

FIT FOR NEW GROWTH

HALF-YEAR FINANCIAL REPORT 2011



Key Figures RHI Group

Earnings indicators

in € million	1 st Half-year		
	2011	2010	Change
Revenues	850.9	740.7	14.9%
EBITDA	95.4	97.1	(1.8)%
EBITDA margin	11.2%	13.1%	(14.5)%
Operating results ¹⁾	69.2	74.4	(7.0)%
Operating results margin	8.1%	10.0%	(19.0)%
EBIT	69.2	70.3	(1.6)%
EBIT margin	8.1%	9.5%	(14.7)%
Profit before income taxes	58.6	61.7	(5.0)%
Profit for the year	49.0	49.1	(0.2)%
Net cash flow from operating activities	29.1	16.2	79.6%
Investments in property, plant and equipment and intangible assets	(15.1)	(14.5)	4.1%
Number of employees at end of half-year	7,796	7,258	7.4%
Average half-year number of employees	7,640	7,204	6.1%

1) EBIT before restructuring costs

Balance sheet indicators

in € million	07/01/2011	07/02/2010 ¹⁾	Change
Balance sheet total	1,480.4	1,408.4	5.1%
Equity	333.4	292.1	14.1%
Net debt	346.9	257.1	34.9%
Gearing	104.0%	88.0%	18.2%

1) Explanations regarding the adjusted reference figures can be found in the RHI Annual Report 2010.

Stock exchange indicators

in €	1 st Half-year		
	2011	2010	Change
Basic earnings/diluted earnings per share	1.23	1.26	(2.4)%
Share price: high	29.92	26.47	13.0%
Share price: low	18.46	16.43	12.4%
Share price: average	24.81	21.99	12.8%
Share price at end of half-year	21.35	18.35	16.3%
Market capitalization at end of half-year (in million)	850	731	16.3%
Number of shares (in million units)	39.82	39.82	0.0%

Management Report RHI Group

Although the sovereign debt issues in parts of the euro area and the USA poses risk of an economic downturn, the International Monetary Fund (IMF) adheres to its global growth forecast of 4.3% for the year 2011 and 4.5% for the year 2012. The emerging markets in Asia and South America will continue to more than offset the weaker economic growth in the developed markets. In Asia, growth rates are expected to slow down in comparison with the very high levels of the previous year. In South America, attempts are made at the political level to counteract an overheating economy caused by the raw material boom and the strong domestic demand. In the Middle East and North Africa, the political and social situation is not expected to stabilize in the second half of the year.

The development of the North American economy fell short of the IMF's expectations in the second quarter. Apart from private consumption, which was very weak in the second quarter, and the poor unemployment figures, the discussions about authorizing to increase the US debt ceiling have led to insecurity.

Although national debt in the countries of Southern Europe places obligations on all euro members, Germany, France and several other countries in Central and Northern Europe saw consistently positive developments of their economies. Declining unemployment figures and intensified investment activities should ensure that no dramatic trend reversal occurs in the short term.

In spite of an environment strongly characterized by insecurity, RHI recorded all time high quarterly revenues in the second quarter of 2011, exceeding the record level of the second quarter of 2008 by more than 5%. The Steel Division's revenues were roughly 7% higher than the record figure of the third quarter of 2008, while the revenues of the Industrial Division were only 6% below the peak value of the fourth quarter of 2008 despite slightly negative seasonal effects in the cement business and a still somewhat sluggish glass end market. Second quarter 2011 sales volumes amounted to 503,194 metric tons compared with 551,711 metric tons in the second quarter of 2008. The significant revenue per metric ton increase is primarily attributable to the increase in raw material costs that have been mostly passed on to our customers, albeit with a time delay.

In comparison with the reference quarter of 2010, the RHI Group's revenues increased by 9.7% to € 437.1 million in the second quarter of 2011. The Steel Division recorded a 13.2% growth in revenues; in the Industrial Division growth amounted to 3.1%. The operating result of the second quarter, at € 40.0 million, remained at the level of the comparable period in 2010 of € 40.8 million and also corresponds to EBIT as there were no restructuring costs in the second quarter of 2011. The operating result margin, at 9.2%, still lagged behind that of the comparable quarter of 2010 at 10.2%. The tax rate in the second quarter amounted to 12.0% (First quarter 2011: 22.8%); the cash tax rate rose from 16.0% in the first quarter to 25.8% in the second quarter due to advance tax payments for the year 2011 and tax payments for the year 2010.

In comparison with the first quarter of 2011, the RHI Group increased revenues by 5.6% and the operating result by roughly 37% in the second quarter of 2011. The operating result margin of 7.1% of the first quarter of 2011 was raised by 2 percentage points. At the balance sheet date on July 1, 2011 the equity ratio amounted to 22.5%, remaining unchanged compared to the first quarter as

Business Development

Revenues & earnings

dividend payment almost completely offset the gain in retained earnings for the quarter. Cash and cash equivalents were also nearly unchanged in comparison with the end of the first quarter of 2011 and equaled € 86.6 million. Net debt rose from € 318.3 million to € 346.9 million, which was primarily attributable to the dividend payment of roughly € 20 million in May.

