



Increase in results by more than 50% - with a high level of order backlog into the second quarter

Q1
Quarterly Report Q1/2004

- Clear increase of the order income by 53.9% to 35.8 mill. EUR (23.3)
- High level of the order backlog at 42.0 mill. EUR (29.7) assures positive business development for the second quarter
- EBIT increased substantially by 54.3% to 1,9 mill. EUR (1.3)
- Net earnings at 1.4 mill. EUR (0.9)
- Earnings per share increases by 50% to 0.09 EUR (0.06)
- Free cash flow at 6.6 mill. EUR

Dear Sir or Madam,

with an order income at 35.8 mill. EUR and an order backlog at 42.0 mill. EUR the Prime Standard listed technology group Mühlbauer looks forward to a positive second quarter. The group expects a positive sales trend mainly in the *Smart Identification* and the *Semiconductor Related Products* sectors. In the first quarter the sales couldn't benefit yet from the high level of the order situation. With 1.9 mill. EUR the **EBIT** of the period under report shows a substantial increase of 54.3%. The **EBT** increased - due to positive interest income - by 58.7% to 2.1 mill. EUR (1.3). Return on sales reached 9.9% (5.7%) in the first quarter. This almost comes up to the double-digit return on sales of the business year 2003 (10.0%) **Net earnings** amount to 1.4 mill. EUR (0.9). In the period under report **EPS** enlarged by 50.0% to 0.09 EUR (0.06 EUR). With a free cash flow of +6.6 mill. EUR (-0,5) in the first quarter the company continues its successful working-capital-management .

Order income and order backlog

The order book of the global acting company had a positive development in the first three months : compared with the previous year (23.3) order income increased by 53.9% to 35.8 mill. EUR. *Smart Identification* core business had the major percentages of 43.7% at 15.6 mill. EUR (10.6). The stimulation of the semiconductor market benefits the order income of the *Semiconductor Related Products* sector, which could be more than doubled to 14.2 mill. EUR (6.7). With 1.0 mill. EUR *Traceability* is below the order income of the previous year (1.3). *Precision Parts and Systems* could increase the order income by 7.0% to 5.0 mill. EUR (4.6). Order backlog as of March 31, 2004 totalled 42.0 mill. EUR (29.7).

Sales

In the first quarter 2004 sales of the Mühlbauer group could not benefit yet from the positive order situation and reached 21.1 mill. EUR (22.8). Europe remains the core market with a proportion of 65.3% (69.6%), followed by Asia with unchanged 23.3%. Sales in North- and South America increased from 1.7% to 7.1% due to the venture business. Sales in Africa and Australia reached 4.3% (5.4%).

If no other statement, figures in brackets from reference period of the previous year

Research and Development

Mühlbauer's Research and Development is marked by innovation and high technological competence. In the first quarter the group continued to afford an intensive Research and Development to strengthen and enlarge the global technological position of the company. Investments in Research and Development reached 3.2 mill. EUR (2.8). This complies with 15.2% (12.3%) of sales. Focal point was the development of personalization systems for passports as well as the further improvement of the existing assembly lines for semiconductor application areas.

Employment

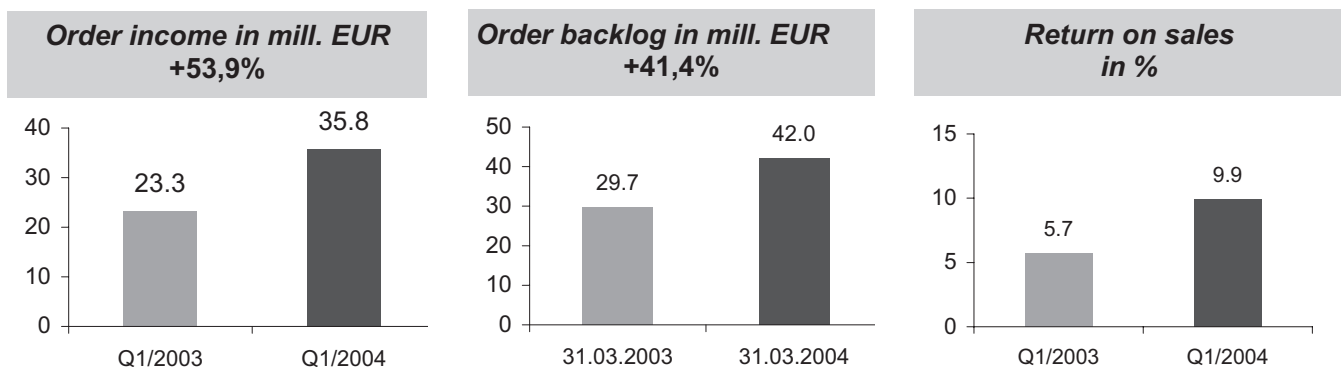
As at March 31, 2004, Mühlbauer had a workforce of 1,287 (1,260) employees worldwide. According to this the group disposes of high human competence in all departments. The high portion of apprentices demonstrates the significance of the in-house qualification of skilled workers for Mühlbauer: as at March 31, 2004 174 young people had an apprenticeship in the company. The manpower of 225 highly qualified employees in Research and Development - compared with 204 in the first quarter 2003 - demonstrates this departments importance for the innovation of the company.

