



# Content

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<b>Group overview</b>		<b>Q1/2007</b>	<b>Q1/2006</b>
Order income	TEUR	33,747	37,768
Sales	TEUR	34,470	37,348
EBIT	TEUR	3,904	7,878
Net, earnings	TEUR	2,512	5,593
Earnings per share	EUR	0.16	0.39
Employees	number	1,661	1,481

# Interim Management Report

## OVERVIEW OF THE BUSINESS DEVELOPMENT IN THE GROUP

The Mühlbauer technology group has pushed ahead its internationalization and strengthened its fundamental base and independence in the first quarter of 2007. The essential developments in the first quarter of 2007 were:

- The scheduled completion of the first investment phase for the construction of a technology base in Malaysia
- The beginning of the construction work to erect a development location in Slovakia
- The order income in the first quarter reached EUR 33.7 million - 10.6% less than in the previous year (37.8)
- Company sales due to customer-related project delays at EUR 34.6 million (37.4)
- EBIT at EUR 3.9 million (7.9) – EBIT margin at 11.3% (21.1%)
- EBT at EUR 4.2 million – compared to EUR 8.5 million in the previous year
- Earnings per share at EUR 0.16 (0.39)
- We expect the overall positive business development to continue during the course of the year. Subject to timely decision and prompt implementation of ID projects planned globally, we are optimistic about our ability to top last year's sales based on our good positioning in the market.

## FRAMEWORK CONDITIONS

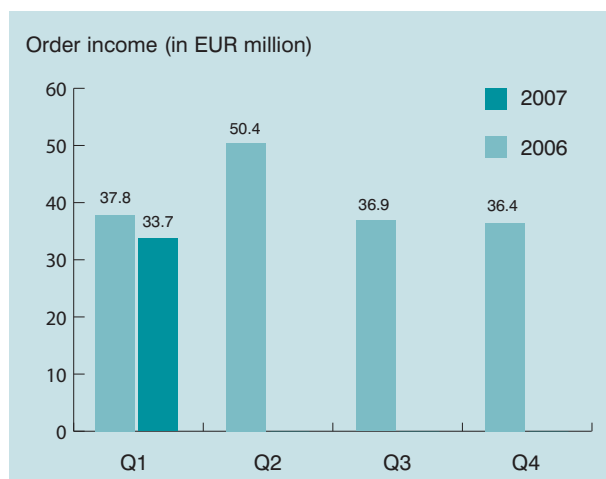
**Global economy.** The global economic situation was still firm in the first quarter despite a reduced speed of expansion in the USA as compared to a year ago, due to the drop in production increase. However, the global economic situation was still in a boom phase. The flattening out of the business cycle in the USA was compensated to a large extent by the robust growth in the Euro zone, Japan, China and India, as well as other emerging markets. With regards to the economic trend in Germany, the decline in growth as anticipated by experts has not occurred.

**Industry development.** In relation to the forecast development in the 2006 annual report, no significant changes have occurred on the markets and industries relevant to Mühlbauer in the first three months of the year.

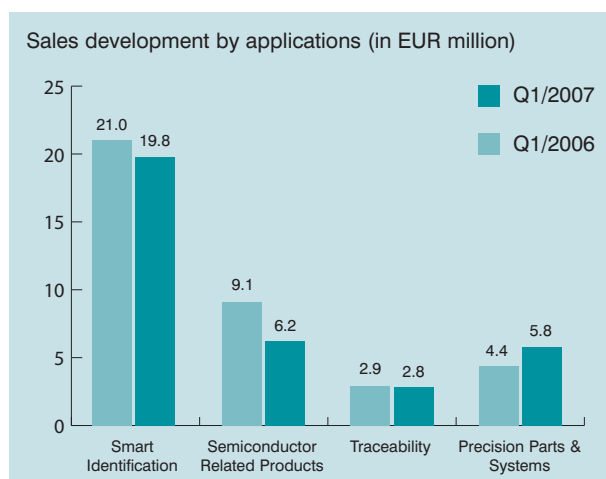
## BUSINESS DEVELOPMENT

**Order income and order backlog.** The order income of the Mühlbauer group amounted to EUR 33.7 million (37.8) in the first quarter, a decline of 10.6% in comparison to the previous year's quarter. While Mühlbauer in its core business area SmartID was able to benefit from the predominant interest in the Cards & TECURITY® sector and slightly expand its order income with EUR 17.8 million (17.6), the order income in the Semiconductor Related Products area amounted to EUR 7.7 million and thus remained below last year's level (12.2), which was characterized by the acquisition of numerous technology solutions. The area Traceability was not quite able to achieve the high order standard of the previous year (3.8), but noted a similar level at EUR 3.4