Net cash flow from operating activities increased only marginally in the second quarter of 2011 to cumulated € 29.1 million (Q1/2011: € 26.8 million). This is primarily attributable to an increase in receivables related to higher revenues, whose days outstanding averaged 51 in the second quarter (first quarter 2011: 49 days).

In the US Chapter 11 proceedings, the court ruled in the remaining GIT appeals proceedings on May 4, 2011 to refer the case back to the first instance for the purpose of ascertaining further facts. In view of this decision, the ANH companies and the insurance companies that were successful in the appeals proceedings agreed on conducting a mediation, which will take place on September 15, 2011. Beyond that there were no new developments.

The number of employees rose from 7,344 in the previous quarter to 7,796. This was mainly due to the completion of the acquisition in Russia, with 224 people.

Development of the individual divisions

Segment Reporting

	2 nd Quarter		1 st Half-year	
	2011	2010	2011	2010
Sales (thousand metric tons)	503.2	450.0	969.7	862.2
in € million				
Revenues	437.1	398.5	850.9	740.7
Steel Division	280.1	247.4	542.8	466.2
Industrial Division	149.3	144.8	293.9	262.1
Raw Materials Division				
External revenues	7.7	6.3	14.2	12.4
Intragroup revenues	47.1	34.3	91.2	65.3
Operating results ¹⁾	40.0	40.8	69.2	74.4
Steel Division	20.6	14.8	26.7	30.9
Industrial Division	18.2	23.8	34.0	39.2
Raw Materials Division	1.2	2.2	8.5	4.3
Operating results margin	9.2%	10.2%	8.1%	10.0%
Steel Division	7.4%	6.0%	4.9%	6.6%
Industrial Division	12.2%	16.4%	11.6%	15.0%
Raw Materials Division	2.2%	5.4%	8.1%	5.5%
EBIT	40.0	38.6	69.2	70.3
Steel Division	20.6	14.0	26.7	28.8
Industrial Division	18.2	22.5	34.0	37.3
Raw Materials Division	1.2	2.1	8.5	4.2
EBIT margin	9.2%	9.7%	8.1%	9.5%
Steel Division	7.4%	5.7%	4.9%	6.2%
Industrial Division	12.2%	15.5%	11.6%	14.2%
Raw Materials Division	2.2%	5.2%	8.1%	5.4%

1) before restructuring costs

Steel Division

With a crude steel output of 383.9 million metric tons, the second quarter of 2011 surpassed the first quarter by 7.8 million metric tons, thus recording a new high since the massive slump in the year 2009. Especially China contributed to this development with another record production of 179.2 million metric tons (up 3.2% on the first quarter). In all other regions of the world, with the exception of Asia/Pacific not including China (-2.4%), stable or slightly higher production levels were achieved (EMEA +2.6%, North America +2.7%, South America +7.6%). Overall, 204.7 million metric tons of crude steel (+1.1%) were produced outside China.

In the second quarter of 2011, RHI's Steel Division increased revenues by 6.6% compared to the first quarter. The operating result improved from € 6.1 million to € 20.6 million, with the result of the previous quarter being strongly influenced by negative foreign currency effects. The operating result margin amounted to 7.4%, significantly above the margins of the previous quarters.

In Western Europe, the upward trend of the steel industry continued in the second quarter. Steel output exceeded that of the first quarter of 2011 by 4.7%. RHI's efforts to implement price increases showed further effects in the second quarter. Several other refractories suppliers also started initiatives to raise prices which reduced the difficulties experienced in passing on the raw material cost increases of prior quarters. Consequently, the competitive environment should ease slightly going forward.

The Eastern European markets also developed positively in the second quarter of 2011. Steel production was up 4.8% on the first quarter of 2011. RHI benefited especially from the further recovery of steel production in the Eastern European EU member states. The business development in this region was stable.

Steel production in the Middle East is still largely affected by the political unrest in the region. Revenues of the Steel Division in the crisis regions (Algeria, Egypt, and Libya) were some 15% below the weak first quarter of 2011.

As in all other industrialized countries, the upward trend in the steel industry also continued in North America. Despite a further devaluation of the US dollar, RHI increased revenues, especially in Canada and the USA, and outperformed the increase in steel output in this region. Due to a lack of production sites in this region, the expanding revenues entail an increase in working capital.

Steel production in South America was roughly 7.6% higher than in the first quarter of 2011. Brazil, where RHI is initiating the construction of a green-field plant, was the main driver of this growth. In the second quarter RHI again grew faster than the local steel market. In addition, a major order was placed by a customer in Venezuela in the second quarter of 2011, which was the main contribution to an all-time high order book level in this region.

