



Interim report

3. Quarter 2007

Content

03	Interim Management Report
08	Consolidated Statements of Income
09	Consolidated Balance Sheets
10	Consolidated Statements of Cashflows
11	Consolidated Statements of Changes in Shareholders' Equity
12	Notes
20	Financial Calendar

Group overview		Q3/2007	Q3/2006	9M/2007	9M/2006
Order income	EUR million	46.9	36.9	122.8	125.1
Sales	EUR million	41.4	37.1	106.5	114.8
EBIT	EUR million	5.8	8.6	13.6	24.9
EBT	EUR million	6.0	10.2	15.4	27.7
Net earnings	EUR million	5.0	6.8	10.9	18.5
Earnings per Share	EUR	0.37	0.47	0.74	1.28
Employees	Number	1,803	1,605	1,803	1,605

Interim Management Report

OVERVIEW OF THE DEVELOPMENT OF BUSINESS IN THE GROUP FRAMEWORK CONDITIONS

In Q3 2007, the international technology group Mühlbauer set out to regain lost ground and achieved significant growth of order income and sales. Based on a high order backlog and a strong plus of 27.1% with regard to order income, consolidated sales improved 11.5% in the period under review.

The key ratios for Q3 2007 are:

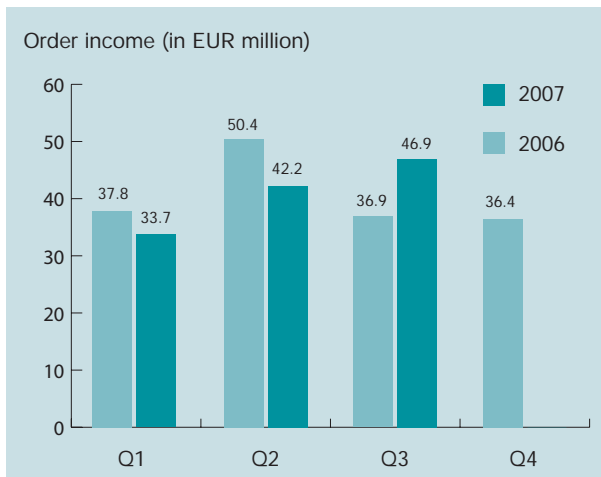
- Order income is significantly higher year-on-year (36.9), at EUR 46.9 million – SmartID records growth of more than 50%
- Order backlog of EUR 88.2 million is almost at the same high level of the previous year (89.1)
- Consolidated sales rise to EUR 41.4 million – after EUR 37.1 million year-on-year
- EBIT of EUR 5.8 million – after EUR 8.6 million year-on-year; EBIT ratio at 14.1% (23.0%)
- Earnings after taxes total EUR 5.0 million, due to special earnings of EUR 1.1 million, resulting from the reduction of income tax rates effected in the course of the German Corporate Tax Reform 2008 – after achieving EUR 6.8 million year-on-year
- Earnings per share amount to EUR 0.37 (0.47)
- Free cashflow at EUR +1.7 million, after EUR -4.0 million year-on-year

Global economy. Despite the turbulence on the financial market, the global economy expanded in Q3, thanks to solid fundamental data and the strong momentum in the developing and newly industrializing countries. While economic activity in the industrialized countries declined slightly, growth remained solid. Economic growth in Germany weakened somewhat – but the driving forces did not grind to a halt.

Industry development. In Q3 2007, no significant changes occurred on the markets relevant to Mühlbauer's core business Cards & TECURITY® and Smart Label, which contrasted the development described in previous quarters. Worldwide, states and public authorities pursued their goal of replacing conventional documents by new ID applications or to equip these with biometric data. Demand for technology and software solutions for the production of security-oriented ID such as electronic passports or ID cards therefore remained at a high level. Furthermore, a continuous rise of interest in other card applications such as EMV or GSM cards could be observed. The RFID industry also continued its positive development. It is characterized by long-term continuous growth and benefits from the intensification and increased used of RFID applications, for example in the ticketing area or in logistics processes.

