

# RHI Group >> Quarterly Report I/2006



## Key Figures RHI Group

in € million	I <sup>st</sup> Quarter		
	2006	2005	Change in %
Revenue	<b>329.3</b>	286.3	15.0
EBITDA	<b>42.3</b>	37.9	11.6
EBITDA margin	<b>12.8%</b>	13.2%	-3.0
EBIT	<b>31.7</b>	28.0	13.2
EBIT margin	<b>9.6%</b>	9.8%	-2.0
Profit before income taxes	<b>25.3</b>	23.5	7.7
Profit from continuing operations	<b>22.7</b>	21.5	5.6
Profit from discontinued operations	<b>5.6</b>	0.5	1,020.0
Profit	<b>28.3</b>	22.0	28.6
Employees	<b>6,368</b>	6,165	3.3

# Business Development RHI Group

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As RHI's corporate bodies had already presented their decision to sell the Heraklith Group in September 2005, the insulating division has since been shown as discontinued operations in accordance with the IFRS regulations. In the consolidated balance sheet the Heraklith Group is shown as an item on the assets and the liabilities sides respectively, while the financial relations between RHI AG and Heraklith are only shown as RHI accounts receivable from Insulating. The income statement shows the contributions to revenue and results adjusted for the deconsolidated insulating division up to profit from continuing operations. Profit from discontinued operations is then added in order to make the profit of the RHI Group comparable with the figure of the previous year. When the Heraklith transaction is completed, the balance sheet and results of the new, focused RHI will be fully visible for the first time.

Overall, the RHI Group reported revenue in the amount of € 329.3 million in the first quarter of 2006 (previous year: € 286.3 million), an increase by 15.0%. EBITDA amounted to € 42.3 million (previous year: € 37.9 million), EBIT, at € 31.7 million (previous year: € 28.0 million) was up 13.2% on the previous year; Refractories accounted for € 33.5 million. Profit before income taxes rose by 7.7% to € 25.3 million. Profit from continuing operations was € 22.7 million; discontinued operations (Insulating) contributed € 5.6 million to profit (previous year: € 0.5 million). The RHI Group's profit totalled € 28.3 million in the first quarter of 2006 (previous year: € 22.0 million), up 28.6%. Diluted earnings per share amounted to € 0.71 (previous year: € 0.56), an increase by 26.8%.

The group's equity, which is still negative, improved by € 25.9 million in the reporting period and amounted to € -155.2 million at 31 March, 2006. At 1 April, 2006, a further 95 subordinated convertible bonds of tranche B were converted to 522,500 new RHI shares. 1,215 bonds have been converted to date. The number of RHI shares rose to 26,602,539 in April 2006.

In den USA The Chapter 11 proceedings of the US refractories firms NARCO, Harbison-Walker, AP Green and GIT, which were deconsolidated at 31 December, 2001, are ongoing. On 15 September, 2005, the companies operating under Chapter 11 submitted changed plans of reorganisation to the court. The plans, which have been amended several times since, have since been sent out for approval, along with a document explaining them; the approval of all groups of creditors far exceeds the required minimum levels. The final period for objection against the plans ends on 12 May, 2006. The final hearing is currently scheduled for June 2006.

The US Senate is continuing to debate the FAIR (Fairness in Asbestos Injuries Resolution) Act, which requires the mandatory legal transferral of present and future asbestos claims to a national fund.

In a vote taken on 7 February, 2006 relating to only the procedures of discussing the bill, the Senate voted 98 to 1 in favour of a vote on the bill. To enable a further debate in the US Senate a minimum of 60 votes is required, which is currently still uncertain. Possible effects of a FAIR Act on the ongoing Chapter 11 proceedings cannot yet be determined.

### RHI Refractories

in € million	1 <sup>st</sup> Quarter	
	2006	2005
Revenue	<b>327.1</b>	284.7
EBITDA	<b>44.1</b>	42.0
EBITDA margin	<b>13.5%</b>	14.8%
EBIT	<b>33.5</b>	32.1
EBIT margin	<b>10.2%</b>	11.3%
Employees	<b>6,239</b>	6,040

RHI Refractories operates two refractories production plants in the Chinese province Liaoning. Total capacity is currently being significantly extended; a third plant will be commissioned in the middle of the year. The main raw material for refractories is magnesite, and 20% of the world's deposits of this mineral are located in the Liaoning province. Before being used as a refractory raw material, the mineral undergoes a multi-stage treatment and firing process, in which it is turned into magnesia of different qualities. RHI currently covers 50% of its raw material needs from its own mines and raw material deposits in Austria, Italy and Turkey.

