

## Mühlbauer with excellent third quarter — Profitability significantly increased



- 20% EBIT margin for the first time since three years
- High net cash position supports positive development of interest result
- Earnings per share with 0.33 EUR more than tripled
- Successful measures continued for lowering the Working capital—free cashflow still on a high level
- Order income remains high, totalling 36.9 m EUR
- Sales increase by 48.7% to 34.4 m EUR — core segment Smart ID with the highest sales increase
- Guidance for 2004: significant increase in sales and results

Dear Sir or Madam,

Mühlbauer Technology Group, listed in the German Prime Standard, following the positive start of its current fiscal year, completed a significant increased profitability in the 3rd quarter. During the reporting period **EBIT** rose by 236.7% to 7.0 m EUR, compared with 2.1 m EUR in the same period last year. As a result for the first time since three years, the **EBIT margin** has increased to over 20% - compared with 9.1% in the previous year. In addition the high net cash position supported the positive development of the interest result and presented the global acting company an excellent **EBT** of 7.2 m EUR (2.3). Thus the **pretax profit margin** in the 3rd quarter notes with 20.9% (9.9%). After taxes, the Mühlbauer Group was able to add additionally 4.8 m EUR (1.7) into retained earnings – an increase of 182.5%. This corresponds to a **EPS figure** of 0.33 EUR – three times more than in the same period last year (0.10). During the first nine months of this year Mühlbauer increased its EBIT from 5.1 m EUR by 181.2% to 14.4 m EUR, while EPS grew by 175.0% to 0.66 EUR (0.24).

### Cashflow and equity capital

Furthermore, the **free cashflow** of the Technology Group did increase again. With +4.1 m EUR, it is close to the level of the comparable period last year (4.5), despite planned capital expenditures during the reporting period of 4.7 Mio. EUR. Supported by the further reduction of the **Working Capital** by 29.9% (in relation to the previous year-end of 39.6) to a new all-time low of 27.8 m EUR in the first nine months the free cashflow increased to 19.5 m EUR, 277.1% higher than in the comparable period last year (5.2). The portion of the stockholders' equity on total capital of the global acting company represents 72.3% (at 31.12.2003: 78.0%). As a result the **equity ratio** is — despite a 16.7% higher dividend paid to the shareholders this year – in a still high two digit range.

### Order income and order backlog

In the 3rd quarter the worldwide acting Technology Group received additional 36.9 m EUR order income, exceeding the previous year (22.4) with 64.8%. Especially, the core business *Smart Identification* with 18.4 m EUR gained significantly more orders than in the previous year (7.8) – up 137.7%. After high growth in previous quarters order income for *Semiconductor Related Products* totaled 10.2 m EUR, slightly less than in the previous year (10.8). Also within the two remaining areas order income increased significantly. While *Traceability*, in the reporting period added around 205.0% to 3.3 m EUR (1.1), the *Precision Parts & Systems area* reached a high of 84.7% to 5.0 m EUR (2.7). The strong demand for technology solutions in the first nine months raised the incoming orders higher than in any entire year previously. The comparable previous year level (73.3) was exceeded by incoming orders around 86.1% and climbed on 136.5 m EUR. Furthermore the order backlog is still on a high level. He amounts to 69.1 m EUR (31.5), that corresponds to an increase of 119.1%.

## Sales

Sales increased by 48.7% in the 3rd quarter of fiscal year 2004, far exceeding the previous year's sales (23.1), rising by 11.3 m EUR to 34.4 m EUR. In Europe sales represented 67.2% (65.0%) of the business, followed by Asia with 16.6% (26.1%). In the NAFTA region and South America the sales ratio remained at 7.1%. The percentage of sales for the remaining regions, Africa and Australia, amounted to 9.1% (1.8%). In the current fiscal year, the consolidated sales exceeded the previous years by around 29.9%, totaling 90.7 m EUR (69.8).

## Research and Development

In the 3rd quarter Mühlbauer invested 3.4 m EUR (2.7) or 9.8% (11.6) of the consolidated sales in research and development. Development focused on the expansion of the product lines, as well as the testing of new processes to increase the output of select assembly lines.

