

*Innovation in Motion*



Shareholder Information 3 2008-09

# Group Management Report on the First Three Quarters of 2008-09

## General Economic Setting

The world economy cooled down significantly in the third quarter as the result of the worsening international financial crisis. The International Monetary Fund (IMF) revised its projections again in November 2008. It is now projecting growth of only 1.4 percent in the advanced economies for 2008. All major industrialized countries will need to expect a contraction of their gross domestic product in the coming year, according to the IMF. Economic activity in the industrialized world is expected to decline by 0.3 percent in 2009. In the global economy as a whole, IMF foresees that this year's 3.7 percent growth will slow to 2.2 percent in the coming year.

Miba's target markets began to show uneven growth in the third quarter. Increasing consumer uncertainty had a negative impact on demand, especially for automobiles. 2008 sales in the passenger car market in Western Europe will probably drop significantly below the 2007 level. Growth in demand in the emerging markets in the reporting period was restrained. Other areas of the automotive industry such as commercial vehicles cannot escape this trend.

Miba, a strategic partner to the international engine and automotive industry, continues to count on its strength as a technology leader in clearly defined market segments. The non-automotive sector (including trucks, construction and agricultural machinery, ships, locomotives and wind power) accounts for about 60 percent of group sales, whereas the automotive sector generates about 40 percent.

## Sales and Performance Analysis

Miba grew in line with expectations in the first three quarters (February 1, 2008, to October 31, 2008), even

though a slowdown in economic activity has been apparent since the summer. Sales rose by 3.9 percent compared with the same period last year, to 298.0 million euros. After adjustment for lost sales due to disposal of the sintering site in Spain, sales growth totaled 12.0 percent.

Miba Bearing Group generated 40.6 percent of group sales, followed by Miba Sinter Group with 37.9 percent and Miba Friction Group with 20.3 percent.

Earnings before interest and taxes (EBIT) increased from 18.0 million to 32.4 million euros compared with the previous year. This is equivalent to an EBIT margin of 10.9 percent and is in line with the group target. The sale of the sintering plant in Spain and Miba's clear strategic positioning as a supplier of technologically sophisticated products were decisive for the growth in earnings.

Earnings per share totaled 17.60 euros in the first three quarters.

## Financial Position

The 11.5 million euro increase in inventories since the balance sheet date of January 31, 2008, is due both to changes in exchange rates and to a rise in volume.

Capital investment in plants and equipment totaled 32.8 million euros, a substantially higher amount than in the previous year, and was intended primarily for optimizing and expanding production and logistics processes in all three business segments. The Austrian sites accounted for 21.0 million euros of that amount.

Capital expenditures in the first three quarters were again wholly financed by cash flow from operations, which totaled 52.3 million euros.



The balance sheet total (total assets) increased by 370.2 million euros during the reporting period. The equity ratio was 54.0 percent and highlights the solid capital and financial structure of the Miba Group.

### **Order Situation**

Orders on the books as of October 31, 2008, totaled 170.6 million euros, a healthy level even though slightly below the previous year's figure. However, the first declines in customer demand were also apparent, reflecting general economic trends.

### **Employees**

As of October 31, 2008, the Miba Group had 2,932 employees worldwide. This represents an increase of 326 employees or 12.5 percent over the previous year and is in line with the growth in sales. Approximately 188 new jobs were created in Austria. A total of 1,723 people were employed there at the end of October. In addition, the Austrian sites had a total of 151 temporary workers as of the same date.

### **Other Events**

The exchange rate parities that were severely affected by the first peak of the U.S. financial crisis in September – particularly the EUR/USD rate but also the rate of the euro to the Chinese yuan (EUR/CNY) – are reflected in the

equity of the Miba Group as of October 31, 2008. Around 10 million euros in positive exchange rate differences were included in group equity but had no impact on profits.

### **Segments**

#### **Miba Bearing Group**

Miba Bearing Group increased sales by 9.1 percent to 121.0 million euros and profited from a high demand for transport capacities during the reporting period. A total of 14.4 million euros was invested in plants and equipment in Miba Bearing Group so that it would be able to meet the continually increasing demand for engine bearings.

