

Positive start in new financial year – significant increase in sales and earnings

Q1 2006

- Sales rose 48.3% – core business SmartID posts strongest growth
- Order income worth EUR 37.8 million (35.9) remains on high level – Semiconductor-related products strongly improved by 82.0%
- EBIT of EUR 7.9 million (2.4) performed above-average growth
- Pretax profit margin of 22.8% clearly higher than last year's 10.7%
- Earnings per share of EUR 0.39 tripled compared to same quarter of last year (EUR 0.13)



Ladies and Gentlemen,

With a **48.3% increase in sales** over the same quarter of last year, the Mühlbauer technology group quoted on the Prime Standard and world-wide active system provider for the manufacture of innovative security solutions for the **TECURITY market** made a positive start in the new financial year. While **sales** came in at EUR 37.3 million (25.2), **gross profit on sales** reached the expected above-average growth: With a volume of EUR 17.5 million, gross profit on sales was 62.5% up on last year's EUR 10.8 million. Mühlbauer's stellar performance was also true for **earnings before interest and taxes (EBIT)** and **earnings before taxes (EBT)**. While the EBIT climbed YoY from EUR 2.4 million to EUR 7.9 million, earnings before taxes worth EUR 8.5 million more than tripled YoY (2.7) due to the positive trend in **financial result** (EUR 0.6 million, previous year EUR 0.3 million). Q1 **pretax profit margin** consequently showed a positive performance and amounted to 22.8% – after 10.7% in the year before. After taxes another EUR 5.6 million (1.9) can be transferred to retained earnings. This equals a ratio of earnings per share of EUR 0.39 (0.13).

Financial strength and shareholders' equity

Free cashflow decreased from EUR +5.3 million in the previous year to EUR +1.5 million during the reporting period. The main reasons for this is a higher degree of capital commitment for accounts receivables and scheduled advance tax payments. In the course of the increased volume of business, **net working capital** rose, as was to be expected, from EUR 22.9 million to EUR 29.8 million. At the end of the reporting period, the equity ratio stood at 74.6% and only remained slightly below the level of last year (76.2%).

Order income and order backlog

The order income in the first quarter amounted to EUR 37.8 million and was another 5.3% higher than last year's quarter (35.9). While the SmartID core business worth EUR 17.6 million (23.9) was slightly weaker due to the already foreseeable slowdown in the demand for RFID Smart Labels – triggered by a supply and demand ratio that is still unbalanced, new developments in the chip technology as well as existing infrastructure deficits – all other business segments of the world-wide active technology group mostly managed to post a significant rise in incoming orders. Semiconductor Related Products located in a niche market of the semiconductor industry contributed EUR 12.2 million to the order income representing an increase of 82.0% over last year's EUR 6.7 million. The Traceability sector could also profit from the high demand for components used to trace back products or subassemblies and even rose 97.4%. The EUR 3.8 million order income (1.9) in this area almost doubled. The order income of EUR 4.2 million (3.4) in Precision Parts and Systems, which exceeded the value of last year by 22.7%, reflects another positive development. The order backlog at the end of the reporting period stood at EUR 80.8 million and was 4.7% higher than the comparable value of last year (77.2).

Sales

In the reporting period, the world-wide active technology group's sales amounted to EUR 37.3 million (25.2) and grew 48.3% compared to the same quarter of last year. With a share of 46.0% (58.4%), Europe remains slightly ahead of Asia which generated a quota of 45.2% (26.1%) and therefore represents the second biggest regional market for Mühlbauer's technology portfolio. The sales figure on the American continent was 7.4% (12.2%), while the sales figures of Africa and Australia was 1.4% (3.3%).

Research and Development

In order to further consolidate its leading technological position in the TECURITY market, the Mühlbauer Group invested a total of EUR 4.5 million (4.0) in research and development in the first quarter of 2006. Of particular importance here is the further development of semiconductor-related product solutions and passport personalization systems as well as software-based data integration and acquisition solutions.

Outlook

Backed by full order backlog at the beginning of the current financial year and the ongoing demand in Q1 for technology solutions, Mühlbauer made a successful start in the new financial year. The contract awarded in the reporting period for another ePassport project testifies to Mühlbauer's high competence in the highly sensitive market for digital security and also recommends the company to be a future partner for even more governments and public authorities. Should the expectations of many market participants be met and the actual unbalance between the trend of supply and demand for RFID Smart Labels be regulated in the second half of the year, we see our way to continue our above-average gains in this growth market and to further enhance the volume in the company's SmartID core business owing to our comprehensive technology portfolio and our excellent position in the market. Due to the fact that we are specializing in particular market niches in the semiconductor industry, we consider ourselves to be optimally positioned to generate above-average profits from the general trend under the provision that the order volume in Semiconductor Related Products during the past two quarters shows consistency.

