Innovation in Motion

Miba

Annual Report 2004|05

Miba Group

Structure of the Miba Group



■ Production
■ Trade/Sales

Sinter Group

- Miba Sinter Austria GmbH
  Austria
- Miba Sinter Italy S.r.l.
  Italy
- Miba Sinter Spain S.A.
  Spain
- Miba Sinter Slovakia s.r.o.
  Slovakia
- Mahle Metal Leve Miba Sinterizados Ltda.
  Brazil
- Miba France SARL
  France
- Miba Deutschland GmbH
  Germany
- Miba Italy S.r.l.
  Italy

Bearing Group

- Miba Gleitlager GmbH
  Austria
- Miba Bearings US LLC
  USA
- Miba Automation Systems Ges.m.b.H.
  Austria
- Miba Far East PTE Ltd.
  Singapore

Friction Group

- Miba Frictec GmbH
  Austria
- Miba Tyzack Ltd.
  Great Britain
- Miba HydraMechanica Corp.
  USA

All companies are 100 %-holding companies or 30 %-holding companies (Mahle Metal Leve Miba Sinterizados Ltda., Brazil).

	2004/05	2003/04	2002/03
Income Statement (in EUR million)			
Sales	327.9	294.4	294.4
Part of sales outside Austria (in %)	95	96	96
Earnings before interest and taxes (EBIT)	29.2	23.9	29.8
Earnings before taxes (EBT)	23.4	21.6	26.3
Net income for the year	17.5	14.9	17
Balance Sheet (in EUR million)			
Balance sheet total	298.9	298.2	314.2
Fixed assets	156.5	160.7	170.4
Liabilities	147	144.8	167.4
Shareholder’s equity	151.9	153.5	146.8
Shareholder’s equity as % of total capital	50.8	51.5	46.7
Cash flow and Investments (in EUR million)			
Cash flow from operations	39.1	28.3	27.9
Investments (excl. financial assets)	24.7	24.3	19.3
Depreciation	22.2	26.6	25
Employees			
Employees (yearly average)	2,586	2,447	2,461
Personnel expense	114.4	106.1	104.4
Stock Exchange Data (in EUR)			
Profit per share	13.46	11.47	12.77
Dividend per share	2.8	2.5	2.5
Dividend yield (in %)	2.15	2.27	4.10
Share quotation at closing of fiscal year (January 31,2005)	130	110	61

Content

Innovation in Motion

Annual Report 2004/05

Ing. Alfred Hörtenhuber

Dr. Ing. Norbert Schrüfer

DI DDr. h.c. Peter Mitterbauer

Dr. Wolfgang Litzlbauer

KR Siegfried Dapoz

Preface by the Chief Executive Officer

Ladies and Gentlemen!
Dear Shareholders!

The past fiscal year 2004/05 was a turbulent one for the global economy and for Miba. The determining macro-economic influencing factors were the sustained strong economic growth in the Far East, the exchange rate drop of the US Dollar against the Euro and the marked price increases on the international commodity markets, especially for crude oil, steel and non-ferrous metals. The European Union's enlargement to 25 member states formed a historic milestone in the previous year.

Miba stood its ground well in this dynamic and challenging economic environment. As a supplier of the international engine and automotive industry, Miba gets approximately half of its business from the automotive industry. We were able to strengthen our market position in all three of our core business segments – Sintered Components, Engine Bearings and Friction Materials – through consistent technological progress. In demanding niches, such as the production of engine gear wheels, heavy duty engine bearings or clutch linings, we were able to improve our market leader position.

In the past fiscal year, sales increased by 11% to 327.9 million EUR as compared to the preceding year. At 23.3 million EUR, the operating result was 8% higher than that of the previous year. Our employees are one of the main pillars of this success. On average, Miba employed 2,586 people in the 2004/05 fiscal year. Our employees have once again proven that they can meet high expectations and take on the opportunities provided. I would especially like to thank them.

2004/05 was not only a successful year for Miba, but also an eventful one. One of the highlights was the inauguration of our modern and architecturally sophisticated plant in Roitham. Strategically, the decision to build a new plant in Slovakia as well as the Management buyout at our Turin site deserve special mention. As of July 31, 2004, Miba has parted with its manufacturing base in Turin.

In the fall of 2004, the decision was taken to build a new production facility for steel plates in Vráble, 100 kilometers east of Bratislava. After its start-up, production from the obsolete plant in Sheffield/England will be transferred to Slovakia.

Besides optimizing its site concept, Miba also set a new human resources course over the previous fiscal year. Norbert Schrüfer, the former CEO of Miba Bearing Group, transferred as CEO from Miba Bearing Group to the Management Board of Miba Sinter Group. Wolfgang Litzlbauer succeeded him as the Bearing Group's CEO and simultaneously moved up into Miba AG's Management Board. As a result, the Management Board is once again composed of five members.

One step towards intensifying the inter-site cooperation is the introduction of SAP as our core IT system, a process which was initiated in the previous fiscal year under the "conNEcT.miba" project name. The most important Miba sites successfully completed the "Go-Live" procedure. The remaining sites will follow suit in the coming months.

With "Vision 2008", which was elaborated over the previous fiscal year, and the objective "No motorized vehicle without Miba technology", we have taken on an ambitious program for the years to come. In any case, Miba's structure and strategic orientation make it well-equipped as a partner of the international engine and automotive industry; therefore, Miba is geared towards further profitable growth.

In the name of the Management Board, I would like to thank our shareholders for the trust they have placed in us and I look forward to your continued companionship on our path to success.

P. Mitterbauer.

Laakirchen, April 2005

Management

DI DDr. h.c.
Peter Mitterbauer,
Chairman and
Chief Executive Officer

born in 1942,
married, 2 children

Following his studies at the Technical Universities of Graz and Vienna, Peter Mitterbauer moved to the United States for professional experience and additional studies. In 1969, he joined the family-owned business, initially as Sales Manager. In 1973, he moved on to the Management Board, which he has chaired since 1986. From 1996 to 2004, Mitterbauer was President of the Federation of Austrian Industry and from 2001 to 2004, he was Vice-President of the European Association of Industry and Employers, UNICE. In 2005, Mitterbauer was awarded an honorary doctor's degree from the Technical University of Graz.

KR
Siegfried Dapoz,
Chief Financial Officer

born in 1942, married,
1 daughter

Originally trained as a banker, Mr. Dapoz started his career at Miba in 1966. In 1970, he took over the management of the Financial and Cost Accounting Departments. Dapoz has been member of the Management Board since 1986 and actively participated in the corporation's IPO in 1989. From 2001 to 2004, he was Miba Sinter Group's Interim Manager.

Dr. Ing. Norbert Schrüfer,
Chief Executive Officer of
Miba Sinter Group

born in 1959,
married, 2 children

Following his Mechanical Engineering studies at the Technical University of Munich, this native-born German completed a Master of Science degree at the University of Illinois. In 1996, he joined Miba Bearing Group's Management Board. Since 2001, Schrüfer has also been member of Miba AG's Management Board. In 2004, he transferred as CEO from Miba Bearing Group to the Management Board of Miba Sinter Group.

Dr. Wolfgang Litzlbauer,
Chief Executive Officer
of Miba Bearing Group

born in 1969,
married, 1 son

Following his doctorate in Social Sciences and Economics, Litzlbauer joined Miba as Management Assistant. In 1999, Litzlbauer took over the commercial management of the Miba affiliated company Mahle Metal Leve Miba Sinterizados Ltda. in Brazil. In 2003, he returned to Austria as General Manager for Marketing and Sales of Miba Bearing Group. Since June 2004, Litzlbauer has been Chief Executive of Miba Bearing Group and is member of MIBA AG's Management Board.

Ing. Alfred Hörtenhuber,
Chief Executive Officer
of Miba Friction Group

born in 1955,
married, 2 children

Alfred Hörtenhuber graduated from the Federal Institute of Higher Technical Studies for Mechanical Engineering and completed the Export Study Course at the University of Linz. In 1985, he joined Miba Sinter Group as Marketing Manager and subsequently was promoted to Management in 1990. In 1998, Hörtenhuber took over Miba Friction Group's Management and he has also been member of Miba AG's Management Board ever since.

Report of the Supervisory Board

At its meetings, the Supervisory Board fulfilled its obligations according to the law and the corporate articles at its meetings, among other things.

The Management Board regularly reported on business developments and the state of the company. Important events were reported in verbal or written form to the Chairman of the Supervisory Board or the Deputy Chairman.

The Annual Financial Statements and the Status Report, including Notes, were audited by KPMG Austria Gesellschaft mbH, Linz. The final audit report did not raise any objection by the auditors and an unqualified audit certificate was issued.

Therefore, the auditor has confirmed that the annual financial statements and Management's status report comply with the legal requirements. The Supervisory Board agrees with the results of the audit.

Based on the final results of its examination of the status report as presented by the Management Board in accordance with Article 127 of the AktG (Austrian Stock Corporation Law), including the proposed profit distribution, the Supervisory Board did not raise any objections.

The Supervisory Board has approved the annual financial statements which have thus been officially sanctioned in accordance with Article 125, Paragraph 2 of the AktG (Austrian Stock Corporation Law).

The Supervisory Board would like to take this opportunity to thank the Management Board and all Miba employees for their work performance during this fiscal year.

Laakirchen, June 2005

Dkfm. Dr. Hermann Bell
Chairman

Members of the Supervisory Board

Dkfm. Dr. Hermann Bell,
Linz, Chairman
Chairman of the Supervisory Board of Oberbank AG

Dr. Josef Fegerl,
Mattsee, Deputy Chairman
former Deputy Chairman of the Management Board of Miba AG

Dr. Robert Büchelhofer,
Starnberg
former Board member of Volkswagen AG

DDr. Robert Ehrlich,
Wels
Managing Partner of PC Electric GmbH

Dipl. BW Alfred Heinzel,
Vienna
Chairman of the Management Board of Heinzel Holding GmbH

Dr. Theresa Jordis,
Vienna
Corporate lawyer,
Dorda Brugger Jordis Rechtsanwälte GmbH

Delegated by the Employee's Council

Hermann Aigner,
Vorchdorf

Hermann Biesl,
Roitham

Erika Forstinger,
Vorchdorf

Vision 2008 and Values

Vision: In 2008 Miba is a successful and independent company with its headquarters in Austria and sites in major economic centers of the world. As one of the leading strategic partners of the international engine and automotive industry, we are close to achieving our goal: no motor vehicle without Miba Technology.

Mission: Miba technology makes motor vehicles, trains, ships, aircraft and power stations more efficient, safer and more environmentally friendly.

Strategy: We extend our position as market leader in our three core businesses sintered components, bearings, friction material – through technological advancement. Our profitable growth is to be consistently higher than that of the market and our competitors. An additional business accounts for at least 10 percent of our total turnover. Human skills represent one of our biggest assets. Our employees are internationally and culturally flexible and willing to learn. As a company we aim to become a sought after employer of choice by the most talented people.

Values: Every employee is a part of the Miba family and committed to the same set of professional values: technological leadership, entrepreneurship, a passion for success and lifelong-learning.

Excellent performance

In the 2004/05 fiscal year, there was a firm upward movement in the Miba stock price with a significant increase towards the end of the year. During the period under review (January 2004 to January 2005), the Miba share increased in value by 18%. With its slightly higher profit of 13.46 EUR per share and a 2.15% dividend yield (price at year-end), the Miba share documents the corporation's long-term positive and profit-oriented development.

Miba Aktiengesellschaft which has been listed on the Vienna Stock Exchange since 1989 functions as the holding and lead company of the three strategic business segments: Miba Sinter Group, Miba Bearing Group and Miba Friction Group. Sales amounted to EUR 10.4 million for the 2004/05 fiscal year. The result of ordinary business activity amounted to 14 million EUR and includes the dividend distribution of subsidiaries.

Miba AG manages the Group's business, investment and financial strategies. It is in charge of Central Administration, Human Resources Development, Information Technology and Corporate Communications and decides on the basic strategies for the entire Corporate Group.

Miba AG's share capital amounts to 9.5 million EUR. It is divided into 1,300,000 no par value shares, of which 870,000 are common shares, 130,000 are preferred shares (Emission A) without voting rights, but with conversion rights to common shares subject to giving up preferential rights and 300,000 are preferred shares (Emission B) without voting rights and without conversion rights to common shares.

The capital share certificates issued in 1989 were cancelled by the company with 3 months' notice, effective as of February 27, 2004. All capital share certificates were cancelled and trading of this instrument at the Vienna Stock Exchange was discontinued on February 27, 2004. In accordance with Article 7 of the provisions for capital share certificates, the holders of the capital share certificates received a settlement within 14 days of the effective cancellation date. The settlement was calculated based on the arithmetic mean of the closing price of the company's non-convertible preferred stock (ISIN AT000734835) in the three months preceding the effective cancellation date. They also received a profit-sharing settlement in accordance with Article 7 Paragraph 4 of the provisions for capital share certificates.

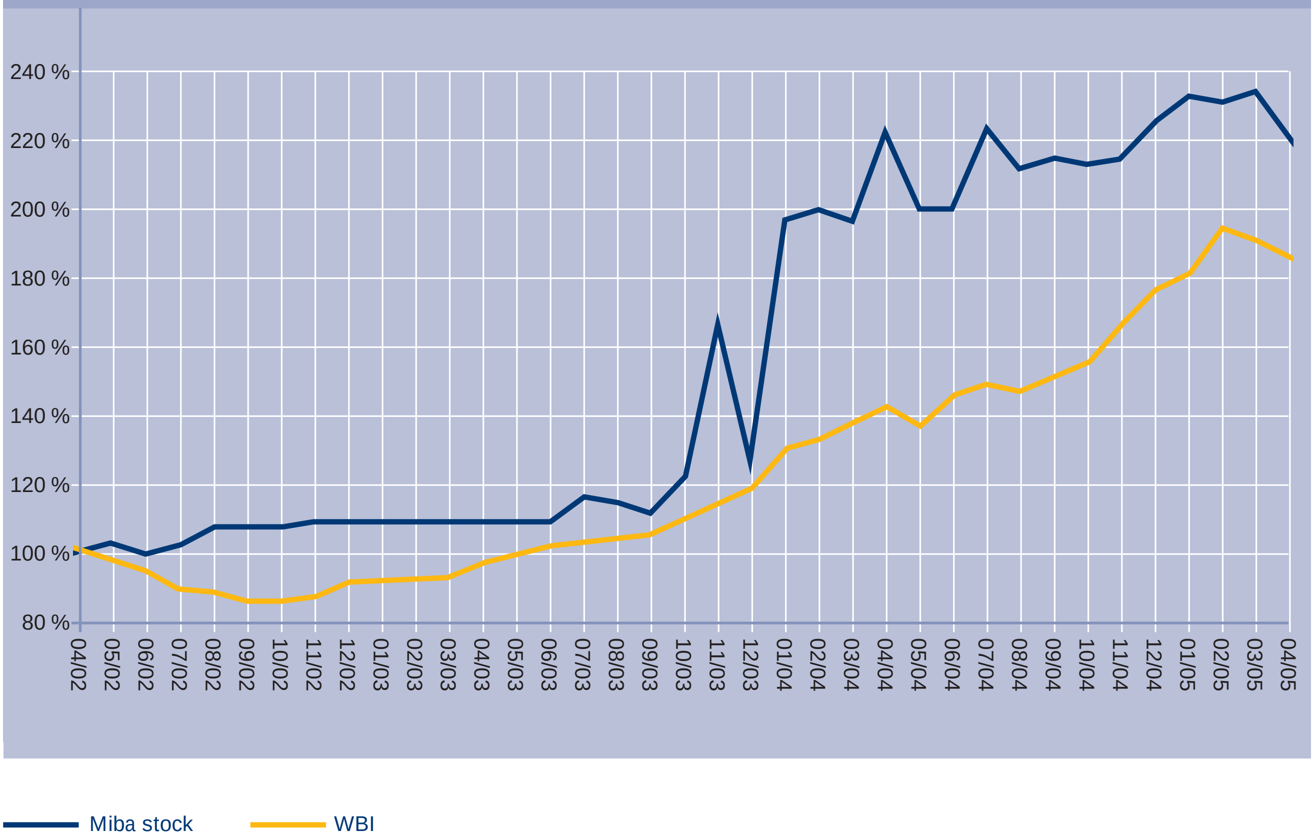
To reflect the positive business development during the past fiscal year, the Chairman of the Shareholders' Meeting suggests increasing the dividend. For the preferred shares listed on the Vienna Stock Exchange (Emission B), a dividend of 0.59 EUR per share plus a 2.21 EUR bonus per share shall be paid.

Holders of common shares and holders of preferred shares (Emission A) shall receive a dividend payment of 2.80 EUR per share, provided that the Shareholders' Meeting approves.

Proactive and transparent communication is important to Miba. In 2004/05, the public received regular updates on business trends via press releases, recurrent newsletters to shareholders and press conferences. In case of questions concerning Investor Relations, Miba's Chief Financial Officer, Siegfried Dapoz, is at your disposal at the following phone number +43 (0) 7613-2541-0 or under the following e-mail address info@miba.com. We would also like to encourage you to consult our website www.miba.com.

