

Interim report  
1. Quarter 2012



# Content

Interim Management Report . . . . .	03
Consolidated Statements of Income . . . . .	10
Consolidated Statements of Comprehensive Income . . . . .	10
Consolidated Statements of Financial Position . . . . .	11
Consolidated Statements of Cash-Flows . . . . .	12
Consolidated Statements of Changes in Shareholders' Equity . . . . .	13
Notes . . . . .	14
Financial Calendar . . . . .	24

<b>Group overview*</b>		<b>Q1/2012</b>	<b>Q1/2011</b>	<b>Change %</b>
Order income	EUR million	58.0	48.2	20.3
Order backlog	EUR million	209.3	155.1	35.0
Sales	EUR million	50.3	49.5	1.7
EBIT	EUR million	2.8	9.8	(71.4)
EBIT margin **	%	5.6	19.9	(14.3)
Earnings before taxes	EUR million	2.8	9.9	(71.7)
Net earnings	EUR million	1.1	7.4	(85.1)
Earnings per Share	EUR	0.07	0.51	(86.3)
Free cashflow	EUR million	(12.3)	13.8	(189.1)
Employees ***	Number	2,774	2,344	18.3

\* Negative figures in brackets

\*\* Change in percentage points

\*\*\* as per end of period

# Interim Management Report

## OVERVIEW OF THE BUSINESS DEVELOPMENT IN THE GROUP

The Mühlbauer Group has started the business year 2012 with an increase in orders. Main reasons for this were both an order for the delivery of technological solutions and software for personalization of ID cards, and the increased demand for semiconductor backend products at the beginning of the year, which resulted in a 20.3% increase to EUR 58.0 million (previous year EUR 48.2 million). At the same time, the Group achieved another important milestone of its investment offensive, which started two years ago and aims at pushing on modernization as well as expansion of existing and foundation of new locations, by completing and moving into the new production facility in Roding and equipping it with machines and installations in the quarter under review.

The most important developments in the first quarter 2012 included:

- Consolidated order inflow of the Mühlbauer Group amounted to EUR 58.0 million in the reporting period (PY: EUR 48.2 million), which was 20.3% up year-on-year
- Consolidated order backlog came up to EUR 209.3 million at the close of the reporting period, 35.0% higher year-on-year (PY: EUR 155.1 million)
- Consolidated sales<sup>1</sup> of the Mühlbauer Group amounted to EUR 50.4 million, which was 1.7% up year-on-year (PY: EUR 49.5 million)
- In comparison with last year's earnings before interest and taxes (EBIT) of EUR 9.8 million promoted by a result-effective special effect of EUR 1.2 million, Q1 2012 EBIT amounted to EUR 2.8 million, which was 71.4% lower year-on-year. The profit per share was EUR 0.07 in the reporting period – compared to EUR 0.51 in the same period of the prior year
- The significantly lower annual surplus, the significant increase of working capital and the significantly higher cash outflow from investment activities resulted in a decrease of the free cashflow by EUR 26.1 million to EUR -12.3 million (PY: EUR +13.8 million).
- The technology company maintains its positive business expectations. The company sees risks that may have a negative influence on these expectations primarily in the traditionally imponderable and project-laden nature of the government business.

<sup>1</sup> The sales figures are the gross values prior to any deductions in earnings of EUR 0.1 million (PY: EUR 0.1 million).

## FRAMEWORK CONDITIONS

### Economic framework conditions

#### Global economy and euro zone

While economic analyses of the UN on the development of the global economy for 2012 were cautious at the beginning of the year, the economic situation improved in the first quarter stronger than expected, according to studies of the UN and IFW Kiel (Institute for Global Economy). A series of positive signs, such as the rebound on the capital market and the increase of global production and global trade, supported the estimate that the risk of another economic decline has reduced. While momentums for consumption and investments are expected due to the low interests, the ongoing crisis in the euro zone and high oil prices dampened a more positive development. In early 2012, the US economy posted a lower growth than in the same quarter of 2011, which can be attributed to the low consumption and investment activities in the public and private sectors. However, a strong private sector in the Japanese economy sends positive signals, triggering a trend reversal after the high growth reductions in 2011. The Chinese economy surprised analysts with much weaker economic data, which, however, the government intends to counteract by taking economic measures. In Germany, the situation on the labor market continued easing up. The growing number of employed persons significantly improves the consumption situation. Due to the lower demand in other countries, however, the economic growth in Q1 nevertheless decreased.

#### Industry development

**Cards & TECURITY®.** Compared with the trends forecast in the annual report 2011, there have been no essential changes regarding the industries and markets relevant for Mühlbauer. While the government-related *TECURITY®* market was, also in Q1 2012, marked by the worldwide continuously persisting safety thinking and the demand for biometric-based ID documents and ID government solutions resulting thereof, the trends of the market observable in the field of industry-based automation solutions can be attributed to the increasing transformation of conventional magnetic stripe cards into forgery-proof EMV and dual interface cards in the banking sector as well as to the pent-up demand in mobile communication in developing and threshold countries.

