

# RHI Group >> Half-year Report 2006



## Key Figures RHI Group

in € million	1 <sup>st</sup> Half		Change
	2006	2005	in %
Revenue	<b>666.8</b>	601.9	10.8
EBITDA	<b>86.4</b>	75.9	13.8
EBITDA margin	<b>13.0%</b>	12.6%	2.8
EBIT	<b>64.6</b>	56.0	15.4
EBIT margin	<b>9.7%</b>	9.3%	4.1
Profit before income taxes	<b>51.4</b>	43.7	17.6
Profit from continuing operations	<b>46.2</b>	40.3	14.6
Profit from discontinued operations	<b>60.8</b>	3.5	
Profit	<b>107.0</b>	43.8	144.3
Employees	<b>6,488</b>	6,325	2.6

# Business Development RHI Group

## Half-year Report 2006

In January 2006, RHI signed a contract with the Knauf Group regarding the sale of the Heraklith Group; a purchase price of € 230 million was agreed upon on a debt-free basis. In June the transaction was closed: upon receipt of the purchase price, RHI transferred all stakes held in Heraklith AG to the Knauf Group on 13 June.

RHI's consolidated balance sheet at 30 June, 2006 shows the structure adjusted for Heraklith with a balance sheet total of € 1.1 billion. The first-half results of the group contain a book profit ("profit from discontinued operations") from the sale in the amount of € 60.8 million. Profit for the first half of 2006 amounts to € 107.0 million. Equity, which is still negative in the RHI balance sheet, subsequently improved significantly by € 94.9 million and amounted to € -86.2 million at 30 June, 2006. Taking into account the outstanding RHI convertible bonds, equity is positive again. In late 2001, this figure was approx. € -500 million after the write-down and deconsolidation of the US refractories companies.

With the closing of the Heraklith transaction RHI has successfully completed the group's restructuring, which began in 2002, and will in the future focus exclusively on its leading position in the world refractories market under the RHI Refractories brand. Worldwide there are good opportunities to expand RHI's strong market position and earnings power sustainably in the coming years. The objective is to increase the revenue of € 1.2 billion recorded in 2005 to € 2.0 billion in the next five years through organic growth and acquisitions and to achieve an EBIT margin of at least 10%.

Overall, the RHI Group reported revenue in the amount of € 666.8 million in the first half of 2006 (previous year, comparable to the new structure 2006: € 601.9 million), an increase by 10.8%. EBITDA amounted to € 86.4 million (previous year: € 75.9 million); EBIT, at € 64.6 million (previous year: € 56.0 million), was up 15.4% on the previous year. Profit before income taxes rose by 17.6% to € 51.4 million, profit from continuing operations (Refractories, other) was € 46.2 million (previous year: € 40.3 million). Profit from discontinued operations (Insulating) amounted to € 60.8 million (previous year: € 3.5 million); the RHI Group's profit, at € 107.0 million, reached a historic high in the first half of 2006, amounting to 2.5 times the figure of the previous year (€ 43.8 million).

The cash flow statement of the first half of 2006 also clearly reflects the positive effects of the sale of Heraklith. The proceeds from the sale were primarily used to amortise liabilities to banks; cash flow from financing activities amounts to € -182.8 million. Moreover, cash and cash equivalents rose

by € 13.3 million to € 34.5 million at 30 June, 2006. Another € 34.7 million were used to reduce liabilities in time, but mostly ahead of schedule, which still existed from interest and foreign currency swaps relating to the deconsolidated US companies. Cash flow from operating activities was negative at € -15.8 million (previous year: € 26.1 million) in the first half of 2006 as a result of this early repayment, a reduction in trade payables and the increase in trade receivables due to the positive business development. Financial liabilities have been cut by more than half since the end of 2001 from more than € 1 billion to now € 488.6 million; including cash and cash equivalents, this figure is now only € 454.1 million. This roughly corresponds to the 2.5-fold EBITDA of the new and focused RHI. This key figure illustrates the group's regained financial scope.

In the USA the Chapter 11 proceedings of the companies deconsolidated at December 31, 2001 are ongoing. In September 2005, the companies submitted changed plans of reorganisation to the court. The plans, which have been amended several times since, and a document explaining them were voted on in the first half of 2006; the approval rate of all groups of creditors by far exceeded the required minimum levels. The objection period against the plans ended on 12 May, 2006, and in June the confirmation hearing began at the court in Pittsburgh. No objections have been raised against the settlement agreements RHI made with the previous owners of the US companies, Honeywell and Halliburton / DII and the companies operating under Chapter 11 in 2004, so that RHI's results will not be affected by the implementation of the agreements upon completion of the Chapter 11 proceedings. The agreements stipulate that the plans of reorganisation only become effective once Honeywell has paid a further US\$ 40 million to RHI.

