

# RHI Group >> Half-year Report 2005



## Key Figures RHI Group (according to IFRS)

in € million	1 <sup>st</sup> Half		Change
	2005	2004	in %
Revenue	<b>711.0</b>	632.0	12.5
EBITDA	<b>88.1</b>	79.7	10.5
EBITDA margin (in %)	<b>12.4%</b>	12.6%	
EBIT	<b>62.0</b>	55.7	11.3
EBIT margin (in %)	<b>8.7%</b>	8.8%	
Profit before income taxes	<b>48.7</b>	39.0	24.9
Profit	<b>43.8</b>	18.1	142.0
Undiluted earnings per share (in €)	<b>1.78</b>	0.76	134.2
Cash flow from operating activities	<b>21.4</b>	25.2	-15.1
Employees	<b>8,549</b>	7,712	10.9

# Business Development RHI Group

## Half-year Report 2005

The RHI Group recorded a good business and earnings development in the second quarter of 2005, with both RHI divisions experiencing a positive development. RHI Refractories increased revenue by 11.0% worldwide in the reporting period, while Heraklith improved revenue by 35.2%, which was largely attributable to the consolidation of the companies Eurovek and Termo at February 1, 2005. In July 2005, Heraklith signed a contract regarding the complete takeover of the Slovenian company Eurovek d.d.o taking effect at the end of the year. With this transaction, Heraklith has completed the reorganization of the group as the leading supplier of know-how in and insulating materials made of stone wool in Central and Eastern Europe.

Overall, the RHI Group reported revenue in the amount of € 711.0 million in the first half of 2005 (previous year: € 632.0 million), an increase by 12.5%. RHI also increased earnings significantly on the previous year. EBITDA amounted to € 88.1 million (previous year: € 79.7 million); EBIT, at € 62.0 million (previous year: € 55.7 million), was up 11.3% on the previous year. Profit before income taxes increased by 25.0% to € 48.7 million (previous year: € 39.0 million) as a result of a once again improved financial result. The higher profit before income taxes and a further optimization of income taxes based on the use of loss carryforwards, which was already evident in the annual financial statements of 2004, led to a group profit of € 43.8 million (previous year: € 18.1 million) in the first half, up 142.0%.

Cash flow from operating activities, at € 21.4 million (previous year: € 25.2 million), fell short of the level of the previous year as more working capital was required to develop the refractories business in Asia, South America and Eastern Europe. Cash flow from investing activities, at € -18.4 million in the first half of 2005 (previous year: € -16.4 million), exceeded the figure of the previous year. Interest-bearing financial liabilities amounted to € 301.3 million at June 30, 2005 and still slightly exceeded the level at December 31, 2004 due to the increase in working capital for Refractories and the seasonal high level of inventories at Heraklith.

At July 1, 2005 a further 11 of the 1,809 subordinated convertible bonds of tranche B were converted to 60,500 new RHI shares. 566 bonds have been converted to date, therefore the number of RHI shares has risen to a total of 23,033,039.

In the USA, the Chapter 11 proceedings of the companies NARCO, Harbison-Walker, AP Green and GIT, which were deconsolidated at December 31, 2001, are still pending. RHI and several affiliates entered into settlement agreements on April 9, 2004 with the previous US owners, Honeywell and Halliburton / DII, and with the companies that are operating

under Chapter 11 themselves in order to finally clarify unresolved issues, earlier contractual agreements and legal disputes relating to the acquisition of GIT in 1999 and the ongoing Chapter 11 proceedings. A condition to the settlement agreement is a USD 60 million payment by Honeywell to RHI Refractories Holding under a prior contract related to NARCO's Chapter 11 filing.

