

RHI Group >> Quarterly Report III/2004



Key Figures RHI Group (according to IFRS)

in € million	Q1 - Q3		Change
	2004	2003	in %
Sales revenue	958.8	920.7	4.1
EBITDA	124.8	120.0	4.0
EBITDA margin (in %)	13.0%	13.0%	
EBIT	88.8	83.1	6.9
EBIT margin (in %)	9.3%	9.0%	
Net income before income taxes	64.3	52.5	22.5
Net income	37.0	34.6	6.9
Undiluted earnings per share (in €)	1.57	1.49	5.4
Cash flow from operating activities	55.7	48.9	13.9
Employees	7,776	7,819	

Business Development RHI Group

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The RHI Group's good development of the first half also continued in the third quarter of 2004. RHI Refractories (Refractories division) confirmed the EBIT margin of 11.2%; Heraklith (Insulating) showed a clearly improved EBIT margin of 9.7% in the quarter under review, which reflects the successful completion of restructuring. In addition, both RHI divisions continued their sales growth. RHI Refractories increased its worldwide sales revenues by 6.1% in the first nine months of 2004, adjusted for foreign currency effects by 9.3%, while Heraklith improved sales revenues by 10.1% in the first three quarters.

The two divisions also improved their operating results both quarter-on-quarter and year-on-year, the EBIT margin in the RHI Group amounted to a positive 9.3% (previous year: 9.0%). Overall, the RHI group reported sales revenues in the amount of € 958.8 million (previous year: € 920.7 million) in the first three quarters of 2004, up 4.1%. The growth recorded at RHI Refractories and Heraklith is not fully visible because € 21.7 million of sales revenue was deconsolidated due to the sale of the waterproofing activities in the previous year. On a comparable basis, consolidated sales revenue was up 6.7%.

RHI also continued the positive earnings development in 2004. EBITDA amounted to € 124.8 million (previous year: € 120.0 million), and, at € 88.8 million (previous year: € 83.1 million), EBIT exceeded the figure of the previous year by 6.9%. As a result of the better EBIT and an improved financial result, net income before income taxes rose by 22.5% to € 64.3 million (previous year: € 52.5 million). In comparison, the group's net income increased more slowly by 6.9% to € 37.0 million (previous year: € 34.6 million), after the effects of the Austrian tax reform 2004, and thus one-off, non-cash-effective deferred tax assets amounting to € -11.3 million already affected the half-year result. Without this effect, net income would have increased by 40%.

Cash flow from operating activities amounted to € 55.7 million (previous year: € 48.9 million) in the first nine months of the year. Cash flow from investing activities was € -32.2 million (previous year: € -13.4 million); this figure reflects, above all, the expansion of the refractories capacities in China. Interest-bearing financial liabilities were reduced by € 14.3 million and amounted to € 282.3 million at September 30, 2004.

At October 1, 2004, 309 convertible bonds of the 1,809 subordinated convertible bonds of tranche B issued by RHI in 2002 were converted into RHI shares. 353 bonds of tranche B have been converted to date; the number of RHI shares consequently rose to a total of 21,861,539 as of October 1, 2004. As a result of the latest conversion, equity rose by € 12.4 million; overall, equity in the group has thus far

improved by € 49.9 million in 2004, in particular due to the positive earnings development.

The Chapter 11 proceedings of certain formerly affiliated US companies, which have been pending in the USA since 2002, will not be completed in 2004. The US companies were granted the exclusive right, extended until December 31, 2004, by the court in Pittsburgh to present plans of reorganization. These plans will then be examined by the parties involved and are subject to a final review by the court. Following the court's approval of the plans the agreements with the previous owners of the US companies which affect RHI can be implemented.

RHI Refractories

in € million	3 rd Quarter		Q1 - Q3	
	2004	2003	2004	2003
Sales revenue	274.3	254.7	818.6	771.4
EBITDA	40.4	37.5	120.6	116.3
EBITDA margin	14.7%	14.7%	14.7%	15.1%
EBIT	30.7	27.8	91.4	87.0
EBIT margin	11.2%	10.9%	11.2%	11.3%
Employees	6,012	5,744	5,901	5,751

The core business **RHI Refractories** (Refractories division) contributed € 818.6 million (previous year: € 771.4 million) to consolidated sales revenue in the first three quarters of 2004, an increase by 6.1% or, adjusted for currency effects, by 9.3%. Refractories sales volume grew by 10.2% to 1,240,000 tons in the period under review.

