

Consistent growth in sales and earnings continued – Consolidation of order income

- After high growth figures in previous quarters, order income declined to 30.6 million EUR (36.9)
- High level of order backlog supported sales growth by 16.4% to 40.0 million EUR (34.4)
- Strong improvement of EBIT to 9.1 million EUR (7.0)
- Pretax profit margin at a positive 24.4% (20.9)
- Earnings per share rose 36.4% to 0.45 EUR
- Positive outlook for 2005

Q3 2005

Discover the smart world of



Dear Sirs,

the Mühlbauer technology company quoted on the Prime Standard and world-wide active and independent advisor and manufacturer of innovative security solutions for the **TECURITY** market showed profitable growth in sales and earnings. While **sales of 40.0 million EUR almost maintained last quarter's all-time high** and even topped the comparable quarter of last year (34.4) by 16.4% during the reporting period, the 29.0% rise of earnings before interest and taxes (**EBIT**) to 9.1 million EUR (7.0) over the same period of time was disproportionately high. The positive sentiment in the capital market and the significantly improved interest income lifted earnings before taxes (**EBT**) to 9.8 million EUR - 35.8% more than in the comparable period of last year (7.2). Q3 **pretax profit margin** stood at 24.4% - as against 20.9% in the previous year. **Net earnings** climbed to 6.5 million EUR (4.8) over the same period of time. **Earnings per share** moved to 0.45 EUR - 36.4% more than in the comparable period of last year (0.33). Seen over a period of 9 months, the Mühlbauer Group's sales volume worth 105.7 million EUR is once again 16.5% higher than last year's 90.7 million EUR. The EBIT increased 30.6% to 18.9 million EUR (14.4) over the same period of time and earnings per share improved 36.4% to 0.90 EUR (0.66).

Financial strength and shareholders' equity

During the reporting period, **free cashflow** decreased mainly due to increased financial needs for tax payments by 5.5 million EUR, but maintained its high level of 9,3 million EUR (19.5) seen over a period of 9 months. **Net working capital** rose from 25.6 to 29.0 million EUR. Capital expenditures absorbed 2.0 million EUR after 4.7 million EUR in the comparable quarter of last year, while fixed assets and intangible assets worth 4.5 million EUR were significantly below last year's 7.4 million EUR. At the end of the reporting period, the **equity ratio** stood at 72.5% - compared to 72.0% at the end of last year.

Order income and order backlog

After high growth rates in the past quarters, the global technology company had its first decline in order income to 30.6 million EUR in the current reporting period and quoted 17.1% down on the comparable value of last year (36.9). Due to the project business and the resulting natural volatility between the quarters, order income worth 17.2 million EUR in the company's SmartID core business was slightly down on the same level of last year (18.4). In the face of the weak trend in the semiconductor industry, the Q3 order income of 8.0 million EUR for Semiconductor Related Products lagged 21.4% behind the comparable value of last year (10.2). Traceability and Precision Parts and Systems also posted a weaker situation in order income than in Q3, 2004. The Traceability segment stood at 2.6 million EUR (3.3). Unlike last year, Precision Parts and Systems could not benefit from major orders in the semiconductor segment and came in at 2.8 million EUR (5.0). Seen over the adjusted period of 9 months, accumulated order income amounted to 115.8 million EUR. That equals a YoY increase of 3.8% (111.5¹). The order backlog at the end of the reporting period amounted to 74.6 million EUR and was 8.0% up on last year's 69.1 million EUR and set the stage for a positive trend in business.

1) Adjusted for a major order placed by an ministry of interior worth 25.0 million EUR

Sales

In Q3 2005, Mühlbauer managed to increase sales and improved the value of last year (34.4) by 16.4% to a total of 40.0 million EUR. With sales of 50.7% (67.2), Europe remains the biggest regional market for the Mühlbauer Group's technology portfolio although Asia and North & South America with sales figures of 27.9% (16.6) and 19.7% (7.1) are picking up steam. Africa and Australia generated 1.7% (9.1) of total sales. In 2005, consolidated sales improved 16.5% YoY and rose to a total of 105.7 million EUR (90.7).