Development of the Miba stock in the last 3 years

Quotation January 2001 = 100 %



Corporate Governance

As of September 2002, the Austrian Working Group on Corporate Governance drew up the Austrian Code of Corporate Governance. Miba AG implemented the Code for the 2005/06 fiscal year in its version of February 2005. The Code of Corporate Governance forms a set of rules for the accountable management and control of enterprises in Austria. The code aims to establish sustainable and long-term values and to increase the degree of transparency for all shareholders. The main principles, such as:

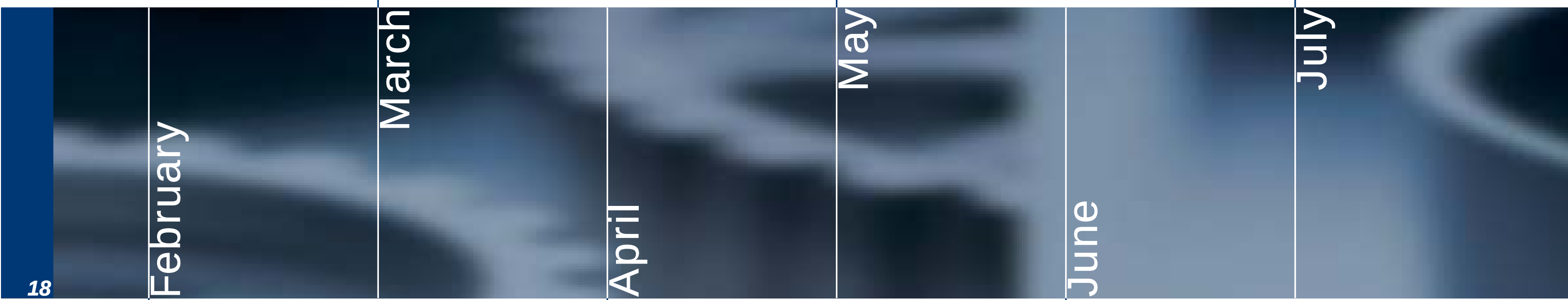
- equal treatment of all shareholders
- open discussions between the Management Board and the Supervisory Board
- prevention of conflicts of interest between Board members
- efficient monitoring by the Supervisory Board and the Auditor

shall increase the confidence of international investors, particularly in the corporation and its Management as well as in Austria as a financial center. The Austrian Corporate Governance Code is based on legal provisions, in particular those of the Austrian Stock Corporation, Stock Exchange and Capital Market Acts as well as the OECD Guidelines on Corporate Governance. The Code enters into effect through the voluntary undertaking of enterprises to adhere to the principles set out in the Corporate Governance principles. All listed companies are called upon to make a public declaration of their commitment to the Code and to have their compliance with the rules stipulated therein monitored by an external institution on a regular and voluntary basis, and to report the findings to the public.

Commitment to comply with the Austrian Code of Corporate Governance

Miba AG practices proactive and transparent communication and corporate governance. Miba AG's Management Board commits itself to complying with the Austrian Code of Corporate Governance as of the 2005/06 fiscal year.

2004/05 Highlights



February

■ Introduction of SAP at the Vorchdorf and Dolny Kubin sites

■ Change-over of Norbert Schrüfer as CEO of Miba Bearing Group to the Management Board of Miba Sinter Group

■ Termination of the equity share certificates

March

■ New galvanizing plant for Miba Bearings US: largest individual investment in the history of the McConnelsville site

April

■ "Supplier of the Year" Award presented to Miba Bearing Group by the Finnish Wärtsila Group

May

■ Opening of Miba Friction Group's new plant in Roitham

■ "Outstanding Performance Award" presented to Miba Friction Group by AGCO, one of the world's leading manufacturers of agricultural tractors

June

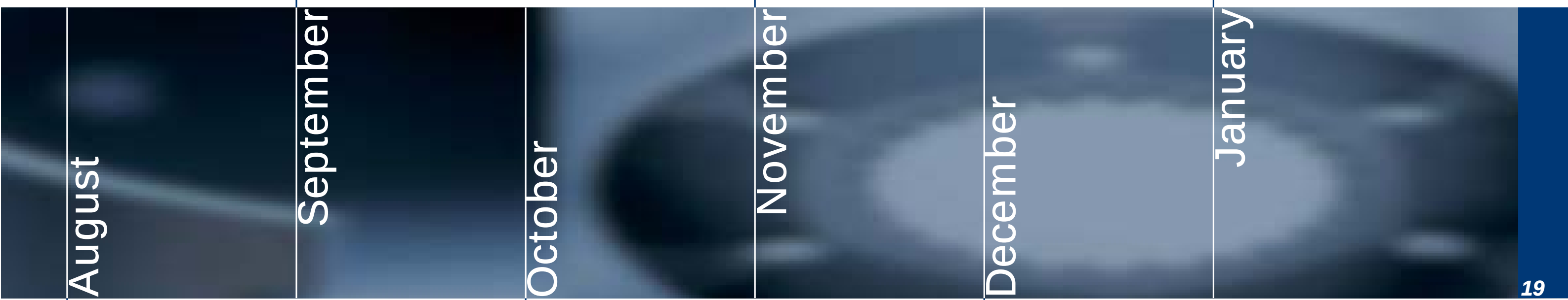
■ Publication of the figures for the first quarter: 6% growth in sales

■ Wolfgang Litzlbauer becomes the new CEO of Miba Bearing Group and new member of Miba AG's Management Board

■ Norbert Schrüfer becomes the new CEO of Miba Sinter Group

July

■ Management buyout at the Turin location



August

- Gabriele Gerach-Schwarzer becomes the new Vice-President Human Capital

September

- Publication of the mid-year performance: 10% growth in sales
- Launching of apprenticeship training at Miba Frictec GmbH in Roitham

October

- “Innovations in Powder Metallurgy Award 2004” presented to Miba Sinter Group at the World Congress of Powder Metallurgy in Vienna
- Introduction of SAP at the Roitham site
- Graduation ceremony for the first graduates of the Miba Leadership@cademy

November

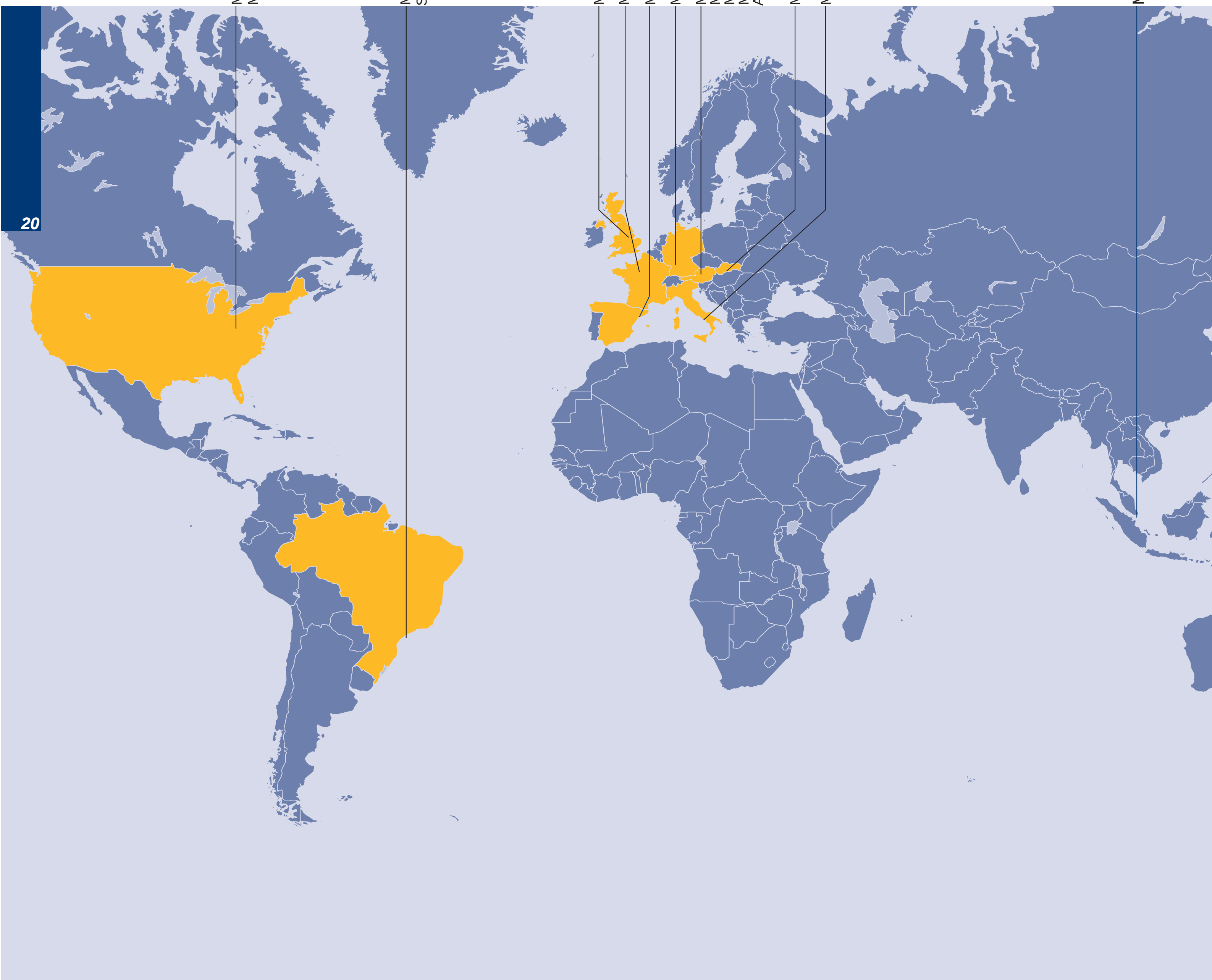
- Go-ahead given for the construction of Miba Friction Group’s new plant in Vráble
- Introduction of SAP at the Barcelona site

December

- Publication of the figures for the third quarter: 9% growth in sales

January

- 50,000 EUR donation to the victims of the tsunami flood disaster in South East Asia
- Mitsubishi victory at the Barcelona-Dakar Desert Rally using Miba friction linings


Miba Bearings US LLC, USA
Miba HydraMechanica Corp., USA
Mahle Metal Leve Miba
Sinterizados Ltda., Brazil
Miba Tyzack Ltd., Great Britain
Miba France SARL, France
Miba Sinter Spain S.A., Spain
Miba Deutschland GmbH, Germany
Miba Gleitlager GmbH
Miba Automation Systems Ges.m.b.H.
Miba Sinter Austria GmbH
Miba Frictec GmbH
Austria
Miba Sinter Slovakia s.r.o., Slovakia
Miba Sinter Italy S.r.l., Italy
Miba Far East PTE Ltd., Singapore

Volatile markets, regional divergences and expensive commodities

High volatility and regionally highly divergent developments characterized Miba's customer markets during the 2004/05 fiscal year. According to economists, the global economy grew at its fastest pace since 15 years. North America and Asia were the driving force for growth over the past year. For instance, the gross domestic product (GDP) grew by 4.3% in the US and by 9.5% in China.

The strong foreign exchange value of the Euro against the Dollar impaired the economic recovery in Europe, particularly in the Euro zone. In the meantime, the Euro has risen above the 1.35 USD mark. Germany, the former motor of growth, sputtered and reached a modest 1.2% GDP increase in 2004. The Euro value and the massive price hikes on the international commodity markets, in particular for crude oil, steel and non-ferrous metals, slowed down growth.

Over the previous year, the European automotive industry, one of Miba's main markets, went through an economically difficult period. The consumers' reticence to spend caused manufacturers to experience capacity utilization problems and resulted in pressure on the supply industry. Due to product innovation and the development of new fields of application, Miba Sinter Group managed to assert itself in this difficult market environment. Whereas European car production increased by 2.8% over the previous year, Miba Sinter Group was able to increase sales by 6.8% and gain additional market shares.

Miba Bearing Group participated in market growth in the Far East and in the US. The market opportunities provided were used and turned into economic success. Strong demand was recorded in the railway business, in shipbuilding and in the commercial vehicle market.

In 2004/05, Miba Bearing Group as well as Miba Friction Group were affected by the drop in the USD's exchange value against the Euro. In addition, Miba Friction Group, which supplies friction materials for clutches and brakes for agricultural tractors, construction machinery and trucks all over the world, was confronted with the strong increase in steel prices and the accompanying steel supply problems. Nevertheless, Miba Friction Group was able to consolidate and expand its market position in 2004/05.

Sales and Performance Analysis

Right on track in insecure times

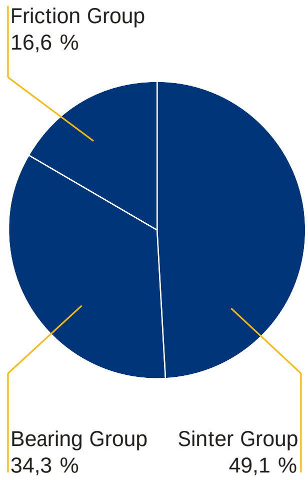
Despite a volatile economic environment, Miba was able to hold up well in the 2004/05 fiscal year. The Group's consolidated sales revenue amounted to 327.9 million EUR as compared to 294.4 million EUR in the comparable period of the previous year. The marked 11.4% growth in sales as compared to 2003/04 is, among other things, a result of Miba's diversification in terms of its markets and customers. This diversification ensures that a decline in one segment can be overcompensated through an increase in another segment. Miba's success is based on its strong foundation as a strategic partner of the international engine and automotive industry. Miba's technological leadership position enables it to become involved in its customers' development projects at an early stage, thereby securing its competitive edge.

The increase in sales in the 2004/05 fiscal year should be evaluated particularly against the background of the marked drop in the Dollar exchange rate value against the Euro. At the average Dollar exchange rate of the 2003/04 fiscal year, sales in the previous fiscal year would have been 3.6 million EUR higher.

As was the case in previous years, the distribution of sales takes place according to the business segments. Miba Sinter Group made up 49.1% of total sales in 2004/05. Miba Bearing Group contributed 34.3% to total sales. Miba Friction Group, the third and most recently formed business unit, made up 16.6% of sales.

In 2004/05, the Group's earnings before taxes (EBT) amounted to a sustained high level of 23.3 million EUR (21.6 million EUR in the previous year). The consolidated net income for the year reached 17.5 million EUR during the period under review and exceeded the amounted recorded the previous year by 2.6 million EUR.

Sales volume by divisions

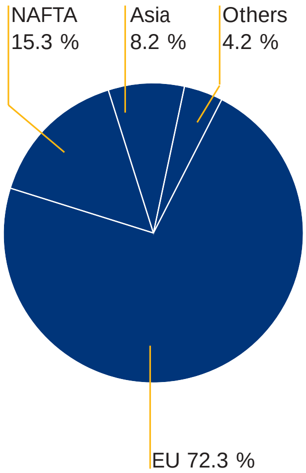


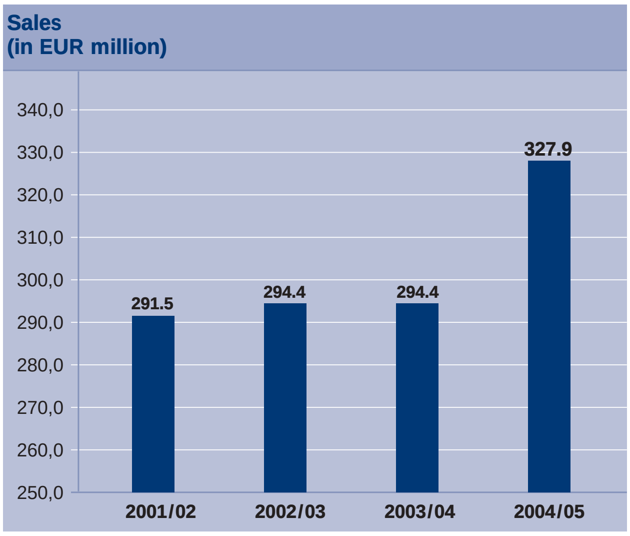
Cash flow from operations also developed favorably and with 39.1 million EUR exceeded the amount recorded in 2003/04 by 10.8 million EUR. The cash flow and the high equity ratio of 50.8% speak in favor of Miba's earnings power and solid financial structure.

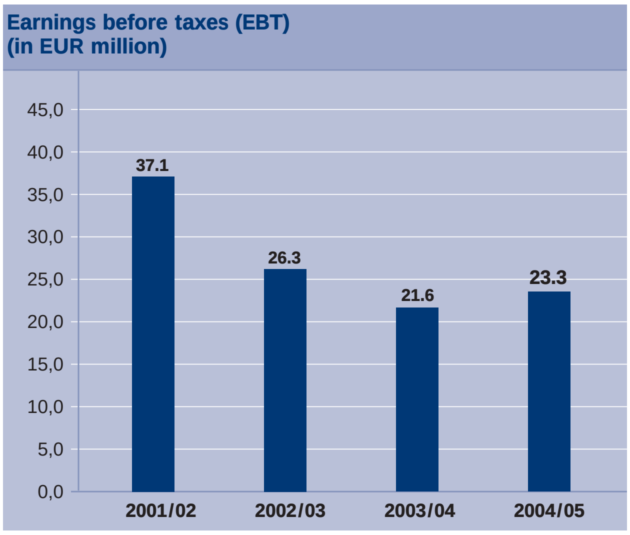
Cash flow from operations is offset by investments in tangible and intangible assets at the existing sites amounting to 24.7 million EUR (in 2003/04: 24.3 million EUR). These investments are part of an ambitious investment program of 100 million EUR for the years to come.

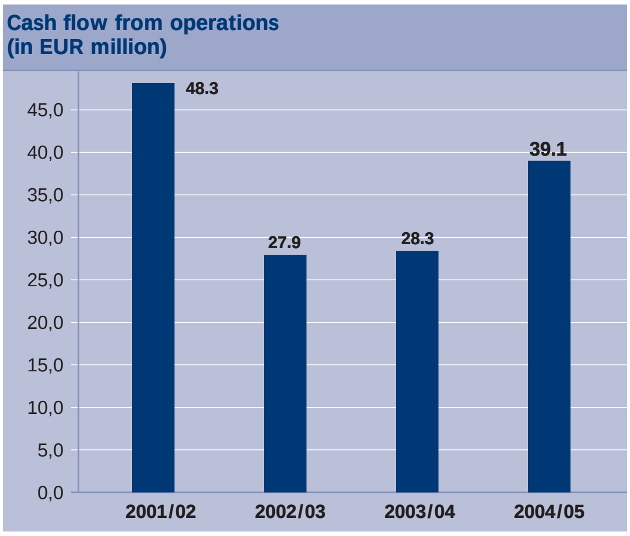
Miba is a successful and independent corporation with its Head Office in Austria and sites in the major economic centers of the world. Our international orientation is reflected in the regional distribution of sales. In 2004/05, 72.3% of sales were generated within the EU. An additional 15.3% of Miba's sales came from the NAFTA region. In 2004/05, Asia has become increasingly important, and contributed approximately 8.2% of Miba's sales as compared to 6.8% in the previous year.

