

Significant growth in a difficult environment

- EBIT increased sharply from 0.3 EUR million to 1.3 million EUR
- Group net income increased from 0.5 million EUR to 0.9 million EUR; earnings per share tripled from 0.02 EUR to 0.06 EUR
- Incoming orders increased by 28.4 % from 18.1 million EUR to 23.3 million EUR
- Sales increased by 8.4 % from 21.0 million EUR to 22.8 million EUR

Quarterly Report Q1/2003



SYSTEMS FOR A SAFER WORLD.

Dear Sirs and Madams,

the Mühlbauer technology group managed to substantially increase its earning power in the first quarter – primarily through improved productivity and manufacturing costs – and the EBIT shows an increase compared with the same quarter last year (0.3 million EUR) to 1.3 million EUR. At 1.3 million EUR the company's **earnings before tax** were 0.9 million EUR higher than in the same period of the previous year (0.4 million EUR). This corresponds to a **return on sales** of 5.7 % (previous year 2.0 %). The **group's net earnings** increased from 0.5 million EUR to 0.9 million EUR. **Earnings per share** amounted to 0.06 EUR (previous year 0.02 EUR)

Incoming orders and orders backlog

In the first quarter of 2003 incoming orders amounted to 23.3 million EUR and are thus 28.4 % higher than in the same quarter last year (18.1 million EUR). The area of Semiconductor Related Products in particular benefited from increased demand and saw growth of 134.6 %. The order backlog as of March 31, 2003 amounted to 29.7 million EUR (previous year 41.2 million EUR). This is currently at 35.1 million EUR.

Sales

With 22.8 million EUR in the first quarter of 2003, Mühlbauer sold 8.4 % more than in the same period last year (21.0 million EUR). The highest percentage increases were achieved in the area of Traceability¹⁾ (+161.4 %), followed by Semiconductor Related Products (+ 151.6 %). The strongest sales increases in regional terms were in Asia (+1.25 million EUR) and in Africa (+1.13 million EUR). Europe, the core market, remained almost constant compared to the same period last year with + 0.06 million EUR.

Research and development

As planned, Mühlbauer maintained the level of its research and development activities compared with the same period last year, investing 2.8 million EUR for R&D in the period under review (previous year 2.8 million EUR). This amounts to 12.3 % of sales (previous year 13.5 %). The main focus was on the improvement of existing machine solutions and the development of new automation systems for the manufacture of innovative, security-oriented ID solutions.

1) formerly Board Handling

Employment

On March 31, 2003 Mühlbauer had 1,260 employees worldwide (previous year 1,276). Adjusted to account for the Tema company acquired on October 01, 2002, the number of employees amounted to 1,242. 189 (previous year 197) employees, i.e. 15 % of the staff, were undergoing vocational training on the closing date. 204 (previous year 188) employees were working in research and development on the closing date.

Outlook

The Mühlbauer Group has further developed its core competence as a specialist in the development and production of innovative, turnkey machine lines for the production of smart cards and smart labels with the emphasis on security industry.

In March 2003 Mühlbauer presented the latest personalization system "SCOPE 5400" – equipped with a coding and laser station – for the manufacture of ID and EMV cards for small and large batch sizes.