## Employment

At the end of the reporting period the Mühlbauer Group employed 1,405 (1,285) people world-wide. To continue to develop and maintain its strength in innovation at the end of the reporting period 237 (201) highly-qualified employees were in the companies research centers. Mühlbauer also had 214 (224) young people in apprenticeship programs at the end of the reporting period.

## Outlook

Mühlbauer will continue to pursue its strategy, successfully taking measures to optimize working capital, and complete the years capital expenditures according to plan.

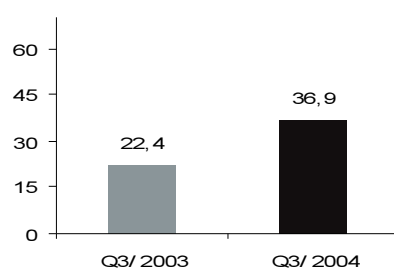
Due to the positive developments of the first nine months we are quite confident for the remainder of the year. For 2004 we expect a significant increase in sales and results.

Yours sincerely

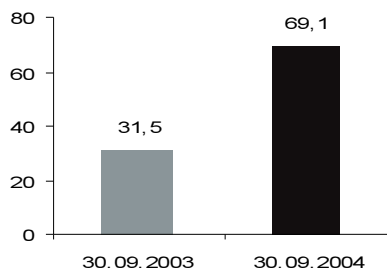
**MÜHLBAUER HOLDING AG & CO. KGaA**

Personally liable shareholder

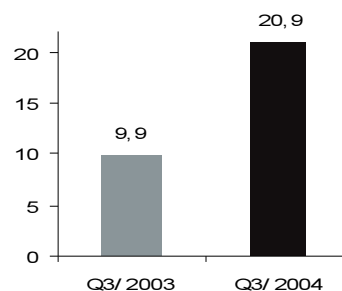
**Order income in mill. EUR**  
**+64.8%**



**Order backlog in mill. EUR**  
**+119.1%**



**Pretax Profit margin in %**



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

	Q3/2004 July 1, to September 30, 2004	Q3/2003 July 1, to September 30, 2003	9M 2004 January 1, to September 30, 2004	9M 2003 January 1, to September 30, 2003
Sales	34,379	23,113	90,679	69,832
Cost of sales	(20,962)	(15,520)	(57,387)	(47,406)
<b>Gross Profit</b>	<b>13,417</b>	<b>7,593</b>	<b>33,292</b>	<b>22,426</b>
Operating expenses				
Sales, general and administrative expenses	(4,044)	(3,385)	(12,756)	(10,946)
Research and development expenses	(3,362)	(2,681)	(9,909)	(8,315)
<b>Operating income</b>	<b>6,011</b>	<b>1,527</b>	<b>10,627</b>	<b>3,165</b>
Other income and expenses				
Interest income	360	245	830	824
Interest expenses	(226)	(52)	(370)	(520)
Other income	1,033	565	3,817	1,972
<b>Income before income taxes</b>	<b>7,178</b>	<b>2,285</b>	<b>14,904</b>	<b>5,441</b>
Income taxes	(2,407)	(596)	(5,301)	(1,601)
<b>Net earnings</b>	<b>4,771</b>	<b>1,689</b>	<b>9,603</b>	<b>3,840</b>

<b>Earnings per common share in EUR</b>				
basic	0.33	0.10	0.66	0.24
fully diluted	0.33	0.10	0.66	0.24

<b>Weighted average of common shares</b>				
basic	6,074,921	6,111,607	6,074,921	6,111,607
fully diluted	6,074,921	6,111,607	6,074,921	6,111,607

