

# RHI Group >> Quarterly Report I/2007



## Key Figures RHI Group

in € million	1 <sup>st</sup> Quarter		Change
	2007	2006	in %
Revenues	<b>361.2</b>	329.3	9.7
EBITDA	<b>54.3</b>	42.3	28.4
EBIT	<b>42.1</b>	31.7	32.8
EBITDA margin	<b>15.0%</b>	12.8%	17.2
EBIT margin	<b>11.7%</b>	9.6%	21.9
Profit before income taxes	<b>32.8</b>	25.3	29.6
Profit from continuing operations	<b>28.9</b>	22.7	27.3
Profit from discontinued operations	<b>0.0</b>	5.6	
Profit	<b>28.9</b>	28.3	2.1
Employees	<b>7,095</b>	6,368	11.4

# Business Development RHI Group

## Quarterly Report I/2007

### Excellent start to the financial year 2007

The RHI Group reported revenue in the amount of € 361.2 million in the first quarter of 2007 (previous year: € 329.3 million), up 9.7%. EBITDA in the RHI Group rose to € 54.3 million (previous year: € 42.3 million); EBIT improved by a very positive 32.8% to € 42.1 million (previous year: € 31.7 million). The EBIT margin, at 11.7% (previous year: 9.6%), also clearly exceeded the figure of the previous year. The operating earnings power thus continued to improve.

Profit before income taxes from continuing operations (Refractories, other) amounted to € 32.8 million (previous year: € 25.3 million); profit was up 27.3% to € 28.9 million. The RHI Group profit, at € 28.9 million (previous year: € 28.3 million), was up 2.1% because a profit in the amount of € 5.6 million from the discontinued Insulating operations was included in the first quarter of 2006.

In RHI's consolidated balance sheet at 31 March 2007, equity, which is still negative, improved by € 51.3 million compared to 31 December 2006 and now amounts to € -13.2 million. Taking into account the convertible bonds registered for conversion to new RHI shares, equity is already positive again. After the complete write-down and deconsolidation of the US refractories companies in 2001, this figure was approx. € -500 million. RHI's financial liabilities amounted to € 483.1 million at 31 March 2007, less cash and cash equivalents the net figure was € 452.7 million. Cash flow from operating activities, at € 8.9 million (previous year: € 2.5 million) in the first quarter of 2007, exceeded the prior-year figure. Cash flow from investing activities, at € -37.2 million (previous year: € -5.4 million), reflects both higher investments and the purchasing price for the Monofrax assets in the first quarter of 2007.

### Monofrax strengthens RHI's position in glass segment

In December 2006, RHI signed a contract regarding the acquisition of all relevant assets of Monofrax Inc., the only producer of fused cast refractories in North America, which are primarily used in the glass industry. Monofrax offers innovative products and important patents as well as excellent business relations with the most important glass manufacturers worldwide. With the acquisition of Monofrax, RHI has gained another technologically, logistically and economically optimal production site for high-grade products, especially for the very important North American special glass market.

The closing of the transaction took place on 31 January 2007. Since February, business has been consolidated in the RHI Group. RHI Monofrax contributed € 6.6 million to consolidated revenue in the first quarter of 2007.

### Changes in the RHI shareholder structure

MS Private Foundation ("MSPF") informed RHI on 11 January 2007 that it held 1,108,500 shares of RHI AG at the time, was entitled to acquire an additional 4,268,000 shares based on option agreements and also held convertible bonds of tranche A entitling it to the acquisition of an additional 6,259,000 shares of RHI AG. If MSPF fully exercises its conversion rights, it can hold a maximum stake of 29.22% in RHI AG. MSPF also stated it was intent not to attain a controlling stake in accordance with the Austrian Takeover Act by exercising the options or the convertible bonds at any time. The MS Private Foundation considers its investment a long-term investment. MSPF is a foundation under Austrian law whose beneficiaries are Martin Schlaff and his family.

