

*Innovation in Motion*



2009 | 10

Shareholder Information 3

# Shareholder Information 3

## 2009-2010

### General Economic Setting

While business developments in the first two quarters were shaped by the global recession, a tentative leveling-out became noticeable in the third quarter. The International Monetary Fund (IMF) also corrected its projections slightly upwards in early October. The growth rate reported in the last months remains, however, far below rates that marked the pre-crisis global economy. Furthermore, the upward trend has taken widely divergent forms in different countries, and was influenced by government stimulus programs as well as other extraordinary measures and one-time effects.

Assuming strong growth in Asia, especially in China (expected 9 percent GDP growth) and India (expected 6.4 percent GDP growth), the IMF predicts a slight recovery for the global economy in 2010. It remains to be seen whether this development will prove sustainable.

### Sales and Performance Analysis

Sales and earnings in the first three quarters sharply reflected the worldwide decline in demand in Miba's target markets. Sales during the reporting period (February 1 to October 31, 2009) stood at EUR 228.3 million, down 23.4 percent or EUR 70 million from the same period the previous year.

Miba sites have proceeded full speed ahead with implemented measures to increase efficiency and productivity, while also supplementing these measures with targeted structural improvements such as adjusting models for working hours. Such measures have managed to partially compensate for the adverse effects of declining sales. Miba achieved groupwide positive earnings before interest and taxes (EBIT) of EUR 5.4 million (EUR 32.4 million the previous year). Earnings before taxes (EBT) totaled EUR 4.3 million, compared to EUR 30.7 million during the same period the previous year.

Earnings per share totaled EUR 2.61 in the first three quarters.

Miba Bearing Group accounted for the largest portion of group sales with 43.8 percent, followed by Miba Sinter Group with 39.4 percent and Miba Friction Group with 15.7 percent.

### Financial Position

The success of intensive working capital management can be seen in the reduction of inventories. Inventories were lowered by 15.6 percent or EUR 9.2 million in comparison to the balance sheet date (January 31, 2009).

As reported in previous quarters, during the 2009-10 business year Miba has particularly emphasized sustainable strengthening of liquidity. In the third quarter, the previously discussed programs were once again able to significantly increase cash and cash equivalents, which reached EUR 46.2 million by October 31, 2009. Net indebtedness (cash and cash equivalents minus current and non-current interest-bearing liabilities) was accordingly reduced in the first nine months and totaled EUR 3.5 million as of October 31, 2009 (EUR 19.3 million on the balance sheet date January 31, 2009).

A positive free cash flow of EUR 21.4 million was achieved in the first three quarters (EUR 12.3 million the previous year). This can be attributed on one hand to the positive operative cash flow of EUR 29.4 million (EUR 52.3 million the previous year) despite the decline in earnings. On the other hand, cash flow from investment activities stood at EUR -7.9 million (EUR -40.9 the previous year), reflecting a restrictive investment policy.

Capital expenditures in property, plant and equipment totaled EUR 10.8 million (EUR 32.8 million the previous year), primarily directed to building up the Sinter site in the USA.



Changes in currency exchange rates, above all the advancing strength of the euro against the US dollar, negatively affected group equity. Changes in exchange rates that were directly included in equity totaled approximately EUR -7.1 million in the first three quarters. The equity ratio of 55.7 percent lies slightly below the balance sheet date figure (57.9 percent).

### **Order Situation**

In comparison to the first two quarters of this business year there were no significant changes in order status in the Miba Group. The order status totals EUR 129.9 million, down about 23.9 percent from the previous year. A substantial recovery of our core markets in the coming months cannot be assumed.

### **Employees**

As of October 31, 2009, Miba had 2,621 employees worldwide. This figure represents a reduction of 10.6 percent or 311 employees in comparison to the previous year.

The number of employees was reduced largely through expiration of temporary employment contracts at sites in Slovakia and non-replacement of departing employees.

At Miba sites in Austria personnel measures such as reduced working hours and educational leave were systematically continued. As of the reporting date there were 1,577

employees at the Austrian production and technology sites, a figure that represents 60 percent of Miba staff worldwide.