Research & Development

For further consolidating and expanding its technological position in the TECURITY segment in particular, Mühlbauer invested 4.0 million EUR (3.4) in research and development in Q3, 2005. Further development into semiconductor-related product solutions as well as centralized and decentralized solutions for personalization systems in Smart ID played a very important part in R&D activities.

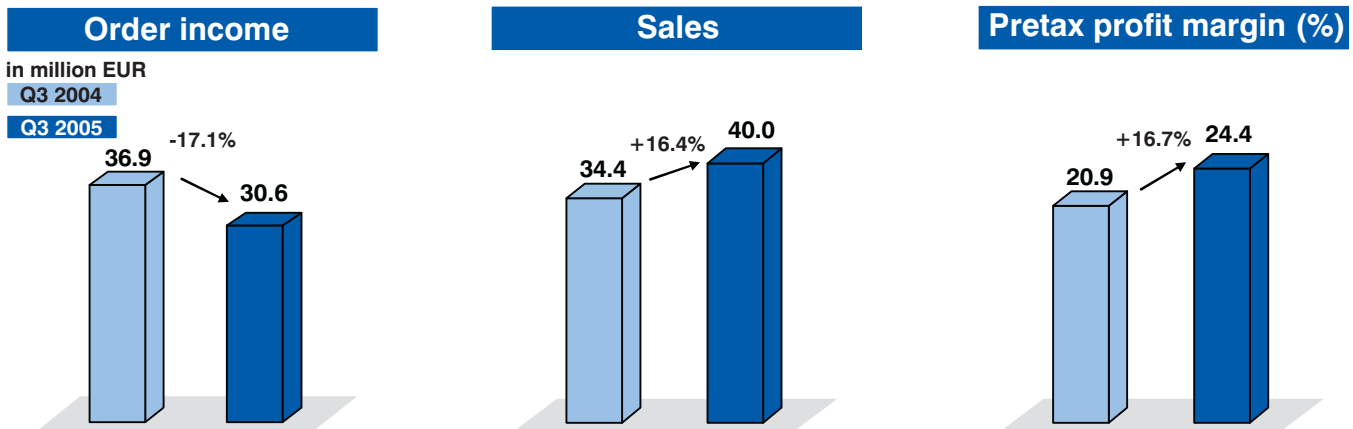
Outlook

On an operative and strategic level, Mühlbauer has set the stage for sustainable growth. Substantial R&D investments and a consistent expansion of the global technology company into a comprehensive provider of turn-key-solutions for all kinds of highly technical Smart card, Smart label and ePassport products are a fundamental basis which is likely to result in substantial growth in highly attractive markets. The demand for our products and the 25 years of experience and expertise in our business segments continue to be on a high level. An increased focus on our TECURITY solutions for country-specific and individual security projects as well as their project-volumes contain the risk of an increasingly high volatility between the quarters.

On the basis of higher sales, we expect the EBIT 2005 to improve once again on last year's very positive performance.

Yours sincerely

MÜHLBAUER HOLDING AG & CO. KGaA
 Personally liable shareholder



Consolidated Statements of Income¹⁾ (US-GAAP)

	July 1, to Sep 30, 2005	July 1, to Sep 30, 2004	January 1, to Sep 30, 2005	January 1, to Sep 30, 2004
1. Sales	40,008	34,379	105,659	90,679
2. Cost on sales	(23,401)	(20,962)	(62,322)	(57,387)
3. Gross profit	16,607	13,417	43,337	33,292
4. Operating expenses				
a) Selling, general and administrative	(4,343)	(4,044)	(14,641)	(12,756)
b) Research and development	(3,985)	(3,362)	(12,581)	(9,909)
5. Operating income	8,279	6,011	16,115	10,627
6. Other income and expenses				
a) Interest income	980	360	1,846	830
b) Interest expenses	(314)	(226)	(608)	(370)
c) Other income	806	1,033	2,751	3,817
7. Income before income taxes	9,751	7,178	20,104	14,904
8. Income taxes	(3,276)	(2,407)	(7,013)	(5,301)
9. Net earnings	6,475	4,771	13,091	9,603

Earnings per share in EUR				
basic	0.45	0.33	0.90	0.66
fully diluted	0.45	0.33	0.90	0.66

Weighted average of common shares				
basic	6,067,440	6,074,921	6,067,440	6,074,921
fully diluted	6,067,448	6,074,921	6,067,448	6,074,921

