

## Mühlbauer shows profitable growth in Q2 – Core business SmartID at new all-time high

- Order income before special effects plus 27%
- Sharp increase in sales produces new record high
- Gross profit increased disproportionately by 45.3% to 17.1 million EUR (11.8) - Gross profit margin significantly extended from 33.4% to 41.8%
- Qoq EBIT rose by more than half
- Pretax profit margin climbed to a respectable 20.9% (16.0%)
- Earnings per share increased 54.2% to EUR 0.37 (0.24)
- Funds commitments despite higher business volume further reduced

Q2 2005

Discover the smart world of



Dear Sirs,

the Mühlbauer technology company quoted on the Prime Standard and worldwide active provider of highly technological system solutions for the manufacture of innovative passports and ID-documents for international security requirements - labelled as **TECURITY** market - lived up to expectations and posted **net improvements in sales and results** in Q2. The 16.1% increase in sales qoq resulted in an all-time high of 40.9 million EUR (35.3), while **gross profit** even managed to increase disproportionately by 45.3% to 17.1 million EUR (11.8) over the same period of time. The profitable growth was also reflected by the earnings before interest and tax (**EBIT**), which grew 50.5% yoy from 5.5 million EUR to 8.2 million EUR. The earnings before tax (**EBT**) delivered an equally positive performance. Backed by high liquidity reserves from the positive trend in interests (0.3 million EUR; previous year 0.2), the EBT climbed 51.2% to 8.5 million EUR (5.6). Q2 **pretax profit margin** was at a remarkable 20.9% - after 16.0% in the same period of last year. **After tax** another 5.5 million EUR (3.4) can be transferred to retained earnings - that is a plus of 59.4%. **Earnings per share** rose to 0.37 EUR - 54.2% more than last year (0.24). Due to the already expected positive trend in business for Q2, sales of the technology provider has already risen by 16.6% to 65.7 million EUR (56.3) in the first half of the fiscal year, while the EBIT for the same period rose 32.1% to 9.8 million EUR (7.4) and earnings per share by a total of 36.4% to 0.45 EUR (0.33).

### Financial strength and shareholders' equity

Our consistent **working capital** management during the reporting period further reduced funds commitments by 17.4 million EUR despite a higher volume of business compared to the value of end of last year (25.6). **Free cashflow** in Q2 amounted to +9.5 million EUR and were 6.7% higher than comparable last year (+8.9). On a half-year basis, free cashflow of +14.8 million EUR were slightly down on the comparable value of last year (+15.5). The company's **net cash** in the first six months of the current fiscal year rose 6.5 million EUR to 48.6 million EUR despite a 71.4% increase in dividends distributed to shareholders in the reporting period. At the end of the reporting period, the **equity ratio** stood at 66.4% - compared to 72.0% at the end of last year.

### Order income

With order income worth 49.3 million EUR, the global technology company continued its upward trend in order income during the past two quarters and showed a stellar performance in Q2. Adjusted for a major order placed by an ministry of interior (25.0 million EUR) in the comparable quarter of last year, order income rose 27.0% yoy (38.8 million EUR). The biggest share of 59.3% worth 29.2 million EUR (adjusted 13.3) was posted by the core business SmartID offering comprehensive TECURITY solutions for security-oriented applications, which managed to increase 120.5%. Although with 14.0 million EUR the area of Semiconductor Related Products could contribute a relatively big share of order income due to a volume order, the overall value lagged 28.1% behind the value of comparable last year (19.4) in the face of the weak trend in the semiconductor industry. The Traceability sector, however, posted a sharp rise in order income. Order income worth 2.8 million

EUR were 21.5% above last year's level (2.3), while Precision Parts & Systems with orders worth 3.3 million EUR slipped 13.9% below the value of last year (3.8) due to missing volume orders.

