

RHI Group >> Half-year Financial Report 2007



Key Figures RHI Group

in € million	1 st Half		Change
	2007	2006	in %
Revenues	732.0	666.8	9.8
EBITDA	105.2	86.4	21.8
EBITDA margin	14.4%	13.0%	10.8
EBIT	80.8	64.6	25.1
EBIT margin	11.0%	9.7%	13.4
Profit before income taxes	61.0	51.4	18.7
Profit from continuing operations	53.7	46.2	16.2
Profit from discontinued operations	0.0	60.8	
Profit	53.7	107.0	-49.8
Employees	7,197	6,488	10.9

Management Report RHI Group

Half-year Financial Report 2007

Good business development in the first half of 2007

The RHI Group reported revenues in the amount of € 732.0 million (previous year: € 666.8 million) in the first half of 2007, up 9.8%. EBITDA rose 21.8% to € 105.2 million (previous year: € 86.4 million); EBIT improved by a very positive 25.1% to € 80.8 million (previous year: € 64.6 million). The EBIT margin, at 11.0% (previous year: 9.7%), also clearly exceeded the figure of the previous year.

Profit before income taxes from continuing operations amounted to € 61.0 million (previous year: € 51.4 million), up 18.7%. The RHI Group profit, at € 53.7 million (previous year: € 107.0 million), was 49.8% down on the previous year. However, compared to the adjusted figures of the refractories profit, the group profit rose 16.2% on the previous year to € 53.7 million.

At 30 June 2007, equity rose by € 116.6 million compared to December 2006 and now amounts to € 52.1 million. RHI's financial liabilities at 30 June 2007 were € 496.7 million. Taking into account cash and cash equivalents, net financial liabilities were € 449.4 million. Cash flow from operating activities, at € 38.0 million (previous year: € -15.8 million), clearly exceeded the figure of the previous year in the first half of 2007. Cash flow from investing activities, at € -54.7 million (previous year: € -9.8 million), reflects both higher investments and the purchasing price for the Monofrax assets in the first quarter of 2007.

Position in the glass segment strengthened through Monofrax acquisition

On 31 January 2007, the closing of the Monofrax acquisition took place. The business has been consolidated in the RHI Group since February. The purchase price accounting has not been taken into consideration in the figures yet. RHI Monofrax contributed € 19.2 million to consolidated revenues in the first half of 2007 and recorded EBITDA of € 3.9 million.

With this acquisition, RHI has acquired the only producer of fused cast refractories in North America, innovative products, important patents and excellent business relations with the main glass manufacturers.

RHI Shareholder structure

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

- >> Free float <65%
- >> MS Private Foundation >25%
- >> Dr. Wilhelm Winterstein >5%
- >> Absolute Capital Management Holdings Limited / AvW Group AG >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, 90 convertible bonds of tranche B are still outstanding. This corresponds to 495,000 new RHI shares. When all bonds have been converted, 39,819,039 no-par ordinary bearer shares of RHI AG will be admitted to trading.

Chapter 11 in the USA still pending

The Chapter 11 proceedings of the US companies deconsolidated at 31 December 2001 are still pending. The reorganisation plans, which have been amended several times, were voted on in the first half of 2006. The approval rate of all creditor groups exceeded the required minimum level in each case. The confirmation hearing initially scheduled for June 2006 by the court was postponed to October 2006 in order to clarify claims made by a small group of creditors which, in the opinion of the court, could not be fully assessed. At this hearing and further hearings in November 2006 and January 2007, unresolved issues were dealt with; however, the court has not yet issued a final statement regarding this matter. On 16 March 2007, the objections of two insurance companies against the plans of reorganisation were discussed at the continued confirmation hearing. It is currently uncertain when the court will decide on the confirmation. The decision is expected during the second half of 2007.

If the court gives its final approval to all reorganisation plans, RHI AG and its companies will receive full legal security with respect to all remaining claims against the US companies operating under Chapter 11. In addition, RHI AG and its companies will become beneficiaries of the channelling injunctions based on the plans of reorganisation. All existing and future asbestos-related claims against the deconsolidated US companies would then be completed with full legal security. Amongst other things, the settlement agreements of 2004 provide that the reorganisation plans enter into effect as soon as Honeywell pays the remaining USD 40 million to RHI.