As a responsible long-term employer Miba is committed to training young people, even in economically challenging times. We place great importance on apprentice training, which we develop systematically. By investing in the qualified specialists of tomorrow, the company ensures junior staff from within its own ranks. As of October 31, 2009, 140 apprentices were in training in the Miba Group (131 the previous year).

## Segment

### Miba Bearing Group

As a development partner and supplier to the international heavy-duty engine market, Miba Bearing Group continues to face declining demand in its markets. Miba Bearing Group sales for the reporting period totaled EUR 100 million, down 17.4 percent or EUR 21.0 million from the same period the previous year. Demand is expected to drop further as the presence of the economic recession is belatedly felt in specific subdivisions of this segment.

Capital expenditures totaled EUR 1.9 million, well below the previous year's level, and are being used primarily for the expansion of the sites in China and the USA.

### Miba Sinter Group

As a supplier to the automotive industry the Miba Sinter Group is affected especially strongly by the worldwide economic crisis. Sales in the first nine months totaled EUR 89.9 million, down 20.4 percent from the same period the previous year.

This segment has, however, shown slight tendencies towards recovery in recent months, with third quarter sales returning to the previous year's level. It remains to be seen, however, whether this development will prove sustainable. As government programs such as "cash for clunkers" incentives come to an end, demand will presumably decline again.

The establishment of the US sinter site headquartered in McConnelsville, Ohio is forging ahead quickly. The capital expenditures of the Miba Sinter Group, totaling EUR 7.5 million (EUR 14.6 million the previous year), focused primarily on this site.

### Miba Friction Group

Miba Friction Group is the segment faced with the most severe decline in demand. There is not yet any evidence of stabilization in its target markets.

Sales totaled EUR 35.7 million, down 41.0 percent from the same period the previous year. Negative earnings before interest and taxes (EBIT) of EUR -7.5 million were influenced

## Segment Reporting

Segment Information by Business Segment

|   | Bearing |         | Sinter  |         | Friction |         | Other   |         | Consolidation |         | Total Group |         |
|---|---------|---------|---------|---------|----------|---------|---------|---------|---------------|---------|-------------|---------|
|   | Q1-Q3   | Q1-Q3   | Q1-Q3   | Q1-Q3   | Q1-Q3    | Q1-Q3   | Q1-Q3   | Q1-Q3   | Q1-Q3         | Q1-Q3   | Q1-Q3       | Q1-Q3   |
| in TEUR                                       | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10  | 2008-09 | 2009-10 | 2008-09 | 2009-10       | 2008-09 | 2009-10     | 2008-09 |
| Revenues                                      |         |         |         |         |          |         |         |         |               |         |             |         |
| (external sales)                              | 99,951  | 120,977 | 89,912  | 113,017 | 35,744   | 60,549  | 2,699   | 3,436   | 0             | 0       | 228,307     | 297,979 |
| EBITDA  | 17,429  | 26,465  | 11,145  | 16,349  | -2,777   | 9,046   | 1,514   | 1,587   | 0             | -1      | 27,311      | 53,446  |
| EBIT  | 10,787  | 19,642  | 1,838   | 7,143   | -7,528   | 5,756   | 283     | -205    | 27            | 24      | 5,408       | 32,360  |
| Investments (excluding financial investments) | 1,932   | 14,397  | 7,491   | 14,598  | 1,105    | 2,898   | 267     | 918     | 0             | 0       | 10,794      | 32,812  |
| Employees (at end of reporting period)        | 1,031   | 1,091   | 1,057   | 1,163   | 441      | 585     | 92      | 93      | 0             | 0       | 2,621       | 2,932   |

The use of automatic data processing can lead to rounding differences.



on one hand by a massive decline in sales. On the other hand, earnings were adversely affected by goodwill amortization of EUR 1.4 million in accordance with IAS 36 in the Slovak and American subsidiaries. This was necessary due to the continuing poor general economic conditions.

Capital expenditures totaling EUR 1.1 million (EUR 2.9 million in the previous year) primarily financed measures to improve productivity.