Yours sincerely

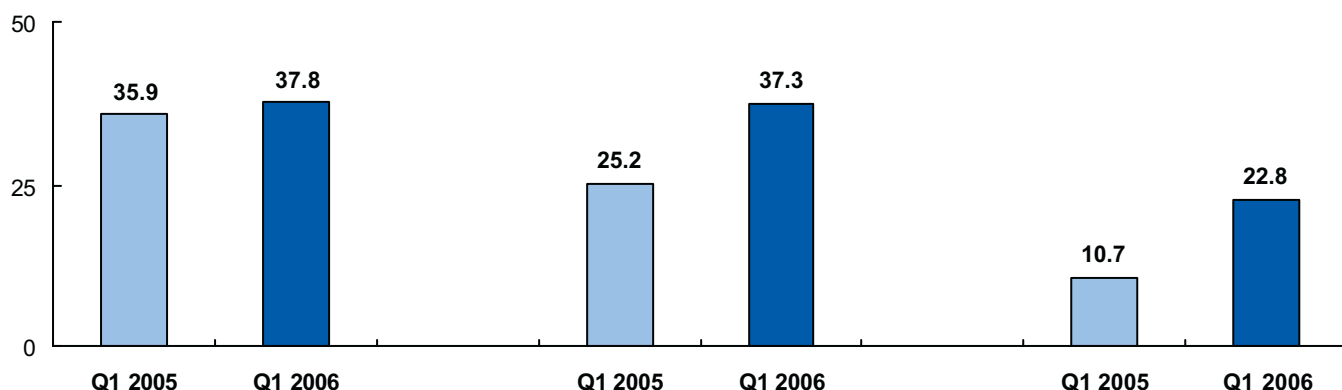
MÜHLBAUER HOLDING AG & CO. KGaA

Personally liable shareholder

Order income in million EUR

Sales in million EUR

Pretax profit margin in %



Consolidated Statements of Income (IFRS)¹⁾

	Jan 01, to March 31, 2006	in % of sales	Jan 01, to March 31, 2005	in % of sales
1. Sales	37,348	100.0	25,190	100.0
2. Cost on sales	(19,863)	(53.2)	(14,427)	(57.3)
3. Gross profit	17,485	46.8	10,763	42.7
4. Operating expenses				
a) Selling expenses	(2,968)	(7.9)	(2,262)	(9.0)
b) Administrative expenses	(2,001)	(5.4)	(1,631)	(6.5)
c) Research and development	(4,997)	(13.4)	(4,116)	(16.3)
d) Other income	452	1.2	186	0.7
e) Other expenses	(93)	(0.2)	(552)	(2.1)
5. Operating Income	7,878	21.1	2,388	9.5
6. Financial Result				
a) Financial income	698	1.9	348	1.3
b) Financial expenses	(70)	(0.2)	(31)	(0.1)
7. Income before income taxes	8,506	22.8	2,705	10.7
8. Income taxes	(2,913)	(7.8)	(824)	(3.3)
9. Net earnings	5,593	15.0	1,881	7.4

Earnings per share in EUR			
basic	0.39	0.13	
fully diluted	0.38	0.13	

Weighted average of shares			
basic	6,075,886	6,063,561	
fully diluted	6,076,205	6,063,868	

1) uncertified

Consolidated Interim Balance Sheets (IFRS)

	March 31, 2006 ¹⁾	Dec 31, 2005 ²⁾
ASSETS		
Short-term assets	116,635	105,128
Cash and cash equivalents	13,815	13,507
Marketable securities	32,951	32,687
Trade accounts receivables, net	28,718	21,985
Other current assets	2,774	2,441
Tax receivables	990	976
Inventories	37,387	33,532
Long-term assets		
Investment and long-term financial assets	12,509	11,088
Marketable securities	12,259	10,809
Trade accounts receivables, net	250	279
Fixed assets	38,562	39,018
Land and buildings, net	26,967	27,343
Technical equipment, net	5,853	5,965
Furniture and office equipment, net	5,199	5,510
Buildings and equipment in progress	543	200
Intangible assets	7,937	8,412
Software and licenses	654	638
Capitalized development costs	7,283	7,774
Deferred tax assets	118	99
Other fixed assets	578	510
TOTAL	176,339	164,255

