in liquid funds and short-term securities of EUR 6.4 million and EUR 6.2 million respectively. The increase in other receivables and other assets by EUR 5.5 million is primarily attributable to higher claims from public funding due to investments, higher tax reimbursement claims towards the Personally Liable Shareholder due to distributions and tax reclaims. In contrast, the trade receivables decreased by EUR 8.5 million.

Long-term assets

Within the long-term assets, fixed assets increased by EUR 16.5 million or 32.0% due to the



investments made in the reporting year, netted to include depreciations and disposals. The background to the increase in intangible assets by EUR 0.6 million is the Group-wide modernization of the IT landscape with a slight decline in activated development costs due to depreciation. Long-term receivables increased by EUR 0.4 million to EUR 1.9 million – primarily due to extended receivable terms on a project basis. Deferred taxes are activated on fiscal loss carryovers accumulated in previous years for domestic companies of the group, which resulted in an increase in this balance sheet item of EUR 0.4 million.

Short-term liabilities

The continuous increase in all items within the short-term liabilities reflects the substantial increase in business activities in the reporting year. The downpayments received on orders thus grew by EUR 6.0 million to EUR 16.8 million as the result of orders, whereas the increase in trade receivables of EUR 3.8 million and other liabilities of EUR 2.8 million reflect the purchasing volume which was substantially higher in the year under review. The substantial increase in other reserves (+ EUR 2.8 million) is associated, among other things, with residual services for invoiced customer orders. The tax reserves are also higher; these increased by EUR 2.6 million as a result of earnings.

Long-term liabilities

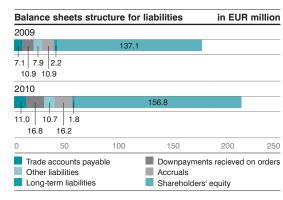
On the reporting date, the long-term liabilities were EUR 1.8 million (PY: EUR 2.2 million). These include only the deferred taxes that IFRS has determined must be posted as long-term liabilities.

Shareholders' equity

Shareholders' equity increased by EUR 137.1 million as of 31 December 2009 to EUR 156.8 million as of 31 December 2010. This increase reflects the consolidated annual surplus generated in the reporting year and the costs and income recorded directly in the equity of net plus EUR 3.2 million. The latter are directly associated with the appreciation of national currencies of certain group companies posted in the reporting period compared to the group currency (Euro). In contrast, the dividend payment to the shareholders made in the second quarter of 2010 and the distribution of profits to the Personally Liable Shareholder which was due in parallel reduced the shareholders' equity by EUR 13.9 million.

The long-term capital, consisting of shareholders' equity and long-term liabilities, provided 192.9% coverage of long-term assets. The extended coverage of the long-term assets (long-term capital in relation to the total of long-term assets and 50% of inventories) is still at a very solid level, at 146.0% (PY: 162.1%).

The ordinary share capital is indicated as subscribed capital. The share capital of Mühlbauer Holding AG & Co. KGaA as of the reporting date is EUR 8,037,376.00 and is divided into 6,279,199 bearer no-par value shares and a registered no-par value share with a nominal theoretical value of EUR 1.28 each. All limited partners' shares with dividend entitlement have one vote. The limited partners' capital share not assigned to the ordinary share capital and belonging to the Personally Liable Shareholder, Mühlbauer Holding AG & Co. Verwaltungs KG, amounts to EUR 10,773,600.00. The Annual General Meeting can decide on the conversion of the limited partners' share into ordinary share capital with the approval of the Personally Liable Shareholder.



SECURA Vermögensverwaltungs GmbH, headquartered in Metten – a company fully controlled by the Personally Liable Shareholder – holds 3,296,852

no-par bearer shares or a 52.50% participation in the ordinary share capital of Mühlbauer Holding AG & Co. KGaA. This value includes 2,000,000 bearer no-par value shares or 31.85% of the ordinary share capital in respect of which SECURA Vermögensverwaltungs GmbH holds no voting proxy. The Personally Liable Shareholder has made a commitment to the company, starting on 9 September 2002, for a term of ten years, not to exercise his voting rights for these shares while he owns them. The only exclusion from this commitment are cases in which the exercise of his vote or the exercise of his right of participation is required to avert serious damage to the company or the Annual General Meeting resolves matters that require a majority of at least 75% of the entire ordinary share capital of the company – in accordance with the statutes of the company.

The registered no-par value share held by Ms Anna Antonie Mühlbauer, Metten, gives her the right to appoint a third of all Supervisory Board members to the same. The right to appoint shall not apply insofar and to the extent that the owner of the share granting the right to appoint is the Personally Liable Shareholder, his personally liable shareholder or one of the members of the Management Board. The owner of the registered no-par value share shall not hold this as a trustee or a recipient of orders issued by the personally liable shareholder or other affiliated person. The transfer of the registered no-par value share is only permitted with the company's approval and the Supervisory Board shall decide on this at its due discretion pursuant to the statutes.

Mühlbauer Holding AG & Co. KGaA is represented by the Personally Liable Shareholder alone. He is not subject to the personnel competence of the Supervisory Board and cannot therefore be dismissed from office. Pursuant to the company's statutes, the right of approval to which the shareholders of the limited partnership are entitled to with extraordinary transactions, is excluded. However, the statutes comprise a catalog of transactions that also exceed ordinary business proceedings, with regard to which the approval of the Supervisory Board is necessary and gives the latter influence in material legal transactions and activities by the Personally Liable Shareholder. Numerous decisions by the Annual General Meeting require the approval of the Personally Liable Shareholders, specifically also changes to the statutes and the determination of the annual statement.

The ordinary share capital is conditionally increased by up to EUR 1,996,800.00, divided into 1,560,000 no-par bearer shares (conditional capital III). The conditional capital increase is only implemented to the extent that the Annual General Meeting decides on the conversion of the capital share into ordinary share capital with the approval of the Personally Liable Shareholder. The new shares participate in the profits from the start of the financial year in which they are issued after the right of conversion has been exercised.







The requirements towards technology solutions with which extremely small, thin MiCro-Chips are processed are constantly rising.

The persistent trend toward miniaturization in the semiconductor area above all requires quality and innovative procedures.

Mühlbauer is a specialist for machine solutions

such as flip chip-based die sorters for wafer level packages.

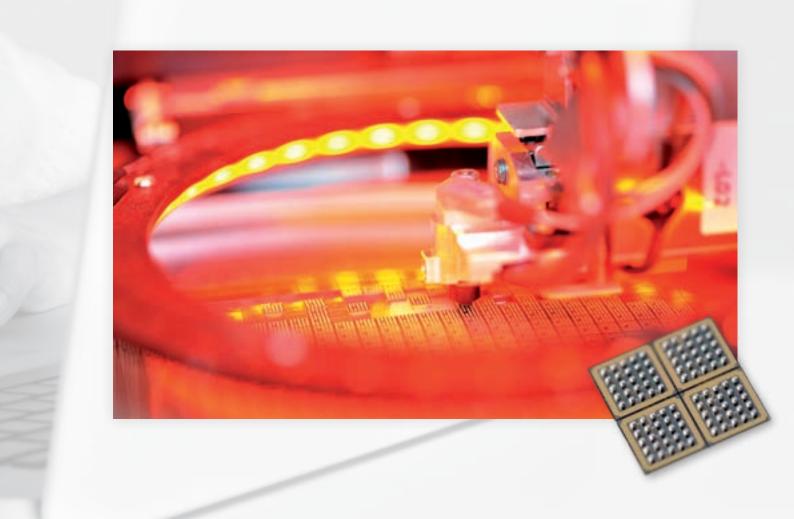
Due to our comprehensive production competence,

we are able to meet the highest demands of this future-oriented niche

on the semiconductor market

with our semiconductor backend solutions.

We connect the world.





We connect the world.



The personally liable shareholder is authorized to increase the ordinary share capital once or several times by 15 April 2013 with the approval of the Supervisory Board by issuing new no-par bearer shares against cash and/or non-cash contributions, in total, however, by a maximum of EUR 4,018,688.00 (authorized capital 2008/I). The shareholders are fundamentally to be granted a subscription right. The personally liable shareholder can, however, carry out the following with the approval of the Supervisory Board:

- a) Exclude fractions from the subscription right;
- Exclude the subscription rights of the shareholders in order to issue the new shares in return for cash contributions at an issuing amount that is not fundamentally below the stock exchange price;
- c) Preclude the subscription rights of the shareholders in order to provide the shares for the conversion of the general partners' capital;
- d) Exclude the subscription right of the shareholders in order to issue the shares against noncash contributions for the acquisition of companies or company participations.

The Personally Liable Shareholder is authorized by the decision of the Annual General Meeting dated 29 April 2010 to acquire by a deadline of 28 April 2015 shares of the company with a calculatory share of the subscribed capital of a maximum of 10 percent, i.e. up to 627,920 shares, in order to be able to offer these to third parties in the context of acquisitions of businesses or participations, to collect them, offer them to holders of subscription rights for purchase or to offer them to employees and/or members of the company's management or an associated company for purchase.

VALUE-ORIENTED CONTROL PARAMETERS

The reporting of the Mühlbauer Group delivers select value-oriented control parameters in a timely and responsible manner, thus providing a management tool that is predictive and indicates the need for change at an early stage. Management with value-oriented control parameters extends along the entire manufacturing process of the product portfolio: From procurement to production, research and development to sales – the implementation of value-oriented management's mission statement is based on clearly defined ratios. This controlling concept, which has been implemented throughout the Group, enables management to communicate results both inside and outside the Group, and to control and coordinate business processes targetedly. The values determined in accordance with IFRS form the basis of our reporting system.

Ratios (Selection)		2010	2009
1	Investment rate	38.5%	36.3%
2	Rate of circulation	61.5%	63.7%
3	Inventories to total capital	24.8%	25.0%
4	Rate of inventory turnover	4.3	3.4
5	Turnover time of inventories in days	84	106
6	Days of sales outstanding	59	83
7	Equity ratio	73.5%	77.9%
8	Return on equity	20.6%	5.2%
9	Total return on capital	15.6%	4.0%
10	Equity-to-fixed assets ratio	230.2%	265.9%
11	Personnel expenses ratio	32.6%	35.9%
12	Material costs ratio	35.4%	35.5%
13	R&D ratio	11.5%	13.1%
14	EBIT ratio	18.4%	6.0%

- 1 Investment rate = Long-term assets/Total assets
 2 Rate of circulation =
- Short-term assets/Total assets

 3 Inventories to total capital =
 Inventories/Total assets
- 4 Rate of inventory turnover = Sales/Average inventories
- 5 Turnover time of inventories in days = Average inventories * 360 days/Sales
- 6 Days of sales outstanding =

 Average trade accounts receivable *

 360 days/Sales
- 7 Equity ratio = Equity/Total capital
- 8 Return on equity =
 Consolidated net earnings or losses for the year/Average equity
- 9 Total return on capital =

 (Consolidated net earnings or losses for the
 year + longterm interest expenses)/Average
 total capital
- 10 Equity-to-fixed-assets ratio = Equity/Fixed assets
- 11 Personnel expenses ratio = Personnel expenses/Sales
- 12 Material costs ratio = Material costs/Sales
- 13 **R&D ratio** =
- Research and development costs/Sales
- 14 EBIT ratio =

Earnings before interest and taxes/Sales

The average of the balance sheet value is determined as the average of the value on the reporting date of the current and the previous year.

Management controls the company through strategic and operational goals and on the basis of monetary and non-monetary parameters. Key financial control parameters of the Mühlbauer Group are earnings before interest and taxes (EBIT), the pre-tax profit margin (earnings before taxes, based on sales) and the free cashflow (balance from inflows provided by operating activities and used for investment). Free cashflow is used to determine the change in the company's financial resources after deducting all payments effected in respect of the organic maintenance or extension of the company. The form in which value-oriented management is practiced within the individual business processes varies. Procurement not only monitors the level of purchase volumes in terms of value but also controls the goods to be procured with regard to time by means of delivery delay ratios relating to suppliers and items purchased. Furthermore, the effectiveness of cost reduction programs is monitored and investment rates are observed. By calculating the return on investment in respect of investment proposals, the anticipated return from the respective capital expenditure required is depicted. The activities in production are controlled on the basis of cost rates and expense ratios, prices, productivity ratios, as well as absolute and relative values on inventory development. We use the R&D ratio (R&D investment expenditure based on sales) to depict our research and development activities. In production and R&D, in particular, headcount is periodically depicted by means of staff change values, so that existing personnel capacities can be flexibly maneuvered between the individual product areas in the event of varying employment situations. Order income, sales and collection periods constitute the primary control information within the sales organization. Sales utilizes an additional control parameter - customer value - for the identification of key accounts. This value is determined using quantitative and qualitative criteria.

The on-time provision of all ratios is linked to the matching of actual with target values. Due to the processing of this information by management, which is always effected promptly, it is guaranteed that escalation processes and countermeasures can be initiated immediately in the event that deviations are identified. These processes and countermeasures include measures intended to counteract unfavorable developments, decisions on investment measures, the selection and expansion of product areas with which the targeted growth is to be realized or the withdrawal from activities that do not achieve sufficient earnings contributions. This controlling concept implemented by the Mühlbauer Group supports the goal of a long-term, sustained enhancement of value instead of a short-term optimization of return.

SUSTAINABILITY REPORT

To the Mühlbauer Group, sustained corporate management means creating a stable foundation with regard to economic, ecological and social aspects, on which customers, suppliers, shareholders and employees can rely in equal measure, even in economically difficult times. For this reason, the Mühlbauer Group has always felt an obligation to implement a corporate strategy that combines economic necessity, ecological reason and social responsibility, thus providing all stakeholders with added value. Our understanding of sustainability is also reflected in our Code of Conduct, which addresses legal and ethical principles that should be taken into consideration in day-to-day operations and the adherence of which are mandatory for the entire Mühlbauer Group and all its employees.

Efficiency and quality

As a manufacturer of high-tech system solutions, Mühlbauer utilizes all technical and operational opportunities to ensure the maximum in working efficiency and product quality. All business and production processes are therefore subjected to continual testing and improvement in the context of quality management. Apart from the annual certification in accordance with DIN EN ISO 9001 by an independent external expert, internal auditors also continuously monitor the management system in the context of defined audit programs. If deviations are recognized with regard to functions or processes, the company can take corresponding measures at an early stage.

Production and environment

More than 500 employees at the German sites Roding and Stollberg and at the company's Slovakian site Nitra manufacture high-precision parts for Mühlbauer's product portfolio. In addition, parts are also manufactured for external customers from sensitive industries, such as the aerospace and semiconductor, electrical, solar or medical technology sectors. The key manufacturing processes here include drilling, turning, milling, welding, stamping and laser-cutting, while the raw materials primarily include aluminum, stainless steel, cast iron scrap, synthetic materials, titanium and copper. Areas of particular environmental relevance are:

- · Surface treatment systems
- Central wastewater treatment systems for process water from preliminary and final surface treatment
- Waste management systems
- · Hazardous substances stores
- Central oil store
- Gas station for company vehicles
- Fuel oil tanks for the operation of the combined heat and power plants

To prevent or avert potential environmental at an early stage, technically trained employees pay attention to the observance of statutory environmental standards when handling hazardous materials. Furthermore, waste is consistently reduced by means of waste prevention and recycling.

Workplace safety and health

To Mühlbauer it is a matter of course to create ideal and safe working conditions throughout the Group in order to prevent occupational accidents and diseases. After all, only employees who feel well and safe within their working environment can permanently provide very good performance. A key focus here is on workplace health and safety measures. These include regular training measures to sensitize the employees of all departments to potential hazards and the provision of technical facilities such as monitoring and fire alarm systems for the notification of disruptions or emergencies. Furthermore, Mühlbauer supports general workplace safety by means of a safety and health-related improvement of workplace design and by providing protective equipment for work involving particular risks. Due to these preventive measures, the number of staff off sick due to occupational accidents and the number of accidents per 1,000 employees that needed to be reported increased only slightly overall in the reporting year at 0.15% and 24 employees compared to the previous year (0.10% and 18 employees), which is to be rated all the more positively in light of the substantially increased number of working hours year-on-year.

Another important contribution toward working efficiently is Mühlbauer's corporate healthcare. This not only comprises the services of a company medical officer who performs the statutory preventive occupational medical examinations for all employees and is available in the event of acute illnesses, but also unusual preventive health services. The employees can utilize a modern fitness center, covering 1,500 m², the services of which were substantially extended in 2010, enabling employees to combat a lack of exercise in everyday working life with sports activities. Under the expert guidance of qualified fitness trainers and physiotherapists, a health-oriented training can, for example, balance or prevent physical impacts caused by the workplace. The measures and services offered by Mühlbauer in connection with occupational safety not only enhance employee motivation but are also reflected in lower illness-related expenses in the long term. Across the group, the average number of staff off sick increased slightly to 7.0 days (PY: 6.4 days) but is still substantially below the average of approximately 14.4 days for Germany as a whole.

As an attractive and responsible employer, Mühlbauer places great value on maintaining a fair and constructive partnership with its more than 2,200 employees, from which it can draw longterm. It is therefore of particular importance to the company that it continually improves the qualification levels of its employees so that these can permanently meet the rising requirements of a globalized economy. Apart from purely technical qualification measures this includes intercultural training and language courses. Additionally, Mühlbauer provides over 360 young people with excellent training in numerous industrial and commercial professions, thus easing their way into the paid workforce. The rate of trainees and apprentices amounted to 16.0% to the end of the year under review and is thus significantly higher than the national average. It is also extremely gratifying that the number of trainees and apprentices includes an increasing number of young women who are completing industrial-technical training at Mühlbauer. The company welcomes this development as an expression of gender equality. At the end of the reporting year, the proportion of women in the overall company workforce was 21.2% and thus virtually unchanged from the figure in the previous year (22.3%). Moreover, the Mühlbauer Group provides support to its employees with regard to the development of an additional company pension scheme, as a supplement of the existing statutory social security systems. All employees can realize an increase of their future pension payments in the course of deferred compensation.

Within the Mühlbauer Group, social commitment ranks high. The company not only appreciates the voluntary commitments of its employees but considers it important to accept social responsibility within society itself. Under the umbrella of the Josef Mühlbauer Foundation, initiated by the company's founder, the company supports select social initiatives and projects with major monetary donations both nationally and internationally. Even the traditional Mühlbauer-Lauf, which was hosted for the sixth time in the year under review and which was one of the largest running events in the region with about 2,000 participants, fully reflects the company's social commitment. Through the involvement of sponsors, employees and external participants, the Mühlbauer-Lauf generated total donations of some EUR 70,000 which will be used to finance a new school in Nkuke, Uganda, and thus give needy local children a future through education in community-based learning and teaching conditions.

Personnel development

Social commitment

FACTOR INPUT

Investments

In 2010, Mühlbauer invested heavily in order to ideally position the company for the future. The particular focus here was on the modernization and expansion of the German sites and the full equipping of the technology center in Slovakia, which was completed in the previous year, as well as on the constructional extension to facilities in Malaysia. At a total of EUR 30.0 million, gross investment volume in intangible and fixed assets in the year under review exceeded the previous year's value of EUR 19.3 million by 55.4%, significantly topping the corresponding depreciation values – as in previous years.

The investments in intangible assets of EUR 4.8 million are primarily due to the development of new innovative products and to continuous purchase costs in connection with the implementation of a new Enterprise Resource Planning (ERP) system, which is to render internal resource management more transparent and efficient against the background of the company's international orientation, thus optimizing the control of business processes.

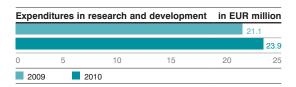
As investments in the previous year primarily focused on the Group's progressive internationalization, in the 2010 financial year the Mühlbauer Group predominantly concentrated on the modernization and extension of its German sites with regard to investments in fixed assets. Here, the focus was first and foremost on structural extensions at Mühlbauer's Roding headquarters. Thus, in December 2010, a new, approx. 10,000 m² state-of-the-art technology and production center was completed for Semiconductor Related Products and its business activities bundled in this building. This spatial concentration not only renders internal processes of the business area more efficient. At the same time, Cards & TECURITY® gains greater capacity, which will ensure long-term growth of this business unit. At the production facilities in Roding, managed within the business line Precision Parts & Systems, Mühlbauer increased its range by extending the buildings and machines for surface technology and material cutting, constructing a state-of-the-art sheet metal and assembly center and modernizing and extending its machinery so that customers now not only have even more production competence in the cutting area at their disposal, but the full range of the product solution - starting with the raw material, through to surface treatment and to completely assembled modules or systems. Furthermore, by purchasing real estate in Dresden, the company took account of the increase of capacity in research & development, while generating the basic condition for further growth by acquiring expansion areas in Roding. The modernization of its fleet in Germany and the continuous fitting of its sites with operating and business equipment, as well as hardware and software, were further measures the company took during the reporting period. International investments related primarily to the extension of production facilities at the Malaysian development and production site in Melaka, the fitting of the Slovakian technology center in Nitra with state-of-the-art production centers and the provision of mission-critical infrastructures such as furnishings as well as hardware and software.

Viewed by region, investments focused on Europe with EUR 27.0 million (PY: EUR 13.4 million), concentrating on Germany and Slovakia, in particular, followed by Asia with EUR 2.9 million (PY: EUR 0.3 million).

The investment rate, which depicts the ratio of investments to sales, rose from 12.0% to 14.5%. The investments were fully financed by the operative cashflow.

Research and development

As a technology and innovation-driven company, the research and development division at the Mühlbauer Group has a pivotal role and is the basis for sustained development. However,



innovative machines and systems are today no longer sufficient on their own to meet the requirements of our customers. Instead, it is much more about the concept of an efficient overall solution which incorporates sophisticated software solutions in addition to the provision of the hardware. With regard to this market expectation, the Mühlbauer Group constantly strives to keep its innovative strength at a maximum and with the aid of new methods and products to secure and expand further its technological

market leadership and competitive position. In the group-wide development departments in

Germany, Malaysia and Slovakia, a total of 421 highly qualified employees (PY: 338) in a wide variety of specialist fields work towards securing the company's future viability with continuing new and further development. Research and development partnerships on basic development and realization of new products and solutions also exist with further education establishments and external research institutes, as well as with companies involved in development projects. Innovations are also reflected in the patents that a company has registered. Mühlbauer therefore safeguards its own research and development advantage against global competition with an internationally oriented Intellectual Property Management: In the past financial year, the Mühlbauer Group registered 25 industrial property rights (PY: 36). In total, the costs for R&D were EUR 23.9 million in the 2010 financial year and thus 13.3% above the previous year's level of EUR 21.1 million. Based on sales, the R&D rate was 11.5% (PY: 13.1%).

The research and development activities in the area of government ID systems extended to the successive continuation of the complete solution concept, alongside customer- and project-specific adjustment developments. In the year under review, Mühlbauer developed a fully automatic, biometric terminal for border control, with the biometric eGate solution Mühlbauer FAST GATE. This development represented the logical step with regard to a complete solution in the area of border management. Against the backdrop of a globally networked security structure, the entire border control process is supported right from the outset in that the ID document is checked for its authenticity and individual, biometric data are verified and compared. On the software side too, Mühlbauer further expanded its development activities and now offers all ready-to-use applications that are possible with regard to National Databases.

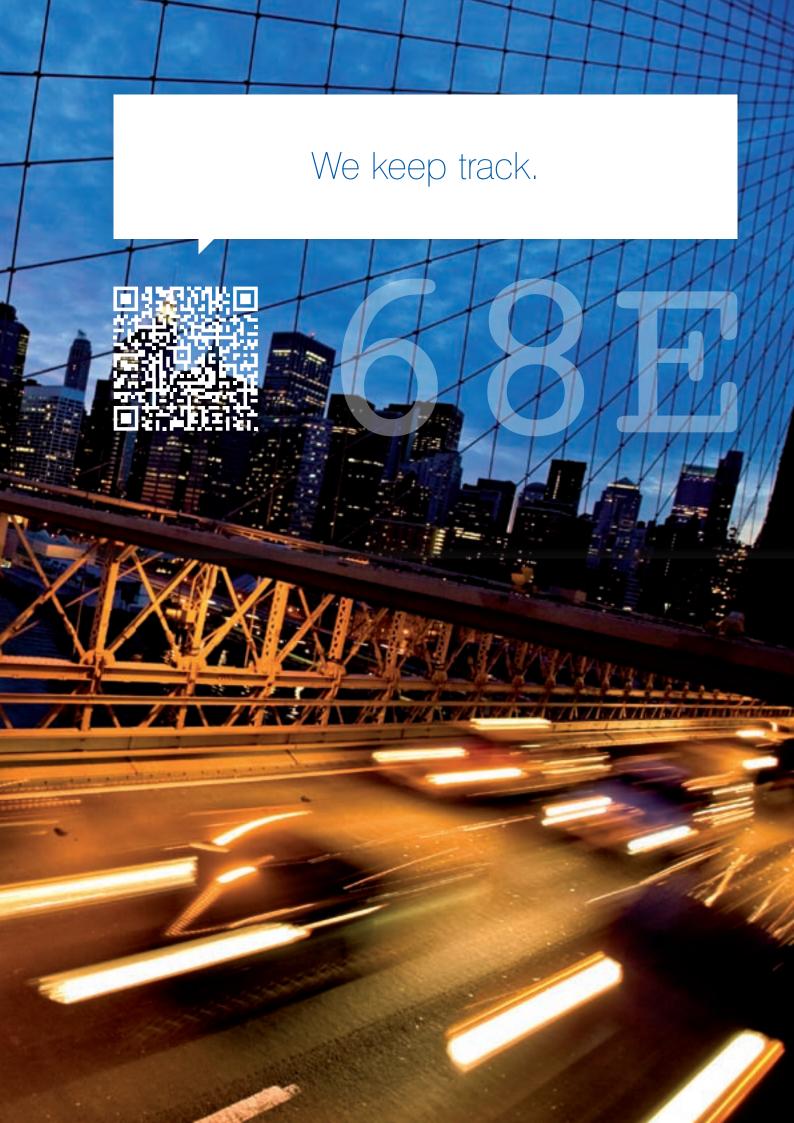
The development of new systems and supplements to the existing product portfolio were the focus with systems for the production and personalization of cards and passports. A new development in the area of the personalization of ePassports is the IDENTIFIER 6000. In the area of personalization for ID and bank cards, Mühlbauer has changed to a new, cost-efficient platform, the SCP 800. In connection with the card dispatch system CARDMAIL 1500, it represents a complete solution in the area of issuing of bank cards. With the development of the GSM 6000, a personalization system for SIM cards was also created that offers highly flexible use and can process the latest applications, such as dual SIM cards.

With systems for the production of card bodies, the development activities concentrated primarily on the development of the ECOLINE solutions. Here, in particular the newly developed collating systems SSC 200 and ASC 200 are worth mentioning. Due to their simple and standardized structure, products of the ECOLINE series guarantee an ideal cost-benefit ratio with maximum quality through proven process stages. In addition, in the area of application, the market for dual interface cards is gaining increasingly in momentum. Dual interface combines both contact-free and contact applications in one card. Thanks to the "flexible bump" process patented as early as 2001 by Mühlbauer, dual interface cards produced on Mühlbauer systems guarantee a highly secure connection between chip and antenna.

In the semiconductor-related area, the focus of the development activities was primarily on the increase in cost-efficiency of existing system types, alongside new machine solutions. Through a consistent design-to-cost strategy, the price-performance ratio was hugely increased over the entire range of products. New developments in the area of Die Sorting were primarily extended, very customer-specific oriented applications for the new machine generation Variation. Due to the high flexibility of this platform and its application areas, new markets and industries, for instance in the medical and pharmaceutical area, were opened up in the reporting year. In the RFID smart label area, the product portfolio was completed with the introductory platform TAL 9000 which is desired for the direct installation of chip on antenna.

Mühlbauer was able to implement numerous new developments and adjustments in Trace-ability. In addition to the traditional core business (board handling), primarily the areas of Laser Marking and Vision were expanded further and cutting-edge new developments launched. The focus here was on solutions to combat plagiarism, for intelligent material labeling and productivity enhancement programs.







These days identification is not only important for people

but also for electronic components and elements.

Unambiguous identification by means of Traceability renders products unique.

The production process can be transparently tracked at any time.

With its laser, print and labeling stations,

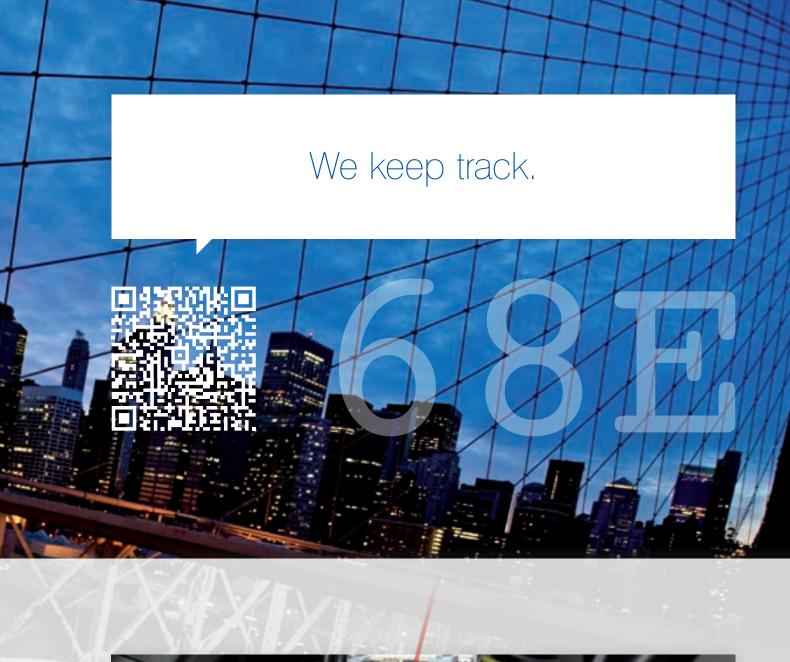
scanning stations, data management systems and

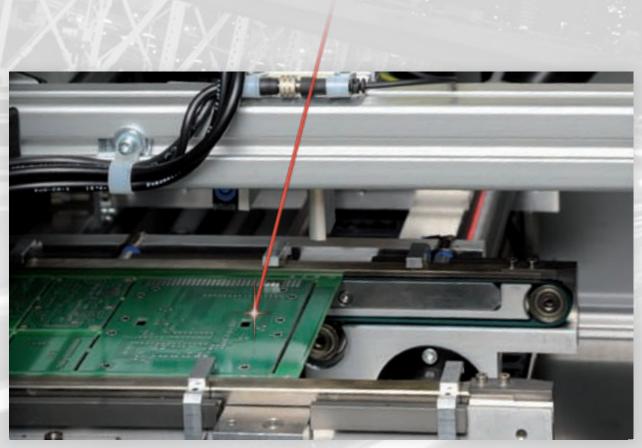
complete board handling and automation solutions,

Mühlbauer offers technologies that enable the clear allocation of components,

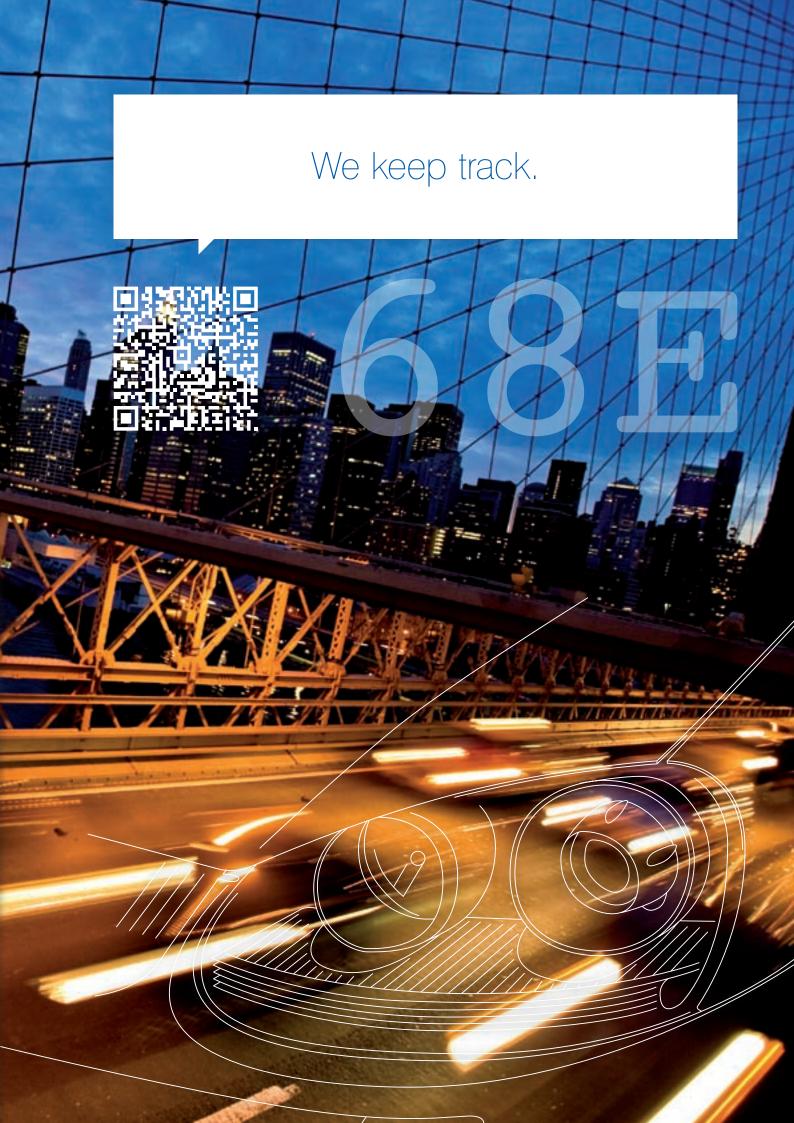
accelerate the rectification of errors and

guarantee a high level of **product security**.