#### **Miba Sinter Group**

Miba Sinter Group sales totaled 113.0 million euros during the reporting period, down 8 percent from the same period the previous year. After adjustment for lost sales due to disposal of the sintering site in Spain, the segment generated organic sales growth of 10.8 percent. Production startups for technologically advanced products in the engine, transmission, body and chassis segments accounted for this increase. Capital investment totaled 14.6 million euros and remained at the same high level as in the prior-year period.

#### **Miba Friction Group**

There was a healthy growth in demand in Miba Friction Group's target markets during the first three quarters of

the year. Sales in the reporting period rose by more than 19.8 percent, to 60.5 million euros. Miba Friction Group's capital expenditures totaled 2.9 million euros.

### Significant Risks and Uncertainties

During the first three quarters of the current business year, there were no major changes in the risk categories listed in the 2007-08 annual report. In light of the information currently available, management does not see any significant individual risks that could pose a threat to Miba Group's financial position or performance. However, the macroeconomic prospects have worsened significantly due to the spillover of the financial crisis into the real economy. The actual consequences and duration of this crisis cannot be predicted at this time. Although the Miba Group had to deal with a shortage of capacity and associated challenges at the beginning of the year, it is now facing a strong decline in demand in the fourth quarter, especially in the automotive sector.

### Outlook

The Management Board of Miba AG expects difficult months ahead for the industrialized countries. The effects of this trend have also been felt at Miba in the form of fewer new orders, order cancellations and the resulting lower level of capacity utilization. Miba has already taken an active approach to the changed market environment by instituting short-term equipment shutdowns and reducing overtime and the number of temporary workers.

In addition, Miba continues to pursue its cost discipline strategy systematically in all segments. With its R&D focus on the development of economical and energy-efficient components and modules, Miba has recognized market needs early on and is extremely well positioned for applications in all innovative and future-oriented systems.

It is precisely at times like these that the Miba Group's philosophy of maintaining and expanding a strong liquidity position and a conservative financing structure stands it in good stead.

## Segment Reporting

**Primary segments** (segment information by business segment)

TEUR	Bearing		Sinter		Friction		Other		Consolidation		Group	
	Q1-Q3	Q1-Q3	Q1-Q3	Q1-Q3	Q1-Q3	Q1-Q3	Q1-Q3	Q1-Q3	Q1-Q3	Q1-Q3	Q1-Q3	Q1-Q3
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Sales revenue												
(external sales)	120,977	110,885	113,017	122,853	60,549	50,549	3,436	2,496	0	0	297,979	286,783
EBITDA	26,465	28,761	16,349	2,741	9,046	4,442	1,587	702	-1	-16	53,446	36,630
EBIT	19,642	22,996	7,143	-5,616	5,756	1,628	-205	-1,043	24	1	32,360	17,966
Investments (excluding												
financial investments)	14,397	8,274	14,598	14,250	2,898	2,361	918	842	0	0	32,812	25,728
Employees (as of												
balance sheet date)	1,091	935	1,163	1,050	585	529	93	92	0	0	2,932	2,606

**The Miba Share**

Miba stock was not able to escape the sharp drop in share prices on the Vienna Stock Exchange that followed the trend in the international financial markets. The share price on October 31, 2008, was 99.50 euros, a 16.5 percent decrease from the value at the beginning of the 2008-09 business year.

A share buyback program was successfully completed in the third quarter. A total of 30,000 shares of treasury stock – or 2.3077 percent of share capital – was repurchased on the Vienna Stock Exchange at an average price of 122.95 euros between August 8, 2008, and October 15, 2008. Miba invested 3.7 million euros in this program. On October 20, 2008, the Miba AG Management Board decided to launch a new stock buyback program involving 20,000 preferred shares (Issue B). As of October 31, 2008, Miba AG held 60,091 shares of treasury stock.

Detailed information is available at [www.miba.com](http://www.miba.com).

**Statement by the Management Board**

To the best of our knowledge, the condensed consolidated financial statements of Miba Aktiengesellschaft as per October 31, 2008, which were compiled in accordance with the International Financial Reporting Standards (IFRS), give a true and fair view of the financial position and performance of all companies included in the consolidated group.