	March 31, 2006 ¹⁾	Dec 31, 2005 ²⁾
LIABILITIES AND STOCKHOLDERS` EQUITY		
Short-term liabilities	40,979	35,000
Debt	918	960
Trade accounts payable	7,025	6,150
Downpayments received on orders	14,236	10,330
Other liabilities	4,915	6,385
Accrued income taxes	3,747	2,919
Other accruals	10,138	8,256
Long-term liabilities	3,881	4,109
Deferred tax liabilities	3,881	4,109
Shareholders` equity	131,479	125,146
Ordinary share capital (par value 1.28 EUR; 6,380,000 ordinary shares authorized; 6,279,200 shares issued, there of 6,076,903 ordinary shares outstanding)	8,038	8,038
Own shares	(259)	(259)
Fixed capital contributions	(2,980)	(2,980)
Additional paid-in capital	59,480	59,319
Other comprehensive income	2,798	2,219
Retained earnings	64,402	58,809
TOTAL	176,339	164,255

1) uncertified
2) certified

Consolidated Statements of Cashflows (IFRS)¹

			Jan 01 to March 31, 2006	Jan 01 to March 31, 2005
Cash provided by operating activities				
1.		Net earnings	5,593	1,881
2.	+	Income taxes	2,913	824
3.	+	Interest expenses	70	31
Adjustments for non cash expenses and income				
4.	+/-	Expenses/(income) from employee profit-sharing programs	157	85
5.	+/-	Depreciations/(appreciations) to fixed assets	1,440	1,423
6.	+/-	Depreciations/(appreciations) to intangible assets	126	76
7.	+/-	Depreciations/(appreciations) to capitalized development costs	1,518	376
8.	+/-	(Gains)/losses from the sale of fixed assets	(104)	(37)
9.	+/-	Currency differences from the transition of fixed assets	1	(4)
10.	+/-	Realized net (gains)/losses from short- and long-term marketable securities	(254)	(83)
11.	+/-	(Gains)/losses from the change in fair value of financial instruments	(69)	48
12.	+/-	(Increase)/decrease of deferred tax assets	(19)	(206)
13.	+/-	Increase/(decrease) of deferred tax liabilities	(203)	23
Changes in working capital				
14.	+/-	(Increase)/decrease of inventories	(3,855)	(5,856)
15.	+/-	(Increase)/decrease of trade accounts receivables and other short-term assets	(7,048)	5,319
16.	+/-	Increase/(decrease) of trade accounts payables and other liabilities	5,134	3,060
17.	=	Cash generated from operating activities	5,400	6,960
18.	-	Income tax paid	(2,300)	(247)
19.	-	Interest paid	(10)	(9)
20.	=	Cash provided by operating activities	3,090	6,704
Cashflow from investing activities				
21.	+	Proceeds from disposals of fixed assets	123	44
22.	-	Purchase of fixed assets	(783)	(1,200)
23.	-	Purchase of intangible assets	(151)	(55)
24.	-	Expenditures for capitalized development costs	(1,027)	(284)
25.	+	Proceeds from sales of long-term marketable securities (available-for-sale-papers)	2,399	0
26.	-	Acquisitions of long-term marketable securities (available-for-sale-papers)	(2,620)	(3,005)
27.	+	Proceeds from sales of short-term marketable securities (available-for-sale and held-to-maturity papers)	916	504
28.	-	Acquisitions of short-term marketable securities (available-for-sale and held-to-maturity papers)	(950)	(2,164)
29.	=	Cash used for investing activities	(2,093)	(6,160)
Free cashflow			1,486	5,289
Cashflow from financing activities				
30.	-	Repayment of long-term debts	0	(7)
31.	+/-	Increase/(decrease) of short-term debts	(42)	0
32.	+	Proceeds from sales of own shares	4	357
33.	=	Cash used for financing activities	(38)	350
34.	+/-	Increase/(decrease) of currency exchange rate changes	(17)	491
35.	=	Net increases/(decreases) in cash and cash equivalents (Total of lines 20, 29, 33, 34)	942	1,385
36.	+	Liquid funds on January 1	29,486	29,418
37.	=	Liquid funds on March 31	30,428	30,803

1) uncertified

Consolidated Statements of Changes in Shareholders' Equity (IFRS)