In the year under review, Mühlbauer began to open up the potential of the flexible solar technology market with its roll-to-roll system technology and its expertise. The development of innovative back-end manufacturing concepts for innovative, flexible solar cells and solar panels thus resulted in 2010 in the first major contract for the production of a complete back-end production line for flexible solar cells. Within the framework of customer projects to ensure the quality in the manufacture of flexible solar cells, a roll-to-roll sun simulation tester and a surface inspection were also developed.

Procurement

The surprisingly rapid recovery of the economy in the 2010 financial year also presented major challenges to the procurement area of the Mühlbauer Group. In order to guarantee optimal security of supply in respect of the Group, the effects of the 2009 year of crisis – which related primarily to supplier default and capacity bottlenecks due to the extreme rise in demand worldwide – had to be reacted to rapidly and resolutely. Many of the suppliers of the Mühlbauer Group had reduced both their stocks and staffing levels as a result of the lower order income caused by the economic crisis. In the past financial year, when demand for parts and materials increased suddenly and rapidly (also in relation to projects), this frequently led to supply bottlenecks and very long delivery times, which considerably exceeded normal levels. Another result of the shortage of materials available on the market was the partial rise of purchase prices. This was opposed by the continuous cost pressure the Mühlbauer Group faces.

In overcoming these challenges, procurement benefited from the global presence of the Mühlbauer Group. On the one hand, the company could resort to existing international business relationships. On the other hand, staffing levels in procurement in Asia were raised due to the extreme demand in this region; as a result, procurement activities and the search for alternative suppliers in this region were intensified significantly. Global sourcing not only reduced dependencies to individual suppliers but also had a positive effect on long delivery times. Furthermore, intensive negotiations with new and existing suppliers largely resulted in the avoidance of price increases. In fact, cost reductions were brought about in respect of some groups of articles. An additional measure in the 2010 financial year was the increase of the minimum amounts of sensitive parts held on stock in order to ensure the rapid supply of materials and spare parts to our customers and our internal production. All these measures were always effected under the condition that our high demands toward quality and price were not diluted.

The global economic recovery and the project-related differences in the composition of largescale orders resulted in higher costs for raw, auxiliary and operating materials as well as for acquired services. Consequently, in 2010 these totaled EUR 73.3 million (PY: EUR 57.0 million). In order to ensure the highest possible level of quality and customer satisfaction, a consistently intensive cooperation and partnership with our most important suppliers will continue to be an important pillar of the Mühlbauer Group's procurement strategy, in future. In this process, the principle "Centralized negotiation - decentralized purchasing" will be further consolidated through the increasing internationalization and independence of our most important sites abroad. Furthermore, as a result of the intensified cooperation between procurement and development, cost drivers and dependencies among our products are continuously identified and rectified, without affecting quality. In connection with the planned introduction of a new ERP system in the current financial year, historically evolved procurement processes will moreover be investigated, analyzed and adjusted, if necessary, in order to constantly improve process efficiency. This analysis is supported by a newly generated area, "Logistics", within which the responsibility for material flows and logistics processes, as well as general operational processes, were bundled throughout the Group to further raise the rate of reaction of the Group, irrespective of its increasing size and the increasing number of subsidiaries.

EMPLOYMENT

Mühlbauer greatly values the vitality of its corporate culture, which has developed over thirty years and is characterized in equal measure by virtues such as identification with the company and its values, commitment and dedication to entrepreneurial goals and responsibility of all thoughts and actions. Furthermore, the international and thus intercultural orientation of the company, a transparent organization with clear responsibilities and open communication structures, creates a stable foundation on which Mühlbauer has based its personnel policy, which is designed to be long-term. The benefits of this applied personnel policy become obvious to both the company and staff in times in which the company needs to navigate dangerous waters – as witnessed most recently, during the 2009 worldwide economic crisis – and extremely high demands are made in respect of the flexibility and the confidence of staff in the company's management. In return, staff benefit from a high level of job security.

While the technology group put substantial effort into the securing of jobs and the avoidance of staff cuts in the 2009 financial year, only a few months later the company and staff faced the other extreme, with sheer floods of orders. It is precisely in such situations that the company's personnel policy can once more prove its effectiveness; after all, it is in such situations that the company benefits from its traditional intensive training policy – not only at its German sites but increasingly also at its international sites. It is this sustained personnel development tool, in particular, that provides the company with the opportunity of offering the staff it trains a job as soon as they have completed their traineeship or apprenticeship. At the same time, young skilled workers benefit from a transparent career ladder and further development opportunities within the company as soon as they commence their traineeship. Internal recruitment was in particular accompanied by flexible working time models to upwardly adjust personnel capacity within the company short-term so that only very little use was made of the tool of temporary employment.

To the end of 2010, Mühlbauer employed 2,263 staff (PY: 1,905) throughout the Group, thereof approx. 21.0% outside Germany (PY: approx. 15.5%). While the average number of employees climbed to 2,098 (PY: 1,897), personnel expenditure dropped to EUR 67.6 million (PY: EUR 57.6 million). Salaries and wages accounted for EUR 56.3 million (PY: EUR 48.1 million) and social security contributions amounted to EUR 11.3 million (PY: EUR 9.5 million).

Mühlbauer considers the vocational training of young, qualified persons an investment in the future. To counter demographic change, which is in particular foreseeable in Germany, and the

constant changes towards qualifications required by specialists, resulting from globalization and the continuous structural change in business and society, Mühlbauer will continue its commitment to training – also at its international sites such as Slovakia and Malaysia – with great vigor and at a high level of quality in order to secure access to dedicated and qualified young talents from within the company.

In the year under review, 120 (PY: 97) new trainees and apprentices were recruited throughout the Group so that the company employed 363 (PY: 358) young people as trainees and apprentices in 16 different trades and commercial professions to the end of the reporting period. This corresponds to a training quota of 16.0% (PY: 18.8%); a value that still significantly exceeds the national average of approx. 6.5%. Apart from general vocational training, which will be extended by a further two professions in 2011, the Mühlbauer Group also enables vocational training including a university of applied sciences entrance qualification by participating in the DBFH model. Trainees and apprentices not only acquire a certificate of proficiency, but also a university of applied sciences entrance qualification, which enables them to undertake a course of study. This course of education within the dual vocational training system takes into consideration both

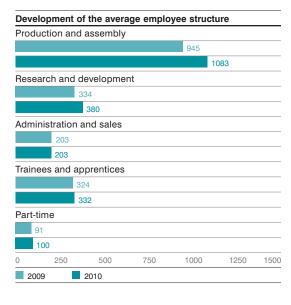
the altered specifications towards junior staff and the demands of business for briefer training periods. Moreover, in cooperation with regional universities of applied sciences, Mühlbauer offers school leavers holding the university of applied sciences entrance qualification the training model of an integrated degree program, in which in-house training is offered in parallel with a fully

Corporate culture and personnel policy

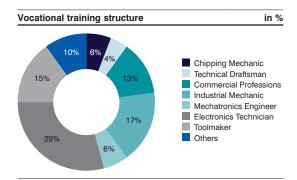
Challenges

Employee structure

Recruitment of trainees and apprentices



0



fledged course of study, with the goal of achieving a bachelor's degree. In 2010, as many as eight young people at Mühlbauer already utilized the opportunity offered by the integrated degree program to study mechatronics. With regard to the recruitment of junior staff with an academic background, Mühlbauer continued its intensification of contacts to universities at national and international locations and participated in numerous career fairs and lecture evenings. Furthermore, Mühlbauer is keen to provide interested students with practical experience at an early stage. In the year under review, 109 students (PY: 76) utilized the opportunity to familiarize themselves with the company during their period of study in the context of work experience, as student trainees and undergraduates.

Personnel development

Mühlbauer's potential is its staff. Therefore, the company again continually pursued its efforts in personnel development in 2010, with the objective of enabling both individual employees and teams to successfully and efficiently master tasks and new challenges within the organization. With the assistance of the company's own "Mühlbauer Academy", the internal transfer of knowledge was targetedly promoted through training by company employees for employees of all levels; also, further education measures such as intercultural training, language courses and customized qualification measures that reinforce methodical and social competencies were offered by external partners. In this context the regular staff appraisals were organized or restructured in the period under review in order to analyze current development levels and to determine possible further education or training needs. The range of language courses offered, as well as the further education and the recruitment of executives played an important role in 2010, in view of the progressive internationalization of the company. Due to the experience and loyalty of its employees, Mühlbauer tries to fill executive positions in-house, where possible. For this reason, the company conducts assessment centers, as required, in order to identify suitable staff with leadership skills by means of analyses of potential. We also apply this approach to our trainees and apprentices. Talents are screened as early as the stage of vocational training and are offered additional support in the form of language courses, visits abroad, training for soft skills and are presented with interesting career options in the context of a separate "Leadership Development Program". Mühlbauer's modern training center provides the ideal framework for the company's intensive personnel development program, which is also home to a separate fitness center, alongside the training workshop, IT and training facilities.

EVENTS AFTER THE END OF THE 2010 FINANCIAL YEAR

Patent law proceedings based on the invalidity of a patent held by the company which was determined by the High Court of the Republic of Singapore on 23 February 2009, Mühlbauer Aktiengesellschaft (hereinafter referred to as "subsidiary") was ordered to reimburse the counterparty with costs of EUR 0.7 million incurred in connection with the litigation process. The appeal court of the Republic of Singapore, which the subsidiary had subsequently appealed to, determined on 23 February 2010 that the contested patent declared void in the first instance is valid in its entirety and thus eliminated the uncertainty existing at the subsidiary up until this point. In addition, the appeal court lifted the cost reimbursement determined by the first instance and granted the subsidiary the reimbursement of legal and consulting costs as well as compensation. The subsidiary therefore dissolved the reserve that it had formed during the first instance in the 2009 financial year in its income statement in the 2010 financial year and posted the proceedings costs amounting to the equivalent of EUR 0.4 million reimbursed by the counterparty as revenue in its income statement.

Due to subsequent different opinions by both parties with regard to the amount of the loss of damage to be compensated by the counterparty due to its breach of patent, the subsidiary requested its compensation claims be determined in court by the High Court of the Republic of Singapore. On 31 January 2011, the parties signed an out-of-court settlement with which they agreed to the payment of an amount equating to some EUR 1.0 million by the counterparty to the subsidiary to settle all compensation claims. At the same time, the subsidiary undertook to withdraw its legal action pending before the High Court of the Republic of Singapore as soon as the counterparty has complied with its payment obligation. The subsidiary will recognize the compensation in its income statement once the payment has been received.

In light of the introduction of a new ERP system planned in the 2011 financial year, the company has revised its organizational and reporting structure. Changes to the existing depiction of sales revenues according to application areas result with the start of the 2011 reporting period in that the "Traceability" application area will in future no longer be posted separately but shown as part of the "Semiconductor Related Products" application area. Further changes, in particular a depiction of the application areas as operational segments pursuant to IFRS 8, will not result from this as the management and the reporting will continue to be done on a company-wide basis and not based on specific segments.

There were no other events of fundamental importance that occurred after the end of the 2010 financial year.

Segment reporting

Other events

RISK REPORT

Our endeavor to further extend Mühlbauer's market position globally without losing track of the sustained value-oriented development of the company entails opportunities and risks. The risk policy of the Mühlbauer Group therefore not only consists of the perception of existing opportunities but also of the early recognition and evaluation of risks, as well as their delimitation and control by means of suitable countermeasures.

For this purpose, the company utilizes an opportunity and risk management system that has been established for several years and that is constantly further developed and monitored for efficiency. The sensitization of all staff to report and monitor identified risks at an early stage is communicated and executed across the Group. The legally required risk management is comprehensively documented in a risk management manual and can be viewed by all staff worldwide. Short interaction paths result in the rapid and unbureaucratic notification of newly identified risks to the Risk Committee or a member of the Management Board.

The risk report resulting from the half-yearly risk inventory of all group companies is drawn up centrally and, in addition to other reporting elements, is used by management to control the company in a value-oriented way. It provides information on all individual risks of the Group, presents their development in chronological order and breaks them down into individual area portfolios. Their evaluation on the basis of probability of occurrence and extent of damage in dependence on earnings before interest and taxes is effected by the respective executive responsible for the risk. The plausible calculation of the possible expectancy, the provision of a detailed reason, the listing of countermeasures and the scheduled date of their implementation are mandatory and are discussed in detail in risk committee meetings.

All executives are responsible for monitoring the implementation and effectiveness of the opportunity and risk management. At the same time, the efficiency of the system is monitored by an independent third party on the basis of regular internal audits and further optimized. As in previous financial years, the auditors have evaluated the early recognition system utilized in the year under review. They have ascertained that it meets statutory requirements.

Currently, no developments can be discerned within the Mühlbauer Group that pose a risk to the company as a going concern. Risks can, however, never be fully excluded. Thus, natural catastrophes, an escalation of terrorist activities, possible pandemics or amendments of taxes or customs duties on individual export markets could possibly impact the sale of technology solutions. Irrespective of this, the Mühlbauer Group is currently experiencing the following risks, which could prove a considerable negative impact on the asset, financial and earnings situation of the Group.

Business environment and industry risks

After the effects of the financial and economic crisis affected all national economies worldwide in 2009 and at the beginning of 2010, it is expected that positive rates of growth will now be achieved globally. Ongoing risk factors, such as the high level of indebtedness of individual states can, however, result in setbacks in economic recovery and negatively impact demand for capital goods.

This economic environment thus still holds the risk of a drop in demand from our customers in the industrial sector, whereas business with governments and government-related institutions should prove more stable, irrespective of the volatilities naturally occurring in the course of such projects. The Mühlbauer Group counters this risk situation by continually extending its good market position in the government business through the successful realization of important reference projects and, in parallel, by reinforcing its market position in the industry business through its price/performance leadership and its entry into new technologies and onto emerging markets (e.g. renewable energies).

Both in the government and in the industrial sector there is a risk that the faulty or delayed analysis of the market situation results in a lack of concordance between the products and solutions offered and the needs of customers. This results in dissatisfied customers. Through the active dialog with our customers and intensive internal analyses and research on the market environment, customer requirements and on our competition, we can react to new developments and requirements in the industry at an early stage. For this purpose, we utilize an information and communication tool that is comprehensive and constantly up-to-date, as well as analyses on existing market information.

To further extend its technological and market leadership on the markets relevant to the company, Mühlbauer usually positions itself and its innovative machine and solution concepts on the market at a very early stage. As a result, there is a potential risk that our technologies are copied by other companies. The possible outflow of expertise through industrial espionage or the poaching of carriers of expertise is counteracted by a variety of different measures: the continual observation of the market, the protection of key technologies and procedures by patents, the targeted further development of our technological lead and the further expansion of our international organization are a few of the key measures of control.

The processing of our global business activities is subject to an internally organized export control with regard to the supply of goods to other countries. However, as a result of the scope and the complexity of existing export regulations and constant changes to them, there is a risk that corresponding provisions are not observed, entailing a range of different sanctions. The implementation of IT security features in our IT system, the intensive cooperation with the Federal Office of Economics and Export Control, as well as staff training on the risks involved, are effective, risk-minimizing measures that Mühlbauer employs.

Business with government or government-related institutions for which Mühlbauer increasingly accepts overall responsibility can, in particular, be associated with complex contractual constructs. Frequently, these refer to regional legislation. This can result in contractual risks that Mühlbauer meets with contract and project-specific risk analyses and against which Mühlbauer introduces project-related precautions for risk reduction, if necessary. These precautions range from the initiation of business to the signing of the contract and through to the implementation of a project over a period of several years.

Due to the fact that delivery times in respect of customer orders are occasionally extremely ambitious, Mühlbauer, as a provider of complete systems, must increasingly start planning and providing resources at times at which project financing has not even been fully secured by the customer. When handling large-scale projects, in particular, a considerable amount of cash and cash equivalents must therefore be financed in advance. Furthermore, in such projects, Mühlbauer's global commitment is associated with country-specific risks. In some countries, social and political development processes may result in situations (social unrest, war, insolvency of a state, breach of legally valid agreements, etc.) in which the initiation or processing of orders may be negatively impacted for Mühlbauer. This risk is minimized by means of a country- and customer-specific risk evaluation, the assessment of possible deviations from contractual regulations by drawing up an individual opportunities/risk profile and an accompanying project controlling.

Damage caused by defects or consequential damage can arise if our machines have quality defects that are not recognized in a timely manner during our internal product qualification. Any end products that were defectively produced and possibly brought into circulation for the above reason can result in production downtime or new production at the customer and cause substantial costs for which Mühlbauer might be held liable. Further consequences that are conceivable are effects that could damage the group's reputation. Preventive measures, such as internal product qualifications for new developments, the auditing of preliminary process developments, support with the installation of quality management systems for the customer's production, as well as corresponding contract designs in respect of financial loss, help to keep risk at a manageable level.

Technology risks

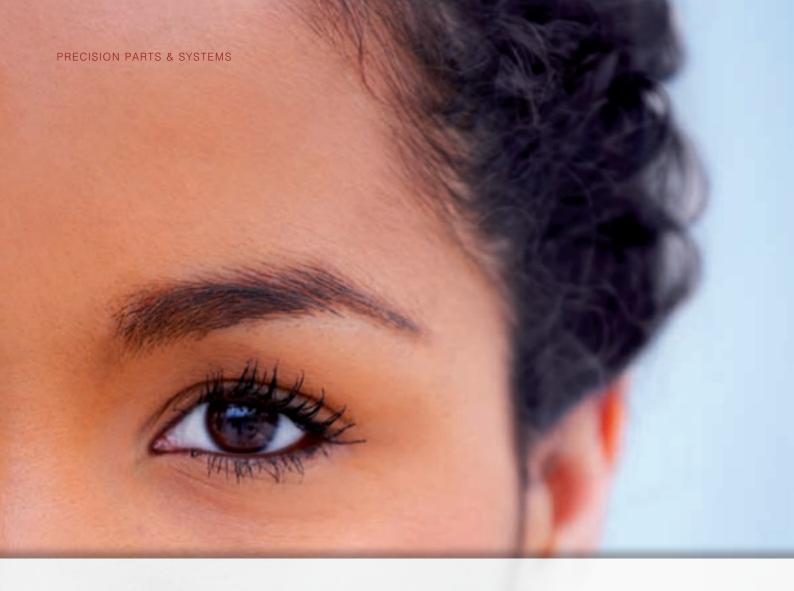


We standardize precision.





Whether or not a person has good or bad vision depends on a range of different factors. These days modern ophthalmology plays a major role. Developments in medical technology enable increasingly precise and accurate methods for the correction of visual defects. Complex precision parts and their exact interaction form the basis of this high-tech procedure. Only utmost precision offer both physicians and patients the level of security required for the often complex procedures. In this area, Mühlbauer draws on its experience from thirty years of producing innovative precision parts in order to guarantee the highest quality standards possible.



Speed and precision combined with reliability and quality characterize the production of high-tech parts at Mühlbauer.

As a fully responsible partner,

we rely completely on the development of individual solutions here too – not only in order to fit our own products.

Our customers operate in sensitive industries

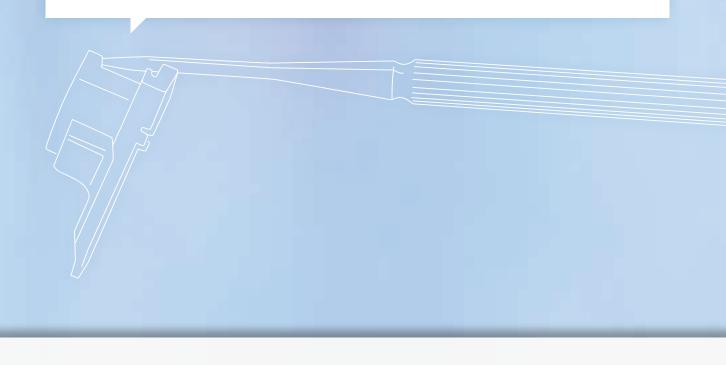
such as the medical technology, electronics and aerospace industries,

and in trend-setting industries

such as solar technology and electromobility.

Perfection right down to the last detail – that is our claim at Mühlbauer.

We standardize precision.







We standardize precision.



The inadequate or incorrect evaluation of the current and future market can result in the wrong release of orders for development projects and/or machines. The consequences are high development costs and a continuous rise in inventories, which can also represent a negative impact on earnings and liquidity if value adjustments become necessary. To avoid such erroneous developments, the focus of all R&D projects must be on the benefit to the customer. We cooperate closely with concept customers at all stages of product development. A committee of experts from R&D, Product Management, Production and Service provides the orientation for further developments and makes decisions based on market analyses and considerations of economic efficiency, amongst other factors.

In a company with a high share of research and development that continually extends its product portfolio, the risk that foreign trade mark rights are violated during the development of innovative technology solutions increases, thus disrupting the development, production and market launch of innovative products. Mühlbauer protects itself against possible infringements of trade mark rights by systematically executing research to determine and evaluate third-party trade mark rights.

Expansion risks

The internationalization of the Group bears the risk that a high level of cash and cash equivalents is required, apart from the high level of staffing, to activate newly founded companies or sites. During the initial stages, these funds cannot be fully covered by the organic earnings of the subsidiary. This risk is met by a transparent organization in connection with an unambiguous allocation of responsibilities, constant dialog with the local organization, training sessions on work procedures and the transfer of the company's corporate culture, as well as the communication of the company's technological expertise.

IT risks

IT risks consist of failing networks and the alteration, destruction or copying of data through incorrect or unauthorized access to data. We counter these risks through regular investments in the hardware and software areas, the use of state-of-the-art virus scanners, firewall systems and penetration tests by external service providers, who test the Group's IT security. The sensitization of staff with regard to data security and data abuse, as well as a comprehensive authorization management and encryption concept, are all measures that help keep risk in this area at a manageable level.

Personnel risks

In the industry and the regions in which the Mühlbauer Group is active, competition for highly qualified specialists and executives is still high. To implement its corporate strategy, the company must recruit superbly qualified personnel within a highly competitive environment and retain their enthusiasm long-term. Mühlbauer counteracts this risk with intensive training and further education programs for its junior staff, through customized trainee programs and the further development of loyal staff members to future executives. In so doing, Mühlbauer's corporate culture is an integral part of all staff development concepts. Fluctuating demand can result in overcapacities in certain areas. To counter this risk without having to lay off employees, we count on uniform qualification standards for staff, thus being able to deploy employees flexibly and across departments. Limited term contracts also assist in meeting this risk.

Procurement risks

It is purchasing's objective to procure high quality raw materials and services in a timely manner and at the best possible cost. This procurement process can involve price and purchasing risks, as well as quality risks on the part of the supplier. As a result of budget agreements for raw materials and a global procurement strategy, prices are fixed for defined periods and single source situations relativized. Comprehensive process and test instructions for the receiving area ensure that only qualitatively unobjectionable goods enter the production and assembly process.

As a result of the brisk economic recovery in the first half of 2010, the procurement risk increased in the form that a limited availability applies to a selection of purchased parts medium-term on the reporting date. Mühlbauer counters this situation, e.g. by extending its circle of second source suppliers and a continued consistent supply chain management.

Structural and procedural regulations exist in the Mühlbauer Group for the prevention of risks within accounting processes.

Accounting process

Comprehensive checklists exist for the staff employed in the regional and functionally oriented organization of finance, in addition to the internal corporate accounting manual. The implementation and control of observance of the contents therein guarantees a uniform and complete approach within the Group, both with regard to ongoing accounting and to the establishment of the annual financial statements in accordance with LOCAL GAAP and IFRS.

In the individual financial statements of Mühlbauer Holding AG & Co. KGaA's subsidiaries, accounting procedures are largely recorded by means of an accounting system that is uniform across the Group. In parallel, the accounting data are also transferred directly into a consolidation system. These data are checked by the officer of the respective accounting area responsible for the financial statement. Subsequently, all consolidation processes for the establishment of the consolidated financial statement of Mühlbauer Holding AG & Co. KGaA, such as the capital consolidation, the asset and debt consolidation or the expense and earnings consolidation, are generated in the consolidation system and fully documented. In the next step of the procedure, the consolidated data established are passed through a plausibility grid. In so doing, the focus is on the review of individual group positions with regard to their relative and absolute change against reference periods.

An internal control system has been put in place to ensure the conformity of accounting with regulations. Key components of the internal control system are a consistent four-eye principle and a separation of functions – both within finance and across departments. Furthermore, a chart of accounts that is uniform, clear and unambiguous across the Group and the regular control of adherence to the generally accepted accounting principles ensure a high level of reliability of accounting. Financial reporting and valuation as key accounting processes, on the one hand, and the establishment of notes and drawing up of statements in the management report, on the other hand, are subject to a structured control. Along the line accounting area officer, Head of Finance, CFO, the results emerging from the accounting processes are checked at different stages of drawing up the financial statements. The internal audit utilizes the occasional commissioning of internal, independent persons for the checking of select facts and circumstances – in particular in respect of international group companies and foreign offices/agencies – for accounting. In parallel, global meetings held by finance are used to train staff on different subjects and to come to an agreement with regard to the standardization of accounting processes throughout the Group.

The reliability of the IT systems implemented in finance is ensured by the fact that launches or changes to the relevant systems must always be subjected to systematic testing within the context of a test client before being implemented in the live system. The IT systems implemented are centrally oriented, i.e. they are maintained by the Group's headquarters. The granting of access rights for IT systems (write and read access) is subject to an approval procedure. As a result of the corresponding documentation, the access rights structure can be depicted whenever required.

Neither structural nor procedural regulations can provide absolute security with regard to the non-occurrence of risks in accounting processes. In particular decisions that are made within individual steps of an accounting procedure and are based on personal discretion can, on principle, be flawed. There is also a risk that checks do not work in individual cases, due to simple errors or mistakes, or that changes of environment variables are not recognized in time, despite corresponding monitoring. Ultimately, systems can also be circumvented by means of criminal activities, in particular if committed jointly by several people.

Apart from a regular, intensive observation of the market, Mühlbauer utilizes contractual agreements and derivatives to minimize currency risks from exchange rate or interest rate fluctuations. Any financial transactions in foreign currencies that exceed the anticipated net cashflows of a currency unit are rate-hedged on completion of the basic transaction or, insofar as market

Fiscal risks

expectations permit, at a later point in time. Default risks are minimized by applying a consistent management of accounts receivable fitted with escalation processes and linked to regular reporting, as well as an extensive creditworthiness check of new customers. The delimitation of the liquidity risk is effected by concluding credit lines with banks and by maintaining liquidity reserves in the form of capital investments. The risk involved with capital investments, apart from the absolute development of price, is that a complete disposal of the securities whenever required may not be possible or only to a limited degree, as a result of market irregularities. The delimitation of this risk is effected by means of a targeted selection of investments and their continual monitoring. With regard to the disclosure requirements on opportunity and risk management codified in § 315 para. 2 HGB (German Commercial Code) relating to the use of financial instruments, we also refer to the corresponding statements provided in the notes at 30 "Additional information regarding financial instruments" and at 31 "Risk management and financial derivatives".

Other risks

The Mühlbauer Group is protected against external influences such as damage caused by storm, water or fire, by a comprehensive insurance package that is regularly checked and adjusted as required.

OUTLOOK

Global economy

According to leading economic experts, the rapid pace of economic recovery in 2010 will not be able to be maintained in economic development in future. Even though a variety of risks, such as the high national debts of the industrialized countries and the concerns in respect of a global currency war have not yet been fully overcome, this by no means amounts to stagnation but merely to a slight deceleration of economic development. In 2011, worldwide trade is set to expand at a forecast growth rate of 7.6%.

Against the background of the ongoing problems on the labor and real estate markets, the US American economy is set to develop restrainedly – with forecast growth of 2.1% in 2011. The continual expansive monetary policy of the US government and a favorable interest policy are likely to entail a slight increase of investment activities of American companies; the more intense saving behavior of private households and the continuous high level of unemployment will, however, continue to impact domestic demand adversely.

Opinions on Japan's future economic development vary. On the other hand, in the context of the Tankan survey, Japan's big industry rated the economic development for 2011 extremely positively. The discontinuation of state support measures, the ongoing deflation and the expected attenuation of economic dynamics on export markets in connection with the strong appreciation of the Yen could, however, curb growth prospects significantly.

As in 2010, the newly industrializing countries, headed by the large up and coming national economies China, India and Brazil, will in future still be the vanguard of global economic development and most likely continue to feature considerably stronger rates of growth than the industrialized countries. China's plans for 2011, to guarantee future growth, are its stronger orientation of economy on private consumption, the liberalization of the financial system and further infrastructure investments. Moreover, the newly industrializing countries will be continued to be confronted with high capital inflows in 2011, as a result of the USA's expansive monetary policy. This will represent a major challenge for the economic policy of the respective countries such as India or Brazil.

In the euro zone, 2011 will continue to be characterized by the varying tempo of the economy. Despite the general continuation of the economic upward movement, the euro zone will be divided into the member states in the north of Europe that can expect a continuous good development of the economy, and the peripheral countries of the currency area. At best, a hesitant economic development is expected on the basis of the real economic problems and the associated consolidation of state finances; this development is to impact domestic investment and consumer demand of the crisis-torn nations equally negatively. Against the background of

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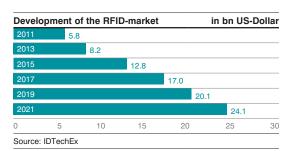
attenuated global economic dynamics and expiring fiscal support measures, economic development in Germany is set to lose some of its momentum in 2011, with a forecast growth rate of 2.2%. Due to the partly flagging economic momentum in the euro zone and the associated drop in international orders, domestic demand, in particular, is set to convey positive impulses for a stable development in Germany in 2011.