### Sales

As was to be expected, the technology company's sales in Q2 rose sharply. Sales climbed 16.1% yoy and reached the company's highest ever quarterly level of 40.9 million EUR (35.3). With sales figures of 54.7% (70.6), Europe remains the biggest market for Mühlbauer's technology portfolio followed by Asia 30.8% (22.3), North and South America 11.2% (6.8) and Africa and Australia 3.3% (0.3).

### Research & Development

In order to further consolidate and extend their technological top position in the world market, the Mühlbauer Group invested a total of 4.5 million EUR in R&D for Q2 - 34.3% up on last year (3.3). Development activities focus on extending the product portfolio as well as refining semiconductor-related product solutions and personalization systems in SmartID.

### Outlook

Buoyed by Mühlbauer's technological position and the consequent rise in demand for innovative machine solutions in SmartID, the company did not only repeatedly overcompensate the drop in demand for semiconductor related products starting in the second half of last year, but also managed to push sales in order to reach new record highs.

With its almost 25 years of straightforward corporate culture of high dynamism and full commitment towards its customers, the company will continue to focus on its core competencies and will further improve its flexible response in competitive markets worldwide.

Yours sincerely

### MÜHLBAUER HOLDING AG & CO. KGaA

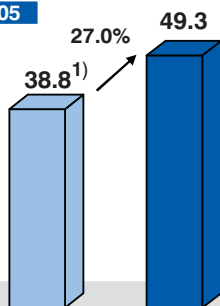
Personally liable shareholder

#### Order income

in million EUR

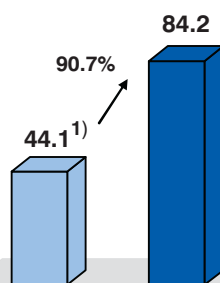
Q2 2004

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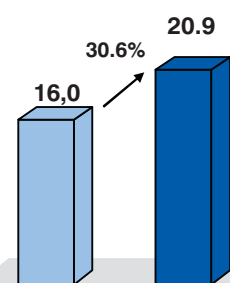


1) Adjusted for a major order placed by an ministry of interior worth 25.0 million EUR

#### Order backlog



#### Pretax profit margin (%)



## Consolidated Statements of Income<sup>1)</sup> (US-GAAP)

	April 1, to June 30, 2005	April 1, to June 30, 2004	January 1, to June 30, 2005	January 1, to June 30, 2004
1. Sales	40,941	35,269	65,651	56,300
2. Cost on sales	(23,826)	(23,487)	(38,920)	(36,425)
<b>3. Gross profit</b>	<b>17,115</b>	<b>11,782</b>	<b>26,731</b>	<b>19,875</b>
4. Operating expenses				
a) Selling, general and administrative	(5,435)	(4,570)	10,299	(8,712)
b) Research and development	(4,490)	(3,344)	8,596	(6,547)
<b>5. Operating income</b>	<b>7,190</b>	<b>3,868</b>	<b>7,836</b>	<b>4,616</b>
6. Other income and expenses				
a) Interest income	482	256	867	470
b) Interest expenses	(153)	(63)	(295)	(144)
c) Other income	1,016	1,583	1,945	2,784
<b>7. Income before income taxes</b>	<b>8,535</b>	<b>5,644</b>	<b>10,353</b>	<b>7,726</b>
8. Income taxes	(3,083)	(2,225)	(3,737)	(2,894)
<b>9. Net earnings</b>	<b>5,452</b>	<b>3,419</b>	<b>6,616</b>	<b>4,832</b>

<b>Earnings per share in EUR</b>				
basic	0.37	0.24	0.45	0.33
fully diluted	0.37	0.24	0.45	0.33

<b>Weighted average of common shares</b>				
basic	6,063,654	6,082,514	6,063,654	6,082,514
fully diluted	6,063,654	6,082,612	6,063,654	6,082,612

