

Mühlbauer with evident increase in earnings and liquidity

Quarterly Report Q3/2003



- EBIT increased by 23.9 % to EUR 2.1m (1.7)
- Net earnings enlarged by 174.2 % to EUR 1.7m (0.6)
- EPS increased to EUR 0.10 (0.06)
- Working Capital successfully reduced to EUR 44.8m (51.2)
- Free Cash Flow at EUR 5.2m after EUR 0.7m by 30.06.2003
- Order income rose 3.5 % to EUR 22.4m (21.7)
- Sales increased by 4.8 % to 23.1m (22.1)

SYSTEMS FOR A SAFER WORLD.

Dear Sirs, dear Madams,

Mühlbauer technology group, listed in the German Prime Standard, could again confirm its profitability considerably in the third quarter and increase its **EBIT** by 23.9 % to EUR 2.1m (1.7). **Earnings before taxes** even increased - due to positive interest income - by 166.3 % to EUR 2.3m (0.9). **Profit margin** in Q3 reached 9.9 % (3.9). **Net earnings** enlarged by 174.2 % to EUR 1.7m (0.6). **Earnings per share** amounted to EUR 0.10 (0.06). Compared to 9M 2002 Mühlbauer could not only increase its EBIT by 81.5 % to EUR 5.1m (2.8) but also already exceed the entire 2002 ordinary income net of tax by more than 30 %. **EBT** could be tripled to EUR 5.4m (1.6), EPS more than doubled to EUR 0.24 (0.11).

Financial power

Based on consistently reduced Working Capital - a decrease of 12.5 % to EUR 44.8m (51.2) compared to September 30, 2002 - the Free Cash Flow could be improved according to plan and the financial power could be strengthened again. In spite of undertaken planned investments with a volume of EUR 3.4m (2.2) in the first nine month of the year, the Free Cash Flow amounts to EUR 5.2m for the same period. Despite a considerable increase in sales the Working Capital could be reduced around EUR 14.4m since December 31, 2001. Gross liquidity as of September 30, 2003 totalled EUR 22,8m (14.7).

Order income and order backlog

Order income increased 3.5 % to EUR 22.4 (21.7). While "Smart ID" generated due to a lack of volume orders EUR 7.8m (9.3), "Semiconductor Related Products" improved by 53.1 % to EUR 10.8m (7.1). "Traceability" and "Precision Parts and Systems" quoted EUR 1.1m (2.1) respective EUR 2.7m (3.2). On a nine month basis order income increased 18.2 % to EUR 73.3m (62.0). Order backlog as of September 30, 2003 totalled EUR 31.5m (37.8).

Sales

Sales grew by 4.8 % to EUR 23.1m (22.1) in the third quarter. "Smart ID" realized EUR 7.2m (9.1). Driving force was the rising semiconductor environment with a sales increase at "Semiconductor Related Products" of 40.4 % to EUR 11.6m (8.3). In regional terms, successful sales activities could increase sales in the difficult Asian market by 13.0 % to EUR 6.0m (5.4), whereby Mühlbauer generated more than 25 % of its sales in Asia for the first time. Europe remains the core market with sales of EUR 15.0m (15.3). On nine month basis sales increased by 9.6 % to EUR 69.8m (63.7).

if no other statement, figures in brackets from reference period previous year

Research and Development

Mühlbauer invested a total amount of EUR 2.7m (2.6) in research and development in the third quarter. This corresponds to 11.6 % (11.8) of sales. Main focus were the planned expansion in “personalization” and further development in RFID technology.

Employment

On September 30, 2003 the Mühlbauer Group employed 1.285 (1.270) employees worldwide. Innovation and therefore growth engine is the research and development division with 201 (200) employees. 224 (232) employees were serving an apprenticeship, which is a notable quota of 17,4 % of staff.

Outlook

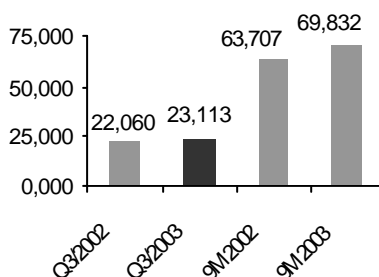
Seeing the world-wide growing demands for chip-based, security orientated ID-solutions, Mühlbauer technology group continues its strategy to become a world-wide leading supplier of complete solutions for the whole value chain of the Smart Card and Smart Label production. This should be achieved without neglecting the companies offer spectrum in related branches.

