

EANS-Adhoc: RHI AG / RHI increases earnings again in the third quarter of 2012

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Revenues of the RHI Group increased by 7.0% in the third quarter of 2012 in comparison to the same quarter of 2011 and amounted to EUR 459.9 million. While revenues in the Steel Division dropped by 3.7% in a market environment still characterized by uncertainty, the Industrial Division recorded growth of 25.8% as some major projects were delivered. The operating result of the third quarter was up 28.3% on the comparable period of 2011 and amounted to EUR 50.3 million, thus again exceeding the high level of the previous quarter. Positive restructuring effects of EUR 6.3 million resulted from the sale of the plant in South Africa. The Group's EBIT amounted to EUR 56.6 million in the third quarter, exceeding the figure of the third quarter of 2011 by 44.4%. The EBIT margin rose significantly from 9.1% to 12.3%.

Equity amounted to EUR 492.8 million at September 30, 2012, after EUR 471.1 million at June 30, 2012. Cash and cash equivalents rose from EUR 107.1 million at the end of the second quarter of 2012 to EUR 234.2 million as a "Schuldscheindarlehen" of EUR 130 million was issued. Net debt remained nearly constant at EUR 424.4 million despite high investments in Norway and Turkey. The gearing ratio improved from 90.2% in the second quarter of 2012 to 86.1%.

Net cash flow from operating activities amounted to EUR 43.0 million in the third quarter despite an increase in working capital by EUR 10.2 million higher due to reduced trade payables and added up to an accumulated EUR 91.4 million.

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in EUR million	Q1 - Q3		
	2012	2011	Change
Revenues	1,372.7	1,280.7	7.2%
EBITDA	181.0	148.0	22.3%
EBITDA margin	13.2%	11.6%	1.6pp
Operating result 1)	132.6	108.4	22.3%

Operating result margin	9.7%	8.5%	1.2pp
EBIT	134.3	108.4	23.9%
EBIT margin	9.8%	8.5%	1.3pp
Profit before income taxes	124.0	88.9	39.5%
Profit for the year	85.6	90.0	(4.9)%
Net cash flow from operating activities	91.4	74.9	22.0%
Investments in property, plant and equipment and intangible assets	106.3	32.2	230.1%
Number of employees at end of quarter	8,097	8,001	1.2%
Average number of employees Q1-Q3	8,115	7,711	5.2%

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1) before reversal of impairment losses/impairment losses and restructuring costs

Steel Division

Due to weaker demand in Europe during the summer months, revenues in the Steel Division, at EUR 272.1 million in the third quarter of 2012, fell significantly short of revenues in the second quarter of 2012 at EUR 296.8 million and revenues in the 2011 reference period at EUR 282.5 million. The operating result dropped from EUR 21.6 million in the second quarter of 2012 to EUR 16.5 million in the third quarter of 2012 and was also lower than in the prior-year period of EUR 20.2 million. The operating result margin, at 6.1%, was below the 7.3% of the previous quarter and also lower than in the prior-year reference period.

Industrial Division

Due to the very positive business development in the nonferrous metals business unit, revenues in the Industrial Division, at EUR 174.8 million in the third quarter of 2012, slightly exceeded the strong revenues of EUR 169.2 million in the second quarter of 2012 and significantly exceeded the figure of the 2011 reference period of EUR 138.9 million. The operating EBIT improved from EUR 21.7 million in the second quarter of 2012 to EUR 29.1 million in the third quarter of 2012 due to a shift in product mix, also exceeding the operating EBIT of EUR 14.4 million in the comparable quarter of 2011. The operating result margin, at 16.6%, exceeded that of the previous quarter at 12.8% as well as that of the comparative period of 2011.

Raw Materials Division

Revenues of the Raw Materials Division, at EUR 59.7 million in the third quarter of 2012, were slightly below the figure of EUR 62.0 million in the second quarter of 2012, but significantly exceeded revenues of the same period in 2011, at EUR 48.0 million, due to the acquisition of Premier Periclase Ltd. (PPL) in Ireland in September of the previous year. Operating EBIT decreased slightly from EUR 5.4 million in the second quarter of 2012 to EUR 4.7 million in the third quarter of 2012, slightly exceeding the value of EUR 4.6 million the comparable period of 2011. The operating result margin amounted to 7.9%, falling short of both the figure of 8.7% in the previous quarter and that of the 2011 reference period.

Investments

The projects designed to increase backward integration of magnesia raw materials to some 80% are largely going according to plan. The second rotary kiln in Turkey, with an annual capacity of 70,000 tons of high-grade sinter magnesia, was completed in the past quarter, and the gradual commissioning of the fusing lines in Norway with an annual capacity of approximately 80,000 tons of seawater-based fused magnesia was started; consequently, RHI will effectively be self-sufficient outside China.

In Brazil, changed political framework conditions made it necessary to revise RHI's plans for a production site in the federal state of Rio de Janeiro. At present, the planned refractory product portfolio and the sourcing of local raw material are evaluated.

Vision 2020

In the course of the strategy process and of revising the Vision, the RHI Management Board defined financial targets which provide for revenues of EUR 3 billion and an EBIT margin of 12% or above. The revenue target is to be accomplished through organic growth and acquisitions.

Outlook

Although the economic environment is weakening, RHI expects a slightly higher level of revenues and a higher EBIT margin in the year 2012 than in the previous financial year. Despite indications that the economy is slowing down, RHI expects revenues for the year 2013 to reach a similar level as in 2012. The EBIT margin should continue to improve further due to a higher level of backwards integration and consistent cost management.

The report on the third quarter of 2012 is available on RHI's website www.rhi-ag.com.

Further inquiry note:

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