### **Significant Risks and Uncertainties**

The difficult – if slightly stabilizing – economic climate, which continues to affect all of Miba's target markets, negatively impacts the company's earnings. Management does not foresee any major changes in individual risks that could pose a threat to the Miba Group's financial position and financial performance. For further information please refer to the risk report in the 2008-09 Annual Report.

### **Outlook**

Although some sectors and countries show a slight leveling-out, a sustainable recovery cannot yet be assumed. Call-offs at short notice by major customers reflect the ongoing, prevailing uncertainty in Miba's target markets and make it difficult to reliably forecast the further economic development of Miba Group.

Miba was not able to fully escape the downward trend of the markets. The Management Board continues to assume that group sales for the current business year will lie about 20 to 25 percent below sales for business year 2008-09.

Nonetheless, a rapid and goal-oriented structural adaptation to quickly changing business conditions enabled the Miba Group to perform comparatively well.

### **The Miba Share**

The Miba share price moved sideways in the first nine months of 2009-10 with a slight upward trend. The share price began at EUR 70 in early February, finishing the first quarter just under EUR 90. The company did not buy back any of its own stock during the reporting period. As of October 31, 2009, Miba AG thus holds 66,229 shares of its own stock, a total of about 5.1 percent of share capital.

### **Statement by the Management Board**

To the best of our knowledge, the condensed consolidated financial statements of Miba Aktiengesellschaft as of October 31, 2009, which were compiled in accordance with the International Financial Reporting Standards (IFRS) as required by the European Union, give a true and fair view of the financial position and performance of all companies included in the consolidated group.

The management report gives a true and fair view of the Group's financial position and performance with respect to the information required under § 87 (2) and (4) of the Austrian Stock Exchange Act.

For the present report, the performance of an audit or a review by an auditor was waived.

Laakirchen, December 2009

The Management Board of Miba Aktiengesellschaft

DI DDr. h. c. Peter Mitterbauer (Chairman), hon.

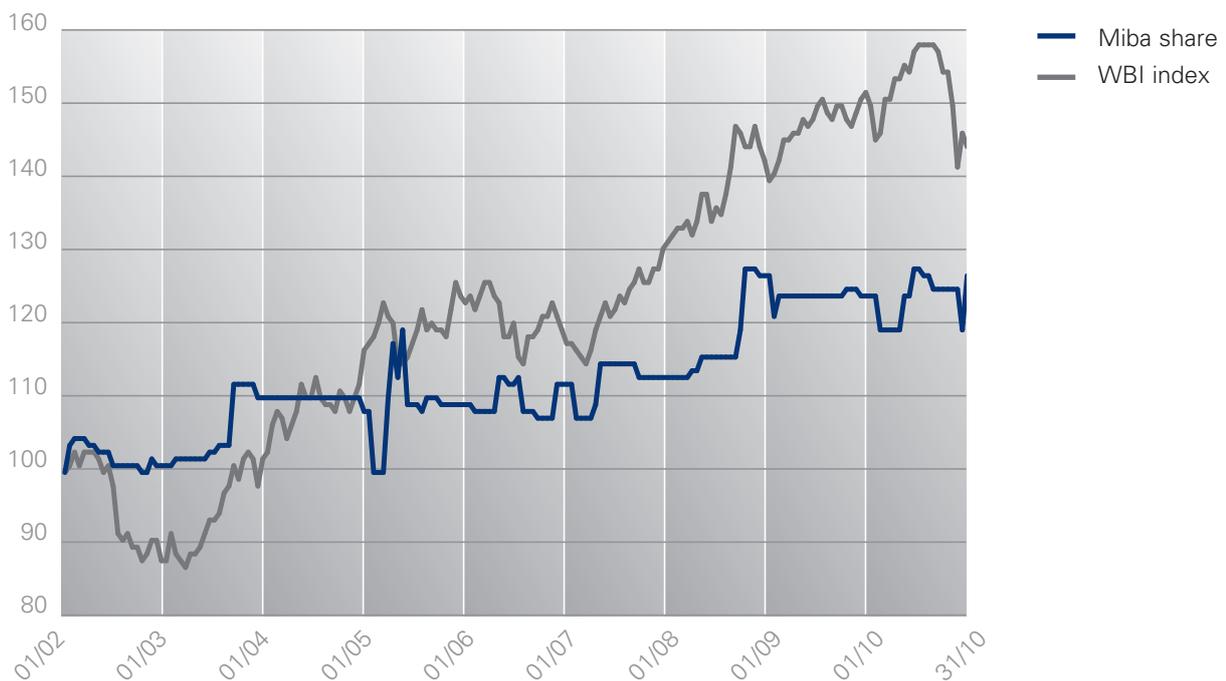
Dr.-Ing. Norbert Schrüfer, hon.