Steel output in the Asia/Pacific region (not including China) fell approx. 2.4% short of the first quarter of 2011, driven by a decline in production in Japan following the earthquake and tsunami natural disasters. Despite the decline in steel output, RHI increased revenues in this region by more than 12%. This positive development is

EMEA

North America

South America

Asia/Pacific

primarily attributable to India and Vietnam. India is one of the fastest growing markets for refractory products. With steel consumption of roughly 60 kg per person, India falls significantly short of the per capita consumption of China of more than 400 kg. RHI strives to participate in the catching-up process in India, and India is one of the key growth markets in the medium term.

China China, with a production of 179.2 million metric tons of steel, continues to beat one quarterly record after another. RHI's revenues rose slightly in comparison with the first quarter. The environment in the Chinese refractories market, with more than 3,000 competitors, is still highly competitive and challenging.

Industrial Division

Although the winter repair business in the cement industry ran out in the second quarter, the Industrial Division raised revenues to € 149.3 million, up 3.3% on the first quarter of 2011. Compared to the second quarter of the previous year, the increase was 3.1%. The operating result in the second quarter equaled € 18.2 million; the operating result margin amounted to 12.2%, versus 10.9% in the previous quarter.

Glass The situation of the glass market continued to improve in the second quarter of 2011. Many projects are still planned and implemented, especially in the Middle East, as well as worldwide in the entire flat glass segment. China continues to be a strong driver for refractories demand in the glass industry. New float tanks are predominantly equipped with the oxy-fuel technology. The demand for scratch-proof touch-display glass raises the demand for the adequate very high-quality refractory products. Among many major container glass manufacturers, a systematic trend of reducing investment costs for the refractory materials for repairs and new buildings can be observed. Significantly lower tank durability is accepted in favor of lower investment costs. On June 16, 2011 the acquisition of the Russian refractories manufacturer ZAO Podolsk Refractories was finalized. Starting in 2012, the product quality on site will be gradually improved as part of an investment and technology transfer program in order to ensure that the customary high RHI standard is implemented.

The situation regarding the raw material zirconium sand, which is applied above all in fused cast AZS materials for the glass industry, is growing increasingly critical. Significant price increases of almost 100% since the beginning of the year have taken place and there are instances of material shortages.

Provided that the general economic conditions in the main markets do not change significantly, RHI expects the positive business development to continue in the second half of the year 2011.

Cement/Lime As winter repairs and maintenance come to an end in the second quarter, sales traditionally decline in comparison with the first quarter. Compared with the prior-year period an upward trend is noticeable, which is related to the recovery of the economic climate in Western and Eastern Europe and to the growing demand for cement in China and Brazil. In order to meet the demand for high-quality refractory products in China and South Asia, RHI has started to build another tunnel kiln in Dalian to increase the production capacity and address market demand. In Brazil RHI has also increased its market share by stepping up local presence. In the

countries that are still affected by the economic crisis business is still difficult. This includes especially the USA, Spain and Italy. As a result of the low demand for cement, capacity was cut and prices have come under pressure. Therefore many producers have implemented cost-cutting programs, which favor cheap suppliers in some cases and often lead to delayed or cancelled maintenance demand. Project business is also experiencing clear regional differences. While new cement plants are to be expected in Latin America, companies still shy away from the high investment costs in some parts of Eastern Europe.

The worldwide project and repair business in the lime segment was still subdued in the second quarter of 2011. Especially in the European market, considerable competitive pressure is noticeable due to the economic climate, which leads to negative pricing developments. In contrast, RHI has increasingly gained ground in the Central American market and has become the main supplier of several major customers. The investment volume in the North American market still shows weakness. However, there are clear signs of more active project business in the CIS states. Following plans to further increase their international orientation, the two major lime producers Hoist and Carmeuse have intensified their cooperation with RHI significantly in the past months.

Project business, which is very important in the nonferrous metals segment, was, as in the first quarter, back to the pre-crisis level. Third-party business continued to develop at a similarly positive rate. This is also reflected in the figures of the second quarter, in which both sales and revenues clearly exceeded the comparable period of the previous year, with double-digit growth rates. In comparison with the first quarter of 2011, revenues were up some 12% with improved profitability, which was largely attributable to copper and ferroalloy projects in Canada, China and South Africa, as well as strong third-party business in Germany and Australia. Compared with the second quarter of 2010, sales volume (tonnage) rose by roughly 25% and revenues by 36%. The copper business in Chile, which has been served mostly from the RHI site in Dalian, China since the earthquake last year, has also stabilized a good level; the same applies to deliveries to Canada, which are now carried out almost entirely from the European production sites after the production plant in Bécancour was closed. Overall, metal prices, which are primarily responsible for this positive trend, stabilized at a high level in the second quarter despite a general downward trend in the second quarter following a historic high in the copper segment in the first quarter. The aluminum sector also continued to recover; however, sales in this segment were comparatively low and at a similar level as in the prior-year period, with a slight improvement in the margins realized. For the second half of the year, a larger order from Brazil was received, which will have a positive effect on the result of the aluminum segment.

