

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

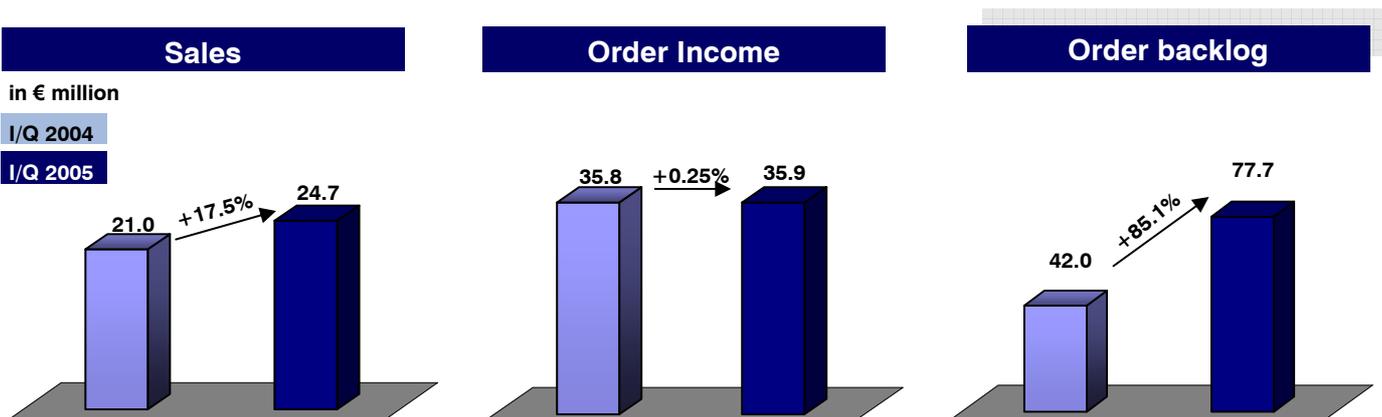
Due to its excellent technological positioning, the Mühlbauer Group as expected was able to profit above average from the significantly increased demand for innovative assembly solutions for producing smart labels and managed to further extend its leading position in this area without neglecting the 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.