

*Innovation in Motion*



2006|07



Shareholder Information 3

## Ladies and Gentlemen!

In the first three quarters, Miba recorded a positive trend in its target markets all over the world. The persistent positive business climate led to an increased demand for commercial vehicles, construction machinery and ships. Automobile production in Europe also gathered momentum in the course of the year.

In the first three quarters, Miba, as a strategic partner and supplier of the international engine and automotive industry, was able to increase its sales volume by seven percent to EUR 277.7 million. The largest share of the sales volume was generated by Miba Sinter Group with 44 percent, followed by Miba Bearing Group with 39 percent and Miba Friction Group with 17 percent. With EUR 147 million, the Group's order book value as per October 31, 2006 was at a consistently high level.

With effective date of October 31, 2006, Miba sold its sinter site in Naples with 177 employees to an Italian entrepreneur. By taking this step, Miba is optimizing its production site concept within the Sinter Group and preparing itself for the market growth anticipated for the automobile industry in the Far East.

In the first three quarters, earnings from operations amounted to EUR 13.5 million (previous year: 17.8 million). Part of this decrease can be attributed to the price increase for copper and metal powders which could be only

partially passed on to our clients. At approximately EUR 2 million, the higher start-up costs for the new friction materials plant in Slovakia also impacted this year's earnings negatively. At EUR 5.4 million, the non-recurring effects from the site adjustment placed an additional burden on the third quarter earnings. With EUR 30.2 million, cash-flow remained at a consistently high level in the first three quarters.

On the reporting date of October 31, 2006, Miba employed 2,917 people, i.e. approximately 181 more than on the reporting date of the previous year. To a large extent, the increase in the number of employees was due to the staffing of the Vrábľe site in conjunction with the ongoing production in England. Moreover, the Miba Bearing Group's sales volume increase resulted in additional manpower requirements. As of November, the number of people employed by Miba dropped by 177 as a result of the sale of the Naples site.

An investment volume amounting to EUR 32.8 million is planned for the current business year, of which EUR 24.8 million were invested in the first three quarters. The main focus of the investments were the new friction materials plant in Vrábľe (Slovakia) and the set-up of the production site for engine bearings and sintered components in Suzhou (China).

## Optimized site concept

In the first three quarters of 2006, automobile production in Europe increased to 15.5 million vehicles manufactured, i.e. an increase of three percent over the same period of the previous year. The strategy of car manufacturers to set up additional capacities in Central and Eastern Europe has continued over the course of the year. About one-fifth of all the cars produced in Europe are already being manufactured in the new EU member countries.

The sales volume of Miba Sinter Group, as a supplier of the European automobile industry, was approximately five percent higher in the first three quarters than in the same period of the previous year. Growth can be mainly attributed to the take-off of challenging large-scale projects for motor parts, such as sintered cam shaft and mass balancer gears.

By selling its Naples site, Miba Sinter Group underscored its clear strategic orientation towards high technology. By optimizing its site concept and setting up new production capacities in China, the high levels of productivity and quality are being further expanded. In the current business year, EUR 16 million are being invested in the expansion of the sinter plants.

In the third quarter, Miba Sinter Group was simultaneously confronted with the rising price of metal powders and the non-recurring effects from the production site adjustment. The measures introduced at the Barcelona site for the purpose of adjusting the product portfolio and increasing the automation level for high-volume parts were consistently continued in the third quarter.

Based on the new series orders, Miba Sinter Group is expecting a slight increase in sales volume for the 2006/07 business year. Earnings-wise, the increased cost and price pressure due to the relocation of the production sites to countries in Eastern and Central Europe continues to remain the decisive influencing factor.



## Path to growth continues

In the third quarter, Miba Bearing Group continued to record a sustained high market volume throughout all its main segments – from commercial vehicles and ships up to and including stationary engines. The international engine manufacturers' high demand for bearings can be explained by the increased demand for transportation capacities. Compared to the same time period of the previous year, Miba Bearing Group achieved an eleven percent increase in sales volume.

The expansion of production capacities at the Laakirchen site is progressing rapidly. Construction of the new production hall took off in the third quarter. Completion of construction is planned for March 2007. With this investment, Miba Bearing Group is expanding the high technological standard of its bearing production in the segment of diesel engines for ship drives in order to be prepared for further growth.

