

Innovation in Motion



Report on the
first half-year 2005/06

2005/06



Shareholder Information 2

Ladies and Gentlemen!

Miba is a strategic partner and supplier of the international motor and vehicle industry. More than half of the Group's sales is generated outside the automobile industry. During the first half of the year 2005/06, Miba has held up well in a difficult market environment. The customer markets – from commercial vehicles, cars and trains up to ships – were characterized by highly divergent developments. During the first half-year of 2005/06, Miba's growth was entirely based on growth outside of the automotive sector. In particular, Miba Bearing Group benefited from the continuous high demand for transportation capacity, be it on roads, tracks or water. On the other hand, production numbers for the European automobile industry, Miba Sinter Group's primary market, decreased slightly. After a strong first quarter, Miba Friction Group felt a slight weakening in specific market segments, especially tractors.

The first half of the year showed an increase in both sales volume and operating results. From February until July, a consolidated sales volume of 178.4 million Euros was generated. This represents an increase of seven percent over last year. Miba Sinter Group generated the largest share of sales with 45.5 percent, followed by Miba Bearing Group with 37.6 percent and Miba Friction Group with 16.8 percent.

Earnings before taxes (EBT) developed equally favorably during the first half of the year and – with 16.8 million Euros – exceeded last year's comparable time period's earnings by 6 percent. Cash-flow from operations amounted to 18.5 million Euros compared to 20.0 million Euros during the same time period of last year. The main reason for the slightly reduced cash-flow is the precautionary inventory increase at the Friction Group due to the impending relocation of the Sheffield site to Vráble. At the reporting of July 31, 2005, the number of employees stood at 2,741, an increase of 164 as compared to July 31, 2004.

During the first half of the year, some changes took place in the composition of Miba AG's Supervisory Board. The long-standing Chairman Dkfm. Dr. Hermann Bell and his Deputy Dr. Josef Fegerl announced their retirement due to reasons of age. The new Chairperson of the Supervisory Board is Dr. Theresa Jordis, with Dipl. BW Alfred Heinzl as her Deputy. In terms of the employee representatives, Hermann Aigner and Hermann Biesl have remained on the committee.

Expansion in Slovakia

The entire automobile industry is currently plagued by weakness in demand, price pressure and rising raw material cost. During the first seven months of the current year, automobile production in Europe decreased by 0.8 percent to 10.9 million vehicles produced compared to the same time period of last year. This tight market situation prompted many European automobile producers to start cost-reduction programs and to increase pressure on their suppliers.

As a strategic partner of the European automobile industry, Miba Sinter Group has positioned itself well as a technology leader in this unfavorable market situation. Nevertheless, the Sinter Group could not completely escape the weakness of the automobile activity and recorded a sales volume for the first half of the year which was approximately four percent lower than that of the previous year. Adjusted for the sale of the Turin site with effective date of July 31, the sales volume was at the same level as last year's.

In addition to a weaker demand, suppliers were also facing significant price increases for iron and steel powders during the first half of the year with only a limited possibility to pass these increases on to the automobile producers. Miba Sinter Group's answer to these external factors is cost-efficiency at all sites. Continuous cost improvements and productivity increases are carried out at all sites fulfilling the claim of having the best cost structure among leading innovators.

Miba Sinter Slovakia in Dolny Kubin showed the strongest growth during the first half of the year and needed additional production capacity. Therefore, with an effective date of June 30, the adjacent production company Metalsint was acquired. In the course of the asset deal, Miba acquired Metalsint's land, buildings and production equipment. This acquisition adds a further 90 employees to the 260 Miba employees in Dolny Kubin. This acquisition is another step towards further expanding Miba Sinter Group's Slovakian presence.

For the further course of the 2005/06 business year, Miba Sinter Group is not counting on an improvement in the raw material situation or on an increase in demand. On the whole, for 2005/06 we are expecting a minor increase in sales volume.



Business is humming

Miba Bearing Group has carried over its dynamic development into the first half-year of 2005/06. Compared to the same period of last year, the Bearings section realized an increase in sales volume of more than 20 percent. All important market segments from commercial vehicles and trains up to ship-building display very strong business activity.

As a supplier of the internationally leading engine manufacturer, Miba Bearing Group benefits from the strong demand for transportation capacity. US railroad business kept up its high-level pace during the first half of the year. The two major US producers of locomotive engines exclusively used bearings from Miba Bearings US during that time period. European demand remained pleasantly stable as well. After an excellent start into the new business year, the Chinese commercial vehicle market showed a slight weakening during the second quarter.

