

RHI Group >> Quarterly Report I/2004



Key Figures RHI Group (according to IFRS)

In € million	1 st Quarter		Change
	2004	2003	in %
Sales revenue	302.3	298.6	+1.2
EBITDA	36.7	37.7	-2.7
EBITDA margin (in %)	12.1%	12.6%	
EBIT	25.3	25.3	0.0
EBIT margin (in %)	8.4%	8.5%	
Net income before income taxes	16.5	15.0	+10.0
Net income	12.4	10.0	+24.0
Undiluted earnings per share (in €)	0.56	0.45	+24.4
Cash flow from operating activities	6.0	11.5	-47.8
Employees	7,679	7,825	-1.9

Business Development RHI Group

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RHI Group reported overall positive sales revenues amounting to € 302.3 million (previous year: € 298.6 million) in the first quarter of 2004. Consolidated sales revenue thus increased despite the sale and deconsolidation of two Waterproofing companies in 2003. Refractories raised its sales revenue by 2.6% worldwide in the first quarter of 2004, adjusted for currency effects by 8.2%. Insulating improved its sales revenue by 12.3%. The concentration on the core refractories business under the RHI Refractories brand and Insulating, with the lead company Heraklith AG, has once again proven to be the right strategy.

RHI again confirmed the positive earnings trends in the first quarter of 2004. EBITDA amounted to € 36.7 million (previous year: € 37.7 million), and EBIT, at € 25.3 million (previous year: € 25.3 million), was at a good level again. The group's EBIT margin reached 8.4% after 8.5% in the first quarter of the previous year. Net income before income taxes rose by 10% to € 16.5 million (previous year: € 15.0 million), and the group's net income by 24% to € 12.4 million (previous year: € 10.0 million). The financial result, which continued to improve due to the continuous debt reduction, contributed to this improvement. Undiluted earnings per share rose by 24% to € 0.56 as compared to the previous year.

Cash flow from operating activities, at € 6.0 million (previous year: € 11.5 million), was below the level of the previous year in the reporting period. The decline is attributable to a temporary increase in working capital in both of RHI's divisions. At RHI Refractories, increases in accounts receivable from customers and in raw material accounted for the additional need for working capital in the first quarter of 2004. At Heraklith, the level of tied-up working capital is seasonally higher, and accounts receivable grew due to higher sales revenue. Financial liabilities in the RHI Group were reduced by € 9.0 million in the first quarter of 2004 and amounted to € 287.6 million at March 31, 2004, thus continuing the ongoing debt amortization.

RHI and several RHI affiliates have entered into settlement agreements with the previous owners of certain former affiliated US companies and the companies themselves, which have been operating under Chapter 11 of the US Bankruptcy Code since the beginning of April 2002. These settlement agreements, which were filed with the competent Bankruptcy Court in Pittsburgh, represent important steps to resolve open issues and legal disputes, among other things related to the acquisition of Global Industrial Technologies, Inc. ("GIT") in the year 1999 and the related Chapter 11 proceedings. All agreements reached are subject to the approval by the court in Pittsburgh.

The agreements include the following central issues: RHI and DII Industries ("DII") have agreed to settle their legal disputes about an agreement made in the year 2002 regarding further payments in the context of the Chapter 11 proceedings of Harbison-Walker. In December 2003, DII initiated voluntary Chapter 11 proceedings in accordance with the US Bankruptcy Code and presented a plan of reorganization, which, among other things, provided for the establishment of trust funds for asbestos and silica-based claims against Harbison-Walker and permanent channeling injunctions in accordance with Sections 524(g) and/or 105 of the US Bankruptcy Code with respect to such claims. If the settlement agreement is approved, the DII plan of reorganization will be amended to provide, among other things, that RHI AG and its affiliates will be beneficiaries of the channeling injunctions contemplated by the DII plan of reorganization. If the Bankruptcy Court approves the agreement, DII will pay USD 10.0 million to RHI Refractories Holding and, on behalf of the RHI companies, USD 1.0 million to the asbestos and silica trusts.

RHI, several RHI affiliates and various US companies operating under Chapter 11, including North American Refractories Company (NARCO) and GIT, also have reached agreements to settle all mutual prepetition claims, including those arising from receivables, payables, bank guarantees, liabilities and tax issues arising out of the debtors' affiliation with RHI. If the settlement agreements are approved, the plans of reorganization of the US companies will be amended to provide, among other things, that RHI AG and its affiliates will be beneficiaries of the channeling injunctions of the plans of reorganization. The agreements regulate the handling of bank guarantees and liabilities as well as RHI's relinquishment of prepetition operating receivables from the US debtor companies and the relinquishment of all shares in the US debtor companies in the course of the Chapter 11 proceedings. As RHI wrote down all accounts receivable and book values of investments affected in the financial statements of 2001, no burdens on the results will arise from these agreements for RHI. A condition to the settlement agreement is a USD 60 million payment by Honeywell International Inc. to RHI Refractories Holding under a prior contract related to NARCO's Chapter 11 filing.