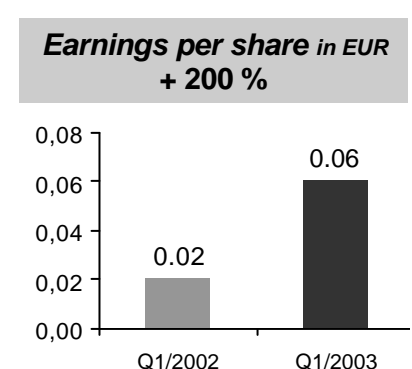
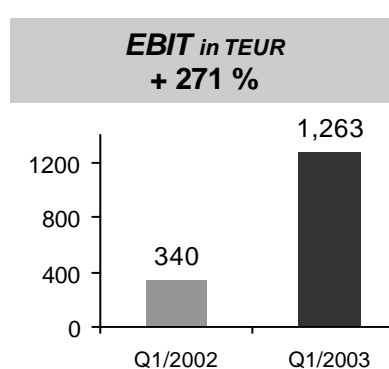
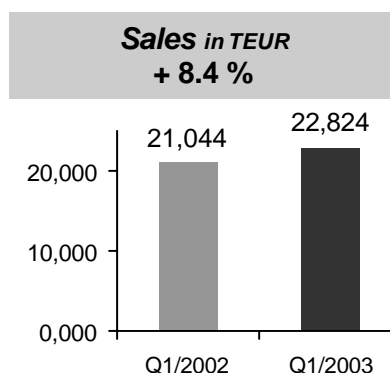
The aim is to gain an even stronger position in the existing markets with innovative and flexible machine solutions for the production of forgery-proof card and identification systems. For this reason the company intends to further intensify its sales and marketing activities.

Building on a value-added chain – which is unique to the industry - for the manufacture of smart cards and smart labels, the company expects to tap into further markets and to increase its profits on the basis of organic growth supported by cooperative ventures and strategic acquisitions.

Yours sincerely

MÜHLBAUER HOLDING AG & CO. KGaA

Personally liable shareholder



Consolidated Statement of Income ¹⁾ (US-GAAP)

	Jan 01 to March 31, 2003	in % of sales	Jan 01 to March 31, 2002	in % of sales
Sales	22,824	100.0	21,044	100.0
Cost of sales	(15,988)	(70.0)	(15,140)	(71.9)
Gross profit	6,836	30.0	5,904	28.1
Operating expenses				
General and administrative expenses	(3,581)	(15.7)	(3,509)	(16.7)
Research and development	(2,796)	(12.3)	(2,843)	(13.5)
Operating Income	459	2.0	(448)	(2.1)
Other income and expenses				
Interest income	168	0.7	563	2.7
Interest expenses	(120)	(0.5)	(482)	(2.3)
Other income	804	3.5	788	3.7
Income before income taxes	1,311	5.7	421	2.0
Income taxes	(391)	(1.7)	115	0.5
Net earnings	920	4.0	536	2.5

Earnings per common share in EUR				
basic	0.06		0.02	
fully diluted	0.06		0.02	

Weighted average of common shares				
basic	6,171,720		6,259,730	
fully diluted	6,171,720		6,262,995	

1) uncertified

**Consolidated Interim Balance Sheet
(US-GAAP)**

	March 31, 2003 ¹⁾	Dec 31, 2002 ²⁾
ASSETS		
Current Assets	78,455	79,835
Cash and cash equivalents	12,801	13,110
Securities	2,628	2,261
Trade receivables	18,677	19,161
Inventories	41,614	43,345
Deferred tax assets	919	804
Prepaid expenses	369	176
Other currents assets	1,447	978
Investment and long-term financial assets	7,181	7,383
Securities	7,181	7,383
Fixed Assets	41,985	41,189
Land	1,585	1,581
Building, net	29,650	30,044
Technical and other equipment, net	10,719	9,539
Buildings and equipment in progress	31	25
Intangible assets	1,052	1,025
Goodwill	468	468
Software and licenses	584	557
TOTAL	128,673	129,432

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	18,519	20,254
Short term debts	102	0
Debts maturing within one year	984	1,010
Trade payables	5,823	7,038
Downpayments received on orders	1,688	1,604
Shareholders' loans	40	40
Other current liabilities	3,729	5,312
Accruals for income taxes	785	760
Other accruals	5,368	4,490
Long-term liabilities	11,021	10,925
Convertible bonds	37	37
Long term debts	2,893	3,001
Investment grants received	6,018	5,832
Deferred tax liabilities	1,603	1,681
Pension accrual	470	374
Stockholders' equity	99,133	98,253
Common stock (par value 1.28 EUR; 6,3800,00 common shares authorized; 6,279,200 shares issued; thereof outstanding: 6,113,504 shares)	8,038	8,038
Own shares	(213)	(219)
Fixed capital contributions	(2,980)	(2,980)
Additional paid-in capital	58,344	58,351
Retained earnings	35,827	34,907
Other comprehensive income	117	156
TOTAL	128,673	129,432