The aim of being able to reliably identify people around the globe using state-of-the-art electronic ID documents equipped with biometric data will continue to provide further growth impulses to the government-related TECURITY® market. States and governments worldwide are continuously pushing ahead the process of transformation away from conventional ID documents to electronic, chip-based documents such as ID cards, healthcare cards or driver's licenses, in order to offer their citizens security and flexibility globally. In so doing, these ID documents must correspond with the highest security requirements of international standards and provisions defined by the ICAO, the US Visa Waiver Program or the European Union. In future, the contactless transmission of information and the opportunities offered by the dual interface technology, i.e. both the contact-based and contactless transmission of chip data, will increasingly gain importance in the international Government-ID business. Another trend is clearly the move toward complete one-stop solutions. Governments that are only just starting to replace their conventional ID documents, in particular, want to handle the security issue themselves and produce their ID documents independently, in the context of a complete solution. Apart from modernizing their existing data structure and guaranteeing the security of their citizens, such states are also extremely interested in rationalizing internal administrative structures and thus rendering processes more efficient - by means of a complete eGovernment solution. In industrialized countries that have already been utilizing electronic ID documents for years, follow-up applications, e.g. in the automatic border control area, are to provide particular potential for growth. The biometric eGate solution Mühlbauer FAST GATE, which is already successfully being used at the Belgrade/Serbia airport, is a complete solution that is available in this area. It supports the entire border control process from the very start by checking the ID document for forgery and by verifying and comparing individual, biometric data.

The banking sector and the telecommunications area are expected to generate stable rates of growth over the next few years. In the telecommunications industry the rise in demand for mobile phone cards in developing and newly industrializing countries, in particular, is set to ensure a sustained potential for growth, while the transformation of conventional magnetic stripe cards to forgery-proof EMV and dual interface cards as well as higher security standards will be the drivers of a positive development in the banking sector. The industry expert Eurosmart has therefore forecast the issue of approximately 6 billion cards (PY: 5.3 billion cards) on the entire smart card market for 2011.

According to the expert, a further positive overall development is to be expected for the area of contactless identification via RFID labels in 2011/12. The industry holds the potential to exceed the

USD 6 billion mark with regard to volume in 2011/12. Nevertheless, it would have to be waited and seen to what extent industry development affected investments in production systems. Apart from the classic applications, the application trends were primarily discernible in the textile and clothing industry, in ticketing and in the identification of animals. Due to legal requirements in countries such as Australia and New Zealand, the focus on the latter application area was constantly increasing. In general, China would be playing a major role on the RFID market in future, as a manufacturer and as a customer. Demand for the RFID technology – both by the Chinese government and by industry – was unusually high, as a result of which China would be further extending its production capacities over the next couple of years.



Against the background of the increase of capacity on the general semiconductor market in 2010, due to the massive demand for components in the first half of 2010, it would – according to the industry expert Gartner – have to be waited and seen how global economic dynamics continued to develop. As this will, however, lose somewhat with regard to momentum, there is a risk that customers will reduce their production as soon as they receive initial indications of

Industry development

declining sales. Nevertheless, global sales are again expected to rise to USD 314 billion, which corresponds to an increase of 4.6% compared to 2010. In the Traceability-related industries and markets relevant to Mühlbauer, further progress in 2011/12 will be closely associated with the economic development in the automotive sector and the electrical industry. Due to the solid rates of growth within these industries, a positive trend is expected for 2011; however, a return to the level of 2008 is not to be expected before 2012. In view of the forecast attenuation of overall economic development, the order situation should finally settle at a moderate level in the second half of 2011. Furthermore, the general trend towards the generation of energy from renewable energy sources, such as wind and sun, will continue to gain in importance in future, thus boosting market potential for the use of flexible solar modules.

Experts from the VDMA (German Engineering Federation) again forecast strong growth for the mechanical engineering industry, which is relevant to Precision Parts & Systems, in 2011/12. While the success of the industry was closely associated with the overall economic development, production was, however, at a high level and extremely stable. Germany is expected to achieve production growth of approximately 8% in 2011 – also due to the high 2010 order figures. According to recent survey results, this in turn has a further positive effect on the investment and innovation activities of businesses that value sustainability and long-term growth, above all.

Forecast for the Mühlbauer Group

Cards & TECURITY®

The development in the core business area Cards & TECURITY® will continue to be driven in future by the global need for industry-based card applications such as bank or GSM cards and security-oriented pass systems such as ID cards, medical cards, driving licenses or electronic passports for the public sector. Primarily the need for greater flexibility, increasing demands with regard to the security of citizens and the rationalization of their administration systems are causing not only industrialized countries but also to an increasing extent emerging countries to modernize their conventional pass systems. Due to its globally unique technology and market expertise in this concentration, Mühlbauer is very well positioned to benefit in the long term to a disproportional extent from this growth potential, irrespective of the imponderables traditionally prevalent in government business and the project focus of this business. Against this background, the system supplier is anticipating that it will be able to further increase its sales in the core business area Cards & TECURITY® in the years 2011 and 2012.

Semiconductor Related Products

In its Semiconductor Related Products division, Mühlbauer pools its many years of experience in the development and manufacture of back-end automation systems for the processing of particularly small, extremely thin components and semiconductors on flexible substrates. Based on this know-how, Mühlbauer provides the complete smart label factory for the contact-free identification of goods and flow of merchandise to produce RFID inlays and for subsequent further processing (converting and personalization) into smart labels or smart tickets for the security industry, local passenger transport and the optimization of the logistics chain in the retail sector. Whereas the technology group is anticipating moderate growth in the semiconductor back-end business over the next two years, the development on the market of contact-free identification using RFID technology should undergo a more dynamic development in view of the forthcoming transformation process from a niche to a volume market and our leading market position worldwide. Risks that jeopardize the development expected by us are firstly a continuing degree of uncertainty with regard to the sustainability and dynamics of the global economic recovery. Secondly, the increasing competition from predominantly Asian low-cost suppliers that could weaken our business, particularly in Asia, could have a negative effect on our business.

Traceability

Despite a highly discernible turn in the trend since the second half of 2010 in the automotive and electronics industry that is important for the Traceability business division, future business development is nevertheless closely associated with the overall economic development. Mühlbauer will therefore further intensify its strategy of product diversification, expand its industry radius through increased concentration on new markets and technologies and further extend its concept as a turnkey supplier. Assuming that the global economy will grow further, even if at a more moderate pace, the group is assuming that the sales revenues will continue to increase in the years 2011 and 2012.

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With the restructuring and measures to increase efficiency carried out in the Precision Parts & Systems business area and the investment measures carried out at the sites in Roding and Nitra in the year under review, important prerequisites for even more comprehensive activity in the markets have been created. Through the very broad range of production processes – starting with the raw material and surface treatment to the fully installed assembly or system – the business development is primarily determined by the overall economic growth and the resulting growth trends for the mechanical engineering industry. Additional stimuli for growth for the business area arise from the market diversification that has started in order to acquire customers from new industries and markets in particular. If, against this background, the sustainability and dynamics of the overall global recovery should also continue to be stable, we are expecting that we will be able to increase sales revenues in the Precision Parts & Systems area over the next two years and are anticipating two-digit sales growth in percent for the 2011 financial year.

Precision Parts & Systems

Summary of the outlook

The fundamentally positive trends in the Cards & TECURITY® market still apply: The strong interest in offering people increased security as well as mobility will have a positive effect in the long term on the demand for cutting-edge technology and software solutions to produce security-oriented pass systems in card and passport format. The same also applies for RFID-based applications. Driven by a host of application advantages in the use of RFID tags compared to conventional barcode labels and continuing cost reductions in their manufacture, more and more companies are copying the example of the retail giant Walmart, that has a benchmark status in the use of RFID tags in merchandise labeling, and are using the contact-free technology primarily in supply chain management.

As a globally unique system partner, the technology group Mühlbauer offers the full technological and market expertise from one source in both markets and sees itself as having an outstanding position to benefit from this market potential to a disproportionate extent. In light of this, Mühlbauer continues to adhere to its long-term strategy of growth and is expecting a further increase in sales and profits in the current financial year compared to the already very good previous year, and is anticipating further growth for 2012. We see risks that could have a negative influence on these expectations in the traditionally predominant imponderables and the heavy focus on projects in the government business.

In the past financial year, Mühlbauer made substantial investments in order to maximize the long-term market potential. Depending on the continuing business development, the technology group is strengthening these investments with investment costs envisaged in the current financial year of up to EUR 20 million. At around EUR 25 million, the research and development costs in the current financial year will remain high in order to be able to retain and expand further our innovative strength in our products. In addition, further comprehensive activities to continually increase efficiency are planned in all business areas.

As in the past, a change to our dividend policy in the future is not envisaged. We generally promise our shareholders a distribution based on our profits and take stability and continuity into particular consideration.

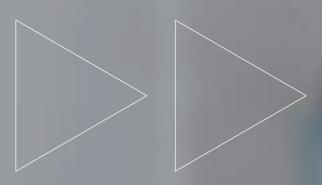
Dividend development

IMPORTANT NOTICE

This Management Report contains statements that are projected into the future; statements that are based not on historic facts but rather on current plans, assumptions and estimates. Future-oriented statements are only applicable to the period in which they are established. 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 other parts of this report.



We grow with our challenges.





Innovations together with our state-of-the-art know-how are the basis for our solutions and technologies. They are always backed by qualified people who take responsibility, take rapid decisions and are capable of extending their horizon. We are well aware of the fact that our employees are our potential and secure Mühlbauer's future.



Qualified specialists are the backbone of Mühlbauer's corporate success.

It is therefore in the company's interest

to both nurture its employees and place demands on them.

At Mühlbauer, we are convinced

that our employees grow with their challenges.

This is why we have always valued

the in-house training and further education of our employees.

We allocate responsibilities to our employees reasonably early,

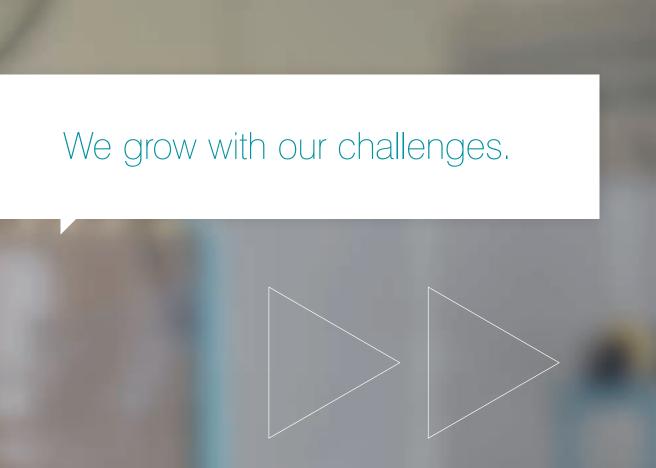
providing freedom for the promotion of independent decisions

and thus constantly developing the leadership qualities of our staff.

Worldwide, Mühlbauer employs more than 2,200 staff at 30 locations.

We bundle the ideas of our international teams

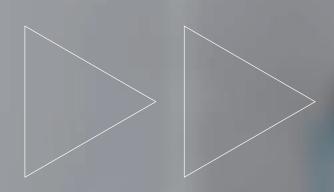
so that our innovative SOlutionS are always a step ahead of the rest of the market.







We grow with our challenges.





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

		Notes	Jan. 1 - Dec. 31, 2010 TEUR	Jan. 1 - Dec. 31, 2009 TEUR
1.	Sales	(3)	207,247	160,488
2.	Cost of sales	(5)	(124,788)	(106,383)
3.	Gross profit		82,459	54,105
4.	Selling expenses	(6)	(14,920)	(13,177)
5.	Administrative expenses	(7)	(8,124)	(8,000)
6.	Research and development	(8)	(23,904)	(21,088)
7.	Other income	(9)	4,596	1,466
8.	Other expenses	(9)	(1,916)	(3,690)
9.	Operating income		38,191	9,616
10.	Financial result			
	a) Financial income	(10)	749	688
	b) Financial expenses	(10)	(315)	(577)
11.	Income before income taxes		38,625	9,727
12.	Income taxes	(11)	(8,332)	(2,380)
13.	Net earnings		30,293	7,347
	- Minority interests	(12)	(23)	-
	- Attributable to shareholders of Mühlbauer Holding AG & Co. KGaA		30,316	7,347
Eai	rnings per share in EURO			
bas	sic	(13)	2.09	0.50
full	y diluted	(13)	2.09	0.50
We	ighted average of shares			
bas	sic	(13)	6,131,395	6,127,552
full	y diluted	(13)	6,131,398	6,127,552

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

	Jan. 1 - Dec. 31, 2010 TEUR	Jan. 1 - Dec. 31, 2009 TEUR
Net earnings	30,293	7,347
Change of market value of available-for-sale securities (2)	7) 74	41
Difference due to currency translation (2)	7) 3,192	(256)
Deferred taxes (2)	7) (20)	-
Total income and expenses recognized in equity	3,246	(215)
Total income and expenses	33,539	7,132
- Minority interests	(23)	-
- Attributable to shareholders of Mühlbauer Holding AG & Co. KGaA	33,562	7,132

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

	Notes	Dec. 31, 2010 TEUR	Dec. 31, 2009 TEUF
ASSETS			
Short-term assets			
Cash and cash equivalents	(14)	25,209	18,79
Marketable securities	(15)	13,190	6,98
Trade accounts receivable	(16)	29,589	38,05
Other current assets	(17)	8,345	2,81
Tax receivables	(18)	1,976	1,47
Inventories	(19)	52,825	43,93
		131,134	112,05
Long-term assets			
Investment and long-term financial assets			
Trade accounts receivable	(16)	1,904	1,53
		1,904	1,53
Fixed assets			
Land and buildings	(20)	46,125	36,45
Technical equipment	(20)	14,463	9,22
Furniture and office equipment	(20)	6,588	4,75
Buildings and equipment in progress	(20)	940	1,13
Buildings and Equipment in progress	(20)	68,116	51,56
Intangible assets		,	
Software and licenses	(21)	2,087	1,20
Capitalized development costs	(21)	5,313	5,55
		7,400	6,75
Other long-term assets			
Long-term tax receivables	(22)	1,952	2,14
Deferred tax assets	(11)	1,486	1,03
Plan assets	(26)	1,305	96
		4,743	4,14
		213,297	176,052
LIABILITIES AND SHAREHOLDERS' EQUITY Short-term liabilities			
Trade accounts payable		10,962	7,128
Downpayments	(23)	16,849	
			10.00
			-,
Other liabilities	(24)	10,690	7,86
Other liabilities Accrued income taxes	(24)	10,690 4,146	7,86 1,58
Other liabilities	(24)	10,690 4,146 12,023	7,86 1,58 9,24
Other liabilities Accrued income taxes Other accruals	(24)	10,690 4,146	7,86 1,58 9,24
Other liabilities Accrued income taxes Other accruals Long-term liabilities	(24) (25) (25)	10,690 4,146 12,023 54,670	7,86 1,58 9,24 36,69
Other liabilities Accrued income taxes Other accruals	(24)	10,690 4,146 12,023	7,86 1,58 9,24 36,69 2,22
Other liabilities Accrued income taxes Other accruals Long-term liabilities	(24) (25) (25)	10,690 4,146 12,023 54,670	7,860 1,58 9,24: 36,69 ! 2,22
Other liabilities Accrued income taxes Other accruals Long-term liabilities Deferred tax liabilities	(24) (25) (25) (25)	10,690 4,146 12,023 54,670	7,86 1,58 9,24 36,69 2,22 2,22
Other liabilities Accrued income taxes Other accruals Long-term liabilities Deferred tax liabilities Shareholders' equity	(24) (25) (25) (25) (11)	10,690 4,146 12,023 54,670 1,825 1,825	7,86 1,58 9,24 36,69 2,22 2,22 8,03
Other liabilities Accrued income taxes Other accruals Long-term liabilities Deferred tax liabilities Shareholders' equity Ordinary share capital	(24) (25) (25) (25) (11) (27) (27)	10,690 4,146 12,023 54,670 1,825 1,825 8,038 (189)	7,86 1,58 9,24 36,69 2,22 2,22 8,03 (191
Other liabilities Accrued income taxes Other accruals Long-term liabilities Deferred tax liabilities Shareholders' equity Ordinary share capital Own shares Fixed capital contribution	(24) (25) (25) (25) (11) (27) (27) (27)	10,690 4,146 12,023 54,670 1,825 1,825 8,038 (189) (2,980)	7,86 1,58 9,24 36,69 2,22 2,22 8,03 (191 (2,980
Other liabilities Accrued income taxes Other accruals Long-term liabilities Deferred tax liabilities Shareholders' equity Ordinary share capital Own shares Fixed capital contribution Additional paid-in capital	(24) (25) (25) (25) (11) (27) (27) (27) (27)	10,690 4,146 12,023 54,670 1,825 1,825 8,038 (189) (2,980) 60,840	7,86 1,58 9,24 36,69 2,22 2,22 8,03 (191 (2,980 60,81
Other liabilities Accrued income taxes Other accruals Long-term liabilities Deferred tax liabilities Shareholders' equity Ordinary share capital Own shares Fixed capital contribution Additional paid-in capital Other comprehensive income	(24) (25) (25) (25) (11) (27) (27) (27) (27) (27)	10,690 4,146 12,023 54,670 1,825 1,825 8,038 (189) (2,980) 60,840 2,582	7,86 1,58 9,24 36,69 2,22 2,22 8,03 (191 (2,980 60,81 (664
Other liabilities Accrued income taxes Other accruals Long-term liabilities Deferred tax liabilities Shareholders' equity Ordinary share capital Own shares Fixed capital contribution Additional paid-in capital Other comprehensive income Retained earnings	(24) (25) (25) (25) (11) (27) (27) (27) (27)	10,690 4,146 12,023 54,670 1,825 1,825 8,038 (189) (2,980) 60,840 2,582 88,498	7,866 1,58 9,24: 36,69! 2,22 2,22 8,03i (191 (2,980 60,81 (664 72,11;
Other liabilities Accrued income taxes Other accruals Long-term liabilities Deferred tax liabilities Shareholders' equity Ordinary share capital Own shares Fixed capital contribution Additional paid-in capital Other comprehensive income Retained earnings Equity excluding minority interests	(24) (25) (25) (25) (11) (27) (27) (27) (27) (27) (27)	10,690 4,146 12,023 54,670 1,825 1,825 8,038 (189) (2,980) 60,840 2,582 88,498 156,789	7,866 1,58 9,24: 36,69! 2,22 2,22 8,03i (191 (2,980 60,81 (664 72,11;
Other liabilities Accrued income taxes Other accruals Long-term liabilities Deferred tax liabilities Shareholders' equity Ordinary share capital Own shares Fixed capital contribution Additional paid-in capital Other comprehensive income Retained earnings	(24) (25) (25) (25) (11) (27) (27) (27) (27) (27)	10,690 4,146 12,023 54,670 1,825 1,825 8,038 (189) (2,980) 60,840 2,582 88,498	10,88° 7,866 1,58° 9,24° 36,699 2,22° 2,22° 8,036 (191 (2,980 60,81° (664 72,112 137,132

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

			Jan. 1 - Dec. 31, 2010 TEUR	Jan. 1 - Dec. 31, 2009 TEUR
Casi	h pro	vided by operating activities		
1.	•	Net earnings	30,293	7,347
2.	+	Income taxes	8,332	2,380
3.	+	Interest expenses	309	548
4.	-	Interest income	(386)	(483)
Adju	stme	ents for non cash expenses and income		
5.	+/-	Expenses/(income) from employee profit-sharing programs	25	72
6.	+/-	Depreciations/(appreciations) to fixed assets	7,472	6,648
7.	+/-	Depreciations/(appreciations) to intangible assets	753	432
8.	+/-	Depreciations/(appreciations) to capitalized development costs	3,232	3,507
9.	+/-	(Gains)/losses from the sale of fixed assets	(512)	(54)
10.	+/-	Realized net (gains)/losses from short- and long-term marketable securities	(364)	(99)
11.	+/-	(Gains)/losses from the the change in fair value of financial instruments	(178)	(35)
12.	+/-	(Increase)/decrease of deferred tax assets	(449)	(278)
13.	+/-	Increase/(decrease) of deferred tax liabilities	(396)	(437)
Cha	naes	in long-term and short-term assets		
14.	+/-	(Increase)/decrease of inventories	(8,890)	6,463
15.	+/-	(Increase)/decrease of trade accounts receivables and other short-term assets	4,008	(2,282)
16.	+/-	Increase/(decrease) of trade accounts payables and other liabilities	18,063	(3,638)
17.	+	Proceeds from sales of short-term marketable securities	26,832	27,577
18.		Cash outflows for short-term marketable securities	(32,607)	(16,385)
19.	=	Cash generated from operating activities	55.537	31,283
20.		Income tax paid	(7,734)	(1,190)
21.	_	Interest paid	(51)	(59)
22.	+	Interest received	113	205
23.	=	Cash provided by operating activities	47,865	30,239
Cael	oflow	from investing activities		
24.	+	r from investing activities Proceeds from disposals of fixed assets	717	207
25.	-	Purchase of fixed assets		
26.	-		(23,109)	(12,917)
27.		Purchase of intangible assets Expenditures for capitalized development costs	(2,546)	(297)
28.	_	Cash used for investing activities	(2,977)	(2,644)
		<u> </u>	(27,010)	(10,001)
		/ from financing activities		(22)
29.		Increase/(decrease) of short-term financial liabilities	-	(22)
30.	+	Proceeds from sales of own shares	-	79
31.	+	Capital increase at subsidiaries (of other shareholders)	36	
32.	-	Dividends paid	(13,929)	(12,790)
33.	+/-	Tax withdrawal personally liable shareholder	(1,665)	(1)
34.	= '	Cash used for financing activities	(15,558)	(12,734)
35.	+/-	Increase/(decrease) of currency exchange rate changes	2,019	(178)
36.	=	Net increase/(decrease) in cash and cash equivalents (Total of lines 23, 28, 34 and 35)	6,411	1,676
37.	+	Liquid funds on January 1	18,798	
38.	=	Liquid funds on December 31	25,209	18,798

We refer to additional informations on page 95 of the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (IFRS) FROM JANUARY 1 TO DECEMBER 31, 2010 OF MÜHLBAUER HOLDING AG & CO. KGaA

				0 1						
				Ordinary share						
				capital in			Other com-			
				considera-		Additional	prehensive			
		Total		tion of own	Fixed	paid-in		Retained	Minority	
	Mataa	number	shares	shares	capital	capital		earnings	interests	Total
	Notes	of shares	Number	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Balance Jan. 1, 2009		6,279,200	(157,995)	7,836	(2,980)	60,677	(449)	79,886	-	144,970
Net earnings		-	-	-	-	-	-	7,347	-	7,347
Other comprehensive income/(loss)	(27)	_	-	_	-	_	(215)	-	_	(215)
Total comprehensive income/(loss)	(27)	_	_	_	_	_	(215)	7.347		7,132
Deferred compensation	(27)					72	(-/	7,047		7,132
· ·	(21)					12			-	12
Proceeds from sales of own shares	(27)	-	9,000	11	-	68	-	-	-	79
Dividends	(27)	-	-	-	-	-	-	(15,121)	-	(15,121)
Cash capital increase	(27)	-	-	-	-	-	-	-	-	-
Balance Dec. 31, 2009		6,279,200	(148,995)	7,847	(2,980)	60,817	(664)	72,112	-	137,132
Balance Jan. 1, 2010		6,279,200	(148,995)	7,847	(2,980)	60,817	(664)	72,112		137,132
Net earnings		-	-	-	-	-	-	30,316	(23)	30,293
Other comprehensive income/(loss)	(27)	-	-	-	-	-	3,246	-	_	3,246
Total comprehensive income/(loss)	(27)	_	_	_	_	_	3,246	30.316	(23)	33,539
Deferred compensation	(27)					25	-,	-	(/	25
Proceeds from sales of										
own shares	(27)	-	1,335	2	-	(2)	-	-	-	-
Dividends	(27)	-	-	-	-	-	-	(13,930)	-	(13,930)
Cash capital increase	(27)	-	-	-	-	-	-	-	36	36
Balance Dec. 31, 2010		6,279,200	(147,660)	7,849	(2,980)	60,840	2,582	88,498	13	156,802



A. GENERAL INFORMATION

(1) BASIC PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

Description of business activities

Mühlbauer Holding AG & Co. Kommanditgesellschaft auf Aktien (referred to as the company) and its subsidiaries (together referred to as the Mühlbauer Group) develop, produce and distribute products and services within the chip card, passport, Smart Label, semiconductor and electronic technology. The development and production sites of the company are located in Germany, Malaysia and Slovakia. Sales are generated globally via the company's own sales and service network and trade representations in different countries.

Principles of presentation

The company is a partnership limited by shares, founded and headquartered in Roding, Germany.

The company is listed on the regulated market of the Frankfurt Stock Exchange with admission to the "Prime Standard".

Mühlbauer Holding AG & Co. KGaA is a parent company within the meaning of § 290 HGB (German Commercial Code). As a result of issuing equity investments on the capital market, the company must draw up the consolidated financial statements of the company in accordance with § 315a para. 1 HGB, in connection with Article 4 of the regulation of the European Parliament and Council of 19 July 2002 according to the International Financial Reporting Standards (IFRS) acknowledged by the EU. The consolidated financial statements of the Mühlbauer Group are in accordance with the IFRS, as it is applied in the European Union. To achieve equivalence with consolidated financial statements drawn up in accordance with the regulations of commercial law, the information and explanations required by German Commercial Law are made in addition to fulfilling the disclosure requirements in accordance with IFRS.

The consolidated financial statements are drawn up in Euro, which represents both the functional currency and the reporting currency of the company. Insofar as no other representation is pointed out, all amounts shown in these consolidated financial statements relate to thousand Euro ("TEUR"). Negative values are represented in brackets.

The consolidated financial statements are prepared on the basis of historical cost, restricted by the financial assets that are available for disposal as well as financial assets and financial debts (including derivative financial instruments) that have an effect on the statements of income at the fair value.

The establishment of the consolidated financial statements under consideration of IFRS requires that estimates and assumptions are made for some items which affect the amount stated on the balance sheet or in the statement of income of the Group as well as the information in respect of contingent assets and debts. The values actually occurring in later periods may deviate considerably from the estimates and assumptions. This, in particular, affects

Realization of sales for customized production orders: Sales from customized orders are realized upon attaining certain milestones and performance progress respectively. Order risks and other assessments are the relevant estimation values used. The estimation values are continually evaluated and adjusted if necessary.

Trade accounts receivable: The Mühlbauer Group makes adjustments to bad debt to account for estimated losses, resulting from customers' inability to pay. The basis used by management for the assessment of the appropriateness of the value adjustments in respect of bad debts is the maturity structure of the accounts receivable balances and the experience gained with the loss of accounts receivable in the past, the creditworthiness of customers and changes of the terms of payment. In the event that the customers' financial situation deteriorates, the scope of the actual loss may exceed the scope of the anticipated loss. If these assumptions prove false, a corresponding increase in value will be made. The company makes additional assumptions so that it can map the economic content of specific contracts from the sales of goods and services and distribute them across the respective fair values of the individual elements. These assumptions represent the expected processing of such contracts that require the use of assessments when estimating the impact of these contracts on the trade accounts receivable.

Inventories: In its valuation, Mühlbauer takes into account inventory risks resulting from higher stockholding periods and the reduced ability to realize inventory assets. The provisions for these inventory risks are in the form of value adjustments made on the basis of the evaluation of individual risk factors in regards to market potential, price deterioration and stockholding periods exceeding the anticipated length of time. The valuation of these inventory risks represents assumptions in respect of the anticipated market development and the resultant ability to realize the inventory assets, which render the utilization of assessments necessary when estimating the impact of these inventory risks on inventories.

Development expenses: When investigating the intrinsic value of the capitalized development costs, the company, on principle, targets the opportunity to draw a future economic benefit from the utilization of any resulting products. Factors such as the overall market and competitive assessment and the corresponding marketability risks as well as alterations of base technologies can result in a value adjustment.

Accruals: The valuation of pension obligations is based on a method that takes into account the various parameters, such as percentage of discount, the expected salary, wage and pension trend as well as earnings from plan assets. If these parameters develop considerably different than expected, this can impact pension obligations significantly. The formation of other accruals is based on assumptions in respect of the obligations. The assumptions can entail risks and insecurities that may lead to the fact that the actual obligations deviate considerably from the amounts currently estimated accruals provided for guarantees are calculated based on historical experience values; the most probably value is applied to calculate process risks. Any change of estimate is recorded for the respective period and offset against the item in respect of which it was formed.

Interpretations and amendments of published standards, which must be applied from 2010 onwards and which have not been applied in the past

- Improvements to the International Financial Reporting Standards (published by IASB in May 2008):
- The improvements shall, at the latest, be applied to the first financial year following 30 June 2009. Mühlbauer has been applying the improvements since 1 January 2010. When publishing a plan for the disposal of a share in a subsidiary involving the loss of the controlling influence over the subsidiary, all assets and debts are classified as being "held for disposal", insofar as the criteria pursuant to IFRS 5.6 5.8 are met. The assets and debts are fully classified as held for disposal, irrespective of whether a minority share is retained after the disposal. This does not affect the financial statements and notes of the Mühlbauer Group.
- Revised IFRS 3 "Business combinations": The revised IFRS 3 shall be applied to financial years commencing on or after 1 July 2009. Its premature application is permitted insofar as both IFRS 3 (revised) and IAS 27 (revised) are applied in parallel. Mühlbauer has been applying the revised IFRS 3 since 1 January 2010. The revisions relate primarily to the extension of the area of application in contrast to IFRS 3 (2004) and changes of content relating to the purchase method. This does not affect the financial statements and notes of the Mühlbauer Group.
- Amendments to IAS 27 "Consolidated and separate financial statements": The amendments to IAS 27 shall be applied to financial years commencing on or after 1 July 2009. Their premature application is permitted insofar as both IFRS 3 (revised) and IAS 27 (revised) are applied in parallel. Mühlbauer has been applying the improvements since 1 January 2010. The amendments relate primarily to the amended provisions on the depiction of minority shares on the balance sheet and on the reporting procedure to be adopted in the event of a loss of the controlling influence over a subsidiary. In the consolidated financial statements of the Mühlbauer Group the attributable overall result is allocated to the non-controlling shares even if the non-controlling shares feature a negative balance.
- IFRIC 16 "Hedges of a net investment in a foreign operation":

 IFRS 16 shall, at the latest, be applied to financial years commencing on or after 30 June 2009. Its premature application is permitted. Mühlbauer has been applying IFRIC 16 since 1 January 2010. The interpretation clarifies what is to be considered a risk when hedging a net investment in a foreign business and where, within the Group, the hedging tool for the reduction of this risk may be held. This does not affect the financial statements and notes of the Mühlbauer Group.
- IFRIC 15 "Agreements for the construction of real estate": IFRS 15 shall, at the latest, be applied to financial years commencing on or after 1 January 2010. Its premature application is permitted. Mühlbauer has been applying IFRIC 15 since 1 January 2010. The interpretation clarifies when the regulations of IAS 11 or IAS 18 apply to contracts on the construction of real estate. Insofar as IAS 18 is applicable, IFRIC 15 contains guidelines as to when sales are to be realized in respect of contracts on the construction of real estate. This does not affect the financial statements and notes of the Mühlbauer Group.

• Amendment to IAS 39 "Financial instruments: recognition and measurement: eligible hedged items":

The amendment to IAS 39 shall, at the latest, be applied to financial years commencing on or after 1 July 2009. Its premature application is permitted. Mühlbauer has been applying the amendment to IAS 39 since 1 January 2010. The amendment to IAS 39 contains guidelines as to the determination of qualifying basic transactions, on the determination of the financial items as hedged basic transactions and on the assessment of the effectiveness of a hedging relationship. This does not affect the financial statements and notes of the Mühlbauer Group.

· Revisions on IFRS 1 "First time adoption of IFRS":

The revised standard shall, at the latest, be applied to financial years commencing on or after 1 January 2010. Its premature application is permitted. Mühlbauer has been applying the revised IFRS 1 since 1 January 2010. The primary revision of the standard relates to its structural reclassification, which is to facilitate its use and future amendments. Furthermore, several obsolete transitory guidelines were deleted and minor changes in text effected. The material requirements of IFRS 1 remain unchanged. This does not affect the financial statements and notes of the Mühlbauer Group.

