

RHI Group >> Half-year Report 2004



Key Figures RHI Group (according to IFRS)

in € million	1 st Half		Change
	2004	2003	in %
Sales revenue	632.0	613.4	3.0
EBITDA	79.7	78.6	1.4
EBITDA margin (in %)	12.6%	12.8%	
EBIT	55.7	53.9	3.3
EBIT margin (in %)	8.8%	8.8%	
Net income before income taxes	39.0	32.8	18.9
Net income	18.1	21.0	-13.8
Undiluted earnings per share (in €)	0.76	0.91	-16.5
Cash flow from operating activities	25.2	20.1	25.4
Employees	7,712	7,811	-1.3

Business Development RHI Group

Half-year Report 2004

Business development of the RHI Group was characterized by positive growth in both divisions in the first half of 2004. RHI Refractories increased sales revenue worldwide by 5.3%, adjusted for currency effects by 9.2%; Heraklith (Insulating) improved sales revenue by a very good 12.1%. Hence, both divisions also continued to improve their operating results. Moreover, at Heraklith, the restructuring measures of the previous years increasingly show an effect on results.

Overall, the RHI Group reported sales revenues of € 632.0 million (previous year: € 613.4 million) in the first half of 2004, which corresponds to a 3.0% increase. The good growth rates in the two divisions Refractories and Insulating are not yet fully visible because sales revenues in the amount of € 18.4 million were deconsolidated as a result of the sale of the Waterproofing activities in the previous year. Adjusted for this effect, sales revenue improved by 6.2%.

RHI continued the positive development of operating results in the first half of 2004. EBITDA amounted to € 79.7 million (previous year: € 78.6 million); EBIT, at € 55.7 million (previous year: € 53.9 million), also exceeded the level of the previous year. The EBIT margin reached 8.8% again. Net income before income taxes rose by 18.9% to € 39.0 million (previous year: € 32.8 million) due to the improved EBIT and a better financial result. The group's net income, at € 18.1 million (previous year: € 21.0 million) in the first half, did not match the comparative figure of the previous year because the effects of the tax reform 2004 (especially reduction of the Austrian corporation tax from 34% to 25%) had to be taken into account. As a result of this tax reduction, deferred tax assets due to loss carry-forwards had to be revalued once in accordance with IFRS and recognized as affecting results. The resulting one-off effect contained in income taxes, which is non-cash effective, amounts to € -11.3 million.

Cash flow from operating activities, at € 25.2 million in the first half of 2004 (previous year: € 20.1 million), exceeded the figure of the previous year. Interest-bearing financial liabilities in the RHI Group were reduced by € 9.8 million in the first half of 2004 and amounted to € 286.8 million at June 30, 2004. Due to the significant business expansion, a temporary increase in working capital occurred in both RHI divisions in the first half of 2004, both in customer receivables and inventories, especially caused by systematic raw material purchases.

In early April 2004, RHI and some of its group companies, entered into important settlement agreements with the previous owners of certain formerly affiliated US companies and with these companies themselves, which have been operating under Chapter 11 of the US Bankruptcy Code since early 2002. All agreements entered into are subject to the

approval by the court in Pittsburgh. RHI illustrated the key issues of these agreements in detail in the Quarterly Report I/2004. The implementation of all agreements can be effected as soon as the court in Pittsburgh approves the plans of reorganization of the companies operating under Chapter 11. The companies were granted the exclusive right by the court in Pittsburgh until August 31, 2004 to present revised plans of reorganization, which, among other things, also include the above-mentioned agreements. In late July the companies applied for an extension of this period until December 31, 2004 with the court. Subsequently, these plans will be examined by the parties affected and then reviewed by the court. With the approval of the plans by the court, the above-mentioned agreements, which affect RHI AG and some of its group companies, can be implemented. From today's perspective, this should be possible by the first quarter of 2005.

RHI Refractories

in € million	2 nd Quarter		1 st Half	
	2004	2003	2004	2003
Sales revenue	281.1	260.1	544.3	516.7
EBITDA	41.9	38.9	80.2	78.8
EBITDA margin	14.9%	15.0%	14.7%	15.3%
EBIT	31.6	29.1	60.7	59.2
EBIT margin	11.2%	11.2%	11.2%	11.5%
Employees	5,850	5,682	5,842	5,753

The core business **RHI Refractories** contributed € 544.3 million (previous year: € 516.7 million) to consolidated sales revenue in the first half of 2004, an increase by 5.3% or, adjusted for currency effects, by 9.2%. Refractories sales volume grew by 10.9% to 831,000 tons in the reporting period.