- 1) uncertified
2) certified

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

Q1

		Jan 01 to March 31, 2003	Jan 01 to March 31, 2002
Operating Activities			
1	Consolidated result before income taxes	1,311	421
2	Consolidated net income	920	536
3	+/- Expenses from the employee profit-sharing program	0	(72)
4	+/- Depreciations/(appreciations) to - fixed assets - software and licenses	1,440 143	1,473 143
5	-/+ (Gains)/losses from the sale of objects from the assets	(4)	0
6	- Currency differences from the transition of assets	2	(1)
7	-/+ Realized net (gains)/losses from securities and long-term financial assets	52	(145)
8	-/+ Unrealized (gains)/losses from securities (trading papers)	0	(90)
9	- Purchase in securities (trading papers)	0	(977)
10	- Purchase in securities (available-for-sale-papers)	(903)	0
11	+ Sales of securities (trading papers)	0	758
12	+ Sales of securities (available-for-sale-papers)	398	0
13	-/+ (Increase)/decrease of trade receivables	613	3,101
14	+/- Increase/(decrease) of value adjustments for trade receivables	(129)	(229)
15	-/+ (Increase)/decrease of inventories	(1,031)	1,947
16	+/- Value adjustments for inventories	2,762	483
17	-/+ (Increase)/decrease of deferred tax assets	(115)	(445)
18	-/+ (Increase)/decrease of prepaid expenses	(193)	(223)
19	-/+ (Increase)/decrease of other current assets	(469)	(1,687)
20	+/- Increase/(decrease) of trade payables	(1,215)	1,166
21	+/- Increase/(decrease) of downpayments received on orders	84	(576)
22	+/- Increase/(decrease) of other liabilities	(1,583)	(850)
23	+/- Increase/(decrease) of accruals for income taxes	25	(31)
24	+/- Increase/(decrease) of deferred tax liabilities	(78)	(106)
25	+/- Increase/(decrease) of other accruals	877	623
26	+/- Increase/(decrease) of investment grants received	186	(232)
27	+/- Increase/(decrease) of pension liabilities	96	12
28	= Cash provided by (used for) operating activities	1,878	4,578
Investing activities			
29	+ Payments received from disposals of object of the assets	454	5
30	- Purchase in fixed assets	(2,688)	(1,486)
31	- Purchase in software and licenses	(170)	(72)
32	- Purchase in securities (available-for-sale-papers)	0	(496)
33	+ Sales of securities (available-for-sale-papers)	257	820
34	= Cash provided by (used for) investing activities	(2,147)	(1,229)
Financing activities			
35	- Repayment of long-term debts	(133)	(182)
36	+/- Increase/(decrease) of short-term debts	102	(862)
37	+/- Increase/(decrease) of shareholder loans	0	(1)
38	- Purchase of own shares	(141)	(663)
39	+ Sales of own shares	140	7
40	- Dividends paid	0	(155)
41	= Cash provided by (used for) financing activities	(32)	(1,856)
42	+/- Increase/(decrease) of currency exchange rate changes	(8)	(76)
43	= Net Increases/(decreases) in cash and cash equivalents (\$ of lines 42, 41, 34 und 28)	(309)	1,417
44	+ Cash and cash equivalents on January 1	13,110	2,206
45	= Cash and cash equivalents on March 31	12,801	3,623
Additional cash flow informations			
	Tax paid	430	2,254
	Interest paid	63	98

Non-cash unrealized gains and losses from available-for-sale-papers are shown under other comprehensive income.