- IFRIC 17 "Distributions of non-cash assets to owners":

 IFRIC 17 shall, at the latest, be applied to financial years commencing on or after 1 November 2009. Its premature application is permitted. Mühlbauer has been applying IFRIC 17 since 1 January 2010. The amendments to IFRS 5 and IAS 10, resulting from IFRIC 17, were adopted by the EU Commission with the same provision. The interpretation contains guidelines on the accounting of dividends that are not paid to the owners of a company in the form of cash. As Mühlbauer does not pay non-cash dividends to its shareholders, this does not affect the financial statements and notes of the Mühlbauer Group.
- IFRIC 18 "Transfers of assets from customers": IFRIC 18 and the resultant amendments pertaining to IFRS 1 shall, at the latest, be applied at the beginning of the first financial year commencing after 31 October 2009. Its premature application is permitted. Mühlbauer has been applying IFRIC 18 and the amended IFRS 1 since 1 January 2010. The interpretation clarifies and explains how customers shall report the transfer of fixed assets or finances for the construction or acquisition of fixed assets. This does not affect the financial statements and notes of the Mühlbauer Group.
- Improvements to the International Financial Reporting Standards (published by IASB in April 2009):

The improvements shall, at the latest, be applied to the first financial year following 31 December 2009. Their premature application is permitted. Mühlbauer has been applying the improvements since 1 January 2010. Most of the amendments are clarifications or corrections of the existing IFRS or amendments resulting from the modifications previously effected in respect of the IFRS. The amendments to IFRS 8, IAS 17, IAS 36 and IAS 39 comprise amendments of existing requirements or additional guidelines for the implementation of these requirements. This does not affect the financial statements and notes of the Mühlbauer Group.

• Amendments to IFRS 2 "Group-settled share-based payment transactions": The amendments to IFRS 2 shall, at the latest, be applied to the first financial year following 31 December 2009. Their premature application is permitted. Mühlbauer has been applying the amendments since 1 January 2010. The amendment of IFRS 2 clarifies the accounting method for share-based forms of remuneration, in which a supplier of goods and services is paid in cash and the obligation for the cash settlement lies with another group company (share-based forms of remuneration settled in cash by a group company). The amendments to IFRS 2 also comprise the inclusion of guidelines into the standard that were previously contained in IFRIC 8 and IFRIC 11. IASB has therefore withdrawn these interpretations. This does not affect the financial statements and notes of the Mühlbauer Group.

Amendments to IFRS 1 "Additional exemptions for first-time adopters":

The amendments to IFRS 1 shall, at the latest, be applied to the first financial year following 31 December 2009. Mühlbauer has been applying the amendments since Q2 2010. According to the amendments to IFRS 1, companies that are engaged in the oil and gas sector and convert to IFRS can post the book values determined for oil and gas deposits in accordance with their previous accounting principles. The companies that decide to make use of this exemption should be held to assess disposal, recovery and similar obligations in connection with oil and gas deposits in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and to record the liability in retained earnings. The amendments to IFRS 1 also relate to the re-assessment of the determination of a lease relationship. This does not affect the financial statements and notes of the Mühlbauer Group.

Published and amended interpretations, revisions and amendments to published standards that are prematurely applied in 2010

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

and notes of the Mühlbauer Group.

The amendments to IFRS 32 shall, at the latest, be applied to the first financial year following 31 December 2010. Its premature application is permitted. Mühlbauer has been applying the amendment since 1 January 2010. The amendment to IAS 32 clarifies how certain subscription rights are reported if the tools issued are stated in a currency different to the functional currency of the issuer. If such tools are offered to the current owners on a pro rata basis at a fixed amount, they should be classified as equity tools, if the price for the subscription rights is stated in a currency different to the functional currency of the issuer. Previously, such cases were reported as derivative liabilities. This does not affect the financial statements and notes of the Mühlbauer Group.

 Amendments to IFRS 1 "Limited exemption from comparative IFRS 7 disclosures for first-time adopters":

The amendments to IFRS 1 and IFRS 7 shall, at the latest, be applied to the first financial year following 30 June 2010. Mühlbauer has been applying the amendments since Q2 2010. As first-time adopters of the IFRS are not relieved from the comparative disclosures in respect of fair value measurements and liquidity risk, which IFRS 7 provides in cases in which comparative period end prior to 31 December 2009, this amendment to IFRS 1 shall also provide these companies with relief. This does not affect the financial statements and notes of the Mühlbauer Group.

- Amendments to IFRIC 14 "Prepayments of a minimum funding requirement": The amendments to IFRS 14 shall, at the latest, be applied to the first financial year following 31 December 2010. Mühlbauer has been applying the amendments since Q3 2010. These amendments are to remove an unintended result of IFRIC 14 in cases in which a company that is subject to a minimum funding requirement pays contributions in advance and companies that make such advance payments would, in certain cases, have to record these as an expense. If a minimum funding requirement exists in respect of a performance-oriented plan, the advance payment must, like other advance payments, be treated as an asset according to the current amendment of IFRIC 14. This does not affect the financial statements
- Revision of IAS 24 "Related party disclosures" and amendment of IFRS 8 "Operating segments":

The revised IAS 24 and the amendments to IFRS 8 shall, at the latest, be applied to the first financial year following 31 December 2010. Mühlbauer has been applying the amendments since Q3 2010. The revised version of IAS 24 shall clarify the definition of associated companies and persons and exempt companies that are associated with public offices from specific details on business occurrences with associated companies and persons. The amendments to IFRS 8 relate to consequential amendments from the adoption of IAS 24 with reference to the disclosure obligation in respect of key state customers. This does not affect the financial statements and notes of the Mühlbauer Group.

• IFRIC 19 "Extinguishing financial liabilities with equity instruments" and the amendment of IFRS 1 "First-time adoption of international financial reporting standards": IFRIC 19 and the amendment to IFRS 1 shall, at the latest, be applied to financial years commencing on or after 1 July 2010. Mühlbauer has been applying the amendments since Q3 2010. IFRIC 19 contains guidelines for the reporting of equity instruments that a debtor issues after renegotiating the conditions in respect of the full or partial redemption of a financial liability. This does not affect the financial statements and notes of the Mühlbauer Group.

Principles of consolidation

The consolidated financial statements comprise not only Mühlbauer Holding AG & Co. KGaA but also all subsidiaries in respect of which the company exercises control through the majority of voting rights, be it directly or indirectly. Capital consolidation is effected in accordance with the purchase method. In so doing, the purchase cost of the shares purchased is offset against the newly valued pro-rata equity applicable to the parent company. The assets and debts of the subsidiary acquired are stated at their fair value. Remaining active differences are capitalized and subjected to an annual impairment test. Negative differences are directly credited to earnings.

Subsidiaries are included in the consolidated financial statements (full consolidation) from the date on which control of the subsidiary is transferred to the Group. They are deconsolidated from the date on which this control ends.

Interim results, expenses and earnings as well as receivables and liabilities between the incorporated companies are eliminated. Where necessary, the accounting principles of subsidiaries were altered to guarantee uniform accounting principles throughout the Group.

Insofar as value adjustments on shares of incorporated companies or group receivables were formed in individual financial statements, these shall be cancelled in the context of consolidation.

On 31 December 2010, the scope of consolidation of the company not only comprised Mühlbauer Holding AG & Co. KGaA but also 11 additional subsidiaries in Germany and 15 subsidiaries abroad.

The companies in which the Group holds shares and their shareholders' equity and annual result, determined in accordance with the regulations of the respective country, are shown below.

German companies:

Name and registered office	Share in equity in %	Shareholders' equity in TEUR	Annual result in TEUR
ASEM Präzisions-Automaten-GmbH, Dresden	100	3,454	174
MBO GmbH, Roding	100	383	358
MB ID5 GmbH, Roding	100	40	1
MB Shared Services GmbH, Roding ¹⁾	100	24	(1)
Mühlbauer Aktiengesellschaft, Roding	100	85,234	18,664
Mühlbauer ID Services GmbH, Roding	100	5,578	774
PPR GmbH, Roding ²⁾	100	24	(1)
PPS GmbH, Roding ³⁾	100	24	(1)
Rommel GmbH, Ehingen	100	3,509	645
takeID GmbH, Oberhaching	100	417	295
Tema GmbH, Schwelm	100	666	3,651

¹⁾ Initial consolidation on 7 December 2010

SUMMARY OF KEY (2)
ACCOUNTING PRINCIPLES

²⁾ Initial consolidation on 29 November 2010

³⁾ Initial consolidation on 29 November 2010

Foreign companies:

	Share in equity	Shareholders' equity	Annual result
Name and registered office	in %	in TEUR 4)	in TEUR 5)
Muehlbauer, Inc., Newport News, Virginia, USA	100	2,911	453
Muehlbauer America Management Corp., Newport News, Virginia, USA	100	61	2
Muehlbauer America LP, Newport News, Virginia, USA	100	5,794	102
Muehlbauer d.o.o. Beograd, Belgrade, Serbia	100	278	177
Muehlbauer (India) Private Limited, New Delhi, India	100	296	(92)
Muehlbauer Middle East FZ-LLC, Dubai, United Arab Emirates	100	(178)	(192)
OOO Muehlbauer, Moscow, Russia	100	(13)	26
Muehlbauer (PTY) Limited, Midrand, South Africa	100	341	111
Muehlbauer Smart Identification Technology (Shanghai) Co. Ltd., Shanghai, China	100	885	556
Muehlbauer Technologies s.r.o., Nitra, Slovakia	100	11,976	2,085
Muehlbauer Technologies Sdn. Bhd., Melaka, Malaysia	100	12,430	2,849
Muhlbauer Sdn. Bhd., Melaka, Malaysia	100	140	168
Mühlbauer Kart Sistemleri A.S., Istanbul, Turkey 6)	51	16	(62)
Muehlbauer Uganda Ltd., Kampala, Uganda 7)	100	38	(31)
Orambamba 38 (Pty) Ltd., Midrand, South Africa 8)	46	1	-

⁴⁾ Translation at the exchange rate on the reporting date on 31 December 2010

Changes in the scope of consolidation

Additions

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

As at 1 April 2010, the company founded Mühlbauer Uganda Limited, headquartered in Kampala, Uganda, and holds 99,999 of the total of 100,000 shares. The entry into the Commercial Register of Kampala, Uganda, was effected with the number 117378. The company will initially act as a sales, trading and service company and will be extended by the areas development and production depending on the further development of the market in the African arena. The subscribed capital of the company totals TUSD 100 and is fully paid up.

As at 29 November 2010, the company founded PPR GmbH and PPS GmbH, both headquartered in Roding, Germany. Entry into the Commercial Register of Regensburg, Germany, was effected with the numbers HRB 12293 and HRB 12302, respectively. Both companies were founded as so-called shelf companies for the production plants at the German sites Roding and Stollberg, which are scheduled to be spun off in the first half of 2011. Once the spin offs take effect and the companies commence operating activities, they will produce precision parts, develop and produce products and systems based on such precision parts and sell these products under the company names "MPS Roding GmbH" and "MPS Stollberg GmbH". The subscribed capital of the two companies totals TEUR 25 each and is fully paid up.

⁵⁾ Translation at the annual average exchange rate

⁶⁾ Founded on 25 November 2009; initial consolidation after payment of the capital contribution on 23 February 2010

⁷⁾ Initial consolidation on 1 April 2010

[®]) The company is a shelf company, which was included in the consolidated financial statements at amortized cost. Derived from the regulations under corporate law, Orambamba 38 (Pty) Ltd. is considered an associated company in accordance with the control concept.

As at 7 December 2010, the company founded MB Shared Services GmbH, headquartered in Roding, Germany. Entry into the Commercial Register of Regensburg, Germany, was effected with the number HRB 12314. The company was founded as a so-called shelf company for the operating unit "Administration", which is scheduled to be spun off in the first half of 2011. Once the spin off takes effect and the company commences operating activities, the company will take over commercial, technical and other services for companies of the Mühlbauer Group nationally and internationally and for third parties outside the Group. The subscribed capital of the company totals TEUR 25 and is fully paid up.

Currency translation

The annual financial statements of subsidiaries drawn up in foreign currencies are translated in accordance with the concept of the functional currency. As the subsidiaries are economically independent entities, the functional currency of the subsidiary corresponds with the respective local currency. In so doing, the exchange rate on the reporting date is used for the items on the balance sheet – with the exception of shareholders' equity, which is translated at historic exchange rates – while the items on the statement of income are translated using monthly average rates. Any differences in the currency translation of assets and debt over the translation of the previous year, as well as differences in translation between the statement of income and the balance sheet are listed separately within shareholders' equity at "Other comprehensive income", with no effect on the income statement.

In the individual financial statements, transactions in foreign currencies are valued using the exchange rate on the date the transaction was initially executed. Any gains or losses on exchange that occurred until the reporting date and resulted from the valuation of monetary assets and debts have an effect on the income statement.

The exchange rates of countries that are not members of the euro area and in which Mühlbauer is active with consolidated subsidiaries are listed below:

		Rate on reporting date 31 December	Rate on reporting date 31 December	Average rate	Average rate
Currency:		2010 EUR	2009 EUR	2010 EUR	2009 EUR
China	1 CNY	0.1141	0.1020	0.1111	0.1054
India	1 INR	0.0166	0.0149	0.0164	0.0149
Malaysia	1 MYR	0.2451	0.2033	0.2330	0.2046
Russia	1 RUB	0.0247	0.0230	0.0248	0.0228
Serbia	1 RSD	0.0094	0.0103	0.0097	0.0107
South Africa	1 ZAR	0.1135	0.0941	0.1026	0.0862
Turkey	1 TRY	0.4852	0.4611	0.4997	0.4617
Uganda	1,000 UGX	0.3210	0.3602	0.3430	0.3503
USA	1 USD	0.7545	0.6977	0.7530	0.7192
United Arab Emirates	1 AED	0.2054	0.1899	0.2050	0.1959

Realization of sales, other operating income and operating expenses

Sales comprises the fair value achieved in respect of the sale of goods and services, excluding sales tax and discounts and after elimination of sales within the Group. Sales are realized as follows:

Sales proceeds from the sale of products are recorded in correspondence with the criteria of IAS 18 "Revenue" if the relevant opportunities and risks were transferred and no right of disposal or effective authority to dispose remains, a price has been agreed or can be defined and the payment of the price can be expected and the costs pertaining to the sale can be reliably determined. In substantiating these criteria, the company defines the following conditions for a listing as sales:

- · Pre-acceptance tests were successfully executed.
- Pre-acceptance tests have been proven to be reliable indicator of successful final acceptance and their share in installation is considered insignificant with regard to the overall order value.
- Opportunities and risks connected with the ownership have been transferred to the customer.

Sales of customized production orders are calculated using the Percentage of Completion Method (PoC-method) according to the achievement of certain milestones. Under certain circumstances it may be necessary in this connection to apply the criteria to individual delimitable components of an entire agreement to depict the economic content of the transaction appropriately. With regard to the division of the entire agreement value, the so-called "Relative Fair Value Method" is to be utilized. According to this method, the agreement value must be divided up at the ratio of the fair values of the individual elements.

Sales proceeds from the supply of services are recorded in the financial year in which the services are provided, in correspondence with the progress of performance, at the ratio of services already provided to the total of services to be provided.

Interest income is recorded on a pro rata basis, using the effective interest rate method. Dividend income is recorded at the date at which the right for receipt of payment arises.

Operating expenses are accounted for when expenses are incurred.

Cash and cash equivalents

Cash and cash equivalents are valued at market value and comprise cash and demand deposits. On the balance sheet, advances on current accounts that have been utilized are shown under short-term liabilities as debt.

Inventories

Inventories in the form of unfinished and finished products are valued at acquisition or production costs, whereas raw, auxiliary and operating materials are valued at the moving average price respectively at the lower fair value. In accordance with IAS 2 "Inventories", cost of production not only comprises the directly attributable individual costs but also the overheads attributable to the production process including appropriate depreciation to production systems. Financing costs are not taken into consideration. Where necessary, the lower realizable net sales value is used.

Financial Assets

Financial assets are divided into the categories "at fair value through profit or loss, held to maturity, available for sale and loans and receivables" and are each recorded separately and individually at their fair value at the time of their addition. Any alterations of market value are settled as income for such assets that are held for trading purposes (at fair value through profit or loss). Financial assets to be held until final maturity (held to maturity) are valued at amortized cost. Unrealized profits and losses in respect of securities that are allocated to the category "available for sale", due to their categorization as financial assets available for disposal, are included in shareholders' equity. If securities of the category "available for sale" are disposed of or impaired, the adjustments of the fair value accumulated in shareholders' equity are recorded in the statement of income as income, as profits or losses from financial assets. The market value of each of these securities is determined on the basis of the published share price. Initial recording and the disposal of securities is effected as soon as the underlying transaction is executed.

The category "at fair value through profit or loss" applies to free-standing currency futures, each of which is valued according to market valuations. The market valuations are derived from the price at which the currency futures are traded or listed on the reporting date. The market values were determined according to the regular daily reference exchange rate of interbank trading.

Trade accounts receivables, loans and other receivables which are due in less than one year are accounted as amortized cost. Receivables and loans that are due in more than twelve months are also valued according to the effective interest rate method. The discount factor is based on an interest rate, determined by the length of time to maturity. Default risks are accounted for in adjustments. Customized production orders are carried according the percentage of completion method. Disclosure of the orders is carried on the asset side in "Trade accounts receivable". If prepayments exceed the cumulative performance, it is recognized on the liabilities side under "downpayments".

The classification depends on each individual purpose for which the financial assets will be used. Management decides upon the respective classification of the financial assets when first applied and evaluates the classification on each reporting date. Provided that the financial assets do not have a final maturity, these instruments are carried as available for sale.

Receivables or other assets that do not constitute financial instruments are posted as amortized cost.

Fixed Assets

Fixed assets are reported at acquisition or production cost minus accumulated depreciation. A revaluation of fixed assets in accordance with IAS 16 "Property, Plant and Equipment" was not effected. Real estate held as financial investment in accordance with IAS 40 "Investment Property" does not exist. Subsequent acquisition/production costs are only recorded as a part of the acquisition/production cost of the asset if it is likely that this results in a future economic benefit to the company and that the costs of the assets can be reliably determined. The production cost of systems constructed by the company comprises all costs that are directly attributable to the production process as well as necessary shares of the production-related overheads including depreciation. Repairs and services are recorded as expenditure in the financial year in which they are executed or provided.

In the event of public grants or allowances for the acquisition or production of assets, the acquisition and production costs are reduced by the amount granted or allowed, in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance".

The assets included in fixed assets – with the exception of real estate – are depreciated on a straight-line basis, in correspondence with their utilization. The depreciation of buildings is based on a period of utilization of up to 33 years. Technical equipment is depreciated over a maximum of 10 years. Depreciation for other assets and furniture and office equipment is 3 to 10 years. Assets are checked for an impairment in value if corresponding events or changes in circumstances show that the book value may no longer be achievable (so-called triggering events). A loss through impairment in value is recorded at the level of the book value exceeding the value that can be achieved. The value that can be achieved is the higher amount from the respective time value of the asset minus selling expenses and its value in use. To execute the impairment test, assets are summarized at the lowest level at which cashflows can be separately identified (so-called cash generating units). According to this, if, after executing an impairment in value, a higher asset value could be achieved, a revaluation is effected up to a maximum of the amount achievable. The revaluation is limited to the amortized book value that would have been achieved in the past without the devaluation. The appreciation is to be performed with an effect on the income statement.

Profits and losses from the disposal of assets are determined as the difference between the disposal proceeds and the book value and recorded as income.

Intangible assets

Intangible assets comprise software, concessions, licenses, trademarks and similar rights as well as goodwill and capitalized development costs including any advance payments made towards such rights and values.

Intangible assets are stated at amortized acquisition and production costs. In so doing, concessions, licenses, trademarks and software are, on principle, depreciated on a straight-line basis over a period of 3 to 5 years.

Goodwill from business acquisitions are not subjected to scheduled depreciation in accordance with IFRS 3 "Business Combinations" in connection with IAS 36 "Impairment of Assets" as well as IAS 38 "Intangible Assets". Instead, the impairment of goodwill is investigated annually. In so doing, the net book values of goodwill are offset against the discounted cashflows expected in accordance with medium-term planning and a subsequent perpetuity of the respective units.

Development costs for technology projects and service products are capitalized at production cost minus directly attributable public grants, insofar as technical realization and ability to utilize as well as availability of necessary resources is ensured, a clear allocation of expense possible and the intended completion and marketing as well as the probable achievement of future economic benefit is proven, as demanded by IAS 38 "Intangible Assets". Production costs comprise the costs that are directly and indirectly attributable to the development stage. Capitalized development costs are depreciated linear from the termination of essential development services or delivery of the first product over the anticipated product lifecycle of generally 3 to 8 years. Research costs are recorded as expenses in the period in which they occur. Earnings allowances that are not offset by future expenses are recorded as income.

The impairment test for intangible assets with specific utilization periods is effected similar to that for fixed assets. Capitalized development costs that are not yet systematically depreciated are subject to an annual impairment test, independent of triggering events.

Deferred tax assets

Deferred taxes result from different valuations in the annual financial statements drawn up in accordance with IFRS and tax balance sheets of the group companies as well as from consolidation measures, insofar as these differences balance out in the course of time. Moreover, deferred tax assets must be taken into account for future asset benefits from tax-related loss carryovers. The delimitation of deferred taxes is effected in accordance with IAS 12 "Income taxes". The tax rates current in the individual countries on the reporting date or resolved and known future tax rates are applied in accordance with the "Liability method". Deferred tax assets and deferred tax liabilities are only offset if the law allows for this. Deferred tax assets are not discounted in accordance with the regulations of IAS 12 "Income taxes". Deferred taxes for reporting and valuation differences as well as for tax-related loss carryovers are only taken into account insofar as their realization has been sufficiently substantiated.

Derivative financial instruments

To hedge risk positions from currency fluctuations the company also utilizes derivative financial instruments such as forward exchange deals. The hedging transactions cover risks from booked basic business and additionally from pending delivery and service activities.

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", all derivative financial instruments are reported at market value, regardless for what purpose or with what intention they were concluded. The market values of the relevant derivative financial instruments utilized are posted under other assets (positive market value) or other liabilities (negative market value). Any price differences arising in respect of the agreed forward rate are recorded as income.

The Mühlbauer Group applies the regulations governing hedging measures according to IAS 39 (Hedging Accounting) to provide security to asset positions. For these purposes, Mühlbauer primarily applies fair value hedges. A fair value hedge serves as collateralization of the fair value of firm commitments representing either assets or liabilities or which have no yet been recognized on the balance sheet. If the hedged item designated as a fair value hedge proves ineffective, it is categorized as held-for-trading. Each change in the fair value of the derivative used as hedging instrument shall be recorded as a gain or loss in the profit and loss statement.

Pension and postretirement benefits

The obligations from the performance-oriented pension scheme are valued in accordance with the "Projected Unit Credit" method (method of ongoing single premiums) in accordance with IAS 19 "Employee Benefits". The "Projected Unit Credit" method determines the expected pension payments after occurrence of the payable event and distributes these across the entire duration of employment of the staff benefited, taking into account dynamic aspects. For this purpose, actuarial expertises are drawn up on an annual basis. The calculation of the company's obligations is based on specific trend assumptions. The registration of actuarial profits and losses, arising from alterations of assumptions on which the calculations are based, is effected in accordance with the 10% corridor rule. This only records actuarial profits or losses as income if they exceed 10% of whatever value is higher: the cash value of pension obligations or the time value of plan assets. The distribution of actuarial profits or losses outside the 10% corridor is effected via the expected residual term of service of the staff benefited. An offsetting of the cash value of pension obligations against the plan assets is only undertaken if the necessary criteria have been met.

Other accruals

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", other accruals are formed if an equivalent obligation towards third parties exists that will most likely be utilized and if the expected level of the necessary accrual can be reliably estimated. The probability of occurrence must be higher than 50%. The most likely amount to be paid is posted. It is determined on a partial cost basis. Accruals with a residual term of more than one year are only discounted if the interest effect is considerable.

Financial liabilities

Financial debt is initially posted at fair value, after the deduction of transaction costs. In following periods, it is valued at amortized cost; every difference between the payment amount (after deduction of transaction costs) and the repayment amount is recorded as income over the term of the loan, utilizing the effective interest rate method.

Amounts due to banks with a term of not more than 12 months after the reporting date are considered short-term liabilities. Trade accounts payable are recorded as amortized cost.

Financial debt, trade accounts payable and other financial liabilities are classified as "Financial Liabilities Measured at Amortized Cost".

Liabilities which are not considered financial instruments are carried as amortized cost.

Deferred tax liabilities

Deferred taxes result from different valuations in the commercial and tax balance sheets of the group companies and from consolidation measures, insofar as these differences balance out in the course of time. The delimitation of deferred taxes is effected in accordance with IAS 12 "Income Taxes". The tax rates current in the individual countries on the reporting date or resolved and known future tax rates are applied in accordance with the "Liability Method". Deferred tax assets and deferred tax liabilities are only offset if the law allows for this. Deferred tax liabilities are not discounted, in accordance with the regulations of IAS 12 "Income Taxes".

Stock option programs

The Group has issued share-based remuneration that is paid through the issue of company shares or, by choice of the company, through a cash settlement. The fair value of performance provided by the staff in return for the granting of options is recorded as expense. The total expense that must be recorded throughout the period, until non-forfeitability of the options, is determined on the basis of the fair value of the options on the due date of the grant, without taking into consideration the effects of non-market oriented exercise hurdles (e.g. income and sales growth goals). Non-market oriented exercise hurdles are taken into consideration in the assumptions on the number of options that are expected to become exercisable. On every reporting date, the estimated number of options that are expected to become exercisable is checked. The effects of alterations on original estimates that may need to be taken into consideration are taken into account in the statement of income and by a corresponding adjustment in shareholders' equity over the remaining term until non-forfeitability of these options.

The payments received on exercising the options are credited to the ordinary share capital (par value) and the additional paid-in capital after deducting directly attributable transaction costs.

The valuation of the stock options granted is effected on the basis of the fair value method in accordance with IFRS 2 "Share-based Payment" and by applying the Black-Scholes option pricing model. IFRS 2 "Share-based Payment" was not applied to stock options assured before 8 November 2002 and stock options granted after 7 November 2002, which became nonforfeitable before 1 January 2005. Such stock options are valued on the basis of the intrinsic value method, in accordance with APB 25 "Accounting for Stock Issued to Employees".

B. EXPLANATIONS TO THE CONSOLIDATED STATEMENTS OF INCOME

Sales list the payments charged to customers for deliveries and services – minus deductions in earnings and discounts. A division by application area and market can be found in section D "Segment reporting".

SALES (3)

Of sales, TEUR 187,548 (PY: TEUR 145,519) are allotted to sales of goods and TEUR 19,699 (PY: TEUR 14,969) to performance of services.

Included in sales of TEUR 207,247 (PY: 160,488) are order revenues of TEUR 56,169 (PY: TEUR 34,493), which are calculated using the percentage of completion method.

In the context of presenting the statement of income in the cost of sales format, expenses are allocated to functional areas. The following cost types were included in production, sales, administrative costs as well as in the research and development expenses:

COSTS OF (4) FUNCTIONAL AREAS

	2010 TEUR	2009 TEUR
Material expenses (external supplies)	73,283	56,970
Personnel expenditure	67,645	57,615
Depreciations and impairments	10,388	9,591
Total	151,316	124,176

Cost of sales comprises costs for goods sold and the cost of funds of the merchandise sold. In accordance with IAS 2 "Inventories" they correspondingly contain not only the directly attributable costs such as material, personnel and energy costs but also the overheads including depreciation. The cost of sales also includes the balance of devaluations and revaluations on inventories executed in the respective period.

COST OF SALES (5)

In addition to the costs for the sales departments and the field staff, selling expenses also comprise advertising costs (TEUR 816; PY: TEUR 1,047) and costs for logistics (TEUR 3,505; PY: TEUR 2,158). The position also includes the major share of devaluations on trade accounts receivable. In the year under review value adjustment expenses on trade accounts receivable, offset against the earnings from the discontinuation of such value adjustments, totaled TEUR 677 (PY: Earnings TEUR 663).

SELLING EXPENSES (6)

Administrative expenses comprise personnel expenditure and material costs of the management and administrative areas including depreciation, insofar as they are not debited to other cost centers as an internal service

ADMINISTRATIVE EXPENSES (7)

In accordance with IAS 38 "Intangible Assets", all research costs under this position are directly recorded as expenses. The costs from the development of a product which is ready for the market are capitalized if they meet the criteria for the capitalization of development costs. The non-capitalizable development costs are listed under this position. Research and development expenses without depreciation on capitalized development costs and before capitalized own funds amounted to TEUR 23,650 (PY: TEUR 20,226) in the past financial year. Research costs include refunds for research and development of TEUR 359 (PY: TEUR 660).

RESEARCH AND (8)
DEVELOPMENT

(9) OTHER INCOME AND EXPENSES

	2010 TEUR	2009 TEUR
Earnings from the reversal of accruals and liabilities	2,115	350
Insurance and other reparations	704	234
Gains from the sale of long-term assets	575	65
Canteen earnings	494	385
Earnings from the sale of scrap	389	149
Rental income	44	12
Other	275	271
Total other operating income	4,596	1,466
Losses from the sale of long-term assets	(50)	(4)
Donations	(84)	(52)
Foreign currency losses	(963)	(148)
Other	(819)	(3,486)
Total other operating expenses	(1,916)	(3,690)
Total	2,680	(2,224)

(10) FINANCIAL RESULT

	2010 TEUR	2009 TEUR
Other interest and similar earnings	327	415
Interest and dividend income	111	152
Realized income from securities and financial assets	311	121
Financial income	749	688
Realized losses from securities and financial assets	-	(22)
Interest and similar expenses	(315)	(555)
Financial expenses	(315)	(577)
Total	434	111

Other interest and similar income include interest income to the amount of TEUR 226 (PY: TEUR 208) resulting from the evaluation of the plan assets. Interest and similar expenses include calculated interest expenditures to the amount of TEUR 277 (PY: TEUR 267) based on the evaluation of the performance-orientated pension plan.

(11) INCOME TAXES

Income taxes contain the income tax paid and owed by the individual group companies on income and earnings as well as deferred tax delimitations. Income taxes are comprised as follows:

	2010 TEUR	2009 TEUR
Actual tax expenditure	9,284	3,168
Relating to other periods	(2)	(238)
(Earnings) from the dissolution of accrued income taxes	(9)	(1)
(Earnings) from the application of tax credits	(99)	(105)
Actual taxes on income and earnings	9,176	3,062
Deferred tax expenses (gains) from loss carryovers	(241)	(402)
Deferred tax expenses (gains) from temporary differences	(603)	(280)
Taxes on income and earnings	8,332	2,380

The German corporate tax laws applied for the financial year 2010 stipulates a tax rate in the amount of 15% in addition to the solidarity surcharge of 5.5%. The commercial tax burden for German companies is between 11.2% and 15.8%.

Other taxes are included in the respective functional areas. Deferred taxes result from valuations that deviate in time between the tax balance sheets of the companies and the valuations in the consolidated balance sheet, taking into consideration the "Liability method".

The reconciliation of the deferred tax assets and liabilities on the balance sheet and the deferred taxes in the statement of income is represented as follows:

	2010 TEUR	2009 TEUR
Changes in deferred tax assets in accordance with the balance sheet	449	278
Changes in deferred tax liabilities in accordance with the balance sheet	396	437
Changes in deferred tax assets/liabilities that do not affect income	(20)	-
Exchange rate fluctuation	19	(33)
Deferred taxes in accordance with the statement of income	844	682

Overall, deferred tax assets from tax loss carryovers amount to TEUR 1,124 (PY: TEUR 875). All loss carryovers, for which deferred tax assets were formed, can be carried forward at least five years. No accrued tax claims were applied for corporation and trade tax loss carryovers in the amount of TEUR 3,946 and accordingly TEUR 4,691 in the previous year.