In the business unit Steel & Flow Control, business in Europe developed positively due to the continuing good capacity utilization in the steel industry in Eastern and Western Europe as well as in Russia. RHI again exceeded the figures of the previous year. The good situation in the steel industry in the above-mentioned regions was still carried by exports to Asia and especially to China.

In the Asia/Pacific region, the positive trend in the Steel & Flow Control segment also continued unabated in the first half of 2004; modernized and new production capacities especially in China increasingly require technologically sophisticated refractories solutions. RHI continued its above-average business expansion by increasing market shares especially in China and India. As a result of these successes in the Asian steel industry as well as in other RHI customer industries, a rapid capacity utilization of RHI's second plant in China will be ensured when production is launched in November 2004.

Following a weak phase of the steel industry in Central and South America due to economic and currency problems, an improvement in business conditions became tangible in this region in the first half of 2004, with some producers also benefiting from demand from China. In this environment RHI was able to increase sales revenues and more than offset the negative effects of the changes in the US dollar/euro exchange rate.

In the region Canada/USA the situation of the steel industry showed little change compared to last year. RHI Refractories was not able to fully compensate the changed US dollar/euro exchange rate, and business volume was slightly below the level of the previous year.

The business units Glass and Cement & Lime in the first half of 2004 once again recorded an improvement on the good sales revenue level of the previous year; economically attractive projects were acquired. Sales revenues of the business units Nonferrous Metals and Environment, Energy, Chemicals were still below the comparative figures of the previous year due to project reasons. However, a recovery effect is expected in the second half of the year due to delayed tenders and contract awarding processes on the part of customers.

RHI Refractories reported sales revenues in the amount of € 544.3 million worldwide in the first half of 2004, and EBIT of € 60.7 million (previous year: € 59.2 million), which corresponds to an EBIT margin of 11.2%. Negative effects of the 11% change in the US dollar/euro relation on sales revenue and EBIT were thus once again compensated.

Heraklith

in € million	2 nd Quarter		1 st Half	
	2004	2003	2004	2003
Sales revenue	47.5	42.4	86.8	77.4
EBITDA	4.9	4.7	7.2	5.9
EBITDA margin	10.3%	11.1%	8.3%	7.6%
EBIT	2.7	2.3	2.8	1.1
EBIT margin	5.7%	5.4%	3.2%	1.4%
Employees	1,719	1,692	1,714	1,697

Heraklith (Insulating) reported sales revenues of € 86.8 million (previous year: € 77.4 million) in the first half of 2004, up 12.1% on the same period of the previous year. Heraklith thus continued the positive trend of the first quarter.

Especially in Russia and the important markets of the new EU countries, increases in sales volume and thus gains in market share were achieved. Despite the persisting weak economic framework conditions in the construction industry in Western Europe, Heraklith increased sales revenues in this region. Business in the areas of industrial insulating materials and

natural insulating materials continued to experience a very good development.

As a result of the completed restructuring measures and a consistent introduction of innovative and cost-cutting production technologies at Heraklith's plants, margins also improved further. The market success of new product lines such as Heradesign® in now more than 30 export markets and a stabilizing price level for the first time in years in Western Europe also contributed to a substantial improvement in profitability.

In the first half of 2004, Heraklith more than doubled the operating result as compared to the previous year, EBIT amounted to positive € 2.8 million (previous year: € 1.1 million). The continuous improvement in results for the third consecutive year proves that the restructuring of the plants and market penetration in Western Europe, with a consistent focus on the emerging markets in Eastern Europe at the same time, has been successful.

Outlook

The level of incoming orders in the RHI Group remains good worldwide: the positive trends in sales volume and revenue from the first half should be confirmed as the year 2004 progresses. The impact of the further on very high raw material and energy prices as well as freight costs and on the other hand the price increases introduced by RHI on the operating result in the second half of 2004 can currently not yet be estimated accurately.

Overall, the earnings outlook for 2004 is positive, RHI expects a similarly good operating result as in the previous year.