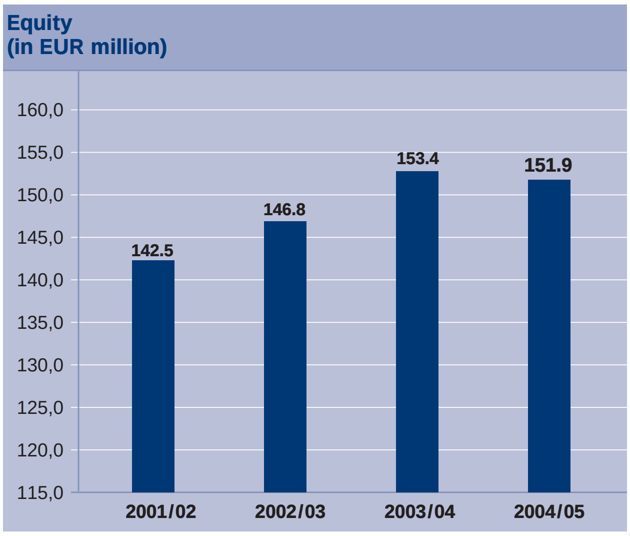
Sales volume by markets




Sales
(in EUR million)
340,0
330,0
320,0
310,0
300,0
290,0
280,0
270,0
260,0
250,0
291.5
294.4
294.4
327.9
2001/02
2002/03
2003/04
2004/05


Earnings before taxes (EBT)
(in EUR million)
45,0
40,0
35,0
30,0
25,0
20,0
15,0
10,0
5,0
0,0
37.1
26.3
21.6
23.3
2001/02
2002/03
2003/04
2004/05


Cash flow from operations
(in EUR million)
45,0
40,0
35,0
30,0
25,0
20,0
15,0
10,0
5,0
0,0
48.3
27.9
28.3
39.1
2001/02
2002/03
2003/04
2004/05

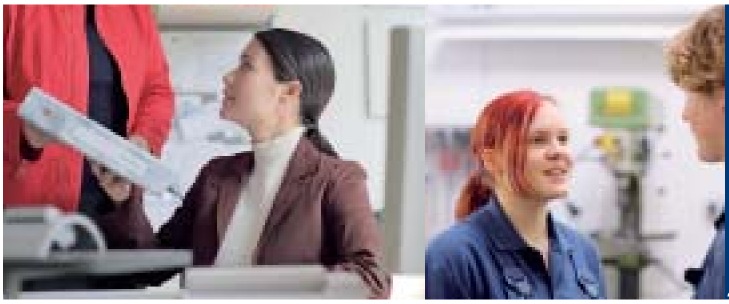

Equity
(in EUR million)
160,0
155,0
150,0
145,0
140,0
135,0
130,0
125,0
120,0
115,0
142.5
146.8
153.4
151.9
2001/02
2002/03
2003/04
2004/05

Business Report

From the very beginning, Miba has attached great value to its employees. Our employees are one of the main pillars of Miba's success. They excel particularly through their international orientation, cultural flexibility and willingness to learn. Every employee is a member of the Miba family and subscribes to the same values: technological leadership, entrepreneurship, a passion for success and life-long learning.

One of the main pillars of Miba's success

As a corporation, Miba strives to be one of the most attractive employers and is willing to make considerable investments for that purpose. Traditionally, 1% of the annual sales is invested in training and education for employees. On the other hand, employees invest their "human capital" in Miba. Our objective is to utilize, sustain and expand Miba employees' knowledge and skills in the best possible manner. This agreement is codified in Miba's "Human Capital Charter".



The importance attached to "Human Capital" in Miba is also expressed in the newly-created position of Vice President Human Capital, who is directly accountable to Miba AG's Management Board. Dr. Gabriele Gerach-Schwarzer has held this position since August 2004. Miba's Leadership@cademy is a central training and support program for current and potential managers. This intensive and practice-oriented program is held in English, the Group's working language, and students have to submit a "master thesis" on one of Miba's future topics in order to complete their studies. The first graduates were awarded their diplomas in October of the previous year.

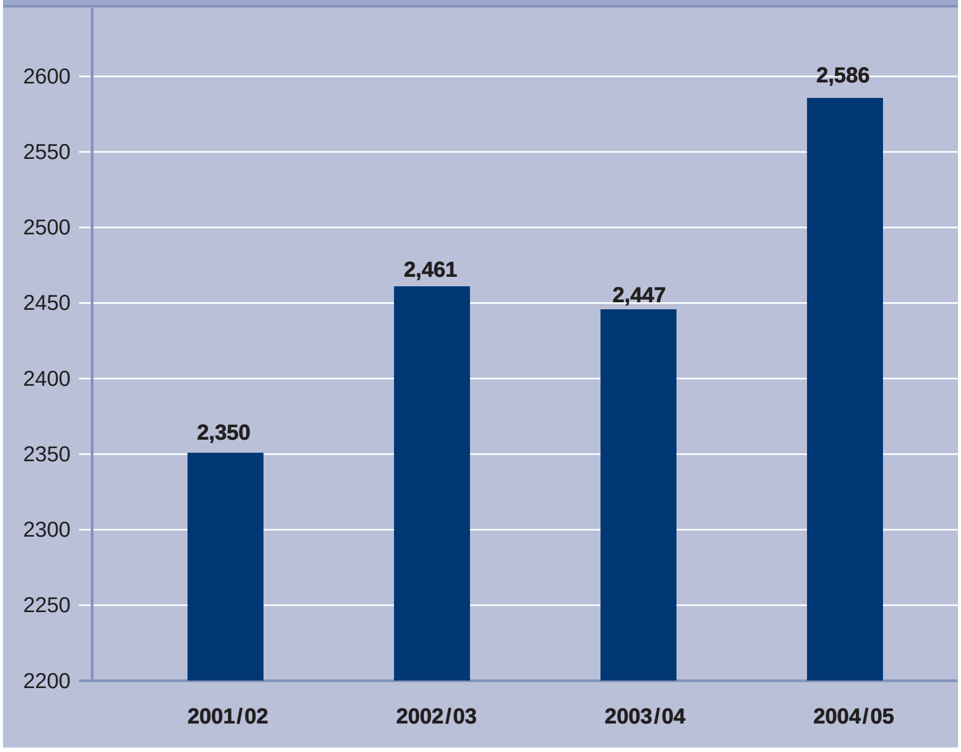
The participants at Miba's Leadership@cademy come from different countries and from diverse business and functional units within Miba. This results in an international mix which considerably contributes to the integration of Miba sites all over the world. The Management Board directly selects the participants.

Miba's comprehensive vocational training program is an additional main focus in its educational package. Miba has been highly successful in training young people in Austria for decades as illustrated by the excellent results achieved by Miba's junior employees at the apprenticeship competition of the Province of Upper Austria in the previous fiscal year. Miba was able to come in first and third in the "production technology" category. More than 600 apprentices from one hundred industrial firms took part in the competition.

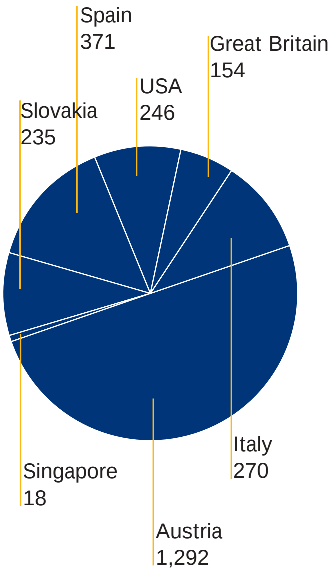
At present, approximately 90 apprentices are undergoing vocational training for the professions of manufacturing technician and electrician. The vocational training takes about three-and-a-half years for each profession. In the 2004/05 fiscal year – in addition to the vocational training opportunities provided at the Laakirchen and Vorchdorf sites – apprentices were also trained at Miba Frictec in Roitham for the very first time. In sum, about one third of Miba's approximately 1,300 employees in Austria started their career in the corporation as apprentices.

In the previous fiscal year, the number of employees increased by 5.7% on average to 2,586. The number of employees amounted to 2,583 as of the reporting date January 31, 2005. In 2004/05, personnel expenditure rose from 106.1 to 114.4 million EUR.

Miba Group
Employees (yearly average)



Employees by regions



In the past fiscal year, Miba was able to strengthen its market position in all three of its core business segments, Sintered Components, Engine Bearings and Friction Materials through consistent technological progress. Technological leadership as one of Miba's core values is expressed in our endeavors for continuous improvement.

Research and Development

Technological leadership strengthened

Our development teams focus on future trends from an early stage onwards and are one step ahead of our competitors. In this manner, Miba promotes innovation in its markets. Our unique knowledge advantage allows us to provide customer-specific and cost-efficient solutions.

In the 2004/05 fiscal year, Miba invested 11.3 million EUR in research and development. This represents a research quota of 3.5% of sales. According to a study by the EU Commission, Miba is one of the top 500 most research-intensive corporations in Europe and among the top ten of the most research and development oriented corporations in Austria.

In the previous fiscal year, the main focus of Miba Sinter Group’s R&D activity was on the sectors engine gear wheels, variable valve control and components for all-wheel drives. One of the new developments is a sinter process for the powder metallurgical production of gear wheels for camshaft drives. It was registered as a trademark under “Densgrad TM”. In October 2004, Miba was awarded the “Innovations in Powder Metallurgy Award 2004” for this process at the World Congress of Powder Metallurgy in Vienna.

In the field of research and development, Miba Bearing Group is working on new, more cost-efficient processes and materials for surface coating engine bearings. An additional strategic focus is on applications technology and engineering in the sector of heavy-duty commercial vehicle engines.

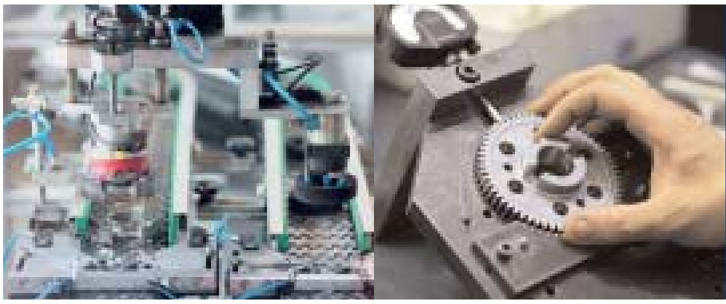
The technology for low-noise carbon friction materials developed by Miba Friction Group has proven particularly reliable. On the basis of this technology, the new generations of all-wheel drives in Europe and the US are being fitted with corresponding locking differential plates. Over the past year, Miba Friction Group introduced significant new developments in the field of wear-resistant wet running linings for synchronizers in passenger cars and commercial vehicles as well as for clutches of motorcycles. Additional main research was carried out in the field of high-performance brake linings for high-speed trains.

Impressive proof of successful development activity has been furnished by the success of Miba's friction materials in international racing. At the beginning of the year, Mitsubishi's racing team won the Barcelona-Dakar desert rally using Miba Friction Group's clutch linings.

At present, the West-European automotive industry is undergoing a difficult economic phase. Manufacturers can not operate at full capacity and have once again taken on activities that were previously outsourced. This puts additional pressure on suppliers. Miba Sinter Group, whose main sales market is the European automotive industry, has performed well in this difficult market environment and was able to gain market share.

Sinter Group

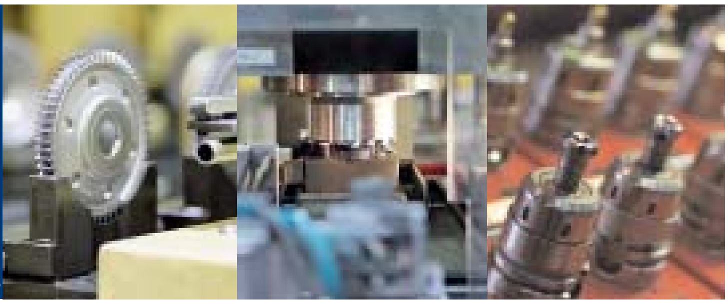
Right on track
in a difficult environment



In the past year, approximately 18 million passenger cars, 2.8% more than the preceding year, were manufactured in Europe. It should be noted that the number of cars produced in Western Europe stagnated at the level of the previous year. Over the same time period, the number of cars manufactured in Central and Eastern Europe increased by approximately 18.5%. In 2004, the share of cars manufactured in Central and Eastern Europe increased from 15% to 18% of the total European automotive market.

In the previous fiscal year, Miba Sinter Group increased its annual sales by 6.8% or 10.2 million EUR. With 161.1 million EUR, this makes up approximately half of Miba Group's entire sales. Miba Sinter Group benefited from an above-average growth of individual customers, and incurred a slight shift in the buyers' structure. In the 2003/04 fiscal year, Miba Sinter Group supplied approximately 53% of its sales volume directly to the Original Equipment Manufacturers (OEM). In 2004/05, this figure amounted to approximately 51%. Additional sales increases could be achieved with Tier-1 suppliers.

It is positive that Miba Sinter Group has grown in all business lines. The strongest increases were recorded in the two largest business lines: Engine Components and Transmission Components. In particular, the components of camshaft phasers (variable valve control – VVT) and gears were the driving force for growth. Competition and its corresponding cost pressure increased considerably over the past fiscal year. The significant rise in material costs for powder as a result of the worldwide price hike witnessed for scrap metal further enhanced the competitive pressure.



The product group gears showed considerable potential for growth. Miba Sinter Group succeeded in replacing existing steel gears by sintered gears in several projects. For car manufacturers, this development is interesting not only for cost reasons but also for the aspect of noise limitation. In the business line Transmission Components, the main focus is on the development of clutch parts, high-strength synchro hubs and components for four wheel drives (All Wheel Drives – AWD). The latter were produced in series for the first time in 2004/05.

In the previous fiscal year, Miba Sinter Group set a new human resource and structural course. As of the beginning of this fiscal year, Norbert Schrüfer, the former CEO of Miba Bearing Group, transferred as CEO from Miba Bearing Group to the Management Board of Miba Sinter Group. As of June 15, 2004, he took over as CEO from Siegfried Dapoz. The latter withdrew from his position on the Miba Sinter Group's Management Board at the end of the 2004/05 fiscal year in order to fully concentrate on responsibilities as Miba AG's Chief Financial Officer. Changes in Management also took place at Miba's Naples and Barcelona sites.

The Management buyout at the Turin site also deserves special mention. As of July 31, 2004, Miba parted with its Northern Italian sintering plant. The Turin site specialized in the production of small components and low-quantity series. However, Miba Sinter Group's strategic focus is on mass production and complex parts with continuously increasing technological standards.

Miba Sinter Group's four remaining manufacturing sites in Europe – Vorchdorf, Dolny Kubin, Naples and Barcelona – agreed to standardized naming ("Miba Sinter + country name in English"). The new names are an external sign of the closer integration and co-operation among Miba Sinter Group's sites. This solidarity is enhanced by the already effected introduction of SAP as the core IT system at the Vorchdorf, Dolny Kubin and Barcelona sites. In Naples, the introduction of SAP is planned for the coming fiscal year.

	2004/05	2003/04
Sales (in EUR million)	**161.2**	**150.9**
Investments (in EUR million)	**14.5**	**9.9**
Employees (yearly average)	**1,411**	**1,344**

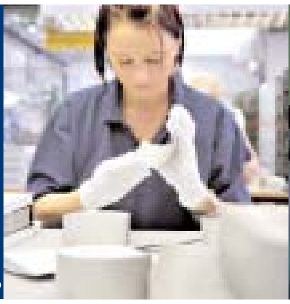
In the past fiscal year 2004/05, Miba Bearing Group succeeded in using the market opportunities provided, particularly in the Far East, and translating them into economic success. With 112.3 million EUR, Miba Bearing Group generated the highest sales in the history of the corporation. In comparison with the previous year, this represents an 18.6% or a 17.6 million EUR increase – despite a significantly weaker Dollar exchange rate than in bygone years.

Using market opportunities in the Far East

Engine bearings manufactured at the Laakirchen and McConnelsville sites are used in ships, locomotives, commercial vehicles or in power plants. The growth witnessed in the preceding fiscal year is spread out over all these segments and across all locations. In addition to the two production plants, the Sales Office in Singapore, the gate to the Far East, developed in a very positive manner.

The shipyards in China and Korea will be operating at full capacity for years to come. Miba Bearing Group benefited from this high demand. Furthermore, a significant order was secured from the most important Chinese commercial vehicle manufacturer which made Miba Bearing Group its major development partner and the supplier for its new generation of motors.

In the US market, the anticipated recovery in the railroad business took place, benefiting original equipment as well as services. This can be linked to two reasons. On the one hand, the US economy continued its recovery. The railroad system also benefited from the resulting increased demand for transportation volume. On the other hand, new environmental standards which led to time-advanced contracts became effective at the beginning of 2005. As of 2005, the two leading American manufacturers of locomotive engines have been exclusively using engine bearings from Miba Bearings US.



