Innovation in Motion

Miba

2009|10

Financial Report on the First Half-Year

Report on the First Half of Fiscal Year 2009-2010

General Economic Setting

The global recession began to ease up towards the end of the first half of this fiscal year. Although available early indicators have stabilized and prices on international commodity markets are rising, the end to the economic crisis is not yet in sight.

Although China and India, the previous engines of growth, had definitely lost momentum at the beginning of the year, they showed signs of modest recovery towards the end of the second quarter.

Experts however do not see a sustainable recovery at present and warn against premature euphoria. The International Monetary Fund (IMF) is projecting that the global economy will shrink by 1.4 percent in 2009.

A gradual recovery of all of Miba's core markets is not expected before 2010.

Sales and Performance Analysis

Miba, a strategic partner to the international engine and automotive industry, has held its own in this difficult environment due to its consistent focus on clearly defined market segments. Nonetheless, the global decline in demand in Miba's target markets has had an effect on sales and earnings. Sales during the reporting period (February 1 to July 31, 2009) totaled 148.5 million euros, down by 25.7 percent or about 51.3 million euros from the comparable period a year earlier. Miba Bearing Group accounted for the largest portion of group sales with 45.3 percent, followed by Miba Sinter Group with 37.7 percent and Miba Friction Group with 15.8 percent.

The early introduction of measures designed to counteract the crisis and the intensification and systematic implementation of those measures at all Miba locations also guaranteed a positive result before interest and taxes (EBIT) in the second quarter. Earnings before interest and taxes totaled 2.4 million euros in the first half of 2009-2010 (compared with 23.6 million euros a year earlier). Earnings before taxes (EBT) came to 1.4 million euros, down from 22.6 million euros in the comparable prior-year period.

Financial Position

Strong working capital management, including programs for reducing inventories, and restrained but strategically focused investment policies are reflected in the reduction of the balance sheet total (total assets) in the first half of the current fiscal year. That figure totaled 329.9 million euros as of July 31, 2009.

Miba's particular focus, especially now, is on strengthening liquidity over the long term. Cash and cash equivalents were significantly increased in the second quarter and reached 35.0 million euros by July 31, 2009. Net indebtedness (cash and cash equivalents minus current and non-current interest-bearing liabilities) was thus reduced by more than half in the first six months of the year and amounted to 9.3 million euros as of July 31, 2009.

Cash flow from operations totaled 21.6 million euros despite the sharp drop in earnings – a very positive sign. Cash flow from investment activities stood at -6.4 million euros (compared with -29.4 million euros the previous year) and was primarily the result of the lower level of investments: 7.9 million euros compared with 25.9 million euros in 2008-2009. The result was a positive free cash flow of 15.3 million euros (vs. 2.2 million euros last year).

Group equity amounted to 190.2 million euros and was adversely affected by negative currency fluctuations

totaling 4.2 million euros. The equity ratio of 57.6 percent is just below the balance sheet date figure for 2008-2009 (57.9 percent).

Adequate liquidity, low net indebtedness and a solid equity ratio ensure the financial autonomy and independence of Miba Group.

Order Situation

Total orders continued to be about 30 percent below the prior-year level, amounting to 129.0 million euros as of July 31, 2009. In contrast to the first quarter of this fiscal year, however, there were no significant declines in orders on hand in Miba AG. It would be premature, however, to interpret this as a sign that the crisis was ending.

Employees

Miba had a total of 2,541 employees worldwide on July 31, 2009. This represents a decrease of 313 employees or 11.0 percent compared with the headcount a year earlier.

The reduction in personnel levels affected the Slovakian locations primarily. At the Austrian plants, personnel measures such as reduced working hours or educational leaves are being systematically continued. As of the reporting date, there were 1,583 employees at the Austrian sites (compared with 1,655 employees a year earlier).

Miba's goal as a long-term and responsible employer is to retain most of its qualified permanent staff through flexible work schedules and salary models.

Even in economically challenging times, Miba gives young people good prospects for the future by providing first-class training. In September, it will take on around 30 new apprentices.