1) uncertified

Consolidated Interim Balance Sheets (US-GAAP)

	Sep 30, 2005 ¹⁾	Dec 31, 2004 ²⁾
ASSETS		
Current assets	90,760	90,001
Cash and cash equivalents	7,516	20,365
Marketable securities	21,989	13,225
Trade accounts receivables, net	21,675	21,703
Inventories	35,503	32,216
Deferred income taxes	1,987	0
Prepaid expenses	410	150
Other current assets	1,680	2,312
Investment and long-term financial assets	14,996	10,440
Marketable securities	14,996	10,440
Fixed assets	46,361	46,765
Land	1,586	1,585
Building, net	31,337	32,617
Technical and other equipment, net	13,053	12,494
Buildings and equipment in progress	385	69
Intangible assets	788	482
Software and licenses	788	482
Other fixed assets	1,939	1,308
TOTAL	154,844	148,996

	Sep 30, 2005 ¹⁾	Dec 31, 2004 ²⁾
LIABILITIES AND STOCKHOLDERS` EQUITY		
Current liabilities	33,235	31,826
Current portion of long-term debt	989	988
Trade accounts payable	5,282	7,028
Downpayments received on orders	8,653	4,704
Shareholders` loans	35	35
Other current liabilities	4,740	5,496
Accrued income taxes	3,581	6,424
Deferred income taxes	0	162
Other accruals	9,955	6,989
Long-term liabilities	9,371	9,890
Long term debt	423	925
Investment grants received	7,505	7,369
Deferred income taxes	1,443	1,596
Stockholders` equity	112,238	107,280
Ordinary share capital (par value 1.28 EUR; 6,380,000 common shares authorized; 6,076,713 shares issued at Sep 30, 2005)	8,038	8,038
Own shares	(260)	(285)
Fixed capital contributions	(2,980)	(2,980)
Additional paid-in capital	58,660	57,995
Retained earnings	46,199	43,109
Other comprehensive income	2,581	1,403
TOTAL	154,844	148,996

1) uncertified
2) certified

Consolidated Statements of Cash Flow¹⁾ (US-GAAP)

			Jan 01 to Sep 30, 2005	Jan 01 to Sep 30, 2004
Operating activities				
1.		Income before income taxes including profit of the personally liable shareholder	20,103	14,904
2.		Consolidated net earnings including profit of the personally liable shareholder	13,091	9,603
Adjustments to reconcile consolidated net earnings to net cash (used in) provided by current operating activities				
3.	+/-	Expenses/(income) from employee profit-sharing programs	207	179
4.	+/-	Depreciations/(appreciations) to - fixed assets - software and licenses - goodwill	4,300 277 0	4,079 189 468
5.	-/+	(Gains)/losses from the sale of fixed assets	(118)	(57)
6.	-/+	Currency differences from the transition of fixed assets	(31)	(1)
7.	-/+	Realized net (gains)/losses from short- and long-term marketable securities	(766)	(171)
8.	-/+	(Increase)/decrease of trade accounts receivables	(410)	(2,776)
9.	+/-	Increase/(decrease) of value adjustments for trade accounts receivables	438	(1,281)
10.	-/+	(Increase)/decrease of inventories	(7,699)	(5,330)
11.	+/-	(Increase)/decrease of value adjustments for inventories	4,412	5,840
12.	-/+	(Increase)/decrease of deferred income tax assets	(1,987)	(82)
13.	-/+	(Increase)/decrease of prepaid expenses	(260)	(49)
14.	-/+	(Increase)/decrease of other current assets	632	(46)
15.	-/+	(Increase)/decrease of other fixed assets	(1,009)	(616)
16.	+/-	Increase/(decrease) of trade accounts payables	(1,746)	766
17.	+/-	Increase/(decrease) of downpayments received on orders	3,949	3,703
18.	+/-	Increase/(decrease) of other liabilities	(756)	(1,039)
19.	+/-	Increase/(decrease) of accrued income tax liabilities	(2,843)	2,896
20.	+/-	Increase/(decrease) of deferred income tax liabilities	(273)	10
21.	+/-	Increase/(decrease) of other accruals	2,966	3,634
22.	+/-	Increase/(decrease) of investment grants received	136	878
23.	+/-	Increase/(decrease) of pension liabilities	378	354
24.	=	Cash provided by (used for) operating activities	12,888	26,703
Investment activities				
25.	+	Payments received from the sale of fixed assets	207	212
26.	-	Purchase in fixed assets	(3,954)	(7,198)
27.	-	Purchase in software and licences	(583)	(221)
28.	+	Payments received from the sale of long-term marketable securities (available-for-sale-papers)	300	1,121
29.	-	Purchase in long-term marketable securities (available-for-sale-papers)	(4,850)	(2,201)
30.	+	Payments received from the sale of short-term marketable securities (available-for-sale-papers)	11,123	709
31.	-	Purchase in short-term marketable securities (available-for-sale-papers)	(18,722)	(9,896)
32.	=	Cash provided by (used for) investing activities	(16,479)	(17,474)
Financing activities				
33.	-	Repayment of long-term debts	(502)	(501)
34.	+/-	Increase/(decrease) of shareholder loans	0	(1)
35.	-	Purchase of own shares	0	(930)
36.	+	Sale of own shares	483	229
37.	-	Dividends paid	(9,034)	(6,554)
38.	+/-	Tax withdrawals personally liable shareholder	(967)	(761)
39.	=	Cash provided by (used for) financing activities	(10,020)	(8,518)
40.	+/-	Increase/(decrease) of currency exchange rate changes	762	7
41.	=	Net Increases/(decreases) in cash and cash equivalents (Total of lines 24, 32, 39, 40)	(12,849)	718
42.	+	Cash and cash equivalents on January 1	20,365	12,597
43.	=	Cash and cash equivalents on Sep 30	7,516	13,315
Additional cash flow informations				
		Tax paid	(9,726)	(2,815)
		Interest paid	(90)	(153)