With the planned expansion of the world-wide distribution channels Mühlbauer continues to increase and accelerate its future market penetration. Meantime, by the increasing development speed for new technologies, the company possesses a wide basis of innovative and flexible production systems. Mühlbauer sees itself technologically very well set up to continue its profitable growth and to open up further world-wide growth potentials.

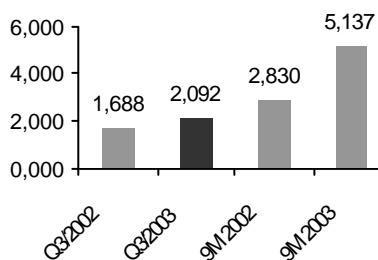
Yours sincerely

MÜHLBAUER HOLDING AG & CO. KGaA
 Personally liable shareholder

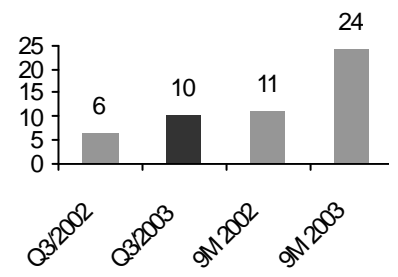
Sales in TEUR
 + 4,8 % (Q3-Q3)



EBIT in TEUR
 + 23,9 % (Q3-Q3)



EPS in EURO-Cent
 + 66,7 % (Q3-Q3)



Consolidated Statement of Income ¹⁾ (US-GAAP)

	Q3/2003 July 1, to September 30, 2003	Q3/2002 July 1, to September 30, 2002	9M 2003 January 1, to September 30, 2003	9M 2002 January 1, to September 30, 2002
Sales	23,113	22,060	69,832	63,707
Cost of sales	(15,520)	(15,552)	(47,406)	(44,950)
Gross Profit	7,593	6,508	22,426	18,757
Operating expenses				
General and administrative expenses	(3,385)	(3,341)	(10,946)	(10,800)
Research and development	(2,681)	(2,594)	(8,315)	(8,149)
Operating income	1,527	573	3,165	(192)
Other income and expenses				
Interest income	245	669	824	1,713
Interest expenses	(52)	(1,499)	(520)	(2,989)
Other income	565	1,115	1,972	3,022
Income before income taxes	2,285	858	5,441	1,554
Income taxes	(596)	(242)	(1,601)	(66)
Net earnings	1,689	616	3,840	1,488

Earnings per common share in EUR				
basic	0.10	0.06	0.24	0.11
fully diluted	0.10	0.06	0.24	0.11

Weighted average of common shares				
basic	6,111,607	6,237,528	6,111,607	6,237,528
fully diluted	6,111,607	6,238,616	6,111,607	6,238,616

1) uncertified

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

	30.09.2003 ¹⁾	31.12.2002 ²⁾
ASSETS		
Current Assets	74,241	79,835
Cash and cash equivalents	2,513	13,110
Securities	10,996	2,261
Trade receivables	19,975	19,161
Inventories	37,804	43,345
Deferred tax assets	1,277	804
Prepaid expenses	269	176
Other currents assets	1,407	978
Investment and long-term financial assets	9,332	7,383
Securities	9,332	7,383
Fixed Assets	39,617	41,189
Land	1,586	1,581
Building, net	28,826	30,044
Technical and other equipment, net	9,165	9,539
Buildings and equipment in progress	40	25
Intangible assets	925	1,025
Goodwill	468	468
Software and licenses	457	557
TOTAL	124,115	129,432

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	16,926	20,254
Short term debts	6	0
Debts maturing within one year	985	1,010
Trade payables	3,972	7,038
Downpayments received on orders	1,133	1,604
Shareholders' loans	40	40
Other current liabilities	4,132	5,312
Accruals for income taxes	624	760
Other accruals	6,034	4,490
Long-term liabilities	10,040	10,925
Convertible bonds	0	37
Long term debt	2,399	3,001
Investment grants received	5,642	5,832
Deferred tax liabilities	1,535	1,681
Pension accrual	464	374
Stockholders' equity	97,149	98,253
Common stock (par value 1.28 EUR; 6,380,000 common shares authorized; 6,279,200 shares issued; thereof outstanding: 6,089,775 shares)	8,038	8,038
Own shares	(243)	(219)
Fixed capital contributions	(2,980)	(2,980)
Additional paid in capital	58,096	58,351
Retained earnings	32,702	34,907
Other comprehensive income	1,536	156
TOTAL	124,115	129,432