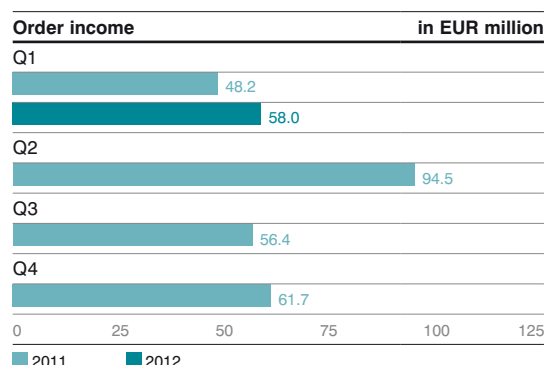
**Semiconductor Related Products.** Due to the multiple application advantages, especially in supply chain management, the market potential of RFID smart label products continues keeping its high level. According to ABI Research, the market recorded continuously high growth rates also in the first quarter, the domain of traceability of individual goods in the automotive industry being pointed out as main market driver. The general semiconductor market in which Mühlbauer concentrates on special niches also continued growing in the first quarter due to strong impulses from the North American region, which was documented by a FiveStarEquities analysis. The extremely strong demand for smartphones and tablet PCs was the main reason for this trend. As announced by the VDA (Verband der Automobilindustrie – German Association of the Automotive Industry), the traceability-relevant automotive sector continued its positive development in Q1 2012 due to the growth of the markets in Asia, USA and Russia. In the field of solar technology, a consolidation wave in Germany and the European region provoked a clear shift towards Asian manufacturers. However German manufacturer occupy a strong niche position, especially in the field of highly automated processing of solar modules. Flexible thin layer solar modules are considered especially promising as they offer a wide range of advantages for application and production.

**Precision Parts & Systems.** In the field of mechanical engineering and plant construction in Germany, the order inflow which is one of the main indicators for *Precision Parts & Systems*, was, in real terms, 16.0% lower than the record result of the previous year. This arises from an analysis of the VDMA (Verband Deutscher Maschinen- und Anlagenbau – German Machine and Plant Engineering Association). The lower order inflow was caused by decreasing impulses from threshold countries.

## Business Development

In the period under review, the consolidated order inflow of the technology group Mühlbauer with EUR 58.0 million (PY: EUR 48.2 million) clearly exceeded the amount of the same period of the previous year by 20.3%. This significant increase was provoked, on the one hand, by an order received for the delivery of technology solutions and software for the personalization of ID cards which generated an order inflow of EUR 34.7 million (PY: EUR 24.5 million) for our core business field *Cards & TECURITY®*. This exceeds last year's value by 41.6%. On the other hand, the demand for semiconductor backend products which grew stronger at the beginning of the year generated an order inflow in the business field *Semiconductor Related Products* that amounted to EUR 16.4 million in the first quarter 2012 which exceeds the value of the same period of the previous year (EUR 15.2 million) by 7.9%. In the business field *Precision Parts & Systems*, however, the order inflow declined in the first quarter. With EUR 6.9 million, the order inflow decreased by 18.8% dropping below the value of the previous year which amounted to EUR 8.5 million.

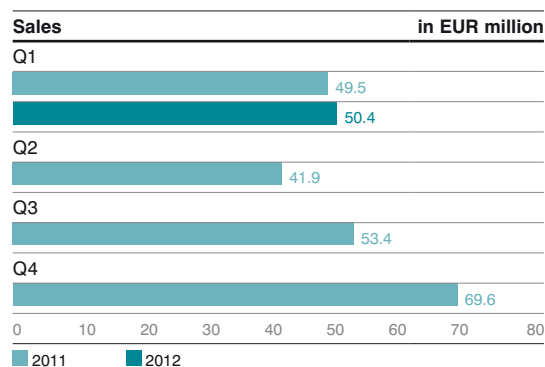
### Order inflow and order backlog



The consolidated order backlog at the end of the first quarter stood at EUR 209.3 million and was 35.0% higher than the comparable value of the previous year of EUR 155.1 million.

Consolidated sales of the Mühlbauer Group slightly rose in the reporting period by 1.7% year-on-year to EUR 50.4 million (PY: EUR 49.5 million). While the business unit *Cards & TECURITY®* posted EUR 32.5 million, which was 8.8% up on last year's EUR 29.9 million, sales in the business unit *Semiconductor Related Products* went down due to the lower demand for semiconductor backend products in the second half of 2011 which declined by 8.1% to EUR 11.0 million (PY: EUR 11.9 million). Also the business unit *Precision Parts & Systems* posted a negative sales development. Here, sales reduced by 10.7% to EUR 6.9 million (PY: EUR 7.7 million).

### Sales<sup>2</sup>



From a regional perspective, sales continued focusing on Asia in the reporting period, amounting to EUR 20.0 million. Compared to sales to Asia in the same period of the prior year of EUR 18.4 million, this represents an increase by 8.6%. The European continent ranks second in sales, posting EUR 17.8 million (PY: EUR 23.4 million), which is a decrease by 24.0%. Within Europe, sales in Germany slightly expanded by 2.7% to EUR 10.5 million (PY: EUR 10.3 million). The African continent ranked third, posting sales of EUR 8.0 million, more than tripling the number of the same quarter of the prior year of EUR 2.5 million. In America, sales dropped by 12.7% to EUR 4.4 million (PY: EUR 5.1 million).

## EARNINGS SITUATION

The earnings before interest and taxes (EBIT) achieved by the Mühlbauer Group in the period under review amounted to EUR 2.8 million, which was 71.4% lower than the comparable value of the prior year of EUR 9.8 million which was promoted by a result-effective special effect of EUR 1.2 million. This corresponds to an EBIT margin of 5.6% - after 19.9% in the same quarter of the prior year. After taxes, the company has earned EUR 1.1 million in the reporting period - after EUR 7.4 million in the previous year. The profit per share is EUR 0.07 in the reporting period - after EUR 0.51 in the same period of the prior year.

### Result development

<sup>2</sup> The sales figures are the gross values prior to any deductions in earnings of EUR 0.1 million (PY: EUR 0.1 million).