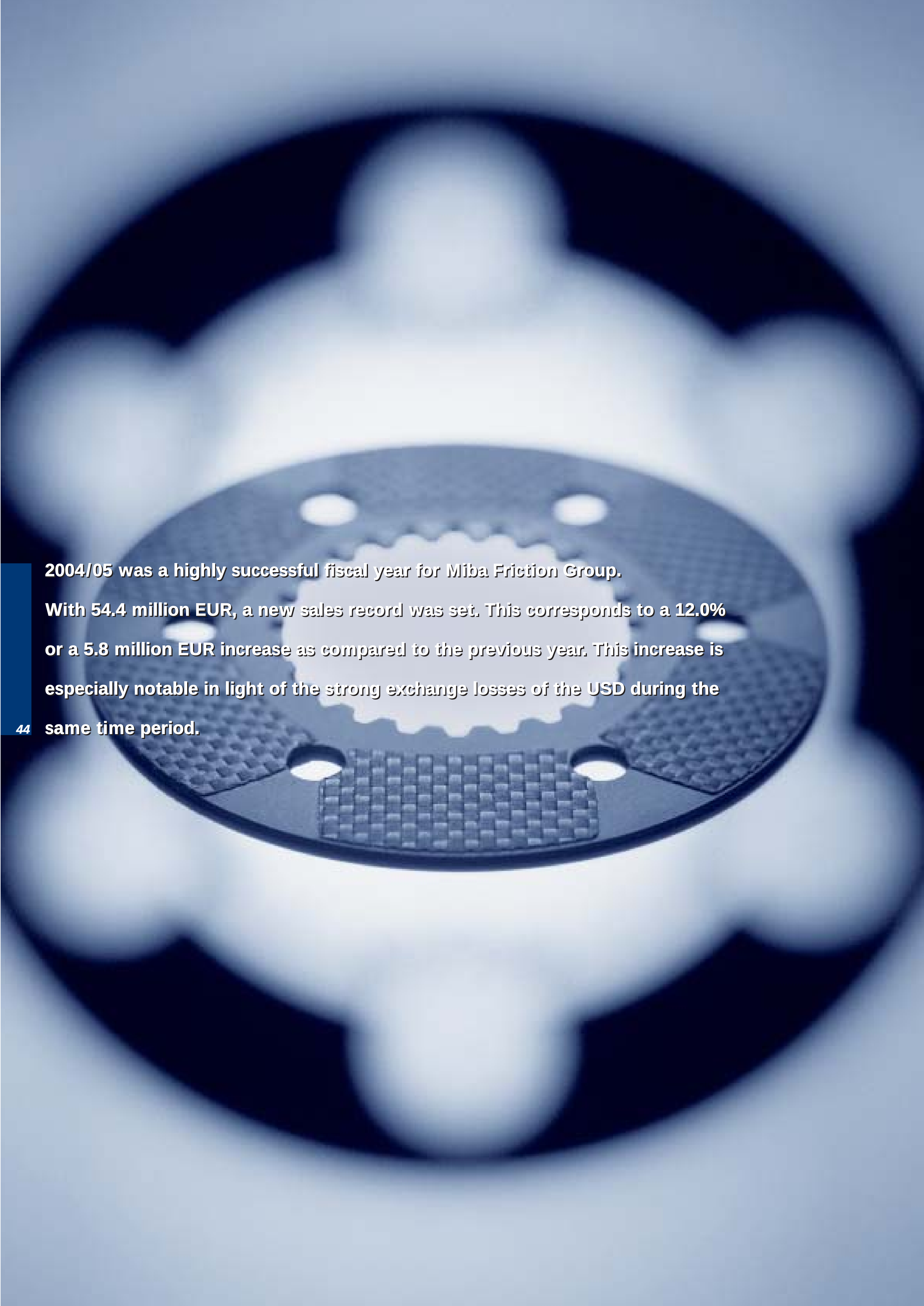
In Europe, Miba Bearing Group was awarded a prestigious distinction. The Head Office in Laakirchen was voted "Supplier of the Year" by the Finnish Wärtsila Group, one of the leading manufacturers of high-capacity diesel motors. Miba Bearing Group is the first supplier outside of Finland, to whom this award was presented.

In the preceding fiscal year, the decision to develop the commercial vehicle business from a niche to a core business took off at the Laakirchen site with the installation of a highly-automated modern production cell for small-scale bearing types. In the Product Development unit, the development of a new and more cost-efficient process for surface coating engine bearings deserves special mention. Investments in plant and product development give Miba Bearing Group a competitive edge against its competitors from abroad who are trying to gain a foothold in the European market.

In the past fiscal year, a new and environment-friendly galvanizing plant was put into operation at the McConnelsville site. Cost advantages were gained by doing away with aggressive chemicals and the further treatment of the galvanized products in an ozone plant. This is the largest individual investment made in the history of the McConnelsville site.

In the 2004/05 fiscal year, a change which was planned long in advance took place in Miba Bearing Group's Management. After the previous CEO, Norbert Schrüfer transferred to Miba Sinter Group's Management Board, Wolfgang Litzlbauer became Miba Bearing Group's CEO. He was also simultaneously integrated into Miba AG's Management Board, which is therefore once again composed of five members.

	2004/05	2003/04
Sales (in EUR million)	**112.3**	**94.7**
Investments (in EUR million)	**5.5**	**5.5**
Employees (yearly average)	**735**	**699**



2004/05 was a highly successful fiscal year for Miba Friction Group. With 54.4 million EUR, a new sales record was set. This corresponds to a 12.0% or a 5.8 million EUR increase as compared to the previous year. This increase is especially notable in light of the strong exchange losses of the USD during the same time period.

Exemplary start-up of a new plant

In the preceding fiscal year, Miba Friction Group benefited from the positive economic trend across all customer markets. Increases were recorded in all sales divisions and plants. The high demand for clutch and brake linings used in commercial vehicles, agricultural tractors and construction machinery deserves special mention. A number of new high-volume orders by major clients contributed to Miba Friction Group’s growth.

AGCO, one of the world’s leading manufacturers of agricultural tractors, presented Miba Friction Group with the “Outstanding Performance Award”.

However, circumstances on the international commodity markets were as difficult as they were favorable on the customer markets. In 2004/05, Miba Friction Group had to cope with the scarcity of steel and non-ferrous metal resources. This resulted in supply bottlenecks and considerable price hikes. In the second half of the year, Miba Friction Group was at least partially able to pass the resulting increased costs through to its customers.

In mid-May 2004, Miba Frictec GmbH’s new production site in Roitham was inaugurated. Operations in this modern plant were excellent from the start. Substantial process improvements were implemented. At the same time, the plant’s operative performance was significantly enhanced.


In the preceding fiscal year, the Roitham site was audited according to ISO-TS2, the highest quality standard in the automotive industry. The fall was characterized by the change-over of the IT operating system to SAP. After extensive preparatory work and due to the employees' great commitment, "Go Live" took place in an exemplary manner.

An additional milestone reached in the 2004/05 fiscal year was Miba Friction Group's decision to invest in a new location in Slovakia. In the third quarter, Miba AG's Supervisory Board gave the go-ahead for the construction of a modern production plant for steel plates in Vráble, 100 kilometers to the east of Bratislava. In the medium term, total capital expenditure will amount to approximately 20 million EUR. The new plant in Slovakia with 150 new jobs will be working at full capacity by the end of 2006. Miba Friction Group's existing site in Sheffield will have to be closed down subsequently. A social compensation plan for the employees concerned is currently being negotiated with the trade union.

	2004/05	2003/04
Sales (in EUR million)	**54.4**	**48.6**
Investments (in EUR million)	**2.0**	**5.5**
Employees (yearly average)	**380**	**350**

Cautiously optimistic

Miba's prospects for the 2005/06 fiscal year vary according to the business segment concerned. Miba Sinter Group, which primarily caters to the European automotive industry, has some reservations. Most of the European car manufacturers can feel the consumers' reticence to spend and do not expect any increases in production figures for the current year. In 2005/06, Miba Sinter Group's economic environment is characterized by further production relocations by car manufacturers to Central and East European countries and increased cost pressure.

Miba Bearing Group, on the other hand, was able to carry the momentum gained in the previous fiscal year over into the first months of the current year. Demand from Asia remains high. Business activity in the US does not show any sign of weakening either. Incoming orders developed favorably during the first months of the 2005/06 fiscal year.

In 2005/06, Miba Friction Group's growth will mainly stem from its original equipment. The main focus is clearly on enlarging its market share in this field. For the current year, a number of series introductions of new linings are planned. In general, the forecasts for 2005/06 by our main customers and therefore of Miba Friction Group are cautiously optimistic.

In a nutshell, it can be stated that Miba's business development in 2005/06 will be influenced by the further developments in the Euro-Dollar exchange rate and the prolonged strained supply situation on the international commodity markets. Furthermore, price hikes for raw materials and energy are expected to take place in all three business segments and must be compensated by increased productivity.

In light of the present situation, Miba AG's Management Board believes that a constant earnings situation along with a moderate sales increase seems realistic for the 2004/05 fiscal year.

Risk Report

Risk Report

As a partner of the international engine and automotive industry, Miba is exposed to a series of diverse risks in its day-to-day business.

The Group's Management defines risk as the positive and negative deviations from corporate objectives and key figures. This implies that potential losses may not be incurred and that potential gains may not be realized.

Miba Group assesses current financial risk via Group Controlling. Uniform criteria are used to measure economic success as well as deviations from target figures.

In particular, management structure, planning system as well as detailed reporting and information systems form the basis of integrating organizational involvement into operational procedures. Certain individual risks are controlled by service units at the corporate level and secured to the required extent.

The corporation is insured against specific liability risks and losses. Their range is continuously monitored.

Original financial instruments are accounts receivable and accounts payable (basic transactions) and financial receivables and financial debt. The balance of original financial instruments can be consulted in the Balance Sheet and the Notes.

In 2004/05, Miba only sparingly employed derivative financial instruments to hedge against currency risk. In principle, derivatives are not held for the purpose of trading and speculation. All the financial instruments used pertain to the current operational business of the Corporate Group.

Miba generates the majority of its sales in the Euro zone. The currency risk in the operational sector can therefore be considered insignificant. USD sales predominantly pertain to sites in Austria. To a large extent, they are backed by exchange rate hedging transactions.

Due to the continuous monitoring of new and existing customers and stringent credit management, the customers' credit risk is considered minor. The default risk is further minimized through existing insurance policies.

The interest rate risk is defined as the risk of increasing interest paid and decreasing interest received from financial positions. In general, the interest rate risk is considered insignificant.

An accurate presentation of the individual risk components can be consulted in the Notes to the Consolidated Statements Page 106/107.

Financial Statements 2004/05 of Miba Aktiengesellschaft

Financial Statements 2004/05

Balance sheet as at January 31, 2005

Income Statement for the Fiscal Year 2004/05

Notes

Balance sheet as at January 31, 2005
and comparison with last year's figures in thousands of Euros (TEUR)

Assets

	01/31/2005 EUR	01/31/2004 TEUR
A. Fixed Assets:		
I. Intangible assets: Industrial rights and licenses	2,644,571.00	44.6
II. Property, Plant & Equipment: 1. Other plant, furniture and fixtures	431,802.00	398.2
2. Advance payments and facilities under construction	2,151,779.38	3,278.8
	2,583,581.38	3,677.0
III. Financial Assets: 1. Investments in affiliated companies	69,131,648.33	69,096.7
2. Loans to affiliated companies	1,330,501.69	1,702.3
3. Long-term securities (loan stock rights)	1,001,017.57	905.9
	71,463,167.59	71,704.9
	76,691,319.97	**75,426.5**
B. Current Assets:		
I. Receivables and other assets: 1. Receivable	616.00	193.0
2. Receivables from affiliated companies	32,514,236.31	23,183.9
3. Other receivables and assets	4,159,320.15	2,312.7
	36,674,172.46	25,689.6
II. Cash, Balances with banks	509,047.04	3,623.3
	37,183,219.50	**29,312.9**
C. Prepaid Expenses and Deferred Income	**113,450.76**	**107.1**
	113,987,990.23	**104,846.5**

Liabilities

	01/31/2005 EUR	01/31/2004 TEUR
A. Shareholders' Equity:		
I. Share capital	9,500,000.00	9,500.0
II. Capital reserves: restricted	19,263,357.94	19,263.4
III. Revenue reserves: unallocated reserves	63,605,182.40	50,300.0
IV. Net retained profits (of which profit carried forward EUR 52,947.53; TEUR 54.6 in the previous year)	3,687,839.63	3,302.9
	96,056,379.97	**82,366.3**
B. Capital Share Certificates acc. to Art. 174 para. 3 AktG	0.00	14,769.6
C. Untaxed Reserves: Other untaxed reserves	0.00	5.8
D. Provisions:		
1. Provisions for severance payments	959,402.00	833.9
2. Provisions for pensions	4,007,168.00	3,742.7
3. Provisions for taxes	3,025,992.93	211.0
4. Other provisions	1,627,097.40	1,618.9
	9,619,660.33	**6,406.5**
E. Liabilities:		
1. Trade accounts payable	599,663.43	1,228.9
2. Liabilities to affiliated companies	2,133,716.00	0.0
3. Other liabilities (of which tax liabilities EUR 357,748.71; TEUR 5.4 in the previous year; which for social security EUR 75,078.64; TEUR 59.2 in the previous year)	5,578,570.50	69.3
	8,311,949.93	**1,298.2**
	113,987,990.23	**104,846.5**

Income Statement for the 2004/05 Fiscal Year

and comparison with last year's figures in thousands of Euros (TEUR)

	2004/05 EUR	2003/04 TEUR
1. Sales revenue	10,352,056.28	9,077.0
2. Other operating income:		
a) Income from disposal of fixed assets	24,500.00	13.5
b) Income from the reversal of provisions	20,253.41	85.7
c) Other income	1,835,512.26	24.0
	1,880,265.67	123.2
3. Personnel expenses:		
a) Salaries	-3,759,574.31	-3,359.7
b) Expenses for severance payments and contributions to company-sponsored employee provision funds	- 252,875.92	-4.2
c) Expenses for post-retirement benefits	-264,466.00	-419.7
d) Expenses for legally required social security taxes and charges and mandatory contributions based on compensation	-752,498.74	-682.4
e) Other social security expenses	-47,153.84	-17.9
	-5,076,568.81	-4,483.9
4. Depreciation on intangible and tangible assets	-977,271.04	-442.8
5. Other operating expenses:		
a) Taxes other than those falling under 16	-60,370.99	-14.2
b) Other expenses	-6,397,928.92	-4,189.9
	-6,458,299.91	-4,204.1
6. Subtotal from 1 to 5 **(Operating results)**	**-279,817.81**	**69,4**

	2004/05 EUR	2003/04 TEUR
7. Income from investments (of which from affiliated companies EUR 14,000,000.00; TEUR 12,442.6 in the previous year)	14,000,000.00	12,442.6
8. Income from other securities and from loans of financial assets (of which from affiliated companies EUR 80,854.82; TEUR 135.3 in the previous year)	125,320.48	169.5
9. Other interest and similar income (of which from affiliated companies EUR 218,223.00; TEUR 349.5 in the previous year)	227,351.33	466.2
10. Income from the disposal of financial assets (of which from associated companies EUR 111,792.95; TEUR 150.2 in the previous year)	111,792.95	151.3
11. Expenses for financial assets (of which from affiliated companies EUR 726.73; TEUR 392.2 in the previous year)	-726.73	-392.2
12. Interest and similar expenses (of which from affiliated companies EUR 19,584.00; TEUR 82.1 in the previous year)	-160,486.10	-82.2
13. Subtotal from 7 to 12 **(Financial results)**	**14,303,251.93**	**12,755.2**
14. Ordinary results	**14,023,434.12**	**12,824.6**
15. Extraordinary expenses	0.00	-13.606.8
16. Income tax	2,910,800.38	-213.7
17. Net income/loss for the year	**16,934,234.50**	**-996.0**
18. Reversal of untaxed reserves	5,840.00	44,3
19. Reversal of revenue reserves	0.00	4,200.0
20. Allocation to revenue reserves	-13,305,182.40	0.0
21. Profit for the year	**3,634,892.10**	**3.248.3**
22. Profit carried forward from last year	52,947.53	54.6
23. Net retained profit	**3,687,839.63**	**3,302.9**

Notes to the Annual Financial Statement for the 2004/05 Fiscal Year

I Application of the Regulations of the Commercial Code

The company is a large stock corporation according to Article 221 of the Austrian Commercial Code (HGB).

The 2004/05 financial statements were prepared according to the regulations of the Austrian Commercial Code.

The income statement was prepared in report form using the total cost method.

The presentation form previously used by the company was retained when compiling the present report. However, because of the realignment of the accounts according to the company's operational processes in the context of the SAP introduction, a comparison of the other operational expenses and income with the previous year is only possible to a limited extent.

In order to convey as accurate a view as possible of the company's net worth, financial and earnings positions of the company, additional disclosure, if necessary, has been included in the Notes.

The company is included in the consolidation of the Mitterbauer Beteiligungs-Aktiengesellschaft. The parent company presenting the consolidated accounts for the largest group of companies is the Mitterbauer Beteiligungs-Aktiengesellschaft. This consolidated financial statement is on record at the company register in Wels. The (partially) consolidated financial statements compiled by the company itself are also on record at the company register in Wels.

II Reporting and Valuation Principles

The annual financial statements were prepared in accordance with the principles of proper accounting as well as the general premise of giving a true and fair view of the company's net worth, financial and earnings positions.

The annual financial statements were compiled according to the principle of completeness.

The valuation was based on the assumption that the company will remain in business.

The unit account method was applied in the valuation of assets and liabilities.

The principle of caution was adhered to by reporting only revenue realized as of the balance sheet date.

All recognizable risks and impending losses, which occurred during the 2004/05 fiscal year or in a previous fiscal year were taken into consideration.

The valuation methods previously used were retained.

Intangible assets are recognized at acquisition cost, if acquired against payment, and are depreciated over a period not exceeding five years.

Property, plant and equipment are recognized at acquisition cost or cost of manufacturing, minus scheduled depreciation.

Assets of minor value are depreciated in full during the year of acquisition.

Unscheduled depreciation is carried out if a valuation at a lower value becomes necessary or if permitted by special tax provisions.

Financial assets are either valued at acquisition cost or at a lower attributable value, if applicable.

Receivables and other assets are reported at nominal value.

The allocations to provisions take into account all discernible risks and impending losses, as required by law.

The provisions for severance payments and similar payments (anniversary bonuses) are calculated according to standard actuarial principles based on a 4.75 % interest rate (5.0 % in the previous year), a 2.5% annual salary increase and a fluctuation discount based on years of service. The assumed retirement age is the earliest possible age for entitlement to the (preliminary) retirement pension as defined by the 2004 Pension Reform and under consideration of the transitional regulations. The calculation was based on the "projected unit credit method" according to IAS 19.

Provisions for pension payments are calculated according to standard actuarial principles using the projected unit credit method according to IAS 19 based on a calculated 4.75 % interest rate (5.00 % in the previous year) and a of 2.75 % annual increase in accrued benefits (2.5% in the previous year) based on the calculation principles for pension funds Actuarial Association of Austria (AVÖ) 1999-P.

Liabilities are reported at their repayment value. Foreign currency liabilities are valued according to the strict principle of highest value.

III Comments on the Balance Sheet

Fixed Assets

The break-down of fixed assets and their development during the year under review is shown in the table Development of Fixed Assets (see Appendix 1 to the Notes).

Use of fixed assets not reported on the balance sheet consisted of liabilities due to long-term rental, lease and leasing agreements and amounted to EUR 269,161.92 (TEUR 251.1 in the previous year). The total amount of liabilities for the next 5 years amounts to EUR 1,014,765.50 (TEUR 1,095.8 in the previous year).

Appreciation pursuant to Article 208 of the Austrian Commercial Code (HGB) amounting to EUR 62,536.97 (TEUR 93.9 in the previous year) was not calculated, since the retention of the lower valuation according to the Commercial Code also applies to the determination of profits for tax purposes. A future tax burden from this valuation amounting to EUR 15,634.24 (TEUR 30.0 in the previous year) is anticipated.

Long-term securities (loan stock rights) were acquired to cover the provisions for severance payments and pensions as required by law.

