

RHI Group >> Quarterly Report III/2006



Key Figures RHI Group

in € million	Q1 - Q3		Change
	2006	2005	in %
Revenue	998.6	893.9	11.7
EBITDA	130.5	108.1	20.7
EBITDA margin	13.1%	12.1%	8.1
EBIT	97.5	78.3	24.5
EBIT margin	9.8%	8.8%	11.5
Profit before income taxes	79.3	59.9	32.4
Profit from continuing operations	71.3	54.9	29.9
Profit from discontinued operations	60.8	9.8	520.4
Profit	132.1	64.7	104.2
Employees	6,514	6,352	2.6

Business Development RHI Group

Quarterly Report III/2006

The RHI Group reported revenue in the amount of € 998.6 million in the first three quarters of 2006 (previous year, comparable to the new structure 2006: € 893.9 million), an increase by 11.7%. In the third quarter revenue amounted to € 331.8 million (previous year: € 292.0 million) as a result of the good development of the refractories business worldwide and exceeded the figure of the previous year by 13.6%. Accumulated EBITDA in the RHI Group rose 20.7% to € 130.5 million (previous year: € 108.1 million); EBIT, at € 97.5 million (previous year: € 78,3 million), was up 24.5%. The EBIT margin in the group improved to 9.8% (previous year: 8.8%). Profit before income taxes from continuing operations (Refractories, other) increased by 32.4% to € 79.3 million (previous year: € 59.9 million), and profit after taxes rose 29.9% to € 71.3 million. Profit from discontinued operations (Insulating), which was realised with the closing of the Heraklith transaction in June 2006, amounted to € 60.8 million (previous year: € 9.8 million). The RHI Group's profit thus increased by 104.2 % to € 132.1 million (previous year: € 64.7 million) in the first three quarters of 2006.

In RHI's consolidated balance sheet at 30 September, 2006, equity, which is still negative, improved by € 123.7 million compared to 31 December, 2005 and now amounts to € -57.4 million. Taking into account the outstanding convertible bonds, equity is thus already positive again. In late 2001, this figure was approximately € -500 million after the write-down and deconsolidation of the US refractories companies. RHI's financial liabilities were cut by more than half since 2001 from more than € 1 billion to now € 487.0 million; including cash and cash equivalents, which increased significantly from € 34.4 million to € 57.5 million in the third quarter of 2006, this figure is only € 429.5 million. This roughly corresponds to the 2.5-fold EBITDA of the focused RHI Group and illustrates RHI's regained financial scope.

Cash flow from operating activities, at € 19.3 million in the first three quarters of 2006 (previous year: € 52.7 million), was below the figure of the previous year. Here it must be noted that, following the Heraklith closing in June, € 34.7 million was used for a complete reduction of other liabilities which existed from former interest and currency swaps relating to the US companies deconsolidated in 2001. Without this effect, cash flow from operating activities was roughly at the level of the previous year with a slight increase in the working capital required. Cash flow from investing activities, at € -18.7 million in the first three quarters of 2006, was below the figure of the previous year of € -32.9 million after important investment projects in China and Italy were completed successfully.

In the USA the Chapter 11 proceedings of the companies deconsolidated at 31 December, 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.

In June, the court adjourned the confirmation hearing until 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, cannot yet be fully assessed. An expert will be called in for this purpose. If this hearing develops positively and the Chapter 11 proceedings progress correspondingly, a formal conclusion is possible in 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.

New segment reporting

RHI, with its new focus on refractories, has laid the strategic and operative foundations for a future geared to high earnings and cash flow. With the closing of the Heraklith transaction in June 2006, RHI has successfully completed the group's restructuring, which began in 2002, and will in the future focus exclusively on extending its leading position in the world refractories market under the RHI Refractories brand.

With the focus on refractories, RHI shows a new reporting structure for the first time in this quarterly report, which corresponds to the internal management of the RHI Group in accordance with the requirements of the International Financial Reporting Standards (IFRS). Since two new members will be added to RHI's Board of Management in January 2007 to strengthen customer care and market penetration in the segments "Steel" and "Industrial", reporting already now follows this new management structure.