### Analysis of earnings development

The 1.7% higher sales result and the 9.2% higher cost of sales rate resulted in a reduction of the gross result margin from 44.3% (PY) to 35.2% in the reporting period. Main reasons for the significant increase of the costs of sales include the increased personnel costs and the investment-caused higher depreciation. Also the overhead costs have risen significantly. Due to the ongoing internationalization and expansion of the Mühlbauer Group, sales expenses and the general administration costs went up by EUR 1.1 million and EUR 0.2 million, respectively. Also research and development expenses once more went up. These increased year-on-year by EUR 0.2 million to achieve a percentual sales proportion of 14.1% - after 14.0% in the same quarter of the prior year. The balance of the other operating earnings and expenses dropped by EUR 1.4 million, from EUR +1.1 million to EUR -0.3 million. This results from the prior year's earnings of EUR 1.2 million from the termination of patent-related legal disputes. Taxes on earnings decreased, in absolute terms, in comparison to the same quarter of the prior year, by EUR 0.8 million, which results from the significantly lower pre-tax result. The tax rate which increased year-on-year is due to certain companies of the Group that could not balance tax reimbursements due to the tax exemptions on economic losses.

### FINANCIAL SITUATION

In the first three months of the current business year, cashflow from operating business activities amounted to EUR +2.0 million, which was significantly lower year-on-year (PY: EUR +12.1 million). Main factors for this development were, on the one hand, the lower result after taxes in the reporting period, which, in consideration of non-cash expenses and earnings as well as paid interests and earning taxes, was EUR 6.3 million lower year-on-year. On the other hand, a significant increase in working capital resulted in cash flow of EUR 7.0 million. In the same quarter of the prior year, the acquisition of short-term securities led to a cash outflow of EUR 10.0 million, while no changes were posted here in the quarter under review. Cash outflow from investment activities of EUR 14.2 million in the quarter under review significantly exceeded the same period of the prior year (PY: EUR 8.3 million). This increase can be attributed mainly to the new construction of the production facility in Roding, the establishment of a technology center in Stara Pazova, Serbia, and the expansion and modernization of the machine park at German sites. Free cashflow was significantly lower year-on-year, largely due to the already described development, posting a reduction of EUR 26.1 million, now amounting to EUR -12.3 million (PY: EUR +13.8 million).

### ASSET SITUATION

#### Total assets

Total assets of the Group as per 31 March 2012 rose by 2.3% year-on-year to EUR 240.7 million (PY: EUR 235.3 million), which can be attributed primarily to the continued investment activities due to the business expansion. Short-term assets sunk by EUR 0.3 million, while long-term assets rose by EUR 5.7 million in the reporting period. In relation to the total assets, short-term assets dropped from 59.7% in the previous year to 58.2% in the reporting year, while long-term assets rose from 40.3% in the previous year to 41.8% in the reporting period. The sum of liabilities increased by EUR 4.6 million (6.1%). Short-time liabilities increased by EUR 5.1 million (6.9%), while long-term liabilities dropped by EUR 0.5 million (50.5%). The shareholder's equity as per 31 March 2012 increased by EUR 0.8 million (0.5%). Due to the increase of short-term liabilities, the shareholder's equity rate as per 31 March 2012 slightly dropped to 66.9% (31 December 2011 68.1%).

The nearly continuous increase of short-term assets reflects the continuous expansion of business activities of the Group. The free cashflow achieved in the reporting period led to a decrease in liquid assets of EUR 5.8 million in total, while the stock value increased by EUR 4.1 million due to order-related reasons. The increase of other receivables and other assets by EUR 0.6 million is essentially due to investment-caused higher entitlements to public funding and due to higher prepayments. Accounts receivable increased by EUR 0.6 million due to the reporting date with project-based nearly unchanged prepayments. The rise of long-term assets can be attributed nearly exclusively to increases in fixed assets.

Assets

Parallel to the development of short-term assets, also short-term liabilities increased significantly in the report period. The balance item financial debts contains the assertion of short-term credit lines to the amount of EUR 6.6 million. Also the prepayments received on orders increased by EUR 3.2 million to EUR 26.0 million. Other provisions remained nearly unchanged, while tax provisions increased by EUR 0.9 million. Contrarily, liabilities dropped due to the reporting date by EUR 6.0 million. Long-term liabilities contain exclusively latent tax debts, which dropped by EUR 0.5 million (50.5%). The increase in shareholder's equity by EUR 0.8 million primarily reflects the results after taxes achieved in the reporting period of EUR 1.1 million minus the expenses and earnings that are directly included in the shareholder's equity and amount EUR 0.3 million.

Liabilities

### FACTOR INPUT

Gross investments in immaterial assets and fixed assets amounted to EUR 8.5 million in the first quarter of 2012 (PY: EUR 5.6 million). Investments in the reporting period focused on completing and moving into the new production facility in Roding as well as the expansion of the machine park at the two German sites of Roding and Stollberg.

Investments

In the first quarter 2012, the expenditure for research and development of the technology group Mühlbauer amounted to EUR 7.1 million (PY: EUR 6.9 million). Based on sales this corresponds with an R&D rate of 14.1% (PY: 14.0%). In the field *Cards & TECURITY*<sup>®</sup>, developments concentrated on a new passport booklet line; furthermore process modules in personalization systems were extended once again. In the business field *Semiconductor Related Products*, activities concentrated on extending the product portfolio in the field of RFID personalization, inlay production and converting. Moreover the further development of automation solutions for flexible thin layer solar technology was promoted by a new machine line.

Research and development

### EMPLOYMENT

At the end of the first quarter 2012, the Mühlbauer Group employed 2.774 employees worldwide. These are 430 or 18.3% more employees compared to the number of employees of the same date of the previous year (2.344). While Europe and Asia continued being the regional center of employment, the functional growth in employment concentrated primarily on the fields of production and research and development. The number of employees working in production and assembly increased (project-related increase) by 297 or 23.7% while the number of employees in the field of research and development increased by 47 persons or 11.0%. This trend also influences the number of apprentices working for the Mühlbauer group. Compared to first quarter of 2011, this number increased by a good 10% from 307 to 340 and underlines the traditional above-average commitment to apprenticeship in our own company.

## SPECIAL EVENTS AFTER THE END OF THE QUARTER

Between the end of the quarter (31 March 2012) and the release for publication (14 May 2012), no special events worth reporting occurred.

