

# RHI Group >> Quarterly Financial Report III/2007



## Key Figures RHI Group

in € million	Q1 - Q3		Change
	2007	2006	in %
Revenues	<b>1,099.1</b>	998.6	10.1
EBITDA	<b>159.9</b>	130.5	22.5
EBITDA margin	<b>14.5%</b>	13.1%	10.7
EBIT	<b>122.8</b>	97.5	25.9
EBIT margin	<b>11.2%</b>	9.8%	14.3
Profit before income taxes	<b>95.0</b>	79.3	19.8
Profit from continuing operations	<b>81.8</b>	71.3	14.7
Profit from discontinued operations	<b>0.0</b>	60.8	-100.0
Profit	<b>81.8</b>	132.1	-38.1
Employees	<b>7,240</b>	6,514	11.1

# Management Report RHI Group

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### Positive trend continues

The RHI Group reported revenues in the amount of € 1,099.1 million (previous year: € 998.6 million) in the first three quarters of 2007, up 10.1%. EBITDA rose 22.5% to € 159.9 million (previous year: € 130.5 million); EBIT improved by 25.9% to € 122.8 million (previous year: € 97.5 million). The EBIT margin, at 11.2% (previous year: 9.8%), also clearly exceeded the figure of the previous year.

Profit before income taxes from continuing operations amounted to € 95.0 million (previous year: € 79.3 million), up 19.8%. The RHI Group's profit, at € 81.8 million (previous year: € 132.1 million), was down 38.1% on the previous year. The relevant profit from the continued refractories operations exceeded the figure of the previous year by 14.7%.

At 30 September 2007, equity rose by € 128.7 million compared to December 2006 and now amounts to € 64.2 million. RHI's financial liabilities at 30 September 2007 were € 502.8 million. Taking into account cash and cash equivalents, net financial liabilities were € 476.0 million. Cash flow from operating activities, at € 47.0 million (previous year: € 19.3 million), clearly exceeded the figure of the previous year in the first three quarters of 2007. Cash flow from investing activities, at € -78.0 million (previous year: € -18.7 million), reflects both higher investments and the purchasing price for the Monofrax assets acquisition in the first quarter and of Dolomite Franchi S.p.A. in the third quarter of 2007.

### Complete takeover of Dolomite Franchi S.p.A.

Dolomite Franchi, in which RHI had already held a majority interest, was taken over completely with effect from 31 July 2007, with the objectives being a realignment of the shareholder structure and the full integration into the Group. The company has its own dolomite deposits, which are used for manufacturing finished products for the world market.

The purchasing price amounted to € 7.0 million, of which € 3.0 million was payable upon takeover. Of the remaining amount € 2.6 million will fall due in 2008 and € 1.4 million in 2009.

### RHI Shareholder structure

Taking into account conversions effective from 1 October 2007, the shareholder base of RHI AG is composed as follows:

- >> Free Float <70%
- >> MS Private Foundation >25%
- >> Dr. Wilhelm Winterstein >5%

According to the information on hand, 315 of 345 convertible bonds of tranche A are attributable to the MS Private Foundation, which may be converted until the end of 2009. This corresponds to 1,732,500 new shares. Currently, 87 convertible bonds of tranche B are still outstanding, which may be converted until the end of 2009. This corresponds to 478,500 new RHI shares. When all bonds have been converted, 39,819,039 no-par ordinary bearer shares with voting rights of RHI AG will be admitted to trading.

### US Chapter 11 proceedings move towards final conclusion

On 24 September 2007, an order was entered by the Bankruptcy Court approving the PoRs and overruling all remaining objections to them. In order for the confirmation order of the Bankruptcy Court to become final, it must be affirmed by the District Court. In the event that the District Court affirms the Bankruptcy Court order, the time for an appeal (30 days) must, moreover, expire.

As previously disclosed, RHI, several RHI affiliates and various US companies operating under Chapter 11 (including North American Refractories Company /NARCO) had reached settlement agreements in April 2004 to settle all mutual prepetition claims.

