



EANS-Adhoc: RHI AG / Preliminary results 2013

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annual result

Business Development

In a persisting difficult market environment, the RHI Group's sales volume fell by 6.0% from 1,850,000 tons to 1,739,000 tons due to weaker steel business in Europe and the Middle East, declining volume in the business unit cement and a lower number of new construction projects in the business unit environment, energy, chemicals.

Revenues amounted to EUR 1,754.7 million in the past financial year after EUR 1,835.7 million in the year 2012. The decline in revenues, which at 4.4% was slightly more moderate than the decline in volume, was primarily attributable to the contribution to revenues by the 69.6% share in the Indian company Orient Refractories Ltd., which was acquired in late April, and improvements in the product mix.

The operating result before restructuring effects dropped significantly from EUR 164.4 million in the previous year to EUR 126.8 million in the year 2013. This development was caused especially by difficulties in the fusion line in Porsgrunn, Norway, which burdened the operating result with more than EUR 30 million, and weaker capacity utilization of the production plants resulting from the decline in sales volume. The operating result also includes write-offs totaling EUR 6.5 million for the engineering and the steel construction of the investment project in Brazil, which was stopped, and negative currency effects of EUR 16.9 million.

The restructuring result of EUR (15.7) million includes net proceeds from the termination of the US Chapter 11 proceedings amounting to EUR 76.0 million on the one hand, and restructuring expenses of EUR 24.7 million for the closure of the site in Duisburg, Germany, an impairment of EUR 65.3 million based on the revised assumptions for the plant in Norway and a write-down of EUR 1.7 million resulting from product and process optimizations at the raw materials plant in Dashiqiao, China, on the other hand.

EBIT in the past financial year amounted to EUR 111.1 million after EUR 167.6 million in the year 2012. The EBIT margin fell from 9.1% to 6.3% in 2013.

The profit for the year thus amounted to EUR 63.4 million in 2013 after EUR 113.5 million in the previous year. Earnings per share declined from EUR 2.85 to EUR 1.57. The Management Board of RHI AG will propose a dividend of EUR 0.75 to the Annual General Meeting on May 9, 2014.

Financial and Assets Position

Net cash flow from operating activities increased from EUR 161.1 million in the year 2012 to EUR 171.5 million in the year 2013 due to net cash inflow of EUR 24.8 million resulting from the termination of the US Chapter 11 proceedings.

After the record level realized in the previous year, net cash flow from investing activities decreased from EUR (165.9) million to EUR (125.1) million in the year 2013, which primarily resulted from the increase in self-supply with raw materials, with a positive effect from the sale of non-current assets and land in Turkey, Germany, Austria and Chile, which added up to EUR 6.9 million (previous year: EUR 8.6 million).

The balance sheet total of the RHI Group declined by 6.8% from EUR 1,849.6 million in the previous year to EUR 1,724.0 million in the year 2013, which was primarily attributable to a decrease in non-current assets resulting from an impairment made for the plant in Porsgrunn, Norway, and to repayments.

The equity of the RHI Group amounted to EUR 485.5 million at December 31, 2013 compared with EUR 482.1 million in the previous year. As a result of the lower balance sheet total, the equity ratio rose from 26.1% to 28.2% in the year 2013.

The consolidated statement of financial position as of December 31, 2013 shows net financial liabilities of EUR 422.9 million (previous year: EUR 418.5 million). That corresponds to roughly 1.6 times the EBITDA of the year 2013.

Steel Division

In a challenging market climate, sales volume of the Steel Division declined by some 5% year-on-year to 1,187,000 tons due to weaker business in Europe and the Middle East. In contrast, revenues were maintained nearly constant at EUR 1,097.5 million after EUR 1,112.7 million in the previous year due to the initial consolidation of the 69.6% share in the Indian Orient Refractories Ltd. (ORL), which was acquired in late April, and improvements in the product mix. The operating result amounted to EUR 64.4 million in the past financial year after EUR 54.0 million in the comparative period and includes write-offs of EUR 6.5 million for the engineering and the steel construction of the investment project in Brazil, which was stopped. The operating result margin rose from 4.9% in the previous year to 5.9% and reflects the focus on sustainable profitability.

Industrial Division

Sales volume in the Industrial Division dropped by roughly 7% compared with the previous year to 439,000 tons due to a decline in the number of construction projects in the business unit environment, energy, chemicals and decreasing volume in the business unit cement. The decline in revenues from EUR 673.9 million in the year 2012 to EUR 619.0 million in the year 2013 is primarily attributable to weak demand in the business units glass and environment, energy, chemicals as well as the fact that a major project in the ferrochrome segment was delivered in the previous year. The operating result dropped significantly from EUR 91.8 million to EUR 70.2 million in the year 2013 due to a shift in product mix. Consequently, the operating result margin fell from 13.6% in the previous year to 11.3%.

Raw Materials Division

Revenues of the Raw Materials Division amounted to EUR 274.4 million in the past financial year after EUR 237.6 million in the year 2012. Of this total, deliveries to the Steel and Industrial Divisions of the RHI Group accounted for EUR 236.2 million and external customers for EUR 38.2 million (previous year: EUR 188.5 million and EUR 49.1 million respectively). The operating result dropped from EUR 18.6 million to EUR (7.8) million in the year 2013 as a result of difficulties in the fusion line in Norway. Consequently, the operating result margin fell from 7.8% in the previous year to (2.8)%.