If the court gives its approval, RHI and its companies will receive protection with respect to all asbestos claims against the debtor companies in the USA on the basis of the settlement agreements reached now. In addition, litigation issues with Halliburton will be resolved and further uncertainties arising from risks and payment agreements

related to the Chapter 11 proceedings can be eliminated. The implementation of all settlement agreements can be effected as soon as the court in Pittsburgh gives its approval to the settlement agreements and to the debtors' reorganization plans within the Chapter 11 proceedings. From today's perspective, this should be possible in the year 2004.

RHI Refractories

	1 st Quarter	
in € million	2004	2003
Sales revenue	263.2	256.6
EBITDA	38.3	39.9
EBITDA margin	14.6%	15.5%
EBIT	29.1	30.1
EBIT margin	11.1%	11,7%
Employees	5,821	5,767

The core business **RHI Refractories** contributed € 263.2 million (previous year: € 256.6 million) to consolidated sales revenue in the first quarter of 2004, a year-on-year increase by 2.6%, or adjusted for currency effects by 8.2%. Refractories sales volume grew 10.0% to more than 410.000 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 at the beginning of 2004, the level of the previous year was exceeded. In the *Asia/Pacific* region the momentum was carried over from 2003, and RHI expanded business again by increasing market shares in China and India. In *Central and South America* sales revenue of the previous year was also exceeded while business volume in the region *Canada/USA* fell slightly short of the level of the previous year due to currency effects. The globally operating business units *Glass* and *Cement & Lime* once again improved the good sales level of the previous year in the first quarter of 2004. Sales revenue of the Business Units *Nonferrous metals* and *Environment, Energy, Chemicals* were in 2004 still below the comparative figures of the previous year due to project reasons.

Overall, RHI Refractories reported global sales revenues in the amount € 263.2 million in the first quarter of 2004 and EBIT of € 29.1 million (previous year: € 30.1 million), which corresponds to an EBIT margin of 11.1%. In the reporting period, price increases were initiated worldwide in order to compensate the significant increase in raw material and freight costs.

Heraklith

	1 st Quarter	
in € million	2004	2003
Sales revenue	39.3	35.0
EBITDA	2.3	1.2
EBITDA margin	5.9%	3.4%
EBIT	0,1	-1,2
EBIT margin	0.3%	-3.4%
Employees	1,707	1,700

Heraklith (Insulating) recorded sales revenues of € 39.3 million in the first quarter of 2004, (previous year: € 35.0 million), up 12.3% on the same period of the previous year. Business in the high-growth markets of Central and Eastern Europe developed very well. Despite the persisting weak construction industry sales revenue also increased in the core markets of Western Europe due to the successful organizational realignment of Heraklith and the related improvement in developing the market.

The restructuring measures in sales and overhead structures concluded in 2003 are fully taking effect on the cost side. Optimizations made on the production side are also about to be finalized and already had an effect on the result in the first quarter.

Despite the seasonal business development customary in the industry, Heraklith reported a positive EBIT of € 0.1 million (previous year: € -1.2 million) in the first quarter for the first time in years.

Outlook

The level of incoming orders remains good worldwide. The earnings outlook for the RHI Group is overall positive provided that the global economy is not subjected to renewed recessionary or exchange rate pressures.

RHI will meet the targets of the capital restructuring again this year and will continue to spur on the group's positive development with targeted investments.

Dr. H. Draxler

Dr. A. Meier

Dr. E. Zehetner

RHI Group

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Balance Sheet

ASSETS	31.03.2004	31.12.2003
	in € million	in € million
Non-current assets		
Property, plant and equipment	455.3	453.8
Goodwill	17.4	17.3
Other intangible assets	7.9	7.9
Investments in associated companies	35.4	37.2
Financial assets	31.4	31.4
Long-term receivables	5.6	5.6
Deferred tax assets	60.6	60.3
	613.6	613.5
Non-current assets		
Inventories	231.7	223.6
Trade and other current receivables	307.9	275.8
Current portion of long-term receivables	3.9	4.7
Receivables from income taxes	14.2	16.8
Securities and investments	5.7	5.2
Cash and cash equivalents	20.7	31.1
	584.1	557.2
	1,197.7	1,170.7
EQUITY AND LIABILITIES		
Equity capital, allocable to RHI AG shareholders		
Common stock	145.8	145.7
Group reserves	-584.9	-602.0
	-439.1	-456.3
Minority interests	35.0	33.6
	-404.1	-422.7
Long-term debt		
Subordinated liabilities payable to financial institutions	400.0	400.0
Subordinated convertible bonds	130.2	130.0
Subordinated debt	530.2	530.0
Other long-term financial liabilities	230.4	227.3
Deferred tax liabilities	30.4	29.1
Provisions for personnel expenses	319.0	319.2
Other long-term provisions	2.5	2.5
Other long-term liabilities	57.2	57.4
	639.5	635.5
	1,169.7	1,165.5
Current liabilities		
Trade and other current payables	282.6	266.2
Current financial liabilities	57.2	69.3
Liabilities from income tax	17.0	20.1
Current provisions	75.3	72.3
	432.1	427.9
	1,197.7	1,170.7