1) uncertified

## Consolidated Interim Balance Sheets (US-GAAP)

	SEPTEMBER 30, 2004 <sup>1</sup>	DECEMBER 31, 2003 <sup>2</sup>
<b>ASSETS</b>		
<b>Current Assets</b>	<b>80,821</b>	<b>72,418</b>
Cash and cash equivalents	13,315	12,597
Securities	13,072	3,498
Trade receivables	18,853	20,348
Inventories	33,717	34,227
Deferred tax assets	222	201
Prepaid expenses	214	165
Other currents assets	1,428	1,382
<b>Investment and long-term financial assets</b>	<b>10,551</b>	<b>9,241</b>
Securities	10,551	9,241
<b>Fixed Assets</b>	<b>44,299</b>	<b>41,333</b>
Land	1,586	1,586
Building, net	29,222	28,409
Technical and other equipment, net	11,702	11,298
Buildings and equipment in progress	1,789	40
<b>Intangible assets</b>	<b>440</b>	<b>877</b>
Goodwill	0	468
Software and licenses	440	409
<b>Other long-term assets</b>	<b>2,303</b>	<b>1,687</b>
<b>TOTAL</b>	<b>138,414</b>	<b>125,556</b>

<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>	<b>27,684</b>	<b>17,724</b>
Debts maturing within one year	987	986
Trade payables	5,517	4,751
Downpayments received on orders	4,032	329
Shareholders' loans	38	39
Other current liabilities	3,920	4,959
Accruals for income taxes	5,031	2,135
Other accruals	8,159	4,525
<b>Long-term liabilities</b>	<b>10,639</b>	<b>9,898</b>
Long term debt	1,412	1,913
Investment grants received	6,871	5,993
Deferred tax liabilities	1,284	1,274
Pension accrual	1,072	718
<b>Stockholders' equity</b>	<b>100,091</b>	<b>97,934</b>
Common stock (par value 1.28 EUR; 6,380,000 common shares authorized; 6,279,200 shares issued; thereof outstanding: 6,058,414 shares)	8,038	8,038
Own shares	(283)	(261)
Fixed capital contributions	(2,980)	(2,980)
Additional paid in capital	58,001	57,901
Retained earnings	35,892	34,204
Other comprehensive income	1,423	1,032
<b>TOTAL</b>	<b>138,414</b>	<b>125,556</b>

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

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

			Jan 01 to September 30, 2004	Jan 01 to September 30, 2003
<b>Operating Activities</b>				
1		Income before income taxes including profit of the pls <sup>2)</sup>	14,904	5,441
2		Consolidated net income including profit of the pls <sup>2)</sup>	9,603	3,840
3	+/-	Expenses/(income) from the employee profit-sharing programs	179	0
4	+/-	Depreciations/(appreciations) to - fixed assets - software and licenses - goodwill	4,079 189 468	4,166 438 0
5	-/+	(Gains)/losses from the sale of objects from the assets	(57)	(174)
6	-	Currency differences from the transition of assets	(1)	(5)
7	-/+	Realized net (gains)/losses from securities and long-term financial assets <sup>3)</sup>	(171)	24
8	-/+	(Increase)/decrease of trade receivables	2,776	(719)
9	+/-	Increase/(decrease) of value adjustments for trade receivables	(1,281)	(95)
10	-/+	(Increase)/decrease of inventories	(5,330)	768
11	+/-	Value adjustments for inventories	5,840	4,773
12	-/+	(Increase)/decrease of deferred tax assets	(82)	(473)
13	-/+	(Increase)/decrease of prepaid expenses	(49)	(94)
14	-/+	(Increase)/decrease of other current assets	(46)	(429)
15	-/+	(Increase)/decrease of other long-term assets	(616)	0
16	+/-	Increase/(decrease) of trade payables	766	(3,065)
17	+/-	Increase/(decrease) of down payments received on orders	3,703	(471)
18	+/-	Increase/(decrease) of other liabilities	(1,039)	(1,180)
19	+/-	Increase/(decrease) of accruals for income taxes	2,896	(136)
20	+/-	Increase/(decrease) of deferred tax liabilities	10	(146)
21	+/-	Increase/(decrease) of other accruals	3,634	1,544
22	+/-	Increase/(decrease) of investment grants received	878	(190)
23	+/-	Increase/(decrease) of pension liabilities	354	89
24	=	<b>Cash provided by (used for) operating activities</b>	<b>26,703</b>	<b>8,465</b>
<b>Investing activities</b>				
25	+	Payments received from disposals of object of the assets	212	694
26	-	Purchase in fixed assets	(7,198)	(3,109)
27	-	Purchase in software and licenses	(221)	(337)
28	+	Sale of securities (Investment and long-term financial assets) <sup>3)</sup>	1,121	0
29	-	Purchase in securities (Investment and long-term financial assets) <sup>3)</sup>	(2,201)	(10,186)
30	+	Sale of securities (Current assets) <sup>3)</sup>	709	1,026
31	-	Purchase in securities (Current assets) <sup>3)</sup>	(9,896)	0
32	=	<b>Cash provided by (used for) investing activities</b>	<b>(17,474)</b>	<b>(11,912)</b>
<b>Financing activities</b>				
33	-	Repayment of long-term debts	(501)	(626)
34	+/-	Increase/(decrease) of short-term debts	0	6
35	+/-	Increase/(decrease) of shareholder loans	(1)	0
36	-	Exercise/repayment of convertible bonds	0	(37)
37	-	Purchase of own shares	(930)	(423)
38	+	Sale of own shares	229	144
39	-	Dividends paid	(6,554)	(6,045)
40	-	Tax withdrawal pls <sup>2)</sup>	(761)	0
41	=	<b>Cash provided by (used for) financing activities</b>	<b>(8,518)</b>	<b>(6,981)</b>
42	+/-	Increase/(decrease) of currency exchange rate changes	7	(154)
43	=	<b>Net Increases/(decreases) in cash and cash equivalents (Σ of lines 42, 41, 32 und 24)</b>	<b>718</b>	<b>(10,597)</b>
44	+	Cash and cash equivalents on January 1	12,597	13,110
45	=	Cash and cash equivalents on September 30	13,315	2,513
<b>Additional cash flow information</b>				
Tax paid			(2,815)	(2,517)
Interest paid			(153)	(167)