Beginning in June 2005, the US-Chapter 11 companies filed Plans of Reorganisation (PoRs). The PoRs filed by these companies incorporate the abovementioned settlement agreements. A condition to the NARCO settlement agreement is a USD 40 million payment by Honeywell International Inc. to RHI Refractories Holding under a prior contract, which payment is called for upon final approval of the confirmation order and consummation of the PoRs.

If the approval given by the Bankruptcy Court becomes final and the PoRs become effective, RHI AG and its affiliates permanently receive protection with respect to all remaining asbestos claims against the debtor companies in the USA.

### Segment Reporting

With revenues of € 668.8 million (previous year: € 604.7 million), the RHI's Steel Division reported an increase by 10.6% in the first nine months of 2007 as compared to the same period in 2006.

	3 <sup>rd</sup> Quarter		Q1 - Q3	
	2007	2006	2007	2006
Sales (thousand tons)	505.2	457.0	1,482.2	1,357.4
in € million				
<b>Revenues</b>	<b>367.1</b>	<b>331.8</b>	<b>1,099.1</b>	<b>998.6</b>
Segment Steel	229.3	206.1	668.8	604.7
Segment Industrial	123.0	108.9	389.3	350.3
Segment Raw Materials, Production, Other	240.1	221.5	722.0	664.2
Consolidation	-225.3	-204.7	-681.0	-620.6
<b>EBIT</b>	<b>42.0</b>	<b>32.9</b>	<b>122.8</b>	<b>97.5</b>
Segment Steel	23.3	16.5	62.7	47.1
Segment Industrial	15.4	12.4	48.4	43.8
Segment Raw Materials, Production, Other	3.3	4.0	11.7	6.6
<b>EBIT margin</b>	<b>11.4%</b>	<b>9.9%</b>	<b>11.2%</b>	<b>9.8%</b>
Segment Steel	10.2%	8.0%	9.4%	7.8%
Segment Industrial	12.5%	11.4%	12.4%	12.5%
Segment Raw Materials, Production, Other	1.4%	1.8%	1.6%	1.0%

As a result of the good business development in the first nine months, incoming orders still exceed the level of the previous year. With EBIT amounting to € 62.7 million (previous year: € 47.1 million), the EBIT margin climbed to 9.4% (previous year: 7.8%).

The steel industry, RHI's most important customer segment, increased output by 7.5% period on period to approx. 981 million tonnes in the first nine months. With the exception of North America, all other regions developed positively.

Secure supply and plannable purchasing policies are gaining increasing significance in the steel industry and should strengthen RHI's market position as a refractories supplier. Soaring raw material prices, with bottlenecks in supply with high-grade materials occurring at the same time, require further price increases.

RHI's Industrial Division reported revenues in the amount of € 389.3 million (previous year: € 350.3 million) in the first three quarters of 2007, up 11.1%. This is largely attributable to the acquisition of RHI Monofrax, which produces for the glass segment. The EBIT margin, at 12.4% for invoicing reasons, was at the good level of the previous year.

In the first nine months of 2007, RHI Monofrax contributed € 27.2 million to consolidated revenues and reported EBITDA of € 5.1 million.

Despite fluctuations in project business, the market position of the different segments of RHI's Industrial Division was strengthened and extended further due to the good economic framework conditions; in particular, business developments in Mexico and China, made above-average contributions to earnings in the third quarter.

RHI's Division Raw Materials, Production, Other reported revenues amounting to € 722.0 million (previous year: € 664.2 million) in the first three quarters of 2007; adjusted for deliveries to the Steel and Industrial Divisions, external revenues amounted to € 41.0 million (previous year: € 43.6 million). The EBIT margin improved to 1.6% (previous year: 1.0%).

The commissioning of the smelting plant in South Africa in the fourth quarter of 2007 will increase the level of self-supply with high-grade smelting raw materials at competitive production costs.

The scheduled step-by-step commissioning of the raw material joint venture in China in 2008 is expected to secure a level of self-supply of at least 50% for RHI.

The Division Raw Materials, Production, Other expects further price increases and shortages of raw materials in the coming year.