Other Events

The consolidated Miba AG was expanded by the addition of Teer Coatings Ltd. in Droitwich, England (UK). Miba acquired a 24.9 percent stake in this company in July 2009.

Teer Coatings Ltd. is one of the world's technology leaders in the area of PVD coatings. This investment enables Miba to expand its expertise and product portfolio in the highly specialized surface coating segment.

The US dollar continued to decrease in value in the second quarter. As of July 31, 2009, the USD/EUR exchange rate was 1.41 (1.29USD/EUR at the balance sheet date).

Segment

Miba Bearing Group

Miba Bearing Group sales for the reporting period totaled 67.3 million euros, down 13.6 percent from the same period the previous year. The weak demand is typical of all of Miba Bearing Group's target markets – from commercial vehicles to ships to locomotives.

Capital expenditures totaled 2.7 million euros, well below the previous year's level, and are being used primarily for for the expansion of the plant in China. Production of large bearings was started up at this facility towards the end of the second quarter. Standard production will begin in the fall in order to be able to best meet local demand.

Miba Sinter Group

A wide range of government programs such as the "cash for clunkers" programs in Western Europe have stimulated positive demand. Miba Sinter Group has profited from this development. Sales rose in the second quarter by about 12 percent over the first quarter. Nonetheless, sales for the first six months totaled 56.0 million euros, which was still 29.2 percent below the prior-year level.

Capital investment totaled 4.2 million euros (down from 12.0 million a year earlier) and focused primarily on further expansion of the U.S. sintering plant in McConnelsville, Ohio.

For the second year in a row, Miba Sinter Group received the "Supplier of the Year" award from ixetic, a leading manufacturer of vacuum and hydraulic pumps for the automotive industry.

Miba Friction Group

Miba Friction Group continues to be the segment most affected by the economic crisis and has faced a dramatic decline in demand. This has had a significant adverse effect on sales and earnings. The business unit posted sales of 23.5 million euros in the first half of the year, 42.0 percent below the figure for the comparable period in 2008-2009. Active countermeasures for dealing with this trend involve shutting down production capacities tempo-

Segment Reporting

Segment Information by Business Segment

	Bearing		Sinter		Friction		Other		Consolidation		Total Group	
in TEUR	Q1–Q2 2009-10	Q1–Q2 2008-09	Q1–Q2 2009-10	Q1–Q2 2008-09	Q1–Q2 2009-10	Q1–Q2 2008-09	Q1–Q2 2009-10	Q1–Q2 2008-09	Q1–Q2 2009-10	Q1–Q2 2008-09	Q1–Q2 2009-10	Q1–Q2 2008-09
Revenues (external sales)	67,311	77,896	56,036	79,154	23,474	40,496	1,639	2,192	0	0	148,460	199,738
EBITDA	12,394	17,446	7,013	12,327	–2,868	6,274	641	1,185	0	9	17,181	37,241
EBIT	7,704	13,244	721	6,192	–5,899	4,146	–189	15	18	14	2,355	23,611
Investments (excluding financial investments)	2,663	11,228	4,176	12,033	927	1,920	162	710	3	0	7,924	25,891
Employees (at end of reporting period)	990	1,028	1,009	1,144	452	584	90	98	0	0	2,541	2,854

rarily and extending short-time work schedules at the Roitham location until the end of the year.

Significant Risks and Uncertainties

The continuing economic crisis will have a negative impact on the company's results in all of Miba's target markets. Aside from this, management does not foresee any material changes in individual risks that could pose a threat to Miba Group’s financial position and financial performance. For further information please refer to the risk report in the 2008-2009 Annual Report.