In the nonferrous metals segment a similarly good business development can be expected for the second half of the year.

In the environment, energy, chemicals segment, the second quarter of 2011 was significantly above plan. This was primarily due to the beginning maintenance business in Canada, but also project deliveries to Asia and the Middle East, as well as deliveries to Eastern Europe. Incoming orders were also above plan in the second quarter, in terms of both sales and revenues. Once again, most orders came from the Middle East and Europe. In addition, new orders were received from Africa. The good demand was driven primarily by investment projects for new

Nonferrous metals

Environment, Energy, Chemicals

plants in gas processing for the production of hydrogen or synthesis gas as well as for plants for liquefied natural gas (LNG). Apart from favorable demand by maintenance business in Europe, positive signals came above all from the Middle East. There, especially Saudi Arabia, Abu Dhabi and Qatar push ahead with their projects. High oil prices and a stable LNG price indicate further increasing investment activities and consequently good business for the refractories industry.

Raw Materials Division

The Raw Materials Division reported revenues of € 54.8 million in the second quarter of 2011, versus € 40.6 million in the prior-year period. The increase was caused by substantially higher intra-group demand. The division's external revenues in the second quarter exceeded those of the prior-year period and will also show a satisfactory development in the second half of the year. The operating result amounted to € 1.2 million in the reporting period, which corresponds to a margin of 2.2%.

The projects designed to increase backward integration and to expand capacity are running according to plan. On May 11, 2011 RHI signed a contract to acquire SMA Mineral Magnesia, Norway, which produces seawater-based magnesium-hydroxide. The closing of the transaction is scheduled for September 2011. RHI will subsequently invest up to € 70 million in a fusing plant at the site of SMA in order to produce up to 80,000 metric tons of high-grade fused magnesia annually, starting in the summer of 2012 effectively leading to RHI being self-sufficient for fused magnesia outside of China. The investment in a second rotary kiln at the Eskisehir site, Turkey, will be completed by mid-2012.

Outlook In a stable macro-economic environment with unchanged foreign currency exchange rates, RHI expects revenues comparable to the first half in the second half of the year 2011. As the price increases initiated in the year 2010 will continue to show effect, profitability will rise to 9.5% in the course of the second half of the year.

Risk Report In the second quarter of 2011, there were no major changes in the risk management processes in comparison with the last quarterly report. Key risks are also largely unchanged: both strategic risks and the sales, supply chain and production risks remain topical due to their structural nature. None of these risks are considered to be a threat to the existence of the Group.

Condensed Consolidated Interim Financial Statements

Consolidated Statement of Financial Position

in € million	07/01/2011	12/31/2010
ASSETS		
Non-current assets		
Property, plant and equipment	418.9	436.2
Goodwill	14.9	14.4
Other intangible assets	41.1	44.7
Shares in associates	14.0	15.5
Other financial assets	36.4	37.2
Non-current receivables	1.6	0.3
Deferred tax assets	99.3	98.8
	626.2	647.1
Current assets		
Inventories	427.3	432.6
Trade and other current receivables	333.8	303.5
Income tax receivables	4.8	4.7
Other financial assets	1.7	2.0
Cash and cash equivalents	86.6	58.8
	854.2	801.6
	1,480.4	1,448.7
EQUITY AND LIABILITIES		
Equity		
Share capital	289.4	289.4
Group reserves	43.4	31.0
Equity attributable to equity holders of RHI AG	332.8	320.4
Non-controlling interests	0.6	0.5
	333.4	320.9
Non-current liabilities		
Non-current financial liabilities	241.4	236.3
Deferred tax liabilities	4.4	3.6
Personnel provisions	303.6	308.5
Other non-current provisions	3.2	3.3
Other non-current liabilities	7.4	6.3
	560.0	558.0
Current liabilities		
Current financial liabilities	192.1	163.5
Trade and other current payables	289.2	293.2
Other financial liabilities	0.4	1.8
Income tax payables	34.6	34.5
Current provisions	70.7	76.8
	587.0	569.8
	1,480.4	1,448.7

Consolidated Income Statement

in € million	2 nd Quarter		1 st Half-year	
	2011	2010	2011	2010
Revenues	437.1	398.5	850.9	740.7
Cost of sales	(340.0)	(308.8)	(668.1)	(566.6)
Gross profit	97.1	89.7	182.8	174.1
Sales and marketing costs	(27.1)	(26.8)	(52.8)	(51.3)
General and administration costs	(28.6)	(28.0)	(55.3)	(50.7)
Other income	1.1	7.7	4.7	9.2
Other expenses	(2.5)	(1.8)	(10.2)	(6.9)
Operating result	40.0	40.8	69.2	74.4
Restructuring costs	0.0	(2.2)	0.0	(4.1)
Operating results (EBIT)	40.0	38.6	69.2	70.3
Interest income	0.4	0.4	0.6	0.9
Interest expenses	(4.4)	(3.9)	(8.0)	(6.9)
Other financial result	(2.9)	(2.2)	(6.9)	(6.2)
Financial result	(6.9)	(5.7)	(14.3)	(12.2)
Results from associates	1.8	2.0	3.7	3.6
Profit before income taxes	34.9	34.9	58.6	61.7
Income taxes	(4.2)	(7.3)	(9.6)	(12.6)
Profit after income taxes	30.7	27.6	49.0	49.1
Profit/Loss attributable to equity holders of RHI AG	30.7	27.7	49.0	50.2
non-controlling interests	0.0	(0.1)	0.0	(1.1)
	30.7	27.6	49.0	49.1
in €				
Basic earnings/diluted earnings per share	0.77	0.70	1.23	1.26

