

*Innovation in Motion*



2006|07



Shareholder Information 2

## Ladies and Gentlemen!

The positive development of Miba AG's customer markets, already apparent in the first quarter, continued during the second quarter. This upward trend was fuelled by the worldwide economic upswing in the sectors of commercial vehicles, construction machinery and ships. Even automobile production in Europe has gathered some momentum since the beginning of the year.

As a strategic partner and supplier of the international engine and automotive industry, Miba increased its sales volume by more than six percent to EUR 189.4 million during the first half of the year. The Miba Sinter Group generated the largest share of sales with 44.6 percent, followed by the Miba Bearing Group with 38.5 percent and the Miba Friction Group with 16.3 percent. High Tech Coatings (HTC), a company acquired in May 2005 with its headquarters in Niklasdorf (Austria), accounted for 0.6 percent of total sales. With EUR 141.2 million as of July 31, 2006, the Group's order book was at a consistently high level.

Miba's 6.9-percent operating margin represents a respectable figure in this line of business. However, the continued price increases for copper, metal powder and energy in the first half of the year adversely affected the operating result with regard to material costs. After a favorable result in the first half of the 2005/06 business year, earnings before taxes (EBT) decreased from EUR 16.8 million to EUR 13.0 million in the corresponding period of this year. The start-up cost for the new friction materials

plant in Slovakia is one of the reasons for this decrease. Efficiency enhancement programs at the Naples and Barcelona sinter sites and the corresponding costs for staff reduction negatively impacted earnings in the short term, as well. In the first half of the year, cash-flow amounted to EUR 16.6 million as compared to EUR 18.5 million during the corresponding period in the previous year.

At the reporting date of July 31, 2006, the number of Miba employees stood at 2,920, an increase of 179 as compared to the reporting date of the previous year. This increase in employees was mainly a result of the recruitment drive for the Vrable site in combination with the on-going production in England. Furthermore, the Miba Bearing Group's sales growth resulted in additional manpower requirements.

A total of EUR 35.5 million was earmarked for capital expenditure in the current business year. In the first half of the year, EUR 15.8 million of this amount were realized. In the Suzhou Industrial Park, 90 kilometers west of Shanghai, a factory building was erected for the new production plant for truck bearings and sintered components for passenger car engines. Series production was started in the new friction materials plant in Vrable (Slovakia).

The 20th Annual General Meeting decided to distribute a EUR 2.80 dividend per common share and a EUR 0.59 dividend plus a EUR 2.21 bonus per preferred share. In this manner, Miba is emphasizing the continuity of the company's dividend payments and its financial clout.

## Growth through new products

Compared to the same period in the previous year, automobile production in Europe increased by three percent to 11.2 million vehicles up until July, albeit with strong variations in the development of individual manufacturers. Whereas automobile production in Central and Eastern Europe once again increased significantly, production in Western Europe decreased by 1.5 percent.

As a supplier of the European automotive industry, the Miba Sinter Group recorded a sales volume for the first half of the 2006/07 business year which was approximately four percent higher than that achieved in the previous year. In particular, our high-tech sites in Vorchdorf (Austria) and Dolny Kubin (Slovakia) have benefited from this trend. The sales increase is the result of new series orders, for example for clutch bodies for manual transmissions. Other new orders, such as for sintered gears for camshaft drives and mass balancing, are almost ready for series production. Their results will show up in the sales volume and operating result for the second half of the year.

In addition to facing increased costs for the development of new products for series production, the Miba Sinter Group once again had to cope with significant price increases for metal powder and energy. These increases could only be partially passed on to our customers. Over the past few months, Miba has tried to counter these cost increases with renewed efforts to enhance productivity at all of our sites. For example, the programs introduced at our Naples and Barcelona sinter sites to increase efficiency in conjunction with staff cuts have been consistently implemented. These programs go hand in hand with the strategic streamlining of our product portfolio and an increased automation level in the production of high-volume parts.

Due to the new series orders, the Miba Sinter Group is anticipating a slight increase in sales for the 2006/07 business year. Nevertheless, the elevated cost and price pressure remains the decisive influencing factor – also due to the circumstance that automobile producers are relocating their production sites to Central and Eastern European countries.



## Investing in the future

The Miba Bearing Group's customer markets continued their dynamic development during the first half of the year. The international engine producers' consistently high demand for engine bearings is the result of the elevated demand for transportation capacities. Compared to the corresponding period of the previous year, the Miba Bearing Group realized a sales increase of just under nine percent. The growth witnessed is distributed over all the important segments, i.e. from commercial vehicles and ships up to and including large stationary engines.