1) uncertified

## Consolidated Interim Balance Sheets (US-GAAP)

	June 30, 2005 <sup>1)</sup>	Dec 31, 2004 <sup>2)</sup>
<b>ASSETS</b>		
<b>Current assets</b>	<b>96,140</b>	<b>90,001</b>
Cash and cash equivalents	19,750	20,365
Marketable securities	16,201	13,225
Trade accounts receivables, net	20,323	21,703
Inventories	36,926	32,216
Deferred income taxes	1,158	0
Prepaid expenses	711	150
Other current assets	1,071	2,312
<b>Investment and long-term financial assets</b>	<b>14,389</b>	<b>10,440</b>
Marketable securities	14,389	10,440
<b>Fixed assets</b>	<b>46,190</b>	<b>46,765</b>
Land	1,585	1,585
Building, net	31,793	32,617
Technical and other equipment, net	12,747	12,494
Buildings and equipment in progress	65	69
<b>Intangible assets</b>	<b>473</b>	<b>482</b>
Software and licenses	473	482
<b>Other fixed assets</b>	<b>1,850</b>	<b>1,308</b>
<b>TOTAL</b>	<b>159,042</b>	<b>148,996</b>

	June 30, 2005 <sup>1)</sup>	Dec 31, 2004 <sup>2)</sup>
<b>LIABILITIES AND STOCKHOLDERS` EQUITY</b>		
<b>Current liabilities</b>	<b>44,137</b>	<b>31,826</b>
Current portion of long-term debt	313	0
Debts maturing within one year	989	988
Trade accounts payable	6,650	7,028
Downpayments received on orders	12,704	4,704
Shareholders` loans	35	35
Other current liabilities	4,610	5,496
Accrued income taxes	10,126	6,424
Deferred income taxes	0	162
Other accruals	8,710	6,989
<b>Long-term liabilities</b>	<b>9,257</b>	<b>9,890</b>
Long term debt	430	925
Investment grants received	7,338	7,369
Deferred income taxes	1,489	1,596
<b>Stockholders` equity</b>	<b>105,648</b>	<b>107,280</b>
Ordinary share capital (par value 1.28 EUR; 6,380,000 common shares authorized; 6,075,579 shares issued at June 30, 2005)	8,038	8,038
Own shares	(261)	(285)
Fixed capital contributions	(2,980)	(2,980)
Additional paid-in capital	58,614	57,995
Retained earnings	39,724	43,109
Other comprehensive income	2,513	1,403
<b>TOTAL</b>	<b>159,042</b>	<b>148,996</b>

