

*Innovation in Motion*



Report on the  
first quarter 2005/06

2005/06



Shareholder Information 1

## Ladies and Gentlemen,

Miba's customer markets developed in very different ways during the first quarter of the 2005/06 business year. The European automobile industry, Miba Sinter Group's main market, suffered a slight decline in production numbers. The segments tractors, construction machinery and commercial vehicles generated strong demand to the benefit of Miba Friction and Miba Bearing Group. Ship building in Europe and the Far East displayed equally dynamic growth. The commodity markets continued to be plagued by volatility: Whereas steel prices stabilized, powder steel prices showed significant increases compared to the same period of 2004/05.

As a strategic partner and supplier of the international engine and automotive industry, Miba is optimally positioned and was able to increase both sales and profit for the first quarter despite the inconsistent market environment. During the first quarter, the Group generated 86.6 million Euros in sales, thereby besting the previous year's result by seven percent. The largest sales portion was realized by Miba Sinter Group with 47.3 percent, followed by Miba Bearing Group with 35.6 percent and Miba Friction Group with 17.1 percent.

The Earnings before Taxes (EBT) developed favorably during the first quarter and exceeded last year's profit by nine percent with 8.2 million Euros. Cash-flow from operations during the same time period was reduced from 14.2 to 4 million Euros due to planned inventory build-up and the reduction of current liabilities. The total number of employees as of the reporting date of April 30 was 2581, thereby exceeding the number from April 30, 2004 by 58.

During the first quarter, the decision was taken to acquire the business division "Tribocoat/Spacecoat" from Platingtech Kollmann & Co GmbH in Niklasdorf near Leoben. As of May 15, Miba AG has acquired factory equipment and 12 employees from "Tribocoat/Spacecoat" through an asset deal by High Tech Coatings GmbH, a fully-owned Miba subsidiary. High Tech Coatings GmbH deals with the application of specialized coatings for gear wheels and supplies the European automotive industry. The acquisition is yet another step towards improving Miba's competence in the highly specialized field of surface coatings.

## Automotive Business Activity Softens

Automobile production in Europe has decreased by 0.5 percent to 6.2 million vehicles during the first four months of the business year as compared to the same period of 2004/05. The market development is strikingly diverse. The success of the automobile producers is extremely dependent on the sales figures of a very limited number of car models. Market share winners and losers can be found in the premium as well as in the high-volume segments.

As a supplier to the European automotive industry, Miba Sinter Group was unable to escape the automotive business' weakness and recorded a 2.7 percent drop in sales compared to 2004/05. Orders on hand by the end of the first quarter were 3.7 percent higher than at the same time last year. However, a market recovery for the ongoing business year is not expected.

Besides the lower automobile production, Miba Sinter Group was also confronted with aggravating price hikes for iron and steel powder. The resulting cost increases could only partially be passed on to the customers. These external influences were countered by renewed efforts to raise productivity at all sites. At the Spanish and Slovak sites, new sizing presses were put into service. At the Vorchdorf site, preparations are being made for the start-up of the third automated production line for transmission components.

During the first quarter of the 2005/06 business year, targeted investments were made in research and development. For engine parts, the technology emphasis continues to lie on high strength gears and chain sprockets and on camshaft phasers. For transmission parts, developmental activity continued on clutch parts and components for all-wheel drives. In R&D, a new organization with the core tasks "Material & Processing Technology, Advanced Engineering, Innovative Products" was introduced in order to speed up innovative processes.

For the 2005/06 business year, Miba Sinter Group expects sales figures – adjusted to reflect the sales drop allocated to the previously sold Turin site – to be at about the same level as in 2004/05.



## New Bearing Factory in China

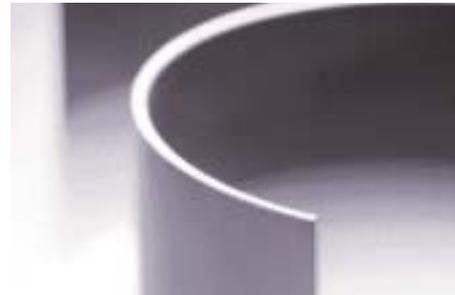
Miba Bearing Group followed up on last year's winning streak and continued its dynamic development in the first quarter of the 2005/06 business year. Compared to the same period of 2004/05, a 20 percent sales increase was realized.

The strong business development of Miba Bearing Group is primarily attributed to the original equipment manufacturing business. All market segments are performing at a sustained level, both in Europe and in the Far East. An increased demand for transportation capacity, especially for ships and commercial vehicles is the driving force behind this development. In the "2-stroke engine" segment, new orders from Europe and the Far East were acquired resulting in a larger market share.