The deferred tax assets and liabilities can be allocated to the following balance sheet positions:

	Assets TEUR	2010 Liabilities TEUR	Assets	2009 Liabilities TEUR
Trade accounts receivable	50	105	12	143
Inventories	397	38	212	35
Marketable securities	-	34	-	15
Fixed assets	236	1,354	217	1,442
Capitalized development costs	-	1,415	-	1,486
Pension accruals	615	-	568	-
Unrealized profits and losses from currency translation	71	55	6	137
Tax loss carryovers	1,124	-	875	-
Accruals	170	1	187	-
Other	9	9	5	8
Subtotal	2,672	3,011	2,082	3,266
Balance of deferred tax assets and liabilities	(1,186)	(1,186)	(1,045)	(1,045)
Total deferred taxes	1,486	1,825	1,037	2,221

Deferred tax assets and liabilities are offset if deferred taxes exist in respect of the same tax authority and they can be offset.

The following table provides a reconciliation for taxes, based on the theoretical tax rate that would arise in respect of effective taxes in accordance with the statement of income, if the regular tax rates were applied on the national and international group companies of the Mühlbauer Group:

		2010	2009
Income before income taxes	TEUR	38,625	9,727
Rate of income tax including trade tax	%	27.03	26.68
Expected income tax expenditure with uniform tax burde	n TEUR	(10,441)	(2,595)
Reconciliation:			
Changes in taxes due to differences between local tax rates and the hypothetical tax rate	TEUR	589	1,163
Tax losses	TEUR	1,277	(1,277)
Tax share for:			
Tax-free earnings	TEUR	77	87
Non-tax deductible expenditure	TEUR	(229)	(133)
Actual taxes relating to other periods	TEUR	(31)	53
Earnings from the application of tax credits	TEUR	99	105
Other tax deviations	TEUR	(11)	(19)
Income tax expenditure before tax reduction on earnings related to the personally liable shareholder	TEUR	(8,670)	(2,616)
Effective tax rate	%	22.4	26.9
Tax savings on earnings related to the personally liable shareholder	TEUR	338	236
Income tax expenditure shown	TEUR	(8,332)	(2,380)
Tax rate in accordance with statement of income	%	21.6	24.5

The reduction of taxes on the share of profit of the personally liable shareholder occurs because the corporate tax and solidarity tax surcharge for the share of profit for the personally liable shareholder is not posted by the company. These taxes are directly attributable to the personally liable shareholder, who will be individually taxed at a rate that is irrespective of the tax rates which apply to the company. The percentage of the tax expenditure before tax reduction from the share of profit of the personally liable shareholder (22.4%; PY: 26.9%) thus corresponds with the actual tax rate that is to be applied to the earnings attributable to the shareholders of the limited partnership.

(12) RESULT APPORTIONABLE TO OTHER SHAREHOLDERS

The losses apportionable to the other shareholders amount to TEUR 23 in the year under review.

Basic earnings per share are determined by reducing the earnings before taxes (EBT), applicable to the shareholders of the limited partnership in correspondence with their share in the total capital, of currently 42.73%, by the share of taxes applicable to them in accordance with the effective tax rate (see also note (11)) and by subsequently dividing the resultant share of net earnings for the year applicable to the shareholders of the limited partnership by the weighted average of shares that were outstanding in the year under review.

		2010	2009
Income before income taxes*	TEUR	38,654	9,727
Portion of share capital in total capital	%	42.73	42.73
Portion of income before income taxes applicable to the shareholders of the limited partnership	TEUR	16,517	4,156
Effective tax rate*	%	22.4	26.9
Effective tax amount*	TEUR	3,695	1,118
Portion of net earnings for the year applicable to the shareholders of the limited partnership*	TEUR	12,822	3,038
Weighted average of common shares	No.	6,279,200	6,279,200
Repurchased shares (weighted)	No.	(147,805)	(151,648)
Weighted average of shares outstanding	No.	6,131,395	6,127,552
Dilution effects from subscription rights of employees and executives	No.	3	-
Weighted average of shares outstanding (fully diluted)	No.	6,131,398	6,127,552
Basic earnings per share*	EUR	2.09	0.50
Diluted earnings per share*	EUR	2.09	0.50

^{*} Without the shares held by other shareholders

Diluted earnings per share are calculated by dividing the share of net earnings for the year applicable to the shareholders of the limited partnership through the weighted average of shares that were outstanding in the year under review plus the number of shares that would have been issued had outstanding exercise rights been executed.

EARNINGS PER SHARE (13)

C. EXPLANATIONS ON THE CONSOLIDATED BALANCE SHEETS

(14) CASH AND CASH EQUIVALENTS

in TEUR	31 December 2010	31 December 2009
Deposits with financial institutions	25,165	18,767
Checks, cash on hand	44	31
	25,209	18,798

The development of cash and cash equivalents that form the liquid funds in accordance with IAS 7 "Cash Flow Statements" is represented in the statements of cashflows.

(15) MARKETABLE SECURITIES

in TEUR	31 December 2010	31 December 2009
Securities of the category "available for sale"	2,408	-
Securities of the category "trading"	10,782	6,983
	13,190	6,983

(16) TRADE ACCOUNTS RECEIVABLE

		31 December 2010			31 Decei	nber 2009
	With a residual term of up			With a residual term of up	With a residual term of more than	
in TEUR	to 1 year	1 year	Total	to 1 year	1 year	Total
Trade accounts receivable	31,270	1,904	33,174	40,405	1,534	41,939
Less value adjustments	(1,681)	-	(1,681)	(2,354)	-	(2,354)
	29,589	1,904	31,493	38,051	1,534	39,585

Interest earnings from the discounting of long-term receivables totaled TEUR 13 (PY: interest expense of TEUR 30).

in TEUR	Book value	Of which: No impairment of value nor overdue at reporting date	No impairmonument overdue in follo Maximum of 365 days	Of which: ent of value but wing timeframe More than 365 days
31 December 2010 Trade accounts receivable	31,493	16,742	13,328	1,553
31 December 2009 Trade accounts receivable	39,585	29,687	10,153	207

With regard to the amount of trade accounts receivables, which are neither impaired in value nor in arrears, there are no indications at the reporting date of any debtors that are unable to meet their payment obligations.

As of 31 December 2010, Mühlbauer has accepted securities of trade accounts receivable in the amount of TEUR 3,383 (PY: TEUR 8,989) in the form of bank guarantees and letter of credits. Furthermore, Mühlbauer always retains retention of title.

Value adjustments developed as follows:

in TEUR	2010	2009
Value adjustments 1 January	2,354	1,651
Additions (Expenses for value adjustments)	385	1,441
Consumption	(385)	(3)
Dissolutions	(673)	(735)
Value adjustments 31 December	1,681	2,354

The decision to which degree the overdue receivables will be adjusted depends on the individual case. On the reporting date, receivables with the following par value are individually adjusted.

in TEUR	up to 50%	over 50% until 99%	zu 100%
31 December 2010	281	-	1,270
31 December 2009	-	-	1,892

In the 2010 financial year, receivables were individual adjusted in value in the net amount of TEUR 1,551 (PY: TEUR 1,892). These value adjustments were for trade accounts receivables. The total value of the addition in the amount of TEUR 385 (PY: TEUR 1,441) comprises additions due to individual value adjustments in the amount of TEUR 368 (PY: TEUR 1,046) and the value adjustments made that are based on historical experience values in the amount of TEUR 17 (PY: TEUR 395). The consumption of TEUR 385 (PY: TEUR 3) during the reporting period related to specific allowances for bad debts. Dissolution in value adjustments included rescissions from individual value adjustments in the amount of TEUR 486 (PY: TEUR 730) and rescissions made that are based on historical experience values in the amount of TEUR 187 (PY: TEUR 5).

Customized production orders, balanced according to the percentage of completion method, are determined as follows:

in TEUR	31 December 2010	31 December 2009
Incurred order costs and stated earnings less stated losses	123,213	66,568
Less partial accounts	(121,927)	(65,758)
Production orders with amount due from customers	1,286	810

The company received advance payments of TEUR 6,425 (PY: TEUR 5,700) in respect of the customized production orders in progress on the reporting date.

in TEUR	31 December 2010	31 December 2009
Claims on investment and technology grants	2,644	1,132
VAT receivables	1,669	601
Receivables from the personally liable shareholder	1,665	1
Prepaid expenses	869	536
Advance payments made	458	148
Receivables from suppliers	149	147
Claims on investment subsidies	134	8
Guarantees	5	121
Other	752	116
	8,345	2,810

The other current assets are reported at their fair value. If default risks or other risks exist, they are taken into consideration through value adjustments. With regard to the market values of the financial instruments, we herewith refer to information provided in note (30).

With regard to the balance of other assets, which are neither impaired in value nor in arrears, there are no indications at the reporting date of any debtors that are unable to meet their payment obligations. Other current assets contain no material items that are overdue and not impaired.

The tax receivables of TEUR 1,976 (PY: TEUR 1,473) comprise reclaimable trade tax, corporation tax and the solidarity surcharge of the national companies as well as comparable income taxes of the international companies.

OTHER CURRENT ASSETS (17)

TAX RECEIVABLES (18)

-

(19) INVENTORIES

(20) FIXED ASSETS

in TEUR	31 December 2010	
Raw materials, auxiliary and operating materials	11,492	7,165
Unfinished products	36,194	29,206
Finished products	5,139	7,564
	52,825	43,935

Of the inventories reported on 31 December 2010, an amount of TEUR 868 (PY: TEUR 1,264) was valued at its net disposal value. In the year under review, expensed value adjustment on inventory assets was increased by TEUR 11,939 (PY: TEUR 7,478).

Land, rights similar to land and buildings, Advances paid including Other assets, on fixed assets buildings on Technical furniture and asset and office property owned equipment values in in TEUR by others and machines Total equipment progress Accumulated acquisition values 37,695 1 January 2009 46,386 20,439 5,083 109,603 Currency adjustments (25)(44) (78) (5) (4) Additions 5,530 2,217 1,546 1,134 10,427 Retirements (348)(351)(1,317)(36)(2,052)Transfers 4,833 (5,001) 90 31 December 2009 39,646 20,742 117,900 56,376 1,136 Currency adjustments 915 136 235 71 1,357 Additions 7,099 3,931 22,079 10,109 940 Retirements (3,574) (5,324) (18)(1,732)Transfers 646 558 (1,207)3 68,028 31 December 2010 43,865 136,012 23,179 940 Accumulated depreciation (15,188) 1 January 2009 (18,567) (28,800) (62,555) Currency adjustments Additions (1,681)(1,972)(2,028)(5,681)Retirements 328 351 1,225 1,904 Transfers 31 December 2009 (19,920)(30,421)(15,991)(66,332) Currency adjustments (28)(45)(135)(208)Additions (1,956)(2,484)(2,039)(6,479)Retirements 3,548 1,574 5,123 Transfers 31 December 2010 (21,903)(29,402)(16,591)(67,896) Residual book values 31 December 2009 36,456 9,225 4,751 1,136 51,568

The fixed assets acquired or produced in the financial year have been reduced by grants and allowances totalling TEUR 2,864 (PY: TEUR 1,190).

6,588

940

68,116

14,463

31 December 2010

46,125

Depreciation expenses have been taken into account as follows: TEUR 4,355 (PY: TEUR 3,688) in cost of sales, TEUR 628 (PY: TEUR 750) in selling expenses, TEUR 605 (PY: TEUR 544) in administrative expenses and TEUR 891 (PY: TEUR 699) in research and development expenses.

INTANGIBLE ASSETS (21)

in TEUR	Licenses, trademarks and patents, etc. as well as licenses to such rights and assets	Capitalized development costs	Goodwill	Total
III I LON	and assets	COSIS	GOOGWIII	Total
Accumulated acquisition values				
1 January 2009	5,796	12,602	785	19,183
Currency adjustments	(1)	-	-	(1)
Additions from intra-company developments	-	2,644	-	2,644
Other additions	1,017	-	-	1,017
Retirements	(66)	(3,545)	-	(3,611)
Transfers	-	-	-	-
31 December 2009	6,746	11,701	785	19,232
Currency adjustments	19	20	-	39
Additions from intra-company developments	-	2,977	-	2,977
Other additions	1,562	-	-	1,562
Retirements	(10)	(2,613)	-	(2,623)
Transfers	-	-	-	-
31 December 2010	8,317	12,085	785	21,187
Accumulated depreciation				
1 January 2009	(5,205)	(6,189)	(785)	(12,179)
Currency adjustments	-	-	-	-
Additions	(403)	(3,507)	-	(3,910)
Retirements	65	3,545	-	3,610
Transfers	-	-	-	-
31 December 2009	(5,543)	(6,151)	(785)	(12,479)
Currency adjustments	(15)	(2)	-	(17)
Additions	(677)	(3,232)	-	(3,909)
Retirements	5	2,613	-	2,618
Transfers	-	-	-	-
31 December 2010	(6,230)	(6,772)	(785)	(13,787)
Residual book values				
31 December 2009	1,203	5,550	-	6,753
31 December 2010	2,087	5,313	-	7,400

The intangible assets acquired or produced in the financial year have been reduced by grants amounting to TEUR 234 (PY: TEUR 142). Due to a change in assessment regarding the future usability of individual development projects these have been fully value adjusted. Impairment expenses determined from impairment tests were recognized in the amount of TEUR 1,734 (PY: TEUR 1,657) and were recorded income statement-related in the function area research and development expenses.

Depreciation on intangible assets of TEUR 324 (PY: TEUR 76) was recognized as income in the statement of income via cost of sales, TEUR 35 (PY: TEUR 15) in selling expenses, TEUR 148 (PY: TEUR 121) in administrative expenses and TEUR 3,402 (PY: TEUR 3,698) in research and development expenses.

In the year under review, the long-term tax receivables comprise the cash value (interest rate 1.7%) of the claim for repayment of corporation tax reported as income due to the revision of § 37 para. 5 Corporation Tax Law composed in 2006. This claim for repayment of corporation tax derives from the conversion of the German corporation tax system on 1 January 2001, from the tax imputation system to the half-income system. The claim arises on expiry of 31 December 2006 and is paid in 10 equal annual instalments, always on the 30 September of the repayment period 2008 to 2017.

LONG-TERM TAX RECEIVABLES (22)

(23) DOWNPAYMENTS

Of downpayments received to the end of the reporting period, TEUR 6,425 (PY: TEUR 5,700) was received as payments for customized orders. We refer to the notes (16) of the financial statement.

(24) OTHER SHORT-TERM LIABILITIES

in TEUR	31 December 2010	31 December 2009
Salaries and wages	7,273	5,293
Income tax	1,049	963
Customer liabilities	972	434
Commissions	517	672
Social security contributions	282	175
Other liabilities - personnel	100	61
Capital formation	68	64
VAT burden	57	102
Other	372	102
	10,690	7,866

For details regarding liquidity risk from other financial liabilities, we refer to the notes (31) of the financial statement.

(25) ACCRUED INCOME TAXES AND OTHER ACCRUALS

in TEUR	As per 1 January 2010	Difference due to currency translation	Consumption	Addition	Dissolution	As per 31 December 2010
Accrued income taxes	1 501		(1.202)	2.040	(1)	4,146
Personnel and social security	1,581		(1,383)	3,949	(1)	4,140
obligations	528		(467)	1,488	(160)	1,389
Guarantee obligations	4,707	-	(3,903)	4,513	(307)	5,010
Service in progress	1,079	-	(1,073)	2,881	-	2,887
Litigation risks	1,444	(7)	(470)	294	(938)	323
Commissions	276	-	(302)	152	(126)	-
Other	1,209	-	(837)	2,082	(40)	2,414
Other accruals	9,243	(7)	(7,052)	11,410	(1,571)	12,023
	10,824	(7)	(8,435)	15,359	(1,572)	16,169

Accrued income taxes include current income taxes formed for the past financial years and for the 2010 financial year. The personnel-related accruals comprise obligations from variable payments as well as contributions and fees. The guarantee obligations comprise accruals that are formed on the basis of experience and are at the level of guarantee and goodwill claims expected on the account of sales concluded. The litigation risks take into consideration obligations from legal disputes. Costs for legal advice of TEUR 150 were accrued in respect of the proceedings described in (29) Events after the reporting date. The remaining obligations largely comprise risk provisions for losses from pending business, costs relating to the drawing up and publishing of the annual financial statements and outstanding invoices, not yet presented by suppliers. In the year under review, a total of TEUR 1,572 (PY: TEUR 1,080) were dissolved. With the exception of the guarantee accruals, the company basically expects all accruals to become due or to be utilized within 12 months.

(26) PENSION AND POSTRETIREMENT BENEFITS

The Mühlbauer Group provides its employees with different retirement and pension schemes that are primarily based on the length of employment and salary of the employee. Pension obligations exclusively comprise performance-based pension schemes and only include entitlements for pensions to be paid in the future. The pension obligations are secured by assigned reinsurance policies.

The following actuarial parameters have been taken into consideration:

in TEUR	31 December 2010	31 December 2009
Discounting rate	4.75%	5.25%
Future pay increase	3.50%	3.50%
Future pension increase	2.00%	2.00%
Fluctuation	0.00%	0.00%
Expected rate of interest on plan assets	3.50%	3.50%

The value recorded on the balance sheet in respect of "Plan assets" is derived as follows:

in TEUR	31 December 2010	31 December 2009
Cash value of the backed pension commitments	5,968	5,447
Fair value of the plan assets	(6,766)	(6,306)
Financial status	(798)	(859)
Unrealized actuarial profits / (losses)	(507)	(107)
Other long-term assets	(1,305)	(966)

The development of the cash value of the backed pension commitments at TEUR 5,968 (PY: TEUR 5,447), the fair value of the plan assets at TEUR 6,766 (PY: TEUR 6,306) and the actuarial profits/(losses) from experience-based adjustments is represented as follows:

in TEUR	2010	2009
Cash value of the backed pension commitments		
at the beginning of the year	5,447	4,685
Current service cost	176	172
Interest expenses on obligations	277	267
Actuarial profits/(losses)	422	323
Amortization of past service costs	(354)	-
Cash value of the backed pension commitments		
at the end of the year	5,968	5,447
in TEUR	2010	2009
Fair value of the plan assets at the beginning of the year	6,306	5,793
Expected earnings on plan assets	226	208
Actuarial profits/(losses)	16	21
Payments made by the company	218	284
Fair value of the plan assets at the end of the year	6,766	6,306
in TEUR	2010	2009
Experience-based profits/(losses) from the plan assets		
(a) Value	(16)	(21)
(b) in % of the plan assets	(0.2%)	(0.3%)
Experience-based profits/(losses) from the scope of obligations		
(a) Value	172	169
(b) in % of the backed pension commitments	3.0%	3.0%

The plan assets for backed pension commitments are largely comprised of shares, fixed interest securities and real estate funds. They do not include financial instruments issued by the company or real estate utilized by group companies.

The actual income from plan assets amounted to TEUR 241 (PY: expenses TEUR 229) in the year under review.

The company is expected to make a payment of TEUR 153 towards plan assets in the following year.

During the reporting period, the value of the balance sheet item "Plan assets" 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		2010		2009
Plan assets as per 1 January		(966)		(913)
Amounts recorded as income				
Current service cost	176		172	
Interest expenses on obligations	277		267	
Expected earnings on plan assets	(226)		(208)	
Reduction by profits	(348)	(121)	-	231
Contributions to plan assets		(218)		(284)
Plan assets as per 31 December		(1,305)		(966)

For contribution-based pension schemes, which result in no further obligations to the companies of the Mühlbauer Group apart from the payment of contributions, the expenses from current contribution payments amounted to TEUR 350 (PY: TEUR 296) in the reporting period. Furthermore, the company paid employer contributions to the statutory pension insurance fund of TEUR 4,921 (PY: TEUR 4,234).

All expenses in respect of performance and contribution-based pension schemes are included in the operating income.

(27) SHAREHOLDERS' EQUITY

The development of the individual components of group equity during the 2010 financial year is represented in the consolidated statements of changes in shareholders' equity.

Ordinary share capital

Ordinary share capital is reported as subscribed capital. On the reporting date, the ordinary share capital of Mühlbauer Holding AG & Co. KGaA was EUR 8,037,376.00 and was divided up into 6,279,199 bearer no-par value shares, tradable at the regulated market, and one registered no-par value share with a calculatory par value of EUR 1.28 each. Share capital is fully paid up. All limited partners' shares with dividend entitlement have one vote.

SECURA Vermögensverwaltungs GmbH, headquartered in Metten – a company fully controlled by the personally liable shareholder – holds 3,296,852 bearer no-par value shares or a 52.50% participation in the ordinary share capital of Mühlbauer Holding AG & Co. KGaA. This value includes 2,000,000 bearer no-par value shares or 31.85% of the ordinary share capital in respect of which SECURA Vermögensverwaltungs GmbH holds no voting proxy. The personally liable shareholder has made a commitment to the company, starting with 9 September 2002, for a term of ten years, not to exercise his voting rights for these shares while he owns them. The only exclusion from this commitment are cases in which the exercise of his vote or the perception of his right of participation is required to avert serious damage to the company or if the Annual General Meeting resolves matters that require a majority of at least 75% of the entire ordinary share capital of the company – in accordance with the statutes of the company.

The registered no-par value share held by Ms. Anna Antonie Mühlbauer, Metten, grants her the right to appoint one third of all members of the Supervisory Board to same. The right to appoint shall not apply insofar and to the extent that the owner of the share granting the right to appoint is the personally liable shareholder, his personally liable shareholder or one of the members of the Management Board. The owner of the registered no-par value share shall not hold this as a trustee or recipient of orders issued by the personally liable shareholder or another affiliated person. The transfer of the registered no-par value share is only permitted with the agreement of the company, on which the Supervisory Board shall decide at its discretion, in accordance with the statutes.

Mühlbauer Holding AG & Co. KGaA is represented solely by the personally liable shareholder. He is not subject to the personnel competence of the Supervisory Board and can therefore not be dismissed. In accordance with the statutes of the company, the right of approval, which the shareholders of the limited partnership hold in respect of extraordinary transactions, is excluded. The statutes, however, comprise a catalog of transactions – also exceeding ordinary business proceedings – that require the approval of the Supervisory Board, thus providing it with a certain measure of influence with regard to material legal transactions and other activities of the personally liable shareholder. Several resolutions of the Annual General Meeting require the approval of the personally liable shareholder, these include amendments to the statutes and the approval of the annual financial statements.

The ordinary share capital has been conditionally increased by up to EUR 1,996,800.00, through the issue of up to 1,560,000 bearer no-par value shares (conditional capital III). The conditional capital increase is only executed to the extent that the Annual General Meeting, with the approval of the personally liable shareholder, resolves the conversion of the capital share to ordinary share capital. The new shares shall participate in earnings from the beginning of the financial year in which they were issued, after exercising the exchange privilege.

The personally liable shareholder is authorized to increase the ordinary share capital once or several times by 15 April 2013 – with the approval of the Supervisory Board – but only by a maximum of EUR 4,018,688.00 (authorized capital 2008/l), by issuing bearer no-par value shares against cash and/or non-cash contributions. The shareholders shall, on principle be granted subscription rights. With the approval of the Supervisory Board, the personally liable shareholder is, however, entitled to

- a) exclude fractions from the subscription right;
- b) preclude the subscription rights of shareholders to issue the new shares against cash contributions at an issue price that is not significantly below the stock market price;
- preclude the subscription rights of shareholders to render the shares available for the conversion of general partners' capital;
- d) preclude the subscription rights of shareholders to issue the shares against non-cash contributions for the acquisition of companies or company participations.

Own shares

As per the resolution of the Annual General Meeting of 29 April 2010, the personally liable shareholder is authorized – until 28 April 2015 – to acquire shares of the company with a calculatory share in the subscribed capital of a maximum of 10%, i.e. up to 627,920 shares, to be able to offer these to third parties in the context of mergers with other companies or in the context of the acquisition of businesses or participations, to collect them, offer them to holders of subscription rights for purchase or to offer them to employees and/or members of the company's management or an associated company for purchase. In the year under review, no use was made of this authorization to purchase own shares.

Of its stock of 148,995 own shares (accounting par value EUR 190,713.60), the company issued 1,335 shares (PY: 1,385 shares) free of charge as so-called anniversary shares. Also, in the previous year a further 7,615 shares with an accounting par value of EUR 9,747.20 were disposed of at a subscription price of EUR 10.50 per share in the course of the asset formation campaign executed by the company in respect of the employees of the Mühlbauer Group. The earnings were utilized to reinforce the operating capital.

As per 31 December 2010, the company held 147,660 own shares with a computed par value of EUR 189,004.80. The percentage of own shares in the ordinary share capital was 2.35% (PY: 2.37%) as per 31 December 2010. Own shares are reported using the par value method.

Fixed capital contribution

The fixed capital contribution not related to the ordinary share capital ("fixed capital contribution of personally liable shareholder" or "equity share B") of the personally liable shareholder amounts to EUR 10,773,600.00. The deposit of the personally liable shareholder was effected by means of contributing all shares of Mühlbauer GmbH, which was converted to Mühlbauer Aktiengesellschaft on 5 May 1998. The contribution of the shares represents a so-called "Common Control Transaction" (transaction between businesses under uniform management) and was recorded under the book value of the shares. This amounted to TEUR 51 at the time of the contribution.

The Annual General Meeting can resolve the conversion of equity capital B to ordinary share capital with the agreement of the personally liable shareholder. The conversion is effected by means of a capital increase. In so doing, the subscription right of the shareholders of the limited partnership can be excluded. The nominal amount of the capital increase corresponds with the nominal amount of the personally liable shareholder's capital affected. Insofar as authorized capital exists, the capital increase required for the conversion of shareholders of the limited partnership's capital to shares is to be executed using the authorized capital. If this is not legally possible or if the authorized capital is insufficient, the conversion shall be effected by executing a conditional capital increase, insofar as conditional capital is available. If this is not legally possible or if the amount of the capital increase from the conditional capital increase is insufficient, the Annual General Meeting is entitled to create the conditions for conversion by means of a capital increase. The subscription right of the shareholders of the limited partnership can be excluded in this case. In the event of a full conversion of equity share B, the increase of the ordinary share capital will exceed the book value of the fixed capital contribution by TEUR 13,754. If the equity share of the personally liable shareholder is fully converted into ordinary share capital, he must retire as personally liable shareholder when the capital increase becomes effective.

Additional paid-in capital

in TEUR	31 December 2010	31 December 2009
Premium from capital increases	59,557	59,557
Balance from the premium applicable to the purchase/disposal of own shares (pro rata)	(639)	(664)
Share-based adjustment item (reserve in respect of expenditure resulting from conversion schemes or stock option programs)	1,929	1,931
Withdrawal from additional paid-in capital to adjust the ordinary share capital to the euro	(7)	(7)
	60,840	60,817

The premiums from capital increases were reduced by the transaction costs of TEUR 3,907 directly attributable to capital procurement and the associated income tax benefits of TEUR 671 deducted in accordance with IAS 32 "Financial Instruments: Disclosure and Presentation".

Other comprehensive income

The following table shows the development of the changes in equity that do not affect income from the market valuation of financial instruments in connection with IAS 39 "Financial Instruments: Recognition and Measurement".

	Fair value	Difference due to currency	
in TEUR	of securities	translation	Total
Status as per 1 January 2009	(41)	(408)	(449)
Unrealized gains/(losses)	90	-	90
Reclassification with an effect on the income statement	(49)	-	(49)
Currency adjustments	-	(256)	(256)
Deferred taxes			
Tax effect from unrealized gains/(losses)	-	-	-
Reclassification with an effect on the income statement	-	-	-
Status as per 31 December 2009	-	(664)	(664)
Status as per 1 January 2010	-	(664)	(664)
Unrealized gains/(losses)	83	-	83
Reclassification with an effect on the income statement	(9)	-	(9)
Currency adjustments	-	3,192	3,192
Deferred taxes			
Tax effect from unrealized gains/(losses)	(20)	-	(20)
Reclassification with an effect on the income statement	-	-	-
Status as per 31 December 2010	54	2,528	2,582

Retained earnings and appropriation of earnings

Apart from the retained earnings of Mühlbauer Holding AG & Co. KGaA, retained earnings also comprise the earnings reserves of the subsidiaries included in the consolidated financial statements as well as the effects of consolidation measures.

In addition to the payment of a dividend of EUR 1.00 per no-par value share with dividend entitlement executed in the year under review to the shareholders of Mühlbauer Holding AG & Co. KGaA, amounting to a total of TEUR 6,132, the appropriation of earnings also includes the earnings transfer of Mühlbauer Holding AG & Co. KGaA to Mühlbauer Holding AG & Co. Verwaltungs KG due in parallel as a result of the statutes. In correspondence with the capital situation, Mühlbauer Holding AG & Co. Verwaltungs KG participated in the earnings of Mühlbauer Holding AG & Co. KGaA to an amount of TEUR 7,798 (57.27%). Taxes of TEUR 1, paid by the company and to be borne by Mühlbauer Holding AG & Co. Verwaltungs KG are deducted from this amount. The earnings from ordinary business activities on which the statutory earnings transfer is based minus trade income tax of Mühlbauer Holding AG & Co. KGaA amounted to TEUR 13,616 in the previous year.

Stock purchase programs

The personally liable shareholder is authorized, by resolution of the Annual General Meeting, to offer employees own shares of the company for purchase. So far, 5,597 options, distributed across four tranches, have been granted, of which a total of 5,571 options, distributed across two tranches, have been exercised or have expired. The rights to purchase shares ("purchase right") granted to employees, can be exercised at a previously specified subscription price per Mühlbauer share, on the basis of the prior achievement of specific personal performance and team goals. On principle, the purchase right can be exercised within a specific period, without having to observe a waiting period. The development of the stock of all purchase rights for the subscription of shares of Mühlbauer Holding AG & Co. KGaA is shown in the below table:

	Tranche 1
Subscription price in EUR	21.00
Start of the exercise period	21 March 2002
End of the exercise period	-
Outstanding options as per 1 January	26
Options issued within the period	-
Options forfeited within the period	-
Outstanding options as per 31 December	26
- thereof exercisable on 31 December	26

Stock ownership plan to employees

In the previous year, the company offered employees and second-year apprentices and trainees (hereinafter jointly referred to as "employees") shares at favorable conditions, within a set period. In order to qualify for shares, employees must, on principle, have been in a continuous and unterminated employment relationship or apprenticeship/traineeship in the six month period prior to the share offer as well as at the time the shares are allocated; in addition, the purchase is subject to restrictions regarding the number of shares that can be subscribed by the employees. If the shares are subject to a uniform blocking period applicable to all participating domestic group companies, they are only freely available on expiry of the blocking period. The number of own shares issued at a price of EUR 10.50 on the basis of this offer in the previous year totaled 7,615.

The market value of the stock ownership plans to employees is specified on the respective reporting date, on the basis of the Black-Scholes model. In so doing, the following parameters were applied on 31 December 2009:

	2009
Expected dividend yield	0.0%
Expected volatility	68.8%
Risk free rate of interest	1.3%
Expected maturity (in years)	0.3
Market value of the option in EUR	16.50

The difference between the purchase and market price of TEUR 48 was posted as personnel expenditure. The expected volatility was determined based on the relation of the daily yield to the expected yield using the daily closing price as the underlying value. The time frame used to calculate the expected volatility was one year.

In the year under review, employees with a specified seniority received 1 share per year of employment free-of-charge. The number of own shares issued on the basis of this offer totalled 1,335 (PY: 1,385) in the financial year. The cost of TEUR 25 (PY: TEUR 24) was recorded as personnel expenditure.

Shares of other shareholders

The following table shows the development of the share in shareholders' equity held by other shareholders in the year under review:

	2010
Balance on 1 January 2010	
Cash capital increase	36
Changes in shareholders' equity with an effect on the income statement	(23)
Balance on 31 December 2010	13

Capital management

It is a principle of capital management to finance investments and ongoing expenses primarily from internal funds and cashflows generated, whilst targeting not only the optimization of earnings power but also the sustained increase of corporate value and the securing of solvency and independence at all times. Furthermore, the shareholders shall be paid a regular dividend in respect of their deposit.

The above objectives result in the control of capital management by focusing on and optimizing operating business, the financial result and free cashflow. With regard to capital resources, a high equity ratio is targeted. The company is not subject to any statutory capital requirements.