1) uncertified

No-cash transactions:

In the period under review non-cash unrealised gains and losses from available-for-sale papers are shown under other comprehensive income.

Consolidated Statements of Changes in Shareholders' Equity (US-GAAP)

	Number of shares	Common stock	Fixed capital	Additional paid-in capital	Retained earnings	Cumulated Other Comprehensive Income		Total
						Cumulative translation adjustment	Available-for-sale securities	
Balance Dec 31, 2003 ¹⁾	6,075,435	7,777	(2,980)	57,901	34,204	(440)	1,472	97,934
Consolidated net income	-	-	-	-	9,603	-	-	9,603
Other comprehensive income	-	-	-	-	-	7	384	391
Consolidated net income regarding other comprehensive income	-	-	-	-	9,603	7	384	9,994
Deferred Compensation	-	-	-	179	-	-	-	179
Purchase of own shares	(33,464)	(43)	-	(287)	(600)	-	-	(930)
Disposal of own shares	16,443	21	-	208	-	-	-	229
Tax withdrawal personally liable shareholder	-	-	-	-	(761)	-	-	(761)
Dividends paid	-	-	-	-	(6,554)	-	-	(6,554)
Balance Sep 30, 2004 ²⁾	6,058,414	7,755	(2,980)	58,001	35,892	(433)	1,856	100,091

Balance Dec 31, 2004 ¹⁾	6,056,796	7,753	(2,980)	57,995	43,109	(683)	2,086	107,280
Consolidated net income	-	-	-	-	13,091	-	-	13,091
Other comprehensive income	-	-	-	-	-	762	416	1,178
Consolidated net income regarding other comprehensive income	-	-	-	-	13,091	762	416	14,269
Deferred Compensation	-	-	-	207	-	-	-	207
Disposal of own shares	19,917	25	-	458	-	-	-	483
Tax withdrawal personally liable shareholder	-	-	-	-	(967)	-	-	(967)
Dividends paid	-	-	-	-	(9,034)	-	-	(9,034)
Balance Sep 30, 2005 ²⁾	6,076,713	7,778	(2,980)	58,660	46,199	79	2,502	112,238

1) certified
2) uncertified

Additional explanations pursuant to § 63, section 3, subsection 5, section 4 of the stock exchange regulations ("Börsenordnung")

Breakdown of sales (segment reporting)

Mühlbauer is only involved in one segment. The additional information required by SFAS no. 131 is as follows