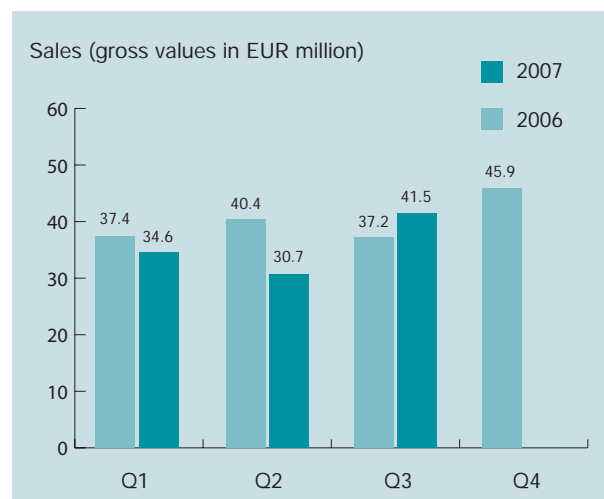
BUSINESS DEVELOPMENT

Order income and order backlog. The upswing recorded in Q2 in respect of order income was perpetuated in Q3. Order income of the international system supplier Mühlbauer climbed to EUR 46.9 million, thus exceeding the year-on-year value (36.9) by 27.1%. In so doing, Mühlbauer benefited particularly strongly from the substantial increase of orders in the SmartID area. Due to the strong demand for technology solutions for the production of electronic passports and EMV bank cards, this area outperformed the previous year's quarter (21.2) by 55.7%, with its order income of EUR 33.0 million. This overcompensated for the weak demand in Semiconductor Related Products, which contributed EUR 5.3 million (7.4) to the order book. Order income in Traceability continued to rise. At EUR 4.4 million it was 13.4% higher year-on-year (3.8), while Precision Parts & Systems lagged the previous year's value slightly, at EUR 4.2 million (4.5). On a nine-month view, the accumulated order income totaled EUR 122.8 million and thus lagged the previous year's result (125.1) by 1.8%. At 1.0%, the order backlog of the international Mühlbauer Group was only slightly lower year-on-year (89.1) and amounted to EUR 88.2 million on 30 September 2007.



Sales.¹ As expected, the Mühlbauer Group succeeded in boosting its sales in Q3 and achieved a volume of EUR 41.5 million – 11.5% more year-on-year (37.2). The signifi-

cant rise of sales in the SmartID area has had a positive effect. Sales in this area were not only supported by the predominant interest in systems for the production of security-oriented ID applications for the governments of various countries but, in particular, also by the rise in demand for Smart Label solutions. As a result, year-on-year sales were 23.7% higher (20.1) and climbed to EUR 24.9 million. Mühlbauer posted sales of EUR 9.3 million in Semiconductor Related Products, thus lagging 6.3% behind the third quarter of the previous year (9.9). Whilst sales of the Traceability area have not yet benefited from the positive order income of previous quarters and, at EUR 3.1 million, was 10.4% lower year-on-year (3.5), the Precision Parts & Systems area once again boosted its sales and contributed EUR 4.2 million (3.7). This corresponds to a rate of growth of 13.6%. In the nine-month comparison (EUR 106.8 million; PY: EUR 115.0 million) the difference in consolidated sales of the Mühlbauer Group has thus dropped to 7.1%.



In Q3 2007, the Mühlbauer technology group achieved 52.0% (52.1%) of its sales in Europe and 34.3% (33.5%) in Asia. The North and South American markets contributed 5.1% (11.8%) to quarterly sales, the remaining continents Australia and Africa 8.6% (2.6%). In-depth information on regional sales development can be found on page 17 of the notes.

¹ The sales figures are gross values, before deductions on sales proceeds of EUR 0.1 million (0.1) for Q3 and accumulated of EUR 0.3 million (0.2)

EARNINGS, FINANCIAL AND ASSET SITUATION

Earnings. At EUR 5.8 million, earnings before interest and taxes (EBIT) of the Mühlbauer technology group in Q3 2007 lagged the year-on-year value (8.6) by EUR 2.8 million. This corresponds to an EBIT margin of 14.1%, after 23.0% in the previous year. While the increase in cost of sales is largely due to impairment charges of EUR 1.7 million (PY: earnings of EUR 3.3 million) relating to inventory risks arising from an extended storage period and lower usability, selling expenses rose by EUR 0.4 million, largely due to the discontinuation of earnings on value-adjusted receivables, recovered in the previous year. The increase of general administrative expenses by EUR 0.3 million is primarily due to higher personnel expenses. Research and development costs increased significantly year-on-year, by EUR 1.7 million. The main reason for this is largely value adjustments due to altered evaluations in respect of future usability of individual development projects (EUR 0.5 million), higher personnel expenses and lower income from publicly subsidized research projects. Other expenses rose considerably, primarily due to the formation of accruals in connection with the use of specific development results. The financial result was EUR 1.4 million lower on a quarterly comparison, due to the profitable disposal of securities in previous year. The effective tax rate in Q3 was 16.9%, compared to 33.0% year-on-year. The declining tax rate is predominantly due to special earnings of EUR 1.1 million, resulting from the reduction of the income tax rate for German corporations, resolved in the course of passing the German Corporate Tax Reform Act 2008. After deduction of tax expenses, net income for Q3 2007 totaled EUR 5.0 million, as compared to EUR 6.8 million in the same period of the previous year. In the period under review, earnings per share amounted to EUR 0.37, after EUR 0.47 year-on-year.

At EUR 13.6 million (24.9), earnings before interest and taxes (EBIT) of the Mühlbauer technology group for the first nine months of 2007 was also lower year-on-year. The EBIT margin was thus 12.8% (21.6%). The reasons for this decline in earnings are both the lower year-on-year sales and the resultant cost progression in the shares of cost of sales (60.0%; PY: 55.9%), which led to a drop in gross earnings margin from 44.1% to 40.0%. Another factor that impacted costs was the development of new sites abroad, as these expenses are initially opposed only by low earnings. With regard to the rise of general administrative ex-

penses, research and development costs and other expenses we herewith refer to our notes on the earnings development in Q3. Net income for the first nine months totaled EUR 10.9 million, after EUR 18.5 million in the same period of the previous year. This results in earnings per share of EUR 0.74, after EUR 1.28 year-on-year.