Consolidated Statement of Comprehensive Income

in € million	2 nd Quarter		1 st Half-year	
	2011	2010	2011	2010
Profit after income taxes	30.7	27.6	49.0	49.1
Unrealized results from currency translation recognized in equity	(4.0)	18.5	(18.1)	38.0
Other changes	0.0	0.0	1.5	0.0
Total comprehensive income	26.7	46.1	32.4	87.1
Total comprehensive income attributable to equity holders of RHI AG	26.6	44.9	32.3	85.9
non-controlling interests	0.1	1.2	0.1	1.2
	26.7	46.1	32.4	87.1

Consolidated Statement of Changes in Equity

in € million	Equity attributable to equity holders of RHI AG						Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Fair value reserves	Currency translation reserves	Accumulated results	Total		
12/31/2010	289.4	38.3	3.1	(28.7)	18.3	320.4	0.5	320.9
Total comprehensive income	-	-	-	(18.1)	50.4	32.3	0.1	32.4
Dividends	-	-	-	-	(19.9)	(19.9)	-	(19.9)
07/01/2011	289.4	38.3	3.1	(46.8)	48.8	332.8	0.6	333.4

in € million	Equity attributable to equity holders of RHI AG						Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Fair value reserves	Currency translation reserves	Accumulated results	Total		
12/31/2009 ¹⁾	289.4	38.3	3.1	(61.3)	(67.9)	201.6	4.5	206.1
Total comprehensive income ²⁾	-	-	-	35.7	50.2	85.9	1.2	87.1
Dividends ²⁾	-	-	-	-	-	0.0	(1.1)	(1.1)
07/02/2010	289.4	38.3	3.1	(25.6)	(17.7)	287.5	4.6	292.1

1) Including adjustment for the recognition of non-controlling interests in accordance with IAS 8.

2) Not taking into account the adjustment of non-controlling interests and accumulated results.

Consolidated Cash Flow Statement

in € million	1 st Half-year	
	2011	2010
Profit after income taxes	49.0	49.1
Adjustments for		
income taxes	9.6	12.6
depreciation and amortization charges	26.2	26.8
result from financial assets	0.1	(0.8)
result from the disposal of property, plant and equipment	(2.5)	0.1
interest result	7.4	5.9
dividends	(0.8)	(0.8)
results from associates	(3.7)	(3.6)
other non-cash changes	12.4	12.8
Change in working capital		
Inventories	(4.7)	(59.8)
Trade receivables	(29.0)	(12.6)
Other receivables and assets	(6.8)	(9.7)
Provisions	(12.5)	(12.1)
Trade payables	(5.3)	13.2
Other liabilities	2.5	2.8
Cash flow from operating activities	41.9	23.9
Income taxes paid	(12.8)	(7.7)
Net cash flow from operating activities	29.1	16.2
Investments in subsidiaries net of cash	(3.0)	0.0
Investments in non-controlling interests	(0.2)	(0.3)
Investments in property, plant and equipment and intangible assets	(15.1)	(14.5)
Cash inflows from the sale of property, plant and equipment	3.4	1.2
Investments in non-current receivables	(1.1)	0.0
Investments in financial assets	0.0	(0.5)
Dividend payments from associates	5.2	2.7
Investment subsidies received	0.0	1.0
Interest received	0.6	0.9
Dividends received	0.8	0.6
Net cash flow from investing activities	(9.4)	(8.9)
Dividend payments	(19.9)	0.0
Proceeds from non-current borrowings and loans	20.7	1.7
Repayments of non-current borrowings and loans	(1.5)	(3.4)
Proceeds from current borrowings	21.0	6.9
Repayments of current borrowings	(2.7)	(1.1)
Interest payments	(7.1)	(6.9)
Net cash flow from financing activities	10.5	(2.8)
Cash flow from continuing operations	30.2	4.5
Cash flow from discontinued operations	(0.3)	0.0
Total cash flow	29.9	4.5
Change in cash and cash equivalents	29.9	4.5
Cash and cash equivalents as of 1.1.	58.8	139.8
Change in cash and cash equivalents due to currency translation	(2.1)	3.9
Cash and cash equivalents at end of reporting period	86.6	148.3

Condensed Consolidated Interim Financial Statements

Selected Explanatory Notes

The reporting periods for the financial year 2011 and the periods of the previous year are illustrated in the following table:

	2011	2010
1 st quarter	Jan 1 - Apr 1	Jan 1- Mar 31
2 nd quarter	Apr 2 - Jul 1	Apr 1 - Jul 2
3 rd quarter	Jul 2- Sep 30	Jul 3 - Oct 1
4 th quarter	Oct 1 - Dec 31	Oct 2 – Dec 31

The condensed interim financial statements as of July 1, 2011 comply with the requirements of IAS 34 “Interim Financial Reporting” and were prepared in accordance with the International Financial Reporting Standards (IFRSs), as endorsed by the European Union (EU).