million. Meanwhile, the area Precision Parts & Systems further continued its positive development and generated an order income of EUR 4.8 million EUR (4.2). This corresponds to a strong plus of 15.3% as compared to the same period of the previous year. At the end of the reporting period, the order backlog was at EUR 75.8 million (80.8), 6.3% short of last year's value.



**Sales.**<sup>1</sup> Numerous customer-related project postponements were primarily responsible for the decrease in worldwide sales transactions for the Mühlbauer technology group. At EUR 34.6 million, the result constituted a decrease of 7.5% as compared to the same quarter of the previous year (37.4). Due to the sales volume in the core business SmartID being affected by these postponements and therefore yielding lower numbers as compared to the previous year (19.8 million as compared to 21.0 million), the sales in the area Semiconductor Related Products were also affected by the expected demand weakness in



<sup>1</sup> Sales figures are gross values before subtraction of any deductions on sales proceeds of EUR 0.1 million (0.1)

the semiconductor industry and, at EUR 6.2 million, were EUR 2.9 million short of the previous year's value (9.1). Traceability remained approximately at last year's level with EUR 2.8 million (2.9). The area Precision Parts & Systems continued to further its strong position in the production of very complex components for demanding industries with the capacity expansions that were performed in the 2006 financial year. The sales volume strongly improved its performance from EUR 4.4 million to EUR 5.8 million.

Regionally, sales trends show clear differences. While in West, Central and Eastern Europe (without Germany) growths of 71.7% and in Germany a growth of 14.1% made for significant increases in sales, figures in Asia and America dropped by 56.9% and 39.6%.

## EARNINGS, FINANCIAL AND ASSET SITUATION

**Earnings.** In the reporting period, the Mühlbauer technology group achieved earnings before interest and taxes (EBIT) of EUR 3.9 million, 4.0 million less than in the same quarter of the previous year (7.9). This corresponds to an EBIT margin of 11.3%, as compared to 21.1% in the previous year. This reduction in earnings – as compared to sales – was caused by a significant increase in cost of sales (62.6%; PY: 53.2%) in the reporting period. In addition to the rise in overheads, this increase in cost of sales is primarily attributable to the use of personnel production capacities for general product care, which means that less direct costs accumulated for the production process of certain products. Results were additionally impacted by the development of new locations abroad, as these expenses are not offset by earnings during start-up. Contrary, profit of the period increasing effects, are the result of receiving value adjusted trade accounts receivable amounted to TEUR 776 (49). Tax expenditure dropped to EUR 1.6 million (2.9). On occasion, the initial loss of a foreign group company led to an increase of the group tax rate to 39.5% (34.2%) due to the fact that no deferred tax assets were formed as a result of a tax exemption over several years. Net earnings for the period amounted to EUR 2.5 million after EUR 5.6 million year-on-year. This results in earnings per share of EUR 0.16. In the same quarter of the previous year, earnings per share were EUR 0.39.

**Cashflow.** In the reporting period, cashflow from operating activities amounted to EUR 3.0 million and thus virtually remained at the level of the previous year (3.1). While an inflow of EUR 0.7 million (PY: outflow of EUR 5.8 million) was recorded in the reporting period resulting from the change in net working capital, this was offset by outflows for income taxes, which were EUR 1.4 million higher (mi-

nus 2.3) year-on-year. In the reporting period, the outflow from investment activities rose from EUR 2.1 million to EUR 4.1 million. Aside from the investment of excess funds in securities (EUR 1.6 million, PY: EUR 0.3 million), outflows mainly related to investments in fixed assets (EUR 2.8 million; PY: EUR 0.8 million). At minus EUR 0.1 million, free cashflow was EUR 1.6 million below the level of the previous year, largely due to the development of the group previously outlined. The downturn is primarily characterized by higher investments for the modernization and extension of the asset portfolio, as well as the set-up of the new development and production location in Malaysia.