- 1) uncertified
2) certified

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

			01.01.– 30.09.2003	01.01.– 30.09.2002
Operating Activities				
1		Consolidated result before income taxes	5,441	1,554
2		Consolidated net income	3,840	1,448
3	+/-	Expenses from the employee profit-sharing program	0	(217)
4	+/-	Depreciations/(appreciations) to - fixed assets - software and licenses	4,166 438	4,476 441
5	-/+	(Gains)/losses from the sale of objects from the assets	(174)	(6)
6	-	Currency differences from the transition of assets	(5)	9
7	-/+	Realized net (gains)/losses from securities and long-term financial assets	24	166
8	-/+	Unrealised (gains)/losses from securities (trading papers)	0	998
9	-	Purchase in securities (trading papers)	0	(2,241)
10	-	Purchase in securities (available-for-sale-papers)	(1,693)	0
11	+	Sales of securities (trading papers)	0	1,727
12	+	Sales of securities (available-for-sale-papers)	1,678	0
13	-/+	(Increase)/decrease of trade receivables	(719)	(390)
14	+/-	Increase/(decrease) of value adjustments for trade receivables	(95)	209
15	-/+	(Increase)/decrease of inventories	768	4,402
16	+/-	Value adjustments for inventories	4,773	1,382
17	-/+	(Increase)/decrease of deferred tax assets	(473)	(516)
18	-/+	(Increase)/decrease of prepaid expenses	(94)	(133)
19	-/+	(Increase)/decrease of other current assets	(429)	5,159
20	+/-	Increase/(decrease) of trade payables	(3,065)	520
21	+/-	Increase/(decrease) of down payments received on orders	(471)	(2,777)
22	+/-	Increase/(decrease) of other liabilities	(1,180)	(679)
23	+/-	Increase/(decrease) of accruals for income taxes	(136)	264
24	+/-	Increase/(decrease) of deferred tax liabilities	(146)	(254)
25	+/-	Increase/(decrease) of other accruals	1,544	553
26	+/-	Increase/(decrease) of investment grants received	(190)	(692)
27	+/-	Increase/(decrease) of pension liabilities	89	35
28	=	Cash provided by (used for) operating activities	8,450	13,924
Investing activities				
29	+	Payments received from disposals of object of the assets	694	94
30	-	Purchase in fixed assets	(3,109)	(1,978)
31	-	Purchase in software and licenses	(337)	(190)
32	-	Purchase in securities (available-for-sale-papers)	(10,186)	(2,437)
33	+	Sales of securities (available-for-sale-papers)	1,026	2,559
34	=	Cash provided by (used for) investing activities	(11,912)	(1,952)
Financing activities				
35	-	Repayment of long-term debts	(626)	(688)
36	+/-	Increase/(decrease) of short-term debts	6	(2,308)
37	+/-	Increase/(decrease) of shareholder loans	0	(3)
38	-	Exercise/repayment of convertible bonds	(37)	(2)
39	-	Purchase of own shares	(423)	(1,561)
40	+	Sales of own shares	144	268
41	-	Dividends paid	(6,045)	(4,739)
42	=	Cash provided by (used for) financing activities	(6,981)	(9,033)
43	+/-	Increase/(decrease) of currency exchange rate changes	(154)	(262)
44	=	Net Increases/(decreases) in cash and cash equivalents (\$ of lines 28, 34, 42 and 43)	(10,597)	2,677
45	+	Cash and cash equivalents on January 1	13,110	2,206
46	=	Cash and cash equivalents on September 30	2,513	4,883
Additional cash flow information				
Tax paid			2,517	3,373
Interest paid			167	276

Non-cash unrealised 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)