	31 December 2010 TEUR	31 December 2009 TEUR	Change
Short-term liabilities	54,670	36,699	
Long-term liabilities	1,825	2,221	
Liabilities*	56,495	38,920	45.2%
in % of total capital	26.5%	22.1%	
Shareholder's equity	156,802	137,132	14.3%
in % of total capital	73.5%	77.9%	
Total capital	213,297	176,052	21.2%

^{*} including the shares held by other shareholders

	31 December 2010 TEUR	31 December 2009 TEUR
Contractual obligations:		
Obligations from other purchase and service agreements	10,223	6,306
Obligations from the purchase of fixed assets	7,575	3,808
Obligations from the purchase of intangible assets	380	1,302
Obligations from tenancy and insurance agreements	740	643
Total contractual obligations	18,918	12,059

The following table provides an overview of the due dates of the contractual obligations:

	2010 TEUR	
2010	-	11,754
2011	18,831	298
2012	67	3
2013	9	2
2014	6	1
2015	5	1
thereafter	-	-
Total	18,918	12,059

LIABILITY AND OTHER (28) FINANCIAL OBLIGATIONS

On the reporting date, the following contingent liabilities by the company exist in respect of third parties:

	31 December 2010 TEUR	31 December 2009 TEUR
Contingent liabilities		
Conditional benefits from public authorities	13,162	9,331
Commission claims	6,423	-
Contracts	2,747	2,678
License payments	379	421
Claim for damages	50	168
Total contingent liabilities	22,761	12,598

The following table provides an overview of the due dates of the contingent liabilities:

	2010 TEUR	2009 TEUR
2010	-	2,475
2011	15,180	7,201
2012	1,289	1,140
2013	1,070	1,059
2014	124	114
2015	2,069	42
thereafter	3,029	567
Total	22,761	12,598

In May 2010, legal proceedings were instituted before the High Court of Uganda in Kampala, against a non-existent Muhlbauer High Tech International (hereinafter referred to as "MHTI") and against Muehlbauer Uganda Limited, which had been founded by Mühlbauer Holding AG & Co. KGaA on 1 April 2010. The action is to assert the payment of a commission of 10% in respect of the order placed with Mühlbauer ID Services GmbH by the government of the Republic of Uganda for the delivery of a National Security Information System (NSIS) worth EUR 64.2 million, as well as damages for breach of contract, interest and legal fees. Moreover, the plaintiff claims to have provided services to MHTI and demands a hitherto unspecified amount of remuneration in this respect. Mühlbauer has claimed for the dismissal of the case. In the two hearings held so far, the court asked the plaintiff to provide reliable proof of the claim. The claim is still pending. Mühlbauer does not believe that the plaintiff will be able to present reliable proof.

Legal action was instituted against Mühlbauer Aktiengesellschaft before the Regensburg District Court between December 2010 and January 2011. The claim asserts damages and compensation in respect of quality defects in the execution of orders pertaining to the surface treatment of certain mechanical parts, stated by the plaintiff, of a hitherto unspecified level. The company believes that the claim for damages is unjustified and will defend itself against the claim.

The company received benefits from public authorities for the construction and financing of specific production facilities, under the premise that certain project-related criteria are met within a specific timeframe after receipt of the benefits. The company must meet these requirements. If these requirements are, however, not met, a maximum of TEUR 4,424 (PY: TEUR 3,177) of the benefits can be demanded to be returned by the reporting date of 31 December 2010. Furthermore, as parent company of its consolidated subsidiaries, the company has accepted co-liability for specific projects in the event that the subsidiaries do not meet obligations associated with benefits and take responsibility for the repayment due. The maximum amount repayable by the consolidated subsidiaries on the reporting date of 31 December 2010, amounts to TEUR 8,738 (PY: TEUR 6,154).

In connection with its ordinary business activities, the company is obliged to exempt its contract partners from specific risks linked to basic business, with regard to certain sales and other agreements. The maximum level of possible future payments in respect of this type of agreement amounted to TEUR 10 in the previous year.

D. SEGMENT REPORTING

The Mühlbauer Group is structured into four business areas (Cards & TECURITY®, Semiconductor Related Products, Precision Parts & Systems and Traceability), identified on the basis of their products and services, their marketing methods and their production processes. Due to the high level of integration of the individual business areas, which utilizes synergy effects across all business areas, the management and reporting is extended across the entire Mühlbauer Group. The control mechanism available to the personally liable shareholder is an internal reporting system, which represents Group-external order income, sales and order backlog by business area. Sales thus represent the reportable results in accordance with IFRS 8. A breakdown by business area of the reportable net results corresponding to these sales is not effected.

The products and services of the Group's four business areas are shown in the following overview:

Business area	Products and services
Cards & TECURITY®	Supply of machines and systems for the production of industry-based card applications, such as bank, credit or SIM cards, as well as the development, implementation and turn-key realization of ID projects for the production of innovative security documents, starting with systems for the capture and verification of personal data, through to production systems for the manufacture and personalization of ID cards, healthcare cards, driver's licenses or electronic passports and fully automatic, biometric access and border crossing control systems, as well as the provision of services for such projects.
Semiconductor Related Products	Supply of automation systems for the manufacture and personalization of RFID inlays and their subsequent conversion to Smart Labels. Machines for specific niche applications in the semiconductor backend area, such as die sorting systems, systems for flip chip bonding and carrier tape systems, as well as the provision of services for such machines.
Precision Parts & Systems	Production of precision parts by means of machining and by processing metals and plastics; the development and manufacture of products, modules and systems that are based on such precision parts, as well as the sale of these products.
Traceability	Supply of systems for the application of paper- and laser-based markings on electronic components for the traceability purposes and greater product security of scanning stations, data management systems as well as complete board handling and automation solutions and the provision of services in respect of such systems.

The information required in accordance with IFRS 8 was presented as follows as per 31 December 2010 and 31 December 2009:

Sales by application area	2010 TEUR	
Cards & TECURITY®	126,902	112,784
Semiconductor Related Products	49,748	29,480
Precision Parts & Systems	21,734	12,722
Traceability	9,205	5,813
	207,589	160,799
Deductions in earnings	(342)	(311)
	207,247	160,488

Sales by region	2010 TEUR	2009 TEUR
Europe (excluding Germany)	50,200	50,708
Asia	59,370	40,799
Germany	32,121	29,029
Africa	43,306	22,159
The Americas	22,592	18,104
	207,589	160,799
Deductions in earnings	(342)	(311)
	207,247	160,488

Additional information about geographical areas	Germany 2010 TEUR	Europe (excl. Germany) 2010 TEUR	Asia 2010 TEUR	The Americas 2010 TEUR	Africa 2010 TEUR	Con- solidated 2010 TEUR
Long-term assets (excl. financial instruments)	54,454	10,857	6,280	5,807	70	77,468
Investments in fixed assets	15,990	3,630	2,777	(77)*	26	22,346
Investments in intangible assets	4,308	57	158	16	-	4,539
Deferred tax assets	1,065	-	71	141	197	1,474
Pension obligations	(1,305)	-	-	-	-	(1,305)

^{*} The investments were reduced by subsidies in respect of additions to assets that had been retrospectively applied for in the previous year and were granted.

Additional information about geographical areas	Germany 2009 TEUR	Europe (excl. Germany) 2009 TEUR	Asia 2009 TEUR	The Americas 2009 TEUR	Africa 2009 TEUR	Con- solidated 2009 TEUR
Long-term assets (excl. financial instruments)	42,740	8,440	3,575	5,659	51	60,465
Investments in fixed assets	963	7,469	256	5,568	38	14,294
Investments in intangible assets	3,567	29	65	-	-	3,661
Deferred tax assets	776	9	85	6	161	1,037
Pension obligations	(966)	-	-	-	-	(966)

The statement of regional breakdown is determined on basis of country of delivery. In the reporting year sales proceeds from a single customer amounted to TEUR 36,076 (PY: TEUR 18,434).

E. NOTES TO THE STATEMENT OF CASH-FLOWS

The cashflow statement in accordance with IAS 7 "Cash Flow Statements" records cashflows of a financial year to depict information on the financial transactions of the company. The cashflows are differentiated by operating activities as well as investing and financing activities.

The liquid fund in the cashflow statement comprises all cash and cash equivalents listed in the balance sheet as well as short-term marketable securities, insofar as these have a residual term of no more than three months, on acquisition.

The cashflow from operating activities is determined in accordance with the indirect method, by adjusting net earnings by changes in inventories, trade accounts receivable and payable, positions that do not affect income and all other positions representing cashflows in the investing or financing areas. The cashflows from investing or financing activities were determined in relation to payments. In so doing, currency translation effects and changes in the scope of consolidation were adjusted.

Free cashflow is used as an internal control parameter in respect of the liquidity contribution of the Mühlbauer Group and is the total from the inflows of business and investment activities, adjusted by the purchase and disposal of securities in current and financial assets as well as the resultant net profits and losses, payments for loans and payments from the disposal of objects included in fixed assets as well as the resultant profits and losses and differences arising from the currency translation of long-term assets.

Free cashflow is thus derived as follows:

	2010 TEUR	2009 TEUR
Cash provided by (used for) operating activities	47,865	30,239
Cash provided by (used for) investment activities	(27,915)	(15,651)
Subtotal	19,950	14,588
Transition to free cashflow		
Gains/(losses) from the sale of fixed assets and intangible assets	512	54
Realized net gains/(losses) from short and long-term marketable securities	364	99
Proceeds from disposals of long-term assets	(717)	(207)
Proceeds from sale of short-term assets (marketable securities)	(26,832)	(27,577)
Investments in short-term assets (marketable securities)	32,607	16,385
Free cashflow	25,884	3,342

In the financial year, the dividend payments contained in the cashflow from financing activities were comprised as follows:

	2010 TEUR
Dividends paid to shareholders of the limited partnership	6,132
Statutory earnings transfer by the company to	
Mühlbauer Holding AG & Co. Verwaltungs KG in respect of the 2008 financial year	7,798
Total dividend payments and earnings transfers	13,930

(29) EVENTS AFTER THE REPORTING DATE

F. OTHER NOTES

Patent law proceedings based on the invalidity of a patent held by the company which was determined by the High Court of the Republic of Singapore on 23 February 2009, Mühlbauer Aktiengesellschaft (hereinafter referred to as "subsidiary") was ordered to reimburse the counterparty with costs of EUR 0.7 million incurred in connection with the litigation process. The appeal court of the Republic of Singapore, which the subsidiary had subsequently appealed to, determined on 23 February 2010 that the contested patent declared void in the first instance is valid in its entirety and thus eliminated the uncertainty existing at the subsidiary up until this point. In addition, the appeal court lifted the cost reimbursement determined by the first instance and granted the company the reimbursement of legal and consulting costs as well as compensation. The subsidiary therefore dissolved the reserve that it had formed during the first instance in the 2009 financial year in its income statement in the 2010 financial year and posted the proceedings costs amounting to the equivalent of EUR 0.4 million reimbursed by the counterparty as revenue in its income statement.

Due to subsequent different opinions by both parties with regard to the amount of the loss of damage to be compensated by the counterparty due to its breach of patent, the subsidiary requested its compensation claims be determined in court by the High Court of the Republic of Singapore. On 31 January 2011, the parties signed an out-of-court settlement with which they agreed to the payment of an amount equating to some EUR 1.0 million by the counterparty to the subsidiary to settle all compensation claims. At the same time, the subsidiary undertook to withdraw its legal action pending before the High Court of the Republic of Singapore as soon as the counterparty has complied with its payment obligation. The subsidiary will recognize the compensation in its income statement once the payment has been received.

Other events of major significance did not occur after the 2010 reporting date.

(30) ADDITIONAL INFORMATION REGARDING FINANCIAL INSTRUMENTS

Valuation of financial instruments by classes

Based on the relevant balance sheet items, the following table provides a coherent overview of the classifications and stated valuations of the individual financial instruments.

	Valuation c	ategory		\		n balance dance wi Fair value		
in TEUR		cording	Book value 31 Dec. 2010				with effect on income	Fair Value 31 Dec. 2010
Assets								
Cash and cash equivalent	s	-	25,209	25,209	-	-	-	25,209
Trade accounts receivable	*	LaR	31,493	31,493	-	-	-	31,493
Other financial receivables	;	LaR	2,409	2,409	-	-	-	2,409
Other primary financial ass	sets							
Available-for-sale financial assets		AfS	2,408	-	2,333	75	-	2,408
Financial assets held for	trading	FAHfT	10,782		10,735	-	47	10,782
Derivative financial assets								
Without effective hedge relationship		FAHfT	_	_	-	-	-	-
With hedge relationship		-	-	-	-	-	-	-
Liabilities								
Trade accounts payable		FLAC	10,962	10,962	-	-	-	10,962
Derivative financial liabilitie	es	-	187	-	-	-	187	187
Other financial liabilities		FLAC	10,570	10,570	-	-	-	10,570
Aggregated according to valuation classes								
Loans and receivables (La	ıR)		33,902	33,902	-	-	-	33,902
Available-for-sale financial	assets (A	fS)	2,408	-	2,333	75	-	2,408
Financial assets held for tr	ading (FA	HfT)	10,782	-	10,735		47	10,782
Financial liabilities measure cost (FLAC)	ed at amoi	tized	21,532	21,532	-	-	-	21,532

				'		n balance dance wi		
	Valuatio	n category			accoi		Fair value	
	valuatio		Book value	Amortized	Historic		with effect	Fair Value
in TEUR		to IAS 39	31 Dec. 2009	cost	cost	on income	on income	31 Dec. 2009
Assets								
Cash and cash equivalen	ts	-	18,798	18,798	-	-	-	18,798
Trade accounts receivable	e*	LaR	39,585	39,585	-	-	-	39,585
Other financial receivable	s	LaR	386	386	-	-	-	386
Other primary financial as	sets							
Available-for-sale financial assets		AfS	-	_	-	-	-	-
Financial assets held for	trading	FAHfT	6,983	-	6,930	-	53	6,983
Derivative financial assets	;							
Without effective hedge relationship		FAHfT	-	-	-	-	-	-
With hedge relationship		-	-	-	-	-	-	-
Liabilities								
Trade accounts payable		FLAC	7,128	7,128	-	-	-	7,128
Derivative financial liabiliti	es	-	1	-	-	-	1	1
Other financial liabilities		FLAC	7,733	7,733	-	-	-	7,733
Aggregated according to valuation classes								
Loans and receivables (La	aR)		39,971	39,971	-	-	-	39,971
Available-for-sale financia	l assets	(AfS)	-	-	-	-	-	-
Financial assets held for t	rading	(FAHfT)	6,983	-	6,930	-	53	6,983
Financial liabilities measur cost (FLAC)	ed at ar	nortized	14,861	14,861	-	-	-	14,861

^{*} including receivables accounted according to the percentage of completion method

The securities listed in the valuation category Financial Assets Held for Trading are discount certificates that were classified as structured products. The securities listed in the valuation category Financial Assets Held for Trading are discount certificates that were classified as structured products. As a result of being listed on an organized market, the fair value of these securities is effected in the fair value hierarchy of IFRS 7.27A in accordance with level 1 (listed market prices for identical assets or liability on active markets).

The option of valuing them as income at their fair value was exercised.

The book value of cash and cash equivalents, short-term trade accounts receivable, other financial receivables, financial debts, trade accounts payable and other short-term liabilities of the company correspond closely to the fair value on 31 December 2010, due to their short maturity. Long-term accounts receivable were valued at amortized cost using the effective interest rate method.

Net result by valuation categories

	From interest	From revaluation			From retirements	Net result 2010
in TEUR - 2010		At fair value	Currency translation	Value adjustment		
Loans and receivables (LaR)	138	-	(997)	667	-	(192)
Available-for-sale financial assets (AfS)	-	-	(84)	-	14	(70)
Financial assets/liabilities held for trading (FAHfT/FLHfT)	-	47	-	-	297	344
Financial liabilities measured at amortised cost (FLAC)	(1)	-	(245)	-	-	(246)
Total	137	47	(1,326)	667	311	(164)

	From interest	From revaluation			From retirements	Net result 2009
in TEUR - 2009		At fair value	Currency translation	Value adjustment		
Loans and receivables (LaR)	173	-	(10)	(755)	-	(592)
Available-for-sale financial assets (AfS)	_	-	60	-	75	135
Financial assets/liabilities held for trading (FAHfT/FLHfT)	_	53	-	-	25	78
Financial liabilities measured at amortised cost (FLAC)	(3)	-	24	-	-	21
Total	170	53	74	(755)	100	(358)

The difference between expenses and income from value adjustments to the category loans and receivables for the amendment of value adjustments in respect of trade accounts receivable (note (16)) results from direct value adjustments to trade accounts receivable, which were not preceded by anticipated value adjustments. The interest from financial instruments is reported in the financial result (note (10)).

The expenses from value adjustments to trade accounts receivable (in the previous year from income from the revocation of such value adjustments), to be allocated to the valuation category loans and receivables, are reported under selling expenses (note (6)).

Also carried in the category loans and receivables are commission expenses in the amount of TEUR 1,071 (PY: TEUR 1,141).

(31) RISK MANAGEMENT AND FINANCIAL DERIVATIVES

Principles of risk management

The Mühlbauer Group is exposed to particular risks in regards to its assets, liabilities and planned transactions due to fluctuations in foreign exchange rates, interest rates and share prices.

The main objective of financial risk management is to limit these market risks, which are encountered in the course of normal, ongoing operating and financially oriented activities. Based on the risk assessment selected derivatives or non-derivative financial instruments will be implemented. Derivative financial instruments are used as hedging instruments and are, as a matter of principle, not used for trading or speculative purposes.

The guidelines for financial policies are determined on an annual basis by management and are monitored by the Supervisory Board. The implementation of financial policies as well as the ongoing risk management is incumbent upon management. Certain transactions require the explicit authorization from management, which is also continually informed by the risk committee regarding the extent and amount of current risk exposure (measurement of risk).

Foreign currency risks

Foreign currency risks to which the Mühlbauer Group is exposed primarily result from operative activities, contribution of equity to subsidiaries in non-euro countries, as well as financial receivables from and liabilities owed to foreign subsidiaries.

To avoid concluding a binding hedging transaction before the order has been placed, currency risk is eliminated during the bidding phase by a so-called price variation clause. As soon as the underlying transaction has been concluded, attempts are made to minimize the exchange risk by the use of forward exchange contracts. To the extent that market expectations permit, such transactions are also concluded at a later point in time. If there are timing differences between previously expected receipts of payments and the presumed actual receipt of payment, a hedge ensues by prolonging the forward exchange contract. If an already concluded hedging transaction proves ineffective, it will be categorized as Held-for-Trading.

Furthermore, the company encounters currency risks, particularly in the course of the construction and expansion of facilities in foreign locations. It is hereby attempted to meet payments in the local currency with the corresponding currency by invoicing in the local currency. The injected shareholders' equity funding and financial receivables from and liabilities owed to subsidiaries in foreign currencies are not currently hedged.

To demonstrate inherent market risks, IFRS 7 requires sensitivity analyses to evaluate the impacts of hypothetical changes of relevant risk variables on income and shareholders' equity. In addition to currency risks, the Mühlbauer Group is exposed to interest rate risks as well as price risks in regard to its investments. Periodic impacts are determined by projecting the hypothetical changes caused by the risk variables to the balance of the financial instruments on the financial reporting date. The underlying assumption is that the balance for the financial reporting date is representative for the entire year.

Currency risks as defined by IFRS 7 occur in financial instruments which are denominated in a currency other than a functional currency and are of a monetary type. Relevant risk variables basically apply to all non-functional currencies, in which Mühlbauer uses financial instruments.

The underlying assumptions regarding currency sensitivities are as follows:

- No currency risk is applied to financial instruments (cash and cash equivalents, receivables, interest bearing marketable securities or debt capital instruments held, interest bearing debt, non-interest bearing liabilities), which are carried in a functional currency.
- Primary and derivative financial instruments which are not carried in a functional currency are considered a currency risk and are included in the sensitivity analysis.
- Receivables and liabilities between domestic and foreign subsidiaries which are not carried
 in functional currency are also considered a currency risk for the Mühlbauer Group and are
 therefore also included in the sensitivity analysis.

If the value of the Euro to the US-dollar had been 10% stronger on 31 December 2010, earnings and thereby shareholders' equity would have been TEUR 83 lower (TEUR 499 lower on 31 December 2009). If the value of the Euro in regards to all other currencies had been 10% stronger on 31 December 2010, earnings would have been TEUR 21 lower (TEUR 63 lower on 31 December 2009). Converse currency developments have an analog effect.

Interest risks

The Mühlbauer Group is largely subject to interest risks with regard to investments. Interest rate risks are disclosed in accordance with IFRS 7 sensitivity analyses. These analyses depict the effects of changes of market interest rates on the fair value of financial instruments as well as on shareholders' equity. The underlying assumptions regarding interest sensitivities are as follows:

Due to the change in interest rate, the market values of fixed-interest securities alter. By evaluating long-term receivables using the effective interest method, a change in market interest ensues, which leads to a change in the fair value of the financial instrument. Currency derivatives are not subject to future changes in interest rates and therefore have no effect on interest sensitivity. Significant external interest bearing financial obligations do not currently exist. Based on the current market evaluation, the risk of a change in interest rates is considered minimal.

If the market interest level had been 100 basis points higher on 31 December 2010, earnings would have been TEUR 34 (31 December 2009: TEUR 28) and total shareholders' equity TEUR 34 (31 December 2009: TEUR 28) lower. If the market interest rates would have been lower by 100 basis points on 31 December 2010, earnings would have been TEUR 31 (31 December 2009: TEUR 29) and shareholders' equity TEUR 31 (31 December 2009: TEUR 29) higher.

Default risks

The Mühlbauer Group is exposed to the risk of default in the course of conducting business and pursuing certain financial activities. The company controls these risks by means of a consistent receivables management, which is equipped with escalation processes in conjunction with regular reporting as well as a comprehensive check on the creditworthiness of new customers. To minimize the risk of default, hedging is only concluded with leading financial institutions.

The maximum default risk is expressed by the book value of the financial assets carried on the balance sheet (incl. derivative financial instruments with a positive market value), minus the securities received (notes (16)). No significant agreements such as settlement agreements that diminished the maximum default risk existed at the financial reporting date.

Liquidity risks

31 December 2010 in TEUR	due within 1 month	due after 1 month
Trade accounts payable	10,952	10
Other financial liabilities	10,690	-
Total	21,642	10

31 December 2009 in TEUR	due within 1 month	due after 1 month
Trade accounts payable	7,079	49
Other financial liabilities	7,734	-
Total	14,813	49

To ensure the company's solvency at all times as well as its financial flexibility, Mühlbauer holds liquidity reserves in the form of lines of credit and, if necessary, cash and cash equivalents. As at 31 December 2010, the company agreed a short-term and unsecured line of credit amounting to TEUR 2,500 with a financial institution. Of this credit, TEUR 1,833 was available on the reporting date. As at 31 December 2009, the short-term and unsecured lines of credit agreed between the company and several different financial institutions amounted to TEUR 5,000, of which TEUR 4,402 was available. Interest is based on a variable base interest rate with a fixed margin.

Other price risks

To depict potential market risk, IFRS 7 requires the disclosure of how any hypothetical changes in risk variables impact the price of financial instruments. Risk variables particularly include stock prices or indices. The Mühlbauer Group is subject to price risks primarily due to the financing investments and its own shares. Due to the inevitable fluctuations in stock prices, the market value of the securities change, resulting therefore in a change in income and shareholders' equity.

If the price level on which the financial instruments are based had been 10% higher on 31 December 2010, shareholders' equity would have increased by TEUR 245 (PY: TEUR 39). If the price level on which the financial instruments are based had been 10% lower on 31 December 2010, shareholders' equity would have been TEUR 308 lower (unchanged in the previous year).

Hedging measures

Hedges in accordance with IAS 39 are used in the form of fair value hedges. On the reporting date, the company held forward exchange deals with a book value of TEUR -187 (PY: TEUR -1) in the context of fair value hedges.

Gains and losses from hedging activities are as follows:

in TEUR			r (loss) edging uments	from I	r (loss) hedged osition
Hedging instrument	Hedged position	2010	2009	2010	2009
Fair value hedges	Trade accounts receivable	(301)	(12)	311	13

The Declaration of Conformity in accordance with § 161 AktG (German Stock Corporation Act) was issued in November 2010 and can be permanently accessed by shareholders on the internet.

The remuneration for the audits executed in the financial year amounts to TEUR 119. TEUR 2 of the other services provided by the auditor in the previous year has been recorded as expense.

Associated companies and persons within the meaning of IAS 24 "Related Party Disclosures" are on principle the companies controlled by Mühlbauer Holding AG & Co. KGaA, Mühlbauer Holding AG & Co. Verwaltungs KG as personally liable shareholder of Mühlbauer Holding AG & Co. KGaA and its personally liable shareholder without an equity share, Mühlbauer Beteiligungs Aktiengesellschaft and SECURA Vermögensverwaltungs GmbH, controlled by Mühlbauer Holding AG & Co. Verwaltungs KG.

Moreover, the disclosure requirement in accordance with IAS 24 also extends to persons who can exercise a significant influence over the company, i.e. those individuals who participate in the financial and business policies of the company without, however, being able to exert a controlling influence over these policies, including closely related family members. In the 2010 financial year this applied to members of the Group's Supervisory Board, members of the Supervisory Board and Management Board of Mühlbauer Aktiengesellschaft and their close relatives.

As per 31 December 2010, receivables existed of TEUR 1,665 (PY: TEUR 1), resulting from taxes paid by the company and to be borne by Mühlbauer Holding AG & Co. Verwaltungs KG. In addition, as per 31 December 2010, liabilities of TEUR 7 (PY: TEUR 7) existed toward Mühlbauer Beteiligungs Aktiengesellschaft. This balance results from the compensation of expenditure in connection with the management.

Following the proposal of the personally liable shareholder and Supervisory Board, the remuneration of the Supervisory Board is determined by the Annual General Meeting. Apart from the compensation of expenses paid in cash, the cash payment consists exclusively of a fixed share, while the Chairman of the company's Supervisory Board receives double the amount of a Supervisory Board member and the Vice Chairman one and a half times the amount. The Chairman of the Supervisory Board, Dr. Thomas Zwissler, was paid a fixed share of Supervisory Board remuneration in respect of the reporting period of a total of TEUR 12 (PY: TEUR 12), the member of the Supervisory Board Prof. Dr. Kurt Faltlhauser was paid a total of TEUR 7 (PY: TEUR 7) and the Supervisory Board member Steffen Harlfinger TEUR 4 (PY: 4 TEUR). The amounts paid to the Supervisory Board members derived from the position held within the respective corporate body at Mühlbauer Holding AG & Co. KGaA and Mühlbauer Aktiengesell-schaft, while the Supervisory Board members received a fixed remuneration in respect of the activities on behalf of Mühlbauer Aktiengesellschaft.

CORPORATE GOVERNANCE (32)

REMUNERATION
OF THE AUDITOR

RELATIONSHIPS WITH (34)
ASSOCIATED COMPANIES
AND PERSONS

Dr. Thomas Zwissler, Chairman of the Supervisory Board is also an attorney and partner of the international law firm Zirngibl Langwieser. The company occasionally provides legal consultation to the Mühlbauer Group. The fees for such services amounted to TEUR 58 (PY: TEUR 64) in the year under review.

In the 2010 financial year, the Management Board of Mühlbauer Aktiengesellschaft received fixed remuneration totaling TEUR 707 (PY: TEUR 729) and variable remuneration of TEUR 195 (PY: TEUR 130). Pension and postretirement benefits decreased by TEUR 121 net in the 2010 financial year. In so doing, the gross allocation of TEUR 453 was reduced by the expected earnings from plan assets of TEUR 226 and a plan cut of TEUR 348 resulting from a change in the Management Board of Mühlbauer Aktiengesellschaft. In the same period of the previous year, TEUR 231 net were allocated to pension and postretirement benefits; this net allocation results from a gross allocation of TEUR 439, offset against the expected earnings of TEUR 208 from plan assets.

For the claim of benefits from closely related family members TEUR 49 (PY: TEUR 56) were expanded in the reporting year.

The companies Mühlbauer Aktiengesellschaft, ASEM Präzisions-Automaten-GmbH und takelD GmbH rent office and residential premises from Mr. Josef Mühlbauer and from a company in which Mr. Mühlbauer holds a participation. Mr. Mühlbauer is the CEO of Mühlbauer Beteiligungs AG and holds sole power of representation. Mühlbauer Beteiligungs AG is the personally liable shareholder of Mühlbauer Holding AG & Co. Verwaltungs KG, which is in turn the personally liable shareholder of Mühlbauer Holding AG & Co. KGaA. The term of the tenancies are indefinite and can be terminated by either party under observance of a notice period of up to six months in accordance with German legislation. In the year under review, rental costs amounted to TEUR 316 (PY: TEUR 313).

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. Group companies paid TEUR 740 (PY: TEUR 793) including the current amount of VAT for such services in the year under review. In the year under review, Mühlbauer Aktiengesellschaft paid TEUR 77 (PY: TEUR 39), including the current amount of VAT, to Mr. Josef Mühlbauer or companies controlled by him in respect of services and products sold provided.

The terms and conditions of business transactions with related companies and persons correspond to those with independent, non-affiliated business partners.

(35) NUMBER OF EMPLOYEES

The number of staff employed by the Group on an annual average is shown in the below table:

	2010 Number	2009 Number
Production and assembly	1,083	945
Research and development	380	334
Administration and sales	203	203
	1,666	1,482
Apprentices, trainees and part-time employees	432	415
	2,098	1,897

Number of employees by region for the financial year under review:

	2010 Number	2009 Number
Germany	1,689	1,627
Asia	221	157
Europe (excluding Germany)	148	87
The Americas	28	22
Others	12	4
Total	2,098	1,897

As personally liable shareholder, Mühlbauer Holding AG & Co Verwaltungs KG, Roding, is entitled to manage and represent the company. The sole limited partner of Mühlbauer Holding AG & Co Verwaltungs KG is Mr. Josef Mühlbauer, the personally liable shareholder is Mühlbauer Beteiligungs Aktiengesellschaft, Roding. The sole shareholder and only Management Board member of Mühlbauer Beteiligungs Aktiengesellschaft is Mr. Josef Mühlbauer.

During the 2010 financial year the following persons were appointed to the Supervisory Board of Mühlbauer Holding AG & Co KGaA:

	Age	End of term	Membership on further Supervisory Boards and other comparable committees
Dr. Thomas Zwissler Chairman (since 29 April 2003)	42	2011	Attorney and partner of the law firm Zirngibl Langwieser, Munich
			External seats:
			Member of the Supervisory Board • Mühlbauer Beteiligungs AG, Roding (Chairman) • Going Public Media AG, Wolfratshausen (Chairman)
			Group seats:
			Member of the Supervisory Board • Mühlbauer Aktiengesellschaft, Roding (Chairman)
Prof. Dr. Kurt Faltlhauser Vice Chairman (since 29 April 2008)	70	2013	Of Counsel at PSP Peters, Schönberger & Partner Rechtsanwälte, Wirtschaftsprüfer, Steuerberater
			External seats:
			Member of the Supervisory Board • Mühlbauer Beteiligungs AG, Roding • Fürst Fugger Privatbank KG, Augsburg • Prime Office AG, München
			Group seats:
			Member of the Supervisory Board • Mühlbauer Aktiengesellschaft, Roding
Steffen Harlfinger (since 29 April 2008)	40	2013	Head of Technical Vocational Training at Mühlbauer AG
			Group seats:
			Member of the Supervisory Board • Mühlbauer Aktiengesellschaft, Roding

In accordance with § 58 para 2 AktG (German Stock Corporation Act), the dividend distribution of Mühlbauer Holding AG & Co KGaA is based on the net income for the year shown in the annual financial statements of Mühlbauer Holding AG & Co KGaA, drawn up according to commercial law In accordance with the financial statements of Mühlbauer Holding AG & Co. KGaA, drawn up as required by commercial law, a net income for the year of TEUR 8,191 is distributable. The statutory share in profits of TEUR 10,990, attributable to the personally liable shareholder according to his equity share (we refer to the comments in note (27)) was deducted from the net income for the year and entered into his retained earnings. The personally liable shareholder and Supervisory Board intend to propose a dividend distribution from the net income for the year of EUR 1.30 (PY: EUR 1.00) per no-par value share with dividend entitlement and to carry forward the remaining net income for the year.