**Assets.** The balance sheet total of the company increased slightly, by 1.8%, to EUR 178.4 million year-on-year (175.2). During the same period, net financial assets rose by 2.0%, from EUR 44.7 million to EUR 45.6 million. At EUR 46.1 million, working capital virtually remained the same year-on-year (45.5). Shareholders' equity increased from EUR 140.3 million to EUR 143.2 million, due primarily to the positive result achieved in the reporting period. At 80.3% the equity ratio hovered at the level of the previous year (80.1%).

## FACTOR INPUT

**Investments.** The Mühlbauer Group invested EUR 2.6 million gross in fixed assets and intangible assets, which is a significant year-on-year increase (1.0). Investments in fixed assets alone amounted to EUR 2.4 million, of which a significant share of EUR 1.4 million went towards investments for the development of the new technology location in Malaysia. During the reporting period, fixed assets with a residual book value of TEUR 23 were disposed of.

**Research and development.** In the first quarter, expenses for R&D amounted to EUR 4.7 million and thus were once again higher year-on-year (4.5). The slight increase in R&D expenditure is due to the general expansion of research activities to ensure the company's growth through product innovations. The focus of research and development activities was not only the optimization of the performance and technology of machine concepts in the Cards & TECURITY® area but also on the further development of the high throughput TAL and FCM machine series for the Smart Label area. The specification of the converting line to different machines types was also pursued, to adapt these to the various client requirements.

**Employment.** To the end of the reporting period the Mühlbauer technology group employed 1,661 (1,481) people worldwide. In Asia, in particular, many new employees

were recruited, particularly for the new technology location in Malaysia. Mühlbauer also supports the training of young people on an ongoing basis: the group currently employs 210 (198) trainees and apprentices. This corresponds with a current trainee rate of 12.6%.

## Risk report

Against the background of a systematic and efficient risk management system, Mühlbauer faces limited and manageable risks. No risks are discernible that could, in future, pose a risk to Mühlbauer as a going concern. The statements contained in the risk report of the 2006 Annual Report still apply.

## OUTLOOK

**Global economy.** The upturn of the global economy will continue in 2007. In so doing, the global economy is benefiting greatly from the momentum of the emerging markets, while the US economy could slowly be gaining tempo toward the middle of the year. Growth for the euro zone is expected to continue at a moderate pace. However, expansion in Germany will be slower than in the previous year. Economic research institutes forecast growth of 2.4%.

**Development of the industry.** As the TECURITY® and Smart-Label markets, relevant to Mühlbauer, are influenced more by structural decisions – already explained in detail in the Annual Report – than by economic effects, the forecast development will not change significantly. The wish for greater security and greater flexibility on the TECURITY® market and the need for simplification and automation of logistics processes for the Smart Label market persists and constitutes an important driver of growth in the company's core business areas. Industry experts still expect the semi-conductor market to gain moderate momentum in the second half of the year, while cyclical volatility is to be expected.

**Business development.** For 2007 we expect an increasing demand in our core area Smart ID to continue, since here opportunity is still positive, due to the preparedness of many states to make major investments aiming at reliable technology and software solutions for the implementation of security-oriented ID systems in Smart Card and passport formats, in accordance with international standards. Growth potential for RFID Smart Labels is undisputed as well. With our mature technology solutions for the production of RFID Smart Labels, we can see an opportunity to benefit strongly from the intensification of growth expected in this area. As far as the outlook for the areas

**IMPORTANT NOTICE**

Semiconductor Related Products, Traceability and Precision Parts & Systems is concerned, there are currently no developments discernable which would lead us to expect a material deviation from the forecasts made in the annual report 2006.

In the further course of the year, we expect the overall positive business development to continue. Subject to timely decision and prompt implementation of ID projects planned globally, we, based on our good positioning in the market, are optimistic about our ability to top last year's sales.

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 estimates. Future-oriented statements are only applicable to the period in which they are established. Mühlbauer accepts no liability to revise these once new information becomes available. Future oriented statements are always subject to risk and uncertainty. We therefore wish to point out that a range of factors can impact the actual results to the extent that these deviate considerably from those forecast. Some of these factors are described in the "Risk report" and in further parts of the annual report 2006 and other parts of this report.