Industrial comprises the client industries cement, lime, glass, nonferrous metals as well as environment, energy and chemicals. In addition, RHI reports on "Raw Materials, Production, Other" in a third segment. This segment shows the strategic value added by the mining, raw materials and production plants, which predominantly supply the Steel and Industrial segments. It also includes RHI's only remaining non-refractories business (Isolit Isolier GmbH), which recorded accumulated revenue amounting to € 12.4 million in 2006, and contributions to earnings by RHI service centers so far shown under Holding/other.

in € million	3 rd Quarter		Q1 - Q3	
	2006	2005	2006	2005
Revenue	331.8	292.0	998.6	893.9
Segment Steel	206.1	177.9	604.7	543.3
Segment Industrial	108.9	100.0	350.3	313.4
Segment Raw Materials, Production, other	221.5	191.1	664.2	591.1
Consolidation	-204.7	-177.0	-620.6	-553.9
EBIT	32.9	22.3	97.5	78.3
Segment Steel	16.5	9.1	47.1	40.6
Segment Industrial	12.4	7.7	43.8	35.7
Segment Raw Materials, Production, other	4.0	5.5	6.6	2.0
EBIT margin	9.9%	7.6%	9.8%	8.8%
Segment Steel	8.0%	5.1%	7.8%	7.5%
Segment Industrial	11.4%	7.7%	12.5%	11.4%
Segment Raw Materials, Production, other	1.8%	2.9%	1.0%	0.3%

The refractories business continued to develop well in the third quarter of 2006, accumulated sales volume 2006 rose 8.4% to 1,357,000 tonnes. Consolidated revenue improved by 13.6% in the third quarter, accumulated 2006 by 11.7%. Revenue in the Steel segment in Q3/2006 exceeded the previous year by 15.8%, in the Industrial segment by 8.9%; accumulated revenue in the Steel segment was up 11.3%, and 11.8% in the Industrial segment. In the course of 2006, revenue in the Industrial segment recorded above-average growth with nonferrous metals and developed below average for glass. The overall positive development in the Steel and Industrial segments reflects the favourable economic situation and the worldwide increase in output in RHI's client industries. EBIT in the RHI Group increased by 24.5% to € 97.5 million (previous year: € 78.3 million) in the first three quarters of 2006, the EBIT margin amounted to 9.8% (previous year: 8.8%). Using RHI's previous reporting structure for comparison, the refractories EBIT margin rose to 10.4% (previous year 10.2%) in the course of 2006.

RHI Refractories uses special melting raw materials in the production of refractories solutions. Roughly half of the amount required is covered by RHI's own production. In order to meet the increasing demand for these very high-grade raw materials optimally in logistical and economical terms, RHI will establish a smelting plant with two electric arc furnaces and an annual capacity of 30,000 tonnes in Isithebe/South Africa. The plants will be set up at a location leased for the long term, and capital expenditure in the amount of € 9 million will be completed by the summer of 2007.

Following the successfully completed restructuring, the RHI Group will in the future focus exclusively on extending its position as the world market leader in refractories under the RHI Refractories brand. Worldwide, there are good opportunities to sustainably expand the excellent market position and earnings power of RHI Refractories in the coming years. The objective is to increase the revenue of approx. € 1.2 billion recorded in 2005 to € 2.0 billion by the year 2010 through organic growth and acquisitions and to achieve an EBIT margin of at least 10%.

Outlook

The outlook for RHI's client industries indicates robust growth overall, however, varying greatly in different regions. Competition for refractories 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 continue to only accept business that ensures adequate contributions to profits and in which RHI can protect itself against the risk of customer default.

Incoming orders and the good economic situation of RHI's customer industries indicate a positive business development for the fourth quarter 2006. Forecasts for the RHI Group results in 2007 are also 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.

