

Increase in sales of 17.5% – considerable order backlog provides a positive outlook for Q2

- Compared to the high level in Q1/2004 the order income again showed a slight increase
- Order income remains high in the first 3 weeks of Q2 — main drivers are technology solutions for the smart label industry
- High order backlog of € 77.7 million (42.0) assures good business development as from Q2
- Extension of sales from € 21.0 million to € 24.7 million
- EBIT amounts to € 1.6 million (1.9)
- With € 5.3 million (6.6) free cash flow remains strong

Dear Sirs, dear Madams,

with an order income of €35.9 million (35.8) — slightly above the already high level of last year's reference period — and an order backlog of impressive €77.7 million (42.0), the technology group **is very confident for Q2**, 2005. This positive outlook is further consolidated by the **increasing demand for system solutions in the area of smart labels**, which accounts for most of the order intake in the first three weeks of Q2 of €14.9 million. In the current fiscal year, the company has already sold **more technology solutions for producing smart labels than in the entire year before**. As a consequence of the project business and the trend towards a weak Q1, total sales as expected are lagging behind the positive development in order income causing the result trend did not yet benefit from the positive business development. The **EBIT** amounted to €1.6 million (1.9) and **earnings before taxes** totaled at €1.9 million (2.1) — the **net earnings** and **earnings per share** came to €1.2 million (1.4) and €0.08 (0.09). Free cash flows of € 5.3 million (6.6) once again were on a high level.

Order income and order backlog

The order book of the worldwide acting technology group posted an increase in volume in the first three months of the current reporting period by another 35.9 million. The company's performance once again showed a slight improvement over the already high level in the same period of last year (35.8). The biggest share of 66.4% equivalent to a volume of €23.8 million (15.6) was generated by the core business of *Smart Identification*. As was to be expected, the enormous increase in orders of 52.5% in this business segment could more than offset the drop in demand for the area of *Semiconductor Related Products*. The latter contributed €6.7 million (14.2) in sales, despite a relatively weak semiconductor environment. While the order intake of €3.4 million (5.0) for *Precision Parts & Systems* — after growth rates between 20.0% and 45.7% in the last three fiscal years — remained below the level of last year, the *Traceability* segment posted an increase of 88.9% to €1.9 million (1.0) and revealed a very positive development. On March 31, 2005, the order backlog amounted to €77.7 million and outperformed the value of last year (42.0) by 85.1%.

Sales

As was predicted before, the technology group's sales in Q1, 2005, could only slightly benefit from the positive order situation. However, the company managed to further extend its volume in sales compared to 2004 by another 17.5% to €24.7 million (21.0) with a consequent increase in all regions. With sales of 58.7% (65.3%), Europe remains the biggest market for the Mühlbauer Group's technology portfolio. The reduced share on sales in Europe, despite a absolutely higher sales figure, indicates a growing demand in Non-European regions. With an improvement of +94.5%, the Americas showed once again the biggest increase followed by Asia's 29.1% before Africa and Australia with growth figures of 7.7%. The share on total sales is divided as follows: Americas 11.7% (7.1%), Asia 25.6% (23.3%) and other 4.0% (4.3%).

Research and Development

In view of the consolidation and further extension of the technological position in attractive growth markets, the Mühlbauer Group continued its trend towards intense R&D activities in Q1, 2005. Investments in this area amounted to €4.1 million — after last year's €3.2 million in the comparable period. This value is equivalent to 16.6% (15.2%) on total sales. The completion of our new personalization system for the formats ID 3, as well as the further development of digital border crossing solutions, is particularly worth mentioning. Apart from that, the machine platform for processing smart labels has been further enhanced.

Employees

With its 1,410 (1,287) employees worldwide on March 31, 2005, Mühlbauer possesses a highly competent workforce in all segments. The innovative potential in R&D has been particularly strengthened by the increase of highly qualified employees from 225 to 275 persons. Our traditionally high number of trainees in order to secure a tailored qualification was raised to 179 persons from 174 in Q1, 2004.