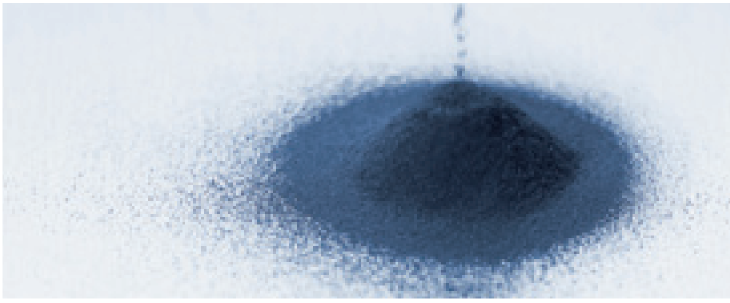
Outlook

Stabilization of incoming orders at a low level towards the end of the first half of the year does not mean that recovery can be expected in the second half. The continuing uncertainty in Miba's target markets makes it difficult to reliably forecast future economic development. However, the business trend in the first six months and our customers' current release volumes indicate that the sales level will be about 20 to 25 percent lower than in 2008-2009.

In this challenging market environment, Miba continues to believe that competitive cost structures, a solid liquidity basis and a highly qualified workforce are extremely important. Miba is firmly committed to this basic strategy. In addition, Miba will step up its sales and R&D activities. By expanding and maintaining product and technology leadership in its core segments, Miba will emerge from this deep recession in a stronger position.

The Miba Share

The Miba share price trended sideways in the first half of 2009-2010 with a slight upward tendency. Despite this positive development, the Miba share was not able to



equal the performance of the WBI, the reference index. Having started at a share price of 70 euros at the beginning of February, Miba shares rose to 80 euros by the end of the first half of the year.

At the 23rd Annual General Meeting held on June 19, 2009, a resolution was adopted to distribute a dividend of 3.00 euros per common share and a dividend of 0.59 euros plus a bonus of 2.41 euros per preferred share for fiscal year 2008-2009. The dividend was paid out on June 29, 2009.

A share buyback program was successfully completed by the end of the second quarter. A total of 6,229 shares of treasury stock was repurchased on the Vienna Stock Exchange at an average price of 90.08 euros between October 27, 2008, and July 31, 2009. Overall, Miba has acquired a total of 66,229 preferred shares (Issue B) through various buyback programs. This represents about 5.1 percent of share capital.

On July 14, 2009, the Miba AG Management Board decided to launch a new stock buyback program involving 30,000 preferred shares (Issue B). Detailed information is available at www.miba.com.

Statement by the Management Board

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

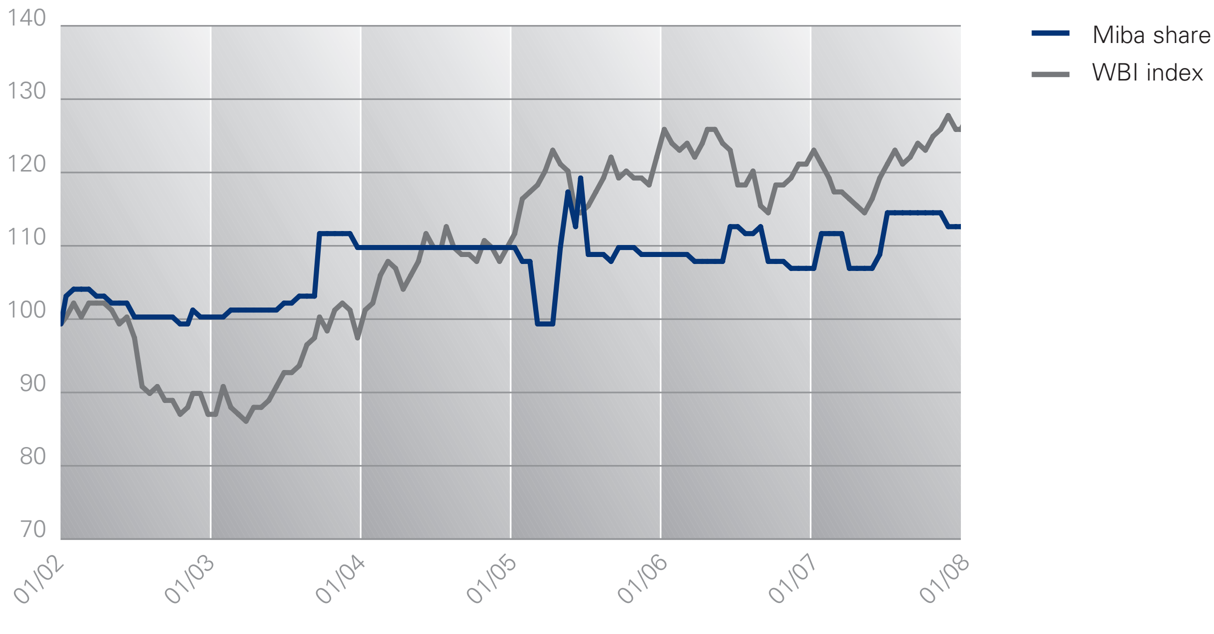
The management report gives a true and fair view of the Group's financial position and performance with respect to the information required under § 87 (2) and (4) of the Austrian Stock Exchange Act.

