



## Report on the 1<sup>st</sup> quarter of 2007 of the Rath Group

### Continuing on the path to success

#### 1. Economic environment

The economic environment concerning the sale of refractory materials is still good. We succeeded in reducing the previously long delivery times, while simultaneously cutting down on costs, by means of a more steady production: This was facilitated by investments which were made in Milledgeville, Georgia, during the first half of 2006 as well as the acquisition of a factory for insulating refractory bricks in Leoben at the beginning of the year and extensions in Mönchengladbach.

#### 2. Sales

The consolidated sales were increased by a further 20% in the first quarter of 2007 as a result of the additional production capacity. This increase in sales was brought about largely by the high demand for insulating refractory bricks. The clients with the highest rates of increase remain as before: the plant manufacturers, steel processing plants as well as the constructors of domestic fireplaces.

The Hungarian company achieved figures of +17%, even though it began the current year at a disadvantage (due to the sale of foundry products at the end of last year). The Austrian company managed to increase its turnover by 19%, primarily as a result of project business.

#### 2. Income

The result broke with the trend of the comparative quarter of the previous year as it increased together with sales once more. It was consequently possible to achieve an EBIT margin of 5% in the first quarter. This time, the main profit earners were Germany and Austria. In contrast, the figures in Hungary and the USA still fall short of our expectations. We aim to further improve our results in these countries as well, in the course of this year.

### 3. Outlook

With the extension of the concrete plant in Budapest and the stone production in Krummnußbaum, we aim to create additional capacities in order to enable continuous growth.

If the good situation of the overall economy continues, but also that of our clients, we can base our further considerations on the assumption that the current year will continue to progress satisfactorily. The order situation is good and we see no risks that could have a negative influence on the income.

In EUR (thousands)	1st Quarter 2006	2nd Quarter 2007
Consolidated sales	16,075	20,183
Employees up to 31 March	586	645
Consolidated results (from ordinary activities)	53	930
Share price as at 31 March	16.20	20.50

Vienna, May 2007