## RISK REPORT

Thanks to a systematic and efficient risk management system, the risks in the Mühlbauer group are limited and manageable. The main chances and risks of the estimated development of the Mühlbauer group are described in detail in the Annual Report 2011. In the first three months of 2012, no essential changes arose regarding the risks described there.

## OUTLOOK

### Global economy

For the current year, the IFW Kiel expects a growth rate of 3.4% for the global production. According to the institute, the low-interest rate policy of the developed economies indeed continued creating demand impulses. But due to the high oil price and the consolidation of national budgets, the expansion will be restrained. According to the institute, the decreasing demand from industrialized countries is balanced by a strong domestic economy which will, in combination with less insecurities regarding the development in the industrialized countries as well as with a expansive economic policy, create relatively high growth rates. The institute estimates that the recession in the Euro zone will be moderate and surmounted by the middle of the year. The US American central bank system FED improved its forecast by the more positive labor market statistics. According to the IFW, the economic situation in Germany should improve during the second half as the strong domestic demand, the low interest rates as well as the upward momentum on the labor market will further improve the economic situation. In Japan, growth prospects are stable, while China had to revise the growth prospects downward due to financial risks in the real estate industry and a high inflation rate.

### Industry development

**Cards & TECURITY®.** Given the worldwide heightened security requirements of people combined with an increasing need of mobility and flexibility as well as the need of governments and administrations to rationalize their management systems, the market of the business field *Cards & TECURITY®*, apart from natural fluctuations, still offers high growth potentials for realization of such projects. In anticipation of an increasing demand for mobile phone cards in developing and threshold countries, the demand for highly technical production solutions for smart cards will continue growing. Further impulses in the industrial business are expected from the continuous transformation process of conventional magnetic stripe cards to forgery-proof ID EMV and dual interface cards as well as from the introduction of higher security standards in the telecommunications and banking sector.

**Semiconductor Related Products.** The continuously expanding application possibilities of RFID technology, e.g. in the supply chain management or the clothing industries pave the way for many markets and fields to use contactless identification via intelligent RFID smart labels. According to industry analyses, this trend is going to be enforced in 2012, increasing in combination also the demand for NFC products (near field communication).

The development of the for Mühlbauer relevant semiconductor backend market is difficult to estimate. Industry experts expect a positive market development due to the high demand for electronics articles and components caused by the boosted demand for smartphones and tablet PCs and the related higher estimated growth rates on the semiconductor market.



In the board handling and marking solutions relevant automotive sector, according to the VDA, the high growth rates of 2011 cannot be maintained as the high growth impulses of the previous year in Germany and abroad fall off. For the current year 2012, however, a positive development is expected.

In the field of flexible thin layer solar modules, the demand should continue increasing due to the technological advantages in production and application. This is all the more valid for highly automated product solutions for further processing and assembly of the innovative solar modules.

**Precision Parts & Systems.** The VDMA (Verband Deutscher Maschinen- und Anlagenbau – German Machine and Plant Engineering Association) declared that the mechanical engineering sector which is important for the field of *Precision Parts & Systems* will not be able to keep up with record values of the previous year due to a drop in demand in threshold countries. The association furthermore expects that the order inflow will stabilize on its current level during the year.

#### Forecast of the Mühlbauer group

The fundamental trends in demand in the *Cards & TECURITY®* market still exist as the strong interest of governments and government-related institutions in offering more security as well as more mobility to people will have a positive long-term influence on the demand for the latest technology and software solutions for producing security-oriented identification systems in card and passport format. The same applies to RFID based applications. Promoted by multiple advantages in the application of RFID tags compared to normal barcode labels as well as by continuous cost reductions in production, more and more companies use the contactless technology especially in supply chain management.

Mühlbauer is the only system partner worldwide offering the entire technology and market competence from one source on both markets. Thanks to the market position and technological basis which have been reached in the last 30 years and enforced in the last two years by important investments, the technology group benefits from this disproportionately high market potential and maintains its positive business expectations. The solution provider sees risks that may have a negative influence on these expectations primarily in the traditionally imponderable and project-laden nature of the government business as well as in the deterioration of sector and/or economic prospects.

#### IMPORTANT NOTICE

This interim 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 estimations. 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 the annual report 2011 and this interim report.

**CONSOLIDATED STATEMENTS OF INCOME (IFRS) FROM JANUARY 1 TO MARCH 31, 2012  
OF MÜHLBAUER HOLDING AG & CO. KGaA<sup>1)</sup>**

	Notes	Jan. 1 - Mar. 31, 2012 TEUR	Jan. 1 - Mar. 31, 2011 TEUR
<b>1. Sales</b>		<b>50,283</b>	<b>49,449</b>
2. Cost of sales	(3)	(32,631)	(27,521)
<b>3. Gross profit</b>		<b>17,652</b>	<b>21,928</b>
4. Selling expenses	(4)	(5,197)	(4,111)
5. Administrative expenses		(2,299)	(2,105)
6. Research and development	(5)	(7,104)	(6,941)
7. Other income	(6)	335	1,845
8. Other expenses	(6)	(581)	(782)
<b>9. Operating income</b>		<b>2,806</b>	<b>9,834</b>
10. Financial result			
a) Financial income		72	193
b) Financial expenses		(94)	(90)
<b>11. Income before income taxes</b>		<b>2,784</b>	<b>9,937</b>
12. Income taxes		(1,703)	(2,497)
<b>13. Net earnings</b>		<b>1,081</b>	<b>7,440</b>
- <i>Minority interests</i>		8	(3)
- <i>Attributable to shareholders of Mühlbauer Holding AG &amp; Co. KGaA</i>		1,073	7,443
<b>Earnings per share in EURO</b>			
basic	(7)	0,07	0,51
fully diluted	(7)	0,07	0,51
<b>Weighted average of shares</b>			
basic	(7)	6,137,856	6,131,640
fully diluted	(7)	6,137,856	6,131,652