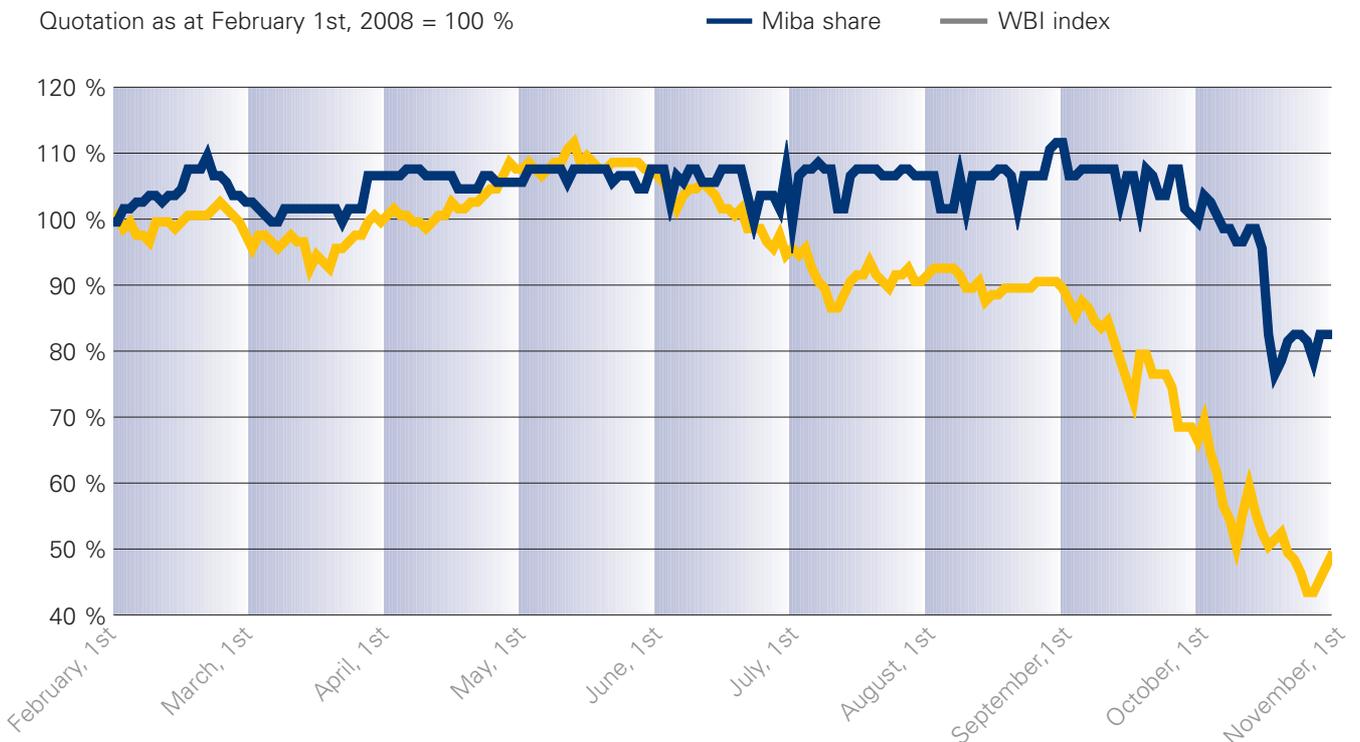
The management report gives a true and fair view of the Group's financial position and performance with respect to the information required under § 87 (2) and (4) of the Austrian Stock Exchange Act. For the present report, the performance of an audit or a review by an auditor was waived.

Laakirchen, December 12, 2008

The Management Board of Miba Aktiengesellschaft  
 DI DDr. h. c. Peter Mitterbauer (Chairman), hon.  
 Dr.-Ing. Norbert Schrüfer, hon.  
 Dr. Wolfgang Litzlbauer, hon.