**CONSOLIDATED STATEMENTS OF INCOME (IFRS) FROM JANUARY 1 TO MARCH 31, 2007  
OF MÜHLBAUER HOLDING AG & Co. KGaA<sup>1)</sup>**

	Notes	Jan. 01. - Mar. 31, 2007		Jan. 01. - Mar. 31, 2006	
		TEUR	%	TEUR	%
<b>1. Sales</b>		<b>34,470</b>	<b>100.0</b>	<b>37,348</b>	<b>100.0</b>
2. Cost of sales	(3)	(21,564)	(62.6)	(19,863)	(53.2)
<b>3. Gross profit</b>		<b>12,906</b>	<b>37.4</b>	<b>17,485</b>	<b>46.8</b>
4. Selling expenses	(4)	(1,960)	(5.7)	(2,968)	(7.9)
5. Administrative expenses		(1,927)	(5.6)	(2,001)	(5.4)
6. Research and development		(5,226)	(15.1)	(4,997)	(13.4)
7. Other income		134	0.4	452	1.2
8. Other expenses		(23)	(0.1)	(93)	(0.2)
<b>9. Operating income</b>		<b>3,904</b>	<b>11.3</b>	<b>7,878</b>	<b>21.1</b>
10. Financial result					
a) Financial income		363	1.1	698	1.9
b) Financial expenses		(114)	(0.3)	(70)	(0.2)
<b>11. Income before income taxes</b>		<b>4,153</b>	<b>12.1</b>	<b>8,506</b>	<b>22.8</b>
12. Income taxes	(5)	(1,641)	(4.8)	(2,913)	(7.8)
<b>13. Net earnings</b>		<b>2,512</b>	<b>7.3</b>	<b>5,593</b>	<b>15.0</b>
<b>Earnings per share in EURO</b>					
basic	(6)	0.16		0.39	
fully diluted	(6)	0.16		0.38	
<b>Weighted average of shares</b>					
basic	(6)	6,090,170		6,075,886	
fully diluted	(6)	6,090,374		6,076,205	

<sup>1)</sup> uncertified

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

**CONSOLIDATED BALANCE SHEETS (IFRS) AS AT MARCH 31, 2007  
OF MÜHLBAUER HOLDING AG & Co. KGaA**

	Notes	Mar. 31, 2007 <sup>1)</sup> TEUR	Dec. 31, 2006 <sup>2)</sup> TEUR
<b>ASSETS</b>			
<b>Short-term assets</b>			
Cash and cash equivalents		10,285	11,311
Marketable securities		22,634	21,819
Trade accounts receivable, net		27,974	30,106
Other current assets		4,425	4,598
Tax receivables	(7)	2,038	1,360
Inventories	(8)	42,414	39,807
		<b>109,770</b>	<b>109,001</b>
<b>Long-term assets</b>			
<b>Investment and long-term financial assets</b>			
Marketable securities		12,650	11,524
Trade accounts receivable, net		1,222	1,335
		<b>13,872</b>	<b>12,859</b>
<b>Fixed assets</b>			
Land and buildings, net		25,339	25,683
Technical equipment, net		9,006	8,895
Furniture and office equipment, net		5,326	5,168
Buildings and equipment in progress		1,443	377
		<b>41,114</b>	<b>40,123</b>
<b>Intangible assets</b>			
Software and licenses		1,107	1,039
Capitalized development costs		8,773	8,971
		<b>9,880</b>	<b>10,010</b>
<b>Long-term tax receivables</b>			
		<b>2,290</b>	<b>2,268</b>
<b>Deferred tax assets</b>			
		<b>445</b>	<b>42</b>
<b>Other long-term assets</b>			
	(9)	1,020	926
		<b>1,020</b>	<b>926</b>
		<b>178,391</b>	<b>175,229</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Short-term liabilities</b>			
Debt		7	0
Trade accounts payable		7,808	7,655
Downpayments received on orders		6,348	5,646
Other liabilities		4,426	4,723
Accrued income taxes		1,618	2,540
Other accruals		10,548	9,847
		<b>30,755</b>	<b>30,411</b>
<b>Long-term liabilities</b>			
Deferred tax liabilities		4,450	4,519
		<b>4,450</b>	<b>4,519</b>
<b>Shareholders' equity</b>			
Ordinary share capital (par value 1.28 EUR; 6,380,000 ordinary shares authorized; 6,279,200 ordinary shares issued, thereof 6,091,698 ordinary shares outstanding)	(10)	8,038	8,038
Own shares	(10)	(240)	(240)
Fixed capital contribution	(10)	(2,980)	(2,980)
Additional paid-in capital	(10)	60,026	59,872
Other comprehensive income	(10)	1,480	1,259
Retained earnings	(10)	76,862	74,350
		<b>143,186</b>	<b>140,299</b>
		<b>178,391</b>	<b>175,229</b>