<sup>1)</sup> uncertified**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (IFRS) FROM JANUARY 1 TO MARCH 31, 2012  
OF MÜHLBAUER HOLDING AG & CO. KGaA<sup>1)</sup>**

	Jan. 1 - Mar. 31, 2012 TEUR	Jan. 1 - Mar. 31, 2011 TEUR
<b>Net earnings</b>	<b>1,081</b>	<b>7,440</b>
Change of market value of available-for-sale securities	0	13
Difference due to currency translation	(313)	(1,174)
Deferred taxes	0	(3)
<b>Total income and expenses recognized in equity</b>	<b>(313)</b>	<b>(1,164)</b>
<b>Total income and expenses</b>	<b>768</b>	<b>6,276</b>
- <i>Minority interests</i>	8	(3)
- <i>Attributable to shareholders of Mühlbauer Holding AG &amp; Co. KGaA</i>	760	6,279

<sup>1)</sup> uncertified

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (IFRS) AS AT MARCH 31, 2012  
OF MÜHLBAUER HOLDING AG & CO. KGaA**

	Notes	March 31, 2012 <sup>1)</sup> TEUR	Dec. 31, 2011 <sup>2)</sup> TEUR
<b>ASSETS</b>			
<b>Short-term assets</b>			
Cash and cash equivalents		9,425	15,183
Marketable securities	(8)	0	0
Trade accounts receivable	(9)	33,326	32,715
Other current assets	(10)	15,872	15,305
Tax receivables		2,555	2,388
Inventories	(11)	79,042	74,946
		<b>140,220</b>	<b>140,537</b>
<b>Long-term assets</b>			
<b>Investment and long-term financial assets</b>			
Trade accounts receivable	(9)	1,304	733
		<b>1,304</b>	<b>733</b>
<b>Fixed assets</b>			
Land and buildings		54,162	47,463
Technical equipment		24,201	23,875
Furniture and office equipment		7,760	8,069
Buildings and equipment in progress		874	3,352
		<b>86,997</b>	<b>82,759</b>
<b>Intangible assets</b>			
Software and licenses		3,111	2,914
Capitalized development costs		4,293	4,112
		<b>7,404</b>	<b>7,026</b>
<b>Other long-term assets</b>			
Long-term tax receivables		1,755	1,749
Deferred tax assets		1,345	939
Plan assets	(14)	1,708	1,624
		<b>4,808</b>	<b>4,312</b>
		<b>240,733</b>	<b>235,367</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Short-term liabilities</b>			
Financial liabilities		6,642	0
Trade accounts payable		16,393	22,356
Downpayments		26,030	22,877
Other liabilities	(12)	11,024	10,720
Accrued income taxes	(13)	3,164	2,261
Other accruals	(13)	15,850	15,808
		<b>79,103</b>	<b>74,022</b>
<b>Long-term liabilities</b>			
Deferred tax liabilities		498	1,006
		<b>498</b>	<b>1,006</b>
<b>Shareholders' equity</b>			
Ordinary share capital		8,038	8,038
Own shares	(15)	(178)	(180)
Fixed capital contribution		(2,980)	(2,980)
Additional paid-in capital		61,159	61,136
Other comprehensive income		2,507	2,820
Retained earnings		92,604	91,531
Equity excluding minority interests		161,150	160,365
Minority interests		(18)	(26)
		<b>161,132</b>	<b>160,339</b>
		<b>240,733</b>	<b>235,367</b>

<sup>1)</sup> uncertified <sup>2)</sup> certified

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

**CONSOLIDATED STATEMENTS OF CASH-FLOWS (IFRS) FROM JANUARY 1 TO MARCH 31, 2012  
OF MÜHLBAUER HOLDING AG & CO. KGaA<sup>1)</sup>**

	Jan. 1 - Mar. 31, 2012 TEUR	Jan. 1 - Mar. 31, 2011 TEUR
<b>Cash provided by operating activities</b>		
1. Net earnings	1,081	7,440
2. + Income taxes	1,703	2,497
3. + Interest expenses	94	90
4. - Interest income	(72)	(131)
<b>Adjustments for non cash expenses and income</b>		
5. +/- Expenses/(income) from employee profit-sharing programs	25	36
6. +/- Depreciations/(appreciations) to fixed assets	3,687	2,189
7. +/- Depreciations/(appreciations) to intangible assets	387	231
8. +/- Depreciations/(appreciations) to capitalized development costs	380	916
9. +/- (Gains)/losses from the sale of fixed assets	57	(244)
10. +/- (Gains)/losses from the the change in fair value of financial instruments	126	26
11. +/- (Increase)/decrease of deferred tax assets	(406)	(95)
12. +/- Increase/(decrease) of deferred tax liabilities	(508)	(136)
<b>Changes in long-term and short-term assets</b>		
13. +/- (Increase)/decrease of inventories	(4,096)	(6,522)
14. +/- (Increase)/decrease of trade accounts receivables and other short-term assets	(2,064)	3,144
15. +/- Increase/(decrease) of trade accounts payables and other liabilities	2,691	14,177
16. - Cash outflows for short-term marketable securities	0	(9,962)
17. = Cash generated from operating activities	3,085	13,656
18. - Income tax paid	(1,101)	(1,576)
19. - Interest paid	(22)	0
20. + Interest received	4	63
21. = Cash provided by operating activities	1,966	12,143
<b>Cashflow from investing activities</b>		
22. + Proceeds from disposals of fixed assets	25	315
23. - Purchase of fixed assets	(13,027)	(7,623)
24. - Purchase of intangible assets	(637)	(270)
25. - Expenditures for capitalized development costs	(560)	(683)
26. = Cash used for investing activities	(14,199)	(8,261)
<b>Cashflow from financing activities</b>		
27. +/- Increase/(decrease) of short-term financial liabilities	6,642	0
28. = Cash used for financing activities	6,642	0
29. +/- Increase/(decrease) of currency exchange rate changes	(167)	(544)
30. = Net increase/(decrease) in cash and cash equivalents (Total of lines 21, 26, 28 and 29)	(5,758)	3,338
31. + Liquid funds at beginning of reporting period	15,183	25,209
32. = Liquid funds at end of reporting period	9,425	28,547