Total loans to affiliated companies with a remaining term of less than one year amounts to EUR 1,330,501.69 (TEUR 1,702.3 during previous year).

The list of equity investments is included in the report on equity interest holdings, which is on record at the company register of Upper Austria at the Wels District Court.

Receivables and other Current Assets

EUR	with a remaining term of less than 1 year	with a remaining term of more than 1 year	Book value
Acounts receivable	**616.00**	**0.00**	**616.00**
Previous year TEUR	193.0	0.0	193.0
Receivables from affiliated companies	**32,514,236.31**	**0.00**	**32,514,236.31**
Previous year TEUR	23,183.9	0.0	23,183.9
Other receivables and assets	**26,149.06**	**4,133,171.09**	**4,159,320.15**
Previous year TEUR	140.1	2,172.6	2,312.7
	32,541,001.37	**4,133,171.09**	**36,674,172.46**
Previous year TEUR	23,517.0	2,172.6	25,689.6

The item "Other receivables and assets" includes income amounting to EUR 9,065.18 (TEUR 31.9 in the previous year), that will not become due until after the balance sheet date.

The receivables of affiliated companies of EUR 18,514,236.31 (TEUR 11,183.9 in the previous year) are from current accounts and EUR 14,000,000.00 (TEUR 12,000.0 in the previous year) are from profit assumptions.

Share Capital

The share capital amounts to EUR 9,500,000.00. It consists of 1,300,000 individual shares, of which 870,000 are common stock, 130,000 are non-voting convertible preferred stock and 300,000 are non-voting non-convertible preferred stock.

Authorized Capital

On July 4, 2003, the 17th Annual General Shareholders' Meeting, with the approval of the Supervisory Board, authorized the Management Board until December 31, 2004 to trade company shares without specified purpose and excluding the trade of company shares, with the intention to acquire treasury stock to a lowest value of EUR 47.00 and a highest value of EUR 70.00 up to a total share of 10% of the equity capital according to Article 65 paragraph 1 line 8 of the Austrian Stock Corporation Law (AktG) as well as selling the thus acquired shares in exchange for the acquisition of companies, sites, partial sites or shares of one or more companies in or outside of Austria other than by stock exchange or public offer. The company must publicize the buy-back program as well as its duration. Furthermore, the Management Board was authorized to withdraw shares without further approval by the Annual General Shareholders' Meeting.

Capital Reserves

Capital reserves relate to all committed additional paid-in capital in the share premium account from the share issue at the company's incorporation, the share premium account of Emission B as well as from the issue of equity certificates according to Article 174 paragraph 3 of the Austrian Stock Corporation Law (AktG) and the issue of 6 1/4 % bonds with warrants.

The equity certificates according to Article 174 paragraph 3 of the Austrian Stock Corporation Law (AktG) (total nominal value: EUR 1,162,765.35) were cancelled by the company giving three months' notice, effective as of February 29, 2004 (effective cancellation date). All equity certificates were cancelled; therefore, trading of this instrument at the Vienna Stock Exchange was discontinued on February 27, 2004 at the end of the day.

According to the equity certificate regulations, the repayment amount of EUR 14,769,600.00 is recorded under the balance sheet item "Equity certificates" according to Article 174 paragraph 3 of the Austrian Stock Corporation Law (AktG). The difference to the total nominal amount (EUR 13,606,834.65) appears in the consolidated income statement of the previous fiscal year under "Extraordinary expenses".

Untaxed Reserves

The breakdown of the untaxed reserves and their development in the year under review is illustrated separately (see Appendix 2 to the Notes).

Other Provisions

Other provisions primarily include provisions for personnel expenses.

Liabilities

All liabilities due January 31, 2005 (and in the previous year) have a residual term of up to one year.

The item "Other liabilities" includes expenditure amounting to EUR 77,390.17 (TEUR 68.3 in the previous year), which does not become due until after the balance sheet date.

Sales Revenue

	2004/05 EUR	2003/04 TEUR
Per region:		
Domestic	8,474,889.55	8,598.7
Foreign	1,877,166.73	478.2
	10,352,056.28	**9,076.9**

Employees (annual average)

	2004/05	2003/04
Salaried employees	**60**	**54**

The **expenditure for severance payments and contributions to company-sponsored employee provision funds** are as follows:

	2004/05 EUR	2003/04 TEUR
Board members	10,309.00	59.8
Other employees	242,566.92	-55.5
	252,875.92	**4.2**

The item "Expenditure for severance payments and contributions to company-sponsored employee provision funds" includes contributions to company-sponsored employee provision funds amounting to EUR 10,399.07 (TEUR 3.3 in the previous year).

The **expenditure for post-retirement benefits** are as follows:

	2004/05 EUR	2003/04 TEUR
Board members	**264,466.00**	**419.7**

Income from Investments

Income from investments amounting to EUR 14,000,000.00 (TEUR 12,442.6 in the previous year) relates solely to profit distributions and profit assumptions from affiliated companies respectively. During the fiscal year 2004/05, as in previous years, profit assumption was recognized upon occurrence due to the controlling influence of the parent company.

Taxes on Income

The impact of the Group's taxation during the 2004/05 fiscal year resulted in the following tax yield:

	2004/05 EUR	2003/04 TEUR
Tax allocation by Group members	-5,760,380.48	0.0
Deferred tax payment obligations on Group losses from foreign Group members	1,511,768.25	0.0
Current expenditure for taxes	1,281,087.08	211.0
Foreign withholding tax	34,288.17	0.0
Tax payments for previous years	22,436.60	2.7
	-2,910,800.38	**213.7**

Changes in untaxed reserves based on the company's tax situation led to a EUR 218.65 increase in the income tax base (an increase of EUR 36.81 from the previous year).

In accordance with Article 198 paragraph 10 of the Austrian Commercial Code (HGB), the amount allowable for deferred taxes which can be reported as an asset (that, however, was not reported) amounts to EUR 523,962.78 (TEUR 942.8 in the previous year) as of January 31, 2005.

V Supplementary Disclosure

The members of the Management Board and the Supervisory Board are listed separately (see Appendix 3 to the Notes).

The total expenditure reported in the 2004/05 annual financial statement paid to the Supervisory Board members amounted to EUR 77,500.00 (TEUR 29.5 in the previous year).

The total remuneration paid to the Management Board members for their activities amounted to EUR 1,598,271.00 (TEUR 1,342.8 in the previous year); of which EUR 535,423.00 accounted for variable salary components and EUR 822,369.00 (TEUR 580.0 in the previous year) accounted for affiliated companies. No remuneration was granted to former members of the Management Board.

Laakirchen, April 22, 2005

The Management Board	Dipl.-Ing. Peter Mitterbauer (Chairman)	
	Siegfried Dapoz	Ing. Alfred Hörtenhuber
	Dr. Ing. Norbert Schrüfer	Dr. Wolfgang Litzlbauer

Appendix 1 to the Notes: Changes in Fixed Assets
Appendix 2 to the Notes: Development of Untaxed Reserves
Appendix 3 to the Notes: Executive Bodies
Appendix 4 to the Notes: List of Equity Investments

Changes in Fixed Assets as at January 31, 2005

Appendix 1 to the Notes

	Acquisition and Manufacturing Costs 02/01/2004 EUR	Additions EUR	Adjusting entries EUR	Disposals EUR
I. Intangible Assets:				
Industrial rights and licenses	993,362.67	40,303.48	3,259,744.00	533,963.74
II. Property, Plant & Equipment:				
1. Other plant, furniture and fixtures	2,419,534.05	292,014.66	19,000.00	213,437.39
2. Advance payments and facilities under construction	3,278,744.00	2,151,779.38	-3,278,744.00	0.00
	5,698,278.05	**2,443,794.04**	**-3,259,744.00**	**213,437.39**
III. Financial Assets:				
1. Equity interests in affiliated companies	69,096,648.33	35,000.00	0.00	0.00
2. Loans to affiliated companies	1,775,869.69	0.00	0.00	408,603.00
3. Long-term securities (loan stock rights)	970,896.06	95,840.00	0.00	726.73
	71,843,414.08	**130,840.00**	**0.00**	**409,329.73**
	78,535,054.80	**2,614,937.52**	**0.00**	**1,156,730.86**

Acquisition and Manufacturing Costs 01/31/2005 EUR	Accumulated depreciation EUR	Book value 01/31/2005 EUR	Book value 01/31/2004 EUR	Depreciation for the fiscal year EUR
3,759,446.41	1,114,875.41	2,644,571.00	44,590.00	700,066.48
2,517,111.32	2,085,309.32	431,802.00	398,216.90	277,204.56
2,151,779.38	0.00	2,151,779.38	3,278,744.00	0.00
4,668,890.70	**2,085,309.32**	**2,583,581.38**	**3,676,960.90**	**277,204.56**
69,131,648.33	0.00	69,131,648.33	69,096,648.33	0.00
1,367,266.69	36,765.00	1,330,501.69	1,702,339.69	0.00
1,066,009.33	64,991.76	1,001,017.57	905,904.30	0.00
71,564,924.35	**101,756.76**	**71,463,167.59**	**71,704,892.32**	**0.00**
79,993,261.46	**3,301,941.49**	**76,691,319.97**	**75,426,443.22**	**977,271.04**

Development of Untaxed Reserves
Appendix 2 to the Notes

EUR	Status on 02/01/2004	Reversal due to time limits or intended use	Reversal through disposal	Status on 01/31/2005
Other Untaxed Reserves:				
Allowance according to Article 10 of the 2000/01 Austrian Income Tax Code (EStG)	5,840.00	5,182.40	657.60	0.00

Executive Bodies
Appendix 3 to the Notes

Management Board:

DI DDr. h. c. Peter **Mitterbauer,** Gmunden, Chairman

KR Siegfried **Dapoz,** Ohlsdorf

Ing. Alfred **Hörtenhuber,** Stadl-Paura

Dr. Ing. Norbert **Schrüfer,** Laakirchen

Dr. Wolfgang **Litzlbauer,** Altenberg bei Linz (since July 5, 2004)

Supervisory Board:

Dkfm.

Dr. Hermann **Bell,** Linz, Chairman

Dr. Josef **Fegerl,** Mattsee, Deputy Chairman

Dr. Robert **Büchlhofer,** Starnberg

DDr. Robert **Ehrlich,** Wels

Dipl.-Bw. Alfred **Heinzel,** Wien

Dr. Theresa **Jordis,** Wien

Delegates from the Employee's Council:

Hermann **Aigner,** Vorchdorf

Hermann **Biesl,** Roitham

Erika **Forstinger,** Vorchdorf

List of Equity Interests
Appendix 4 to the Notes

Miba AG has an equity interest of at least 20% in the following companies:

Investment companies	Equity share %	Equity capital according to Article 224 paragraph 3a Commercial Code (HGB)	Earnings for the last fiscal year (net income/ loss for the year)	Balance sheet date
Miba Gleitlager GmbH,	100	54,319,049.33	13,276,559.79	01/31/2005
Laakirchen	100	51,042,417.69	9,898,945.60	01/31/2004
Miba Frictec GmbH,	100	12,650,866.73	1,054,285.40	01/31/2005
Laakirchen	100	12,001,462.98	-639,853.93	01/31/2004
Miba Sinter Holding	100	29,206,759.79	-2,453,330.40	01/31/2005
GmbH & Co KG, Laakirchen 1)	100	33,160,090.19	-8,452,488.32	01/31/2004
Miba Sinter Holding GmbH,				
Laakirchen 2)	100	55,715.01	29,881.31	01/31/2005

1) before conversion as of 01/31/2004:
Miba Sinter Holding GmbH, Laakirchen

2) newly established in the 2004/05 fiscal year

Auditor's Report

We have audited the **financial statements as of January 31, 2005** of

Miba Aktiengesellschaft, Laakirchen

in accordance with the provisions of the Austrian Commercial Code currently valid and with the inclusion of the corporation's accounting records.

Preparation and contents of the financial statements are the responsibility of the corporation's legal representatives. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the legal provisions and professional principles valid in Austria. These provisions require us to plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of significant material misstatements. An audit includes random sampling the documentary evidence supporting the amounts and disclosures recorded in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the corporation's legal representatives, as well as evaluating the overall financial statement presentation. We believe that our audit provides a sufficiently reasonable basis for our opinion.

After completion of our audit, we render the following unqualified **audit certificate** according to Article 274 paragraph 1 of the Austrian Commercial Code (HGB):

"The accounting and the financial statements, which we have audited in accordance with professional standards, comply with the legal provisions. With due regard to the generally accepted accounting principles, the annual financial statement gives a true and fair view of the company's asset, financial and return positions. The Management Report is consistent with the annual financial statements."

Linz, April 22, 2005

KPMG Austria GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft
(Auditors and Tax Consultants Ltd.)

Mag. Cäcilia Gruber	Mag. Stephan Beurle
Auditor and Tax Consultant	Auditor and Tax Consultant

Proposed distribution of profit

Pursuant to the regulations of the Austrian Stock Corporation Law (Aktiengesetz), the year-end financial statements of Miba Aktiengesellschaft as of January 31, 2005, which were prepared in accordance with Austrian reporting requirements, form the basis for the distribution of dividends. The net retained profit reported in the year-end financial statement is TEUR 3,688.

The Board of Directors proposes to pay a preferred dividend of EUR 0.59 per share to preferred shareholders with an additional bonus dividend of EUR 2.21 per share.

Furthermore, the Management Board also proposes to pay a dividend of TEUR 2,436 to common shareholders out of the remaining profit of TEUR 2,484 and to carry the remaining amount over to the next year.

Dividend distribution:

Preferred shareholders Emission A	€	364,000
Preferred shareholders Emission B	€	840,000
Common shareholders	€	2,436,000
Residual amount:	€	47,839.63
	€	**3,687,839.63**

The Management Board

Laakirchen, April 28, 2005

Consolidated Financial Statements 2004/05 of Miba Aktiengesellschaft

Financial Statements 2004/05

Consolidated Income Statement 2004/05 of Miba Aktiengesellschaft

Consolidated Balance Sheet as at January 31, 2005 of Miba Aktiengesellschaft

Changes in Shareholders' Equity

Consolidated Cash Flow Statement

Notes

Consolidated Income Statement for the Fiscal Year 2004/05
and comparison with last year's figures

	Note No.	2004/05 TEUR	2003/04 TEUR
1. Revenues from sales	(1)	327,887	294,386
2. Changes in inventory of finished and unfinished products		1,019	1,923
3. Internally produced and capitalized assets		2,453	1,672
4. Operating result		**331,359**	**297,981**
5. Other operating income	(2)	11,482	6,112
6. Expenses for materials and other purchased manufacturing services	(3)	-134,754	-112,307
7. Personnel expenses	(4)	-114,378	-106,138
8. Depreciation	(5)	-22,203	-26,602
9. Other operating expenses	(6)	-42,317	-35,127
10. Earnings before interest and taxes (EBIT)		**29,189**	**23,919**
11. Income and losses from investments in associated companies	(7)	891	383
12. Net interest income	(8)	-2,633	-2,757
13. Other financial income	(9)	-4,100	92
14. Financial income		**-5,842**	**-2,282**
15. Earnings before taxes (EBT)		**23,347**	**21,637**
16. Taxes on income and earnings	(10)	-5,844	-6,730
17. Earnings after taxes (EAT) = Annual consolidated net income		**17,503**	**14,907**
Earnings per share		13.46	11.47

Consolidated Balance Sheet as at January 31, 2005
and comparison with last year's figures

Assets

	Note No.	01/31/2005 TEUR	01/31/2004 TEUR
A. Fixed assets:			
I. Intangible assets	(11)	34,533	34,728
II. Property, plant and equipment	(12)	108,212	111,036
III. Equity interests in associated companies		4,224	3,492
IV. Other financial investments	(13)	4,446	3,796
V. Deferred tax assets	(14)	5,110	7,673
		156,525	**160,725**
B. Current assets:			
I. Inventories	(15)	41,596	37,830
II. Accounts receivable and other receivables	(16)	80,921	72,146
III. Cash and cash equivalents	(17)	19,881	27,528
		142,398	**137,504**
		298,923	**298,229**

Liabilities

	Note No.	01/31/2005 TEUR	01/31/2004 TEUR
A. Consolidated shareholder's equity:			
I. Share capital	(18)	9,500	9,500
II. Additional paid-in capital	(19)	18,089	18,089
III. Retained earnings	(20)	120,633	107,784
IV. Equity certificates	(21)	0	14,770
V. Consolidated net retained profits		3,688	3,303
		151,910	**153,446**
B. Long-term liabilities:			
I. Post-retirement benefits and severance payments	(22)	16,328	16,764
II. Deferred taxes	(14)	1,264	548
III. Interest-bearing liabilities	(23)	34,234	38,420
IV. Other long-term liabilities	(24)	6,798	8,487
		58,624	**64,219**
C. Current liabilities:			
I. Current accruals	(25)	19,236	20,345
II. Accounts payable	(26)	35,949	29,932
III. Current portion of interest-bearing liabilities	(27)	16,374	19,553
IV. Other current liabilities	(28)	16,830	10,734
		88,389	**80,564**
		298,923	**298,229**

Changes in Shareholders' Equity

	Share capital TEUR	Additional paid-in capital TEUR	Foreign currency translation TEUR
As at 01/31/2003	9,500	18,089	-7,199
Dividend payment	0	0	0
Foreign currency translation	0	0	-4,640
Other neutral changes	0	0	0
Annual consolidated net income	0	0	0
As at 01/31/2004	**9,500**	**18,089**	**-11,839**
Dividend payment	0	0	0
Foreign currency translation	0	0	-1,019
Other neutral changes	0	0	0
Annual consolidated net income	0	0	0
As at 01/31/2005	**9,500**	**18,089**	**-12,858**

	Retained earnings TEUR	Equity certificates TEUR	Consolidated net retained profits TEUR	Total TEUR
	121,572	1,163	3,704	146,829
	0	0	-3,650	-3,650
	0	0	0	-4,640
	-13,607	13,607	0	0
	11,658	0	3,249	14,907
	119,623	**14,770**	**3,303**	**153,446**
	0	0	-3,250	-3,250
	0	0	0	-1,019
	0	-14,770	0	-14,770
	13,868	0	3,635	17,503
	133,491	**0**	**3,688**	**151,910**