**Non-cash transactions:** In the period under review non-cash unrealised gains and losses from available-for-sale-papers are shown under other comprehensive income.  
**Other informations:** Last year's amounts of position 31 and 30 were moved from operating activities to investing activities.

- <sup>1)</sup> Uncertified  
<sup>2)</sup> Personally liable shareholder  
<sup>3)</sup> Available-for-sale-papers

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

	Number of shares	Common stock	Fixed capital	Additional paid-in capital	Retained earnings	Other Comprehensive Income/(Loss)		Total
						Cumulative translation adjustment	Available-for-sale securities	
<b>Balance Dec 31, 2002 <sup>1)</sup></b>	<b>6,108,775</b>	<b>7,819</b>	<b>(2,980)</b>	<b>58,351</b>	<b>34,907</b>	<b>(128)</b>	<b>284</b>	<b>98,253</b>
Consolidated net income	-	-	-	-	3,840	-	-	3,840
Other comprehensive income	-	-	-	-	-	(136)	1,516	1,380
Total comprehensive income/(loss)	-	-	-	-	3,840	(136)	1,516	5,220
Purchase of own shares	(37,371)	(48)	-	(375)	-	-	-	(423)
Sale of own shares	18,371	24	-	120	-	-	-	144
Dividends paid	-	-	-	-	(6,045)	-	-	(6,045)
<b>Balance Sep 30, 2003 <sup>2)</sup></b>	<b>6,089,775</b>	<b>7,795</b>	<b>(2,980)</b>	<b>58,096</b>	<b>32,702</b>	<b>(264)</b>	<b>1,800</b>	<b>97,149</b>

<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	-	-	-	-	9,603	-	-	9,603
Other comprehensive income	-	-	-	-	-	7	384	391
Total comprehensive income/(Loss)	-	-	-	-	9,603	7	384	9,994
Deferred compensation	-	-	-	179	-	-	-	179
Purchase of own shares	(33,464)	(43)	-	(287)	(600)	-	-	(930)
Sale of own shares	16,443	21	-	208	-	-	-	229
Dividends paid	-	-	-	-	(6,554)	-	-	(6,554)
Tax withdrawal personally liable shareholder	-	-	-	-	(761)	-	-	(761)
<b>Balance Sep 30, 2004 <sup>2)</sup></b>	<b>6,058,414</b>	<b>7,755</b>	<b>(2,980)</b>	<b>58,001</b>	<b>35,892</b>	<b>(433)</b>	<b>1,856</b>	<b>100,091</b>