## Outlook

Despite the weakness of the US dollar, which has been ongoing since the beginning of the second half, the positive sales and earnings development of the first three quarters is expected to continue in the last months of the year 2007.

The good level of incoming orders and the persisting good business development in the client industries indicate a positive development for the year 2008. The glass and steel industries will continue to drive demand essentially. Apart from a further consolidation of the refractories industry, price increases and availability of raw materials are to be considered persistent trends for the coming year. In addition, the weak US dollar and rising energy costs will remain a risk factor for the European export industry.

The vertical integration, global presence and available capacity of RHI should make further price increases possible and keep the impact of the above-mentioned risks at a reasonable level.

# Financial Statements RHI Group

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### Balance Sheet

in € million	30.09.2007	31.12.2006
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	410.9	389.7
Goodwill	14.3	14.0
Other intangible assets	32.4	16.9
Shares in associates	13.4	13.3
Financial assets	41.1	41.1
Non-current receivables	1.3	1.7
Deferred tax assets	64.8	68.8
	<b>578.2</b>	<b>545.5</b>
<b>Current assets</b>		
Inventories	306.5	251.6
Trade and other current receivables	355.4	319.0
Current portion of non-current receivables	1.0	1.0
Income tax receivables	7.8	5.6
Securities and shares	3.3	3.3
Cash and cash equivalents	26.8	66.7
	<b>700.8</b>	<b>647.2</b>
	<b>1,279.0</b>	<b>1,192.7</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of RHI AG</b>		
Share capital	272.1	212.1
Group reserves	-223.4	-297.2
	<b>48.7</b>	<b>-85.1</b>
<b>Minority interest</b>		
	<b>15.5</b>	<b>20.6</b>
	<b>64.2</b>	<b>-64.5</b>
<b>Non-current liabilities</b>		
Subordinated convertible bond	17.4	75.5
Non-current financial liabilities	408.0	396.1
Deferred tax liabilities	10.6	10.2
Personnel provisions	326.3	331.5
Other non-current provisions	2.5	2.5
Other non-current liabilities	5.8	4.5
	<b>770.6</b>	<b>820.3</b>
<b>Current liabilities</b>		
Trade and other current payables	246.8	246.3
Current financial payables	94.8	90.3
Income tax payables	25.5	25.4
Current provisions	77.1	74.9
	<b>444.2</b>	<b>436.9</b>
	<b>1,279.0</b>	<b>1,192.7</b>

## Income Statement

in € million	3 <sup>rd</sup> Quarter		Q1 - Q3	
	2007	2006	2007	2006
<b>Continuing operations</b>				
Revenues	367.1	331.8	1,099.1	998.6
Special direct distribution costs	-30.8	-29.4	-90.7	-77.3
Cost of sales	-249.4	-229.7	-746.4	-700.5
<b>Gross profit</b>	<b>86.9</b>	<b>72.7</b>	<b>262.0</b>	<b>220.8</b>
Distribution costs	-20.7	-17.1	-60.1	-52.1
Administrative expenses	-25.6	-24.4	-79.8	-75.0
Other income and expenses	1.4	1.7	0.7	3.8
<b>Operating results</b>	<b>42.0</b>	<b>32.9</b>	<b>122.8</b>	<b>97.5</b>
Financial results	-8.7	-5.4	-28.2	-19.5
Results from associates	0.7	0.4	0.4	1.3
<b>Profit before income taxes</b>	<b>34.0</b>	<b>27.9</b>	<b>95.0</b>	<b>79.3</b>
Income taxes	-5.9	-2.8	-13.2	-8.0
<b>Profit from continuing operations</b>	<b>28.1</b>	<b>25.1</b>	<b>81.8</b>	<b>71.3</b>
<b>Profit from discontinued operations</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>60.8</b>
<b>Profit</b>	<b>28.1</b>	<b>25.1</b>	<b>81.8</b>	<b>132.1</b>
Profit attributable to				
equity holders of RHI AG	27.9	25.1	80.5	129.8
minority interest	0.2	0.0	1.3	2.3
	28.1	25.1	81.8	132.1
in €				
Basic earnings per share	0.78	0.92	2.25	4.87
Diluted earnings per share	0.70	0.64	2.04	3.33