At the production sites in Laakirchen and McConnellsville, capacities were continuously increased during the first half-year to keep up with the growing demand. Among other things, a new production line for small bearings was put into operation in the Austrian plant. This represents one of the largest individual investments made at the Laakirchen site since the plant was established. During the first half-year, SAP was introduced as the main IT system to both of Miba Bearing Group's production sites.

Due to the Far East's promising long-term market potential, Miba Bearing Group decided during the first half-year to establish a plant in China. Construction of the new bearing plant located in the Suzhou Industrial Park, 90 kilometers west of Shanghai, will begin in the fall. The first bearings will roll off the assembly line during the 2006/07 business year.

For the second half of the current business year, Miba Bearing Group's Management is counting on a sustained high market level which will result in a double-digit sales volume increase over last year.



New serial orders from the USA

The first half-year of the Miba Friction Group was characterized by a strong demand for friction materials for tractors and construction machinery. Sales volume for the friction group from February to July was ten percent higher than during the comparative period of last year. Order status and operating result clearly exceeded expectations for the half-year.

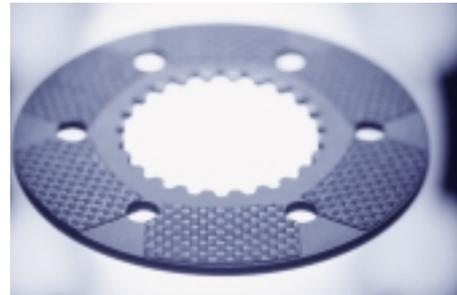
Whereas the production of construction machinery and commercial vehicles remained at a high level for the first half of the year, demand for tractors weakened in June and July. Producers of agricultural equipment felt the impact of the drought in large parts of southern Europe which resulted in production cuts. The decline in tractor sales over the past weeks already led to increased price pressure on the suppliers.

The supply situation on the international raw material markets slightly relaxed during the first half-year, even though continuing high prices for steel and other raw materials continue to burden the cost structure.

Miba HydraMechanica, the Friction Group's US production site, is continuing to develop into an important supplier of the US automobile industry. Miba's newly developed carbon friction materials for low-noise differential lock clutches were instrumental in receiving additional important serial orders during the second quarter.

In Slovakia, the construction of the new friction material plant in Vrábľe is proceeding according to plan. The shells for the office and production buildings are close to completion. During the fourth quarter, the first equipment will be installed on the site and started up. In consultation with the employees and the unions, a social plan was set up for the employees affected by the closure of Miba Tyzack in Sheffield. At Miba Friction Group's site in Roitham, a new and automated production line for clutch linings was installed to further increase productivity.

Due to the currently favorable order status, we are counting on a sustained positive business development for the coming months. Taking into account the weakening in individual market segments, Miba Friction Group's Management remains cautiously optimistic for the 2005/06 business year.



Moderate increase in sales volume

The outlook for the second half of the 2005/06 business year differs from one business segment to the next. Miba Bearing Group's key customers, such as engine manufacturers for commercial vehicles, locomotives and ships, display unrestrained dynamics. On the other hand, Miba Sinter Group, as a supplier to the European automobile industry, has a rather cautious outlook. During the first half of the year, automobile production in Europe decreased with no upswing in sight for the second half of the year. Miba Friction Group remains cautiously optimistic in consideration of the weakening witnessed in specific market segments.

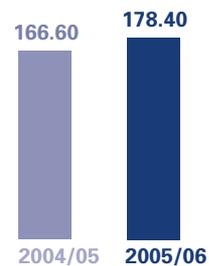
Miba's continuing business performance in 2005/06 will also be influenced by the developments on the international raw material markets, specifically steel and crude oil, and by the Euro-Dollar exchange rate. Further price increases for raw materials and energy are to be expected.

For the 2005/06 business year, Miba AG's Management Board assumes that a moderate increase in sales volume at a constant earnings position will take place.

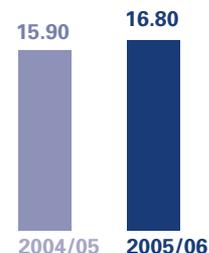
Miba Group in 1st half-year 2005/06

	1 st half-year 2005/06	1 st half-year 2004/05
Sales volume in million Euros	178.40	166.60
Order status in million Euros	141.40	130.30
Earnings before taxes in million Euros	16.80	15.90
Cash-flow from Operations in million Euros	18.50	20.00
Investments in million Euros	21.60	10.00
Number of employees as at July 31	2741	2577

**Sales 1st half-year
in million Euros**



**Earnings before taxes
1st half-year
in million Euros**



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