Cashflow. At EUR 8.9 million, cashflow from operating activities in the first nine months of 2007 was EUR 2.2 million higher year-on-year (6.7). While the change in working capital resulted in an outflow of EUR 4.2 million, the outflow in the first nine months of the previous year was EUR 16.9 million. Securities worth EUR 33.3 million (25.5) were disposed of in order to finance investments in fixed assets, intangible assets and capitalized development costs totaling EUR 7.1 million (9.1), and the dividend payments made to shareholders and the personally liable shareholder in the previous quarter, amounting to EUR 17.4 million (13.3). This was offset by payments of EUR 18.3 million (19.0) in respect of securities purchased. The payments received from the disposal of fixed assets totaled EUR 0.9 million (0.3). The free cashflow of EUR +2.9 million was EUR 3.4 million higher year-on-year (-0.5). The increase is largely due to the developments pertaining to working capital, already described.

Assets. Compared to the end of the previous year the group's balance sheet total dropped 4.1%, to EUR 168.0 million (175.2). In the same period, net liquidity declined 30.6%, from EUR 44.7 million to EUR 31.0 million, largely due to the investments and the distribution of profits. Compared to the end of the previous year, working capital rose by EUR 4.2 million, to EUR 49.7 million at the end of the reporting period. A decline of trade receivables of EUR 2.9 million is offset by an increase in inventories of EUR 5.6 million and an increase in tax receivables of EUR 1.7 million. Compared to the end of the previous year, short-term liabilities, not including financial liabilities, rose slightly, by EUR 0.3 million. Shareholders' equity dropped from EUR 140.3 million to EUR 133.8 million. A crucial factor in the decline of shareholders' equity was the distribution of profits of EUR 17.4 million in April of the year under review. The positive result achieved in the first nine months, of EUR 10.9 million, provided a boost to shareholders' equity. At 79.6%, the equity ratio declined slightly against the end of the previous year (80.1%).

FACTOR INPUT

Investments. In Q3 2007, gross investments of the Mühlbauer Group in fixed and intangible assets totaled EUR 0.8 million (3.9) – 79.5% less year-on-year. As a result, after nine months investments amounted to EUR 5.8 million (6.9), which corresponds to an investment ratio of 5.4% of sales.

Research and development. In Q3 2007, research and development expenses of the Mühlbauer Group totaled EUR 6.1 million (4.4) and were thus EUR 15.9 million (13.6) for the first nine months. Apart from the development of special modules in the context of projects in the cards sector, new process modules for laser and inkjet personalization were developed for Cards & TECURITY® as well as new, faster laminating modules for passport and card production and process modules for the sectors mailing and scratch-off. In the software area, research and development activities focused on the development of components for the complete software structure of national ID projects (TIDIS) and on new modules for the production management system INCAPE. In its Smart Label area, Mühlbauer extended its existing product portfolio in quality management further – as a one-stop solution provider. The newly developed CAT 20000 (contactless antenna tester) enables function testing of the antenna by the inlay producer even before fitting it with a chip so that maximum quality can be achieved in production.

Employment. On 30 September 2007, Mühlbauer employed 1,803 staff across the group, 198 more than in the previous year. The number of highly qualified specialists, engineers and technicians in the R&D area has risen significantly – to 329 employees (296). The training of young people play a major role at Mühlbauer. At the end of the third quarter 289 (238) young people were employed by Mühlbauer as apprentices or trainees – this corresponds with a training rate of 16.0%.

RISK REPORT

Against the background of a systematic and efficient risk management system, risks at Mühlbauer are delimited and manageable. Risks constituting a threat to the continuity of the company are not discernible. The group encounters all temporary volatility from the increasing project business and resultant changes with regard to the probability of cost, liquidity and personnel risks with intensive controlling measures, to be able to react to unfavorable developments with countermeasures in a timely manner. Additionally, market opportunities and entrepreneurial risks that may result from the continued internationalization of the group in the Asian, eastern European and US American areas, are being closely watched and evaluated. The statements of the risk report contained in the 2006 Annual Report still apply.

OUTLOOK

Global economy. The global economy is set to lose some of its momentum over the months to come, but should remain fairly high, compared to the historic average. While the economy is expected to bottom out more distinctly in the industrialized countries and the increase in production in the developing and newly industrializing countries is expected to dampen, it is unlikely that the economy as such will decrease significantly. Economic research institutes anticipate global economic growth of 5.2% in 2007 and growth between 2.4% and 2.6% for Germany.

Industry development. The market for innovative identification documentation and intelligent chip cards will continue to develop positively medium- and long-term. Due to the worldwide trend towards new safe Smart Card applications, market research institutes and industry experts are anticipating a high demand for new electronic passports, ID or health cards, in particular for the government sector.

Furthermore, in the EMV area the switch from conventional magnetic stripe cards to bank cards with contactless readability is being driven ahead, so that further growth is expected in this area as well. The contactless identification of goods and objects, for the purpose of improving logistics processes and supply chain management, is also being pushed ahead. In addition to the global switch to contactless identification, the use of the RFID technology for a host of different applications is promoted, particularly in the Asian-Pacific area. In Q3 the market research company iSuppli reduced its outlook in respect of the growth of the global semiconductor market from 6% to 3.5% for the whole of 2007, due in particular to declining prices in the memory chip sector and now conforms with the growth forecasts of other market research institutes.