1) uncertified

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

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	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, 2001 ¹⁾	6,262,464	8,016	(2,980)	60,086	36,442	259	1	101,824
Consolidated net income	-	-	-	-	536	-	-	536
Other comprehensive income	-	-	-	-	-	(76)	(107)	(183)
Consolidated net income regarding other comprehensive income	-	-	-	-	536	(76)	(107)	353
Deferred compensation	-	-	-	(72)	-	-	-	(72)
Purchase of common stock	(32,450)	(42)	-	(621)	-	-	-	(663)
Disposal of common stock	200	-	-	7	-	-	-	7
Dividends	-	-	-	-	(155)	-	-	(155)
Balance March 31, 2002 ²⁾	6,230,214	7,974	(2,980)	59,400	36,823	183	(106)	101,294

Balance Dec 31, 2002 ¹⁾	6,108,775	7,819	(2,980)	58,351	34,907	(128)	284	98,253
Consolidated net income	-	-	-	-	920	-	-	920
Other comprehensive income	-	-	-	-	-	(10)	(29)	(39)
Consolidated net income regarding other comprehensive income	-	-	-	-	920	(10)	(29)	881
Purchase of common stock	(13,338)	(17)	-	(124)	-	-	-	(141)
Disposal of common stock	18,067	23	-	117	-	-	-	140
Balance Dec 31, 2003 ²⁾	6,113,504	7,825	(2,980)	58,344	35,827	(138)	255	99,133

- 1) certified
2) uncertified

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

Q1

Changes in the accounting and valuation methods

The shares listed under "trading" securities were converted on 31.12.2002 to "available-for-sale" securities at the market value (see also note 5 in the annual report 2002). The unrealized losses from such shares amounted to 82 TEUR in the period under review. They are listed without any effect on profits under "other comprehensive income". In the same quarter last year the unrealized profits treated as income resulting from such shares amounted to 97 TEUR. There were no other changes of the accounting and valuation methods.

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, 2003	Jan 01 to March 31, 2002
SALES BY APPLICATIONS	22,824	21,044
Smart Identification	10,384	14,987
Semiconductor Related Products	5,425	2,156
Traceability (<i>formerly Board Handling</i>)	1,989	761
Precision Parts & Systems	5,060	3,159
<i>Detractions in earnings</i>	<i>(34)</i>	<i>(20)</i>
SALES BY REGIONS	22,824	21,044
Germany	11,212	8,948
Rest of Europe	4,696	6,906
Asia	5,334	4,080
Americas	374	1,109
Others	1,242	21
<i>Detractions in earnings</i>	<i>(34)</i>	<i>(20)</i>

Paid or proposed dividends

No dividends were paid in the first quarter of 2003. It was proposed to the general meeting convened for 29.04.2003 that a constant dividend compared with last year of 0.30 EUR per share entitled to profits be paid out of the balance sheet profit for the business year 2002.

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 31.12.2002	170,425	218,144	2.7
Purchase of own shares from the authorization to purchase own shares as defined in § 71 Par. 1 No. 8 AktG	13,338	17,073	0.2
Sales of own shares as so-called employee shares as defined in § 19a EstG of the Mühlbauer Group Payments for variable amounts	12,867 5,200	16,470 6,656	0.2 0.1
As at 31.03.2003	165,696	212,091	2.6

The acquisition price for the shares acquired in the period under review amounted to 141,410 EUR. 140,254 EUR were gained by the sale of shares.

On 31 March 2003 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.

The number of share option rights granted within the framework of the convertible bond program for management staff and the holders of key positions remains unchanged at 28,920. Of the 40,000 share option rights granted within the framework of the option program (tranche 2003/I dated 23.12.2002) for employees, 5,750 have lapsed, so that on 31.03.2003 the holding amounts to 34,250. With regard to the organization of the two employee participation programs we refer to note (19) of the annual report 2002.

Personnel changes in the management and supervisory board

No personnel changes were made to the management or supervisory board in the first quarter of 2003.

Investments

The investments in tangible and intangible assets in the period under review amounted to 2.9 million EUR (last year 1.6 EUR million). This mainly involved investments to extend the existing machine park.

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

None.

Financial calendar 2003	
April 29, 2003	Annual general meeting 2003
August 05, 2003	Quarterly report II / 2003
November 04, 2003	Quarterly report III/ 2003

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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.