To secure raw material supply for the Chinese RHI plants in Bayuquan and Dalian in the long term, RHI will establish a joint venture to produce top-quality magnesia with its Chinese partner Liaoning Jinding Magnesite Group Co. Ltd. (JDMG). Construction is scheduled to begin in mid-2006 once all approvals have been obtained. The first production line is to be commissioned in mid-2007, a second one in 2008. RHI will hold an 80% share in the company to be established, while its partner, JDMG, will hold 20%. Capital expenditure for two production lines, which will cover more than 50% of the raw material requirements of the Chinese plants, amounts to € 35 million; overall, RHI's financing requirements total nearly € 40 million. This sustainable investment in the strategic supply of the Chinese plants and other RHI plants in Europe and North America with top-quality magnesia substantially reduces RHI's dependence on world market suppliers.

In addition to continuously securing high-quality raw materials, which are indispensable to the production of the technologically leading refractories by RHI Refractories, the joint venture also achieves important economic optimisation. Following the commissioning, this will continue to improve RHI's earnings quality based on enhanced backward integration.

In the first quarter of 2006, RHI Refractories reported revenue amounting to € 327.1 million (previous year: € 284.7 million), an increase by 14.9%. Refractories sales volume rose by 6.3% to 450,000 tons. In view of the declining steel output in all regions except China and India in the first quarter of 2006, this development is very positive and confirms the success of RHI's consistent pricing policy. Revenue from steel customers worldwide exceeded the same quarter of the previous year by 7%, with above-average business growth with key accounts in North America. In the industrial business unit, revenue increased by more than 28% on the same quarter of the previous year; in particular, project business with the cement, non-ferrous metals, environment, energy and chemicals industries developed very successfully.

Refractories recorded EBIT of € 33.5 million in the first quarter of 2006 (previous year: € 32.1 million) and an EBIT margin of 10.2% (previous year: 11.3%). RHI thus managed to raise the EBIT margin to a two-digit figure again by increasing prices and improving capacity utilisation despite continuing cost increases for high-grade raw materials and energy.

The dynamic growth in Asian countries will continue to be a decisive factor determining capacity utilisation for the commodity industries important to refractories. Availability and cost development of important resources are crucial elements in the economic situation of RHI's customers. The economic outlook for RHI's client industries in 2006 indicates robust growth overall, however, varying greatly in different regions.

Competition for customers, growth potential and market share continues unabated as overcapacities in the refractories industry exist worldwide and increasingly also in China. RHI Refractories will therefore only accept business in 2006 that ensures adequate contributions to profits and in which RHI can protect itself against the risk of customer default.

## Heraklith (discontinued operations)

in € million	1 <sup>st</sup> Quarter	
	2006	2005
Revenue	<b>60.1</b>	46.3
EBITDA	<b>8.2</b>	3.9
EBITDA margin	<b>13.6%</b>	8.4%
EBIT	<b>4.8</b>	1.0
EBIT margin	<b>8.0%</b>	2.2%
Employees	<b>2,210</b>	2,218

Heraklith (Insulating) reported revenue of € 60.1 million in the first quarter of 2006 (previous year: € 46.3 million), up 29.8% on the first quarter of the previous year. EBIT, at € 4.8 million (previous year: € 1.0 million), exceeded the figure of the previous year significantly. Heraklith benefited from the integration of the Slovenian companies acquired at the end of 2004 and from a tangible upturn in building construction activities in Germany and Austria.

## Outlook

RHI has laid the strategic and operative foundations for a future geared to high earnings and cash flow. A positive completion of the US Chapter 11 proceedings in the summer of 2006 is possible but uncertain due to possible appeals, which may delay the proceedings. With a completion in 2006, RHI would be able to successfully conclude the reorganisation of the group, which was started in late 2001 and scheduled for five years.

Forecasts for the RHI Group results in 2006 are positive overall, provided there are no unexpected cost, cyclical or exchange rate pressures. In addition to industrial cycles, especially in the steel industry, and monetary parity, business success of the core refractories business is significantly influenced by the consolidation and modernisation of the client industries worldwide.