1) uncertified  
2) certified

## Consolidated Statements of Cash Flows<sup>1)</sup> (US-GAAP)

			Jan 01 to June 30, 2005	Jan 01 to June 30, 2004
<b>Operating activities</b>				
1.		Income before income taxes including profit of the personally liable shareholder	10,353	7,726
2.		Consolidated net earnings including profit of the personally liable shareholder	6,616	4,832
<b>Adjustments to reconcile consolidated net earnings to net cash (used in) provided by current operating activities</b>				
3.	+/-	Expenses/(income) from employee profit-sharing programs	190	171
4.	+/-	Depreciations/(appreciations) to - fixed assets - software and licenses - goodwill	2,922 160 0	2,705 124 468
5.	-/+	(Gains)/losses from the sale of fixed assets	(102)	(20)
6.	-/+	Currency differences from the transition of fixed assets	(9)	(2)
7.	-/+	Realized net (gains)/losses from short- and long-term marketable securities	(83)	(233)
8.	-/+	(Increase)/decrease of trade accounts receivables	830	(1,239)
9.	+/-	Increase/(decrease) of value adjustments for trade accounts receivables	550	(1,039)
10.	-/+	(Increase)/decrease of inventories	(6,069)	(3,090)
11.	-/+	Decrease/(increase) of value adjustments for inventories	1,359	4,881
12.	-/+	(Increase)/decrease of deferred income tax assets	(1,158)	(505)
13.	-/+	(Increase)/decrease of prepaid expenses	(561)	(158)
14.	-/+	(Increase)/decrease of other current assets	1,241	289
15.	-/+	(Increase)/decrease of other fixed assets	(794)	(423)
16.	+/-	Increase/(decrease) of trade accounts payables	(378)	2,463
17.	+/-	Increase/(decrease) of downpayments received on orders	8,000	4,721
18.	+/-	Increase/(decrease) of other liabilities	(886)	(258)
19.	+/-	Increase/(decrease) of accrued income tax liabilities	3,702	2,097
20.	+/-	Increase/(decrease) of deferred income tax liabilities	(250)	(54)
21.	+/-	Increase/(decrease) of other accruals	1,721	1,886
22.	+/-	Increase/(decrease) of investment grants received	(31)	67
23.	+/-	Increase/(decrease) of pension liabilities	252	236
24.	=	<b>Cash provided by (used for) operating activities</b>	<b>17,222</b>	<b>17,919</b>
<b>Investment activities</b>				
25.	+	Payments received from the sale of fixed assets	192	50
26.	-	Purchase in fixed assets	(2,428)	(2,623)
27.	-	Purchase in software and licences	(151)	(94)
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)	(3,828)	(2,201)
30.	+	Payments received from the sale of short-term marketable securities (available-for-sale-papers)	9,557	517
31.	-	Purchase in short-term marketable securities (available-for-sale-papers)	(12,134)	(9,896)
32.	=	<b>Cash provided by (used for) investing activities</b>	<b>(8,792)</b>	<b>(13,126)</b>
<b>Financing activities</b>				
33.	-	Repayment of long-term debts	(495)	(494)
34.	+/-	Increase/decrease of short term debts	314	2
35.	-	Purchase of own shares	0	(706)
36.	+	Sales of own shares	453	219
37.	-	Dividends paid	(9,034)	(6,554)
38.	+/-	Payments in/payments-out personally liable shareholder's offset account	(967)	(761)
39.	=	<b>Cash provided by (used for) financing activities</b>	<b>(9,729)</b>	<b>(8,294)</b>
40.	+/-	Increase/(decrease) of currency exchange rate changes	684	68
41.	=	<b>Net Increases/(decreases) in cash and cash equivalents (Total of lines 24, 32, 39, 40)</b>	<b>(615)</b>	<b>(3,433)</b>
42.	+	Cash and cash equivalents on January 1	20,365	12,597
43.	=	<b>Cash and cash equivalents on June 30</b>	<b>19,750</b>	<b>9,164</b>
<b>Additional cash flow informations</b>				
		Tax paid	(1,250)	(1,689)
		Interest paid	(60)	(91)

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.

If no other statement, figures in TEUR



## Consolidated Statements of Changes in Shareholder 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	
<b>Balance Dec 31, 2003 <sup>1)</sup></b>	<b>6,075,435</b>	<b>7,777</b>	<b>(2,980)</b>	<b>57,901</b>	<b>34,204</b>	<b>(440)</b>	<b>1,472</b>	<b>97,934</b>
Consolidated net income	-	-	-	-	4,832	-	-	4,832
Other comprehensive income	-	-	-	-	-	68	304	372
Consolidated net income regarding other comprehensive income	-	-	-	-	4,832	68	304	5,204
Deferred Compensation	-	-	-	171	-	-	-	171
Purchase of own shares	(25,645)	(33)	-	(196)	(477)	-	-	(706)
Disposal of own shares	15,956	20	-	199	-	-	-	219
Tax withdrawal personally liable shareholder	-	-	-	-	(761)	-	-	(761)
Dividends paid	-	-	-	-	(6,554)	-	-	(6,554)
<b>Balance June 30, 2004 <sup>2)</sup></b>	<b>6,065,746</b>	<b>7,764</b>	<b>(2,980)</b>	<b>58,075</b>	<b>31,244</b>	<b>(372)</b>	<b>1,776</b>	<b>95,507</b>
<b>Balance Dec 31, 2004 <sup>1)</sup></b>	<b>6,056,796</b>	<b>7,753</b>	<b>(2,980)</b>	<b>57,995</b>	<b>43,109</b>	<b>(683)</b>	<b>2,086</b>	<b>107,280</b>
Consolidated net income	-	-	-	-	6,616	-	-	6,616
Other comprehensive income	-	-	-	-	-	684	426	1,110
Consolidated net income regarding other comprehensive income	-	-	-	-	6,616	684	426	7,726
Deferred Compensation	-	-	-	190	-	-	-	190
Disposal of own shares	18,783	24	-	429	-	-	-	453
Tax withdrawal personally liable shareholder	-	-	-	-	(967)	-	-	(967)
Dividends paid	-	-	-	-	(9,034)	-	-	(9,034)
<b>Balance June 30, 2005 <sup>2)</sup></b>	<b>6,075,579</b>	<b>7,777</b>	<b>(2,980)</b>	<b>58,614</b>	<b>39,724</b>	<b>1</b>	<b>2,512</b>	<b>105,648</b>