Consolidated Cash Flow Statement

Rounded figures		2004/05 TEUR	2003/04 TEUR
1.	**Consolidated cash flow from operations**		
	Earnings before taxes (EBT)	23,347	21,637
-	Taxes on income and earnings	-5,844	-6,730
+	Depreciation on fixed assets and at-equity changes	21,401	26,266
+	Book value of disposed assets	5,652	2,121
+	Decrease in deferred tax assets	2,563	14
+	Allocation to long-term reserves	-77	-344
=	**Balance sheet cash flow**	**47,042**	**42,964**
- (+)	Income (loss) from the disposal of fixed assets	-528	91
-	Book value of disposed assets	-5,652	-2,121
=	**Consolidated cash flow from income**	**40,862**	**40,934**
- (+)	Increase (decrease) in inventories and prepaid expenses	-3,435	-55
+ (-)	Increase (decrease) in advance payments received and deferred income	-2,197	-1,793
- (+)	Increase (decrease) in accounts receivable, other receivables and inter-company receivables	-9,107	-516
+ (-)	Increase (decrease) in accounts payable inter-company liabilities and other liabilities	14,399	-277
+ (-)	Increase (decrease) in current accruals and deferred tax liabilities	-393	-5,380
- (+)	Foreign currency translation and other changes	-1,019	-4,641
		-1,752	**-12,662**
	Consolidated cash flow from operations	**39,110**	**28,272**

Rounded figures		2004/05 TEUR	2003/04 TEUR
2.	**Consolidated cash flow from investment activities**		
-	Investments in tangible and intangible assets	-24,683	-24,287
-	Investments in financial assets (excluding equity interests)	-1.796	-134
+ (-)	Income (loss) from the disposal of fixed assets	528	-91
+	Book value of disposed assets	5,652	2,121
+ (-)	Foreign currency translation on fixed assets	1,063	5,740
	Consolidated cash flow from investment activities	**-19,236**	**-16,651**
3.	**Consolidated cash flow from financing activities**		
-	Dividend of parent company	-3,250	-3,650
-	Repayment of equity certificates	-14,770	0
-	Repayment of loans and other long-term credit from credit institutions	-9,959	-14,283
- (+)	Repayment/increase in non-bank loans	458	-535
	Consolidated cash flow from financing activities	**-27,521**	**-18,468**
+ (-)	Consolidated cash flow from operations	39,110	28,272
+ (-)	Consolidated cash flow from investment activities	-19,236	-16,651
+ (-)	Consolidated cash flow from financing activities	-27,521	-18,468
=	**Change in cash and cash equivalents and consolidated marketable securities**	**-7,647**	**-6,847**
+	Opening balance cash and cash equivalents	27,528	34,375
=	**Closing balance cash and cash equivalents**	**19,881**	**27,528**

Notes on the Financial Statements for the 2004/05 Fiscal Year

A. General Information

Miba Aktiengesellschaft is a group of companies with international activities and with its headquarters in Austria. The core business of the Group is composed of the following product segments: sintered components, bearings and friction materials. The Group's Head Office is located at Dr.-Mitterbauer-Straße 3, 4663 Laakirchen, Austria

The Group's parent company is the Mitterbauer Beteiligungs-Aktiengesellschaft, Laakirchen.

The accompanying consolidated financial statements of Miba Aktiengesellschaft for the 2004/05 fiscal year (February 1, 2004 to January 31, 2005) were prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC).

The reporting standard IFRS 3 on "Business Combinations" and the revision of the standards IAS 36 "Impairment of Assets" and IAS 38 "Intangible assets" were applied ahead of schedule from February 1, 2004 onwards and in their entirety according to IFRS 3.85 (limited retrospective application).

All other standards subject to revision in the context of improvement projects as well as the new IFRS Standards 1, 2, 4 and 5 were not applied ahead of schedule.
The attached financial statements of all consolidated domestic and foreign companies that are subject to audit requirements according to national regulations are audited by independent certified public accountants and provided with an unqualified audit certificate.

The consolidated financial statements meet the requirements of § 245a ÖHGB (Austrian Commercial Code) according to which a parent company preparing consolidated financial statements and a group management report according to internationally accepted accounting principles is exempt from preparing financial statements based on the national requirements of the Commercial Code.

Differences between IFRS and the Austrian reporting requirements

The reporting requirements according to IFRS have the objective of providing investors with relevant information for decision-making. Therefore, according to IFRS, commercial reporting and tax reporting are strictly separated, accruals for expenditures are not allowed, the definition of realized profits differs in some cases, reporting and valuation rights are more narrowly defined and notes and explanations to the financial statements are more extensive.

Goodwill from consolidation of capital: According to IFRS 3, goodwill is capitalized and annually subjected to an impairment test. Since the 2004/05 fiscal year, goodwill is no longer systematically amortized. According to the Austrian Commercial Code, an allocation to reserves with a neutral effect on income or a capitalization with depreciation on a straight-line basis is allowed.

Deferred taxes: Under the Austrian reporting regulations, deferred tax liabilities are allowed only to the extent that there are temporary differences affecting income, whereas deferred tax assets may be optionally capitalized. According to IFRS rules, all temporary differences are subject to deferred taxes at the currently applicable tax rate. This also applies in relation to tax losses carried forward insofar as these are expected to be reversed by future gains.

Other accruals: With regard to accruals, the IFRS and the Austrian Commercial Code differ in their interpretation of the principle of caution. The IFRS tend to have stricter requirements regarding the probability of relevant events and the definition of accruable amounts.

Financial assets: Current financial assets are reported at market prices (market value as of the balance sheet date). In contrast to the Austrian Commercial Code, an upward revaluation is not limited by the acquisition costs.

Foreign currency valuation: The two reporting systems differ in recognizing unrealized gains from the valuation of foreign currency as of the balance sheet date. According to Austrian law, only unrealized losses must be reported in accordance with the imparity principle, whereas according to IFRS, unrealized gains also have to be included, and therefore, any foreign currency fluctuation will immediately affect income. According to IFRS, unrealized exchange rate gains or losses from intercompany loans are reported under shareholder's equity with a neutral effect on income.

Receivables from production on contract: According to the Austrian Commercial Code, sales and profits will not be recognized until the customers have been invoiced (completed contract method). According to IAS 11, production on contract is reported in accordance with the percentage of completion method recognizing pro rata realized profits. The percentage of completion is determined by the ratio between actual costs and estimated total costs (cost to cost method).

B. Principles of Consolidation

1. Consolidation Group and Statement Date

An overview of Miba AG Group's material consolidated companies can be found in Appendix 3 to the Notes.

The company is included in the full consolidation group of the Mitterbauer Beteiligungs-Aktiengesellschaft, Laakirchen.

The consolidation group was established according to the principles of IAS 27 (Consolidated Financial Statements and Accounting for Investments in Subsidiaries). Accordingly, the consolidation includes 8 domestic (6 in the previous year) and 13 foreign (12 in the previous year) subsidiaries in which Miba Aktiengesellschaft directly or indirectly holds a controlling interest. The four non-consolidated subsidiaries are immaterial, even in sum total.

The balance sheet date for all companies included in the consolidated financial statements is January 31 of every year. The exception is the B-company, Austria (December 31), for which no interim accounts were prepared.

The balance sheet date for Mahle Metal Leve Miba Sinterizados Ltda., Sao Paulo, Brazil, is December 31 of every year. The statement is prepared according to the equity method.

No significant events impacting the financial position and earnings situation occurred between the balance sheet date of these two companies and the balance sheet date of the consolidated financial statements.

During the reporting period, the consolidation group (including Miba Aktiengesellschaft) changed as follows:

	Fully consolidated	Consolidated at equity
On February 1, 2004	19	1
Included in the reporting period for the first time	3	0
On January 31, 2005	22	1
of which foreign companies	13	1

The results of the consolidation group changes are immaterial, since they relate to new business start-ups and the three companies included for the first time still show very limited business activity.

2. Consolidation Methods

For the financial statements of January 31, 2005 the reporting standard IFRS 3 on "Business Combinations" and the revision of the standards IAS 36 "Impairment of assets" and IAS 38 "Intangible assets" were applied ahead of schedule as of February 1, 2004 according to IFRS 3.85.

Accordingly, as of February 1, 2004, the consolidation of capital took place based on the new valuation method. According to this method, the book value of an investment is offset against the pro rata reassessed equity of the subsidiary (purchase accounting). Any remaining differences in the assets are capitalized as goodwill, and are no longer subject to regular amortization in the future. Instead, they are annually subjected to an impairment test and only amortized in case of unscheduled value losses. Accordingly, existing goodwill is not subject to annual amortization. The last amortization for the 2003/04 fiscal year amounted to TEUR 1,791. Company acquisitions up to January 31, 2004 were consolidated based on the book value method.

Differences in liabilities in the context of initial consolidation have been effected according to IFRS 3 since February 1, 2004 and are accordingly recognized as income in the consolidated income statement in the year of origination. In the context of initial consolidations for 2004/05, there were no differences in liabilities.

For the at equity valued included associated companies, the same equity consolidation rules as the ones used in the context of full consolidation apply, using the last available annual financial statements as a reference.

All receivables and liabilities as well as expenses and income from settlements between the companies of the consolidation group are consolidated. Inter-company profits from inter-company sales are also consolidated, unless they are immaterial.

Inter-company profits related to Mahle Metal Leve Miba Sinterizados Ltda., Sao Paulo, Brazil, which is valued at equity, are not consolidated, since they are immaterial with regard to the financial position and earnings situation.

Required taxes are accrued on the consolidation activities that effect on net income.

3. Foreign Currency Translation

The annual financial statements of the fully consolidated foreign subsidiaries as well as the pro rata equity capital of the associated foreign companies are translated into EURO according to IAS 21 (The Effects of Changes in Foreign Exchange Rates) based on the concept of functional currency. For all companies, this is their respective local currency, since they operate independently with regard to financial, economic and organizational aspects.

Therefore, the currency translation of assets and liabilities is based on the average rate effective as of the balance sheet date. Income and expenses are calculated at the average annual exchange rates (except for depreciation).

Differences in currency translation between the exchange rate effective on the balance sheet date and the average exchange rate used for the income statement are recognized under consolidated accruals.

Differences in currency translation resulting from the revaluation of equity vs. initial consolidation are also recognized under consolidated accruals with a neutral effect on net income.
The resulting decrease in the capital resources during the 2004/05 fiscal year amounted to TEUR -1,019 (TEUR -4,640 in the previous year).

The changes in the Group's fixed assets are reported at the exchange rates effective as of the balance sheet date. Changes in the average rates on the balance sheet date in comparison with the previous year are reported separately in the changes in the consolidated fixed assets statement under "Currency translation".

Differences resulting from the currency translation of monetary foreign currency items in the individual financial statements due to exchange rate fluctuations between the time the transaction was entered and the balance sheet date are recognized in the respective period so as to affect net income. Currency translation differences from net investments in independently operating foreign subunits of the Group are recognized under consolidated accruals without effect on net income in accordance with IAS 21.17.

For foreign currency receivables or payables that are hedged through forward exchange contracts, the unrealized exchange rate gains are reported on the balance sheet date under other receivables and assets, whereas unrealized exchange rate losses are reported under other accruals.

The exchange rates of the relevant currencies changed as follows:

Currencies		Rate on the balance sheet date 01/31/2005	01/31/2004	Average Rate 01/31/2005	01/31/2004
USD		0.76923	0.80808	0.80232	0.87284
GBP		1.44760	1.45985	1.47376	1.43956
SGD		1.46981	0.47495	0.47607	0.50177
SKK		0.02618	0.02448	0.02513	0.02417
Reais	on Dec. 31	0.27600	0.27460	0.27552	0.29268

C. Reporting and Valuation Principles

The financial statements of all the consolidated companies were prepared in accordance with standard reporting and valuation principles. The statements of the companies that are consolidated according to the equity method were partially adjusted to the Group's standard valuation guidelines.

1. Fixed Assets

Intangible assets are valued according to IAS 38 at acquisition costs minus scheduled straight-line depreciation (useful life 3 to 10 years). According to IAS 38.54, research expenses are not capitalized. Development costs fail to meet all criteria required by IAS 38.57 and are therefore not capitalized either. During the 2004/05 fiscal year, research and development costs of EUR 11.4 million (10.3 million in the previous year) were charged as expenses.

Capitalized goodwill is subjected to an annual impairment test according to IFRS 3, which was applied ahead of schedule from February 1, 2004 onwards. On January 31, 2004, the book value of goodwill (TEUR 16,697) was classified as new acquisition cost and no longer subjected to amortization. The comparable period in 2003/04 still included goodwill amortization in the amount of TEUR 1,490.

The calculation of the impairment requirements was based on future planning assuming an 8% discounting factor (= Group WACC) and a 2 % growth parameter for the periods 4 to 10. For government perpetuals, a 0 % growth parameter of was assumed. The calculation is based on a 30 % tax rate.

On August 27, 2001, the bearing manufacturing plant in McConnelsville, Ohio, USA was acquired under an asset deal. Most of the difference resulting from the consolidation of capital was capitalized under goodwill and amortized over 15 years, the last time during the 2003/04 fiscal year. The allocation of the acquisition cost was finalized during the 2002/03 fiscal year and goodwill was adjusted in accordance with IAS 22.71. Along the lines of the draft at hand at the time, "Exposure Draft ED 3 Business Combinations" and in view of the planned harmonization of regulations of the International Financial Reporting Standards regarding the US-GAAP instructions for mergers, based on the value of existing customer relations, goodwill for the McConnelsville plant was reduced by EUR 31.7 million and subsequently customer relations (without contractual bind) capitalized by the same amount.

From the 2004/05 fiscal year onwards, the recognition criteria for customer relations according to IAS 38 were fulfilled, due to the early application of IFRS 3 in combination with IAS 36 and IAS 38 (in the version revised in 2004).

The value of customer relations was determined by means of a discounted cash flow valuation based on estimated sales to the nine largest customers of the McConnelsville plant. At the time of acquisition, the current market value of the customer relations thus established amounted to USD 28.4 million. Customer relations are depreciated over an anticipated average life of 10 to 15 years (in line with the product life cycle).

In accordance with IAS 16, **property, plant & equipment** is valued at acquisition or manufacturing cost minus scheduled straight-line depreciation or at the lower market value. Repair and maintenance expenses are reported as current expenditures. Assets of low value are fully depreciated in the year they were acquired.

Interest on loans for tangible assets manufactured or acquired over a longer period of time is not capitalized.

If there are any indications of a loss in asset values and if the cash value in use or the net selling price should fall below the respective book value, unscheduled depreciation is required according to IAS 36 to the relevant lower reportable value. If the reasons for the unscheduled depreciation cease to exist, the assets will be revaluated upward accordingly.

For internally produced fixed assets, the manufacturing costs consist of the directly allocable production costs and the pro rata fixed and variable production overhead, including pro rata costs for the employee pension plan and voluntary social benefits.

The scheduled straight-line depreciation is based primarily on the following depreciation rates:

Asset group	Depreciation rate
Buildings	3.0–10.0 %
Plant and machinery	10.0–25.0 %
Other furniture and fixtures, tools and equipment	10.0–25.0 %

According to IFRS provisions, property, plant & equipment in the consolidated financial statements also includes items used on the basis of lease agreements. Lease agreements under which the Group substantially holds all risks and benefits related to the use of the assets are treated as financial leasing. The assets underlying the lease agreements are stated based on the current value of the capitalized lease payments at acquisition and depreciated over their useful life. The assets are offset by the cash value of the liabilities from the lease payments that are outstanding on the balance sheet date.

Items leased under all other lease agreements are treated as operative leasing and are therefore attributed to the lessor. Lease payments are charged to expenses.

During the past fiscal year, investment allowances in the amount of TEUR 210 were reported under liabilities (TEUR 287 in the previous year). These allowances will be reversed in accordance with the useful life of the capital assets.

During the 2004/05 fiscal year, subsidies from public authorities amounting to TEUR 2,146 (TEUR 1,240 in the previous year) were received for research and development and for activities supporting the job market and were reported so as to affect on net income.

Equity interests in associated companies are reported in the consolidated financial statements at their pro rata equity capital value according to the equity method. The reporting and valuation methods of certain individual balance sheet items were adjusted.

Investments in affiliated companies, unless fully consolidated, are reported under **Other financial investments** at acquisition cost or at the relevant lower cost or market value. This item also includes long-term securities to cover provisions for severance and other personnel-related payments, which, in principle, are reported at market value as of the balance sheet date according to IAS 39.69.

Deferred taxes reflect timing differences in the valuation between IFRS and tax statements of the individual companies as well as consolidation processes resulting in temporary taxable differences. Deferred taxes are determined based on the balance sheet liability method according to IAS 12. Deferred tax assets on losses carried forward were allocated insofar as a reversal is expected within a foreseeable time period. Deferred taxes are calculated based on the income tax rate effective in the respective country at the time of the expected reversal of the valuation difference.

2. Current Assets

Inventories are stated at the lower value of either acquisition costs, manufacturing costs or the market price as of the balance sheet date. In general, a reduction for limited usability is applied. In principle, utilization is determined by means of the sliding average price method.

Manufacturing costs comprise all directly allocable expenses and pro rata variable and fixed production overhead, including pro rata costs for the employee pension plan and voluntary social benefits. Interest on loans is not capitalized.

Accounts receivable and other current assets are reported at nominal value. Individual value adjustments are made for identifiable risks. Receivables at no or low interest outstanding more than two months on average are discounted. Foreign currency receivables are stated at the average rate on the balance sheet date or, in the case of exchange rate hedging, at the hedged rate.

Cash and cash equivalents, such as cash on hand and deposits at credit institutions are reported at the current market value as of the balance sheet date. Marketable securities, which are also included in this item, are stated at fair market value as of the balance sheet date (mark-to-market).

3. Long-term liabilities

The Group's Austrian companies are accruing appropriate amounts for future **compensation obligations,** since it is required by law that employees receive a one-time compensation payment upon termination of service by the employer or upon retirement. The amount of the compensation is based on the years of service and the relevant salary at the time of severance or retirement.

Provisions for compensation payments are determined as of the balance sheet date according to the projected unit credit method at an assumed interest rate of 4.75 % p.a. (5.00 % p.a. in the previous year) and including a salary increase of 2.5 % p.a. The assumed pension age is the earliest possible age for the (preliminary) retirement pension as defined by the 2004 Pension Reform (2003 Budget Accompanying Act) and under consideration of the transitional regulations. A company-specific reduction for fluctuations was applied.