Business development. The continuation of the plans of many states and public authorities to introduce new security-oriented ID systems in Smart Card and passport formats globally, is of particular significance to the further development of the Mühlbauer Group. The additional conversion of conventional payment transaction cards to chips and the rising demand for GSM cards opens up further opportunities for growth. With its comprehensive range of solutions in the Cards & SECURITY® area, consisting of innovative technology systems and user-oriented software solutions, Mühlbauer is in an ideal position to continue to benefit from this growth market. Global demand for intelligent radio labels is set to increase on the RFID market as well. Alongside many other areas, an intensification of the RFID technology is in particular discernible in logistics processes and in ticketing. Mühlbauer is well prepared to

meet demand and can offer innovative technology solutions for the production of Smart Labels and for the processing of self-adhesive labels or tickets. On the still volatile semiconductor market, Mühlbauer and its business area Semiconductor Related Products will continue to focus on special niche markets, which do not necessarily reflect the cyclicity of the semiconductor industry. Currently, no developments are discernible in the business areas Traceability und Precision Parts & Systems, which result in an expectation that business development may deviate significantly in future. The international expansion of the Group is being driven ahead: alongside the development of the technology site in Malaysia and the development site in Slovakia, Mühlbauer intends to fit its branch in the USA with a modern customer relations center to reinforce its position on this market.

PLEASE NOTE

This interim Management Report contains future-oriented statements; statements that are not based on historical facts but on current plans, assumptions and estimates. Any statements in respect of the future apply only to the period in which they were made. Mühlbauer accepts no obligation to revise these on receipt of new information. Future-oriented statements are always subject to risk and insecurity. In this context we would like to point out that a range of factors can impact the actual results to the extent that these deviate significantly from the forecast results. Some of these factors are described in the section "Risk report", in sections of the 2006 Annual Report and in this interim report.

CONSOLIDATED STATEMENTS OF INCOME (IFRS) FROM JANUARY 1 TO SEPTEMBER 30, 2007
OF MÜHLBAUER HOLDING AG & Co. KGaA¹⁾

	Notes	July 01. - Sep 30, 2007		July 01. - Sep 30, 2006		January 01. - Sep 30, 2007		January 01. - Sep 30, 2006	
		TEUR	%	TEUR	%	TEUR	%	TEUR	%
1. Sales		41,399	100.0	37,123	100.0	106,525	100.0	114,818	100.0
2. Cost of sales	(3)	(24,219)	(58.5)	(20,905)	(56.3)	(63,877)	(60.0)	(64,189)	(55.9)
3. Gross profit		17,180	41.5	16,218	43.7	42,648	40.0	50,629	44.1
4. Selling expenses		(3,004)	(7.2)	(2,633)	(7.2)	(7,522)	(7.1)	(8,249)	(7.2)
5. Administrative expenses		(1,921)	(4.6)	(1,599)	(4.3)	(5,834)	(5.4)	(5,210)	(4.5)
6. Research and development	(4)	(5,654)	(13.7)	(3,905)	(10.5)	(15,183)	(14.3)	(13,375)	(11.7)
7. Other income		300	0.7	515	1.4	612	0.6	1,117	1.0
8. Other expenses	(5)	(1,057)	(2.6)	(42)	(0.1)	(1,113)	(1.0)	(57)	(0.1)
9. Operating income		5,844	14.1	8,554	23.0	13,608	12.8	24,855	21.6
10. Financial result									
a) Financial income	(6)	401	1.0	1,957	5.3	2,401	2.2	3,243	2.8
b) Financial expenses	(6)	(223)	(0.5)	(353)	(1.0)	(645)	(0.6)	(427)	(0.3)
11. Income before income taxes		6,022	14.6	10,158	27.3	15,364	14.4	27,671	24.1
12. Income taxes	(7)	(1,019)	(2.5)	(3,348)	(9.0)	(4,481)	(4.2)	(9,138)	(8.0)
13. Net earnings		5,003	12.1	6,810	18.3	10,883	10.2	18,533	16.1
Earnings per share in EURO									
basic	(8)	0.37		0.47		0.74		1.28	
fully diluted	(8)	0.37		0.47		0.74		1.28	
Weighted average of shares									
basic	(8)	6,100,145		6,081,439		6,100,145		6,081,439	
fully diluted	(8)	6,100,186		6,081,672		6,100,186		6,081,672	