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

	<b>Q3/2004</b> July 1, to September 30, 2004	<b>Q3/2003</b> July 1, to September 30, 2003	<b>9M 2004</b> January 1, to September 30, 2004	<b>9M 2003</b> January 1, to September 30, 2003
<b>SALES BY APPLICATIONS</b>	34,379	23,113	90,679	69,832
Smart Identification	15,938	7,248	36,332	28,009
Semiconductor Related Products	11,741	11,649	36,461	25,796
Traceability	2,414	1,329	4,775	4,637
Precision Parts & Systems	4,358	2,915	13,280	11,464
<i>Detractions in earnings</i>	(72)	(28)	(169)	(74)
<b>SALES BY REGIONS</b>	34,379	23,113	90,679	69,832
Germany	12,144	10,701	39,054	34,167
Rest of Europe	11,012	4,329	22,812	14,284
Asia	5,708	6,045	18,481	16,873
Americas	2,464	1,640	6,377	2,461
Others	3,123	426	4,124	2,121
<i>Detractions in earnings</i>	(72)	(28)	(169)	(74)

**Paid or proposed dividends**

The annual general meeting held on April 29, 2004 decided to have a dividend of EUR 0,35 per participating share paid out. The dividend was paid on April 30, 2004 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:**

<b>OWN SHARES</b>	<b>Number of shares</b>	<b>Par Value in EUR</b>	<b>In 5 % of share capital</b>
<b>As at December 31, 2003</b>	<b>203,765</b>	<b>260,819</b>	<b>3.3</b>
<b>Purchase of own shares</b> From the authorization to purchase own shares as defined in § 71 Par. 1 No. 8 AktG	33,464	42,834	0.5
<b>Sale of own shares</b> employee sharing program to almost all employees of the Mühlbauer Group as defined in § 19a EStG payments for variable amounts	(14,934) (1,509)	(19,116) (1,931)	(0.2) (0.1)
<b>As at September 30, 2004</b>	<b>220,786</b>	<b>282,606</b>	<b>3.5</b>

In the period under report the purchase price for the shares acquired amounted to 929,193 EUR or an average of 27.77 EUR per share. 229,252 EUR or on the average 13.94 EUR per share were gained by the sale of shares to employees of the Mühlbauer group. The obtained cash is intended to strengthen the working capital.



At the end of the period under report employees of the Muehlbauer group held in total 4.710 application rights. Each application right authorizes the entitled employee to subscribe one share. The average exercise price is 26.71 EUR. Based on achieved personal success– and team targets of the employees 3,710 application rights are exercisable without an observance of any lockup period. 1,000 application rights expire without replacement as far as specified targets are not reached.

The personally liable shareholder granted additional 500 application rights in the period under report. Every single application right 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 targets 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 own shares. Beside that neither the personally liable shareholder nor any members of the supervisory board held any subscription rights.

**Personnel changes in the management and supervisory board**

In the third quarter 2004 are no personnel changes were made to the management or supervisory board.

**Capital expenditures**

In the period under review the capital expenditures in tangible and intangible assets amounted to EUR 4.7 m (previous year EUR 0.2 m). The capital expenditures are primarily required for the extension of building capacity, advance payments for assets under construction and the expansion in machinery and hard– and software.

<b>Financial calendar 2004</b>	
March 2004	Publication of the Annual Report 2004
April 28, 2005	Annual general meeting 2005

**Muehlbauer Holding AG & Co. KGaA**

Werner-von-Siemens-Strasse 3  
D-93426 Roding  
Phone: +49-9461-952-0  
Fax: +49-9461-952-101  
E-mail: [info@muehlbauer.de](mailto:info@muehlbauer.de)  
Internet: [www.muehlbauer.de](http://www.muehlbauer.de)

**Investor Relations**

Phone: +49-9461-952-653  
Fax: +49-9461-952-8520  
E-mail: [investor-relations@muehlbauer.de](mailto:investor-relations@muehlbauer.de)

**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.