In order to meet the increased customer demand in an optimum manner, the capacity at the Laakirchen site was enlarged and a new production concept for the production of large bearings was introduced. The measures taken for streamlining the production of small bearings in Laakirchen are proceeding according to schedule: The new transfer line was installed in the first quarter and is currently in the test phase. An additional production area was leased at the McConnellsville site, USA. Furthermore, in the first quarter, the McConnellsville plant was Miba Bearing Group's first site to receive the TS 16949 certification, a quality standard of the international automotive industry.

Based on the large market potential in the Far East, Miba Bearing Group decided in the first quarter to establish a plant in China. In the Suzhou industrial park, 90 kilometers west of Shanghai, a 40,000 square meter area was leased for that purpose. Miba anticipates to break ground for the new bearing plant in August. The first bearings should run off the assembly line during the 2006/07 business year.

For the second quarter of the 2005/06 business year, Miba Bearing Group's Management is anticipating the market to remain at a sustained high level and expects a moderate sales increase compared to 2004/05.



## Strong Demand for Friction Materials

In the first quarter, Miba Friction Group recorded a strong demand for friction materials from its main customers. This higher demand resulted in a ten percent sales increase between February and April as compared to the same period in 2004/05. Order backlog and operating results for the first quarter significantly exceeded expectations.

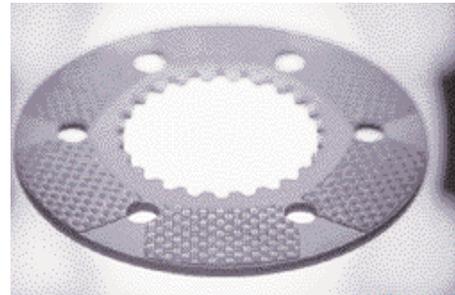
The original equipment manufacturing is the reason for this positive development. Miba Friction Group benefited from an increased demand for tractors, construction machinery, commercial vehicles and industrial applications. Geographically speaking, Europe showed the largest sales growth, with an almost 20 percent increase compared to the same period one year ago. Sales growth in Asia was moderate, whereas US sales eased slightly.

The international commodity market situation stabilized during the first quarter, especially regarding steel. However, preferred or additional customer needs are still as difficult to meet as before.

Miba Friction Group was awarded a large series contract based on its accomplishments in the development of carbon friction materials. Such materials are supplied to a Japanese car manufacturer for low-noise locking differential couplers. Production will start in the fall at Miba HydraMechanica in the US.

Investments have been planned for the new friction material plant in Vrábce, 100 kilometers east of Bratislava. Recruitment of key personnel for Miba Steeltec s.r.o. started at the beginning of the new business year. Construction of the production facilities began at the end of March.

Based on the large order backlog, Miba Friction Group's Management anticipates that this positive development will continue during the current business year and that target numbers will be exceeded.



## Cautiously Optimistic

Miba's outlook for the 2005/06 business year differs from one business segment to the other. The outlook for Miba Sinter Group, which is primarily a supplier to the European automotive industry, is rather conservative. The economic environment is characterized by continued relocations of automobile producers to Central and Eastern European countries, and is suffering from increased cost pressure. On the other hand, Miba Bearing Group's and Miba Friction Group's consumer markets are highly dynamic and showed a positive development in orders on hand during the first quarter.

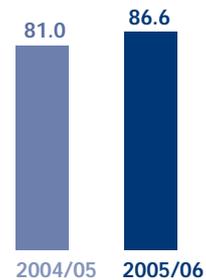
Miba's business performance for the 2005/06 business year will be highly influenced by the Euro/Dollar exchange rate. Furthermore, we are expecting price increases for raw materials and energy for all three business segments, which will have to be offset by productivity gains.

Miba AG's Management believes that a constant earnings position combined with a slight increase in sales is a realistic forecast for the 2005/06 business year.

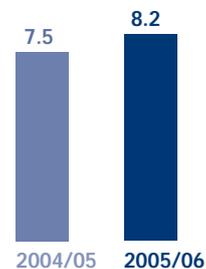
### Development of the Miba Group for the 1<sup>st</sup> Quarter 2005/ 06

	1 <sup>st</sup> Quarter 2005/06	1 <sup>st</sup> Quarter 2004/05
Sales in million Euros	86.6	81.0
Order Backlog in million Euros	143.3	132.9
Earnings before Taxes in million Euros	8.2	7.5
Cash-flow from Operations	4.0	14.2
Investments in million Euros	7.1	4.1
Employees as of 04/30	2,581	2,523

#### Development of Sales 1<sup>st</sup> Quarter in million Euros



#### Development of Earnings before Taxes 1<sup>st</sup> Quarter in million Euros



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