Ad Hoc

November 5, 2013

Problems in Norway strain earnings situation

3rd Quarter

In the third quarter of 2013, revenues fell to € 427.4 million, down 4.0% on the previous quarter. While the revenues of the Steel Division declined by 3.6% because business in Europe was weaker than expected, the Industrial Division's revenues fell by 4.7% especially due to the postponement of projects in the business unit glass.

The operating result in the past quarter amounted to € 32.2 million and is burdened by technical problems in the newly constructed fusion plant in Norway totaling roughly € 12 million, and by negative currency effects. Compared with the operating result of the second quarter of 2013, which was adversely affected by negative one-off effects of € 11 million, this corresponds to an increase by 18.4%. The operating result margin rose from 6.1% to 7.5%.

EBIT amounted to € 30.7 million in the third quarter of 2013 and was influenced by write-offs of € 1.9 million in China resulting from product and process enhancements. The decline in EBIT compared to the previous quarter is primarily attributable to the positive effects from the termination of the US Chapter 11 proceedings recorded in the second quarter of 2013. The EBIT margin amounted to 7.2% in the past quarter. The tax rate stood at 28.4%.

Equity amounted to € 525.6 million at the balance sheet date on September 30, 2013, after € 480.5 million at December 31, 2012. The equity ratio thus rose from 26.0% at the end of the financial year 2012 to 28.9% as of September 30, 2013. Cash and cash equivalents rose from € 121.3 million in the second quarter of 2013 to € 170.3 million due to strong cash flow generation.

Net cash flow from operating activities amounted to € 53.7 million and cash flow from investing activities to € (14.1) million in the past quarter. Consequently, net debt fell from € 464.2 million to € 430.8 million. The gearing ratio declined from 88.3% to 82.0%.

in € million	Q3/2013	Q2/2013	Delta	Q3/2012	Delta
Revenues	427.4	445.2	(4.0)%	459.9	(7.1)%
EBITDA	50.2	102.2	(50.9)%	72.8	(31.0)%
EBITDA margin	11.7%	23.0%	(11.3)pp	15.8%	(4.1)pp
Operating result[1)]	32.2	27.2	18.4%	50.3	(36.0)%
Operating result margin	7.5%	6.1%	1.4pp	10.9%	(3.4)pp
EBIT	30.7	84.0	(63.5)%	56.6	(45.8)%
EBIT margin	7.2%	18.9%	(11.7)pp	12.3%	(5.1)pp
Profit before income taxes	25.0	75.6	(66.9)%	50.5	(50.5)%
Profit	17.9	60.5	(70.4)%	23.3	(23.2)%

1) EBIT before restructuring costs and result from Chapter 11 proceedings

9M/2013

Revenues in the first nine months of the year 2013 fell by 5.4% compared with the same period of 2012 and amounted to € 1,298.1 million. Although sales volume in the Steel Division dropped by 6.3% in a weak economic environment, the decline in revenues was more moderate at 3.4% due to the consistent implementation of a sales strategy focusing on profitability and an improved product mix. Revenues in the Industrial Division decreased by 8.0% because of weaker project business in the segment environment, energy, chemicals, and due to project postponements in the business unit glass.

The decline in the operating result by 17.9% to € 108.8 million is attributable to the technical problems which occurred during the start-up phase of the newly established fusion plant in Norway, lower capacity utilization at the production sites and negative exchange rate effects.

Due to one-off effects related to the termination of the Chapter 11 proceedings and the closure of the site in Duisburg, Germany, EBIT rose from € 134.3 million to € 164.1 million. The EBIT margin thus increased from 9.8% to 12.6%.

in € million	9M/2013	9M/2012	Delta
Revenues	1,298.1	1,372.7	(5.4)%
EBITDA	218.3	181.0	20.6%
EBITDA margin	16.8%	13.2%	3.6pp
Operating result[1)]	108.8	132.6	(17.9)%
Operating result margin	8.4%	9.7%	(1.3)pp
EBIT	164.1	134.3	22.2%
EBIT margin	12.6%	9.8%	2.8pp
Profit before income taxes	141.4	124.0	14.0%
Profit	101.2	85.6	18.2%

1) EBIT before restructuring costs and result from Chapter 11 proceedings

Outlook

Provided that the macroeconomic environment remains stable and with no changes in exchange rates, RHI expects the fourth quarter of 2013 to be the strongest quarter of the Industrial Division in terms of revenues due to delays of deliveries in the third quarter, and revenues to increase slightly in the Steel Division in comparison with the third quarter of 2013. The operating result is expected to be negatively affected by roughly € 10 million in the fourth quarter due to the technical problems in Norway, which are still unresolved. As soon as the results of the analyses currently carried out are available, RHI will report on them.

For the full year 2013, RHI expects revenues to be slightly below the level of the previous year. The operating result margin is expected to fall significantly short of that of the year 2012 due to insufficient coverage of fixed costs resulting from low capacity utilization, negative currency effects and the above-mentioned burden on the result in Norway.

The report on the third quarter of 2013 is available on RHI's website www.rhi-ag.com.

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