

*Innovation in Motion*



Report on the first  
three quarters 2005/06

2005/06



Shareholder Information 3

## Ladies and Gentlemen!

During the first three quarters of the 2005/06 business year, Miba continued to hold up well despite the inconsistent growth of its customer markets. Production figures for the European automotive industry, Miba Sinter Group's primary market, decreased slightly. On the other hand, Miba Bearing Group benefited from the continued high demand for transportation capacities, be it on the roads, tracks or on water. Miba Friction Group noticed a slight weakening in individual market segments, especially tractors.

As a strategic partner and supplier of the international motor and vehicle industry, Miba increased its sales volume and improved its operating results for the first three quarters, thus further expanding its position as a technology leader. From February until October, a consolidated sales volume of 258.6 million Euros was generated. This represents an increase of just under six percent as compared to last year's figures. More than half of the Group's sales were generated outside of the automotive industry. Miba Sinter Group generated the largest share of sales with 45.6 percent, followed by Miba Bearing Group with 37.0 percent and Miba Friction Group with 17.4 percent.

Earnings before taxes (EBT) developed favorably during the first three quarters of the year and – with 17.8 million Euros – exceeded the previous year's earnings over the same time period by three percent. Cash flow from operations amounted to 32.4 million Euros compared to 35.7 million Euros during the same time period of the previous year due to a necessary increase in inventory and a reduction in short-term liabilities. As of the reporting date of October 31, 2005, the number of employees stood at 2,736, an increase of 247 as compared to October 31, 2004. This increase is mainly the result of the acquisitions and new business start-ups in Slovakia and Austria during the first three quarters. Furthermore, the increase in sales volumes from the Bearing Group and the Friction Group also required additional manpower.

The Miba Symposium 2005 took place in Salzburg at the beginning of October. Miba's mission statement "Innovation in Motion" was the motto of the conference. More than 200 customers from Europe, Asia and America had the opportunity to convince themselves of Miba's innovative clout at the symposium. The goal of Miba's clear commitment to technology leadership is to offer our customers cost-efficient solutions made-to-measure.

## Market situation remains tense

During the first three quarters of the current business year, the market situation in the European automotive industry was tense, suffering from weak sales in combination with price increases for raw materials, resulting in cost pressure. Automobile production in Western Europe decreased by 1.3 percent to 14.9 million vehicle units produced compared to the same period of the previous year. Numerous European automobile producers have initiated price reduction programs and increased the pressure on their suppliers. Miba Sinter Group could not disconnect itself from this development in its main market. During the first three quarters of the 2005/06 business year, sales volume was just under four percent lower than that recorded for the previous year. Adjusted for the sale of the Turin site with effective date of July 31, 2004, the sales volume was at the same level as in the previous year.

Automobile suppliers have come under increasing pressure from the sales side as well as from the supply side. Significant price increases for iron and steel powders have been posing a challenge to Miba Sinter Group since the beginning of the year. Raw material prices stabilized at a high level during the third quarter. To counter these external challenges, Miba Sinter Group critically scrutinizes cost efficiency continuously on all its sites. During the third quarter, a new procedure to implement the "continuing improvement process" was introduced at all sites in order to further optimize productivity and cost structure.

In this difficult market environment, the consistent expansion of our technology leadership forms an important part of Miba's strategy. Crucial development work was carried out in the "High-strength Sintered Materials" Division to secure Miba Sinter Group's competitive edge in this field. During the third quarter, a new fully-automated production line for manufacturing high-strength clutch bodies was started up at the Vorchdorf site. Serial production should follow suit by the end of the year. At our Slovakian site in Dolny Kubin, the integration of existing employees and plant and equipment from the newly-acquired Metalsint company into the existing production processes went smoothly. The production capacity increase now allows for the gradual expansion of tool manufacturing at this site. For the remainder of the 2005/06 business year, Miba Sinter Group is not counting on an improvement in the commodity markets or on an increase in demand. On the whole, we are only expecting a slight increase in sales volume for 2005/06.



## Continuing on the road to success

Miba Bearing Group continued on its successful path during the first three quarters of 2005/06. All the financial key figures are exceeding projected numbers. Compared to the same period of the previous year, the Bearing Group realized a sales volume increase of 17 percent.

As a supplier of internationally leading engine manufacturers, Miba Bearing Group benefited from the additional demand for transportation capacities during the current business year. The most important market segments display a consistently high demand. The only market that continued to show a slight weakening during the third quarter was the Chinese commercial vehicle market. The US railroad business continued at its sustained high pace. Miba Bearing Group was able to hold onto its high market share with the major US producers of locomotive engines. European demand remained surprisingly stable.