Outlook

Provided that the macroeconomic environment remains stable and exchange rates do not change in 2014, RHI expects an increase in revenues by roughly 3% compared with the year 2013 and an operating result margin between 8% and 9% including the negative effects from Norway in the range of EUR 15 to 20 million. The RHI Group will make investments totaling approximately EUR 75 million in the year 2014.

Preliminary key figures (in EUR million)	2013	2012 1)	Delta
Balance sheet total	1,724.0	1,849.6	(6.8)%
Equity	485.5	482.1	0.7%
Equity ratio (in %)	28.2%	26.1%	2.1pp
Investments in PP&E and intangible assets	89.4	167.9	(46.8)%
Net debt	422.9	418.5	1.1%
Gearing ratio (in %) ²⁾	87.1%	86.8%	0.3pp
Net debt / EBITDA	1.6	1.8	(0.2)
Working capital	481.0	479.6	0.3%
Working capital (in %)	27.4%	26.1%	1.3pp
Capital employed	1,138.8	1,181.8	(3.6)%
Return on capital employed (in %)	7.3%	11.6%	(4.3)pp
Net cash flow from operating activities	171.5	161.1	6.5%
Net cash flow from investing activities	(125.1)	(165.9)	24.6%
Net cash flow from financing activities	(112.8)	47.8	(336.0)%

1) adjusted

2) without non-current personnel provisions

Preliminary key figures 2013

in EUR million	2013	2012	Delta	4Q/13	4Q/12	Delta
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Revenues	1,754.7	1,835.7	(4.4)%	456.6	463.0	(1.4)%
Steel Division	1,097.5	1,112.7	(1.4)%	278.7	264.7	5.3%
Industrial Division	619.0	673.9	(8.1)%	170.9	186.9	(8.6)%
Raw Materials Division						
External revenues	38.2	49.1	(22.2)%	7.0	11.4	(38.6)%
Internal revenues	236.2	188.5	25.3%	58.1	44.3	31.2%
EBITDA	261.6	229.4	14.0%	43.3	48.4	(10.5)%
EBITDA margin	14.9%	12.5%	2.4pp	9.5%	10.5%	(1.0)pp
Operating result ¹⁾	126.8	164.4	(22.9)%	18.0	31.8	(43.4)%
Steel Division	64.4	54.0	19.3%	7.1	3.8	86.8%
Industrial Division	70.2	91.8	(23.5)%	19.7	26.7	(26.2)%
Raw Materials Division	(7.8)	18.6	(141.9)%	(8.8)	1.3	(776.9)%
Operating result margin	7.2%	9.0%	(1.8)pp	3.9%	6.9%	(3.0)pp
Steel Division	5.9%	4.9%	1.0pp	2.5%	1.4%	1.1pp
Industrial Division	11.3%	13.6%	(2.3)pp	11.5%	14.3%	(2.8)pp
Raw Materials Division	(2.8)%	7.8%	(10.6)pp	(13.5)%	2.3%	(15.8)pp
EBIT	111.1	167.6	(33.7)%	(53.0)	33.3	(259.2)%
Steel Division	97.3	50.1	94.2%	3.3	5.1	(35.3)%
Industrial Division	86.8	91.8	(5.4)%	17.7	27.1	(34.7)%
Raw Materials Division	(73.0)	25.7	(384.0)%	(74.0)	1.1	(6,827.3)%
EBIT margin	6.3%	9.1%	(2.8)pp	(11.6)%	7.2%	(18.8)pp
Steel Division	8.9%	4.5%	4.4pp	1.2%	1.9%	(0.7)pp
Industrial Division	14.0%	13.6%	0.4pp	10.4%	14.5%	(4.1)pp
Raw Materials Division	(26.6)%	10.8%	(37.4)pp	(113.7)%	2.0%	(115.7)pp
Financial results	(29.8)	(21.3)	(39.9)%	(1.9)	(6.6)	71.2%
Result from associates	8.0	5.3	50.9%	2.8	0.9	211.1%
Profit before income taxes	89.3	151.6	(41.1)%	(52.1)	27.6	(288.8)%
Income taxes	(26.6)	(38.1)	30.2%	13.6	0.3	4,433.3%
Income taxes (in %)	29.8%	25.1%	4.7pp	26.1%	(1.1)%	27.2pp
Profit from continuing operations	62.7	113.5	(44.8)%	(38.5)	27.9	(238.0)%
Profit from discontinued operations	0.7	0.0	100.0%	0.7	0.0	100.0%
Profit for the year	63.4	113.5	(44.1)%	(37.8)	27.9	(235.5)%
Earnings per share in EUR						
Continuing operations	1.55	2.85		(0.97)	0.71	
Discontinued operations	0.02	0.00		0.02	0.00	

1) before restructuring effects

Further inquiry note:

RHI AG

Investor Relations

Mag. Simon Kuchelbacher

Tel: +43-1-50213-6676

Email: simon.kuchelbacher@rhi-ag.com

issuer: RHI AG
Wienerbergstrasse 9
A-1100 Wien

phone: +43 (0)50213-6676

FAX: +43 (0)50213-6130

mail: rhi@rhi-ag.com

WWW: <http://www.rhi-ag.com>

sector: Refractories

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