At 1 April 2007, the share of disclosed voting rights attributable to MSPF exceeded 15%. On 20 April 2007, the MSPF announced its intention to convert 823 RHI convertible bonds of tranche A to new RHI shares with effect from 11 May 2007. With the issue of the 4,526,500 new RHI shares, the share of RHI voting rights attributable to the MS Private Foundation will increase to more than 25%.

On 25 April 2007, Absolute Capital Management Holdings Limited, Cayman Islands, and the AvW Group AG, Austria, announced that their joint share in the voting rights of RHI AG exceeds 5%. Taking into account the most recent conversions of RHI convertible bonds with effect from 11 May 2007, the shareholder structure 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%

### Chapter 11 in the USA still pending

The Chapter 11 proceedings of the US companies deconsolidated at 31 December 2001 are still pending. In September 2005, the companies submitted changed plans of reorganisation to the court. The plans, which have since been amended several times, and a document explaining them 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 26 October 2006 in order to clarify claims made by a small group of creditors against the companies operating under Chapter 11, which, in the opinion of the court, could not be fully assessed. An expert was called in for this purpose. 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 quarter 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 € million	1 <sup>st</sup> Quarter		Change in %
	2007	2006	
<b>Revenues</b>	<b>361.2</b>	<b>329.3</b>	<b>9.7</b>
Segment Steel	220.0	193.7	13.6
Segment Industrial	129.2	123.7	4.4
Segment Raw Materials, Production, Other	241.3	220.3	9.5
Consolidation	-229.3	-208.4	10.0
<b>EBIT</b>	<b>42.1</b>	<b>31.7</b>	<b>32.8</b>
Segment Steel	20.0	15.2	31.6
Segment Industrial	15.9	15.3	3.9
Segment Raw Materials, Production, Other	6.2	1.2	416.7
<b>EBIT margin</b>	<b>11.7%</b>	<b>9.6%</b>	<b>21.9%</b>
Segment Steel	9.1%	7.8%	16.7%
Segment Industrial	12.3%	12.4%	-0.8%
Segment Raw Materials, Production, Other	2.6%	0.5%	420.0%

RHI's customer industries were in a good state in the first quarter of 2007; capacity utilisation at customers' plants, which is important for RHI's business, was above average. The steel industry, RHI's most important client industry, increased crude steel output by 10% to 318 million tonnes compared to the previous year, of which 115 million tonnes or 36% were accounted for by China. Adjusted for China's contribution, production rose by 4% worldwide.

In an overall favourable market environment RHI increased refractories sales volume by 8.6% to more than 488,000 tonnes in the first quarter of 2007. RHI's Steel Division recorded above-average growth and gained market share again in important markets. Revenue in the steel segment increased 13.6% to € 220.0 million (previous year: € 193.7 million); the EBIT margin improved to a positive 9.1% (previous year: 7.8%).

RHI's Industrial Division reported revenue in the amount of € 129.2 million (previous year: € 123.7 million), up 4.4%. At 12.3%, the EBIT margin maintained the good level of the previous year.

The RHI Division Raw Materials, Production, Other reported revenue amounting to € 241.3 million in the first quarter of 2007; adjusted for deliveries to the Steel and Industrial Divisions, external revenue was € 12.0 million (previous year: € 11.9 million). EBIT and the EBIT margin exceeded the comparable figures of the previous year with good utilisation of all RHI raw material and production sites.

## Outlook

RHI expects a continued positive market environment with solid growth rates in the customer industries worldwide in 2007. The availability and cost development of important raw materials and energy are important influences on the economic situation of the RHI Group. The ongoing consolidation of client industries, e.g. steel and cement, have a positive influence on RHI's market potential. Globally operating customers, who are individually serviced by RHI key account concepts, require globally operating refractories partners who offer the corresponding production and logistics.

After the good business development in the first quarter of 2007, the level of incoming orders still exceeds that of the previous year. RHI is continuing to expand capacity in China and India in 2007 in order to lay the foundation for further profitable growth.