Outlook

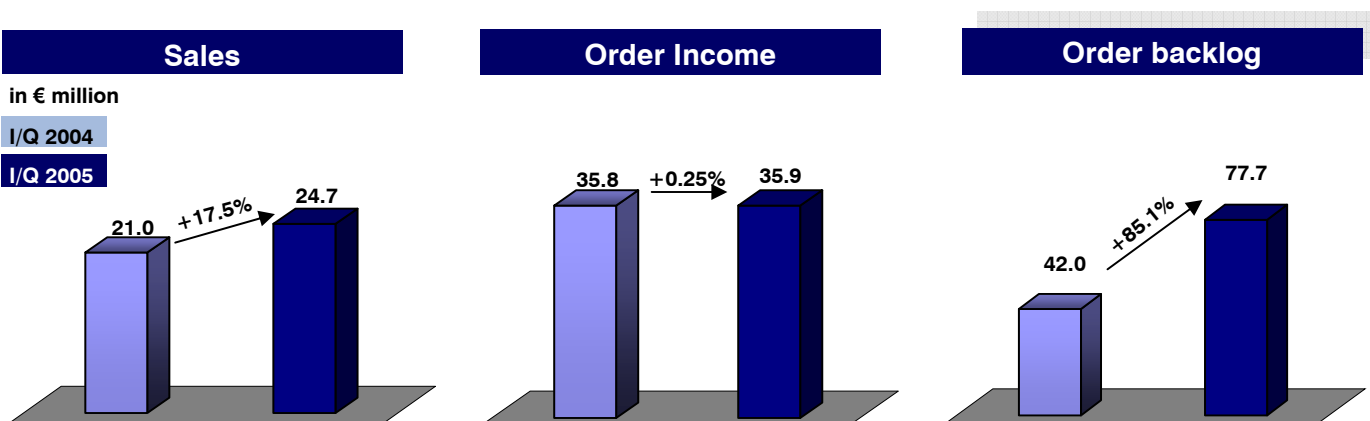
Due to its excellent technological positioning, the Mühlbauer Group as expected was able to profit above average from the significantly increased demand for innovative assembly solutions for producing smart labels and managed to further extend its leading position in this area without neglecting the group`s further development from a pure technology provider into a system provider for complete solutions for high-tech machines to manufacture complex security documents such as driving licenses, ID-cards or ePassports as well as complete applications for biometric border and access controls. On the basis of the company`s close proximity to the market, Mühlbauer considers itself to be well prepared for the generation of above-average gains in growth markets.

In order to accompany our partners also in the future with full commitment, our know-how acquired in more than 20 years of experience and our innovative technology solutions, the company invested more than €4 million in research and development in the past quarter. From our understanding to make relevant market segments — the development of highly **technical** machine solutions for the production of **security** documents — transparent to outsiders, Mühlbauer created the term **TECURITY**. We believe that TECURITY will become the standard term for a market segment within the business and that Mühlbauer will be strongly involved in this new market.

Yours sincerely

MÜHLBAUER HOLDING AG & CO. KGaA

Personally liable shareholder



If no other statement, figures in brackets from reference period of the previous year

Consolidated Interim Balance Sheet (US-GAAP)

Q1
2005

	Jan 01 to March 31, 2005	in % of sales	Jan 01 to March 31, 2004	in % of sales
1. Sales	24,710	100.00	21,031	100.0
2. Cost on sales	(15,095)	(61.1)	(12,938)	(61.5)
3. Gross profit	9,615	38.9	8,093	38.5
4. Operating expenses				
a) Selling, general and administrative	(4,863)	(19.7)	(4,142)	(19.7)
b) Research and development	(4,106)	(16.6)	(3,203)	(15.2)
5. Operating Income	646	2.6	748	3.6
6. Other income and expenses				
a) Interest income	384	1.6	214	1.0
b) Interest expenses	(141)	(0.6)	(82)	(0.4)
c) Other income	929	3.8	1,201	5.7
7. Income before income taxes	1,818	7.4	2,081	9.9
8. Income taxes	(655)	(2.7)	(668)	(3.2)
9. Net earnings	1,163	4.7	1,413	6.7

Earnings per share in EUR			
basic	0.08	0.09	
fully diluted	0.08	0.09	

Weighted average of common shares			
basic	6,063,561	6,090,858	
fully diluted	6,063,868	6,090,914	

1) uncertified

Consolidated Interim Balance Sheet (US-GAAP)