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Income Statement

	2004 in € million	I st Quarter 2003 in € million
Sales revenue	302.3	298.6
Change in inventory and other own work capitalized	5.7	4.0
Other income	5.6	12.4
Cost of material and other production services	-133.1	-131.9
Personnel expenses	-79.9	-82.2
Amortization of goodwill	0.0	-0.5
Amortization of other intangible assets and depreciation of property, plant and equipment	-11.4	-11.9
Other expenses	-63.9	-63.2
Operating result (EBIT)	25.3	25.3
Financial result	-9.5	-10.3
Result from associated companies	0.7	0.0
Net income before income taxes	16.5	15.0
Income taxes	-4.1	-5.0
Net income	12.4	10.0
Share of profit allocable to		
RHI AG shareholders	11.3	9.0
Minorities	1.1	1.0
	<u>12.4</u>	<u>10.0</u>
in €		
Undiluted earnings per share	0.56	0.45
Diluted earnings per share	0.33	0.27

Cash Flow Statement

in € million	2004	2003
Cash and cash equivalents at 1.1.	31.1	45.8
Cash flow from operating activities	6.0	11.5
Cash flow from investing activities	-5.9	-4.0
Cash flow from financing activities	-10.5	-9.5
Change in cash and cash equivalents	-10.4	-2.0
Cash and cash equivalents at 31.3.	20.7	43.8

Statement of Changes in Equity

in € million	2004	2003
Equity at 1.1.	-422.7	-466.2
Net income	12.4	10.0
Differences from foreign currency translations	5.9	-4.8
Dividend payments	0.0	0.0
Other changes not affecting result	0.3	-4.5
Equity at 31.3.	-404.1	-465.5

RHI Share

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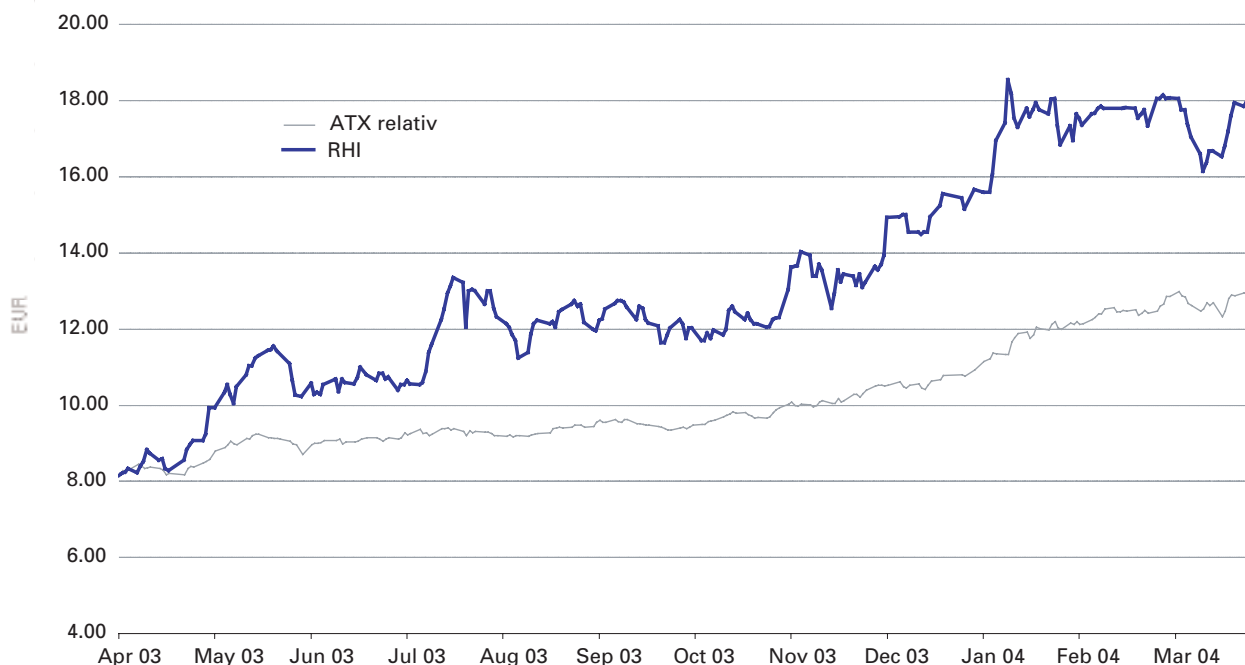
Key Figures

in €	1 st Quarter	
	2004	2003
Low	15.55	7.44
High	19.50	9.15
Share price at March 31	17.64	8.21
Market capitalization (in € million)	353.72	163.50

Financial calendar for 2004

Annual General Meeting	May 27, 2004004
Half-year results	August 3, 2004004
Results Q3	November 3, 2004004

Performance of the RHI share 4/2003 – 3/2004



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 01.04.2004, 20,063,039 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 zur RHI

Investor Relations

Markus Richter

Tel: +43/ 0 / 50213-6123

Fax: +43/ 0 / 50213-6130

E-Mail: rhi@rhi-ag.com

Internet: www.rhi-ag.com