The US Senate continues to debate the so-called FAIR Act, which requires the mandatory legal treatment of all present and future asbestos claims in the USA. This has delayed Chapter 11 proceedings as various parties concerned are waiting for the results of the debate. The FAIR Act would set up a national trust fund amounting to approx. USD 140 billion, which would be used to compensate all asbestos related plaintiffs. A majority of the Judiciary Committee of the US Senate supported the bill in May 2005 and submitted it to the Senate itself for further discussion. The potential positive impact on the ongoing Chapter 11 proceedings of the deconsolidated US companies and the length of further proceedings themselves are not yet certain.

### RHI Refractories

in € million	2 <sup>nd</sup> Quarter		1 <sup>st</sup> Half	
	2005	2004	2005	2004
Revenue	<b>312.1</b>	281.1	<b>596.8</b>	544.3
EBITDA	<b>44.3</b>	41.9	<b>86.3</b>	80.2
EBITDA margin	<b>14.2%</b>	14.9%	<b>14.5%</b>	14.7%
EBIT	<b>34.4</b>	31.6	<b>66.5</b>	60.7
EBIT margin	<b>11.0%</b>	11.2%	<b>11.1%</b>	11.2%
Employees	<b>6,238</b>	5,850	<b>6,187</b>	5,842

**RHI Refractories**, the group's core business, contributed € 596.8 million (previous year: € 544.3 million) to consolidated revenue in the first half of 2005, an increase by 9.6%. Refractories sales volume grew 3.0% to 856,000 tonnes. RHI Refractories reported EBIT in the amount of € 66.5 million (previous year: € 60.7 million) in the first half of 2005 and an EBIT margin of 11.1% (previous year: 11.2%). Negative effects of the US dollar/euro exchange rate, which deteriorated by about 4% year-on-year, and higher raw materials and energy costs were thus successfully compensated.

The situation of the refractories client industries worldwide was at a comparable level in the first half of 2005, in some cases even slightly improved. The overall positive market situation is still characterized by China, India, Russia and Central and South America. Steel producers in Europe and North America, markets that are important for RHI Refractories, reduced output slightly in the first half of the

year due to high inventory levels in order to stabilize the price situation in their markets. Production cuts in these regions have also been announced for the third quarter of 2005.

In the first half of 2005, RHI Refractories increased sales volume and revenue from steel customers worldwide as compared to the previous year; especially in Central and South America and Russia, business experienced a positive development. Significant revenue increases on the previous year were reported by the business units environment, energy, chemicals and nonferrous metals in the industrial segment; the business unit glass also extended business volume substantially due to attractive projects in the first half of the year.

## Heraklith

in € million	2 <sup>nd</sup> Quarter		1 <sup>st</sup> Half	
	2005	2004	2005	2004
Revenue	<b>64.2</b>	47.5	<b>110.5</b>	86.8
EBITDA	<b>8.3</b>	4.9	<b>12.2</b>	7.2
EBITDA margin	<b>12.9%</b>	10.3%	<b>11.0%</b>	8.3%
EBIT	<b>5.0</b>	2.7	<b>6.0</b>	2.8
EBIT margin	<b>7.8%</b>	5.7%	<b>5.4%</b>	3.2%
Employees	<b>2,229</b>	1,719	<b>2,224</b>	1,714

**Heraklith** (insulating division) reported revenue of € 110.5 million (previous year: € 86.8 million) in the first half of 2005, up 27.3% on the same period of the previous year. Without the integration of the Slovenian companies Eurovek and Termio, which were consolidated at February 1, 2005, revenue would have remained at the level of the previous year. The weak revenue in the first quarter due to weather conditions were partly compensated in the reporting period. However, the framework conditions in the construction and construction materials sector in Germany remained weak. In Austria and especially in Eastern Europe the market situation was substantially better. The companies Termika (Croatia) and Izomat (Slovakia) continued to develop very positively. The export success of the wood-wool product line Heradesign® in the acoustics segment continued unabated, with the sales volume of high-quality ceiling solutions rising 16% on the previous year.