RHI aims to reach a two-digit EBIT margin again based on a successful implementation of price increases to cover further increases in costs in 2007. Overall, RHI's consolidated revenue and operating result 2007 are expected to exceed the level of the previous year.

Andreas Meier  
Giorgio Cappelli

Eduard Zehetner  
Manfred Hödl

# RHI Group

## Quarterly Report I/2007

### Balance Sheet

in € million

31 March 2007

31 December 2006

#### ASSETS

##### Non-current assets

Property, plant and equipment	399.0	389.7
Goodwill	14.1	14.0
Other intangible assets	35.3	16.9
Shares in associates	13.0	13.3
Financial assets	41.1	41.1
Non-current receivables	1.6	1.7
Deferred tax assets	67.9	68.8

**572.0**

**545.5**

##### Current assets

Inventories	274.4	251.6
Trade and other current receivables	339.9	319.0
Current portion of non-current receivables	0.8	1.0
Income tax receivables	6.9	5.6
Securities and shares	3.3	3.3
Cash and cash equivalents	30.4	66.7

**655.7**

**647.2**

**1,227.7**

**1,192.7**

#### EQUITY AND LIABILITIES

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

Share capital	237.3	212.1
Group reserves	-273.3	-297.2
Minority interest	22.8	20.6

**-13.2**

**-64.5**

##### Non-current liabilities

Subordinated convertible bond	51.2	75.5
Other non-current financial liabilities	399.7	396.1
Deferred tax liabilities	10.9	10.2
Personnel provisions	330.2	331.5
Other non-current provisions	2.5	2.5
Other non-current liabilities	4.6	4.5

**799.1**

**820.3**

##### Current liabilities

Trade and other current payables	258.8	246.3
Current financial payables	83.4	90.3
Income tax payables	25.0	25.4
Current provisions	74.6	74.9

**441.8**

**436.9**

**1,227.7**

**1,192.7**

# RHI Group

## Quarterly Report I/2007

### Income Statement

	I <sup>st</sup> Quarter	
in € million	2007	2006
<b>Continuing operations</b>		
<b>Revenues</b>	<b>361.2</b>	<b>329.3</b>
Special direct distribution costs	-32.1	-23.6
Cost of sales	-241.7	-231.5
<b>Gross profit</b>	<b>87.4</b>	<b>74.2</b>
Distribution costs	-19.1	-17.6
Administrative expenses	-25.6	-24.2
Other income and expenses	-0.6	-0.7
<b>Operating results</b>	<b>42.1</b>	<b>31.7</b>
Financial results	-9.1	-7.0
Results from associates	-0.2	0.6
<b>Profit before income taxes</b>	<b>32.8</b>	<b>25.3</b>
Income taxes	-3.9	-2.6
<b>Profit from continuing operations</b>	<b>28.9</b>	<b>22.7</b>
<b>Profit from discontinued operations</b>	<b>0.0</b>	<b>5.6</b>
<b>Profit</b>	<b>28.9</b>	<b>28.3</b>
Profit attributable to		
equity holders of RHI AG	28.3	26.9
minority interest	0.6	1.4
	28.9	28.3
in €		
Basic earnings per share	0.97	1.03
Diluted earnings per share	0.73	0.71

### Cash Flow Statement

in € million	2007	2006
<b>Cash and cash equivalents at 1 January</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	8.9	2.5
Cash flow from investing activities	-37.2	-5.4
Cash flow from financing activities	-8.0	2.8
Cash flow from discontinued operations	0.0	4.2
<b>Cash and cash equivalents at 31 March</b>	<b>30.4</b>	<b>43.6</b>
thereof cash and cash equivalents from continuing operations	30.4	21.1

### Statement of Changes in Equity

in € million	2007	2006
<b>Equity at 1 January</b>	<b>-64.5</b>	<b>-212.5</b>
Change in currency translation reserves	-4.0	-6.1
Profit	28.9	28.3
<b>Total recognised income and expenses</b>	<b>24.9</b>	<b>22.2</b>
Dividend payments	-1.0	0.0
Capital increase	25.2	3.8
Effects of convertible bonds	-0.8	-0.1
Change in minority interest	3.0	0.0
<b>Equity at 31 March</b>	<b>-13.2</b>	<b>-186.6</b>