	Total number of shares Number	Own shares Number	Ordinary share capital TEUR	Fixed capital TEUR	Additional paid-in capital TEUR	Other comprehensive income / (loss)		Retained earnings TEUR	Total TEUR
						Cumulative transaction adjustment TEUR	Available-for-sale securities TEUR		
Balance Dec 31, 2004 ¹⁾	6,279,200	(222,404)	7,753	(2,980)	58,739	(238)	1,667	45,892	110,833
Net earnings	-	-	-	-	-	-	-	1,881	1,881
Other comprehensive income / (loss)	-	-	-	-	-	491	155	-	646
Total comprehensive income / (loss)	-	-	-	-	-	491	155	1,881	2,527
Deferred compensation	-	-	-	-	85	-	-	-	85
Proceeds from sales of own shares	-	15,757	20	-	337	-	-	-	357
Balance March 31, 2005 ²⁾	6,279,200	(206,647)	7,773	(2,980)	59,161	253	1,822	47,773	113,802
Balance Dec 31, 2005 ¹⁾	6,279,200	(202,437)	7,779	(2,980)	59,319	191	2,028	58,809	125,146
Net earnings	-	-	-	-	-	-	-	5,593	5,593
Other comprehensive income / (loss)	-	-	-	-	-	(17)	596	-	579
Total comprehensive income / (loss)	-	-	-	-	-	(17)	596	5,593	6,172
Deferred compensation	-	-	-	-	157	-	-	-	157
Proceeds from sales of own shares	-	140	-	-	4	-	-	-	4
Balance March 31, 2006 ²⁾	6,279,200	(202,297)	7,779	(2,980)	59,480	174	2,624	64,402	131,479

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 exclusively active in one segment. However, selected information on sales proceeds will subsequently be provided:

	Jan 01 to March 31, 2006	Jan 01 to March 31, 2005
SALES BY APPLICATION AREA	37,348	25,190
Smart Identification	21,019	12,766
Semiconductor Related Products	9,080	6,281
Traceability	2,916	2,242
Precision Parts & Systems	4,389	3,944
<i>Detractions in earnings</i>	<i>(56)</i>	<i>(43)</i>
SALES BY REGIONS	37,348	25,190
Germany	9,853	9,375
Rest of Europe	7,336	5,377
Asia	16,904	6,576
North America	2,646	2,777
South America	131	289
Other	534	839
<i>Detractions in earnings</i>	<i>(56)</i>	<i>(43)</i>

Intermediate dividends

No intermediate dividends were distributed.

Amount distributed or amount proposed to be distributed

No dividends were paid in the first quarter. The annual general meeting scheduled to take place on 4 May, 2006, was proposed to distribute a dividend of EUR 0.90 per share with dividend entitlement (previous year EUR 0.60) to be used from the net income for financial year 2005.

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, 2005	202,437	259,119	3.2
Sales of own shares as payments variable amounts	(140)	(179)	0,0
As at March 31, 2006	202,297	258,940	3.2

For own shares, sold by the company between January 01, 2006 until March 31, 2006, a total of EUR 4,060 or an average of EUR 29.00 per share was generated. The obtained cash is used to enhance the working capital.

Pursuant to § 19a EstG (German Income Tax Act) the company is obliged to distribute 13,785 own shares with a nominal value of EUR 17,644.80 to the employees and trainees of the Mühlbauer Group on the occasion of the company's stock option plans conducted on March 2006. This equals 0.22% of the share capital. The purchasing price per share is EUR 27.45. The difference between purchasing and market price amounting to 158 TEUR was recognized as personnel expenses. The own shares are distributed on April 2006.

Due to their accomplished personal or team objects, the employees of the Mühlbauer Group held a total of

share issued to the holder. The average exercise price is EUR 27.94. All option rights can be exercised without any waiting period.

The company intends to make use of its right to pay the acquiring person in cash instead of distributing shares and therefore taking all option rights from liquid assets.

Above that, neither the personally liable shareholder nor the Supervisory Board held option rights or comparable securities pursuant to §160(1) No.5 AktG (German Stock Corporation Act).

Order backlog

	March 31, 2006 TEUR	March 31, 2005 TEUR
ORDER BACKLOG BY APPLICATIONS	80,828	77,225
Smart Identification	59,148	60,845
Semiconductor Related Products	15,335	9,961
Traceability	3,173	2,164
Precision Parts & Systems	3,172	4,255

Personnel changes in the management and supervisory board

No personnel changes were made to the management or supervisory board in this year's first quarter.

Employees

On 31 March, 2006, the number of employees at the Muehlbauer Group amounted to 1481. 290 (275) highly qualified R&D specialists contributed their big share to the company's innovative strength. Also the sustained development of personnel requirements is considered to be of particular importance: The company employed 198 (179) young people in training representing 13.4% of overall staff.

Capital expenditures

In the reporting period, investments into fixed and intangible assets amounted to EUR 0.9 million (1.0). They consisted mainly of investments into the extension of the machine park, hard- and software as well as expansion and replacement investments 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			
May 04, 2006	Annual General Meeting 2006	October, 31 2006	Quarterly Report III/2006
May 08 - 09, 2006	Roadshow Frankfurt / London	March 2007	Annual Report 2006
August 01, 2006	Quarterly Report II/2006	April 26, 2007	Annual General Meeting

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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.

www.muehlbauer.de, WKN 662720, ISIN DE0006627201, MUBG.F