EBIT, at € 6.0 million (previous year: € 2.8 million) in the first half of 2005, exceeded the figure of the previous year significantly due to the integration of Eurovek and Termio and continuous cost cuts at the plants and despite higher raw material costs; at 5.4%, the EBIT margin also clearly surpassed the prior-year figure of 3.2%.

Heraklith AG, together with its Slovenian partner Eurovek d.o.o., has held participating interests in the Slovenian stone-wool producer Termio d.d. since 1997. In December 2004, Heraklith signed a contract regarding the acquisition of a stake of initially 50% in its partner Eurovek. With the acquisition of the Eurovek shares, Heraklith indirectly also acquired further shares in Termio; Heraklith's share in Termio thus rose to over 60%. A contract regarding Heraklith's complete acquisition of Eurovek, effective from the end of 2005, was agreed upon with the co-owner of Eurovek in July. With the complete takeover of Eurovek, Heraklith will indirectly also acquire further shares in Termio. Heraklith's stake in Termio will thus rise to over 80%.

Heraklith AG and its Slovenian investment Global B&C d.d.o. made a public takeover bid for all outstanding Termio shares in accordance with §15 of the Slovenian Takeover Act. This bid was made public in the local media on July 20, 2005 and runs for 28 days until August 16, 2005. The price amounts to SIT 8,000 per Termio share.

With this transaction, Heraklith has completed the reorganization of the group as the leading supplier of know-how in and insulating materials made of stone wool in Central and Eastern Europe. This is another decisive step in the expansion in these growth markets, especially in Russia, where Eurovek is currently upgrading a number of stone wool factories.

## Outlook

The earnings outlook for the RHI Group is positive; incoming orders in the first half of 2005 overall exceeded the level of the previous year. The business volume of RHI Refractories will stabilize at a high level, with the development of the steel cycle and the US dollar remaining important factors for business success. Heraklith will benefit from the final reorganization of the participating interests in Slovenia and continue to improve earnings as compared to the previous year.

RHI will again surpass its capital restructuring targets in 2005 and continue to spur on the group's positive development with targeted investments.

RHI's strategy to develop Heraklith strategically outside the RHI Group in the medium term also remains unchanged.

Dr. H. Draxler

Dr. E. Zehetner

Dr. A. Meier

# RHI Group

## Half-year Report 2005

### Balance Sheet

#### ASSETS

	30.06.2005 in € million	31.12.2004 in € million
<b>Non-current assets</b>		
Property, plant and equipment	511.8	469.6
Goodwill	42.1	17.4
Other intangible assets	30.5	9.7
Investments in associates	17.1	39.1
Financial assets	34.0	55.0
Long-term receivables	9.1	8.9
Deferred tax assets	54.1	52.7
	<b>698.7</b>	<b>652.4</b>
<b>Current assets</b>		
Inventories	271.9	250.1
Trade and other current receivables	366.1	300.7
Current portion of long-term receivables	1.3	2.4
Income tax receivables	6.4	14.8
Securities and investments	2.9	2.9
Cash and cash equivalents	36.6	30.7
	<b>685.2</b>	<b>601.6</b>
	<b>1,383.9</b>	<b>1,254.0</b>

#### EQUITY AND LIABILITIES

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

Share capital	167.4	159.8
Group reserves	-455.4	-506.5
	<b>-288.0</b>	<b>-346.7</b>
Minority interest	<b>47.2</b>	<b>36.2</b>
	<b>-240.8</b>	<b>-310.5</b>

##### Non-current liabilities

Subordinated liabilities payable to financial institutions	400.0	400.0
Subordinated convertible bonds	116.9	120.9
Subordinated liabilities	516.9	520.9
Other non-current financial liabilities	211.2	246.3
Deferred tax liabilities	15.4	16.5
Personnel provisions	315.1	315.0
Other non-current provisions	3.0	2.5
Other non-current liabilities	63.8	44.5
	<b>608.5</b>	<b>624.8</b>
	<b>1,125.4</b>	<b>1,145.7</b>