# RHI Share Quarterly Report I/2007

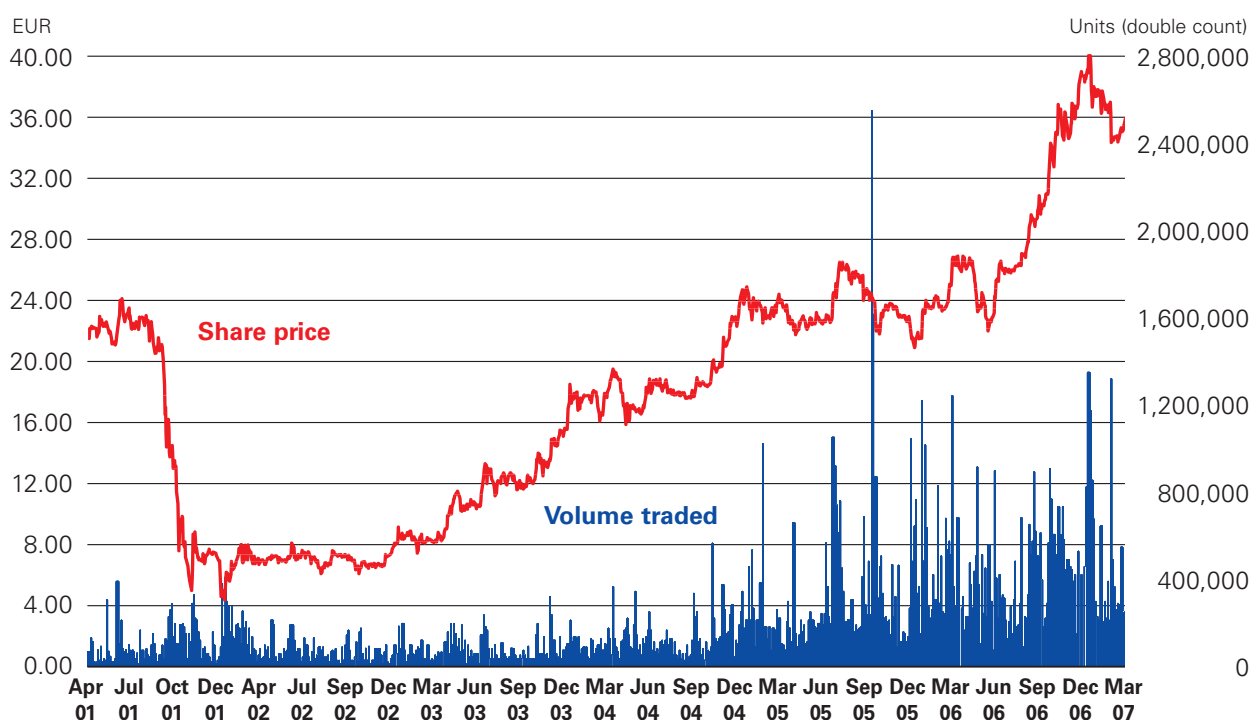
## Stock market figures

in €	2007	2006
Lowest share price	<b>34.34</b>	20.90
Highest share price	<b>40.00</b>	26.70
Share price at 31 March	<b>36.97</b>	26.82
Market capitalisation (in € million)	<b>1,200.5</b>	699.5

## 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 – 03/2007



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 April 2007, 32,652,539 common shares of no par value with voting rights of RHI AG were admitted to trading. 27,081,039 of these shares were accounted for by ISIN AT0000676903 and 5,571,500 shares by ISIN AT0000A03FL5 ("new shares from conversion 2007").

### ISIN

RHI share:

AT0000676903

RHI new shares from convertible bond:

AT0000A03FL5

Convertible bond tranche A:

AT0000443049

Convertible bond tranche B:

AT0000443056

### Information on RHI

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