Q1
2005

	March 31, 2005 ¹⁾	Dec. 31, 2004 ²⁾
ASSETS		
Current assets	93,089	90,001
Cash and cash equivalents	21,750	20,365
Marketable securities	15,200	13,225
Trade accounts receivables, net	15,385	21,703
Inventories	37,803	32,216
Deferred income taxes	265	0
Prepaid expenses	427	150
Other current assets	2,259	2,312
Investment and long-term financial assets	13,409	10,440
Marketable securities	13,409	10,440
Fixed assets	46,499	46,765
Land	1,585	1,585
Building, net	32,228	32,617
Technical and other equipment, net	12,596	12,494
Buildings and equipment in progress	90	69
Intangible assets	493	482
Software and licenses	493	482
Other fixed assets	1,443	1,308
TOTAL	154,933	148,996

	March 31, 2005 ¹⁾	Dec. 31, 2004 ²⁾
LIABILITIES AND STOCKHOLDERS` EQUITY		
Current liabilities	35,529	31,826
Current portion of long-term debt	988	988
Trade accounts payable	6,774	7,028
Downpayments received on orders	8,169	4,704
Shareholders` loans	35	35
Other current liabilities	4,594	5,496
Accrued income taxes	7,178	6,424
Deferred income taxes	0	162
Other accruals	7,791	6,989
Long-term liabilities	9,787	9,890
Long term debt	918	925
Investment grants received	7,327	7,369
Deferred income taxes	1,542	1,596
Stockholders` equity	109,617	107,280
Ordinary share capital (par value 1.28 EUR; 6,380,000 common shares authorized; 6,279,200 shares issued; thereof outstanding: 6,072,553 shares)	8,038	8,038
Own shares	(265)	(285)
Fixed capital contributions	(2,980)	(2,980)
Additional paid-in capital	58,503	57,995
Retained earnings	44,272	43,109
Other comprehensive income	2,049	1,403
TOTAL	154,933	148,996

1) uncertified

2) certified

Consolidated Statement of Cash Flow ¹⁾ (US-GAAP)

Q1
2005

			Jan 01 to March 31, 2005	Jan 01 to March 31, 2004
Operating activities				
1.		Income before income taxes including profit of the personally liable shareholder	1,818	2,081
2.		Consolidated net earnings including profit of the personally liable shareholder	1,163	1,413
Adjustments to reconcile consolidated net earnings to net cash (used in) provided by current operating activities				
3.	+/-	Expenses/(income) from employee profit-sharing programs	172	172
4.	+/-	Depreciations/(appreciations) to - fixed assets - software and licenses	1,423 76	1,344 62
5.	-/+	(Gains)/losses from the sale of fixed assets	(37)	(1)
6.	-/+	Currency differences from the transition of fixed assets	(2)	(2)
7.	-/+	Realized net (gains)/losses from short- and long-term marketable securities	(83)	(50)
8.	-/+	(Increase)/decrease of trade accounts receivables	6,179	3,428
9.	+/-	Increase/(decrease) of value adjustments for trade accounts receivables	139	(276)
10.	-/+	(Increase)/decrease of inventories	(5,540)	158
11.	+/-	(Increase)/decrease of value adjustments for inventories	(47)	(2,208)
12.	-/+	(Increase)/decrease of deferred income tax assets	(265)	(319)
13.	-/+	(Increase)/decrease of prepaid expenses	(277)	(323)
14.	-/+	(Increase)/decrease of other current assets	53	(347)
15.	-/+	(Increase)/decrease of other fixed assets	(135)	(206)
16.	+/-	Increase/(decrease) of trade accounts payables	(254)	(109)
17.	+/-	Increase/(decrease) of downpayments received on orders	3,465	3,112
18.	+/-	Increase/(decrease) of other liabilities	(902)	(287)
19.	+/-	Increase/(decrease) of accrued income tax liabilities	754	567
20.	+/-	Increase/(decrease) of deferred income tax liabilities	(227)	(34)
21.	+/-	Increase/(decrease) of other accruals	802	1,285
22.	+/-	Increase/(decrease) of investment grants received	(42)	(79)
23.	+/-	Increase/(decrease) of pension liabilities	0	118
24.	=	Cash provided by (used for) operating activities	6,415	7,418
Investment activities				
25.	+	Payments received from the sale of fixed assets	44	18
26.	-	Purchase in fixed assets	(1,161)	(751)
27.	-	Purchase in software and licences	(88)	(75)
28.	+	Payments received from the sale of long-term marketable securities (available-for-sale-papers)	0	1,121
29.	-	Purchase in long-term marketable securities (available-for-sale-papers)	(3,005)	(2,418)
30.	+	Payments received from the sale of short-term marketable securities (available-for-sale-papers)	504	114
31.	-	Purchase in short-term marketable securities (available-for-sale-papers)	(2,164)	(9,443)
32.	=	Cash provided by (used for) investing activities	(5,870)	(11,434)
Financing activities				
33.	-	Repayment of long-term debts	(7)	(7)
34.	+	Sales of own shares	356	190
35.	=	Cash provided by (used for) financing activities	349	183
36.	+/-	Increase/(decrease) of currency exchange rate changes	491	62
37.	=	Net Increases/(decreases) in cash and cash equivalents (Σ of lines 24, 32, 35, 36)	1,385	(3,771)
38.	+	Cash and cash equivalents on January 1	20,365	12,597
39.	=	Cash and cash equivalents on March 31	21,750	8,826
Additional cash flow informations				
		Tax paid	(247)	(170)
		Interest paid	(31)	(46)