##### Current liabilities

Trade and other current payables	315.2	284.7
Current financial payables	90.1	44.0
Income tax payables	24.1	24.1
Current provisions	69.9	66.0
	<b>499.3</b>	<b>418.8</b>
	<b>1,383.9</b>	<b>1,254.0</b>

# RHI Group

## Half-year Report 2005

### Income Statement

in € million	2 <sup>nd</sup> Quarter		1 <sup>st</sup> Half	
	2005	2004	2005	2004
<b>Revenue</b>	<b>379.1</b>	<b>329.7</b>	<b>711.0</b>	<b>632.0</b>
Changes in inventories and other own work capitalized	-3.0	1.4	15.4	7.1
Other income	4.3	13.0	14.7	18.6
Cost of material and other production services	-168.3	-147.5	-336.2	-280.6
Staff costs	-96.2	-85.3	-184.3	-165.2
Amortization of goodwill	0.0	0.0	0.0	0.0
Amortization of other intangible assets and depreciation of property, plant and equipment	-13.3	-12.6	-26.1	-24.0
Other expenses	-69.6	-68.3	-132.5	-132.2
<b>Operating result (EBIT)</b>	<b>33.0</b>	<b>30.4</b>	<b>62.0</b>	<b>55.7</b>
Financial result	-9.2	-8.6	-14.3	-18.1
Result from associates	0.4	0.7	1.0	1.4
<b>Profit before income taxes</b>	<b>24.2</b>	<b>22.5</b>	<b>48.7</b>	<b>39.0</b>
Income taxes	-2.4	-16.8	-4.9	-20.9
<b>Profit</b>	<b>21.8</b>	<b>5.7</b>	<b>43.8</b>	<b>18.1</b>
Profit attributable to				
equity holders of RHI AG	19.8	4.0	40.4	15.3
minority interest	2.0	1.7	3.4	2.8
	21.8	5.7	43.8	18.1
in €				
Undiluted earnings per share	0.84	0.20	1.78	0.76
Diluted earnings per share	0.52	0.14	1.08	0.47

### Cash Flow Statement

in € million	2005	2004
<b>Cash and cash equivalents at 01.01.</b>	<b>30.7</b>	<b>31.1</b>
Cash flow from operating activities	21.4	25.2
Cash flow from investing activities	-18.4	-16.4
Cash flow from financing activities	-10.0	-21.6
Change in cash and cash equivalents due to changes in consolidated group	12.9	0.0
Change in cash and cash equivalents	-7.0	-12.9
<b>Cash and cash equivalents at 30.06</b>	<b>36.6</b>	<b>18.3</b>

### Statement of Changes in Equity

in € million	2005	2004
<b>Equity at 01.01.</b>	<b>-310.5</b>	<b>-422.7</b>
Profit	43.8	18.1
Differences from foreign currency translation	13.6	3.5
Dividend payments	0.7	-1.9
Other changes not affecting result	13.0	1.1
<b>Equity at 30.06.</b>	<b>-240.8</b>	<b>-401.9</b>

# RHI Share Half-year Report 2005

## Stock market figures

in €	1 <sup>st</sup> Half	
	2005	2004
Lowest share price	<b>21.75</b>	15.55
Highest share price	<b>24.88</b>	19.50
Share price at June 30	<b>22.52</b>	17.64
Market capitalization (in € million)	<b>517.3</b>	353.7

## Financial calendar for 2005

Annual General Meeting	<a href="#">May 19, 2005</a>
Half-year results	<a href="#">July 28, 2005</a>
Results Q3	<a href="#">October 27, 2005</a>

## Performance of the RHI share 07/2004 – 06/2005



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 July 1, 2005, 23,033,039 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

Investor Relations

Markus Richter

Tel: +43/ 0 / 50213-6123

Fax: +43/ 0 / 50213-6130

E-Mail: [rhi@rhi-ag.com](mailto:rhi@rhi-ag.com)

Internet: [www.rhi-ag.com](http://www.rhi-ag.com)