In September, Miba Bearing Group and the German KS Bearings signed an agreement to establish a joint venture in the US. The joint subsidiary, Advanced Bearing Materials ABM with its Head Office in Greensburg, Indiana, supplies both companies with cast leaded and lead-free bronze and brass composite materials. This joint venture enables Miba Bearing Group to ensure its long-term supply with cast leaded bronze bearings, to optimize production processes and to increase the quality of its bearings.

Due to China's large market potential, Miba Bearing Group has decided to set up a plant there. The Chinese authorities issued the business license at the end of October. Construction of the new bearing plant located in the Suzhou industrial park, 90 kilometers west of Shanghai, is scheduled for early 2006. The first bearing will roll off the assembly line during the 2006/07 business year.

Based on its excellent order status for the current business year, Miba Bearing Group's Management is counting on a double-digit sales volume increase as compared to the previous year.



## Dynamic market environment

During the first three quarters of the current business year, Miba Friction Group operated within a dynamic market environment. The most important target markets, such as construction equipment and commercial vehicles, showed growth, thereby benefiting the Friction Group. From February to October, the sales volume for the Friction Group was ten percent higher than during the reference period of the previous year. Operating results and order status are in line with our forecasts.

The Friction Group recorded an ongoing high demand from the market sectors high-speed trains and construction machinery. The demand for clutch segments for commercial vehicles also increased. The tractor industry was the exception, partially displaying a strong weakening in demand during the third quarter. The decline in sales of the tractor manufacturers led to increased price pressure on the suppliers.

The supply situation on the international commodity markets posed a challenge during the first three quarters. The continuously high price of steel and other raw materials has continued to significantly burden certain elements of the cost structure.

The positive developments in the US markets are leaving their mark on the current business year. To consolidate this increase in sales, a new production line will be taken into operation at the Friction Group's US site in Sterling Heights in mid-2006. The production and technology site in Roitham is almost being used to capacity. To secure performance in the long run, optimization measures are being implemented at this site in an ongoing manner.

Miba Steeltec, our new steel plate production plant in Slovakia, will be operational by the end of the year according to plan. The first production lines at the Vráble site were installed during the third quarter and are ready for production start-up.

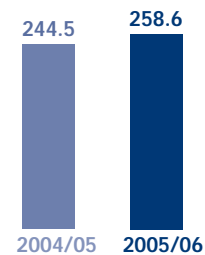
Based on the solid inflow of orders and seen from today's perspective, Miba Friction Group's Management is counting on the business year closing on a positive note.



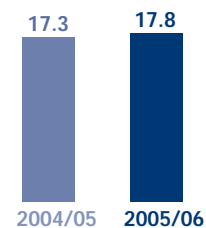
## Slight increase in sales

In light of the positive business performance during the first three quarters of 2005/06, Miba's Management expects to end the business year with a slight increase in sales, but without any change in the earnings situation. The cost pressure exerted by the elevated prices for raw materials and energy continued at the beginning of the fourth quarter and is unlikely to change during the first half-year of 2006/07. The clear orientation and consistent pursuit of Miba's strategy have proven to be an optimum manner of coping with the challenging market environment over the past few months.

**Development of Sales  
1<sup>st</sup>-3<sup>rd</sup> Quarter in  
million Euros**



**Development of Earnings  
before Taxes 1<sup>st</sup>-3<sup>rd</sup> Quarter  
in million Euros**



### Development of the Miba Group for the 1<sup>st</sup>-3<sup>rd</sup> Quarter 2005/ 06

|                                               | 1 <sup>st</sup> -3 <sup>rd</sup> Quarter 2005/06 | 1 <sup>st</sup> -3 <sup>rd</sup> Quarter 2004/05 |
|-----------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| Sales volume in million Euros                 | 258.6                                            | 244.5                                            |
| Order status in million Euros                 | 149.2                                            | 131.5                                            |
| Earnings Before Taxes in million Euros        | 17.8                                             | 17.3                                             |
| Cash-flow from operations<br>in million Euros | 32.4                                             | 35.7                                             |
| Investments in million Euros                  | 37.3                                             | 16.6                                             |
| Number of employees as at October 31          | 2,736                                            | 2,489                                            |

**Publisher:** Miba Aktiengesellschaft, Dr.-Mitterbauer-Straße 3, 4663 Laakirchen, Österreich

**Investor Relations:** KR Siegfried Dapoz, Tel.: +43/7613/2541-1143, Fax: +43/7613/2541-1010,  
E-Mail: info@miba.com <http://www.miba.com>