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RHJ INTERNATIONAL

RHJ International SA

Public limited liability company

Avenue Louise 326

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RLE n° 0866015010

Special Report by the Board of Directors

prepared in accordance with Articles 603 and 596 of the Belgian Companies Code

28 February, 2006

Introduction

In accordance with Articles 603 and 596 of the Belgian Companies Code, the Board of Directors of RHJ International (the "**Company**") has prepared this report on the disqualification of the preferential subscription rights of existing shareholders in connection with a share capital increase by way of issuance of up to 7,700,000 new ordinary shares to be privately placed with institutional investors and high net worth individual investors in a global offering to be conducted by the Company in March 2006.

Articles 603 and 596 of the Belgian Companies Code require that a company's board of directors that issues new shares and disqualifies the preferential rights of existing shareholders prepare a report to such shareholders that discusses the disqualification in light of the corporate interest of the company and describes, among others, the share issuance price and the financial consequences of the issuance for the existing shareholders.

The Board of Directors of the Company unanimously approved this report on February 28, 2006.

This report must be read together with the report that the Company's joint statutory auditors prepared, in accordance with Articles 603 and 596 of the Belgian Companies Code, on the disqualification of the preferential rights of existing shareholders.

New shares issuance and disqualification of preferential rights

On February 28, 2006, the Board of Directors decided to increase the share capital of the Company by way of issuing up to 7,700,000 new ordinary shares of the Company subject to the closing of the global offering described below.

The new shares will be issued at current market trading price and may include a customary discount to the market price based on advice of the joint global coordinators and bookrunners of the global offering further to a bookbuilding conducted by them. The final issuance price will be set by the CEO of the Company (with full powers of sub-delegation and substitution) based on such advice of the joint global coordinators and bookrunners.

Per share to be issued, and based on the final issuance price, an amount of €10 (i.e. the current fractional value of the share) will be recorded as share capital and the remaining portion will be recorded as issuance premium. This will lead to a total share capital increase of up to €77,000,000 (that will increase the share capital from €778,455,470 currently to up to €855,455,470). The total outstanding number of shares of the Company will be brought from 77,845,547 shares currently to up to 85,545,547 shares.

The rights attached to the new shares will be identical to the rights attached to the existing shares of the Company (including the right to any dividend for the fiscal year ending March 31, 2006 and subsequent fiscal years).

In order to decide such share capital increase by way of issuance of new shares and to disqualify the preferential rights of existing shareholders, the Board relied on Article 8 (Authorized share capital) of the Articles of Association of the Company that authorizes the Board to increase the share capital of the Company, in one or more transactions, by a total amount of €740,955,470, including by way of issuance of new shares. The Board also relied on Article 9 (Increase of share capital - Preferential rights) that authorizes the Board, in the interest of the Company, to limit or disqualify the preferential rights of existing shareholders in connection with a share capital increase by way of issuance of new shares.

Global offering

The Company will issue the new shares in connection with a global offering to be conducted by the Company in March 2006.

The main parameters of this global offering are set forth below.

Ordinary shares offered by:

The Company	Up to 7,700,000 new ordinary shares (i.e. 9.9% of the outstanding ordinary shares) in the form of ordinary shares or restricted depositary shares (RDSs).
The Selling Shareholders	Up to 10,000,000 existing ordinary shares, in the form of ordinary shares or RDSs, not taking into consideration the over-allotment option mentioned below.
Priority of the offer by the Company	Size of the secondary tranche to depend on the extent of additional demand for shares beyond the planned size of the primary tranche, with prorata reduction to Selling Shareholders.
Over-allotment option	The underwriters have the option to purchase from the Selling Shareholders additional shares in the form of ordinary shares or RDSs up to 15% of the shares to be sold by the Selling Shareholders and by the Company in the Offering.
Rights attached to new shares	Identical to existing ordinary shares (including dividend right for the fiscal year ending on March 31, 2006; however, no dividend is currently expected to be paid with respect to such fiscal year).
Private placement	The shares are privately placed with institutional investors and high net worth individual investors in Japan, Asia, Europe and the United States through usual bookbuilding method.
Total outstanding ordinary shares post offering	Up to 85,545,547 shares.
Offering price	Will be based on current market trading price and may include a customary discount to the market price based on advice of the joint global coordinators and bookrunners further to the bookbuilding conducted by them. The final issuance price will be set by the CEO of the Company (with full powers of sub-delegation and substitution) based on such advice of the joint global coordinators and bookrunners.
Underwriters	Goldman Sachs International, Morgan Stanley & Co. International Limited and Citigroup Global Markets Limited.
Joint global coordinators and bookrunners	Goldman Sachs International and Morgan Stanley & Co. International Limited.
Underwriters' fees	<ul style="list-style-type: none">• Customary discount on share Offering price to be borne by the Company with respect to the new shares (not to be

deducted from share issuance price but paid by way of commission by the Company) and by the Selling Shareholders with respect to the shares sold by the latter.