In the business units Steel & Flow Control, business developed well due to the ongoing excellent capacity utilization in the steel industry worldwide; sales volume levels of the previous year were surpassed in all regions. The good situation of the steel industry was still carried by exports to Asia. It is especially the continuing demand in China that contributes to the currently above-average utilization of the steel capacities worldwide. According to estimates of the steel industry, this positive trend, which has also led to substantially higher prices of steel and raw materials since 2003, is expected to persist in the medium term. Major steel producers, who are among the customers of RHI Refractories, have announced an expansion of their steel capacities through new projects or company takeovers. The level of consolidation in the steel industry, which is still relatively low compared to other industries, will speed up significantly in the coming years according to industry estimates, with positive effects on the demand for high-grade refractories solutions. With its worldwide production and sales network, RHI Refractories is excellently positioned as a global supplier.

Against this backdrop, business again experienced an above-average growth, especially in the Asia/Pacific region due market share gains in China and India. Upgraded and new steel productions increasingly require refractory solutions that RHI can offer as well at its second plant in China when it launches production in November 2004. In the region Europe, sales volume and sales revenue were also increased due to a stronger presence in Eastern Europe and Russia. A sales office was opened in Moscow in order to improve proximity to customers and efficiency in market penetration efforts.

The steel industry in Central and South America benefited from the improved framework conditions worldwide in 2004. In this positive environment, RHI experienced a satisfactory growth of business volume. In the region Canada/USA, RHI recorded an increase in sales volume; the negative effects of the changed US dollar/euro exchange rate on sales revenue were successfully offset.

Sales revenues of the business units Glass and Cement & Lime in the first three quarters of 2004 exceeded the good level of the previous year. Attractive projects were acquired worldwide. Sales revenues of the business units Non-ferrous Metals and Environment, Energy, Chemicals in the first nine months of 2004 fell short of the figures of the previous year for project-related reasons.

RHI Refractories reported sales revenues in the amount of € 818.6 million (previous year: € 771.4 million) in the first three quarters of 2004, EBIT of € 91.4 million (previous year: € 87.0 million) and an EBIT margin of 11.2%. The negative impacts of the US dollar/euro exchange rate, which has deteriorated by approx. 9% compared to last year, and of higher raw material and shipping costs on sales revenue and EBIT were thus successfully compensated.

Heraklith

in € million	3 rd Quarter		Q1 - Q3	
	2004	2003	2004	2003
Sales revenue	49.6	46.5	136.4	123.9
EBITDA	7.1	5.5	14.3	11.4
EBITDA margin	14.3%	11.8%	10.5%	9.2%
EBIT	4.8	3.1	7.6	4.2
EBIT margin	9.7%	6.7%	5.6%	3.4%
Employees	1,715	1,727	1,716	1,707

Heraklith (Insulating division) reported sales revenues of € 136.4 million (previous year: € 123.9 million) in the first three quarters of 2004, up 10.1% on the same period of the previous year. Very positive increases in sales volume, and thus market share gains in rock-wool insulating materials for

building construction, were again achieved in attractive growth markets such as Russia and the new EU countries in Central and Eastern Europe.

Overall, framework conditions in the construction and construction materials markets in Western Europe were still weak in the third quarter of 2004, with no sustainable recovery in the construction sector to be expected, especially in Germany. However, Heraklith reported growing sales in this region as a result of improved market penetration efforts. Business with industrial insulating materials for roof and technical insulation continued to develop very well in the first three quarters of 2004.

The market success of the new wood-wool product line Heradesign®, which is now exported to more than 30 countries, also contributed to the increase in sales revenue. Sales volume of natural insulating materials increasingly benefits from the demand for ecologically sound building materials.

By employing innovative and cost-cutting production technologies at the Heraklith plants, margins can also be improved continuously. Heraklith increased EBIT to € 7.6 million (previous year: € 4.2 million) in the first three quarters of 2004. This continuous earnings improvement for the third consecutive year proves that the restructuring of the plants and marketing efforts in Western Europe and the consistent orientation towards the growth markets in Eastern Europe have taken effect.

Outlook

The overall positive trends for sales volume and sales revenue of the first three quarters should be confirmed in the remaining months of 2004.

The global framework conditions for RHI Refractories, which are essentially determined by the major client industries and raw material markets, are not likely to change substantially in early 2005, with further price increases in raw materials and energy to be expected. The level of incoming orders remains good.

The outlook for Heraklith is characterized by the positive development in Eastern Europe and a persisting weak market environment in Western Europe. The order situation at Heraklith remains good.