<sup>1)</sup> uncertified

We refer to additional informations on page 22 of the accompanying notes.  
The accompanying notes are an integral part of these Consolidated Financial Statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (IFRS) FROM JANUARY 1 TO MARCH 31, 2012  
OF MÜHLBAUER HOLDING AG & CO. KGaA**

	Notes	Total number of shares	Own shares Number	Ordinary share capital in considera- tion of own shares TEUR	Fixed capital TEUR	Additional paid-in capital TEUR	Other compre- hensive income/ (loss) TEUR	Retained earnings TEUR	Minority interests TEUR	Total TEUR
<b>Balance Jan. 1, 2011 <sup>1)</sup></b>		<b>6,279,200</b>	<b>(147,660)</b>	<b>7,849</b>	<b>(2,980)</b>	<b>60,840</b>	<b>2,582</b>	<b>88,498</b>	<b>13</b>	<b>156,802</b>
Net earnings		-	-	-	-	-	-	7,443	(3)	7,440
Other comprehensive income/(loss)		-	-	-	-	-	(1,164)	-	-	(1,164)
Total comprehensive income/(loss)		-	-	-	-	-	(1,164)	7,443	(3)	6,276
Deferred compensation		-	-	-	-	36	-	-	-	36
Proceeds from sales of own shares		-	933	1	-	(1)	-	-	-	-
<b>Balance March 31, 2011 <sup>2)</sup></b>		<b>6,279,200</b>	<b>(146,727)</b>	<b>7,850</b>	<b>(2,980)</b>	<b>60,875</b>	<b>1,418</b>	<b>95,941</b>	<b>10</b>	<b>163,114</b>
<b>Balance Jan. 1, 2012 <sup>1)</sup></b>		<b>6,279,200</b>	<b>(140,344)</b>	<b>7,858</b>	<b>(2,980)</b>	<b>61,136</b>	<b>2,820</b>	<b>91,531</b>	<b>(26)</b>	<b>160,339</b>
Net earnings		-	-	-	-	-	-	1,073	8	1,081
Other comprehensive income/(loss)		-	-	-	-	-	(313)	-	-	(313)
Total comprehensive income/(loss)		-	-	-	-	-	(313)	1,073	8	768
Deferred compensation		-	-	-	-	25	-	-	-	25
Proceeds from sales of own shares	(15)	-	1,164	2	-	(2)	-	0	-	0
<b>Balance March 31, 2012 <sup>2)</sup></b>		<b>6,279,200</b>	<b>(139,180)</b>	<b>7,860</b>	<b>(2,980)</b>	<b>61,159</b>	<b>2,507</b>	<b>92,604</b>	<b>(18)</b>	<b>161,132</b>

<sup>1)</sup> certified <sup>2)</sup> uncertified

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

# Notes

## (1) BASIC PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

### A. GENERAL INFORMATION

#### Description of business activities

Mühlbauer Holding AG & Co. Kommanditgesellschaft auf Aktien (referred to as the company) and its subsidiaries (together referred to as the Mühlbauer Group) develop, produce and distribute products and services related to chip card, passport, Smart Label, semiconductor and electronic technologies. Moreover, the Mühlbauer Group provides precision parts fabricated by machining and processing of metals and plastics, as well as products, assemblies and systems based on such precision parts. The development and production sites of the company are located in Germany, Slovakia, Serbia and Malaysia. Sales are effected globally via the company's own sales and services network and via project-dependent trade representations in different countries.

#### Principles of presentation

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

In the view of the personally liable shareholder, the present unaudited and unrevised consolidated interim financial statements contain all adjustments necessary to reflect the actual earnings situation of the interim result. The results for the reporting period ending on 31 March 2012 do not necessarily enable the drawing of conclusions with regard to the development of future results.

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

### **Amendments to published standards and interpretations which must be applied for the first time in 2012 and which have not been applied in the past**

#### **a) EU Endorsement already made**

Amendment to IFRS 7 'Disclosures – Transfers of Financial Assets':

The amendments to IFRS 7 relate to extended obligations of disclosure when transferring financial assets. They serve to make relations between financial assets that cannot be completely booked and the corresponding financial liabilities more comprehensible. Moreover, they are intended to improve the evaluation of the type and, in particular, the risks of a continuing involvement for booked financial assets. The amendments require additional information in case of a disproportionately high number of transfers with continuing involvement, e.g. around the end of a reporting period.

The amendment has to be first applied in financial years starting on or after 1 July 2011.

#### **b) EU Endorsement not yet made**

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

This amendment to IFRS 1 replaces the hitherto used references to the date 1 January 2004 as a fixed changing date by 'Time of change to IFRS'. Moreover, IFRS 1 will now be complemented by regulations for cases where a company has failed for some time to comply with IFRS standards, as its functional currency was subject to hyperinflation.

The amendment – subject to an outstanding adoption in EU legislation – has to be first applied in financial years starting on or after 1 July 2011.

This has no essential impact on the consolidated financial statements and the notes of the Mühlbauer Group.

#### **Principles of consolidation**

The accounting principles applied to the consolidated interim financial statements correspond with those of the last consolidated financial statements at the end of the financial year. A detailed description of accounting principles is provided in the notes to the consolidated financial statements of our 2011 Annual Report.

#### **Changes in the group of consolidated companies**

The 'Mühlbauer ID Services GmbH' headquartered in Roding has founded a project and service company on 21 February 2012 and holds a share of 60% of this company. The entry in the commercial register of the responsible register court has been made. The share capital of the project company comes to a converted amount of about 51 TEUR and was fully paid. The project company is scheduled to commence operations in the second half of 2012.