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:

	April 01 to June 30, 2005	April 01 to June 30, 2004	Jan 01 to June 30, 2005	Jan 01 to June 30, 2004
<b>SALES BY APPLICATIONS</b>	<b>40,941</b>	<b>35,269</b>	<b>65,651</b>	<b>56,300</b>
SmartID	23,292	15,251	35,641	20,394
Semiconductor Related Products	10,564	14,184	16,786	24,720
Traceability	3,031	1,553	5,268	2,361
Precision Parts & Systems	4,094	4,335	8,038	8,922
<i>Detractions in earnings</i>	<i>(40)</i>	<i>(54)</i>	<i>(82)</i>	<i>(97)</i>
<b>SALES BY REGIONS</b>	<b>40,941</b>	<b>35,269</b>	<b>65,651</b>	<b>56,300</b>
Germany	15,979	15,506	25,300	26,910
Rest of Europe	6,433	9,431	11,658	11,800
Asia	12,601	7,872	18,929	12,773
Americas	4,572	2,423	7,469	3,913
Other	1,396	91	2,377	1,002
<i>Detractions in earnings</i>	<i>(40)</i>	<i>(54)</i>	<i>(82)</i>	<i>(97)</i>

### Paid or proposed dividends

The annual general meeting held on April 28, 2005 decided to have a dividend of 0.60 EUR per participating share paid out. The dividend was paid on April 29, 2005 by the Clearstream Banking AG, Frankfurt/Main, and was credited to the shareholders without corporate income tax credit after deduction of 20.0% capital gains tax as well as a 5.5% solidarity tax on the capital gains tax (altogether 21.1%).

### 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
<b>As at December 31, 2004</b>	222,404	284,677	3.5
<b>Sales of own shares</b>			
• employee sharing program to almost all employees of the Mühlbauer Group as defined in § 19a EStG	(14,336)	(18,350)	(0.2)
• payments for fixed and variable amounts	(4,447)	(5,692)	(0.1)
<b>As at June 30, 2005</b>	203,621	260,635	3.2

From Jan 01, 2005 to June 30, 2005 453,217 EUR or on the average 24.13 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 2,218 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 27.02 EUR. All application rights can be exercised without any lockup period.

Besides the employees of the Mühlbauer group held 400 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 29.00 EUR. The granted application rights expire without replacement as far as specified goals are not reached.

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

	June 30, 2005 TEUR	June 30, 2004 <sup>1)</sup> TEUR
<b>ORDER BACKLOG BY APPLICATIONS</b>	<b>84,213</b>	<b>44,154</b>
SmartID	65,498	19,598
Semiconductor Related Products	13,291	18,393
Traceability	1,954	1,413
Precision Parts & Systems	3,470	4,750

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

## Personnel changes in the management and supervisory board

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

## Employees

On June 30, 2005, the Mühlbauer technology group employed 1,428 employees around the world, 180 (174) of which are young people in training. The company's high innovative potential is reflected by 281 (231) highly qualified specialists in R&D at the end of the quarter.

## Capital expenditures

In the reporting period, capital expenditures into fixed and intangible assets amounted to 1.3 million EUR (1.9) and consisted mainly of expenditures into the extension of the machine park, hard- and software as well as into the extension and replacement 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 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.

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