	Number of shares	Common stock	Fixed capital	Additional paid-in capital	Retained earnings	Consolidated net income regarding 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	-	-	-	-	1,488	-	-	1,488
Other comprehensive income	-	-	-	-	-	(262)	205	(57)
Consolidated net income regarding other comprehensive income	-	-	-	-	1,488	(262)	205	1,431
Deferred compensation	-	-	-	(217)	-	-	-	(217)
Purchase of common stock	(110,774)	(142)	-	(1,417)	(2)	-	-	(1,561)
Disposal of common stock	14,128	18	-	250	-	-	-	268
Dividends	-	-	-	-	(4,739)	-	-	(4,739)
Balance Sep 30, 2002 ²⁾	6,165,818	7,892	(2,980)	58,702	33,189	(3)	206	97,006
Balance Dec 31, 2002 ¹⁾	6,108,775	7,819	(2,980)	58,351	34,907	(128)	284	98,253
Consolidated net income	-	-	-	-	3,840	-	-	3,840
Other comprehensive income	-	-	-	-	-	(136)	1,516	1,380
Consolidated net income regarding other comprehensive income	-	-	-	-	3,840	(136)	1,516	5,220
Purchase of common stock	(37,371)	(48)	-	(375)	-	-	-	(423)
Disposal of common stock	18,371	24	-	120	-	-	-	144
Dividends	-	-	-	-	(6,045)	-	-	(6,045)
Balance Sep 30, 2003 ²⁾	6,089,775	7,795	(2,980)	58,096	32,702	(264)	1,800	97,149

- 1) certified
2) uncertified

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

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 market value (see note 5 in the annual report 2002). The unrealised profits from such shares amounted to EUR 0.4m in the period under review. They are listed without any effect on profits under "other comprehensive income". In the same quarter last year the unrealised losses treated as income resulting from such shares amounted to EUR 0.8m. 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: (figures in TEUR)

	Q3/2003 Aug 1, to Sep 30, 2003	Q3/2002 Aug 1, to Sep 30, 2002	9M 2003 Jan 1, to Sep 30, 2003	9M 2002 Jan 1, to Sep 30, 2002
SALES BY APPLICATIONS	23,113	22,060	69,832	63,707
Smart Identification	7,248	9,091	28,009	35,940
Semiconductor Related Products	11,649	8,297	25,796	15,412
Traceability (<i>formerly Board Handling</i>)	1,329	1,556	4,637	3,656
Precision Parts & Systems	2,915	3,154	11,464	8,846
<i>Detractions in earnings</i>	(28)	(39)	(74)	(149)
SALES BY REGIONS	23,113	22,060	69,832	63,707
Germany	10,701	9,924	34,167	30,585
Rest of Europe	4,329	5,407	14,284	16,632
Asia	6,045	5,350	16,873	13,392
Americas	1,640	1,304	2,461	3,084
Others	426	113	2,121	162
<i>Detractions in earnings</i>	(28)	(39)	(74)	(149)

Paid or proposed dividends

No interim dividends were distributed

Personnel changes in the management or supervisory board

For the third quarter no personnel changes in the management and the supervisory board are to report

Investments

Investments in the third quarter totalled TEUR 196 (369) and were primarily required for intangible assets (software) and movable assets.

Explanation of the holding of treasury 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

TREASURY SHARES	Number of shares	Par Value in EUR	In % of share capital
As at January 1, 2003	170,425	218,144	2.7
Purchase of treasury shares from the authorization to purchase own shares as defined in § 71 Par. 1 No. 8 AktG	37,371	47,835	0.6
Sales of treasury shares as so-called employee shares as defined in § 19a EStG payments for variable amounts	(12,867) (5,504)	(16,470) (7,045)	(0.2) (0.1)
As at September 30, 2003	189,425	242,464	3.0

The acquisition price for the shares acquired in the period under review amounted to TEUR 423. TEUR 144 were gained by the sale of shares.

On 30 September 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 convertible bond program, issued on July 10, 1998, expired on July 04, 2003. Conversion rights not exercised until then expired. The current stock option program (tranche 2003/I dated 23.12.2002) included 34,250 stock options on 30.09.2003. No personnel expenses according to APB 25 arose as the exercise hurdle was not reached. For further detail we refer to note (19) of the annual report 2002.

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

None.

Financial calendar 2004	
March 16, 2004	Annual Press Conference and Annual Analyst Conference, Frankfurt am Main
April 28, 2004	Quarterly Report I / 2004
April 29, 2004	Annual Shareholders' Meeting, Roding
August 05, 2004	Quarterly Report II / 2004
November 04, 2004	Quarterly Report III / 2004

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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.