This consolidated financial report was released for publication on 10 March 2011 by the personally liable shareholder.

Mühlbauer Holding AG & Co. Kommanditgesellschaft auf Aktien

The personally liable shareholder

1 llighter

Josef Mühlbauer

RELATIONSHIPS WITH (36) ASSOCIATED COMPANIES AND PERSONS

PROPOSAL FOR THE (37) APPROPRIATION OF EARNINGS



Assurance of the Legal Representative

I herewith assure, to the best of my knowledge, that the consolidated financial statements, drawn up in accordance with the accounting principles, reflect the actual 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 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.

Roding, 10 March 2011

The personally liable shareholder

Josef Mühlbauer

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We have audited the consolidated financial statements prepared by the Mühlbauer Holding AG & Co. Kommandit-gesellschaft auf Aktien, Roding, comprising the statement of financial position, the statement of income, the statement of changes in shareholder's equity, the statement of cash-flows and the notes to the consolidated financial statements, together with the group management report for the business year from January 1st 2010 to December 31st 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] and supplementary provisions of articles of incorporation are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsge-setzbuch "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and supplementary provisions of articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 11 March 2011

KPMG AG Wirtschaftsprüfungsgesellschaft

Dr. Grottel Auditor

Mühlhuber Auditor



The first months of the reporting year were characterized by the effects of the economic crisis familiar from the previous year. However, the significant improvement in demand over the course of the year was a pleasing development and led to the identification of a positive market environment overall. The focus of the work of the Supervisory Board was therefore on the adjustment of the company and its strategies to the rapidly changing boundary parameters. At the same time, the company pushed forward with its measures to internationalize its operating activities and to further develop its organization. The Supervisory Board actively accompanied this process and the associated changes to the risk landscape relevant for the company through consultation and discussion with the Management Board. At the same time, the Supervisory Board also complied with its statutory monitoring obligation.

Composition of the Supervisory Board

In the year under review there were no changes to the composition of the Supervisory Board.

Meetings of the Supervisory Board

In five ordinary meetings – held on 9 March, 16 March, 15 June, 21 September and 30 November 2010, the Supervisory Board informed itself in detail of the company's development and situation, its strategic corporate planning and the key business transactions. In this context, great importance is attached to the reporting systems for preparing these meetings, which provide comprehensive information to the Supervisory Board in a timely manner. Questions pertaining to risk management form a regular part of the reporting system.

In the year under review, further essential areas of the Supervisory Board's auditing and consulting activities were:

- Annual financial statement of the company and consolidated financial statement as per 31 December 2009 (meetings of 9 March and 16 March 2010);
- Takeover of large-volume project agreements by Mühlbauer AG and its subsidiaries (meetings of 16 March, 21 September and 30 November 2010);
- Strategy, opportunities and risks of the Precision Parts & Systems business line (in particular meetings on 16 March 2010 and 15 June 2010);
- Legal disputes in the US, Germany and Singapore and their resolution (in particular meetings of 15 June and 21 September 2010);
- Restructuring measures within the group (meetings of 21 September and 30 November 2010);
- German Corporate Governance Code (in particular meeting of 30 November 2010).

The members of the Supervisory Board participated in all Supervisory Board meetings. In the individual meetings the Supervisory Board convinced itself of the fact that the personally liable shareholder duly manages business. Furthermore, the Chairman of the Supervisory Board was kept informed by the personally liable shareholder and the management on key development and decisions within the company on an ongoing basis. Where necessary, the Supervisory Board passed resolutions in writing or by telephone.

The recommendations and suggestions of the German Corporate Governance Code were repeatedly discussed by the Supervisory Board. The Supervisory Board continuously monitored its efficiency and issued the declaration of conformity in accordance with § 161 AktG (German Stock Corporation Act). Details are provided separately in the Annual Report. No conflicts of interest were discerned among the Supervisory Board members (in particular with regard to the German Corporate Governance Code). Insofar as the Supervisory Board approved of the activities of Zirngibl Langwieser Rechtsanwälte Partnerschaft, in which Dr. Zwissler participates as a partner, Dr. Zwissler abstained from voting. Measures that are subject to the approval of the Supervisory Board were discussed before passing a resolution.

Committees

In view of the total number of Supervisory Board members, no committees were formed.

Financial accounting

The KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, was selected as external auditor by the Annual General Meeting and assigned by the Supervisory Board. The external auditor audited the annual financial statement of Mühlbauer Holding AG & Co. KGaA and the consolidated financial statement as per 31 December 2010, as well as the management report and the consolidated management report including accounting. He approved them without qualification. Furthermore, the external auditor audited the company's early risk management system pursuant to § 317 para. 4 of the German Commercial Code (HGB) and, as a result, confirmed that the statutory management obligations are fully complied with.

On 15 March 2011, the balance sheet meeting of the Supervisory Board was held. In this meeting, in particular, the annual financial statement, the consolidated financial statement, the management report and the consolidated management report were discussed. The Supervisory Board was provided with all necessary documents before the meeting. The external auditor attended the meeting while the Supervisory Board debated on the annual financial statement, the consolidated financial statement, the management report and the consolidated management report and he gave a detailed report on the process and all major findings of the audit. He also provided additional information on request.

After own examination of the annual financial statement, the consolidated financial statement, the management report and the consolidated management report, the Supervisory Board approved the audit results obtained by the external auditor. The Supervisory Board therefore proposes that the Annual General Meeting accepts the financial statement of Mühlbauer Holding AG & Co. KGaA in the version submitted on 31 December 2010.

The Supervisory Board endorses the proposal of the personally liable shareholder to use the net income available to pay out a dividend of EUR 1.30 per share on the company's dividend-entitled capital stock for 2010.

Report of the personally liable shareholder on relations to affiliated companies

The external auditor also audited the report on relations to affiliated companies in the 2010 financial year, drawn up by the personally liable shareholder pursuant to § 312 AktG and reported on the result. The auditor issued the following certificate:

"On the basis of our obligatory audit and assessment, we confirm that

- 1. the actual information in the report is correct,
- 2. the payment by the company for the legal services listed in the report was not inappropriately high."

The Supervisory Board examined the report on relations to affiliated companies in the 2010 financial year and discussed it in its meeting dated 15 March 2011. It did not raise any objections against the declaration of the personally liable shareholder and the audit result of the external auditor.

The members of the Supervisory Board would like to thank the personally liable shareholder, the Management Board and all employees for their commitment in the 2010 financial year.

Roding, 15 March 2011

For the Supervisory Board

Dr. Thomas Zwissler Chairman

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Several years overview ¹		2010 IFRS	2009 IFRS	2008 IFRS	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2004 US-GAAP	2003 US-GAAP	2002 US-GAAP	2001 US-GAAP
Consolidated Balance Sheets												
Short-term assets	TEUR	131,134	112,050	128,246	112,939	109,001	105,128	91,735	90,001	72,217	79,031	83,167
Cash and cash equivalents	TEUR	25,209	18,798	17,122	16,425	11,311	13,507	20,365	20,365	12,597	13,110	2,206
Marketable securities	TEUR	13,190	6,983	17,981	21,062	21,819	32,687	13,561	13,255	3,498	2,261	2,592
Trade accounts receivables, net	TEUR	29,589	38,051	34,033	29,536	30,106	21,985	22,462	21,703	20,348	19,161	19,645
Other short-term assets	TEUR	8,345	2,810	5,830	4,770	4,598	2,441	2,461	2,301	1,521	1,095	1,444
Tax receivables	TEUR	1,976	1,473	2,882	1,233	1,360	976	670	161	26	59	5,148
Inventories	TEUR	52,825	43,935	50,398	39,913	39,807	33,532	32,216	32,216	34,227	43,345	52,132
Long-term assets												
Financial assets	TEUR	1,904	1,534	741	8,248	12,859	11,088	10,141	10,440	9,241	7,383	7,749
Marketable securities	TEUR	0	0	0	4,562	11,524	10,809	10,134	10,440	9,241	7,383	7,749
Trade accounts receivables, net	TEUR	1,904	1,534	741	1,536	1,335	279	7	0	0	0	0
Other financial assets	TEUR	0	0	0	2,150	0	0	0	0	0	0	0
Fixed assets	TEUR	68,116	51,568	47,048	39,987	40,123	39,018	39,472	46,765	41,333	41,189	45,169
Land and Buildings, net	TEUR	46,125	36,456	27,819	26,276	25,683	27,343	28,916	34,202	29,995	31,625	32,479
Technical equipment, net	TEUR	14,463	9,225	8,895	8,217	8,895	5,965	5,010	6,174	6,016		
Furniture and office equipment, net	TEUR	6,588	4,751	5,251	5,315	5,168	5,510	5,481	6,320	5,282	9,539	12,621
Assets in progress	TEUR	940	1,136	5,083	179	377	200	65	69	40	25	69
Intangible assets	TEUR	7,400	6,753	7,004	9,604	10,010	8,412	6,870	482	877	1,025	1,398
Goodwill	TEUR	0	0	0	0	0	0	0	0	468	468	468
Software and licenses	TEUR	2,087	1,203	591	1,001	1,039	638	411	482	409	557	930
Capitalized development costs	TEUR	5,313	5,550	6,413	8,603	8,971	7,774	6,459		0	0	0
Other long-term assets	TEUR	4,743	4,147	4,006	3,853	3,236	609	262	1,308	1,888	804	459
Long-term tax assets	TEUR	1,952	2,144	2,334 759	2,389 162	2,268 42	99	234	0	201	804	459
Other long-term assets		1,486	1,037 966	759 913		926	510	234			804	459
	TEUR	1,305			1,302				1,308	1,687		
Short-term liabilities	TEUR	54,670	36,699	39,417	29,396	30,411	35,000	32,535	31,664	17,724	20,254	23,138
Trade accounts payable	TEUR	10.062	7 129	10.579	21	7 655	960	1,023	1,023	1,025	1,050	3,525
Trade accounts payable	TEUR	10,962 16,849	7,128 10,881	10,578 7,439	6,068 6,769	7,655 5,646	6,150 10,330	8,383 4,704	7,028 4,704	4,751 329	7,038 1,604	5,646 4,565
Advance payments												
Other short-term liabilities	TEUR	10,690	7,866	10,689	5,226	4,723	6,385	5,496	5,496	4,959	5,312	4,757
Accrued income taxes	TEUR	4,146	1,581	1,900	1,962	2,540	2,919	7,230	6,424	2,135	760	217
Other accruals	TEUR	12,023	9,243	8,789	9,350	9,847	8,256	5,699	6,989	4,525	4,490	4,428
Long-term liabilities	TEUR	1,825	2,221	2,658	3,492	4,519	4,109	5,112	10,052	9,898	10,925	12,980
Convertible bonds	TEUR	0	0	0	0	0	0	0	0	0	37	39
debt	TEUR	0	0	0 **	0	0	0	925	925	1,913	3,001	3,883
Investment grants received	TEUR								7,369	5,993	5,832	6,721
Deferred tax liabilities	TEUR	1,825	2,221	2,658	3,492	4,519	4,109	4,187	1,758	1,274	1,681	2,013
Postretirement and postemployment benefit liabilities	TEUR	0	0	0	0	0	0	0	0	718	374	324
Shareholders' Equity	TEUR	156,802	137,132	144,970	141,743	140,299	125,146	110,833	107,280	97,934	98,253	101,824
Ordinary share capital	TEUR	8,038	8,038	8,038	8,038	8,038	8,038	8,038	8,038	8,038	8,038	8,038
Own shares	TEUR	(189)	(191)	(202)	(214)	(240)	(259)	(285)	(285)	(261)	(219)	(22)
Fixed capital contributions	TEUR	(2,980)	(2,980)	(2,980)	(2,980)	(2,980)	(2,980)	(2,980)	(2,980)	(2,980)	(2,980)	(2,980)
Additional paid-in capital	TEUR	60,840	60,817	60,677	60,483	59,872	59,319	58,739	57,995	57,901	58,351	60,086
Other comprehensive income	TEUR	2,582	(664)	(449)	326	1,259	2,219	1,429	1,403	1,032	156	260
Retained earnings	TEUR	88,498	72,112	79,886	76,090	74,350	58,809	45,892	43,109	34,204	34,907	36,442
Shares of other shareholders	TEUR	13	0	0	0	0	0	0	0	04,204	04,307	0,442
Total assets and liabilities	TEUR	213.297	176.052	187,045	174.631	175,229	164,255	148.480	148,996	125,556	129,432	137,942
Change yoy	ILUN	213,291	170,032	107,045	174,031	175,225	104,233	140,400	140,330	125,550	125,432	137,342
Short-term assets	%	17.0	(12.6)	13.6	3.6	3.7	14.6		24.3	(0.3)	(4.5)	(10.4)
		24.1	107.0		(35.9)	16.0	9.3		13.0	(9.3)	(4.5)	(28.0)
Investment and long-term financial assets Fixed assets	%	32.1	9.6	(91.0)	(0.3)	2.8	(1.2)		13.1	0.3	(8.8)	16.2
Intangible assets	%	9.6				19.0	22.4					
Other fixed assets	%	14.4	(3.6)	(27.1)	(4.1)	431.4	132.4		(45.0)	(14.4) 134.8	(26.7) 75.2	(30.4)
Short-term liabilities	%	49.0	(6.9)	34.1	(3.3)	(13.1)	7.6		79.6	(12.5)	(12.5)	(15.2)
Long-term liabilities	%	(17.8)	(16.4)	(23.9)	(22.7)	10.0	(19.6)		(0.1)	(9.4)	(12.5)	(2.2)
Shareholders' Equity	%	14.3	(5.4)	(23.9)	1.0	12.1	12.9		9.5	(0.3)	(3.5)	(2.2)
Key figures	/0	14.3	(0.4)	2.3	1.0	14.1	12.3		5.5	(0.3)	(3.3)	(2.4)
IVEA HARIES												
Gross capital expentitures without capitalized development costs	TEUR	27,006	16,643	8,999	6,908	9,176	6,272	11,706	11,706	6,224	2,338	13,099
Gross capital expentitures without capitalized development costs	TEUR TEUR	27,006 8,225	16,643 7,080	8,999 6,985	6,908 7,066	9,176 6,741	6,272 6,172	11,706 6,424	11,706 6,424	6,224 6,190	2,338 6,656	13,099
Gross capital expentitures without												
Gross capital expentitures without capitalized development costs Depreciation and amortization	TEUR	8,225	7,080	6,985	7,066	6,741	6,172	6,424	6,424	6,190	6,656	7,319
Gross capital expentitures without capitalized development costs Depreciation and amortization Working Capital ²	TEUR TEUR	8,225 38,065	7,080 49,570	6,985 53,748	7,066 46,077	6,741 45,460	6,172 24,894	6,424 26,297	6,424 25,578	6,190 39,624	6,656 45,260	7,319 59,215
Gross capital expentitures without capitalized development costs Depreciation and amortization Working Capital ² Working Capital-Intensity ³	TEUR TEUR %	8,225 38,065 18.4	7,080 49,570 30.9	6,985 53,748 31.1	7,066 46,077 29.0	6,741 45,460 28.3	6,172 24,894 16.8	6,424 26,297 20.4	6,424 25,578 20.0	6,190 39,624 41.6	6,656 45,260 49.6	7,319 59,215 66.2
Gross capital expentitures without capitalized development costs Depreciation and amortization Working Capital ² Working Capital ³ Capital Employed ⁴ Net cash position	TEUR TEUR % TEUR	8,225 38,065 18.4 114,886	7,080 49,570 30.9 108,857	6,985 53,748 31.1 108,713	7,066 46,077 29.0 96,970	6,741 45,460 28.3 96,519	6,172 24,894 16.8 72,834	6,424 26,297 20.4 72,667	6,424 25,578 20.0 74,133	6,190 39,624 41.6 83,521	6,656 45,260 49.6 87,474	7,319 59,215 66.2 105,782 5,139
Gross capital expentitures without capitalized development costs Depreciation and amortization Working Capital ² Working Capital-Intensity ³ Capital Employed ⁴	TEUR TEUR % TEUR TEUR	8,225 38,065 18.4 114,886 38,399	7,080 49,570 30.9 108,857 25,781	6,985 53,748 31.1 108,713 35,081	7,066 46,077 29.0 96,970 42,028	6,741 45,460 28.3 96,519 44,654	6,172 24,894 16.8 72,834 56,043	6,424 26,297 20.4 72,667 42,112	6,424 25,578 20.0 74,133 42,112	6,190 39,624 41.6 83,521 22,398	6,656 45,260 49.6 87,474 18,703	7,319 59,215 66.2 105,782
Gross capital expentitures without capitalized development costs Depreciation and amortization Working Capital ² Working Capital-Intensity ³ Capital Employed ⁴ Net cash position Equity ratio	TEUR TEUR % TEUR TEUR	8,225 38,065 18.4 114,886 38,399	7,080 49,570 30.9 108,857 25,781	6,985 53,748 31.1 108,713 35,081	7,066 46,077 29.0 96,970 42,028	6,741 45,460 28.3 96,519 44,654	6,172 24,894 16.8 72,834 56,043	6,424 26,297 20.4 72,667 42,112	6,424 25,578 20.0 74,133 42,112	6,190 39,624 41.6 83,521 22,398	6,656 45,260 49.6 87,474 18,703	7,319 59,215 66.2 105,782 5,139
Gross capital expentitures without capitalized development costs Depreciation and amortization Working Capital ² Working Capital-Intensity ³ Capital Employed ⁴ Net cash position Equity ratio Employees	TEUR TEUR % TEUR TEUR TEUR %	8,225 38,065 18.4 114,886 38,399 73.5	7,080 49,570 30.9 108,857 25,781 77.9	6,985 53,748 31.1 108,713 35,081 77.5	7,066 46,077 29.0 96,970 42,028 81.2	6,741 45,460 28.3 96,519 44,654 80.1	6,172 24,894 16.8 72,834 56,043 76.2	6,424 26,297 20.4 72,667 42,112 74.6	6,424 25,578 20.0 74,133 42,112 72.0	6,190 39,624 41.6 83,521 22,398 78.0	6,656 45,260 49.6 87,474 18,703 75.9	7,319 59,215 66.2 105,782 5,139 73.8
Gross capital expentitures without capitalized development costs Depreciation and amortization Working Capital ² Working Capital-Intensity ³ Capital Employed ⁴ Net cash position Equity ratio Employees Average per year	TEUR TEUR % TEUR TEUR % Number	8,225 38,065 18.4 114,886 38,399 73.5	7,080 49,570 30.9 108,857 25,781 77.9	6,985 53,748 31.1 108,713 35,081 77.5	7,066 46,077 29.0 96,970 42,028 81.2	6,741 45,460 28.3 96,519 44,654 80.1	6,172 24,894 16.8 72,834 56,043 76.2	6,424 26,297 20.4 72,667 42,112 74.6	6,424 25,578 20.0 74,133 42,112 72.0	6,190 39,624 41.6 83,521 22,398 78.0	6,656 45,260 49.6 87,474 18,703 75.9	7,319 59,215 66.2 105,782 5,139 73.8
Gross capital expentitures without capitalized development costs Depreciation and amortization Working Capital ² Working Capital-Intensity ³ Capital Employed ⁴ Net cash position Equity ratio Employees Average per year Production and assembly	TEUR % TEUR TEUR TEUR % Number	8,225 38,065 18.4 114,886 38,399 73.5 2,098 1,083	7,080 49,570 30.9 108,857 25,781 77.9 1,897 945	6,985 53,748 31.1 108,713 35,081 77.5 1,841	7,066 46,077 29.0 96,970 42,028 81.2 1,710	6,741 45,460 28.3 96,519 44,654 80.1 1,529	6,172 24,894 16.8 72,834 56,043 76.2 1,433 758	6,424 26,297 20.4 72,667 42,112 74.6 1,338 729	6,424 25,578 20.0 74,133 42,112 72.0	6,190 39,624 41.6 83,521 22,398 78.0	6,656 45,260 49.6 87,474 18,703 75.9	7,319 59,215 66.2 105,782 5,139 73.8
Gross capital expentitures without capitalized development costs Depreciation and amortization Working Capital ² Working Capital ² Working Capital-Intensity ³ Capital Employed ⁴ Net cash position Equity ratio Employees Average per year Production and assembly Research and development Administration and sales	TEUR TEUR % TEUR TEUR % Number Number Number Number	8,225 38,065 18.4 114,886 38,399 73.5 2,098 1,083 380 203	7,080 49,570 30.9 108,857 25,781 77.9 1,897 945 334 203	6,985 53,748 31.1 108,713 35,081 77.5 1,841 939 332 193	7,066 46,077 29.0 96,970 42,028 81.2 1,710 884 318 178	6,741 45,460 28.3 96,519 44,654 80.1 1,529 806 289	6,172 24,894 16.8 72,834 56,043 76.2 1,433 758 265	6,424 26,297 20.4 72,667 42,112 74.6 1,338 729 220 132	6,424 25,578 20.0 74,133 42,112 72.0 1,338	6,190 39,624 41.6 83,521 22,398 78.0	6,656 45,260 49.6 87,474 18,703 75.9	7,319 59,215 66.2 105,782 5,139 73.8
Gross capital expentitures without capitalized development costs Depreciation and amortization Working Capital ² Working Capital ² Working Capital-Intensity ³ Capital Employed ⁴ Net cash position Equity ratio Employees Average per year Production and assembly Research and development Administration and sales Trainees and part-timers	TEUR TEUR % TEUR TEUR % Number Number Number Number Number Number	8,225 38,065 18.4 114,886 38,399 73.5 2,098 1,083 380	7,080 49,570 30.9 108,857 25,781 77.9 1,897 945 334	6,985 53,748 31.1 108,713 35,081 77.5 1,841 939 332	7,066 46,077 29.0 96,970 42,028 81.2 1,710 884 318	6,741 45,460 28.3 96,519 44,654 80.1 1,529 806 289	6,172 24,894 16.8 72,834 56,043 76.2 1,433 758 265	6,424 26,297 20.4 72,667 42,112 74.6 1,338 729 220	6,424 25,578 20.0 74,133 42,112 72.0 1,338	6,190 39,624 41.6 83,521 22,398 78.0 1,262	6,656 45,260 49.6 87,474 18,703 75.9 1,274	7,319 59,215 66.2 105,782 5,139 73.8 1,299
Gross capital expentitures without capitalized development costs Depreciation and amortization Working Capital ² Working Capital ² Working Capital-Intensity ³ Capital Employed ⁴ Net cash position Equity ratio Employees Average per year Production and assembly Research and development Administration and sales Trainees and part-timers Skilled workers	TEUR TEUR % TEUR TEUR % Number Number Number Number Number Number	8,225 38,065 18.4 114,886 38,399 73.5 2,098 1,083 380 203	7,080 49,570 30.9 108,857 25,781 77.9 1,897 945 334 203	6,985 53,748 31.1 108,713 35,081 77.5 1,841 939 332 193	7,066 46,077 29.0 96,970 42,028 81.2 1,710 884 318 178	6,741 45,460 28.3 96,519 44,654 80.1 1,529 806 289	6,172 24,894 16.8 72,834 56,043 76.2 1,433 758 265	6,424 26,297 20.4 72,667 42,112 74.6 1,338 729 220 132	6,424 25,578 20.0 74,133 42,112 72.0 1,338	6,190 39,624 41.6 83,521 22,398 78.0 1,262	6,656 45,260 49.6 87,474 18,703 75.9 1,274	7,319 59,215 66.2 105,782 5,139 73.8 1,299
Gross capital expentitures without capitalized development costs Depreciation and amortization Working Capital 2 Working Capital-Intensity 3 Capital Employed 4 Net cash position Equity ratio Employees Average per year Production and assembly Research and development Administration and sales Trainees and part-timers Skilled workers Salaried employees	TEUR TEUR % TEUR TEUR % Number Number Number Number Number Number	8,225 38,065 18.4 114,886 38,399 73.5 2,098 1,083 380 203	7,080 49,570 30.9 108,857 25,781 77.9 1,897 945 334 203	6,985 53,748 31.1 108,713 35,081 77.5 1,841 939 332 193	7,066 46,077 29.0 96,970 42,028 81.2 1,710 884 318 178	6,741 45,460 28.3 96,519 44,654 80.1 1,529 806 289	6,172 24,894 16.8 72,834 56,043 76.2 1,433 758 265	6,424 26,297 20.4 72,667 42,112 74.6 1,338 729 220 132	6,424 25,578 20.0 74,133 42,112 72.0 1,338	6,190 39,624 41.6 83,521 22,398 78.0 1,262	6,656 45,260 49.6 87,474 18,703 75.9 1,274	7,319 59,215 66.2 105,782 5,139 73.8
Gross capital expentitures without capitalized development costs Depreciation and amortization Working Capital 2 Working Capital - Intensity 3 Capital Employed 4 Net cash position Equity ratio Employees Average per year Production and assembly Research and development Administration and sales Trainees and part-timers Skilled workers Salaried employees Mühlbauer Holding AG & Co, KGaA	TEUR TEUR % TEUR TEUR % Number Number Number Number Number Number	8,225 38,065 18.4 114,886 38,399 73.5 2,098 1,083 380 203 432	7,080 49,570 30.9 108,857 25,781 77.9 1,897 945 334 203 415	6,985 53,748 31.1 108,713 35,081 77.5 1,841 939 332 193 377	7,066 46,077 29.0 96,970 42,028 81.2 1,710 884 318 178 330	6,741 45,460 28.3 96,519 44,654 80.1 1,529 806 289 145 289	6,172 24,894 16.8 72,834 56,043 76.2 1,433 758 265 144 266	6,424 26,297 20.4 72,667 42,112 74.6 1,338 729 220 132 257	6,424 25,578 20.0 74,133 42,112 72.0 1,338	6,190 39,624 41.6 83,521 22,398 78.0 1,262	6,656 45,260 49.6 87,474 18,703 75.9 1,274	7,319 59,215 66.2 105,782 5,139 73.8 1,299 261 574 464
Gross capital expentitures without capitalized development costs Depreciation and amortization Working Capital 2 Working Capital-Intensity 3 Capital Employed 4 Net cash position Equity ratio Employees Average per year Production and assembly Research and development Administration and sales Trainees and part-timers Skilled workers Salaried employees Mühlbauer Holding AG & Co, KGaA Total stock capital 5	TEUR % TEUR % TEUR % Number Number Number Number Number Number Number	8,225 38,065 18.4 114,886 38,399 73.5 2,098 1,083 380 203 432	7,080 49,570 30.9 108,857 25,781 77.9 1,897 945 334 203 415	6,985 53,748 31.1 108,713 35,081 77.5 1,841 939 332 193 377	7,066 46,077 29.0 96,970 42,028 81.2 1,710 884 318 178 330	6,741 45,460 28.3 96,519 44,654 80.1 1,529 806 289 145 289	6,172 24,894 16.8 72,834 56,043 76.2 1,433 758 265 144 266	6,424 26,297 20.4 72,667 42,112 74.6 1,338 729 220 132 257	6,424 25,578 20.0 74,133 42,112 72.0 1,338 257 553 528	6,190 39,624 41.6 83,521 22,398 78.0 1,262 263 515 484	6,656 45,260 49,6 87,474 18,703 75,9 1,274 269 521 484	7,319 59,215 66.2 105,782 5,139 73.8 1,299 261 574 464
Gross capital expentitures without capitalized development costs Depreciation and amorization Working Capital 2 Working Capital 2 Working Capital Intensity 3 Capital Employed 4 Net cash position Equity ratio Employees Average per year Production and assembly Research and development Administration and sales Trainees and part-timers Skilled workers Salaried employees Mühlbauer Holding AG & Co, KGaA Total stock capital 5 Total issued and outstanding shares 4	TEUR TEUR % TEUR TEUR % Number Number Number Number Number Number TEUR TEUR	8,225 38,065 18,4 114,886 38,399 73.5 2,098 1,083 380 203 432	7,080 49,570 30.9 108,857 25,781 77.9 1,897 945 334 203 415	6,985 53,748 31.1 108,713 35,081 77.5 1,841 939 332 193 377	7,066 46,077 29.0 96,970 42,028 81.2 1,710 884 318 178 330	6,741 45,460 28.3 96,519 44,654 80.1 1,529 806 289 145 289	6,172 24,894 16.8 72,834 56,043 76.2 1,433 758 265 144 266	6,424 26,297 20.4 72,667 42,112 74.6 1,338 729 220 132 257	6,424 25,578 20.0 74,133 42,112 72.0 1,338 257 553 528 18,811 14,696	6,190 39,624 41.6 83,521 22,398 78.0 1,262 263 515 484 18,811 14,696	6,656 45,260 49.6 87,474 18,703 75.9 1,274 269 521 484 18,811 14,696	7,319 59,215 66.2 105,782 5,139 73.8 1,299 261 574 464 18,811 14,696
Gross capital expentitures without capitalized development costs Depreciation and amorization Working Capital 2 Working Capital 2 Working Capital 4 Net cash position Equity ratio Employees Average per year Production and assembly Research and development Administration and sales Trainees and part-timers Skilled workers Salaried employees Mühlbauer Holding AG & Co, KGaA Total stock capital 5 Total issued and outstanding shares 6 Dividend per share 7	TEUR TEUR % TEUR % Number	8,225 38,065 18.4 114,886 38,399 73.5 2,098 1,083 380 203 432 18,811 14,696 1.30	7,080 49,570 30.9 108,857 25,781 77.9 1,897 945 334 203 415	6,985 53,748 31.1 108,713 35,081 77.5 1,841 939 332 193 377	7,066 46,077 29.0 96,970 42,028 81.2 1,710 884 318 178 330	6,741 45,460 28.3 96,519 44,654 80.1 1,529 806 289 145 289	6,172 24,894 16.8 72,834 56,043 76.2 1,433 758 265 144 266	6,424 26,297 20.4 72,667 42,112 74.6 1,338 729 220 132 257	6,424 25,578 20.0 74,133 42,112 72.0 1,338 257 553 528 18,811 14,696 0.60	6,190 39,624 41.6 83,521 22,398 78.0 1,262 263 515 484 18,811 14,696 0.35	6,656 45,260 49.6 87,474 18,703 75.9 1,274 269 521 484 18,811 14,696 0.30	7,319 59,215 66.2 105,782 5,139 73.8 1,299 261 574 464 18,811 14,696 0.30
Gross capital expentitures without capitalized development costs Depreciation and amorization Working Capital 2 Working Capital 2 Working Capital Intensity 3 Capital Employed 4 Net cash position Equity ratio Employees Average per year Production and assembly Research and development Administration and sales Trainees and part-timers Skilled workers Salaried employees Mühlbauer Holding AG & Co, KGaA Total stock capital 5 Total issued and outstanding shares 4	TEUR TEUR % TEUR TEUR % Number Number Number Number Number Number TEUR TEUR	8,225 38,065 18,4 114,886 38,399 73.5 2,098 1,083 380 203 432	7,080 49,570 30.9 108,857 25,781 77.9 1,897 945 334 203 415	6,985 53,748 31.1 108,713 35,081 77.5 1,841 939 332 193 377	7,066 46,077 29.0 96,970 42,028 81.2 1,710 884 318 178 330	6,741 45,460 28.3 96,519 44,654 80.1 1,529 806 289 145 289	6,172 24,894 16.8 72,834 56,043 76.2 1,433 758 265 144 266	6,424 26,297 20.4 72,667 42,112 74.6 1,338 729 220 132 257	6,424 25,578 20.0 74,133 42,112 72.0 1,338 257 553 528 18,811 14,696	6,190 39,624 41.6 83,521 22,398 78.0 1,262 263 515 484 18,811 14,696	6,656 45,260 49.6 87,474 18,703 75.9 1,274 269 521 484 18,811 14,696	7,319 59,215 66.2 105,782 5,139 73.8 1,299 261 574 464 18,811 14,696

Certain US-GAAP figures were adjusted to IFRS- statement
 Non interest short-term assets – non interest current liabilities