¹⁾ uncertified

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

**CONSOLIDATED BALANCE SHEETS (IFRS) AS AT SEPTEMBER 30, 2007
OF MÜHLBAUER HOLDING AG & Co. KGaA**

	Notes	Sep 30, 2007 ¹⁾ TEUR	Dec 31, 2006 ²⁾ TEUR
ASSETS			
Short-term assets			
Cash and cash equivalents		11,895	11,311
Marketable securities	(9)	14,616	21,819
Trade accounts receivable, net		27,169	30,106
Other current assets		4,743	4,598
Tax receivables	(10)	3,101	1,360
Inventories	(11)	45,433	39,807
		106,957	109,001
Long-term assets			
Investment and long-term financial assets			
Marketable securities	(12)	4,564	11,524
Trade accounts receivable, net		1,945	1,335
		6,509	12,859
Fixed assets			
Land and buildings, net		26,628	25,683
Technical equipment, net		8,444	8,895
Furniture and office equipment, net		5,540	5,168
Buildings and equipment in progress		69	377
		40,681	40,123
Intangible assets			
Software and licenses		1,044	1,039
Capitalized development costs		8,746	8,971
		9,790	10,010
Other long-term assets			
Long-term tax receivables		2,337	2,268
Deferred tax assets		548	42
Plan assets	(13)	1,207	926
		4,092	3,236
		168,029	175,229
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term liabilities			
Debt		59	0
Trade accounts payable		7,149	7,655
Downpayments received on orders		6,840	5,646
Other liabilities		4,015	4,723
Accrued income taxes	(14)	1,125	2,540
Other accruals	(14)	11,615	9,847
		30,803	30,411
Long-term liabilities			
Deferred tax liabilities		3,428	4,519
		3,428	4,519
Shareholders' equity			
Ordinary share capital (par value 1.28 EUR; 6,380,000 ordinary shares authorized; 6,279,200 ordinary shares issued, thereof 6,111,960 ordinary shares outstanding)		8,038	8,038
Own shares	(15)	(214)	(240)
Fixed capital contribution		(2,980)	(2,980)
Additional paid-in capital	(15)	60,476	59,872
Other comprehensive income	(15)	620	1,259
Retained earnings	(15)	67,858	74,350
		133,798	140,299
		168,029	175,229

¹⁾uncertified ²⁾certified

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

**CONSOLIDATED STATEMENTS OF CASHFLOWS (IFRS)
OF MÜHLBAUER HOLDING AG & Co. KGaA¹⁾**

	Jan 01 - Sep 30, 2007 TEUR	Jan 01 - Sep 30, 2006 TEUR
Cash provided by operating activities		
1. Net earnings	10,883	18,533
2. + Income taxes	4,481	9,138
3. + Interest expenses	222	38
Adjustments for non cash expenses and income		
4. +/- Expenses/(income) from employee profit-sharing programs	155	188
5. +/- Depreciations/(appreciations) to fixed assets	4,820	4,514
6. +/- Depreciations/(appreciations) to intangible assets	536	422
7. +/- Depreciations/(appreciations) to capitalized development costs	1,806	2,420
8. +/- (Gains)/losses from the sale of fixed assets	(57)	(174)
9. +/- Currency differences from the transition of fixed assets	(3)	6
10. +/- Realized net (gains)/losses from short- and long-term marketable securities	(1,045)	(1,709)
11. +/- (Gains)/losses from the change in fair value of financial instruments	127	(76)
12. +/- (Increase)/decrease of deferred tax assets	(501)	(88)
13. +/- Increase/(decrease) of deferred tax liabilities	(1,084)	264
Changes in long-term assets and working capital		
14. +/- (Increase)/decrease of inventories	(5,626)	(9,205)
15. +/- (Increase)/decrease of trade accounts receivable and other short-term assets	(771)	(5,585)
16. +/- Increase/(decrease) of trade accounts payable and other liabilities	5,979	(4,477)
17. = Cash generated from operating activities	19,922	14,209
18. - Income tax paid	(10,947)	(7,422)
19. - Interest paid	(109)	(38)
20. = Cash provided by operating activities	8,866	6,749
Cashflow from investing activities		
21. + Proceeds from disposals of fixed assets	895	290
22. - Purchase of fixed assets	(5,060)	(5,721)
23. - Purchase of intangible assets	(423)	(705)
24. - Expenditures for capitalized development costs	(1,581)	(2,660)
25. + Proceeds from sales of long-term marketable securities (available-for sale-papers)	8,652	2,399
26. - Acquisitions of long-term marketable securities (available-for sale-papers)	(1,672)	(2,620)
27. + Proceeds from sales of short-term marketable securities (available-for sale and held-to-maturity papers)	24,608	23,127
28. - Acquisitions of short-term marketable securities (available-for sale and held-to-maturity papers)	(16,594)	(16,357)
29. = Cash used for investing activities	8,825	(2,247)
Cashflow from financing activities		
30. - Repayment of long-term debts	0	0
31. +/- Increase/(decrease) of short-term debts	59	(703)
32. + Proceeds from sales of own shares	475	383
33. - Dividends paid	(15,718)	(12,186)
34. +/- Tax withdrawal personally liable shareholder	(1,658)	(1,131)
35. = Cash used for financing activities	(16,842)	(13,637)
36. +/- Increase/(decrease) of currency exchange rate changes	(265)	(70)
37. = Net increase/(decrease) in cash and cash equivalents (Total of lines 20, 29, 35 and 36)	584	(9,205)
38. + Liquid funds on January 1	11,311	29,486
39. = Liquid funds on September 30	11,895	20,281