**Development of the Miba Share**

Quotation as at February 1st, 2008 = 100 %



# Consolidated Balance Sheet

TEUR	10/31/2008	01/31/2008	10/31/2007
<b>Assets</b>			
<b>A. Non-current assets</b>			
Intangible assets	21,662	22,214	25,239
Property, plant and equipment	147,942	128,448	124,818
Investments in associates	7,012	7,502	7,028
Other financial investments	6,331	6,559	6,909
Deferred tax assets	13,058	13,000	12,149
	<b>196,005</b>	<b>177,723</b>	<b>176,144</b>
<b>B. Current assets</b>			
Inventories	64,806	53,307	54,099
Trade and other receivables	79,367	77,300	72,171
Cash and cash equivalents	29,976	22,587	26,051
	<b>174,149</b>	<b>153,194</b>	<b>152,320</b>
	<b>370,153</b>	<b>330,917</b>	<b>328,464</b>
<b>Equity and Liabilities</b>			
<b>A. Group equity</b>			
Share capital	9,500	9,500	9,500
Capital reserves	18,089	18,089	18,089
Retained earnings	179,561	151,320	147,000
Treasury shares	-7,502	-1,315	-201
Minority interests	379	101	86
	<b>200,027</b>	<b>177,695</b>	<b>174,473</b>
<b>B. Non-current liabilities</b>			
Provisions for severance payments and pensions	20,257	18,845	18,181
Provision for deferred taxes	1,932	1,121	1,075
Interest-bearing liabilities	27,295	26,628	36,557
Other non-current liabilities	14,108	13,886	13,499
	<b>63,592</b>	<b>60,480</b>	<b>69,312</b>
<b>C. Current liabilities</b>			
Current accruals	44,709	33,597	41,768
Trade payables	27,572	30,576	26,089
Current portion of interest-bearing liabilities	23,811	15,650	6,457
Other current liabilities	10,443	12,919	10,365
	<b>106,535</b>	<b>92,742</b>	<b>84,678</b>
	<b>370,153</b>	<b>330,917</b>	<b>328,464</b>

# Consolidated Income Statement

TEUR	Q3 2008-09	Q3 2007-08	Q1-Q3 2008-09	Q1-Q3 2007-08
Sales Revenue	98,240	90,442	297,979	286,783
Changes in inventory of finished goods and work in process	-3,423	1,499	2,484	2,228
Internally produced and capitalized assets	2,899	742	6,328	2,594
<b>Operating result</b>	<b>97,717</b>	<b>92,684</b>	<b>306,791</b>	<b>191,605</b>
Other operating income	5,911	1,478	14,821	7,451
Cost of material and other purchased manufacturing services	-37,037	-36,154	-122,391	-111,994
Personnel costs	-32,417	-28,623	-93,404	-90,863
Other operating expenses	-17,969	-17,648	-52,372	-59,569
<b>Earnings before interest, taxes depreciation and amortization (EBITDA)</b>	<b>16,205</b>	<b>11,737</b>	<b>53,446</b>	<b>36,630</b>
Depreciation and amortization	-7,456	-5,734	-21,086	-18,664
<b>Earning before interest, taxes amortization of goodwill (EBITA)</b>	<b>8,749</b>	<b>6,003</b>	<b>32,360</b>	<b>17,966</b>
Amortization of goodwill	0	0	0	0
<b>Earnings before interest and taxes (EBIT)</b>	<b>8,749</b>	<b>6,003</b>	<b>32,360</b>	<b>17,966</b>
Income and losses from investments in associated companies	327	453	1,047	1,251
Net interest income	-1,262	-883	-3,035	-2,310
Other financial results	334	-1,225	334	-1,166
<b>Financial results</b>	<b>-601</b>	<b>-1,655</b>	<b>-1,653</b>	<b>-2,225</b>
<b>Earnings before taxes (EBT)</b>	<b>8,148</b>	<b>4,348</b>	<b>30,706</b>	<b>15,741</b>
Income taxes	-2,034	-2,487	-8,275	-5,593
<b>Earnings after taxes</b>	<b>6,115</b>	<b>1,861</b>	<b>22,431</b>	<b>10,148</b>
Attributable to minority shareholders	16	-2	27	9
Attributable to parent company shareholders	6,099	1,864	22,404	10,139
Weighted average of the number of shares issued (in units)	1,258,958	1,299,213	1,272,805	1,299,738
Earnings per share in EUR	4.84	1.43	17.60	7.80
Diluted earnings per share in EUR = Undiluted earnings per share in EUR	4.84	1.43	17.60	7.80