Working capital/Sales
 Working capital + Fixed assets
 Common stock and fixed capital contribution of the personally liable shareholder

<sup>Obtained on total stock capital
Subject to the approval of the AGM
In furniture and office equipment included
No information due to elimination against long-term assets</sup>

Several years overview		2010 IFRS	2009 IFRS	2008 IFRS	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2004 US-GAAP	2003 US-GAAP	2002 US-GAAP	2001 US-GAAP
Consolidated Income Statements									30 anni	30 WAAT	30 anni	JU JANA
Sales												
by applications	TEUR	207,247	160,488	172,575	159,134	160,676	147,932	128,939	128,180	95,204	91,317	89,422
Cards & TECURITY® 1	TEUR	126,902	112,784	100,848	89,154	91,814	86,861	54,850	54,541	39,335	50,651	47,781
Semiconductor Related Products ¹	TEUR	49,748	29,480	34,905	36,138	39,361	35,564	49,325	48,875	35,619	22,103	24,464
Traceability Precision Parts & Systems 1	TEUR TEUR	9,205	5,813 12,722	17,710 19,424	13,956	13,689 16,061	10,893	7,390 17,603	7,390 17,603	5,679 14,680	6,641 12,085	7,366
Other	TEUR	(342)	(311)	(312)	(367)	(249)	(175)	(229)	(229)	(109)	(163)	(305)
by regions	TEUR	207,247	160,488	172,575	159,134	160,676	147,932	128,939	128,180	95,204	91,317	89,422
Germany	TEUR	32,121	29,029	43,753	43,233	41,564	44,828	53,360	53,068	45,316	43,369	38,059
Other Europe	TEUR	50,200	50,708	61,063	56,612	40,126	31,471	34,197	34,122	21,175	26,799	24,422
Africa	TEUR	43,306	22,159	10,474	6,819	4,604	3,560	5,428	5,278	2,380	179	947
North America	TEUR	16,445	12,452	14,668	5,449	6,018	13,595	8,302	8,227	4,221	3,392	2,545
South America	TEUR	6,147	5,652	2,651	2,661	4,679	8,420	2,136	2,136	403	852	3,740
Asia	TEUR	58,929	39,975	40,227	43,905	63,882	46,160	25,382	25,215	21,676	16,766	19,479
Australia Other	TEUR TEUR	(342)	824	(210)	822	52	73	363 (229)	363	(109)	123	535
Cost of sales	TEUR	(124,788)	(311)	(312) (101,851)	(367) (94,931)	(249) (91,406)	(175) (83,518)	(75,365)	(229) (76,205)	(63,007)	(163) (61,370)	(305) (60,758)
of sales	%	(60.2)	(66.3)	(59.0)	(59.7)	(56.9)	(56.5)	(58.5)	(59.5)	(66.2)	(67.2)	(67.9)
Gross profit	TEUR	82,459	54,105	70,724	64,203	69,270	64,414	53,574	51,975	32,197	29,947	28,664
of sales	%	39.8	33.7	41.0	40.3	43.1	43.5	41.5	40.5	33.8	32.8	32.1
Operating expenses												
Selling and administrative	TEUR	(23,044)	(21,177)	(22,765)	(17,242)	(19,075)	(15,926)	(14,719)	(16,799)	(16,616)	(16,682)	(13,486)
of sales	%	(11.1)	(13.2)	(13.2)	(10.8)	(11.9)	(10.8)	(11.4)	(13.1)	(17.5)	(18.3)	(15.1)
Research and development	TEUR	(23,904)	(21,088)	(22,731)	(20,280)	(17,081)	(15,264)	(13,048)	(14,006)	(11,392)	(10,761)	(10,244)
of sales	% TEUD	(11.5)	(13.1)	(13.2)	(12.7)	(10.6)	(10.3)	(10.1)	(10.9)	(12.0)	(11.8)	(11.5)
Other income ²	TEUR	4,596	1,466	2,335	1,000	1,409	653	1,535	4,447	4,357	3,475	3,549
Other expenses ²	% TEUR	(1,916)	0.9 (3,690)	(3,326)	(1,270)	(86)	(803)	(104)	3.5	4.6	3.8	4.0
of sales	%	(0.9)	(2.3)	(3,326)	(0.8)	(0.1)	(0.5)	(0.1)				
EBITDA ³	TEUR	46,416	16,696	31,222	33,477	41,178	39,246	33,662	32,041	14,736	12,635	15,802
of sales	%	22.4	10.4	18.1	21.0	25.6	26.5	26.1	25.0	15.5	13.8	17.7
EBIT ⁴	TEUR	38,191	9,616	24,237	26,411	34,437	33,074	27,238	25,617	8,546	5,979	8,483
of sales	%	18.4	6.0	14.0	16.6	21.4	22.4	21.1	20.0	9.0	6.5	9.5
Financial result												
Financial income	TEUR	749	688	3,859	2,970	3,747	2,335	1,048	1,109	1,673	1,101	6,397
of sales	%	0.4	0.4	2.2	1.9	2.3	1.6	0.8	0.9	1.8	1.2	7.2
Financial expenses	TEUR	(315)	(577)	(3,697)	(937)	(171)	(741)	(409)	(415)	(728)	(2,290)	(8,317)
of sales EBT 5	% TEUR	(0.2) 38,625	9,727	(2.1) 24,399	(0.6) 28,444	(0.1) 38,013	(0.5) 34,668	(0.3) 27,877	(0.3) 26,311	(0.8) 9,491	(2.5) 4,790	(9.3) 6,563
of sales	%	18.6	6.1	14.1	17.9	23.7	23.4	21.6	20,311	10.0	5.2	7.3
Income taxes	TEUR	(8,332)	(2,380)	(6,125)	(9,330)	(10,285)	(11,648)	(10,054)	(9,374)	(2,977)	(1,871)	(1,012)
of sales	%	(4.0)	(1.5)	(3.5)	(5.9)	(6.4)	(7.9)	(7.8)	(7.3)	(3.1)	(2.0)	(1.1)
Ordinary income net of tax	TEUR	30,293	7,347	18,274	19,114	27,728	23,020	17,823	16,937	6,514	2,919	5,551
of sales	%	14.6	4.6	10.6	12.0	17.3	15.6	13.8	13.2	6.8	3.2	6.2
Extraordinary gains	TEUR	0	0	0	0	0	0	0	0	0	587	0
of sales	%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.0
Net earnings	TEUR	30,293	7,347	18,274	19,114	27,728	23,020	17,823	16,937	6,514	3,506	5,551
of sales	%	14.6	4.6	10.6	12.0	17.3	15.6	13.8	13.2	6.8	3.8	6.2
Change yoy	0/	20.1	(7.0)	0.4	(1.0)	0.6	14.7		24.6	4.0	0.1	(10.0)
Sales Gross profit	%	29.1 52.4	(7.0)	10.2	(1.0)	7.5	14.7 20.2		34.6 61.4	7.5	2.1 4.5	(18.9)
EBIT	%	297.2	(60.3)	(8.2)	(23.3)	4.1	21.4		199.8	42.9	(29.5)	(64.6)
EBT	%	297.1	(60.1)	(14.2)	(25.2)	9.6	24.4		177.2	98.1	(27.0)	(73.8)
									160.0	123.2		(68.6)
Ordinary income net of tax	%	312.3	(59.8)	(4.4)	(31.1)	20.5	29.2				(47.4)	
Ordinary income net of tax Net earnings			(59.8) (59.8)	(4.4) (4.4)	(31.1)	20.5	29.2		160.0	85.8	(36.8)	(68.6)
	%	312.3										
Net earnings	%	312.3										
Net earnings Key figures Earnings per share basic	% % EUR	312.3 312.3 2.09	(59.8)			1.90		1.23			0.20	
Net earnings Key figures Earnings per share basic fully diluted	% % EUR EUR	312.3 312.3 2.09 2.09	0.50 0.50	1.24	1.31	1.90 1.90	1.59 1.59	1.23	1.17	0.41 0.41	0.20	0.35 0.35
Net earnings Key figures Earnings per share basic fully diluted Tax rate for EPS calculation	% % EUR EUR %	312.3 312.3 2.09 2.09 22.40	0.50 0.50 26.90	1.24 1.24 27.20	1.31 1.31 34.10	1.90 1.90 28.70	1.59 1.59 34.80	1.23 37.20	1.17 1.17 36.87	0.41 0.41 38.10	0.20 0.20 45.30	0.35 0.35 21.60
Net earnings Key figures Earnings per share basic fully diluted Tax rate for EPS calculation Order income	% EUR EUR % TEUR	312.3 312.3 2.09 2.09 22.40 301,550	0.50 0.50 26.90 155,768	1.24 1.24 27.20 189,169	1.31 1.31 34.10 167,451	1.90 1.90 28.70 161,508	1.59 1.59 34.80 165,001	1.23 37.20 174,659	1.17 1.17 36.87 174,659	0.41 0.41 38.10 99,308	0.20 0.20 45.30 85,884	0.35 0.35 21.60 93,604
Net earnings Key figures Earnings per share basic fully diluted Tax rate for EPS calculation Order income Order backlog	% EUR EUR % TEUR TEUR	312.3 312.3 2.09 2.09 22.40 301,550 159,906	0.50 0.50 0.50 26.90 155,768 70,921	1.24 1.24 27.20 189,169 80,848	1.31 1.31 1.31 34.10 167,451 72,972	1.90 1.90 28.70 161,508 79,172	1.59 1.59 34.80 165,001 81,672	1.23 37.20 174,659 67,209	1.17 1.17 1.17 36.87 174,659 67,968	0.41 0.41 38.10 99,308 27,794	0.20 0.20 45.30 85,884 31,820	0.35 0.35 21.60 93,604 48,076
Net earnings Key figures Earnings per share basic fully diluted Tax rate for EPS calculation Order income Order backlog Personal costs	% EUR EUR % TEUR TEUR TEUR	312.3 312.3 2.09 2.09 22.40 301,550 159,906 67,645	0.50 0.50 0.50 26.90 155,768 70,921 57,615	1.24 1.24 27.20 189,169 80,848 61,974	1.31 1.31 34.10 167,451 72,972 57,732	1.90 1.90 28.70 161,508 79,172 54,364	1.59 1.59 34.80 165,001 81,672 49,890	1.23 37.20 174,659 67,209 45,044	1.17 1.17 36.87 174,659 67,968 45,110	0.41 0.41 38.10 99,308 27,794 39,922	0.20 0.20 45.30 85,884 31,820 38,093	0.35 0.35 21.60 93,604 48,076 37,888
Net earnings Key figures Earnings per share basic fully diluted Tax rate for EPS calculation Order income Order backlog	% EUR EUR % TEUR TEUR	312.3 312.3 2.09 2.09 22.40 301,550 159,906	0.50 0.50 0.50 26.90 155,768 70,921	1.24 1.24 27.20 189,169 80,848	1.31 1.31 1.31 34.10 167,451 72,972	1.90 1.90 28.70 161,508 79,172	1.59 1.59 34.80 165,001 81,672	1.23 37.20 174,659 67,209	1.17 1.17 1.17 36.87 174,659 67,968	0.41 0.41 38.10 99,308 27,794	0.20 0.20 45.30 85,884 31,820	0.35 0.35 21.60 93,604 48,076
Net earnings Key figures Earnings per share basic fully diluted Tax rate for EPS calculation Order income Order backlog Personal costs Return on equity (before tax)	% EUR EUR % TEUR TEUR TEUR TEUR	2.09 2.09 22.40 301,550 159,906 67,645 24.6	0.50 0.50 0.50 26.90 155,768 70,921 57,615	1.24 1.24 27.20 189,169 80,848 61,974 16.8	1.31 1.31 34.10 167,451 72,972 57,732 20.1	1.90 1.90 28.70 161,508 79,172 54,364 27.1	1.59 1.59 34.80 165,001 81,672 49,890 27.7	1.23 37.20 174,659 67,209 45,044 25.2	1.17 1.17 36.87 174,659 67,968 45,110 24.5	0.41 0.41 38.10 99,308 27,794 39,922 9.7	0.20 0.20 45.30 85,884 31,820 38,093 4.9	0.35 0.35 21.60 93,604 48,076 37,888 6.4
Net earnings Key figures Earnings per share basic fully diluted Tax rate for EPS calculation Order income Order backlog Personal costs Return on equity (before tax) Return on Capital Employed ⁶ Consolidated Statements of cashflow Cash provided by (used for)	% EUR EUR % TEUR TEUR TEUR % %	312.3 312.3 2.09 2.09 22.40 301,550 159,906 67,645 24.6 33.2	0.50 0.50 26.90 155,768 70,921 57,615 7.1	1.24 1.24 27.20 189,169 80,848 61,974 16.8 22.3	1.31 1.31 34.10 167,451 72,972 57,732 20.1 27.2	1.90 1.90 28.70 161,508 79,172 54,364 27.1 35.7	1.59 1.59 34.80 165,001 81,672 49,890 27.7 45.4	1.23 37.20 174,659 67,209 45,044 25.2 37.5	1.17 1.17 36.87 174,659 67,968 45,110 24.5 34.6	0.41 0.41 38.10 99,308 27,794 39,922 9.7 10.2	0.20 0.20 45.30 85,884 31,820 38,093 4.9 6.8	0.35 0.35 21.60 93,604 48,076 37,888 6.4 8.0
Net earnings Key figures Earnings per share basic fully diluted Tax rate for EPS calculation Order income Order backlog Personal costs Return on equity (before tax) Return on Capital Employed ⁶ Consolidated Statements of cashflow Cash provided by (used for) operating activities	% EUR EUR % TEUR TEUR TEUR TEUR	2.09 2.09 22.40 301,550 159,906 67,645 24.6	0.50 0.50 0.50 26.90 155,768 70,921 57,615	1.24 1.24 27.20 189,169 80,848 61,974 16.8	1.31 1.31 34.10 167,451 72,972 57,732 20.1	1.90 1.90 28.70 161,508 79,172 54,364 27.1	1.59 1.59 34.80 165,001 81,672 49,890 27.7	1.23 37.20 174,659 67,209 45,044 25.2	1.17 1.17 36.87 174,659 67,968 45,110 24.5	0.41 0.41 38.10 99,308 27,794 39,922 9.7	0.20 0.20 45.30 85,884 31,820 38,093 4.9	0.35 0.35 21.60 93,604 48,076 37,888 6.4
Net earnings Key figures Earnings per share basic fully diluted Tax rate for EPS calculation Order income Order backlog Personal costs Return on equity (before tax) Return on Capital Employed ⁶ Consolidated Statements of cashflow Cash provided by (used for) operating activities Cash provided by (used for)	% EUR EUR TEUR TEUR TEUR TEUR TEUR	312.3 312.3 2.09 2.09 22.40 301,550 159,906 67,645 24.6 33.2	0.50 0.50 0.50 26.90 155,768 70,921 57,615 7.1 8.8	1.24 1.24 27.20 189,169 80,848 61,974 16.8 22.3	(31.1) 1.31 1.31 34.10 167,451 72,972 57,732 20.1 27.2	20.5 1.90 1.90 28.70 161,508 79,172 54,364 27.1 35.7	29.2 1.59 1.59 34.80 165,001 81,672 49,890 27.7 45.4	1.23 37.20 174,659 67,209 45,044 25.2 37.5	160.0 1.17 1.17 36.87 174,659 67,968 45,110 24.5 34.6	85.8 0.41 0.41 38.10 99,308 27,794 39,922 9.7 10.2	0.20 0.20 45.30 45.30 38,093 4.9 6.8	0.35 0.35 21.60 93,604 48,076 37,888 6.4 8.0
Net earnings Key figures Earnings per share basic fully diluted Tax rate for EPS calculation Order income Order backlog Personal costs Return on equity (before tax) Return on Capital Employed ⁶ Consolidated Statements of cashflow Cash provided by (used for) operating activities Cash provided by (used for) investing activities	% EUR EUR % TEUR TEUR TEUR % %	312.3 312.3 2.09 2.09 22.40 301,550 159,906 67,645 24.6 33.2	0.50 0.50 26.90 155,768 70,921 57,615 7.1	1.24 1.24 27.20 189,169 80,848 61,974 16.8 22.3	1.31 1.31 34.10 167,451 72,972 57,732 20.1 27.2	1.90 1.90 28.70 161,508 79,172 54,364 27.1 35.7	1.59 1.59 34.80 165,001 81,672 49,890 27.7 45.4	1.23 37.20 174,659 67,209 45,044 25.2 37.5	1.17 1.17 36.87 174,659 67,968 45,110 24.5 34.6	0.41 0.41 38.10 99,308 27,794 39,922 9.7 10.2	0.20 0.20 45.30 85,884 31,820 38,093 4.9 6.8	0.35 0.35 21.60 93,604 48,076 37,888 6.4 8.0
Net earnings Key figures Earnings per share basic fully diluted Tax rate for EPS calculation Order income Order backlog Personal costs Return on equity (before tax) Return on Capital Employed ⁶ Consolidated Statements of cashflow Cash provided by (used for) operating activities Cash provided by (used for)	% EUR EUR TEUR TEUR TEUR TEUR TEUR	312.3 312.3 2.09 2.09 22.40 301,550 159,906 67,645 24.6 33.2	0.50 0.50 0.50 26.90 155,768 70,921 57,615 7.1 8.8	1.24 1.24 27.20 189,169 80,848 61,974 16.8 22.3	(31.1) 1.31 1.31 34.10 167,451 72,972 57,732 20.1 27.2	20.5 1.90 1.90 28.70 161,508 79,172 54,364 27.1 35.7	29.2 1.59 1.59 34.80 165,001 81,672 49,890 27.7 45.4	1.23 37.20 174,659 67,209 45,044 25.2 37.5	160.0 1.17 1.17 36.87 174,659 67,968 45,110 24.5 34.6	85.8 0.41 0.41 38.10 99,308 27,794 39,922 9.7 10.2	0.20 0.20 45.30 45.30 38,093 4.9 6.8	0.35 0.35 21.60 93,604 48,076 37,888 6.4 8.0
Net earnings Key figures Earnings per share basic fully diluted Tax rate for EPS calculation Order income Order backlog Personal costs Return on equity (before tax) Return on Capital Employed ⁶ Consolidated Statements of cashflow Cash provided by (used for) operating activities Cash provided by (used for) investing activities Cash provided by (used for) financing activities Net Increase/(Decrease)	% EUR EUR TEUR TEUR TEUR TEUR TEUR TEUR	312.3 312.3 2.09 2.09 22.40 301,550 159,906 67,645 24.6 33.2 47,865 (27,915)	(59.8) 0.50 0.50 26.90 155,768 70,921 57,615 7.1 8.8 30,239 (15,651) (12,734)	(4.4) 1.24 27.20 189,169 80,848 61,974 16.8 22.3 22,035 (6,004) (14,919)	(31.1) 1.31 1.31 34.10 167,451 72,972 57,732 20.1 27.2 25,609 (3,427) (16,879)	20.5 1.90 1.90 28.70 161,508 79,172 54,364 27.1 35.7 13,200 (17,453)	29.2 1.59 1.59 34.80 165,001 81,672 49,890 27.7 45.4 32,133 (21,888) (10,606)	1.23 37.20 174,659 67,209 45,044 25.2 37.5 40,893 (14,707) (9,127)	160.0 1.17 1.17 36.87 174,659 67,968 45,110 24.5 34.6 38,879 (21,737) (9,131)	85.8 0.41 0.41 38.10 99,308 27,794 39,922 9.7 10.2 16,054 (7,344) (8,921)	(36.8) 0.20 0.20 45.30 85,884 31,820 38,093 4.9 6.8 23,398 (1,864)	(68.6) 0.35 0.35 21.60 93,604 48,076 37,888 6.4 8.0 15,159 (9,872)
Net earnings Key figures Earnings per share basic fully diluted Tax rate for EPS calculation Order income Order backlog Personal costs Return on equity (before tax) Return on Capital Employed ⁶ Consolidated Statements of cashflow Cash provided by (used for) operating activities Cash provided by (used for) investing activities Cash provided by (used for) financing activities	% EUR EUR TEUR TEUR TEUR TEUR TEUR	312.3 312.3 2.09 2.09 22.40 301,550 159,906 67,645 24.6 33.2 47,865 (27,915)	0.50 0.50 26.90 155,768 70,921 57,615 7.1 8.8	(4.4) 1.24 27.20 189,169 80,848 61,974 16.8 22.3 22,035 (6,004)	(31.1) 1.31 1.31 1.4.10 167,451 72,972 57,732 20.1 27.2 25,609 (3,427)	20.5 1.90 1.90 28.70 161,508 79,172 54,364 27.1 35.7 13,200 (17,453)	29.2 1.59 34.80 165,001 81,672 49,890 27.7 45.4 32,133 (21,888)	1.23 37.20 174,659 67,209 45,044 25.2 37.5 40,893	160.0 1.17 1.17 36.87 174,659 67,968 45,110 24.5 34.6 38,879 (21,737)	85.8 0.41 0.41 38.10 99,308 27,794 39,922 9.7 10.2 16,054 (7,344)	0.20 0.20 45.30 85,884 31,820 38,093 4.9 6.8	0.35 0.35 21.60 93,604 48,076 37,888 6.4 8.0

Due to reclassifications from 2007 limited comparability with prior years
 No comparability due to different treatment between US-GAAP and IFRS
 Earnings before interest, tax depreciation and amortization

Earnings before interest and tax
 Earnings before tax

⁶ EBIT/Capital Employed * Shown under function costs

TECHNICAL GLOSSARY

Adhesive Film Lamination Attaching a heat-activated adhesive film to the reverse side of a module

Assembly & Encapsulation Assembly and encapsulation of semiconductor components

Biometric Procedure Procedure Procedure for registering individual personal features (e.g. fingerprints, iris structure, facial

geometry); data obtained from biometric procedures are used for the unique identification of

persons

Board Handling Techniques and systems for transporting printed circuit boards in industrial manufacturing and

shaping, (e.g. loading and unloading stations, magazine / buffer systems, flip/turn units and

conveyors)

Border Crossing Hard- and software for safe and quick border crossing as well as for a clear identification of

documents and persons

Carrier Tape Plastic straps for transporting and providing electronic components

Cavity Milled cavity in a chip card for embedding the chip

Chip on Board Technique for attaching and/or wiring dice onto carrier material such as printed circuit boards

Coating & Drying Coating and drying of printed circuit boards

Collating System Production system for collating and stapling plastic foils to laminatable sheets

Contactless Card Cards for contactless transmission of energy and data through electromagnetic fields

Converting Here: further processing of the inlay in direction of a RFID label or a RFID ticket

Data Capturing Capturing and storing biometric information

Data Enrollment Data capture and processing (e.g. taking and optimizing pictures for further treatment)

Die Bonding Placing small silicon chips onto carrier material

Die Sorter Equipment for separating and packing good dice

Die, Dice Silicon crystal equipped with an individual semiconductor-related micro-controller

Discrete Devices Semiconductor products such as low-voltage transistors or diodes

Dual Interface Card Card type combining the functions of contact and contactless card technologies

Dual SIM CardSmart Card for telecommunication applications equipped with two SIM modules

EMV Refers to a specification for payment cards equipped with a processor chip and for the belong-

ing card devices (POS terminals and ATMs). The letters EMV stand for the three developers of

this standard: Europay, MasterCard and VISA.

Encapsulation Protection of the chip and its wiring by encapsulating the reverse of a chip

Flip Chip Technology For flipping dice 180 degrees in order to attach them to carrier material

GSM Card Standardized chip card to be used in mobile phones. The "Global System for Mobile Commu-

nications" is an international terrestrial mobile telephone system

Hologram Security feature which results in a three-dimensional image when viewed binocularly

ICAO International Civil Aviation Organization; sets standards regarding safety, handling and optimiz-

ing international air traffic

Implantation Embedding a chip in a plastic card

An inlay is part of an RFID product and consists of an antenna and an RFID microchip con-Inlay nected to the antenna. The inlay is further converted into the final RFID product. Such RFID products are e.g. Smart Labels, RFID tickets, contactless plastic cards, ePassports etc. In contrast to the hologram, which possesses three-dimensional elements, kinegrams describe Kinegram a two-dimensional course of movement which changes according to the viewing angle Module Carrier material for dice with arranged contact elements Machines for mounting, attaching and fixing parts Mounter "Programming" individual data on a chip card module. Application of visible data on a card, a Personalization passport or visa is also known as optical personalization Punching out the chip from a standardized chip card for mobile phones **Plug Punching** Small-sized chip card in particular for GSM applications Plug-In Semiconductor products such as high-voltage transistors or diodes **Power Devices Pre-Personalization** Loading an operating system onto a chip Radio Frequency Identification; components used in a high frequency range **RFID Chips** Secure memory card similar to MMC multimedia cards; card application particularly used for SD (Secure Digital) Card digital cameras or as a storage medium for music, PDA, etc. Chip card, i.e. plastic card equipped with a chip module **Smart Card** Ultra-flat transponders consisting of chip, antenna and substrate for identifying goods and **Smart Label** persons **Smart Media and Multi Media** Card application used in particular for digital cameras or as storage medium for music, etc. Cards Ticket which can be read contactless because of the implanted inlay **Smart Ticket / RFID Ticket** Components, which are directly soldered to a board without drill holes. SMD components SMD (Surface Mounted Device) significantly reduce the component density of electronic circuits RFID transponders are also termed as 'Tags' Tag Mühlbauer production system for the manufacture of Smart Inlays (Smart Inlay = antenna and TAL (Tag Assembly Line) functional chip) Terms a market for technologically sophisticated and security-relevant solutions, taken from the **TECURITY®** two words Technology and Security **Testing & Packaging** Testing, labeling and packaging semiconductor components for further processing Pursuing and tracing back units from the raw material to the end product **Traceability** Antenna located on a Smart Label between flexible carrier layers **Transponder** Turn-key product and services solutions **Turn-Key Solutions** Verification, if the user of an ID card really is the legal holder Verification Measuring and controlling components using camera systems and software **Vision Technology** Ultra-thin and silicon semiconductor disk for producing many individual chips. The dice are Wafer sawn from the surface of the wafer Finished components on a wafer-basis, which are subject to further processing Wafer Level Package

Wire Bonding

Fully automated process for wiring dice with carrier material

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FINANCIAL GLOSSARY

Balance sheets

Forms a company's financial position at the end of a fiscal year and is part of the consolidated financial statements. The balance sheets displays the origin and purpose of a company's assets

Gross cash position

Total of cash and cash equivalents and marketable securities

Gross profit on sales

Net sales less cost of sales

Capital employed

Capital employed within a certain period of time. Consists of working capital plus the residual value of fixed assets (without long-term financial assets)

Cashflow

The cash-effective balance arising from inflows and outflows of funds over the fiscal year. The cash flow statement is part of the consolidated financial statements and shows how the company generated cash during the period and where it spent cash, in terms of operating activities (cash the company made by purchasing/selling goods and services), investing activities (cash outflows for sustaining future growth), and financing activities (cash the company raised by selling stocks, bonds and loans or spent for the redemption of stocks or bonds)

Current assets

Assets intended for short-term business activities

Defined Benefit Obligation (DBO)

A measure to determine pension liabilities. The DBO is the extent of obligations determined on the basis of the projected unit credit method at a certain point of time for both forfeitable and non-forfeitable pension rights to pension beneficiaries considering salary increases. The determined cash value for all services rendered by the pension beneficiaries at this point of time will be considered

Derivate

A financial instrument that derives its value from the price or expected price of an underlying asset (e.g. a security, currency or bond)

German Corporate Governance Codex

Codex of the government commission "Deutscher Corporate Governance Kodex", summarizing principles and recommendations of responsible corporate governance for publicly traded companies in Germany

EBIT

Earnings before interest and taxes. This is the measure that Mühlbauer uses to evaluate the operating performance

EBIT margin

A measure to determine the operative profits, displayed by the EBIT in relation to sales

EBITDA

Earnings before interest, taxes, depreciation and amortization. EBIT extended by depreciation on fixed assets and amortization on intangible assets shows cash flow features, since non-liquid depreciation and amortization was added to the consolidated net earnings. EBITDA is often used for start-up companies or companies with high amortization, which might generate a annual loss

Equity ratio

An indicator of the proportion of equity capital in the Company's financing structure, calculated as the ratio of shareholders' equity capital to total assets

Earnings per share

Earnings (loss) per share – Basic earnings (loss) per share ("EPS") is calculated by estimating consolidated income (loss) before taxes (EBT) related to the original shareholders in the same percentage, that the ratio of their ordinary share capital corresponds to the total capital (fixed capital contribution of the personally liable shareholder and ordinary share capital). To determine EPS the proportional EBT has to be deducted by a specific calculated tax quote related to the original shareholders (shown in Note (8)) and divided by the weighted average number of ordinary shares outstanding during the reporting period (financial quarter or year). Diluted EPS is calculated by dividing calculated proportional net income by the sum of the weighted average number of ordinary shares outstanding plus all additional ordinary shares that would have been outstanding if potentially dilutive securities or ordinary share equivalents had been issued

Financial status

The difference between a pension plan's defined benefit obligation (see DBO) and the fair market value of plan assets designated to meet pension obligations as of a specific date

Free cashflow

Inflow and outflow of cash from operating and investing activities excluded purchases or sales of marketable securities, sales of fixed assets and realized gains or losses therefrom

Displays a company's success during the reporting period and is part of the financial statement. The statement of income includes the cost on sales and posts all major costs according to their purpose

An intangible asset of the company that results from a business acquisition, representing the excess of the acquired entity's purchase price (cost) over the fair value of the net assets acquired and liabilities assumed. Under US-GAAP, goodwill is not reduced through regularly scheduled amortization, but rather written down to its fair value if impaired. An impairment assessment is done at least once a year

Hedging of interest or currency risks of individual or several basic transactions, for example by making use of derivative financial instruments

International Financial Reporting Standards for guaranteeing international comparability in financial reporting and meeting the information requirements of investors and other addressees through higher transparency. The individual paragraphs of the IFRS are referred to as IAS (International Accounting Standards). Mühlbauer has prepared its financial statement according to the IFRS/IAS requirements since 2005

Since tax laws often differ from the recognition and measurement requirements of financial accounting standards, differences can arise between (a) the amount of taxable income and pretax financial income for a year and (b) the tax bases of assets or liabilities and their reported amounts in financial statements. A deferred tax liability and corresponding expense results from income that has already been earned for accounting purposes but not for tax purposes. Conversely, a deferred tax asset and corresponding benefit result from amounts deductible in future years for tax purposes but that have already been recognized for accounting purposes

The market price of a publicly listed company. At Mühlbauer the market price is calculated from the market value of the share multiplied by the resulting sum of shares from the division of total capital (EUR 18,810,976) and the nominal value per share of EUR 1.28

Gross cash position minus current and non-current liabilities

Amount of pension costs realized in the income statement. They are composed of the expenses for new pension rights, interest expenses, the expected yield for plan assets, the repayment amount for actuarial gains and losses, the repayment amount for retroactive pension plan changes as well as the repayment amount for possibly underfunded initial expenses of IAS 19 (revised 1998) during the fiscal year

Assets from an external insurance provider, which are only used for insurance purposes and cannot be obtained by other corporate creditors, and which can only flow back to the company, if they are used for direct pension payments, or if they are no longer required for insurance purposes

Systematic process of identifying, assessing and monitoring various financial risk factors and of selecting and implementing measures to handle them

Return On Capital Employed – an indicator of operating performance, calculated as the percentage of EBIT in relation to capital employed

Form of employee incentive and compensation. The employee is given an option to purchase a company's shares if certain targets are met under specified conditions

Working capital indicates which part of current assets generates profits without causing capital expenses in a narrow sense and is calculated by non-interest bearing current assets less current and non-interest bearing liabilities. A low working capital base is consequently to be considered positive, since a company's supplier also generates company profits

An indicator for determining a company's sales-related current assets, calculated as the percentage of working capital in relation to net sales

Statement of income

Goodwill

Hedging activities

IFRS/IAS

Deferred taxes

Market capitalization

Net cash position

Pension expenses

Plan assets

Risk management

ROCE

Stock options

Working capital

Working capital intensity

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