¹⁾ uncertified

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

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

						Other comprehensive income/(loss)				
	Notes	Total number of shares	Own shares Number	Ordinary share capital TEUR	Fixed capital TEUR	Additional paid-in capital TEUR	Cumulative transaction adjustments TEUR	Available for-sale- securities TEUR	Retained earnings TEUR	Total TEUR
Balance December 31, 2005¹⁾		6,279,200	(202,437)	7,779	(2,980)	59,319	191	2,028	59,878	126,215
Net earnings		-	-	-	-	-	-	-	18,533	18,533
Other comprehensive income/(loss)	(15)	-	-	-	-	-	(70)	(817)	-	(887)
Total comprehensive income/(loss)		-	-	-	-	-	(70)	(817)	18,533	17,646
Deferred compensation	(15)	-	-	-	-	188	-	-	-	188
Proceeds from sales of own shares	(15)	-	14,940	19	-	364	-	-	-	383
Dividends		-	-	-	-	-	-	-	(13,256)	(13,256)
Balance September 30, 2006²⁾		6,279,200	(187,497)	7,798	(2,980)	59,871	121	1,211	65,155	131,176
Balance December 31, 2006¹⁾		6,279,200	(187,502)	7,798	(2,980)	59,872	101	1,158	74,350	140,299
Net earnings		-	-	-	-	-	-	-	10,883	10,883
Other comprehensive income/(loss)	(15)	-	-	-	-	-	(265)	(374)	-	(639)
Total comprehensive income/(loss)		-	-	-	-	-	(265)	(374)	10,883	10,244
Deferred compensation	(15)	-	-	-	-	155	-	-	-	155
Proceeds from sales of own shares	(15)	-	20,262	26	-	449	-	-	-	475
Dividends		-	-	-	-	-	-	-	(17,375)	(17,375)
Balance September 30, 2007²⁾		6,279,200	(167,240)	7,824	(2,980)	60,476	(164)	784	67,858	133,798

¹⁾ certified

²⁾ uncertified

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

Notes

A. GENERAL INFORMATION

(1) BASIC PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

Description of business activities

Mühlbauer Holding AG & Co. Kommanditgesellschaft auf Aktien (referred to as the company) and its subsidiaries (together referred to as the Mühlbauer Group) develop, produce and distribute products and services within the chip card, passport, Smart Label and semiconductor industries. The development and production sites of the company are located in Germany, Malaysia and Slovakia. Sales are effected globally, via the company's own sales and services network and 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 notes do not contain all the information and notes required by the IFRS for consolidated financial statements at the end of a financial year.

In the personally liable shareholder's view, the present unaudited and unrevised consolidated interim financial statements contain all adjustments necessary to reflect the

actual earnings situation of the interim result. The results for the reporting period ending on 30 September 2007, 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.

(2) SUMMARY OF KEY ACCOUNTING PRINCIPLES

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 2006 Annual Report.

B. EXPLANATIONS TO THE CONSOLIDATED STATEMENT OF INCOME

(3) COST OF SALES

Apart from directly attributable costs such as those related to materials, personnel, power and overheads, cost of sales also comprise the balance of devaluations and revaluations on inventories. In Q3 2007 this resulted in expenses of TEUR 1,719 (PY: earnings of TEUR 3,275) and in the first nine months of 2007 in expenses totaling TEUR 4,383 (PY: TEUR 3,530).

(4) RESEARCH AND DEVELOPMENT

The research and development expenses for Q3 2007 include value adjustments of TEUR 494 relating to amended evaluations pertaining to the future usability of individual development projects.

(5) OTHER EXPENSES

The change in other expenses largely results from the formation of accruals in connection with the utilisation of specific development results.

(6) FINANCIAL RESULT

	1 July - 30 Sep 2007 TEUR	1 July - 30 Sep 2006 TEUR	1 Jan - 30 Sep 2007 TEUR	1 Jan - 30 Sep 2006 TEUR
Realized income from securities and financial assets	229	1,132	1,616	1,607
Interest and dividend income	91	743	508	1,363
Other interest and similar earnings	81	82	277	273
Financial income	401	1,957	2,401	3,243
Realized losses from securities and financial assets	(118)	-	(423)	(20)
Interest and similar expenses	(105)	(353)	(222)	(407)
Financial expenses	(223)	(353)	(645)	(427)
Total	178	1,604	1,756	2,816

(7) INCOME TAXES

According to the statements of income, the tax rate in Q3 2007 is 16.9% (PY: 33.0%), the tax rate of the first nine months 2007 29.2% (PY: 33.0 %). The German Corporate Tax Reform Act 2008, announced on 17 August 2007, will lead to a reduction of income tax rates for German corporations. During Q3 2007 the reduction of deferred taxes on value adjustments in the financial statements and tax accounts of German group companies for the period following 31 December 2007, of TEUR 1,077, was recognized

as income in the reporting period. Without this special effect, the tax rate in Q3 2007 would be 34.8% and 36.2% for the first nine months of 2007.

The effective tax rate that is to be applied to the earnings attributable to the shareholders of the limited partnership is 12.3% (PY: 34.0%) in Q3 2007 and 31.6% (PY: 34.3%) in the first nine months 2007.

(8) EARNINGS PER SHARE

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

		1 July - 30 Sep 2007	1 July - 30 Sep 2006	1 Jan - 30 Sep 2007	1 Jan - 30 Sep 2006
Income before income taxes	TEUR	6,022	10,158	15,364	27,671
Portion of share capital in total capital	%	42.73	42.73	42.73	42.73
Portion of income before income taxes applicable to the shareholders of the limited partnership	TEUR	2,573	4,341	6,565	11,824
Effective tax rate	%	12.33	33.97	31.57	34.31
Effective tax amount	TEUR	317	1,474	2,073	4,057
Portion of net earnings for the year applicable to the shareholders of the limited partnership	TEUR	2,256	2,866	4,492	7,767
Weighted average of common shares	No.	6,279,200	6,279,200	6,279,200	6,279,200
Repurchased shares (weighted)	No.	(179,055)	(197,761)	(179,055)	(197,761)
Weighted average of shares outstanding	No.	6,100,145	6,081,439	6,100,145	6,081,439
Dilution effects from subscription rights of employees and executives	No.	41	233	41	233
Weighted average of shares outstanding (fully diluted)	No.	6,100,186	6,081,672	6,100,186	6,081,672
Basic earnings per share	EUR	0.37	0.47	0.74	1.28
Diluted earnings per share	EUR	0.37	0.47	0.74	1.28