Dr. H. Draxler

Dr. A. Meier

Dr. E. Zehetner

RHI Group

Half-year Report 2004

Balance Sheet

ASSETS	30.06.2004 in € million	31.12.2003 in € million
Non-current assets		
Property, plant and equipment	454.3	453.8
Goodwill	17.4	17.3
Other intangible assets	8.9	7.9
Investments in associated companies	36.1	37.2
Financial assets	31.4	31.4
Long-term receivables	5.6	5.6
Deferred tax assets	47.4	60.3
	601.1	613.5
Current assets		
Inventories	238.7	223.6
Trade and other current receivables	317.1	275.8
Current portion of long-term receivables	2.6	4.7
Receivables from income taxes	17.2	16.8
Securities and investments	5.6	5.2
Cash and cash equivalents	18.3	31.1
	599.5	557.2
	1,200.6	1,170.7
EQUITY AND LIABILITIES		
Equity capital, allocable to RHI AG shareholders		
Common stock	146.5	145.7
Group reserves	-583.4	-602.0
	-436.9	-456.3
Minority interests	35.0	33.6
	-401.9	-422.7
Long-term debt		
Subordinated liabilities payable to financial institutions	400.0	400.0
Subordinated convertible bonds	129.8	130.0
Subordinated debt	529.8	530.0
Other long-term financial liabilities	233.9	227.3
Deferred tax liabilities	35.4	29.1
Provisions for personnel expenses	318.6	319.2
Other long-term provisions	2.5	2.5
Other long-term liabilities	57.4	57.4
	647.8	635.5
	1,177.6	1,165.5
Current liabilities		
Trade and other current payables	276.5	266.2
Current financial liabilities	52.9	69.3
Liabilities from income tax	16.9	20.1
Current provisions	78.6	72.3
	424.9	427.9
	1,200.6	1,170.7

RHI Group

Half-year Report 2004

Income Statement

in € million	2 nd Quarter		1 st Half	
	2004	2003	2004	2003
Sales revenue	329.7	314.8	632.0	613.4
Change in inventory and other own work capitalized	1.4	1.5	7.1	5.5
Other income	13.0	12.4	18.6	24.8
Cost of material and other production services	-147.5	-140.2	-280.6	-272.1
Personnel expenses	-85.3	-81.7	-165.2	-163.9
Amortization of goodwill	0.0	-0.3	0.0	-0.8
Amortization of other intangible assets and depreciation of property, plant and equipment	-12.6	-12.0	-24.0	-23.9
Other expenses	-68.3	-65.9	-132.2	-129.1
Operating result (EBIT)	30.4	28.6	55.7	53.9
Financial result	-8.6	-11.1	-18.1	-21.4
Result from associated companies	0.7	0.3	1.4	0.3
Net income before income taxes	22.5	17.8	39.0	32.8
Income taxes	-16.8	-6.8	-20.9	-11.8
Net income	5.7	11.0	18.1	21.0
Share of profit allocable to				
RHI AG shareholders	4.0	9.2	15.3	18.2
Minorities	1.7	1.8	2.8	2.8
	5.7	11.0	18.1	21.0
in €				
Undiluted earnings per share	0.20	0.46	0.76	0.91
Diluted earnings per share	0.14	0.28	0.47	0.55

Cash Flow Statement

in € million	2004	2003
Cash and cash equivalents at 1.1.	31.1	45.8
Cash flow from operating activities	25.2	20.1
Cash flow from investing activities	-16.4	-6.9
Cash flow from financing activities	-21.6	-30.0
Change in cash and cash equivalents	-12.9	-16.2
Cash and cash equivalents at 30.6.	18.3	29.0

Statement of Changes in Equity

in € million	2004	2003
Equity at 1.1.	-422.7	-466.2
Net income	18.1	21.0
Differences from foreign currency translations	3.5	-8.5
Dividend payments	-1.9	-2.3
Other changes not affecting result	1.1	-5.7
Equity at 30.6.	-401.9	-461.7

RHI Share Half-year Report 2004

Stock Market figures

in € million	1 st Half	
	2004	2003
Low	15.55	7.44
High	19.50	11.50
Share price at 30.6.	18.51	10.35
Market capitalization (€ million)	371.4	206.2

Financial calendar for 2004

Annual General Meeting	May 27, 2004
Half-year results	August 3, 2004
Results Q3	November 3, 2004

Performance of the RHI share 7/2003 – 6/2004



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 01.07.2004, 20,162,039 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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