Dr. Wolfgang Litzlbauer, hon.

Dr.-Ing. Harald Neubert, hon.

### Development of the Miba Share

Quotation as at February 1, 2009 = 100%



# Consolidated Statement of Financial Position

| in TEUR   | 10/31/2009     | 01/31/2009     | 10/31/2008     |
|---|----------------|----------------|----------------|
| <b>Assets</b>                                   |                |                |                |
| <b>A. Non-current assets</b>                    |                |                |                |
| Intangible assets                               | 15,076         | 20,678         | 21,662         |
| Property, plant and equipment                   | 143,105        | 152,024        | 147,942        |
| Investments in associates                       | 7,108          | 6,302          | 7,012          |
| Other financial investments                     | 5,545          | 5,344          | 6,331          |
| Deferred tax assets                             | 9,155          | 8,576          | 13,058         |
|   | <b>179,989</b> | <b>192,924</b> | <b>196,005</b> |
| <b>B. Current assets</b>                        |                |                |                |
| Inventories                                     | 49,844         | 59,031         | 64,806         |
| Trade and other receivables                     | 64,819         | 64,457         | 79,367         |
| Cash and cash equivalents                       | 46,164         | 24,592         | 29,976         |
|   | <b>160,827</b> | <b>148,080</b> | <b>174,149</b> |
|   | <b>340,816</b> | <b>341,004</b> | <b>370,153</b> |
| <b>Equity and Liabilities</b>                   |                |                |                |
| <b>A. Group equity</b>                          |                |                |                |
| Share capital                                   | 9,500          | 9,500          | 9,500          |
| Capital reserves                                | 18,089         | 18,089         | 18,089         |
| Retained earnings                               | 169,878        | 177,554        | 179,561        |
| Treasury shares                                 | -8,060         | -8,060         | -7,502         |
| Minority interests                              | 361            | 338            | 379            |
|   | <b>189,767</b> | <b>197,421</b> | <b>200,027</b> |
| <b>B. Non-current liabilities</b>               |                |                |                |
| Provisions for severance payments and pensions  | 19,191         | 18,732         | 20,257         |
| Provision for deferred taxes                    | 1,125          | 1,436          | 1,932          |
| Interest-bearing liabilities                    | 31,768         | 13,920         | 27,295         |
| Other non-current liabilities                   | 12,472         | 13,242         | 14,108         |
|   | <b>64,556</b>  | <b>47,330</b>  | <b>63,592</b>  |
| <b>C. Current liabilities</b>                   |                |                |                |
| Current accruals                                | 34,193         | 30,316         | 44,709         |
| Trade payables                                  | 23,133         | 23,244         | 27,572         |
| Current portion of interest-bearing liabilities | 17,935         | 29,950         | 23,811         |
| Other current liabilities                       | 11,232         | 12,743         | 10,443         |
|   | <b>86,493</b>  | <b>96,253</b>  | <b>106,535</b> |
|   | <b>340,816</b> | <b>341,004</b> | <b>370,153</b> |

The use of automatic data processing can lead to rounding differences.