Segment Reporting

In the first half of 2007 RHI increased refractories sales volume by 8.5% to more than 977,000 tonnes. RHI's Steel Division recorded revenues of € 439.5 million (previous year: € 398.6 million) in the first half of 2007, up 10.3%. The EBIT margin improved to 9.0% (previous year: 7.7%).

in € million	2 nd Quarter		1 st Half	
	2007	2006	2007	2006
Revenues	370.8	337.5	732.0	666.8
Segment Steel	219.5	204.9	439.5	398.6
Segment Industrial	137.1	117.7	266.3	241.4
Segment Raw Materials, Production, Other	240.6	222.4	481.9	442.7
Consolidation	-226.4	-207.5	-455.7	-415.9
EBIT	38.7	32.9	80.8	64.6
Segment Steel	19.4	15.4	39.4	30.6
Segment Industrial	17.1	16.1	33.0	31.4
Segment Raw Materials, Production, Other	2.2	1.4	8.4	2.6
EBIT margin	10.4%	9.7%	11.0%	9.7%
Segment Steel	8.8%	7.5%	9.0%	7.7%
Segment Industrial	12.5%	13.7%	12.4%	13.0%
Segment Raw Materials, Production, Other	0.9%	0.6%	1.7%	0.6%

The steel industry, RHI's most important client industry, increased output to 652 million tonnes in the first half of 2007. This is an increase by 8.4% on the comparable period of the previous year. China accounted for the largest part, i.e. 18%, of this increase. With the exception of North America, the development is positive in all regions. Adjusted for China's contribution, production rose by 3.6% worldwide.

Due to the high steel output, the issues of secure supply and plannable purchasing policies of steel works are generally prioritised so that high-quality refractory system solutions are increasingly gaining significance.

RHI's Industrial Division reported revenues in the amount of € 266.3 million (previous year: € 241.4 million) in the first half of 2007, an increase by 10.3%, which is largely attributable to the RHI Monofrax acquisition. At 12.4%, the EBIT margin was slightly below the good level of the previous year.

Business development in the Industrial Division was also characterised by good economic framework conditions in the client industries. Non-linear project business experienced a weaker business development than in the first half of 2006, which is also reflected in the segment results.

RHI's Division Raw Materials, Production, Other reported revenues amounting to € 481.9 million in the first half of 2007; adjusted for deliveries to the Steel and Industrial Divisions, external revenues amounted to € 26.2 million (previous year: € 26.8 million). The EBIT margin improved to 1.7% (previous year: 0.6%).

The situation in the raw materials segment is still characterised by significant price increases in Chinese refractory raw materials as well as a quality decline in the high-grade segment and the bottlenecks in supply resulting in some areas. Apart from increasing freight and energy costs, China introduced additional export taxes on raw materials and environmental fees, which, in addition to increased demand, have led to the above-mentioned price development. The two strategically important investments in the raw materials segment in the amount to € 50 million are being implemented according to schedule. The smelting plant in South Africa will be commissioned in the third quarter of 2007, and will raise the level of self-supply with high-grade smelting raw materials at competitive cost. The realisation of the raw-material joint venture in China is also running according to plan. Its commissioning is scheduled in several stages for the year 2008 and will secure the supply with high-grade fused and sintered magnesia for the Chinese and the global production sites.

Outlook

RHI expects a continued positive market environment with solid growth rates in the customer industries worldwide. The availability and cost development of important raw materials and energy are important influences on the economic situation of the RHI Group. Incoming orders are still at a high level so that a continued business development is to be expected for the rest of the year. RHI will continue to expand capacity in China and India in 2007 in order to lay the foundations for profitable growth. In the raw materials segment, however, significant price increases for materials purchased in China (introduction of export tax, increase in cost due to trading export licenses) are expected. The intention is to pass these costs on to the customer.

RHI's consolidated revenues and operating result are overall expected to exceed the level of the previous year in 2007. Moreover, the Management Board of RHI AG is currently evaluating possible acquisitions to achieve the target of increasing revenues to € 2.0 billion and the world market share to over 15% by 2010 based on organic growth and targeted acquisitions.