In the third quarter, the McConnelsville (US) site also benefited from the positive market situation in the core segments locomotives and compressors. At the production site for input stock, Advanced Bearing Materials in Greensburg (US), efforts are being made to achieve an additional efficiency increase in the series production of steel-lead-bronze strips. Projects for significant cost reduction remain a major focus.

The construction of Miba's production site in Suzhou, Miba Precision Components China (MPCC) has been completed. The first machines will be set up by the end of the business year. The start-up of production for engine bearings and sintered components is planned for February 2007.

Following the record sales volume of the previous year, Miba Bearing Group's Management is expecting a slight increase in sales volume and consistently good earnings for the 2006/07 business year.



## Success through innovation

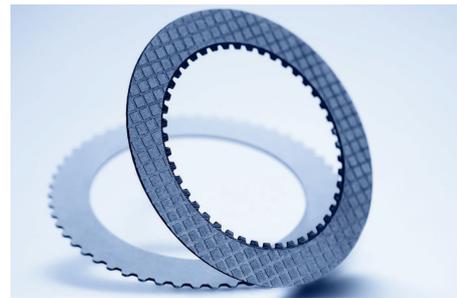
Miba Friction Group's sales volume increased by almost four percent in the first three quarters of the current business year as compared to the same period of the previous year. This development can be traced back to the strong demand for clutch linings for commercial vehicles in conjunction with the increasing demand for brake segments for wind power stations. By introducing new products for specialized applications in the automotive sector, Miba Friction Group was able to gain market share in this segment.

The price situation on the international commodity markets remains tense, especially for copper and steel. The competitive pressure in the export business has increased considerably due to the recent weakening of the US dollar.

Miba Friction Group's Austrian site in Roitham recorded a very positive order situation in the first three quarters. Due to the increasing customer demand, a 4th shift was introduced in one sub-area of production in the third quarter. A newly developed friction material for high-speed trains achieved excellent test results and recorded a first series order. The plant in Sterling Heights (US) is working at high capacity due to orders from the aviation industry and the automotive sector.

The relocation of the steel plates production from Sheffield (England) to Vrábľe (Slovakia) has progressed considerably. Compared to the first three quarters of the previous year, the number of staff in Sheffield was already reduced by half to 71 employees. The majority of the parts volume was transferred to the new plant by the end of the third quarter. The remaining machines will be relocated from Sheffield to Vrábľe in the first half of 2007. This will ensure the establishment of a competitive series production for the optimum fulfillment of client orders.

Based on the order levels, Miba Friction Group's Management is expecting a positive development of the sales volume. The corresponding improvement of the operating income is dampened by the non-recurring effects of the relocation



## Slight increase in sales volume

Miba is expecting robust business conditions in its target markets for the current business year. Increasing production figures have been forecast for the engine and automotive industry for the coming months. Therefore, Miba's Management continues to anticipate a slight increase in sales volume for the 2006/07 business year.

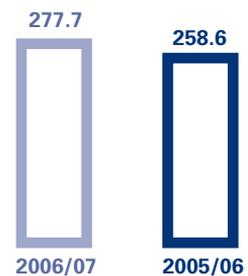
These positive circumstances are tempered by a renewed increase in commodity prices and uncertainties regarding the EUR to USD exchange rate. The resulting squeeze on margins is countered by endeavors to cut costs and enhance efforts to increase productivity and efficiency at all Miba sites. The non-recurring effects from relocating the friction materials plant from England to Slovakia and from the sale of the sinter plant in Naples burden earnings for the year.

As a strategic partner of the international engine and automotive industry with sites located in the most important economic hubs all over the world, Miba can rise to these challenges.

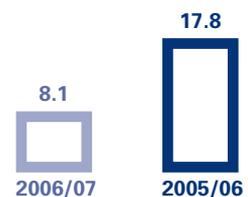
### Development of the Miba Group for the 1<sup>st</sup>-3<sup>rd</sup> Quarter 2006/ 07

	1 <sup>st</sup> -3 <sup>rd</sup> Quarter 2006/07	1 <sup>st</sup> -3 <sup>rd</sup> Quarter 2005/06
Sales Volume in million EUR	277.7	258.6
Order Status in million EUR	147.0	149.2
Earnings Before Taxes in million EUR	8.1	17.8
Cash Flow from Operations in million EUR	30.2	32.4
Investments in million EUR	24.8	37.3
Number of Employees as of October 31, 2006	2917	2736

### Development of Sales 1<sup>st</sup>-3<sup>rd</sup> Quarter in million EUR



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



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