Post-retirement provisions are only required for the Group's Austrian companies. These are calculated based on accepted actuarial principles using the projected unit credit method at an assumed interest rate of 4.75 % p.a. (5.00 % p.a. in the previous year) and including a 2.75% salary increase (2.50 % p.a. in the previous year) or a 1% pension adjustment (0 % for fixed pension commitments). A reduction for fluctuations was not applied.

Any actuarial profits or losses resulting from changes in actuarial assumptions (demographic assumptions, such as expected mortality, fluctuation rate, early retirement, or financial assumptions, such as discount rate, future salary and benefit level) are reported as income or expense for the period. A fluctuation corridor for the cash value of the obligation according to IAS 19.92 et seqq. is currently not applied.

Contribution-based pension commitments are granted by two foreign subsidiaries, where the employer contributes to an external fund. The contributions to the fund represent expenses for the current period. Expenses reported in the 2004/05 fiscal year amounted to TEUR 574 (TEUR 625 in the previous year).

4. Other long-term and current liabilities

All **liabilities** are reported at their repayment value. Foreign currency liabilities are stated at the average rate on the balance sheet date.

Accruals are reported under other long-term or current liabilities and include all identifiable risks and contingent liabilities prior to balance sheet preparation. They are reported at the most probable value based on prudent examination.

5. Revenue recognition

Revenue from the sale of products and goods is recognized at the time the risks and benefits are transferred to the buyer.

Revenue from long-term production orders is recognized according to IAS 11 based on the percentage of completion method.

Interest income is recognized in proportion to time based on the effective interest yield of the asset. Dividend income is reported at the time the legal claim arises.

6. Estimates

To a certain degree, the consolidated financial statements are based on estimates and assumptions affecting the stated assets and liabilities, the disclosure of other liabilities on the balance sheet date and income and expenses for the reporting period. Actual amounts in the future may differ from these estimates. The principle of true and fair view was also unconditionally applied to such estimates.

D. Notes to the Income Statement and the Balance Sheet

1. Revenue from sales

Revenue from sales is reported in detail under the segment report where it is classified according to business segments and regions.

Revenue from sales for the 2004/05 fiscal year includes deferred revenue from production on contract in the amount of TEUR -1,804 (TEUR 1,674 in the previous year). Revenue from production on contract includes period-adjusted partial profits based on the percentage of completion. The percentage of completion is determined by the ratio between the contract costs incurred prior to the balance sheet date and the estimated total contract costs (cost-to-cost-method).

2. Other operating income

in TEUR	2004/05	2003/04
Income from disposal of and additions to fixed assets, except for financial assets	645	273
Income from the reversal	727	1,123
Unrealized market profits	955	990
Other income	9,155	3,726
Total	**11,482**	**6,112**

Insurance income in the amount of TEUR 2,320 is included under other income.

3. Expenses for material and other purchased manufacturing services

in TEUR	2004/05	2003/04
Expenses for material	87,439	71,996
Expenses for other purchased manufacturing services	47,315	40,311
Total	**134,754**	**112,307**

4. Personnel expenses

in TEUR	2004/05	2003/04
Wages	50,231	47,720
Salaries	36,501	33,342
Expenses for severance payments and contributions to company-sponsored employee provision funds	2,801	1,482
Expenses for post-retirement benefits	683	809
Expenses for legally required social security taxes and charges and mandatory contributions based on compensation	21,300	19,831
Other social security expenses	2,862	2,954
Total	**114,378**	**106,138**

Expenses for severance payments, contributions to company-sponsored employee provision funds and post-retirement benefits include payments and adjustments of the provisions for severance payments and post-retirement benefits.

5. Depreciation

in TEUR	2004/05	2003/04
Scheduled depreciation	22,203	23,288
Amortization of goodwill	0	1,490
Unscheduled depreciation	0	1,824
Total	**22,203**	**26,602**

6. Other operating expenses

in TEUR	2004/05	2003/04
Taxes other than income and earnings taxes	906	945
Unrealized market losses	125	416
Other	41,286	33,766
Total	**42,317**	**35,127**

7. Income from investments in associated companies

in TEUR	2004/05	2003/04
Income related to associated companies	**891**	**383**

8. Net interest income

in TEUR	2004/05	2003/04
Other interest and similar income	337	573
from affiliated companies	32	31
Income from other securities	164	191
Interest and similar expenses	-2,148	-2,468
from affiliated companies	-20	-82
Interest on social capital	-986	-1,053
Total	**-2,633**	**-2,757**
from affiliated companies	12	-51

9. Other financial income

in TEUR	2004/05	2003/04
Income from the disposal of financial assets	147	138
Income from additions to financial assets	55	2
Expenses for financial assets	-4,302	-48
Total	**-4,100**	**92**

The expenses for financial assets include non-recurrent results from the sale of investments in the amount of TEUR 4,300.

10. Taxes on income and earnings

in TEUR	2004/05	2003/04
Expenses for current taxes	2,457	6,875
non-recurrent	169	222
Change in deferred taxes	3.387	-145
Total	**5,844**	**6,730**

For the calculation of deferred taxes for the Austrian companies, a 25% corporation tax rate (34% in the previous year) was applied. The change in the Austrian corporate tax rate from 34% to 25% as decided by the National Council of Austria in May 2004, shall apply from January 1, 2005 onwards and therefore needs to be applied to the calculation of deferred taxes.

The difference between the calculated income tax expenses (earnings before taxes multiplied by the national (Austrian) tax rate of 33.25%) and the income tax expenses in the 2004/05 fiscal year according to the income statement is due to the following:

in TEUR	2004/05	2003/04
Earnings before income tax	23,347	21,637
of which 33.25 % calculated income tax expense	7,763	7,357
Effect of foreign tax rates	1,054	-109
Change in valuation adjustment of deferred tax assets	-641	2.553
Tax credits or payment of taxes for previous periods	415	154
Permanent differences from consolidation (amortization of goodwill)	0	251
Investment benefits	-7	-133
Other items	-2,740	-3,343
Income tax expense for the period	**5,844**	**6,730**
Group tax rate in %	**25.03**	**31.10**

The national (Austrian) tax rate of 33.25 % results from the allocation of the 34 % tax rate which was valid until December 31, 2004 and the 25 % tax rate which is valid from January 1, 2005 onwards.

11. Intangible assets

A detailed classification and the changes in intangible assets are provided in Appendix 1 to the Notes.

Changes in goodwill are as follows:

in TEUR	01/31/2005	01/31/2004
Opening balance	15,340	18,161
Foreign currency translation	-379	-1,331
Annual depreciation	0	-1,490
Closing balance	**14,961**	**15,340**

Customer relations

A detailed classification and the changes in intangible assets are provided in Appendix 1 to the Notes. Customer relations are subject to scheduled depreciation over a period of 10 to 15 years.

12. Property, plant & equipment

Effective February 1, 2002, goodwill was partially reclassified (see comments under C.1) and subsequently reported as customer relations. Customer relations are subject to scheduled depreciation over a period of 10 to 15 years.

According to IAS 17, fixed assets used under a lease agreement and allocable to Miba AG Group's economic property based on the structure of the lease agreement are reported under property, plant & equipment. The balance sheet item “Plant and Machinery” includes the following assets covered by financial lease agreements:

in TEUR	01/31/2005	01/31/2004
Acquisition cost	1,875	1,470
Depreciation (accumulated)	-433	-76
Book value	**1,442**	**1,394**

Expenses from the utilization of fixed assets not reported on the Group's balance sheet during the last fiscal year amount to TEUR 3,583 (TEUR 2,480 in the previous year) and include conditional lease payments of TEUR 412 (TEUR 300 in the previous year), the amount of which is based on the degree of utilization of the leased objects.

Liabilities based on lease, licensing, and rental agreements for future years are as follows:

in TEUR	01/31/2005	01/31/2004
Term up to one year	3,167	3,371
Term between one and five years	12,085	12,753
Term of more than five years	10,642	16,492

The above is substantially related to buildings and machines.

Obligations for the acquisition of items under property, plant & equipment as of January 31, 2005 amounted to TEUR 8,561 (TEUR 2,777 in the previous year).

Existing restrictions on the disposal rights of property, plant & equipment amount to TEUR 1,142.

13. Other financial assets

Other financial assets are structured as follows:

in TEUR	01/31/2005	01/31/2004
Equity interests in affiliated companies	279	279
Loans to third parties	1,000	0
Long-term securities (loan stock rights)	3,167	3,517
available for sale	3,007	3,357
Total	**4,446**	**3,796**

Long-term securities, which are classified as available for sale, are reported at fair market values in accordance with IAS 39. Any income or loss from subsequent valuations will be reported in the period in which it occurred.

14. Deferred taxes

The differences in the valuation between the tax balance sheet and the IAS balance sheet are the result of the following differences and/or have the following effect on deferred taxes:

in TEUR	01/31/2005 assets	01/31/2005 liabilities	01/31/2004 assets	01/31/2004 liabilities
Total balances				
Assets:				
Fixed assets	2,442	3,014	3,868	2,295
Inventories	1,201	0	1,462	0
Other assets	191	309	173	418
Liabilities:				
Untaxed reserves	0	368	0	596
Accruals	1,780	82	1,772	175
Other liabilities	451	34	301	5
Subtotal	**6,065**	**3,807**	**7,576**	**3,489**
Losses carried forward	4,162	0	5,317	0
Decrease in valuation of deferred tax assets	-3,160	0	-2,967	0
Tax accruals and deferrals	**7,067**	**3,807**	**9,926**	**3,489**
Consolidation:				
Fixed assets	53	0	558	0
Consolidation of inter-company profits	471	0	547	0
Other	158	95	-276	141
Balance	-2,638	-2,638	-3,082	-3,082
Deferred taxes	**5,110**	**1,264**	**7,673**	**548**

For the 2004/05 fiscal year, deferred tax liabilities amounting to TEUR 25 were included under shareholder's equity with a neutral effect on income.

In accordance with IAS 12.39 (Income Taxes), no deferred taxes for differences resulting from investments in subsidiaries were reported on the balance sheet.

Deferred taxes on losses carried forward were reported only in the amount in which Management expects future taxable income.

15. Inventories

Inventories are composed of the following:

in TEUR	01/31/2005	01/31/2004
Raw and auxiliary materials and supplies	8,227	8,521
Semi-finished products	12.505	10,213
Finished products	20,864	19,096
Total	**41,596**	**37,830**

16. Accounts receivable and other receivables

in TEUR	01/31/2005	01/31/2004
Accounts receivable	70,011	61,768
with a remaining term of more than one year	0	0
Receivables from production on contract (PoC)	0	1,674
with a remaining term of more than one year	0	0
Advance payments received on receivables from PoC	0	-414
with a remaining term of more than one year	0	0
Receivables from affiliated companies	1,755	1,506
with a remaining term of more than one year	0	0
Other receivables and assets	8,276	6,403
with a remaining term of more than one year	0	0
Prepaid expenses	879	1,209
with a remaining term of more than one year	0	0
Total	**80,921**	**72,146**
with a remaining term of more than one year	0	0

Receivables from affiliated companies include receivables from non-consolidated affiliated companies.

The asset market value of pension funds exceeding pension liabilities in the amount of TEUR 126 is included under other receivables.

Production on contract

in TEUR	01/31/2005	01/31/2004
For all orders not invoiced as of the balance sheet date:		
Costs incurred prior to the balance sheet date	0	1,674
Profits (losses) accrued prior to the balance sheet date	0	336
Amounts withheld by customers	0	0

17. Cash and cash equivalents

in TEUR	01/31/2005	01/31/2004
Marketable securities	3	6
Cash on hand, checks, deposits at credit institutions	19,878	27,522
Total	**19,881**	**27,528**

As of the balance sheet date, there were no restrictions on the disposal of the amounts included in this item.

18. Share capital

As of January 31, 2005, Miba Aktiengesellschaft's share capital amounted to TEUR 9,500, consisting of 1,300,000 individual shares, of which 870,000 are common stock, 130,000 are non-voting convertible preferred stock and 300,000 are non-voting non-convertible preferred stock.

Authorized capital

On July 4, 2003, the 17th Annual General Shareholders' Meeting authorized the Management Board until December 31, 2004 with the approval of the Supervisory Board to trade company shares without specified purpose and excluding the trade of company shares, with the intention to acquire treasury stock to a lowest value of EUR 47.00 and a highest value of EUR 70.00 up to a total share of 10% of the equity capital according to Article 65 paragraph 1 line 8 of the AktG (Austrian Stock Corporation Law) as well as selling the thus acquired shares in exchange for the acquisition of companies, sites, partial sites or shares of one or more companies in or outside Austria other than by stock exchange or public offer. Furthermore, the Management Board was authorized to withdraw shares without further approval by the Annual General Shareholders’ Meeting.

19. Additional paid-in capital

Additional paid-in capital is fully comprised of committed paid-in capital (premium) and remains unchanged at TEUR 18,089.

20. Retained earnings

Retained earnings are fully comprised of other uncommitted reserves allocated at an amount required to equal the net retained profit reported in the consolidated financial statements and in Miba Aktiengesellschaft's year-end statement.

21. Equity certificates

The equity certificates issued in accordance with Article 174 (3) AktG (Austrian Stock Corporation Law) in 1989 were cancelled by the company with 3 months' notice, effective as of February 29, 2004 (effective cancellation date). All equity certificates were cancelled. Therefore, trading of this instrument on the Vienna Stock Exchange was discontinued on February 27, 2004. In accordance with Article 7 of the terms for equity certificates, the holders of the equity certificates received a settlement in the amount of EUR 14,769,600.00. The settlement was calculated based on the arithmetic average of the closing price of the company's non-convertible preferred stock (ISIN AT000734835) in the three months prior to the effective cancellation date.

22. Provisions for severance payments and post-retirement benefits

Provisions for severance payments and post-retirement benefits are composed of the following:

in TEUR	01/31/2005	01/31/2004
Provisions for severance payments	15,161	13,999
Provisions for post-retirement benefits	1,167	2,765
Total	**16,328**	**16,764**

Provisions for severance payments

in TEUR	01/31/2005	01/31/2004
Cash value of projected benefit obligations (PBO) = opening balance	**13,999**	**13,439**
Expenses related to years of service	934	1,053
Interest expenses	759	710
Severance payments	-944	-1,384
Other changes	413	181
Cash value of projected benefit obligations (PBO) = closing balance	**15,161**	**13,999**

Provisions for post-retirement benefits

in TEUR	01/31/2005	01/31/2004
Cash value of projected benefit obligations (PBO) = opening balance	**4,938**	**4,697**
Expenses related to years of service	308	211
Interest expenses	244	243
Pension benefits	-236	-350
Actuarial profits/losses	-80	137
Cash value of projected benefit obligations (PBO) = closing balance	**5,174**	**4,938**
Value of fund assets (reinsurance) Provisions for post-retirement benefits	-4,007	-2,173
Provisions for post-retirement benefits	**1,167**	**2,765**

Pension funds asset market value exceeding pension liabilities of TEUR 126 is included under other receivables.

23. Interest-bearing liabilities

This item is comprised of all interest-bearing liabilities with a remaining term of more than one year, as follows:

in TEUR	01/31/2005	01/31/2004
Due to credit institutions	31,083	34,790
with a remaining term of more than 5 years	6,842	7,022
Liabilities from loans from non-banks	3,151	3,630
with a remaining term of more than 5 years	0	0
Total	**34,234**	**38,420**
with a remaining term of more than 5 years	6,842	7,022

24. Other long-term liabilities

This item is comprised of all interest-bearing liabilities with a remaining term of more than one year, as follows:

in TEUR	01/31/2005	01/31/2004
Provisions for anniversary bonus	2,981	2,623
with a remaining term of more than 5 years	2,981	2,623
Advance payments from customers	2,595	4,493
with a remaining term of more than 5 years	0	0
Other long-term liabilities	1,012	1,187
with a remaining term of more than 5 years	102	336
Investment allowance	210	184
with a remaining term of more than 5 years	0	0
Total	**6,798**	**8,487**
with a remaining term of more than 5 years	3,083	2,959

As of the balance sheet date, other long-term liabilities included TEUR 987 (TEUR 1,156 in the previous year) related to financial lease agreements.

25. Current accruals

The current accruals are comprised of the following:

in TEUR	01/31/2005	01/31/2004
Provision for taxes	2.827	6.422
Other accruals	16.409	13.923
Total	**19.236**	**20.345**

Other accruals substantially consist of accruals for personnel and warranty payments and consultant fees.

Changes in accruals

in TEUR	As at 01/31/2004	Foreign currency translation
Accruals for postretirement-benefits and severance payments	16,764	-7
Provisions for taxes	6,422	-12
Deferred taxes	548	-11
Other accruals	16,546	-18
Total accruals	**40,280**	**-48**

26. Accounts payable

Accounts payable are comprised of the following:

in TEUR	01/31/2005	01/31/2004
Accounts payable to third parties	35,377	29,366
Due to affiliated companies	572	566
Total	**35,949**	**29,932**

27. Current portion of interest-bearing liabilities

This item is comprised of all interest-bearing liabilities with a remaining term of less than one year, as follows:

in TEUR	01/31/2005	01/31/2004
Due to credit institutions	12,580	18,833
Due to affiliated companies	2,136	0
Liabilities from loans from non-banks	1,658	720
Total	**16,374**	**19,553**

Reclassification	Reversal	Use	Allocation	As at 01/31/2005
-1,570	490	1,213	2,844	16,328
0	102	5,934	2,452	2,826
0	0	544	1,271	1,264
0	605	10,684	14,152	19,391
-1,570	**1,197**	**18,375**	**20,719**	**39,809**

28. Other current liabilities

Other current liabilities are comprised of the following:

in TEUR	01/31/2005	01/31/2004
Advance payments from customers	1,889	1,913
Other liabilities	10,791	4,748
Other tax liabilities	1,085	848
Other liabilities from social security obligations	2,611	2,444
Investment allowance	0	51
Accrued expenses	454	730
Total	**16,830**	**10,734**

As of the balance sheet date, other liabilities included TEUR 359 (TEUR 207 in the previous year) related to financial lease agreements.

29. Other liabilities and risks

There are no liabilities or risks other than those duly reported in the accompanying consolidated financial statements or discussed in the Notes.