	July 01 to Sep 30, 2005	July 01 to Sep 30, 2004	Jan 01 to Sep 30, 2005	Jan 01 to Sep 30, 2004
SALES BY APPLICATIONS	40,008	34,379	105,659	90,679
Smart Identification	27,158	15,938	62,799	36,332
Semiconductor Related Products	7,292	11,741	24,078	36,461
Traceability	2,512	2,414	7,780	4,775
Precision Parts & Systems	3,080	4,358	11,118	13,280
<i>Detractions in earnings</i>	(34)	(72)	(116)	(169)
SALES BY REGIONS	40,008	34,379	105,659	90,679
Germany	9,881	12,144	35,181	39,054
Rest of Europe	10,422	11,012	22,080	22,812
Asia	11,176	5,708	30,106	18,481
Americas	7,901	2,464	15,370	6,377
Other	662	3,123	3,038	4,124
<i>Detractions in earnings</i>	(34)	(72)	(116)	(169)

Explanation of the holding of own shares and subscription rights held by board members and employees in accordance with § 160 section 1, subsection 2 and 5 of the German Stock Corporation Act

OWN SHARES	Number of shares	Par Value in EUR	In % of share capital
As at December 31, 2004	222,404	284,677	3.5
Sales of own shares			
• employee sharing program to almost all employees of the Mühlbauer Group as defined in § 19a EStG	(14,370)	(18,394)	(0.2)
• payments for fixed and variable amounts	(5,547)	(7,100)	(0.1)
As at September 30, 2005	202,487	259,183	3.2

From January 01, 2005 to September 30, 2005 483,069 EUR or on the average 24.25 EUR per share were gained of the company by sale of shares. The obtained cash is intended to strengthen the working capital.

At the end of the period under report employees of the Mühlbauer group held in total 1,484 application rights, regarding the reaching of their personal and their team goals. Each application right authorizes the entitled employee to subscribe one share. The average exercise price is 28.08 EUR. All application rights can be exercised without any lockup period.

Besides the employees of the Mühlbauer group held 8.000 other application rights at the end of the period. Every single application rights authorizes the entitled employee to subscribe one share. The average exercise price is 40.00 EUR. The granted application rights may be exercised after the waiting period ending on June 30, 2006.

The company decide to make use of the authorization, given by the annual general meeting, to grant all application rights out from the own shares. Beside that neither the personally liable shareholder nor any members of the supervisory board held any subscription rights or similar securities pursuant to § 160, section 1, subsection 5 German Stock Corporation Act.

Order backlog

	September 30, 2005 TEUR	September 30, 2004 TEUR
ORDER BACKLOG BY APPLICATIONS	74,607	69,090
SmartID	56,555	44,656
Semiconductor Related Products	12,821	16,705
Traceability	1,993	2,321
Precision Parts & Systems	3,238	5,408

Personnel changes in the managment and supervisory board

No personell changes werde made to the management or supervisory board in this year's third quarter.

Employees

On September 30, 2005, the number of employees at Mühlbauer amounted to 1471 (1405) word-wide. The company employed 222 (214) young people in training, which corresponds to a propotion of 15.1%. Mühlbauer's innovative potential is reflected by 277 (237) highly qualified R&D specialists.

Capital expenditures

In the reporting period, investments into fixed and intangible assets were at 2.0 million EUR (4.7). They consisted mainly of investments into the extension of the machine park, hard- and software as well as expansion and replacement investment into the fleet of vehicles.

Events of special significance in the period under review and after the end of the quarter which could affect profits

None.

Financial Calendar	
November 23, 2005	Analysts` presentation on the German Equity Forum Frankfurt a. M.
March 2006	Publication Annual Report 2005
April 27, 2006	Annual General Meeting 2006

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DISCLAIMER

This interim report contains forward-looking statements based on assumptions and estimates made by the management of Muehlbauer. Although we assume that the expectations expressed in these forward-looking statements are realistic, we cannot guarantee that they will prove correct. The assumptions are subject to risks and uncertainties which could lead to a situation where the actual results deviate substantially from the expectations. Factors which could cause such deviations include, among other things, changes in the economic and business environment, foreign exchange and interest rate fluctuations, the introduction of competing products, a lack of market acceptance of new products or services and changes in the business strategy. Muehlbauer does not plan to update the forward-looking statements nor does the company assume any obligation to do so.