## Changes in Group Equity

	TEUR	Share capital	Capital reserves	Currency translation differences	Retained earnings	Treasury shares	Minority Total	Total
<b>As of February 1, 2007</b>		<b>9,500</b>	<b>18,089</b>	<b>-9,945</b>	<b>154,667</b>	<b>0</b>	<b>78</b>	<b>172,388</b>
Dividend payments		0	0	0	-3,640	0	0	-3,640
Foreign currency translation		0	0	-4,221	0	0	0	-4,221
Other neutral changes		0	0	0	0	0	0	0
Changes in treasury shares		0	0	0	0	-201	0	-201
Actuarial gains / losses according to IAS 19		0	0	0	0	0	0	0
Consolidated net income		0	0	0	10,139	0	9	10,148
<b>As of October 31, 2007</b>		<b>9,500</b>	<b>18,089</b>	<b>-14,166</b>	<b>161,166</b>	<b>-201</b>	<b>87</b>	<b>174,474</b>
<b>As of February 1, 2008</b>		<b>9,500</b>	<b>18,089</b>	<b>-16,278</b>	<b>167,598</b>	<b>-1,315</b>	<b>101</b>	<b>177,695</b>
Dividend payments		0	0	0	-4,198	0	0	-4,198
Foreign currency translation		0	0	-10,034	0	0	0	10,034
Other neutral changes		0	0	0	0	0	0	0
Changes in treasury shares		0	0	0	0	-6,186	0	-6,186
Change in scope of consolidation		0	0	0	0	0	251	251
Actuarial gains/losses according to IAS 19		0	0	0	0	0	0	0
Annual consolidated net income		0	0	0	22,404	0	27	22,431
<b>As of October 31, 2008</b>		<b>9,500</b>	<b>18,089</b>	<b>-6,244</b>	<b>185,804</b>	<b>-7,501</b>	<b>379</b>	<b>200,027</b>

## Consolidated Cash Flow Statement

	TEUR	Q1-Q3 2008-09	Q1-Q3 2007-08
Consolidated cash flow from operations		52,287	43,206
Consolidated cash flow from investment activities		-40,001	-23,821
Consolidated cash flow from financing activities		-4,897	-8,394
<b>Change in cash and investment securities</b>		<b>7,389</b>	<b>10,991</b>

# Notes on the Interim Consolidated Financial Statements as at October 31, 2008

## **Information on the Company and**

### **Basis for the Preparation of the Statements**

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

The present interim statements of October 31, 2008 (February 1, 2008, to October 31, 2008) were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable on the balance sheet date, in particular IAS 34 (Interim Financial Reporting). The reporting and valuation principles of January 31, 2008, are applied unchanged. For additional information on the reporting and valuation methods, please refer to the consolidated financial statements of January 31, 2008.

For the purpose of clarity, all monetary amounts are shown in thousands of euros (TEUR).

### **Scope of Consolidation**

The scope of consolidation was defined in accordance with the principles of IAS 27 (Consolidated and Separate Financial Statements). The consolidated entity accordingly includes 10 Austrian and 14 foreign subsidiaries in which Miba Aktiengesellschaft holds, directly or indirectly, the majority of voting rights.

The number of companies covered by the interim consolidated financial statements has changed since the last balance sheet date to include the newly established company Miba Sinter USA LLC based in McConnelsville, Ohio (USA). A 25.1% share in the capital of HighTech Coatings GmbH was sold on August 1, 2008.

## **Business Seasonality**

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

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

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

## **Estimates and Uncertainties**

With regard to discretionary decisions and uncertainties resulting from estimates, please consult the Miba Group's consolidated financial statements as at January 31, 2008.

## **Statement by the Management Board**

To the best of our knowledge, the condensed consolidated financial statements of Miba Aktiengesellschaft as per October 31, 2008, which were compiled in accordance with the International Financial Reporting Standards (IFRS), give a true and fair view of the financial position and performance of all companies included in the consolidated group.

The management report gives a true and fair view of the Group's financial position and performance with respect to the information required under § 87 (2) and (4) of the Austrian Stock Exchange Act. For the present report, the performance of an audit or a review by an auditor was waived.

Laakirchen, December 12, 2008

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