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

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



**CONSOLIDATED STATEMENTS OF CASHFLOWS (IFRS)  
OF MÜHLBAUER HOLDING AG & Co. KGaA<sup>1)</sup>**

	Jan. 01 - Mar. 31, 2007 TEUR	Jan. 01 - Mar. 31, 2006 TEUR
<b>Cash provided by operating activities</b>		
1. Net earnings	2,512	5,593
2. + Income taxes	1,641	2,913
3. + Interest expenses	72	70
<b>Adjustments for non cash expenses and income</b>		
4. +/- Expenses/(income) from employee profit-sharing programs	154	157
5. +/- Depreciations/(appreciations) to fixed assets	1,582	1,440
6. +/- Depreciations/(appreciations) to intangible assets	171	126
7. +/- Depreciations/(appreciations) to capitalized development costs	468	1,518
8. +/- (Gains)/losses from the sale of fixed assets	(9)	(104)
9. +/- Currency differences from the transition of fixed assets	3	1
10. +/- Realized net (gains)/losses from short- and long-term marketable securities	(57)	(254)
11. +/- (Gains)/losses from the change in fair value of financial instruments	53	(69)
12. +/- (Increase)/decrease of deferred tax assets	(403)	(19)
13. +/- Increase/(decrease) of deferred tax liabilities	(98)	(203)
<b>Changes in working capital</b>		
14. +/- (Increase)/decrease of inventories	(2,607)	(3,855)
15. +/- (Increase)/decrease of trade accounts receivable and other short-term assets	784	(7,048)
16. +/- (Increase)/decrease of trade accounts payable and other liabilities	2,553	5,134
17. = Cash generated from operating activities	6,819	5,400
18. - Income tax paid	(3,720)	(2,300)
19. - Interest paid	(63)	(10)
20. = Cash provided by operating activities	3,036	3,090
<b>Cashflow from investing activities</b>		
21. + Proceeds from disposals of fixed assets	760	123
22. - Purchase of fixed assets	(2,784)	(783)
23. - Purchase of intangible assets	(139)	(151)
24. - Expenditures for capitalized development costs	(271)	(1,027)
25. + Proceeds from sales of long-term marketable securities (available-for sale-papers)	1,000	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)	984	916
28. - Acquisitions of short-term marketable securities (available-for sale and held-to-maturity papers)	(1,945)	(950)
29. = Cash used for investing activities	(4,067)	(2,093)
<b>Cashflow from financing activities</b>		
30. - Repayment of long-term debts	0	0
31. +/- Increase/(decrease) of short-term debts	7	(42)
32. + Proceeds from sales of own shares	0	4
33. - Dividends paid	0	0
34. +/- Tax withdrawal personally liable shareholder	0	0
35. = Cash used for financing activities	7	(38)
36. +/- Increase/(decrease) of currency exchange rate changes	(2)	(17)
37. = Net increase/(decrease) in cash and cash equivalents (Total of lines 20, 29, 35 and 36)	(1,026)	942
38. + Liquid funds on January 1	11,311	29,486
39. = Liquid funds on March 31	10,285	30,428