The interim financial statements do not include all information and disclosures required in the annual financial statements and should therefore be read in conjunction with the RHI Consolidated Financial Statements as of December 31, 2010.

In the interim financial statements as of July 1, 2011, the same accounting and valuation principles as in the preparation of the consolidated financial statements as of December 31, 2010 were applied. The following new or revised accounting standards and interpretations, which are also applicable within the EU, were applied for the first time in the year 2011:

- >> IAS 24 (revised 2009): Related Party Disclosures
- >> IAS 32 (amended 2009): Financial Instruments: Presentation - Classification of Rights Issues
- >> Improvements to IFRSs (2010)
- >> IFRIC 14 (amended 2009): IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- >> IFRIC 19 (2009): Extinguishing Financial Liabilities with Equity Instruments

The initial application of the new or revised standards and interpretations had no or no material effect on the RHI Group.

Accounting of non-controlling interests

In the previous year the RHI Group re-evaluated its accounting method regarding the shares of non-controlling interests in four fully consolidated subsidiaries. In the annual financial statements of 2010, financial instruments that subsidiaries issued to non-controlling interests were classified as financial liabilities. Previously, they were classified as equity instruments. Interest and dividends as well as profits and losses related to such financial liabilities are subsequently recorded as expense or income in the consolidated income statement.

For reasons of immateriality, the income statement first half 2010 was not retroactively adjusted for this change in accounting method. If such an adjustment had been made, the operating results and the EBITDA for the first half 2010 would be € 0.2 million lower than the reported operating results of € 70.3 million and the EBITDA of € 97.1 million. The financial result would deteriorate by € 0.9 million, from € (12.2) million to € (13.1) million. Overall the profit for the first half 2010

Principles and methods

would be € 1.1 million lower and would thus amount to € 48.0 million rather than € 49.1 million. In the consolidated cash flow statement first half 2010, dividend payments to non-controlling interests to the amount of € 1.1 million were reclassified to the repayment of financial liabilities.

Personnel provisions

For the first half 2011, no actuarial gains or losses were recognized as the provisions for pensions, termination benefits and service anniversary bonuses were calculated on the basis of a preview for the entire year prepared by an actuary.

US Chapter 11 proceedings

In the US Chapter 11 proceedings, the court ruled in the remaining GIT appeals proceedings on May 4, 2011 to refer the case back to the first instance for the purpose of ascertaining further facts. In view of this decision, the ANH companies and the insurance companies successful in the appeals proceedings agreed on conducting a mediation, which will take place on September 15, 2011. Beyond that there were no new developments.

Review

This interim financial report was reviewed based on ISRE 2410 by Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna.

Group of consolidated companies

The group of consolidated companies changed as follows compared to the reporting date December 31, 2010:

On June 16, 2011, Radex Vetriebgesellschaft mbH, Leoben, Austria, acquired the remaining 76.5% in the Russian company CJSC Podolsk Refractories ("Podolsk") located in Moscow and holds now 100% of the company's shares. As a consequence RHI Group exercises control over this entity which results in a change in accounting from the acquisition cost method to full consolidation.

The primary business activity of the acquired company covers the manufacturing of refractory products, which are used in the glass industry. Podolsk has 224 employees. Due to the acquisition and integration of Podolsk, RHI will be able to further expand its position in the Russian market.

For reasons of simplification, July 1, 2011 was selected as the date of the initial consolidation. The initial accounting for the Podolsk acquisition is preliminary. The provisional amounts recognized at the acquisition date may therefore be adjusted or completed during the measurement period.

The following table summarizes the preliminary acquisition-date fair values of the assets and liabilities:

in € million	Fair values at date of acquisition
Non-current assets	5.6
Current assets (without cash and cash equivalents)	4.5
Cash and cash equivalents	0.5
Liabilities	(4.9)
Net assets acquired	5.7
Goodwill	0.6
Total purchase consideration	6.3

The total purchase consideration of € 6.3 million comprises the acquisition costs of the previously held 23.5% share of € 1.4 million, a consideration in cash of € 3.4 million transferred in June 2011 and the contingent consideration of € 1.5 million. RHI is expecting to pay the maximum amount under the contingent consideration arrangement to the former owner. The payment will be due in 2013 and is primarily dependent on the continuance of local expertise in the acquired company. Acquisition-related costs in the total amount of approx. € 0.5 million were recognized in the general and administration costs in the first half 2011 and in 2010.