## Cash Flow Statement

in € million	2007	2006
<b>Cash and cash equivalents at 01.01.</b>	<b>66.7</b>	<b>39.5</b>
thereof cash and cash equivalents from continuing operations	66.7	21.2
Cash flow from operating activities	47.0	19.3
Cash flow from investing activities	-78.0	-18.7
Cash flow from financing activities	-8.9	-199.2
Cash flow from discontinued operations	0.0	216.6
<b>Cash and cash equivalents at 30.09.</b>	<b>26.8</b>	<b>57.5</b>

## Statement of Changes in Equity

in € million	2007	2006
<b>Equity at 01.01.</b>	<b>-64.5</b>	<b>-212.5</b>
Change in currency translation reserves	-5.7	-14.2
Profit	81.8	132.1
<b>Total recognised income and expenses</b>	<b>76.1</b>	<b>117.9</b>
Dividend payments	-2.0	-1.2
Capital increase	60.1	7.3
Effects of convertible bonds	-1.8	-0.3
Change in minority interest	-3.7	0.0
<b>Equity at 30.09.</b>	<b>64.2</b>	<b>-88.8</b>

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### Notes

#### Principles and methods

The unaudited interim financial statements at 30 September 2007 were drawn up in accordance with the provisions of IAS 34 and, applying § 245 a UGB (Austrian Commercial Code), in accordance with the provisions of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as amended on the balance sheet date and recognised by the European Union (EU).

The explanations given in the notes to the consolidated financial statements 2006, in particular with a view to principles of accounting and valuation apply correspondingly.

Accounting standards, which have entered into force since 31 December 2006:

In the consolidated financial statements for the financial year 2007 IFRS 7 "Financial Instruments: Disclosures" and the amendment to IAS 1 "Presentation of Financial Statements – Capital Disclosures" will be initially applied. The application of IFRS 7 will lead to extended notes relating to financial instruments. Furthermore, the following interpretations will be applied:

- >> IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies"
- >> IFRIC 8 "Scope of IFRS 2"
- >> IFRIC 9 "Reassessment of Embedded Derivatives"
- >> IFRIC 10 "Interim Financial Reporting and Impairment"
- >> IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions"

Accounting standards issued by 30 September 2007, whose application is not yet mandatory for the financial year 2007:

- >> IAS 1 (revised in September 2007) "Presentation of Financial Statements"
- >> IAS 23 (revised in March 2007) "Borrowing costs"

Vienna, 24 October 2007

- >> IFRIC 13 (June 2007) "Customer Loyalty Programmes"
- >> IFRIC 14 (July 2007) "IAS 19 —The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

The effects of the initial application in RHI's consolidated financial statements is currently being evaluated.

#### Consolidated group

At 31 January 2007, the closing of the acquisition of Monofrax took place. Since February, the business has been consolidated in the RHI Group. The purchase price accounting has not yet been accounted for in the figures. In July 2007, RHI acquired the remaining 40.0% in Dolomite Franchi S.p.A., Brescia, Italy; RHI thus holds 100% of the shares now.

#### Related companies

The volume of transactions of RHI Group companies with affiliated, non-consolidated companies or associates is immaterial. The same also applies to accounts receivable from and accounts payable to related companies.

#### Other notes

In the consolidated balance sheet at 30 September 2007, equity improved by € 60.1 million compared to 31 December 2006 due to the conversion of 1,464 RHI part convertible bonds of tranche A and 38 part convertible bonds of tranche B.

#### Statement by the Management Board

The Management Board of RHI AG declares, to the best of its knowledge, that the unaudited half-year financial report is a fair presentation of the assets, financial and earnings position of the Group in accordance with the IFRS to be applied in the EU.