Dr. H. Draxler

Dr. A. Meier

Dr. E. Zehetner

RHI Group

Quarterly Report III/2006

Balance Sheet

ASSETS	30.09.2006	31.12.2005
	in € million	in € million
Non-current assets		
Property, plant and equipment	383.5	396.6
Goodwill	13.9	13.9
Other intangible assets	12.8	14.5
Shares in associates	14.7	13.9
Financial assets	42.0	42.0
Non-current receivables	2.0	2.3
Deferred tax assets	51.6	57.0
	520.5	540.2
Current assets		
Inventories	246.7	237.3
Trade and other current receivables	327.7	421.7
Current portion of non-current receivables	0.8	0.9
Income tax receivables	5.7	4.1
Securities and investments	3.1	3.1
Cash and cash equivalents	57.5	21.2
	641.5	688.3
Assets classified as held for sale	0.0	255.7
	1,162.0	1,484.2
EQUITY AND LIABILITIES		
Equity attributable to equity holders of RHI AG		
Share capital	196.8	189.5
Group reserves	-273.5	-392.5
	-76.7	-203.0
Minority interest	19.3	21.9
	-57.4	-181.1
Non-current liabilities		
Subordinated liabilities payable to financial institutions	400.0	400.0
Subordinated convertible bonds	90.1	96.5
Subordinated liabilities	490.1	496.5
Other non-current financial liabilities	67.6	197.9
Deferred tax liabilities	8.7	12.0
Personnel provisions	277.6	281.8
Other non-current provisions	2.5	2.5
Other non-current liabilities	3.6	23.6
	360.0	517.8
	850.1	1,014.3
Current liabilities		
Trade and other current payables	245.5	271.5
Current financial payables	19.4	59.7
Income tax payables	23.8	25.4
Current provisions	80.6	72.5
	369.3	429.1
Liabilities classified as held for sale	0.0	221.9
	1,162.0	1,484.2

RHI Group

Quarterly Report III/2006

Income Statement

in € million	3rd Quarter		Q1 - Q3	
	2006	2005	2006	2005
Continuing operations				
Revenue	331.8	292.0	998.6	893.9
Special direct distribution costs	-29.4	-21.2	-77.3	-67.2
Cost of sales	-229.7	-211.7	-700.5	-638.5
Gross profit	72.7	59.1	220.8	188.2
Distribution costs	-17.1	-14.9	-52.1	-44.6
Administrative expenses	-24.4	-19.9	-75.0	-69.8
Other income and expenses	1.7	-2.0	3.8	4.5
Operating result (EBIT)	32.9	22.3	97.5	78.3
Financial result	-5.4	-6.7	-19.5	-20.0
Result from associates	0.4	0.6	1.3	1.6
Profit before income taxes	27.9	16.2	79.3	59.9
Income taxes	-2.8	-1.6	-8.0	-5.0
Profit from continuing operations	25.1	14.6	71.3	54.9
Profit from discontinued operations	0.0	6.3	60.8	9.8
Profit	25.1	20.9	132.1	64.7
Profit attributable to				
equity holders of RHI AG	25.1	19.8	129.8	60.2
minority interest	0.0	1.1	2.3	4.5
	25.1	20.9	132.1	64.7
in €				
Undiluted earnings per share	0.92	0.87	4.87	2.65
Diluted earnings per share	0.64	0.55	3.33	1.63

Cash Flow Statement

in € million	2006	2005
Cash and cash equivalents at 01.01.	39.5	30.7
thereof cash and cash equivalents from continuing operations	21.2	19.7
Cash flow from operating activities	19.3	52.7
Cash flow from investing activities	-18.7	-32.9
Cash flow from financing activities	-186.0	-17.5
Cash flow from discontinued operations	203.4	-9.9
Change in cash and cash equivalents due to changes in consolidated group	0.0	12.9
Cash and cash equivalents at 30.09.	57.5	36.0
thereof cash and cash equivalents from continuing operations	57.5	22.4

Statement of Changes in Equity

in € million	2006	2005
Equity at 01.01.	-181.1	-310.5
Profit	132.1	64.7
Differences from foreign currency translations	-14.9	15.9
Dividend payments	-1.2	-1.0
Other changes not affecting result	7.7	30.2
Equity at 30.09.	-57.4	-200.7

RHI Share

Quarterly Report III/2006

Stock market figures

in €	2006	2005
Lowest share price	20.90	21.75
Highest share price	30.85	26.50
Share price at 30 September	30.85	24.77
Market capitalisation (in € million)	830.5	570.5

Financial calendar for 2007

Preliminary results 2006	21 March, 2007
Final results 2006	25 April, 2007
Results Quarter I/2007	3 May, 2007
Annual General Meeting 2007	1 June, 2007
Half-year results 2007	26 July, 2007
Results Quarter III/2007	24 October, 2007

Performance of the RHI share 10/2005 – 09/2006



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 02.10.2006, 27,081,039 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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