# Consolidated Income Statement

| in TEUR   | <b>Q3<br/>2009-10</b> | <b>Q3<br/>2008-09</b> | <b>Q1-Q3<br/>2009-10</b> | <b>Q1-Q3<br/>2008-09</b> |
|---|-----------------------|-----------------------|--------------------------|--------------------------|
| Revenues  | 79,847                | 98,240                | 228,307                  | 297,979                  |
| Changes in inventory of finished goods and work in progress                   | 280                   | -3,423                | -3,771                   | 2,484                    |
| Internally produced and capitalized assets                                    | 149                   | 2,899                 | 2,832                    | 6,328                    |
| <b>Operating result</b>   | <b>80,276</b>         | <b>97,717</b>         | <b>227,367</b>           | <b>306,791</b>           |
| Other operating income  | 828                   | 5,911                 | 4,514                    | 14,821                   |
| Cost of material and other purchased manufacturing services                   | -31,963               | -37,037               | -87,746                  | -122,391                 |
| Personnel costs   | -26,252               | -32,417               | -82,535                  | -93,404                  |
| Other operating expenses  | -12,758               | -17,969               | -34,289                  | -52,372                  |
| <b>Earnings before interest, taxes depreciation and amortization (EBITDA)</b> | <b>10,131</b>         | <b>16,205</b>         | <b>27,311</b>            | <b>53,446</b>            |
| Depreciation and amortization   | -5,716                | -7,456                | -20,541                  | -21,086                  |
| <b>Earnings before interest, taxes and amortization of goodwill (EBITA)</b>   | <b>4,415</b>          | <b>8,749</b>          | <b>6,770</b>             | <b>32,360</b>            |
| Amortization of goodwill  | -1,362                | 0                     | -1,362                   | 0                        |
| <b>Earnings before interest and taxes (EBIT)</b>                              | <b>3,053</b>          | <b>8,749</b>          | <b>5,408</b>             | <b>32,360</b>            |
| Income and losses from investments in associates                              | 257                   | 327                   | 539                      | 1,047                    |
| Net interest income   | -552                  | -1,262                | -1,764                   | -3,035                   |
| Other financial income  | 114                   | 334                   | 122                      | 334                      |
| <b>Financial results</b>  | <b>-182</b>           | <b>-601</b>           | <b>-1,103</b>            | <b>-1,653</b>            |
| <b>Earnings before taxes (EBT)</b>  | <b>2,871</b>          | <b>8,148</b>          | <b>4,305</b>             | <b>30,706</b>            |
| Income taxes  | -364                  | -2,034                | -1,030                   | -8,275                   |
| <b>Earnings after taxes</b>   | <b>2,507</b>          | <b>6,115</b>          | <b>3,275</b>             | <b>22,431</b>            |
| Attributable to minority shareholders   | 57                    | 16                    | 54                       | 27                       |
| Attributable to parent company shareholders                                   | 2,450                 | 6,099                 | 3,221                    | 22,404                   |
| Weighted average of the number of shares issued (in units)                    | 1,233,771             | 1,258,958             | 1,233,771                | 1,272,805                |
| Earnings per share in EUR   | 1.99                  | 4.84                  | 2.61                     | 17.60                    |
| Diluted earnings per share in EUR = undiluted earnings per share in EUR       | 1.99                  | 4.84                  | 2.61                     | 17.60                    |

## Statement of Comprehensive Income

|   | in TEUR | Q1-Q3<br>2009-10 | Q1-Q3<br>2008-09 |
|---|---------|------------------|------------------|
| <b>Earnings after taxes</b>   |         | <b>3,275</b>     | <b>22,431</b>    |
| Unrealized gains (+) or losses (-) from foreign currency translation      |         | -7,057           | 10,034           |
| Actuarial gains/losses  |         | -146             | 0                |
| Other changes   |         | 7                | 0                |
| <b>Income and expenses included directly in equity-7.196</b>              |         | <b>10,034</b>    |                  |
| <b>Total of all recognized income and expenses (comprehensive income)</b> |         | <b>-3,921</b>    | <b>32,465</b>    |
| Attributable to   |         |                  |                  |
| Shareholders of Miba AG only  |         | -3,975           | 32,438           |
| Minority interests only   |         | 54               | 27               |