<sup>1)</sup> 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**

Notes	Total number of shares	Own shares Number	Ordinary share capital TEUR	Fixed capital TEUR	Additional paid-in capital TEUR	Other comprehensive income / (loss)			Total TEUR
						Cumulative transaction adjustments TEUR	Available for-sale- securities TEUR	Retained earnings TEUR	
<b>Balance Dec. 31, 2005<sup>1)</sup></b>	<b>6,279,200</b>	<b>(202,437)</b>	<b>7,779</b>	<b>(2,980)</b>	<b>59,319</b>	<b>191</b>	<b>2,028</b>	<b>59,878</b>	<b>126,215</b>
Net earnings (10)	-	-	-	-	-	-	-	5,593	5,593
Other comprehensive income/(loss) (10)	-	-	-	-	-	(17)	596	-	579
Total comprehensive income / (loss) (10)	-	-	-	-	-	(17)	596	5,593	6,172
Deferred compensation (10)	-	-	-	-	157	-	-	-	157
Proceeds from sales of own shares (10)	-	140	-	-	4	-	-	-	4
<b>Balance Mar. 31, 2006<sup>2)</sup></b>	<b>6,279,200</b>	<b>(202,297)</b>	<b>7,779</b>	<b>(2,980)</b>	<b>59,480</b>	<b>174</b>	<b>2,624</b>	<b>65,471</b>	<b>132,548</b>
<b>Balance Dec. 31, 2006<sup>1)</sup></b>	<b>6,279,200</b>	<b>(187,502)</b>	<b>7,798</b>	<b>(2,980)</b>	<b>59,872</b>	<b>101</b>	<b>1,158</b>	<b>74,350</b>	<b>140,299</b>
Net earnings (10)	-	-	-	-	-	-	-	2,512	2,512
Other comprehensive income/(loss) (10)	-	-	-	-	-	(2)	223	-	221
Total comprehensive income / (loss) (10)	-	-	-	-	-	(2)	223	2,512	2,733
Deferred compensation (10)	-	-	-	-	154	-	-	-	154
<b>Balance Mar. 31, 2007<sup>2)</sup></b>	<b>6,279,200</b>	<b>(187,502)</b>	<b>7,798</b>	<b>(2,980)</b>	<b>60,026</b>	<b>99</b>	<b>1,381</b>	<b>76,862</b>	<b>143,186</b>

<sup>1)</sup> certified

<sup>2)</sup> 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. Sales are effected globally via the company's own sales and services network and trade representations in different countries.

#### Principles of presentation

The present and unaudited consolidated interim financial statements were produced in accordance with International Financial Reporting Standards (IFRS) standards and the relevant interpretation of the International Accounting Standards Board (IASB) for providing an interim report pursuant to the requirements of the European Union. For this reason, the notes and the financial statements do not contain all the information required by the IFRS for consolidated financial statements at the end of a business year.

In the personally liable shareholder's view, the present and unaudited consolidated financial statements as an interim report contain all required adjustments necessary for reflecting the actual earnings situation in an interim report. The results for the reporting period ending on 31 March, 2007, do not necessarily allow conclusions on the development of events in the future.

For the preparation of consolidated financial statements as an interim report according to IAS 34 "Interim Financial Reporting", the personally liable shareholder has to make assessments, estimations and assumptions influencing on the reporting principles of the group and on the declaration of assets and liabilities as well as income and expenses. The actual results may deviate from these estimations.

### (2) SUMMARY OF KEY ACCOUNTING PRINCIPLES

#### PRINCIPLES OF CONSOLIDATION

The accounting principles for an interim report are the same as those used in the last consolidated financial statements at the end of the business year. A detailed description of accounting principles will be given in the notes to the Group's financial statements 2006.

#### CHANGES IN THE SCOPE OF CONSOLIDATION

On 16 January, 2007, the company founded the Muehlbauer Technologies s.r.o. in Bratislava, Slovakia, and filed the company under the number 44109/B in the commercial register of Bratislava. Object of the company is research and development and the production of new technology solutions and products. The subscribed capital of the company amounts to SKK 200,000.

## B. EXPLANATIONS TO THE CONSOLIDATED STATEMENTS OF INCOME

### (3) COST OF SALES

Apart from directly attributable costs such as material, personnel and energy expenses and overheads, cost of sales also comprise the balance of devaluations and revaluations on inventories to TEUR 2,065 executed in the respective period (previous year TEUR 2,433).

### (4) SELLING EXPENSES

Selling expenses comprise earnings from the receipts of value-adjusted trade receivables amounting to TEUR 776 (previous year TEUR 49).