- The CEO is authorized by the Board to approve the customary discount.

Intended use of proceeds by the Company

- to acquire controlling and non controlling equity and other interests and more opportunistic and other investments, including any fees and expenses in connection therewith, pursuant to the Company's strategy;
- to fund the Company's operating expenses as a holding company;
- to fund actual expenses incurred by the Company in connection with the completion of the offering; and
- for other general corporate purposes, including funding the Company's continuing operations and the continuing operations of the Company's consolidated businesses from time to time as well as expansion of the Company's consolidated businesses other than through acquisitions.

Indicative timetable for the offering

- March 1: start of roadshows
- Week of March 13: close of bookbuilding and pricing
- Week of March 20 (or before): delivery of shares to purchasing investors

Listing

New shares to be listed on Eurollist by Euronext Brussels. Expected date of listing is the date of delivery of shares to purchasing investors.

Rationale for the offering and disqualification of the preferential rights

The Board has determined that the above follow-on offering composed of primary and secondary shares and the disqualification of the preferential rights that it entails are in the best interest of the Company (and is supported in such determination by a presentation received from the financial advisers to the Company) as such offering will achieve several important objectives for the company:

- (i) it will create a larger capital basis which will increase strategic flexibility;
- (ii) it will increase the public float and enhance liquidity;
- (iii) it will reduce the overhang of the September 15, 2006 expiration of the lock-up to which the Selling Shareholders are subject and will allow the Company to achieve an orderly exit for such investors therefore reducing potential disruption of the stock exchange price of the shares;

- (iv) a global placement to institutional investors and high net worth individual investors (private placement) and the disqualification of the preferential rights that it entails will maximize speed to market and achieve diversification of investor base.

Financial consequences to existing shareholders

In the event that all new shares offered in the global offering are subscribed, the number of new shares to be issued will be 7,700,000 shares, which will bring the total outstanding number of shares of the Company from 77,845,547 currently to 85,545,547 shares.

The issuance of such maximum number of new shares would lead to a dilution of each of the existing shares as to its voting right, dividend right and any other rights (such as preferential right and liquidation right), of 9.00%.

For information purposes only, we provide below what would be the impact of the global offering on consolidated net tangible book value per share, based on three different hypothetical issuance prices (including a customary discount, if any) of (i) €19.98 (i.e. closing price on February 20, 2006) (ii) €20.65 (i.e. average closing price for last 10 days ending on February 20, 2006 and (iii) €19.43 (i.e. average closing price for last 90 days ending on February 20, 2006) respectively. There is no guarantee that the actual issuance price (including a customary discount, if any) will be at or around any of these prices.

The Company's unaudited consolidated net tangible book value at September 30, 2005, was approximately ¥72,648 million (€533.78 million), or ¥933 (€6.86) per share, based on shares outstanding before this issuance of new shares in the global offering. Consolidated net tangible book value is the difference between the consolidated total tangible assets (which is total assets less goodwill and intangible assets) and the consolidated liabilities (which is current liabilities, non current liabilities and minority interest).


Assuming the issuance of 7,700,000 new shares in the global offering at a price of (i) €19.98 per share, (ii) €20.65 per share and (iii) €19.43 per share respectively, after deducting the estimated underwriters' fees and expenses and other estimated offering expenses payable by the Company, the Company's pro forma consolidated net tangible book value at September 30, 2005, would have been approximately (i) ¥88,891 million (€653 million) or ¥1039.11 (€7.63) per share, (ii) ¥89,593 million (€658 million) or ¥1047.31 (€7.70) per share or (iii) ¥88,315 million (€649 million) or ¥1032.37 (€7.59) per share. This represents an immediate increase ("relution") in the Company's consolidated net tangible book value of (i) ¥106 (€0.78), (ii) ¥114 (€0.84) or (iii) ¥99 (€0.73) per share to existing shareholders and an immediate dilution of the Company's consolidated net tangible book value of (i) ¥1,680 (€12.35), (ii) ¥1,763 (€12.95) or ¥1,612 (€11.84) per share to investors purchasing shares in the global offering. The following tables illustrates this per share impact.

Hypothetical issuance price per share	€19.98	€20.65	€19.43
Unaudited consolidated net tangible book value per share as of September 30, 2005	€6.86		
Pro forma consolidated net tangible book value per share after the issuance	€7.63	€7.70	€7.59
Relation per share to existing shareholders	€0.78	€0.84	€0.73
Dilution per share to new investors in the global offering	€12.35	€12.95	€11.84

Brussels, February, 28, 2006

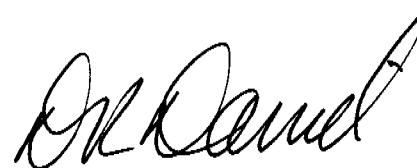
On behalf of the Board of Directors,

By:



 Director

By:



 Director