The goodwill of € 0.6 million arising from the acquisition consists largely of expected synergies regarding the sale of refractory products to the Russian market. None of the goodwill is expected to be deductible for income tax purposes.

The result from the fair value adjustment of the previously held equity interests amounts to less than € 0.1 million and was not recognized in the consolidated interim report due to immateriality.

The gross carrying amount of the receivables acquired is € 2.6 million at the acquisition date, and the net carrying amount is € 2.4 million (equivalent to the fair value).

As Podolsk was included for the first time by July 1, 2011, it did not contribute to the consolidated net income as a fully consolidated company in the first half 2011. Revenues and profit for the period from January 1, 2011 to July 1, 2011 are of minor importance for the consolidated income statement.

Dolomite di Montignoso S.p.A., Genova, Italy, which had been consolidated at equity, was deconsolidated as of February 10, 2011 as a result of being sold. This sale had no material effect on the Group's assets, liabilities, financial position and profit or loss.

SMA Mineral Magnesia AS On May 11, 2011 RHI entered into an agreement with SMA Mineral B.V., Netherlands, regarding the takeover of shares in SMA Mineral Magnesia AS, Norway. This company currently produces seawater based magnesium-hydroxide for non-refractory applications. Once the contractual agreements have been met, the company will be integrated into the RHI Group.

Other income/expenses The net effect from foreign exchange losses and results from changes in the market value of forward exchange contracts amounted to € (9.3) million (first half 2010: € (4.9) million). As of July 1, 2011 there were no derivative financial instruments in use within the RHI Group.

Other income amounting to € 1.9 million results from the sale of real estate and is allocable to the Raw Materials Division.

In 2010, the earthquake in Chile in late February caused major damage to the RHI plant in Santiago. Expenses from the reduction in carrying amounts related to the destroyed plant and the corresponding insurance compensation were shown net under other income and amounted to € 7.7 million in the first half of 2010.

Dividends The Annual General Meeting of May 6, 2011 approved the payment of a dividend of € 0.50 per share for the year 2010. Therefore, dividends amounting to € 19.9 million were paid-out to the shareholders of RHI AG during the second quarter of 2011.

Segment reporting The following table shows the financial data for the operating segments for the first half 2011:

in € million	Steel	Industrial	Raw Materials	Elimination/ Unallocated assets	Group
External revenues	542.8	293.9	14.2	0.0	850.9
Intragroup revenues	0.0	0.0	91.2	(91.2)	0.0
Segment revenues	542.8	293.9	105.4	(91.2)	850.9
Operating result/EBIT	26.7	34.0	8.5	0.0	69.2
Financial results					(14.3)
Results from associates					3.7
Profit before income taxes					58.6
Segment assets at 7/1/2011	573.6	308.1	282.4	302.3	1,466.4
Shares in associates at 7/1/2011	0.2	0.0	13.8	0.0	14.0
					1,480.4

The operating segments for the first half 2010 are shown in the following table:

in € million	Steel	Industrial	Raw Materials	Elimination/ Unallocated assets	Group
External revenues	466.2	262.1	12.4	0.0	740.7
Intragroup revenues	0.0	0.0	65.3	(65.3)	0.0
Segment revenues	466.2	262.1	77.7	(65.3)	740.7
Operating result	30.9	39.2	4.3	0.0	74.4
Restructuring costs	(2.1)	(1.9)	(0.1)	0.0	(4.1)
Operating results (EBIT)	28.8	37.3	4.2	0.0	70.3
Financial results					(12.2)
Results from associates					3.6
Profit before income taxes					61.7
Segment assets at 12/31/2010	539.4	292.4	334.5	266.9	1,433.2
Shares in associates at 12/31/2010	0.2	0.0	15.3	0.0	15.5
					<u>1,448.7</u>

Segment assets include trade receivables and inventories, as well as property, plant and equipment, goodwill and other intangible assets, which are available to the segments and are reported to the management for control and measurement. Shares in associates are allocated to the segments. All other assets are shown under unallocated assets.

The volume of transactions of RHI Group companies with affiliated, non-consolidated companies or associates is immaterial. The same also applies to accounts receivable from and accounts payable to related companies.

There were no material changes to the contingent liabilities since the last balance sheet date.

Related companies

Contingent liabilities

**Statement by the
Management Board
according to § 87 (1)
Austrian Stock
Exchange Act**

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by IFRS and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

The results of the first half of 2011 ending on July 1, do not necessarily allow conclusions regarding the development of future results.