Incoming orders and the good economic situation of RHI's customer industries indicate a positive business development for refractories. RHI Refractories aims to reach a two-digit EBIT margin again in 2006 based on the implementation of price increases to cover further cost increases.

Dr. H. Draxler

Dr. E. Zehetner

Dr. A. Meier

# RHI Group

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### Balance Sheet

#### ASSETS

	<b>31.03.2006</b>	<b>31.12.2005</b>
	in € million	in € million
<b>Non-current assets</b>		
Property, plant and equipment	389.7	396.6
Goodwill	13.9	13.9
Other intangible assets	13.8	14.5
Shares in associates	14.4	13.9
Financial assets	42.0	42.0
Non-current receivables	2.2	2.3
Deferred tax assets	55.7	57.0
	<b>531.7</b>	<b>540.2</b>
<b>Current assets</b>		
Inventories	233.7	237.3
Trade and other current receivables	445.8	421.7
Current portion of non-current receivables	0.9	0.9
Income tax receivables	6.2	4.1
Securities and investments	3.1	3.1
Cash and cash equivalents	21.1	21.2
	<b>710.8</b>	<b>688.3</b>
Assets classified as held for sale	267.7	255.7
	<b>1,510.2</b>	<b>1,484.2</b>

#### EQUITY AND LIABILITIES

##### Equity attributable to equity holders of RHI AG

Share capital	193.3	189.5
Group reserves	-370.9	-392.5
	<b>-177.6</b>	<b>-203.0</b>
Minority interest	22.4	21.9
	-155.2	-181.1
<b>Non-current liabilities</b>		
Subordinated liabilities payable to financial institutions	400.0	400.0
Subordinated convertible bond	93.1	96.5
Subordinated liabilities	493.1	496.5
Other non-current financial liabilities	210.9	197.9
Deferred tax liabilities	11.7	12.0
Personnel provisions	280.8	281.8
Other non-current provisions	2.5	2.5
Other non-current liabilities	23.8	23.6
	529.7	517.8
	<b>1,022.8</b>	<b>1,014.3</b>
<b>Current liabilities</b>		
Trade and other current payables	247.7	271.5
Current financial payables	67.6	59.7
Income tax payables	26.1	25.4
Current provisions	73.2	72.5
	<b>414.6</b>	<b>429.1</b>
Liabilities classified as held for sale	228.0	221.9
	<b>1,510.2</b>	<b>1,484.2</b>

# RHI Group

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### Income Statement

	I <sup>st</sup> Quarter	
in € million	2006	2005
<b>Continuing operations</b>		
<b>Revenue</b>	<b>329.3</b>	<b>286.3</b>
Special direct distribution costs	-22.9	-20.3
Cost of sales	-237.9	-208.1
<b>Gross profit</b>	<b>68.5</b>	<b>57.9</b>
Distribution costs	-12.1	-11.9
Administrative expenses	-24.2	-22.7
Other income and expenses	-0.5	4.7
<b>Operating result (EBIT)</b>	<b>31.7</b>	<b>28.0</b>
Financial result	-7.0	-5.1
Result from associates	0.6	0.6
<b>Profit before income taxes</b>	<b>25.3</b>	<b>23.5</b>
Income taxes	-2.6	-2.0
<b>Profit from continuing operations</b>	<b>22.7</b>	<b>21.5</b>
Profit from discontinued operations	5.6	0.5
<b>Profit</b>	<b>28.3</b>	<b>22.0</b>
Profit attributable to		
equity holders of RHI AG	26.9	20.6
minority interest	1.4	1.4
	28.3	22.0
in €		
Undiluted earnings per share	1.03	0.94
Diluted earnings per share	0.71	0.56

### Cash Flow Statement

in € million	2006	2005
<b>Cash and cash equivalents at 01.01.</b>	<b>39.5</b>	<b>30.7</b>
thereof cash and cash equivalents from continuing operations	21.2	19.7
Cash flow from operating activities	2.5	18.0
Cash flow from investing activities	-5.4	-3.8
Cash flow from financing activities	2.8	-13.0
Cash flow from discontinued operations	4.2	-1.3
Change in cash and cash equivalents due to changes in consolidated group	0.0	12.3
<b>Cash and cash equivalents at 31.03.</b>	<b>43.6</b>	<b>42.9</b>
thereof cash and cash equivalents from continuing operations	21.1	20.9