**(5) INCOME TAXES**

The tax rate in accordance with the profit and loss statement is 39.5% (previous year 34.2%). Income before income taxes in the reporting period also contain negative results amounting to TEUR 362 for which no deferred tax assets were formed since these negative annual results cannot be taken into account due to a tax exemption of several years for the concerned group company. The tax rate, adjusted for these gains, totaled 37.1%.

The effective tax rate that is to be applied on the earnings attributable to the shareholders of the limited partnership is 44.9% (previous year 35.6%).

**(6) EARNINGS PER SHARE**

Basic and diluted earnings per share are calculated as follows:

		1. Quarter 2007	1. Quarter 2006
Income before income taxes	TEUR	4,153	8,506
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	1,775	3,635
Effective tax rate	%	44.86	35.64
Effective tax amount	TEUR	797	1,295
Portion of net earnings for the year applicable to the shareholders of the limited partnership	TEUR	978	2,340
Weighted average of common shares	No.	6,279,200	6,279,200
Repurchased shares (weighted)	No.	(189,030)	(203,314)
Weighted average of shares outstanding	No.	6,090,170	6,075,886
Dilution effects from subscription rights of employees and executives	No.	204	319
Weighted average of shares outstanding (fully diluted)	No.	6,090,374	6,076,205
Basic earnings per share	EUR	0.16	0.39
Diluted earnings per share	EUR	0.16	0.38

**C. EXPLANATIONS ON THE CONSOLIDATED BALANCE SHEETS****(7) TAX RECEIVABLES**

Tax receivables of TEUR 2,038 (previous year TEUR 1,360) comprise reclaimable income tax claims of group companies in Germany and abroad. The increase is mainly due

to excess payments of domestic income taxes in the current period.

**(8) INVENTORIES**

in TEUR	March 31, 2007	December 31, 2006
Raw materials, auxiliary and operating materials	7,508	7,233
Unfinished products	29,827	28,835
Finished products	5,038	3,718
Deposits paid on inventories	41	21
	<b>42,414</b>	<b>39,807</b>

In the year under review inventory assets were devalued by TEUR 2,065 (previous year TEUR 4,977).

**(9) 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 compo-

sition of the amounts recorded in the income statements can also be found in the following table:

in TEUR	1. Quarter 2007	2006
<b>Accruals for pension obligations at the beginning</b>	<b>(926)</b>	<b>(510)</b>
Amounts recorded as income		
Current service cost	111	457
Interest expenses on obligations	50	178
Expected earnings on plan assets	(43)	(175)
Amortization of actuarial losses	8	49
Contributions to plan assets	(220)	(925)
<b>Accruals for pension obligations at the end</b>	<b>(1,020)</b>	<b>(926)</b>

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

As per 31 March, 2007, the company held 187,502 own shares with a nominal value of EUR 240,002.56. This is the same amount as on 31 December, 2006. The percentage of own shares on the share capital remains at 2.99%.

**Appropriation of earnings**

No dividends were paid in the reporting period.

**Stock options**

Due to their accomplished personal or team goals, the employees of the Mühlbauer Group held a total of 1,294 stock options at the end of the reporting period. Every stock option allows the beneficiary to acquire one equity share issued to the holder.

The average exercise price is EUR 27.94. All stock options may be exercised without any waiting period. The company intends to make use of its right to pay the beneficiary in cash instead of distributing shares and therefore taking all stock options from liquid assets.

Above that, neither the personally liable shareholder nor the Supervisory Board held stock options or comparable securities pursuant to §160 (1) No.5 AktG.

**Employee stock options**

Pursuant to § 19a EstG the company is obliged to distribute 20,237 own shares with a nominal value of EUR 25,903.36 to the employees and trainees of the Mühlbauer Group under the company's stock option plans conducted on March 2007. This equals 0.32% of the share capital. The purchasing price per share is EUR 23.45. The difference between the purchasing and market price of TEUR 154 were recognized as personnel expenses. The own shares are distributed on April 2007.

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

No major changes on liability and other financial obligations stated in Annex (28) of the annual report 2006 until 31 December, 2006, took place.

**D. SEGMENT REPORTING**

Segment information for the 1. Quarter, 2007 and the 1. Quarter, 2006.