The court has adjourned the confirmation hearing until 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, can currently not be fully assessed. An expert will be called in for this purpose. With this date, a formal conclusion of the Chapter 11 proceedings is to be expected for early 2007 due to the deadlines to be complied with in such proceedings. When the court gives its final approval to all plans of reorganisation, RHI will receive full legal security relating to all claims against the US companies operating under Chapter 11. In addition, RHI and its subsidiaries will then become beneficiaries of the court injunctions. Thus all present and future asbestos claims against the deconsolidated US companies would be completed definitively and with legal security.

## RHI Refractories

in € million	2 <sup>nd</sup> Quarter		1 <sup>st</sup> Half	
	2006	2005	2006	2005
Revenue	<b>332.9</b>	312.1	<b>660.0</b>	596.8
EBITDA	<b>45.4</b>	44.3	<b>89.5</b>	86.3
EBITDA margin	<b>13.6%</b>	14.2%	<b>13.6%</b>	14.5%
EBIT	<b>34.2</b>	34.4	<b>67.7</b>	66.5
EBIT margin	<b>10.3%</b>	11.0%	<b>10.3%</b>	11.1%
Employees	<b>6,388</b>	6,238	<b>6,239</b>	6,187

Refractories business continued to develop positively overall in the second quarter of 2006. Revenue exceeded the very good previous quarter by 6.7%; sales volume rose by 4.1%. The EBIT margin exceeded the target figure of 10% despite continuously rising raw material and energy costs. Price increases were implemented successfully.

RHI Refractories reported revenue amounting to € 660.0 million in the first half (previous year: € 596.8 million), an increase by 10.6%. Refractories sales volume rose 5.2% to 900,000 tonnes. EBIT amounted to € 67.7 million (previous year: € 66.5 million); the EBIT margin was 10.3% (previous year: 11.1%).

The steel industry, RHI's most important group of customers, increased crude steel output by almost 8% worldwide in the first half of 2006, adjusted for another substantial increase in China (+18%) by some 3%. Regionally, the production showed varied developments ranging from +12% in Asia (incl. China), +5% in North America, +5% in Eastern Europe, +4% in the EU, to -4% in South America and -5% in Africa. RHI's customer industries cement, lime, nonferrous metals, glass, environment, energy and chemicals overall also showed positive growth in capacity and production, with regional differences.

The 10.6% increase in revenue of RHI Refractories in the first half of 2006 was accounted for by a slightly under-proportional contribution from global business with customers in the steel segment and a disproportionately high contribution from business with customers in the industrial segment. Steel once again realised significant increases in revenue with key accounts in North America and, parallel to production of local steel customers, slight declines in South America. Industrial recorded satisfactory growth in the business units nonferrous metals, environment, energy, chemicals as well as cement and lime as compared to the previous year. Only business with glass customers was down on the level of the previous year in the first half of 2006.

The successful takeover of Arcelor by Mittal Steel as well as alternative scenarios discussed for the steel industry make it evident that the consolidation of this important customer industry will continue to proceed. This equally applies for the cement industry and other primary industries, which are changing their structures significantly in view of the boom in Asia and persisting changes in raw material and energy supply. RHI will continue to benefit from the increasing consolidation of its customer industries in the future. As the global market leader, RHI is excellently positioned and has the logistic capacity to provide growing customers with individual key account concepts and technologically leading refractories products and solutions.

The dynamic growth in Asian countries will be a decisive factor determining capacity utilisation for the commodity industries important to refractories beyond 2006. The economic outlook for the client industries 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.

## Outlook

RHI, with its new focus on refractories, has laid the strategic and operative foundations for a future geared to high earnings and cash flow.

Forecasts for the RHI Group results in 2006 are positive, provided there are no unexpected cost, cyclical or exchange rate pressures. In addition to industrial cycles, especially in the steel industry, raw material and energy costs as well as monetary parity, business success is significantly influenced by the consolidation and modernisation of RHI's 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 successful implementation of price increases to cover further cost increases.