In order to cater to this increased demand in an optimum manner and to be prepared for future growth, an extensive construction project was launched at Miba's Laakirchen site in the first half of the year. Production capacities are being increased. The preliminary setup division is currently being relocated and automated. Completion is planned for March 2007. With a total investment of EUR 3.5 million, the Miba Bearing Group is expanding the high technological standard known from its diesel engine bearing production to include ship drives.

Since the beginning of the year, Miba's McConnellsville (US) site has been benefiting from the favorable market situation of our core segments: locomotives and compressors. Advanced Bearing Materials in Greensburg (US), Miba's production site for input stock, is currently setting up an efficient series production for steel-backed lead-bronze strips to secure Miba Bearing's independence from suppliers.

Following the previous year's sales record, the Miba Bearing Group's management is anticipating an additional five-percent increase in sales for the 2006/07 business year, with no influence on net operating results.



## Strong demand continues

In the first half of 2006, the Miba Friction Group's sales volume increased by three percent as compared to the same period of the previous year. This positive development is a result of the consistently strong demand for clutch linings, particularly for commercial vehicles. The Miba Friction Group's brake segments benefited from the strong demand generated by high-speed trains and wind turbines.

In general, supply on the international commodity markets has remained tight. The strong increase in the copper price witnessed in the first half of the year had a negative impact on the operating result, since this price increase could only partially be passed on to our customers. On the other hand, existing long-term contracts enabled us to keep the cost of steel stable during the first half of the year. However, a further price increase is anticipated by the end of the year.

During the first half of the year, the Miba Friction Group's Austrian site in Roitham recorded an abundance of incoming orders. Miba's US site in Sterling Heights operated at full capacity from February to July due to new orders from the aviation industry and the automotive sector.

For the most part, the relocation of Miba's steel disc production from Sheffield (England) to Vrábľe (Slovakia) is going according to plan and should be completed by the end of the business year. Series production at the new site was started in the first half of this year. As of the reporting date of July 31, 2006, Miba Steeltec s.r.o. employed 122 people. In the future, 80 percent of Roitham's steel disc demand will be met by Vrábľe.

Based on the current order situation, the Miba Friction Group's management anticipates sales volumes and operating results to increase moderately in comparison with the previous year. In addition to the one-time effects resulting from the relocation, the operating result will depend on further developments on the international commodity markets and the EUR-USD exchange rate.

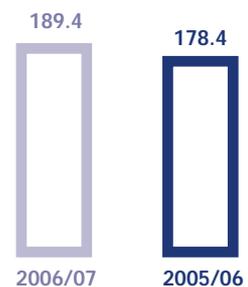


## Moderate increase in sales volume

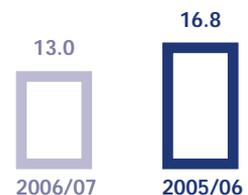
For the second half of this year, Miba is anticipating healthy economic activity in its target markets and a continuation of its path to growth. Increasing production figures in the engine and automotive industry can be expected in the coming months. However, growth will be tempered by a renewed increase in energy and commodity prices. During the second half of the year, the resulting pressure on margins will be countered by endeavors to cut costs and enhanced efforts to increase productivity and efficiency at all of our sites.

For the 2006/07 business year, Miba's Management Board continues to anticipate a moderate increase in sales volume and a slight growth in earnings. As a strategic partner of the international engine and automotive industry with sites in the world's major economic hubs, Miba is well prepared for the challenges of the current business year.

### Development of Sales 1<sup>st</sup> half-year in million EUR



### Development of Earnings before Taxes 1<sup>st</sup> half-year in million EUR



### Development of the Miba Group for the 1<sup>st</sup> half-year 2006/07

	1 <sup>st</sup> half-year 2006/07	1 <sup>st</sup> half-year 2005/06
Sales Volume in million EUR	189.4	178.4
Orders Status in million EUR	141.2	141.4
Earnings Before Taxes in million EUR	13.0	16.8
Cash-flow from Operations in million EUR	16.6	18.5
Investments in million EUR	15.8	21.6
Number of Employees as of July 31, 2006	2,920	2,741

**Publisher:**  
Miba Aktiengesellschaft,  
Dr.-Mitterbauer-Straße 3,  
4663 Laakirchen, Austria  
e-mail: [info@miba.com](mailto:info@miba.com)  
<http://www.miba.com>