Outlook

The company has established its position in the market for digital security to benefit from the possibly upcoming growth. If the semiconductor market continues to develop in a positive way, we expect the persistence of the current disproportionate demand for solutions in the Semiconductor Related Products sector. In our opinion the positive increase of the order income in the last six months will cause a clear stimulation of sales.

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 Statement of Income ¹⁾ (US-GAAP)

	Jan 01 to March 31, 2004	in % of sales	Jan 01 to March 31, 2003	in % of sales
Sales	21,031	100.0	22,824	100.0
Cost of sales	(12,938)	(61.5)	(15,988)	(70.0)
Gross profit	8,093	38.5	6,836	30.0
Operating expenses				
General and administrative expenses	(4,142)	(19.7)	(3,581)	(15.7)
Research and development	(3,203)	(15.2)	(2,796)	(12.3)
Operating income	748	3.6	459	2.0
Other income and expenses				
Interest income	214	1.0	168	0.7
Interest expenses	(82)	(0.4)	(120)	(0.5)
Other income	1,201	5.7	804	3.5
Income before income taxes	2,081	9.9	1,311	5.7
Income taxes	(668)	(3.2)	(391)	(1.7)
Net earnings	1,413	6.7	920	4.0

Earnings per common share in EUR				
basic	0.09		0.06	
fully diluted	0.09		0.06	

Weighted average of common shares				
basic	6,090,858		6,171,720	
fully diluted	6,090,914		6,171,720	

1) uncertified

Consolidated Interim Balance Sheet (US-GAAP)

	March 31, 2004 ¹⁾	Dec 31, 2003 ²⁾
ASSETS		
Current Assets	78,154	72,418
Cash and cash equivalents	8,826	12,597
Securities	13,118	3,498
Trade receivables	17,196	20,348
Inventories	36,277	34,227
Deferred tax assets	520	201
Prepaid expenses	488	165
Other currents assets	1,729	1,382
Investment and long-term financial assets	10,715	9,241
Securities	10,715	9,241
Fixed Assets	40,724	41,333
Land	1,586	1,586
Building, net	27,993	28,409
Technical and other equipment, net	11,098	11,298
Buildings and equipment in progress	47	40
Intangible assets	891	877
Goodwill	468	468
Software and licenses	423	409
Other assets	1,893	1,687
TOTAL	132,377	125,556

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	22,292	17,724
Short term debts	986	986
Trade payables	4,642	4,751
Downpayments received on orders	3,441	329
Shareholders' loans	39	39
Other current liabilities	4,672	4,959
Accruals for income taxes	2,702	2,135
Other accruals	5,810	4,525
Long-term liabilities	9,896	9,898
Long term debts	1,906	1,913
Investment grants received	5,914	5,993
Deferred tax liabilities	1,240	1,274
Pension accrual	836	718
Stockholders' equity	100,189	97,934
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	(242)	(261)
Fixed capital contributions	(2,980)	(2,980)
Additional paid-in capital	58,244	57,901
Retained earnings	35,617	34,204
Other comprehensive income	1,512	1,032
TOTAL	132,377	125,556