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

Laakirchen, September 2009

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

Development of the Miba Share during the First Half-Year 2009-10
Quotation as at February 1, 2009 = 100%



Consolidated Statement of Financial Position

in TEUR	07/31/2009	01/31/2009	07/31/2008
Assets			
A. Non-current assets			
Intangible assets	16,475	20,678	19,782
Property, plant and equipment	146,130	152,024	144,378
Investments in associates	6,986	6,302	6,511
Other financial investments	6,081	5,344	6,423
Deferred tax assets	8,534	8,576	12,552
	184,206	**192,924**	**189,646**
B. Current assets			
Inventories	52,519	59,031	62,213
Trade and other receivables	58,234	64,457	75,809
Cash and cash equivalents	34,950	24,592	27,053
	145,704	**148,080**	**165,075**
	329,910	**341,004**	**354,721**
Equity and Liabilities			
A. Group equity			
Share capital	9,500	9,500	9,500
Capital reserves	18,089	18,089	18,089
Retained earnings	170,351	177,554	162,667
Treasury shares	–8,060	–8,060	–3,805
Minority interests	279	338	112
	190,159	**197,421**	**186,563**
B. Non-current liabilities			
Provisions for severance payments and pensions	18,970	18,732	21,196
Provision for deferred taxes	1,280	1,436	1,378
Interest-bearing liabilities	13,872	13,920	24,139
Other non-current liabilities	12,838	13,242	14,291
	46,961	**47,330**	**61,004**
C. Current liabilities			
Current accruals	28,050	30,316	36,817
Trade payables	17,549	23,244	30,148
Current portion of interest-bearing liabilities	30,715	29,950	27,947
Other current liabilities	16,476	12,743	12,242
	92,791	**96,253**	**107,155**
	329,910	**341,004**	**354,721**

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

Consolidated Income Statement

in TEUR	Q2 2009-10	Q2 2008-09	Q1–Q2 2009-10	Q1–Q2 2008-09
Revenues	74,136	97,499	148,460	199,738
Changes in inventory of finished goods and work in process	–3,146	1,857	–4,051	5,907
Internally produced and capitalized assets	897	2,807	7,476	3,429
Operating result	**71,888**	**102,163**	**151,885**	**209,074**
Other operating income	1,492	7,137	3,686	8,911
Cost of material and other purchased manufacturing services	–27,069	–42,568	–60,576	–85,354
Personnel costs	–26,650	–30,757	–56,283	–60,987
Other operating expenses	–11,470	–18,301	–21,531	–34,402
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**8,191**	**17,674**	**17,181**	**37,241**
Depreciation and amortization	–7,071	–7,394	–14,826	–13,631
Earnings before interest, taxes and amortization of goodwill (EBITA)	**1,119**	**10,280**	**2,355**	**23,611**
Amortization of goodwill	0	0	0	0
Earnings before interest and taxes (EBIT)	**1,119**	**10,280**	**2,355**	**23,611**
Income and losses from investments in associates	246	406	283	720
Net interest income	–543	–935	–1,212	–1,773
Other financial income	8	0	8	0
Financial results	**–288**	**–529**	**–922**	**–1,053**
Earnings before taxes (EBT)	**831**	**9,751**	**1,434**	**22,558**
Income taxes	29	–2,763	–666	–6,241
Earnings after taxes	**860**	**6,988**	**768**	**16,316**
Attributable to minority shareholders	46	24	–3	11
Attributable to parent company shareholders	814	6.964	771	16,305
Weighted average of the number of shares issued (in units)	1,233,771	1,275,706	1,233,771	1,279,805
Earnings per share in EUR	0.66	5.46	0.62	12.74
Diluted earnings per share in EUR = undiluted earnings per share in EUR	0.66	5.46	0.62	12.74