### Statement of Changes in Equity

in € million	2006	2005
<b>Equity at 01.01.</b>	<b>-181.1</b>	<b>-310.5</b>
Profit	28.3	22.0
Differences from foreign currency translations	-6.1	1.0
Dividend payments	0.0	0.0
Other changes not affecting result	3.7	13.4
<b>Equity at 31.03.</b>	<b>-155.2</b>	<b>-274.1</b>

# RHI Share Quarterly Report I/2006

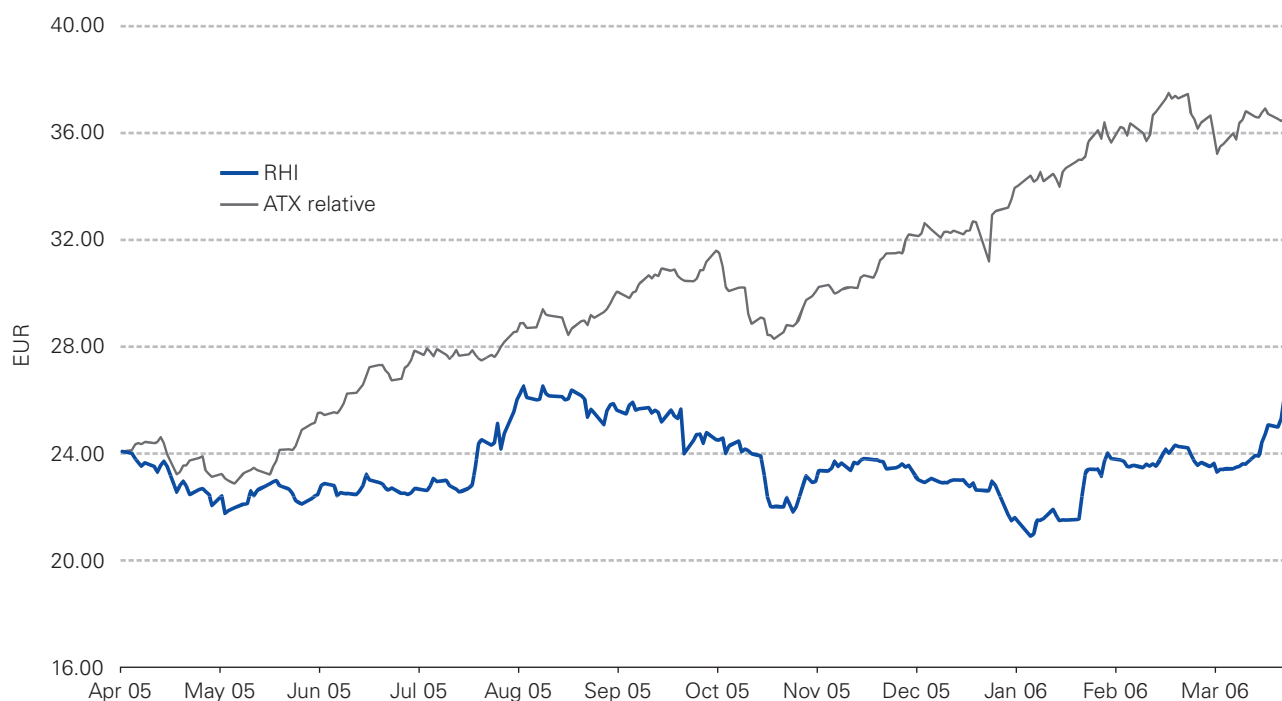
## Stock market figures

in €	1 <sup>st</sup> Quarter	
	2006	2005
Lowest share price	<b>20.90</b>	22.51
Highest share price	<b>26.82</b>	24.88
Share price at March 31	<b>26.82</b>	23.85
Market capitalisation (in € million)	<b>699.5</b>	524.3

## Financial calendar for 2006

Annual General Meeting	1 June, 2006
Half-year results	26 July, 2006
Results Q3	25 October, 2006

## Performance of the RHI share 04/2005 – 03/2006



The shares of RHI AG are traded on the Vienna Stock Exchange. At the Vienna Stock Exchange, RHI is represented in the Prime Market and the Austrian Traded Index ATX, the lead index and most important trading segment of the Austrian capital market. At 01.04.2006, 26,602,539 common shares of no par value with voting rights of RHI AG were admitted to trading.

### ISIN

RHI Share: AT0000676903

Convertible bond

Tranche A: AT0000443049

Convertible bond

Tranche B: AT0000443056

### Information on RHI

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