1) uncertified
2) certified

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

			Jan 01 to March 31, 2004	Jan 01 to March 31, 2003
Operating Activities				
1		Consolidated result before income taxes	2,081	1,311
2		Consolidated net income	1,413	920
3	+/-	Expenses from the employee profit-sharing program	172	0
4	+/-	Depreciations/(appreciations) to - fixed assets - software and licenses	1,344 62	1,440 143
5	-/+	(Gains)/losses from the sale of objects from the assets	(1)	(4)
6	-	Currency differences from the transition of assets	(2)	2
7	-/+	Realized net (gains)/losses from securities and long-term financial assets	(1)	52
8	-/+	Unrealized (gains)/losses from securities (available-for-sale-papers)	(16)	0
9	-	Unrealized (gains)/losses from the assets (available-for-sale-papers)	(33)	0
10	-/+	(Increase)/decrease of trade receivables	3,428	613
11	+/-	Increase/(decrease) of value adjustments for trade receivables	(276)	(129)
12	-/+	(Increase)/decrease of inventories	158	(1,031)
13	+/-	Value adjustments for inventories	(2,208)	2,762
14	-/+	(Increase)/decrease of deferred tax assets	(319)	(115)
15	-/+	(Increase)/decrease of prepaid expenses	(323)	(193)
16	-/+	(Increase)/decrease of other current assets	(347)	(469)
17		(Increase)/decrease of other fixed assets	(206)	0
18	+/-	Increase/(decrease) of trade payables	(109)	(1,215)
19	+/-	Increase/(decrease) of downpayments received on orders	3,112	84
20	+/-	Increase/(decrease) of other liabilities	(287)	(1,583)
21	+/-	Increase/(decrease) of accruals for income taxes	567	25
22	+/-	Increase/(decrease) of deferred tax liabilities	(34)	(78)
23	+/-	Increase/(decrease) of other accruals	1,285	877
24	+/-	Increase/(decrease) of investment grants received	(79)	186
25	+/-	Increase/(decrease) of pension liabilities	118	96
26	=	Cash provided by (used for) operating activities	7,418	2,383
Investing activities				
27	+	Payments received from disposals of object of the assets	18	454
28	-	Purchase in fixed assets	(751)	(2,688)
29	-	Purchase in software and licenses	(75)	(170)
30	-	Purchase in securities (available-for-sale-papers)	(2,418)	0
31	+	Sales of securities (available-for-sale-papers)	1,121	257
32		Sales of trade securities (available-for-sale-papers)	114	398
33		Disbursements of sales of trade securities (available-for-sale-papers)	(9,443)	(903)
34	=	Cash provided by (used for) investing activities	(11,434)	(2,652)
Financing activities				
35	-	Repayment of long-term debts	(7)	(133)
36	+/-	Increase/(decrease) of short-term debts	0	102
37	-	Purchase of own shares	0	(141)
38	+	Sales of own shares	190	140
39	=	Cash provided by (used for) financing activities	183	(32)
40	+/-	Increase/(decrease) of currency exchange rate changes	62	(8)
41	=	Net Increases/(decreases) in cash and cash equivalents (Σ of lines 26, 34, 39, 40)	(3,771)	(309)
42	+	Cash and cash equivalents on January 1	12,597	13,110
43	=	Cash and cash equivalents on March 31	8,826	12,801
Additional cash flow informations				
		Tax paid	170	430
		Interest paid	46	63

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

1) uncertified

Consolidated Statement 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	
Balance Dec 31, 2002¹⁾	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 own shares	(13,338)	(17)	-	(124)	-	-	-	(141)
Disposal of own shares	18,067	23	-	117	-	-	-	140
Balance March 31, 2003²⁾	6,113,504	7,825	(2,980)	58,344	35,827	(138)	255	99,133

Balance Dec 31, 2003¹⁾	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, 2003²⁾	6,090,369	7,796	(2,980)	58,244	35,617	(378)	1,890	100,189

- 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, 2004	Jan 01 to March 31, 2003
SALES BY APPLICATIONS	21,031	22,824
Smart Identification	5,143	10,384
Semiconductor Related Products	10,536	5,425
Traceability (<i>formerly Board Handling</i>)	808	1,989
Precision Parts & Systems	4,587	5,060
<i>Detractions in earnings</i>	(43)	(34)
SALES BY REGIONS	21,031	22,824
Germany	11,403	11,212
Rest of Europe	2,369	4,696
Asia	4,901	5,334
Americas	1,490	374
Others	911	1,242
<i>Detractions in earnings</i>	(43)	(34)

Paid or proposed dividends

No dividends were paid in the first quarter of 2004. It was proposed to the general meeting convened for 29.04.2004 that a dividend of 0.35 EUR per share entitled to profits (prev. year: 0,30 EUR) be paid out of the balance sheet profit for the business year 2003.

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 31.12.2003	203,765	260,819	3.3
Sales of own shares as so-called employee shares as defined in § 19a EstG of the Mühlbauer Group	(14,934)	(19,116)	(0.2)
As at 31.03.2004	188,831	241,703	3.1

190,408 EUR were gained by the sale of shares in the period under report.

On 31 March 2004 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 2003.

Investments

The investments in tangible and intangible assets in the period under review amounted to 0.8 mill. EUR (prev. year 2.9 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 2004	
April 29, 2004	Annual general meeting 2004
August 5, 2004	Quarterly Report II / 2004
November 04, 2004	Quarterly Report III/ 2004
March 2005	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
Internet: www.muehlbauer.de

Investor Relations

Phone: +49-9461-952-653
Fax: +49-9461-952-8520
E-mail: investor-relations@muehlbauer.

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.