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## Statement of Changes in Group Equity

| in TEUR                          | Share capital | Capital reserves | Currency translation differences | Retained earnings | Treasury shares | Miba AG shareholders | Minority shares | Total          |
|----------------------------------|---------------|------------------|----------------------------------|-------------------|-----------------|----------------------|-----------------|----------------|
| <b>As of February 1, 2008</b>    | <b>9,500</b>  | <b>18,089</b>    | <b>-16,278</b>                   | <b>167,598</b>    | <b>-1,315</b>   | <b>177,594</b>       | <b>101</b>      | <b>177,695</b> |
| Dividend payments                | 0             | 0                | 0                                | -4,198            | 0               | -4,198               | 0               | -4,198         |
| Changes in treasury shares       | 0             | 0                | 0                                | 0                 | -6,186          | -6,186               | 0               | -6,186         |
| Change in scope of consolidation | 0             | 0                | 0                                | 0                 | 0               | 0                    | 251             | 251            |
| Total comprehensive income       | 0             | 0                | 10,034                           | 22,404            | 0               | 32,439               | 27              | 32,465         |
| <b>As of October 31, 2008</b>    | <b>9,500</b>  | <b>18,089</b>    | <b>-6,244</b>                    | <b>185,804</b>    | <b>-7,501</b>   | <b>199,648</b>       | <b>379</b>      | <b>200,027</b> |
| <b>As of February 1, 2009</b>    | <b>9,500</b>  | <b>18,089</b>    | <b>-7,578</b>                    | <b>185,132</b>    | <b>-8,060</b>   | <b>197,083</b>       | <b>338</b>      | <b>197,421</b> |
| Dividend payments                | 0             | 0                | 0                                | -3,701            | 0               | -3,701               | 0               | -3,701         |
| Changes in treasury shares       | 0             | 0                | 0                                | 0                 | 0               | 0                    | 0               | 0              |
| Change in scope of consolidation | 0             | 0                | 0                                | 0                 | 0               | 0                    | -31             | -31            |
| Total comprehensive income       | 0             | 0                | -7,057                           | 3,082             | 0               | -3,975               | 54              | -3,921         |
| <b>As of October 31, 2009</b>    | <b>9,500</b>  | <b>18,089</b>    | <b>-14,635</b>                   | <b>184,513</b>    | <b>-8,060</b>   | <b>189,406</b>       | <b>361</b>      | <b>189,767</b> |

## Consolidated Statement of Cash Flows

|   | in TEUR | Q1-Q3<br>2009-10 | Q1-Q3<br>2008-09 |
|---|---------|------------------|------------------|
| Consolidated cash flow from operating activities      |         | 29,389           | 52,287           |
| Consolidated cash flow from investment activities     |         | -7,945           | -40,001          |
| Consolidated cash flow from financing activities      |         | 128              | -4,897           |
| <b>Change in cash and securities (current assets)</b> |         | <b>21,572</b>    | <b>7,389</b>     |

The use of automatic data processing can lead to rounding differences.

# Notes on the Interim Consolidated Financial Statements as at October 31, 2009

## **Information on the Company and Basis for the Preparation of the Statements**

Miba Aktiengesellschaft is a group based in Austria with international operations. The core business of the Miba Group comprises the product segments engine bearings, sintered components and friction materials. The Group's head office is located at Dr.-Mitterbauer Street 3, 4663 Laa-kirchen, Austria. The company is registered with the local court, Landes- als Handelsgericht Wels, under No. FN 107386 x.

The present interim financial statements as of October 31, 2009 (February 1, 2009, to October 31, 2009) were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the end of the reporting period (as required in the European Union), in particular IAS 34 (Interim Financial Reporting). Miba AG has applied the accounting standards that are obligatory as of fiscal year 2009-2010, in particular IAS 1 on the presentation of financial statements. Reporting on operating segments was already based on the internal management structure (management approach) and had no effect on the definition of segments upon first-time application of IFRS 8 (Operating Segments). The other accounting standards to be applied for the first time in business year 2009-2010 have no material effect on the presentation of the financial position or financial performance of the Miba Group.