Financial Statements RHI Group

Half-year Financial Report 2007

Balance Sheet

in € million	30.06.2007	31.12.2006
ASSETS		
Non-current assets		
Property, plant and equipment	405.8	389.7
Goodwill	14.1	14.0
Other intangible assets	34.0	16.9
Shares in associates	12.8	13.3
Financial assets	41.1	41.1
Non-current receivables	1.6	1.7
Deferred tax assets	67.5	68.8
	576.9	545.5
Current assets		
Inventories	287.0	251.6
Trade and other current receivables	350.0	319.0
Current portion of non-current receivables	0.8	1.0
Income tax receivables	6.3	5.6
Securities and shares	3.3	3.3
Cash and cash equivalents	47.3	66.7
	694.7	647.2
	1,271.6	1,192.7
EQUITY AND LIABILITIES		
Equity attributable to equity holders of RHI AG		
Share capital	272.0	212.1
Group reserves	-243.4	-297.2
	28.6	-85.1
Minority interest		
	23.5	20.6
	52.1	-64.5
Non-current liabilities		
Subordinated convertible bond	17.6	75.5
Non-current financial liabilities	410.8	396.1
Deferred tax liabilities	11.1	10.2
Personnel provisions	328.8	331.5
Other non-current provisions	2.5	2.5
Other non-current liabilities	4.5	4.5
	775.3	820.3
Current liabilities		
Trade and other current payables	260.6	246.3
Current financial payables	85.9	90.3
Income tax payables	23.1	25.4
Current provisions	74.6	74.9
	444.2	436.9
	1,271.6	1,192.7

Income Statement

in € million	2 nd Quarter		1 st Half	
	2007	2006	2007	2006
Continuing operations				
Revenues	370.8	337.5	732.0	666.8
Special direct distribution costs	-27.8	-24.3	-59.9	-47.9
Cost of sales	-255.3	-239.3	-497.0	-470.8
Gross profit	87.7	73.9	175.1	148.1
Distribution costs	-20.3	-17.4	-39.4	-35.0
Administrative expenses	-28.6	-26.4	-54.2	-50.6
Other income and expenses	-0.1	2.8	-0.7	2.1
Operating results	38.7	32.9	80.8	64.6
Financial results	-10.4	-7.1	-19.5	-14.1
Results from associates	-0.1	0.3	-0.3	0.9
Profit before income taxes	28.2	26.1	61.0	51.4
Income taxes	-3.4	-2.6	-7.3	-5.2
Profit from continuing operations	24.8	23.5	53.7	46.2
Profit from discontinued operations	0.0	55.2	0.0	60.8
Profit	24.8	78.7	53.7	107.0
Profit attributable to				
equity holders of RHI AG	24.3	77.8	52.6	104.7
minority interest	0.5	0.9	1.1	2.3
	24.8	78.7	53.7	107.0
in €				
Basic earnings per share	0.50	2.92	1.47	3.95
Diluted earnings per share	0.61	1.98	1.34	2.69

Cash Flow Statement

in € million	2007	2006
Cash and cash equivalents at 01.01.	66.7	39.5
thereof cash and cash equivalents from continuing operations	66.7	21.2
Cash flow from operating activities	38.0	-15.8
Cash flow from investing activities	-54.7	-9.8
Cash flow from financing activities	-2.7	-196.0
Cash flow from discontinued operations	0.0	216.6
Cash and cash equivalents at 30.06.	47.3	34.5

Statement of Changes in Equity

in € million	2007	2006
Equity at 01.01.	-64.5	-212.5
Change in currency translation reserves	2.7	-16.9
Profit	53.7	107.0
Total recognised income and expenses	56.4	90.1
Dividend payments	-1.8	-1.1
Capital increase	59.9	6.1
Effects of convertible bonds	-1.7	-0.2
Change in minority interest	3.8	0.0
Equity at 30.06.	52.1	-117.6

Financial Statements RHI Group

Half-year Financial Report 2007

Notes

Principles and methods

The unaudited interim financial statements at 30 June 2007 were drawn up in accordance with the provisions of IAS 34 and, applying § 245 a HGB (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.

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 entered into force in the first half of 2007:

In the consolidated financial statements for the financial year 2007 IFRS "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 in the first half of 2007:
The IASB published a revised version of IAS 23 "Borrowing costs" in March 2007, which is to be applied for financial years starting from 1 January 2009. In June 2007, IFRIC 13 "Customer Loyalty Programmes" was passed. IFRIC 13 is to be applied for financial years starting on or after 1 July 2008. The effects of the initial application in RHI's consolidated financial statements is currently being evaluated.