### **SUMMARY OF KEY (2) ACCOUNTING PRINCIPLES**

## B. EXPLANATIONS TO THE CONSOLIDATED STATEMENT OF INCOME

### (3) COST OF SALES

Apart from directly attributable costs such as material and personnel costs as well as depreciations, cost of sales also comprise overhead costs as well as the balance of devaluations and revaluations on inventories.

### (4) SELLING EXPENSES

The selling expenses of the first quarter 2012 encompass costs resulting from the addition of value adjustments on receivables, balanced with earnings resulting from the loss of such value adjustments, to the amount of TEUR 255 (PY: earnings of TEUR 33).

### (5) RESEARCH AND DEVELOPMENT COSTS

The research and development expenses in Q1 2011 included value adjustments of TEUR 625 due to amended evaluations pertaining to the future usability of individual development results.

### (6) OTHER OPERATING EXPENSES AND REVENUES

	1 Jan - 31 March 2012 TEUR	1 Jan - 31 March 2011 TEUR
Revenue from the sale of old materials	139	119
Canteen earnings	113	148
Insurance and other compensations	28	1,086
Profits from the sale of long-term assets	25	267
Rental income	17	23
Revenue from the release of provisions and liabilities	4	144
Other	9	58
<b>Sum of other operating revenues</b>	<b>335</b>	<b>1,845</b>
Foreign currency losses	(510)	(217)
Losses from the sale of long-term assets	(30)	(30)
Expenditures for donations	(4)	(5)
Other	(37)	(530)
<b>Sum of other operating expenses</b>	<b>(581)</b>	<b>(782)</b>
<b>Total</b>	<b>(246)</b>	<b>1,063</b>



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

### EARNINGS PER SHARE (7)

		1. Quarter 2012	1. Quarter 2011
Income before income taxes*	TEUR	2,773	9,941
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	1,185	4,248
Effective tax rate*	%	63.5	26.9
Effective tax amount*	TEUR	752	1,143
Portion of net earnings for the year applicable to the shareholders of the limited partnership*	TEUR	433	3,104
Weighted average of common shares	No.	6,279,200	6,279,200
Repurchased shares (weighted)	No.	(141,344)	(147,560)
Weighted average of shares outstanding	No.	6,137,856	6,131,640
Dilution effects from subscription rights of employees and executives	No.	0	12
Weighted average of shares outstanding (diluted)	No.	6,137,856	6,131,652
Basic earnings per share*	EUR	0.07	0.51
Diluted earnings per share*	EUR	0.07	0.51

\* Without minority interests

**C. EXPLANATIONS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION****(8) SHORT-TERM SECURITIES**

In the period under review, there have been no transactions in short-term securities. In the first quarter of 2011, disbursements for the purchase of securities "at fair value through profit or loss" amount to TEUR 7,981. In the first quarter of 2011, TEUR 1,981 were spent on the purchase of "available-for-sale" securities.

**(9) TRADE ACCOUNTS RECEIVABLE**

in TEUR	31 March 2012			31 December 2011		
	With a residual term of up to 1 year	With a residual term of more than 1 year	Total	With a residual term of up to 1 year	With a residual term of more than 1 year	Total
Trade accounts receivable	34,611	1,304	35,915	33,800	733	34,533
Less value adjustments	(1,285)	-	(1,285)	(1,085)	-	(1,085)
	<b>33,326</b>	<b>1,304</b>	<b>34,630</b>	<b>32,715</b>	<b>733</b>	<b>33,448</b>

**(10) OTHER CURRENT ASSETS**

in TEUR	31 March 2012	31 December 2011
Claims on investment and technology grants	6,105	4,802
Advance payments made	2,696	2,659
Receivables against the personally liable shareholder	1,948	1,948
VAT receivables	1,491	2,801
Prepaid expenses	1,206	629
Claims on investment subsidies	940	853
Receivables from suppliers	302	167
Other	1,184	1,446
	<b>15,872</b>	<b>15,305</b>

**(11) INVENTORIES**

in TEUR	31 March 2012	31 December 2011
Raw materials, auxiliary and operating materials	9,343	9,493
Unfinished products	57,717	55,124
Finished products and trade goods	11,982	10,329
	<b>79,042</b>	<b>74,946</b>

**(12) OTHER LIABILITIES**

in TEUR	31 March 2012	31 December 2011
Salaries and wages	8,036	7,510
Commissions	1,124	788
Income tax on salaries and wages	661	1,033
Liabilities to customers	463	556
Social security contributions	286	326
Other liabilities - personnel	110	150
Capital formation	68	74
VAT-tax burden	45	71
Other	231	212
	<b>11,024</b>	<b>10,720</b>

in TEUR	As per 1 Jan 2012	Difference due to currency				As per 31 March 2012
		translation	Consumption	Addition	Dissolution	
Accrued income taxes	2,261	-	(752)	1,655	-	3,164
Personnel and social security obligations	1,395	(4)	(78)	388	(8)	1,693
Guarantee obligations	7,955	-	(831)	765	(35)	7,854
Service in progress	2,876	(3)	(309)	664	(63)	3,165
Litigation risks	302	-	(73)	162	-	391
Other	3,280	-	(1,076)	589	(46)	2,747
Other accruals	15,808	(7)	(2,367)	2,568	(152)	15,850
	<b>18,069</b>	<b>(7)</b>	<b>(3,119)</b>	<b>4,223</b>	<b>(152)</b>	<b>19,014</b>

## ACCRUED INCOME TAXES (13) AND OTHER ACCRUALS

The addition to the remaining other provisions can be attributed amongst others to an increase in provisions for outstanding invoices.