The accounting policies of January 31, 2009, were otherwise applied unchanged in preparing this interim report. For further information regarding accounting and valuation methods, please refer to the group financial statements as of January 31, 2009. For the purpose of clarity, all figures are exclusively shown in thousands of euros (TEUR).

## **Scope of Consolidation**

The scope of consolidation was defined in accordance with the principles of IAS 27 (Consolidated and Separate Financial Statements). The consolidated entity accordingly includes 10 Austrian and 11 foreign subsidiaries in which Miba Aktiengesellschaft holds, directly or indirectly, the majority of voting rights.

On May 31, 2009, Miba's stake in C-Gesellschaft was increased to 75.5 percent from 51 percent.

On June 2, 2009, Miba's stakes in Tyzack Ltd., Sheffield (UK), WA Tyzack Ltd., Sheffield (UK) and Tyzack Turner Ltd., Sheffield (UK) were liquidated in accordance with commercial law.

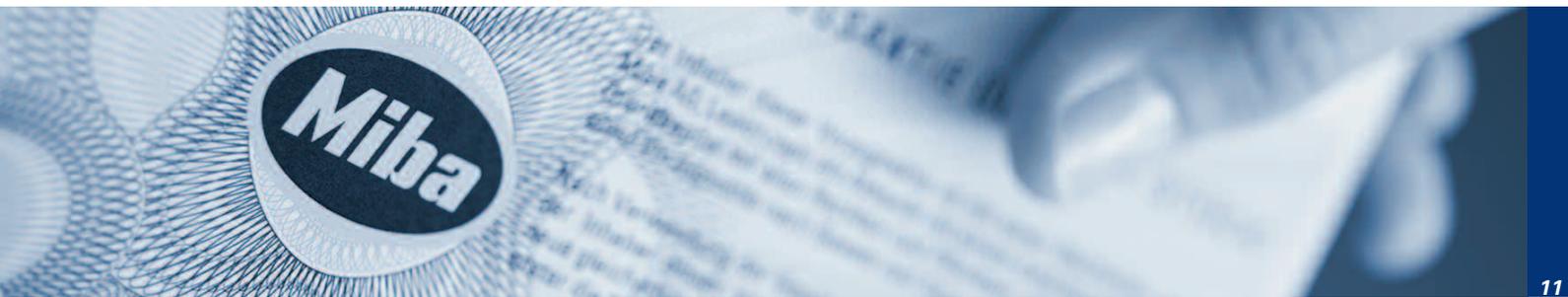
On July 13, 2009, Miba Gleitlager GmbH acquired a 24.9 percent interest in Teer Coatings Ltd., Droitwich (UK). The company is included in the consolidated financial statements as an associate accounted for according to the equity method.

## **Business Seasonality**

The sales of the Miba Group are approximately equally divided over the four quarters of the business year.

## **Events After the Balance Sheet Date**

Events after the balance sheet date that are relevant for valuation on the balance sheet date such as pending legal disputes or claims for damages and any other obligations or anticipated losses that must be disclosed in accordance with IAS 10 are reflected in the consolidated financial statements or are unknown.



### **Estimates and Uncertainties**

With regard to discretionary decisions and uncertainties resulting from estimates, please consult the Miba Group's consolidated financial statements as at January 31, 2009

### **Statement by the Management Board**

To the best of our knowledge, the condensed consolidated financial statements of Miba Aktiengesellschaft as per October 31, 2009, which were compiled in accordance with the International Financial Reporting Standards (IFRS) as required by the European Union, give a true and fair view of the financial position and performance of all companies included in the consolidated group.

The management report gives a true and fair view of the Group's financial position and performance with respect to

the information required under § 87 (2) and (4) of the Austrian Stock Exchange Act.

For the present report, the performance of an audit or a review by an auditor was waived.

Laakirchen, December 2009

The Management Board of Miba Aktiengesellschaft

DI DDr. h. c. Peter Mitterbauer (Chairman), hon.

Dr.-Ing. Norbert Schrüfer, hon.

Dr. Wolfgang Litzlbauer, hon.

Dr.-Ing. Harald Neubert, hon.

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