<b>Sales by application area</b>	<b>1. Quarter 2007 TEUR</b>	<b>1. Quarter 2006 TEUR</b>
Smart Identification	19,739	21,019
Semiconductor Related Products	6,226	9,080
Precision Parts and Systems	5,837	4,389
Traceability	2,795	2,916
	<b>34,597</b>	<b>37,404</b>
Deductions on sales	(127)	(56)
	<b>34,470</b>	<b>37,348</b>

<b>Sales by region</b>	<b>1. Quarter 2007 TEUR</b>	<b>1. Quarter 2006 TEUR</b>
Rest of Europe	12,596	7,336
Germany	11,244	9,853
Asia	7,288	16,904
The Americas	1,677	2,777
Others	1,792	534
	<b>34,597</b>	<b>37,404</b>
Deductions on sales	(127)	(56)
	<b>34,470</b>	<b>37,348</b>

**E. NOTES TO THE STATEMENTS OF CASHFLOWS**

The free cashflow is derived as follows:

	<b>1. Quarter 2007 TEUR</b>	<b>1. Quarter 2006 TEUR</b>
Cash provided by operating activities	3,036	3,090
Cash used for investing activities	(4,067)	(2,093)
Subtotal	(1,031)	997
<b>Transition to the free cashflow</b>		
(Gains)/Losses from the sale of fixed assets	9	104
Currency differences from the transition of fixed assets	(3)	(1)
Realized net (gains)/losses from short- and long-term marketable securities	57	254
Proceeds from disposals of fixed assets	(760)	(123)
Proceeds from sales of long-term marketable securities	(1,000)	(2,399)
Acquisitions of long-term marketable securities	1,672	2,620
Proceeds from sales of short-term marketable securities	(984)	(916)
Acquisitions of short-term marketable securities	1,945	950
<b>Free cashflow</b>	<b>(95)</b>	<b>1,486</b>

**F. OTHER NOTES****(12) EVENTS AFTER THE REPORTING DATE**

There were no developments of special significance after the end of the first quarter 2007.

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

Related companies and persons in the sense of IAS 24 "Related Party Disclosures" are explained in the annual report 2006 until 31 December in Annex (33). In the reporting period, major business activities with these related 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 0.1 in the year under review (previous year TEUR 2).

The companies Mühlbauer Aktiengesellschaft, ASEM Präzisions-Automaten GmbH and takeID GmbH rent office premises from Mr. Josef Mühlbauer. In the year under review, rental costs amounted to TEUR 68 (previous year TEUR 74).

The Mühlbauer Aktiengesellschaft claims specific performances for transports, the promotion of sales and personnel development of companies which is governed by Mr. Josef Mühlbauer. For these services Mühlbauer Aktiengesellschaft paid TEUR 42 in the reporting period (previous year TEUR 45).

**(14) NUMBER OF EMPLOYEES**

On 31 March, 2006, Mühlbauer employed 1,657 employees worldwide. This is 12.2% more than at the end of the comparable period of last year. Mühlbauer's innovative potential is reflected by 315 (290) highly qualified R&D specialists. Particular importance is given to a sustainable development of personnel requirements: 210 (198) young people in training represent 12.7% (13.4%) of the total workforce.

Due to the increasing amount of internationalization of the company, the number of employees abroad rose 62.3% to 112. Germany raised its number of employees by 9.7% to 1,545. At the end of the reporting period 93.2% of the workforce was employed in Germany and 6.8% abroad.

**(15) PROPOSAL FOR THE APPROPRIATION OF EARNINGS**

The annual general meeting scheduled to take place on 26 April, 2007, will be proposed to distribute a dividend of EUR 1.25 per share with dividend entitlement (previous year EUR 0.90) to be used from the net income for the 2006 business year. If the annual general meeting agrees to the proposal, Mühlbauer Holding AG & Co. Verwaltungs KG in its character as the personally liable shareholder will receive a profit share of TEUR 9,735 according to its capital share (57.27%). Taxes of TEUR 1,251, paid by the company and to be borne by Mühlbauer Holding AG & Co. Verwaltungs KG are deducted from this amount.

This interim report was authorized to be published on 25 April 2007.

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

The personally liable shareholder

**Financial calendar**

Aug. 1, 2007: Quarterly report II/2007

Oct. 30, 2007: Quarterly report III/2007

March 2008: Annual report 2007

Apr. 29, 2008: Annual General Meeting 2008

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