C. EXPLANATIONS ON THE CONSOLIDATED BALANCE SHEET**(9) MARKETABLE SECURITIES**

in TEUR	30 September 2007	31 December 2006
Securities of the category "available-for-sale"		
Shares and comparable securities	11,981	19,012
Bonds	2,635	2,807
	14,616	21,819

Earnings totaling TEUR 6,826 (PY: TEUR 14,426) were achieved in Q3 2007 from the sale of shares and comparable securities and of TEUR 24,608 (PY: TEUR 58,442) in the first nine months 2007. The gains realized through these sales amounted to TEUR 1,380 (PY: TEUR 1,607) in the first nine months 2007. Payments for the purchase of shares and comparable securities amounted to TEUR 6,441 (PY: TEUR 10,183) in Q3 2007 and TEUR 16,593 (PY: TEUR 43,329) in the first nine months.

In Q3 2007 bonds did not undergo any portfolio changes. Earnings from the disposal of bonds amounted to TEUR 2,801 (PY: TEUR 2,379) in the first nine months. The losses realized from this amounted to TEUR 97 (PY: TEUR 20) in the first nine months 2007.

The earnings achieved from the sale of funds were largely utilized for the distribution of profits and for investments (we refer to the consolidated statements of cashflows).

(10) TAX RECEIVABLES

The tax receivables of TEUR 3,101 (PY: TEUR 1,360) comprise reclaimable income tax claims of domestic and foreign group companies. The increase is largely due to cap-

ital gains taxes from domestic profit distributions and overpayments of domestic income taxes.

(11) INVENTORIES

in TEUR	30 September 2007	31 December 2006
Raw materials, auxiliary and operating materials	7,929	7,233
Unfinished products	30,904	28,835
Finished products	6,600	3,718
Deposits paid on inventories	-	21
	45,433	39,807

In the year under review, inventory assets were devalued by TEUR 4,383 (PY: TEUR 4,977).

The earnings achieved from the sale of funds were largely utilized for the distribution of profits and for investments (we refer to the consolidated statements of cashflows).

(12) FINANCIAL ASSETS

In Q3 2007 bonds did not undergo any portfolio changes. In the first nine months 2007, earnings from the disposal of bonds amounted to TEUR 5,850 (PY: TEUR 0). The losses realized from this amount to TEUR 89 (PY: TEUR 0) in the first nine months 2007. Payments for the purchase of bonds totaled TEUR 1,672 (PY: TEUR 2,620) in the first nine months 2007.

(13) PENSION AND POSTRETIREMENT BENEFITS

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

in TEUR	1 Jan - 30 Sep 2007	30 September 2007	1 Jan - 31 Dec 2006	31 December 2006
Accruals for pension obligations at the beginning		(926)		(510)
Amounts recorded as income				
Current service cost	334		457	
Interest expenses on obligations	149		178	
Expected earnings on plan assets	(130)		(175)	
Amortization of actuarial losses	24	377	49	509
Contributions to plan assets		(659)		(925)
Accruals for pension obligations at the end		(1,208)		(926)

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

in TEUR	As per 1 Jan 2007	Currency translation adjustment	Con- sumption	Addition	Dissolution	As per 30 Sep 2007
Accrued income taxes	2,540	-	(2,187)	772	-	1,125
Personnel and social security obligations	4,120	(2)	(3,766)	5,505	(12)	5,845
Guarantee obligations	2,919	-	(2,919)	2,757	-	2,757
Service in progress	1,062	-	(1,062)	1,005	-	1,005
Litigation risks	845	-	(3)	1,020	(355)	1,507
Commissions	133	-	(98)	10	-	45
Other	768	-	(574)	348	(86)	456
	12,387	(2)	(10,609)	11,417	(453)	12,740

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

On the basis of the resolution passed by the Annual General Meeting on 26 April 2007, the personally liable shareholder is authorized to purchase company shares of up to 10% of the current ordinary share capital until 30 September 2008, for specific pre-defined purposes.

Of its stock of 187,502 own shares with a nominal value of EUR 240,002.56 at the beginning of the financial year, the company disposed of 20,262 shares with a nominal value of EUR 25,935.36 in the course of the capital formation scheme executed by the company for the employees of

the Mühlbauer Group. This corresponds to a share of ordinary share capital of 0.32%. The earnings, totaling TEUR 475, are being used to strengthen the working capital. As per 30 September 2007, the company holds a stock of 167,240 own shares of a nominal value of EUR 214,067.20. At this point in time, the percentage of own shares in the ordinary share capital is 2.66%.

Other comprehensive income

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

in TEUR	Financial assets of the category "available-for-sale"	Difference due to currency translation	Total
Status as per 31 December 2006	1,158	101	1,259
Adjustments to market values	414	-	414
Currency adjustments	-	(265)	(265)
Deferred taxes in shareholders' equity	(12)	-	(12)
Reclassification in income statement	(776)	-	(776)
Status as per 30 September 2007	784	(164)	620

Stock purchase programs

On the basis of specific accomplished personal or team goals, the employees of the Mühlbauer Group held a total of 1,294 subscription rights at the end of the reporting period. Every single subscription right authorizes its holder to subscribe to one common share issued to the bearer.