Vienna, July 25, 2011

Management Board



Henning E. Jensen
CEO



Mark J. Eckhout
CFO



Giorgio Cappelli
COO Steel Division



Manfred Hödl
COO Industrial Division and
Raw Materials Division

Report on Review of Condensed Interim Financial Statements

We have reviewed the accompanying Condensed Consolidated Interim Financial Statements of RHI AG, Vienna, for the period January 1st, 2011 to July 1st 2011. These interim financial statements comprise the Consolidated Statement of Financial Position as of July 1st, 2011, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement for the period January 1st, 2011 to July 1st 2011 and Selected Explanatory Notes.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standards (IFRS) for interim financial reporting, as adopted by the EU.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

We conducted our review in accordance with applicable Austrian laws and professional standards and International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Financial Statements are not prepared, in all material aspects, in accordance with International Financial Reporting Standards (IFRS) for interim financial reporting, as adopted by the EU.

Vienna, July 25th, 2011

Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Nikolaus Schaffer m.p.
Austrian Certified Public Accountant

Dr. Gottfried Spitzer m.p.
Austrian Certified Public Accountant

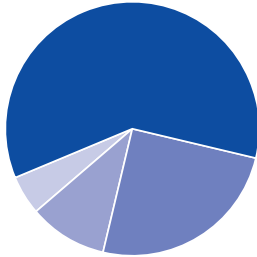
Introduction

Scope of Review

Conclusion

RHI Share

RHI Shareholder structure



- < 60% Free float
- > 25% MS Private Foundation, Austria
- > 10% FEWI Beteiligungsgesellschaft mbH, Germany
- > 5% Raiffeisen Bank International AG, Austria

The shares of RHI AG are admitted to trading on the Vienna Stock Exchange. RHI is represented in the ATX, the lead index and the most important trading segment of the Austrian capital market, and a member of the Prime Market at the Vienna Stock Exchange. On July 1, 2011 39,819,039 no-par common shares with voting rights of RHI AG were admitted to trading in Vienna.

Financial Calendar 2011

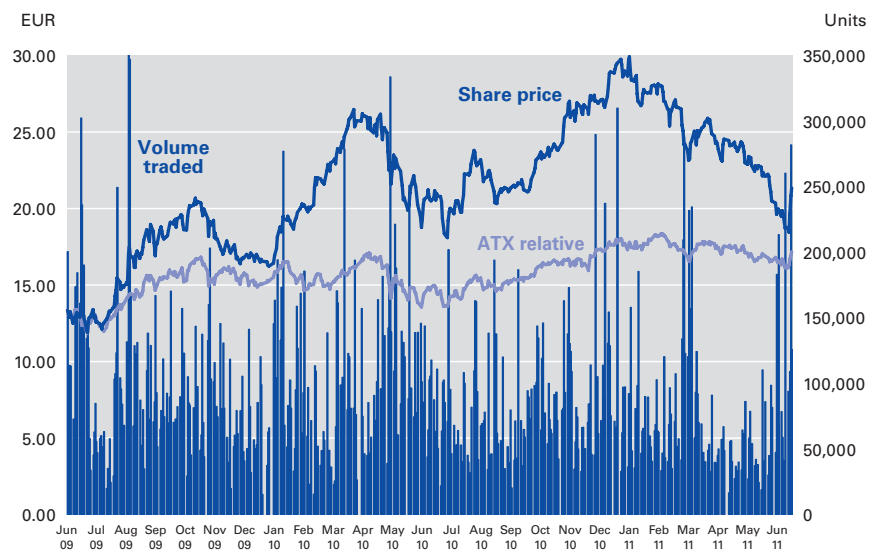
Results for the 3rd Quarter 2011

November 3, 2011

Stock exchange key figures

in €	1 st Half-year	
	2011	2010
Highest share price	29.92	26.47
Lowest share price	18.46	16.43
Share price at end of half-year	21.35	18.35
Market capitalization at end of half-year (in million)	850	731

Performance of the RHI share 06/2009 - 06/2011



ISIN

RHI share: AT0000676903

Reuters: RHIV.VI
Bloomberg: RHI AV

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Production:

In-house produced with FIRE.sys von
Michael Konrad GmbH
Kasseler Straße 1a
D-60486 Frankfurt am Main

The English translation of the RHI half-year financial report is for convenience. Only the German text is binding.

This half-year financial report contains forward-looking statements based on the currently held beliefs and assumptions of the management of RHI AG ("RHI"), which are expressed in good faith and, in their opinion, reasonable. These statements may be identified by words such as "expectation" or "target" and similar expressions, or by their context. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, financial condition, performance, or achievements of RHI to differ materially from the results, financial condition, performance or achievements express or implied by such forward-looking statements. Given these risks, uncertainties and other factors, recipients of this document are cautioned not to place undue reliance on these forward-looking statements. RHI disclaims any obligation to update these forward-looking statements to reflect future events or developments.

In this report, terms may be used that are IFRS financial measures. These additional financial measures should therefore not be viewed in an isolated manner as alternatives to the key figures for the financial position, earnings development or cash flow of RHI. For definitions of these additional financial measures, comparison with the most directly comparable figures in accordance with IFRS and information regarding the benefits and limitations of these additional financial measures, please contact the RHI Investor Relations Team (investor.relations@rhi-ag.com).