Dr. H. Draxler

Dr. A. Meier

Dr. E. Zehetner

# RHI Group

## Half-year Report 2006

### Balance Sheet

#### ASSETS

	<b>30.06.2006</b>	<b>31.12.2005</b>
	in € million	in € million
<b>Non-current assets</b>		
Property, plant and equipment	381.5	396.6
Goodwill	13.9	13.9
Other intangible assets	13.1	14.5
Shares in associates	14.4	13.9
Financial assets	40.9	42.0
Non-current receivables	2.2	2.3
Deferred tax assets	55.9	57.0
	<b>521.9</b>	<b>540.2</b>
<b>Current assets</b>		
Inventories	236.6	237.3
Trade and other current receivables	332.7	421.7
Current portion of non-current receivables	0.9	0.9
Income tax receivables	6.4	4.1
Securities and investments	3.1	3.1
Cash and cash equivalents	34.5	21.2
	<b>614.2</b>	<b>688.3</b>
Assets classified as held for sale	0.0	255.7
	<b>1,136.1</b>	<b>1,484.2</b>

#### EQUITY AND LIABILITIES

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

Share capital	195.6	189.5
Group reserves	-300.7	-392.5
	<b>-105.1</b>	<b>-203.0</b>
Minority interest	18.9	21.9
	-86.2	-181.1
<b>Non-current liabilities</b>		
Subordinated liabilities payable to financial institutions	400.0	400.0
Subordinated convertible bonds	91.1	96.5
Subordinated liabilities	491.1	496.5
Other non-current financial liabilities	69.4	197.9
Deferred tax liabilities	12.8	12.0
Personnel provisions	279.2	281.8
Other non-current provisions	2.5	2.5
Other non-current liabilities	3.8	23.6
	367.7	517.8
	<b>858.8</b>	<b>1,014.3</b>
<b>Current liabilities</b>		
Trade and other current payables	241.5	271.5
Current financial payables	19.2	59.7
Income tax payables	22.1	25.4
Current provisions	80.7	72.5
	<b>363.5</b>	<b>429.1</b>
Liabilities classified as held for sale	0.0	221.9
	<b>1,136.1</b>	<b>1,484.2</b>

# RHI Group

## Half-year Report 2006

### Income Statement

in € million	2 <sup>nd</sup> Quarter		1 <sup>st</sup> Half	
	2006	2005	2006	2005
<b>Continuing operations</b>				
<b>Revenue</b>	<b>337.5</b>	<b>315.6</b>	<b>666.8</b>	<b>601.9</b>
Special direct distribution costs	-25.0	-25.7	-47.9	-46.0
Cost of sales	-238.4	-218.7	-470.8	-426.8
<b>Gross profit</b>	<b>74.1</b>	<b>71.2</b>	<b>148.1</b>	<b>129.1</b>
Distribution costs	-17.4	-17.8	-35.0	-29.7
Administrative expenses	-26.4	-27.2	-50.6	-49.9
Other income and expenses	2.6	1.8	2.1	6.5
<b>Operating result (EBIT)</b>	<b>32.9</b>	<b>28.0</b>	<b>64.6</b>	<b>56.0</b>
Financial result	-7.1	-8.2	-14.1	-13.3
Result from associates	0.3	0.4	0.9	1.0
<b>Profit before income taxes</b>	<b>26.1</b>	<b>20.2</b>	<b>51.4</b>	<b>43.7</b>
Income taxes	-2.6	-1.4	-5.2	-3.4
<b>Profit from continuing operations</b>	<b>23.5</b>	<b>18.8</b>	<b>46.2</b>	<b>40.3</b>
Profit from discontinued operations	55.2	3.0	60.8	3.5
<b>Profit</b>	<b>78.7</b>	<b>21.8</b>	<b>107.0</b>	<b>43.8</b>
Profit attributable to				
equity holders of RHI AG	77.8	19.8	104.7	40.4
minority interest	0.9	2.0	2.3	3.4
	78.7	21.8	107.0	43.8
in €				
Undiluted earnings per share	2.92	0.84	3.95	1.78
Diluted earnings per share	1.98	0.52	2.69	1.08

### 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	-15.8	26.1
Cash flow from investing activities	-9.8	-16.2
Cash flow from financing activities	-182.8	-12.5
Cash flow from discontinued operations	203.4	-4.4
Change in cash and cash equivalents due to changes in consolidated group	0.0	12.9
<b>Cash and cash equivalents at 30.06.</b>	<b>34.5</b>	<b>36.6</b>
thereof cash and cash equivalents from continuing operations	34.5	17.5

### Statement of Changes in Equity

in € million	2006	2005
<b>Equity at 01.01.</b>	<b>-181.1</b>	<b>-310.5</b>
Profit	107.0	43.8
Differences from foreign currency translations	-17.7	13.6
Dividend payments	-1.1	-0.7
Other changes not affecting result	6.7	13.0
<b>Equity at 30.06.</b>	<b>-86.2</b>	<b>-240.8</b>

# RHI Share Half-year Report 2006

## Stock market figures

in €	1 <sup>st</sup> Half	
	2006	2005
Lowest share price	<b>20.90</b>	21.75
Highest share price	<b>26.90</b>	24.88
Share price at 30 June	<b>25.30</b>	22.52
Market capitalisation (in € million)	<b>673.0</b>	517.3

## 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 07/2005 – 06/2006



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 01.07.2006, 26,921,539 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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