1) uncertified

In the period under review unrealized gains and losses from available-for-sale-papers are shown under other comprehensive income

Consolidated Statement of Changes in Shareholder Equity (US-GAAP)

Q1
2005

	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	-	-	-	-	1,413	-	-	1,413
Other comprehensive income	-	-	-	-	-	62	418	480
Consolidated net income regarding other comprehensive income	-	-	-	-	1,413	62	418	1,893
Deferred Compensation	-	-	-	172	-	-	-	172
Disposal of own shares	14,934	19	-	171	-	-	-	190
Balance March 31, 2004 ²⁾	6,090,369	7,796	(2,980)	58,244	35,617	(378)	1,890	100,189

Balance Dec 31, 2004 ¹⁾	6,056,796	7,753	(2,980)	57,995	43,109	(683)	2,086	107,280
Consolidated net income	-	-	-	-	1,163	-	-	1,163
Other comprehensive income	-	-	-	-	-	491	155	646
Consolidated net income regarding other comprehensive income	-	-	-	-	1,163	491	155	1,809
Deferred Compensation	-	-	-	172	-	-	-	172
Disposal of own shares	15,757	20	-	336	-	-	-	356
Balance March 31, 2005 ²⁾	6,072,553	7,773	(2,980)	58,503	44,272	(192)	2,241	109,617

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:

	Jan 01 to March 31, 2005	Jan 01 to March 31, 2004
SALES BY APPLICATIONS	24,710	21,031
Smart Identification	12,350	5,143
Semiconductor Related Products	6,223	10,536
Traceability	2,236	808
Precision Parts & Systems	3,944	4,587
<i>Detractions in earnings</i>	(43)	(43)
SALES BY REGIONS	24,710	21,031
Germany	9,321	11,403
Rest of Europe	5,225	2,369
Asia	6,328	4,901
Americas	2,898	1,490
Other	981	911
<i>Detractions in earnings</i>	(43)	(43)

Paid or proposed dividends

No dividends were paid in the first quarter of 2005. It was proposed to the annual general meeting convened for 28.04.2005 that a dividend of 0.60 EUR per share entitled to profits (prev. year: 0,35 EUR) be paid out of the balance sheet profit for the business year 2004.

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 as so-called employee shares as defined in § 19a EStG of the Mühlbauer Group	15,757	20,169	(0.2)
As at March 31, 2005	206,647	264,508	3.3

€ 356.399 were gained by the sale of shares in the period under report.

On 31 March 2005 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.

Personnel changes in the management and supervisory board

No personnel changes were made to the management or supervisory board in the first quarter of 2005.

Investments

The investments in tangible and intangible assets in the period under review amounted to 1.2 mill. EUR (prev. year 0.8 mill. EUR) and were primarily required for expansion of the machinery and soft- and hardware.

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

None.

Financial Calendar	
April 28, 2005	Annual General Meeting 2005
May 02, 2005	Roadshow Frankfurt a. M.
May 03-04, 2005	Roadshow London
Beginning of June, 2005	Roadshow Scandinavia
August 03, 2005	Quarterly Report II/2005
November 03, 2005	Quarterly Report III/2005
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.