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

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Balance Sheet

ASSETS	30.09.2004	31.12.2003
	in € million	in € million
Non-current assets		
Property, plant and equipment	454.9	453.8
Goodwill	17.4	17.3
Other intangible assets	8.3	7.9
Investments in associated companies	36.2	37.2
Financial assets	31.4	31.4
Long-term receivables	5.6	5.6
Deferred tax assets	46.9	60.3
	600.7	613.5
Current assets		
Inventories	251.6	223.6
Trade and other current receivables	307.4	275.8
Current portion of long-term receivables	1.7	4.7
Receivables from income taxes	16.6	16.8
Securities and investments	5.1	5.2
Cash and cash equivalents	27.3	31.1
	609.7	557.2
	1,210.4	1,170.7
EQUITY AND LIABILITIES		
Equity capital, allocable to RHI AG shareholders		
Common stock	159.0	145.7
Group reserves	-567.8	-602.0
	-408.8	-456.3
Minority interests	36.0	33.6
	-372.8	-422.7
Long-term debt		
Subordinated liabilities payable to financial institutions	400.0	400.0
Subordinated convertible bonds	121.2	130.0
Subordinated debt	521.2	530.0
Other long-term financial liabilities	213.5	227.3
Deferred tax liabilities	39.5	29.1
Provisions for personnel expenses	317.6	319.2
Other long-term provisions	2.5	2.5
Other long-term liabilities	47.2	57.4
	620.3	635.5
	1,141.5	1,165.5
Current liabilities		
Trade and other current payables	281.5	266.2
Current financial liabilities	68.8	69.3
Liabilities from income tax	19.1	20.1
Current provisions	72.3	72.3
	441.7	427.9
	1,210.4	1,170.7

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Income Statement

in € million	3 rd Quarter		Q1 - Q3	
	2004	2003	2004	2003
Sales revenue	326.8	307.3	958.8	920.7
Change in inventory and other own work capitalized	2.4	3.1	9.5	8.6
Other income	5.4	14.8	24.0	39.6
Cost of material and other production services	-145.2	-135.6	-425.8	-407.7
Personnel expenses	-83.0	-81.1	-248.2	-245.0
Amortization of goodwill	0.0	-0.3	0.0	-1.1
Amortization of other intangible assets and depreciation of property, plant and equipment	-12.0	-11.9	-36.0	-35.8
Other expenses	-61.3	-67.1	-193.5	-196.2
Operating result (EBIT)	33.1	29.2	88.8	83.1
Financial result	-8.7	-9.5	-26.8	-30.9
Result from associated companies	0.9	0.0	2.3	0.3
Net income before income taxes	25.3	19.7	64.3	52.5
Income taxes	-6.4	-6.1	-27.3	-17.9
Net income	18.9	13.6	37.0	34.6
Share of profit allocable to				
RHI AG shareholders	17.0	11.5	32.3	29.7
Minorities	1.9	2.1	4.7	4.9
	18.9	13.6	37.0	34.6
in €				
Undiluted earnings per share	0.81	0.58	1.57	1.49
Diluted earnings per share	0.49	0.34	0.96	0.89

Cash Flow Statement

in € million	2004	2003
Cash and cash equivalents at 01.01.	31.1	45.8
Cash flow from operating activities	55.7	48.9
Cash flow from investing activities	-32.2	-13.4
Cash flow from financing activities	-27.3	-57.5
Change in cash and cash equivalents	-3.8	-22.0
Cash and cash equivalents at 30.09.	27.3	23.8

Statement of Changes in Equity

in € million	2004	2003
Equity at 01.01.	-422.7	-466.2
Net income	37.0	34.6
Differences from foreign currency translations	1.0	-11.3
Dividend payments	-2.1	-2.4
Other changes not affecting result	14.0	-7.7
Equity at 30.09.	-372.8	-453.0

RHI Share

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Stock market figures

in €	2004	2003
Low	15.55	7.44
High	19.50	15.50
Share price at 30.09.	17.80	12.09
Market capitalization (€ million)	358.9	240.8

Financial calendar for 2005

Preliminary result 2004	March 17, 2005
Final result 2004	April, 21 2005
Results Q1	May 4, 2005
Annual General Meeting	May 19, 2005
Half-year results	July 28, 2005
Results Q3	October 27, 2005

Performance of the RHI share 10/2003 – 9/2004



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 01.10.2004, 21,861,539 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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