The Management Board:

Andreas Meier  
Chairman

Stefano Colombo  
Deputy Chairman, CFO

Giorgio Cappelli  
Steel Division

Manfred Hödl  
Industrial Division

Rudolf Payer  
Accounting and IT

# RHI Share

## Quarterly Financial Report III/2007

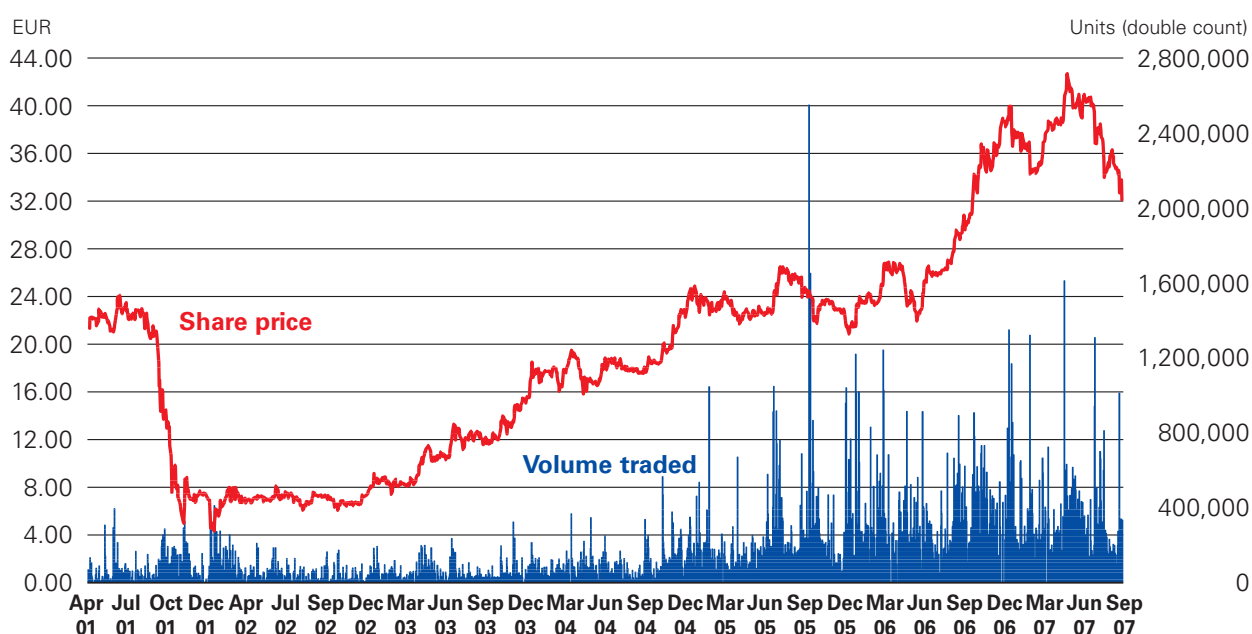
### Stock market figures

in €	3 <sup>rd</sup> Quarter	
	2007	2006
Lowest share price	<b>32.28</b>	20.90
Highest share price	<b>42.73</b>	30.85
Share price at 30 June	<b>32.28</b>	30.85
Market capitalisation (in € million)	<b>1,208.1</b>	830.5

### Financial calendar for 2008

Preliminary result 2007	12 March 2008
Final result 2007	25 April 2008
Result Quarter I/2008	6 May 2008
Annual General Meeting 2008	29 May 2008
Half-year result 2008	31 July 2008
Result Quarter III/2008	30 October 2008

### Performance of the RHI share 04/2001 – 09/2007



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 1 October 2007, 37,443,039 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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The English translation of the RHI quarterly financial report is for convenience.  
Only the German text is binding.

This quarterly financial report contains forward-looking statements based on the currently held beliefs and assumptions of the management of RHI AG ("RHI"), which are expressed in good faith and, in their opinion, reasonable. These statements may be identified by words such as "expectation" or "target" and similar expressions, or by their context. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, financial condition, performance, or achievements of RHI to differ materially from the results, financial condition, performance or achievements express or implied by such forward-looking statements. Given these risks, uncertainties and other factors, recipients of this document are cautioned not to place undue reliance on these forward-looking statements. RHI disclaims any obligation to update these forward-looking statements to reflect future events or developments.