Vienna, 26 July 2007

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 June 2007, equity improved by € 59.9 million compared to 31 December 2006 due to the conversion of 1,464 RHI part convertible bonds of tranche A and 35 part convertible bonds of tranche B.

Changes in the Supervisory Board

At the close of the Annual General Meeting on 1 June 2007 the period of office of Supervisory Board members Gerd Klaus Gregor and Cornelius Grupp ended. The Annual General Meeting elected Herbert Cordt, Helmut Draxler, Mark J. Eckhout and Hubert Gorbach to the Supervisory Board as members of the shareholders. Erhard Schaschl and Kurt Waniek were voted out. Michael Gröller was re-elected Chairman of the Supervisory Board.

Changes in the Management Board

At the extraordinary Supervisory Board meeting on 6 June 2007, the contract with Eduard Zehetner was terminated with mutual consent. Stefano Colombo was appointed CFO and also assumes the function of Deputy Chairman. Rudolf Payer was also appointed member of the Management Board as of 6 June 2007.

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

Half-year Financial Report 2007

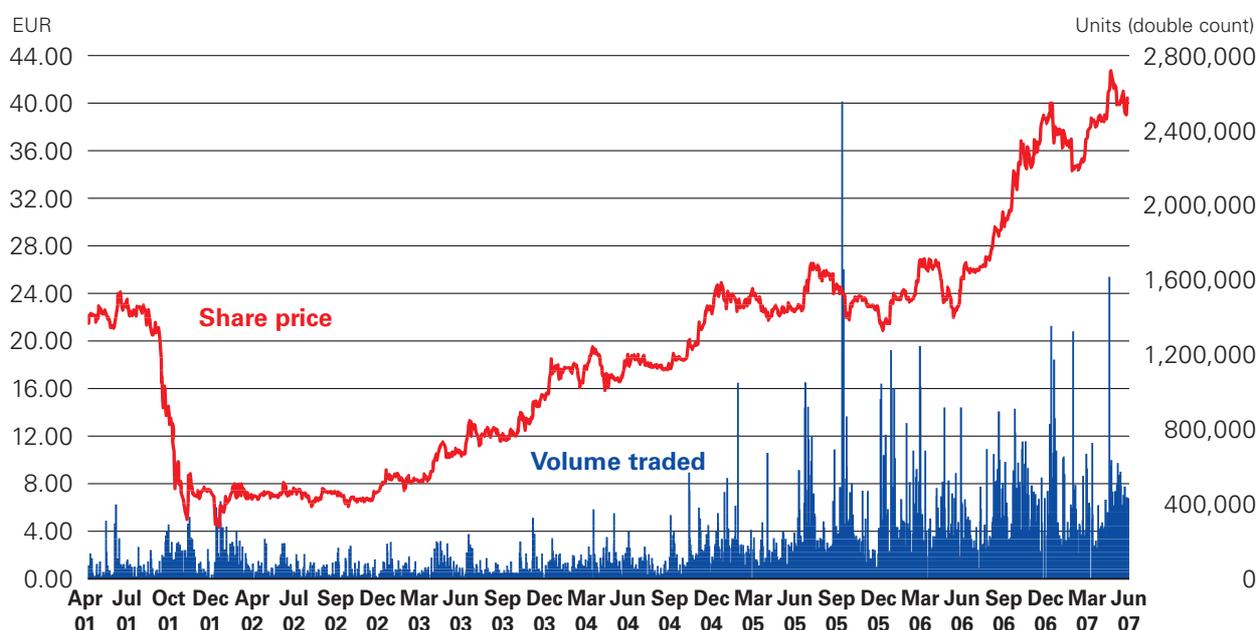
Stock market figures

in €	1 st Half-year	
	2007	2006
Lowest share price	34.34	20.90
Highest share price	42.73	26.90
Share price at 30.06.	40.43	25.30
Market capitalisation (in € million)	1,512.7	673,0

Financial calendar for 2007

Annual General Meeting 2007	1 June 2007
Half-year result 2007	26 July 2007
Result Q3/2007	24 October 2007

Performance of the RHI share 04/2001 – 06/2007



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 July 2007, 37,426,539 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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The English translation of the RHI half-year financial report is for convenience.
Only the German text is binding.

This half-year 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.