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

## PENSION AND (14) POSTRETIREMENT BENEFITS

in TEUR	1 Jan - 31 March 2012	31 March 2012	1 Jan - 31 Dec 2011	31 December 2011
<b>Accruals for pension obligations at the beginning of the reporting period</b>		<b>(1,624)</b>		<b>(1,305)</b>
Amounts recorded as income				
Current service cost	31		179	
Interest expenses on obligations	79		283	
Expected earnings on plan assets	(68)		(239)	
Amortization of actuarial losses	7	49	-	223
Contributions to plan assets		(133)		(542)
<b>Accruals for pension obligations at the end of the reporting period</b>		<b>(1,708)</b>		<b>(1,624)</b>

## Own shares

## SHAREHOLDERS' EQUITY (15)

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

Of its stock of 140,344 own shares with a nominal value of EUR 179,640.32 at the beginning of the financial year, 1,164 shares with a nominal value of EUR 1,489.92 were ceded in the form of anniversary shares free of charge in the period from 1 January 2012 up to and including 31 March 2012. As per 31 March 2012, the company holds a portfolio of 139,180 company-own shares with a nominal value of EUR 178,150.40. At that time, the proportion of company-own shares with relation to capital stock amounts to 2,22%.

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

As of the end of the period under review, the contractual obligations arising from the purchase of tangible fixed assets and immaterial assets as well as from other purchase and maintenance contracts dropped by TEUR 1,006 to TEUR 15,426 in comparison with 31 December 2011 (see Note (28) of the Annual Report as per 31 December 2011).

## D. SEGMENT REPORTING

Segment information for the Q1 2012/2011:

<b>Sales by business area</b>	<b>Q1 2012 TEUR</b>	<b>Q1 2011 TEUR</b>
Cards & TECURITY®	32,507	29,888
Semiconductor Related Products	10,982	11,951
Precision Parts & Systems	6,884	7,708
	<b>50,373</b>	<b>49,547</b>
Deductions on sales	(90)	(98)
	<b>50,283</b>	<b>49,449</b>

<b>Sales by region</b>	<b>Q1 2012 TEUR</b>	<b>Q1 2011 TEUR</b>
Asia	20,010	18,616
Germany	10,535	10,263
Africa	7,992	2,460
Other Europe	7,267	13,158
America	4,410	5,050
Australia	159	-
	<b>50,373</b>	<b>49,547</b>
Deductions on sales	(90)	(98)
	<b>50,283</b>	<b>49,449</b>

**E. NOTES TO THE STATEMENT OF CASH-FLOWS**

The free cashflow is derived as follows:

	1 Jan - 31 March 2012 TEUR	1 Jan - 31 March 2011 TEUR
Cash provided by operating activities	1,966	12,142
Cash used for investing activities	(14,199)	(8,261)
Subtotal	(12,233)	3,881
<b>Transition to free cashflow</b>		
Gains/(losses) from the sale of fixed assets and intangible assets	(57)	244
Realized net gains/(losses) from short and long-term marketable securities	-	-
Proceeds from disposals of long-term assets	(25)	(315)
Proceeds from sale of short-term assets (marketable securities)	-	-
Investments in short-term assets (marketable securities)	-	9,962
<b>Free Cashflow</b>	<b>(12,315)</b>	<b>13,772</b>

## F. OTHER NOTES

No events of major significance occurred after the end of Q1 2012.

The parties considered associated companies and persons within the meaning of IAS 24 'Related Party Disclosures' are outlined in the notes (34) of the Annual Report as per 31 December 2011. In the reporting period, major business transactions with these associated companies and persons were:

Dr. Jürgen Honert, Chairman of the Supervisory Board, is also an attorney and partner of the law firm Honert + Partner Partnerschaft in Munich. The company occasionally provides legal consultation to the Mühlbauer Group. The fees for such services amounted to TEUR 10 in the first three months of 2012.

Mühlbauer Aktiengesellschaft, ASEM Präzisions-Automaten GmbH and takeID GmbH rent office space from Mr. Josef Mühlbauer and from one company in which Mr. Mühlbauer holds a participation. In the first three months of 2012, rental costs amounted to TEUR 100 (PY: TEUR 85).

Group companies utilize certain services in respect of the conveyance of passengers, sales promotion, the organization of travel, accommodation and catering, offered by companies that are controlled by Mr. Josef Mühlbauer. After deduction of commission services the Group paid TEUR 196 (PY: TEUR 166) plus the current amount of VAT for such services in the first three months of 2012. In the first three months of 2012, Mühlbauer Aktiengesellschaft generated proceeds of TEUR 4, plus the current amount of VAT, in respect of services provided and products sold to Mr. Josef Mühlbauer or companies controlled by him.

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

	31 March 2012 Number	31 March 2011 Number
Production and assembly	1,552	1,255
Research and development	476	429
Administration and sales	273	242
	<b>2,301</b>	<b>1,926</b>
Apprentices and trainees as well as part-time employees	473	418
<b>Total</b>	<b>2,774</b>	<b>2,344</b>

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

	31 March 2012 Number	31 March 2011 Number
Germany	1,921	1,826
Rest of Europe	304	209
Asia	268	260
America	245	30
Other	36	19
<b>Total</b>	<b>2,774</b>	<b>2,344</b>

This consolidated interim report was released for publication by the personally liable shareholder on 14 May 2012.

### Mühlbauer Holding AG & Co. Kommanditgesellschaft auf Aktien

The personally liable shareholder

**EVENTS AFTER THE (17)  
REPORTING DATE**

**RELATIONSHIPS WITH (18)  
ASSOCIATED COMPANIES  
AND PERSONS**

**NUMBER OF EMPLOYEES (19)**

Financial calendar

14 June 2012	Annual General Meeting, Roding
9 August 2012*	Quarterly report II/2012
8 November 2012*	Quarterly report III/2012
March 2013*	Annual Report 2012

\*expected

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