The average exercise price is EUR 27.94. All subscription rights can be exercised without observing a waiting period. The company intends to make use of its right to make

cash payments to beneficiaries instead of transferring shares, thus meeting all subscription rights from cash and cash equivalents.

Moreover, neither the personally liable shareholder nor the Supervisory Board held subscription rights or comparable securities in accordance with § 160 (1) No. 5 AktG (Stock Corporation Act).

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

The liability and other financial obligations rose compared to the notes (28) of the Annual Report as per 31 December 2006 by TEUR 1,973 to the end of the reporting period.

D. SEGMENT REPORTING

Segment information for Q3 2007/2006 and the first nine months 2007/2006:

Sales by application area	Q3 2007 TEUR	Q3 2006 TEUR	9M 2007 TEUR	9M 2006 TEUR
Smart Identification	24,909	20,143	60,729	60,899
Semiconductor Related Products	9,280	9,903	22,301	32,259
Precision Parts and Systems	4,178	3,677	14,343	11,721
Traceability	3,104	3,463	9,440	10,117
	41,471	37,186	106,813	114,996
Deductions on sales	(72)	(63)	(288)	(178)
	41,399	37,123	106,525	114,818

Sales by region	Q3 2007 TEUR	Q3 2006 TEUR	9M 2007 TEUR	9M 2006 TEUR
Asia	14,205	12,475	31,977	44,489
Germany	9,802	10,559	31,887	30,776
Rest of Europe	11,769	8,805	30,238	27,537
America	2,110	4,379	5,550	8,883
Other	3,585	968	7,161	3,311
	41,471	37,186	106,813	114,996
Deductions on sales	(72)	(63)	(288)	(178)
	41,399	37,123	106,525	114,818

E. NOTES TO THE STATEMENTS OF CASHFLOWS

The free cashflow is derived as follows:

	1 Jan - 30 Sep 2007 TEUR	1 Jan - 30 Sep 2006 TEUR
Cash provided by operating activities	8,866	6,749
Cash used for investing activities	8,825	(2,247)
Subtotal	17,691	4,502
Transition to the free cashflow		
(Gains)/losses from the sale of fixed assets	57	174
Currency differences from the transition of fixed assets	3	(6)
Realized net (gains)/losses from short- and long-term marketable securities	1,045	1,709
Proceeds from disposals of fixed assets	(895)	(290)
Proceeds from sales of long-term marketable securities	(8,652)	(2,399)
Acquisitions of long-term marketable securities	1,672	2,620
Proceeds from sales of short-term marketable securities	(24,608)	(23,127)
Acquisitions of short-term marketable securities	16,594	16,357
Free cashflow	2,907	(460)

F. OTHER NOTES**(17) EVENTS AFTER THE REPORTING DATE**

In October 2007, the company – as lender – concluded a loan agreement with a business associate – as borrower – for an amount of TEUR 4,000. The loan shall be extended in Q4 2007 – at the earliest, however, after presentation of the bank guarantee agreed as collateral. The repayment of the loan shall be effected in five firmly agreed annual installments, commencing on 31 October 2008. There were no other developments of special significance after the end of Q3 2007.

(18) RELATIONSHIPS WITH ASSOCIATED COMPANIES AND PERSONS

The parties considered associated companies and persons within the meaning of IAS 24 'Related Party Disclosures' are outlined in the notes (33) of the Annual Report as per 31 December 2006. In the reporting period, major business transactions with these associated companies and persons were:

Dr. Thomas Zwissler, Chairman of the Supervisory Board is also an attorney and partner of the international law firm Zirngibl Langwieser. The company occasionally provides legal consultation to the Mühlbauer Group. The fees for such services amounted to TEUR 24 in the first nine months (PY: TEUR 15).

Mühlbauer Aktiengesellschaft, ASEM Präzisions-Automaten GmbH and takeID GmbH rent office space from Mr. Josef Mühlbauer. In the first nine months 2007, rental costs amounted to TEUR 232 (PY: TEUR 236).

Mühlbauer Aktiengesellschaft utilizes certain services in respect of the conveyance of passengers, sales promotion and staff development, offered by companies that are indirectly controlled by Mr. Josef Mühlbauer. Mühlbauer Aktiengesellschaft paid TEUR 88 in the first nine months (PY: TEUR 104).

(19) NUMBER OF EMPLOYEES

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

	30 Sep 2007 Number	30 Sep 2006 Number
Production and assembly	903	839
Research and development	329	296
Administration and sales	182	148
	1,414	1,283
Apprentices and trainees as well as part-time employees	389	322
	1,803	1,605

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

	30 Sep 2007 Number	30 Sep 2006 Number
Germany	1,648	1,508
Asia	108	70
Rest of Europe	28	5
America	15	16
Other	4	6
	1,803	1,605

This interim report was authorized to be published on 30 October 2007.

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

The personally liable shareholder

Financial calendar

Nov. 14, 2007: German Equity Forum Frankfurt/Main

March 2008: Annual report 2007

Apr. 29, 2008: Annual General Meeting 2008

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