E. Other information

30. Cash flow statement

The cash flow statement was prepared in accordance with the indirect method. Cash and cash equivalents are comprised solely of cash on hand, checks, deposits at credit institutions and marketable securities. Interest received and interest paid are reported under current operations. Dividend payments are reported under financing activities. The effects of changes in the consolidation group are reported under the applicable items of each of the three segments. Taxes on income and earnings during 2004/05 fiscal year amounted to TEUR 5,822 (TEUR 10,869 in the previous year).

31. Financing instruments

IAS 32 distinguishes between original and derivative financing instruments.

Original financing instruments

Original financing instruments are accounts receivable and accounts payable (basic transactions) and financial receivables and financial debt.

The portfolio of original financing instruments is shown in the balance sheet and in the notes respectively, as are derivatives, provided that a market value is available.

IAS defines **credit risk** as losses in assets resulting from the non-performance of contractual obligations by individual business partners.

The credit risk inherent in Miba AG Group's core business is largely secured by credit insurance and by bank-type collateral (guarantees, letters of credit).

The internal guidelines include credit criteria designed to control the credit risk related to original financing instruments, for example by means of bank limits or customer limits.

In the assessment field, we only work together with financial partners that have an irreproachable credit standing.

The credit risk of derivatives is limited to transactions with a positive market value and up to the replacement costs. Derivatives are based almost exclusively on standardized general contracts for financial futures. In principle, derivatives are not used for trading or speculative purposes.

Currency risk means that the value of a financing instrument may change due to exchange rate fluctuations.

The primary protection against currency risks are naturally closed positions, for example where trade receivables in USD are offset by payables for raw materials (USD netting).

Another method of protection is the use of derivative hedging instruments. Miba AG Group usually hedges the projected net foreign currency payments for the following 12 months primarily in the form of forward exchange contracts.

Due to the disproportionate USD currency risk and the material significance of the USD exposure, only the USD currency risk is currently actively hedged through forward exchange contracts.

Assessments are made by each of the Group's individual companies within the region of its local currency only, thus eliminating the currency risk.

The **interest risk** risk is the result of fluctuations in the market rates which may cause the value of the financing instruments to fluctuate.

An interest risk exists primarily for receivables and liabilities with a term of more than one year. Such terms are not material for operations, but they may be significant with regard to financial investments and debt.

On the asset side, an interest risk exists only for the securities held under financial assets. Since these securities are principally held through investment funds and may be disposed of at any time, the interest risk is not deemed to be material.

The average interest rate of the financial liabilities as of the balance sheet date was 2.76 % (3.05 % in the previous year). Most of the liabilities are subject to variable interest rates. Loans are the largest item of the financial liabilities with 45.22 % (54.99 % in the previous year), of which 47.73 % are USD loans. Export development credits represented 44.86 % (37.51% in the previous year) of financial liabilities. The remaining 9.92 % (7.50 % in the previous year) are liabilities payable to non-banks.

Derivative financing instruments

Derivative financing instruments are used solely for the purpose of hedging and currently consist of forward exchange contracts.

The contracts are stated as of the balance sheet date based on the marking-to-market method to determine the value which would be achieved if the hedging deal were settled (including transaction costs and bid offer spreads).

The portfolio of open derivative financing instruments as of January 31, 2005 is as follows:

in TEUR	Nominal value	Fair value	Difference	Term
Forward exchange contracts	5,877.19	6,617.33	740.14	during the period

The nominal value of the contracts represents the total amount of all purchases and sales of all derivatives. The market value is derived from the amount at which each individual contract is traded as of the balance sheet date. Pending futures are based on price and premium at maturity.

32. Segment reports

The Miba Group is active in the following business segments: sintered components, bearings, friction materials and services. This classification reflects the Group's internal organization and management structure and therefore forms the basis for the **primary** segment report.

The **secondary** segment report was structured based on the locations of the companies within the Group.

Sales between the segments are transacted at market prices and are generally equivalent to third party sales.

The figures of the segment reports are shown in Appendix 2 to the Notes.

33. Events occurring after the balance sheet date

Any events occurring after the balance sheet date which are relevant to the valuation at the balance sheet date, such as pending legal disputes or claims for damages, and any other obligations or anticipated losses to be reported or disclosed in accordance with IAS 10 (Contingencies and Events occurring after the Balance Sheet Date) are reflected in the consolidated financial statements or unknown.

34. Information on executive bodies and employees

During the 2004/05 fiscal year, the number of employees changed as follows:

in TEUR	01/31/2005		01/31/2004	
	Balance sheet date	Average	Balance sheet date	Average
Workers	1,876	1,865	1,806	1,789
Salaried employees	707	721	692	658
Total	**2,583**	**2,586**	**2,498**	**2,447**

The expenses for severance payments and contributions to company-sponsored employee provision funds and the expenses for post-retirement benefits are composed of the following:

in TEUR	2004/05		2003/04	
	Severance payments and contributions to company-sponsored employee provision	Pension benefits	Severance payments and contributions to company-sponsored employee provision	Pension benefits
Board members, Executive Management and Management	53	264	-74	420
Other employees	2,748	419	1,556	389
Total	**2,801**	**683**	**1,482**	**809**

Compensation to the Board Members for the last fiscal year amounted to TEUR 1,598 (TEUR 1,343 in the previous year), of which TEUR 535 are related to variable salary components. No payments were made to former Board Members or their surviving dependents.

Total compensation to the members of the Supervisory Board for their services during the 2004/05 fiscal year amounted to TEUR 78 (TEUR 30 in the previous year).

35. Earnings per share

According to IAS 33 (Earnings per share), the basic earnings per share are calculated by dividing the income for the period (consolidated net income) to be distributed to the common shareholders by the weighted number of common stock outstanding during the period. Since the preferred stock is subject to an unrestricted residual claim on the company's assets, it had to be included in the number of shares:

	in	2004/05	2003/04
Consolidated net income	TEUR	17,503	14,907
Amount to be distributed to common and preferred shareholders	TEUR	17,503	14,907
Average number of outstanding common and preferred stock	Shares	1,300,000	1,300,000
Basic earnings per share [1)]	**EUR/Share**	**13.46**	**11.47**
Diluted earnings per share [1)]	**EUR/Share**	**13.46**	**11.47**

1) for common and preferred stock

36. Proposed distribution of profits

Pursuant to the regulations of the Austrian Stock Corporation Law (Aktiengesetz), the year-end financial statements of Miba Aktiengesellschaft as of January 31, 2005, which were prepared in accordance with Austrian reporting requirements, form the basis for the distribution of dividends. The net retained profit reported in the year-end financial statement is TEUR 3.688.

The Board of Directors proposes to pay a dividend of EUR 2.80 per share to preferred and common shareholders and to carry the remaining amount over to the next year.

Dividend distribution:	Preferred shareholders Emission A	364,000.00 EUR
	Preferred shareholders Emission B	840,000.00 EUR
	Common shareholders	2,436,000.00 EUR
	Remaining amount	47,839.63 EUR
		3,687,839.63 EUR

Laakirchen, April 28, 2005

The Board of Directors	Dipl.-Ing. Peter Mitterbauer (Chairman)	
	Siegfried Dapoz	Ing. Alfred Hörtenhuber
	Dr. Ing. Norbert Schrüfer	Dr. Wolfgang Litzlbauer

Appendix 1 to the Notes: Changes in Consolidated Fixed Assets

Appendix 2 to the Notes: Segment Reports

Appendix 3 to the Notes: Equity Interests

Auditor’s Report and Certification

We have audited Miba Aktiengesellschaft’s consolidated financial statements as of January 31, 2005, prepared by the company in accordance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The preparation and contents of these consolidated financial statements are the responsibility of the company’s Management Board. Our responsibility is to express an opinion on the consolidated financial statements based on our audit. In some cases, the year-end financial statements of subsidiaries included in the consolidated financial statements were audited by other auditors. As far as the local statements of such subsidiaries are concerned, our opinion is based solely on the opinion of such other auditors.

We conducted our audit in accordance with the International Standards on Auditing (ISA) of the International Federation of Accountants (IFAC) and the professional principles and practices of auditing valid in Austria. These standards require that we plan and perform the audit so as to obtain reasonable assurance about whether the consolidated financial statements are free of significant material misstatements. The audit includes random sampling of the evidence supporting the amounts and disclosures in the consolidated financial statements. The audit also includes an assessment of the accounting principles used and significant estimates made by Company Management as well as an evaluation of the overall financial statement presentation. We believe that our audit as well as the reports from other auditors provide a sufficiently reasonable basis for our opinion.

Without resulting in any restrictions on our audit for the current fiscal year, we want to point out that – as explained in Items C.1. and C.11. of the Group's Notes – customer relationships, which do not fulfill all of the recognition criteria according to IAS 38, have been capitalized. Due to the application of IFRS 3 ahead of time, in combination with IAS 36 and IAS 38 (in the version valid in 2004), this restriction becomes obsolete from February 1, 2004 onwards.

In our opinion, the consolidated financial statements present the Group's financial position as at January 31, 2005 fairly in all material respects, as well as the results of its operations and its cash flows for the past fiscal year, in accordance with International Financial Reporting Standards (IFRS).

Pursuant to Austrian commercial law, we are required to examine the Group Management Report and verify compliance with the legal provisions for exemption from the preparation of consolidated financial statements according to Austrian law.

In our opinion, the Group Management Report is consistent with the consolidated financial statements and the legal requirements for exemption from the obligation to prepare consolidated financial statements in accordance with Austrian law have been met.

Linz, April 28, 2005

KPMG Austria GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft
(Auditors and Tax Consultants Ltd.)

Mag. Cäcilia Gruber	Mag. Stephan Beurle
Auditor and Tax Consultant	Auditor and Tax Consultant

Changes in consolidated fixed assets
as at January 31, 2005

Appendix 1 to the Notes

	Acquisition and manufacturing costs					
TEUR	As at 02/01/2004	Currency translation	Additions	Disposals	Adjusting entries	As at 01/31/2005
I. Intangible assets:						
1. Patents and licenses	4,275	13	503	1,255	3,237	6,773
2. Customer relationships	22,938	-1,104	0	0	0	21,834
3. Goodwill	15,340	-379	0	0	0	14,961
	42,553	**-1,470**	**503**	**1,255**	**3,237**	**43,568**
II. Property, plant and equipment:						
1. Land and leasehold rights and buildings, including buildings on third party land	49,771	72	274	514	485	50,088
of which real estate value	3,774	4	2	0	0	3,780
2. Plant and machinery	219,407	215	11,964	21,175	2,426	212,837
3. Other furniture and fixtures, tools and equipment	30,204	5	2,818	3,517	3,005	32,515
4. Advance payments and fixed assets under construction	9,718	-46	9,124	160	-9,152	9,484
	309,100	**246**	**24,180**	**25,366**	**-3,237**	**304,924**
III. Financial assets:						
1. Equity interests in affiliated companies	280	-1	0	0	0	279
2. Equity interests in associated companies	2,258	5	0	0	0	2,263
3. Lendings	0	0	1,700	700	0	1,000
4. Long-term securities (loan stock rights)	3,714	0	96	564	0	3,246
	6,252	**4**	**1,796**	**1,264**	**0**	**6,788**
	357,905	**-1,220**	**26,479**	**27,885**	**0**	**355,280**

Accumulated depreciation							Net value	
As at 02/01/2004	Currency translation	Additions	Appreciation	Disposals	Adjusting entries	As at 01/31/2005	As at 01/31/2005	As at 01/31/2004
3,584	6	1,040	0	1,246	0	3,384	3,389	691
4,241	-205	1,615	0	0	0	5,651	16,183	18,697
0	0	0	0	0	0	0	14,961	15,340
7,825	**-199**	**2,655**	**0**	**1,246**	**0**	**9,035**	**34,533**	**34,728**
22,881	-17	1,711	0	154	0	24,421	25,667	26,890
0	0	0	0	0	0	0	3,780	3,774
151,344	63	15,195	0	17,494	-1,628	147,480	65,357	68,063
23,839	2	2,643	0	3,301	1,628	24,811	7,704	6,365
0	0	0	0	0	0	0	9,484	9,718
198,064	**48**	**19,549**	**0**	**20,949**	**0**	**196,712**	**108,212**	**111,036**
1	-1	0	0	0	0	0	279	279
-1,234	-6	0	-891	170	0	-1,961	4,224	3,492
0	0	0	0	0	0	0	1,000	0
197	0	0	-55	-63	0	79	3,167	3,517
-1,036	**-7**	**0**	**-946**	**107**	**0**	**-1,882**	**8,670**	**7,288**
204,853	**-158**	**22,204**	**-946**	**22,302**	**0**	**203,865**	**151,415**	**153,052**

Segment Reports

Appendix 2 to the Notes

1. Primary Segments (Segment information according to business segments)

TEUR	Sinter 2004/05	Sinter 2003/04	Bearings 2004/05	Bearings 2003/04
Revenue from sales	**161,724**	**153,562**	**113,074**	**96,152**
of which inter-company sales	573	2,629	770	1,469
External sales	161,151	150,933	112,304	94,683
Operating income (EBIT)	**-354**	**1,855**	**26,002**	**18,236**
Income from investments at equity	891	383		
Assets	**143,303**	**142,187**	**113,609**	**110,050**
of which equity interests in associated companies	4,224	3,492		
Borrowed funds	**81,443**	**75,443**	**59,640**	**59,862**
Investments (excluding financial assets)	**14,510**	**9,877**	**5,480**	**5,548**
Depreciation	**11,577**	**15,702**	**6,933**	**7,567**
Other non-cash income an expenses	**2,290**	**720**	**1,162**	**85**
No. of employees (average)	**1,411**	**1,344**	**735**	**699**

2. Secondary Segments (Segment information according to region)

TEUR	Austria 2004/05	Austria 2003/04	EU excl. Austria 2004/05	EU excl. Austria 2003/04	Asia 2004/05	Asia 2003/04
External sales	**16,164**	**13,099**	**220,949**	**198,398**	**26,701**	**20,093**
Segment assets	**225,573**	**221,268**	**92,926**	**78,816**	**7,144**	**6,739**
Investments (excluding financial assets)	**13,966**	**14,581**	**8,819**	**3,044**	**90**	**561**

	Frictec 2004/05	Frictec 2003/04	Other 2004/05	Other 2003/04	Consolidation 2004/05	Consolidation 2003/04	Total Group 2004/05	Total Group 2003/04
	54,627	**49,032**	**10,352**	**9,077**	**11,890**	**13,437**	**327,887**	**294,386**
	194	443	10,352	9,056	11,890	13,437	0	160
	54,433	48,589	0	21	0	0	327,887	294,226
	3,481	**3,362**	**154**	**409**	**94**	**-57**	**29,189**	**23,919**
	77,427	**74,363**	**7,056**	**10,773**	**42,472**	**39,144**	**298,923**	**298,229**
	25,834	**22,656**	**12,515**	**5,610**	**32,419**	**18,788**	**147,013**	**144,783**
	1,998	**5,454**	**2,695**	**3,408**	**0**	**0**	**24,684**	**24,287**
	2,734	**2,919**	**998**	**454**	**40**	**40**	**22,203**	**26,602**
	667	**551**	**-1,436**	**95**	**0**	**0**	**2,683**	**1,451**
	380	**350**	**60**	**54**	**0**	**0**	**2,586**	**2,447**

	USA 2004/05	USA 2003/04	Other 2004/05	Other 2003/04	Consolidation 2004/05	Consolidation 2003/04	Total Group 2004/05	Total Group 2003/04
	50,274	**44,610**	**13,799**	**18,026**	**0**	**0**	**327,887**	**294,226**
	50,574	**51,679**	**0**	**13,776**	**77,295**	**74,050**	**298,922**	**298,228**
	1,853	**2,283**	**0**	**4,315**	**44**	**497**	**24,684**	**24,287**

Equity Interests
as at January 31, 2005

Appendix 3 to the Notes

Company	Seat of the company	Country
Affiliated companies:		
Miba Aktiengesellschaft	Laakirchen	A
Miba Gleitlager GmbH	Laakirchen	A
Miba Sinter Austria GmbH (previously: Miba Sintermetall GmbH)	Laakirchen	A
Miba Sinter Holding GmbH & Co KG (previously: Miba Sinter Holding GmbH)	Laakirchen	A
Miba Frictec GmbH	Laakirchen	A
Miba Automation Systems Ges.m.b.H.	Laakirchen	A
Miba Sinter Holding GmbH	Laakirchen	A
Miba Frictec Holding Ltd.	Sheffield	GB
Miba Tyzack Ltd.	Sheffield	GB
Tyzack Ltd.	Sheffield	GB
Miba Far East PTE Ltd.	Singapore	SG
Miba Sinter Slovakia s.r.o. (previously: Miba Slovakia s.r.o.)	Dolny Kubin	SK
Miba HydraMechanica Corp.	Sterling Heights, Michigan	USA
Miba Bearings U.S. LLC	McConnelsville, Ohio	USA
Miba Sinter Italy S.r.l. (previously: Nuova Merisinter S.r.l.)	Turin	I
Miba Sinter Spain SA (previously: Sintermetal S.A.)	Ripollet/Barcelona	E
Miba Steeltec s.r.o.	Vráble	SK
Associated Companies:		
Mahle Metal Leve Miba Sinterizados Ltda.	Sao Paulo	BR

Currency	Nominal capital in thousand of national currency	Direct and indirect equity interest %	Consolidation method 1)
TEUR	9,500	100.0	KV
TEUR	8,750	100.0	KV
TEUR	8,400	100.0	KV
TEUR	110	100.0	KV
TEUR	40	100.0	KV
TEUR	45	100.0	KV
TEUR	35	100.0	KV
TGBP	6,400	100.0	KV
TGBP	3,535	100.0	KV
TGBP	2,005	100.0	KV
TSGD	1,075	100.0	KV
TSKK	111,446	100.0	KV
TUSD	8,284	100.0	KV
TUSD	29,000	100.0	KV
TEUR	12,522	100.0	KV
TEUR	2,194	100.0	KV
TSKK	40,000	100.0	KV
TBRL	100	30.0	KE

1)
KV = fully consolidated companies

KE = companies consolidated at equity

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Annual General Meeting	July 8, 2005
Press conference on business year 2004/05	May 3, 2005
Press conference on the first half of the year 2005/06	September 15, 2005
Press releases on the three quarters of the business year 2005/06	June 16, 2005
	September 15, 2005
	December 16, 2005
Dividend ex date	July 18, 2005

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The Annual Report ist available in English and German as well as electronically.

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