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

Statement of Comprehensive Income

in TEUR	Q1–Q2 2009-10	Q1–Q2 2008-09
Earnings after taxes	**768**	**16,316**
Unrealized gains (+) or losses (-) from foreign currency translation	–4,191	–761
Other changes	–138	0
Income and expenses included directly in equity	**–4,329**	**–761**
Total of all recognized income and expenses (comprehensive income)	**–3,561**	**15,555**
Attributable to		
Owners of the parent	–3,502	15,544
Non-controlling interests	–59	11

Statement of Changes in Group Equity

in TEUR	Share capital	Capital reserves	Currency translation differences	Retained earnings	Treasury shares	Owners of the parent	Non-controlling interests	Total
As at February 1, 2008	**9,500**	**18,089**	**–16,278**	**167,598**	**–1,315**	**177,594**	**101**	**177,695**
Dividend payments	0	0	0	–4,198	0	–4,198	0	–4,198
Changes in treasury shares	0	0	0	0	–2,489	–2,489	0	–2,489
Total comprehensive income	0	0	–761	16,305	0	15,544	11	15,555
As at July 31, 2008	**9,500**	**18,089**	**–17,039**	**179,705**	**–3,804**	**186,451**	**112**	**186,563**
As at February 1, 2009	**9,500**	**18,089**	**–7,578**	**185,132**	**–8,060**	**197,083**	**338**	**197,421**
Dividend payments	0	0	0	–3,701	0	–3,701	0	–3,701
Changes in treasury shares	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	–4,191	689	0	–3,502	–59	–3,561
As at July 31, 2009	**9,500**	**18,089**	**–11,769**	**182,120**	**–8,060**	**189,879**	**279**	**190,158**

Consolidated Statement of Cash Flows

in TEUR	Q1–Q2 2009-10	Q1–Q2 2008-09
Consolidated cash flow from operating activities	21,633	31,583
Consolidated cash flow from investment activities	–6,350	–29,426
Consolidated cash flow from financing activities	–4,925	2,310
Change in cash and securities (current assets)	**10,358**	**4,466**

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

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

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

Miba Aktiengesellschaft is an international group based in Austria. 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-Strasse 3, 4663 Laakirchen, Austria. The company is registered with the local court (Landes- als Handelsgericht Wels) under No. FN 107386 x.

The present interim financial statements as at July 31, 2009 (February 1, 2009, to July 31, 2009) were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the end of the reporting period (as required in the European Union), in particular IAS 34 (Interim Financial Reporting),

Miba AG has applied the accounting standards that are obligatory as of fiscal year 2009–2010, mainly IAS 1: Presentation of Financial Statements. Reporting on operating segments was already based on the internal management structure (management approach) and had no effect on the definition of segments upon first-time application of IFRS 8 (Operating Segments). The other accounting standards to be applied for the first time in fiscal year 2009-2010 have no material effect on the presentation of the financial position or financial performance of the Miba Group.

The accounting policies of January 31, 2009, were otherwise applied unchanged in preparing this interim report. For additional information on the reporting and valuation methods, please refer to the consolidated financial statements as at January 31, 2009.

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.

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

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

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 subsequent to 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 present interim report or are unknown.

Estimates and Uncertainties

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

Statement by the Management Board

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

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