

# HALF-YEAR FINANCIAL REPORT 2010



**RHI**

# Key Figures RHI Group

## Earnings indicators

in € million	1 <sup>st</sup> Half		Change
	2010	2009 <sup>1)</sup>	
Revenues	740.7	604.5	22.5%
EBITDA	97.1	49.6	95.8%
EBITDA margin	13.1%	8.2%	4.9ppts
EBIT	70.3	21.4	228.5%
EBIT margin	9.5%	3.5%	6.0ppts
Profit before income taxes	61.7	3.1	1,890.3%
Profit from continuing operations	49.1	2.3	2,034.8%
Net cash flow from operating activities	16.2	90.3	(82.1)%
Capital expenditure	14.5	15.1	(4.0)%
Number of employees at half-year	7,258	7,062	2.8%
Half-year average number of employees	7,204	7,464	(3.5)%

1) after reclassification

## Balance sheet indicators

in € million	1 <sup>st</sup> Half		Change
	02.07.2010	30.06.2009	
Balance sheet total	1,407.4	1,257.1	12.0%
Equity	313.8	196.7	59.5%
Net debt	234.4	308.4	(24.0)%
Gearing	74.7%	156.8%	(82.1)ppts

## Stock exchange indicators

in €	1 <sup>st</sup> Half		Change
	2010	2009	
Earnings per share	1.26	0.05 <sup>1)</sup>	2,420.0%
Share price: high	26.47	13.42	97.2%
Share price: low	16.43	8.70	88.9%
Share price: average	22.05	11.48	92.1%
Share price at 2 July resp. 30 June	18.35	12.86	42.7%
Market capitalisation (in € million)	730.68	487.74	49.8%
Number of shares (million units)	39.82	37.93	5.0%

1) after reclassification

### Changes in the reporting structure

Starting with the report on the 1<sup>st</sup> quarter of 2010, RHI adapted the reporting structure to the organisational changes made in 2009 and 2010 and to the resulting internal reporting structure. The steps of reclassification were explained in detail in the report and the letter to shareholders of the 1<sup>st</sup> quarter of 2010. In the half-year report, the quarters of the year 2009 are shown in both the old and new reporting structures.

In addition, the condensed interim consolidated financial statements for the 1<sup>st</sup> half of 2010 of RHI AG were subject to an auditor's review.

in € million	1 <sup>st</sup> Quarter 2009		2 <sup>nd</sup> Quarter 2009		3 <sup>rd</sup> Quarter 2009		4 <sup>th</sup> Quarter 2009	
	after reclassifications	as reported	after reclassifications	as reported	after reclassifications	as reported	after reclassifications	as reported
<b>Revenues</b>	<b>315.8</b>	<b>315.8</b>	<b>288.7</b>	<b>288.7</b>	<b>295.7</b>	<b>295.7</b>	<b>336.7</b>	<b>336.7</b>
Steel Division	165.3	165.3	153.1	151.8	179.0	179.0	206.2	206.2
Industrial Division	145.9	145.9	129.5	129.3	112.3	112.3	125.9	125.9
Raw Material Division	34.4	203.6	29.1	185.2	32.4	111.5	39.2	133.1
thereof internal revenues	29.8	199.0	23.0	177.6	28.0	107.1	34.6	128.5
<b>Operating result<sup>1)</sup></b>	<b>14.1</b>	<b>14.1</b>	<b>17.0</b>	<b>16.9</b>	<b>14.6</b>	<b>14.5</b>	<b>33.3</b>	<b>33.5</b>
Steel Division	(6.8)	(0.7)	(2.9)	(1.7)	4.0	2.8	8.4	13.4
Industrial Division	19.5	20.2	13.5	16.3	13.2	9.8	18.4	22.0
Raw Material Division	1.4	(5.4)	6.4	2.3	(2.6)	2.6	6.5	6.7
Holding/Other	n.a.	n.a.	n.a.	n.a.	n.a.	(0.7)	n.a.	(8.6)
<b>EBIT</b>	<b>14.1</b>	<b>14.1</b>	<b>7.3</b>	<b>7.3</b>	<b>11.4</b>	<b>11.4</b>	<b>22.0</b>	<b>22.0</b>
Steel Division	(6.8)	(0.7)	(7.2)	(2.9)	3.2	1.9	4.1	10.0
Industrial Division	19.5	20.2	11.1	15.1	8.5	7.9	15.1	19.2
Raw Materials Division	1.4	(5.4)	3.4	(4.9)	(0.3)	2.1	2.8	3.0
Holding/Other	n.a.	n.a.	n.a.	n.a.	n.a.	(0.5)	n.a.	(10.2)
<b>EBIT margin</b>	<b>4.50%</b>	<b>4.50%</b>	<b>2.53%</b>	<b>2.53%</b>	<b>3.86%</b>	<b>3.86%</b>	<b>6.53%</b>	<b>6.53%</b>
Steel Division	(4.10)%	(0.40)%	(4.70)%	(1.91)%	1.79%	1.06%	1.99%	4.85%
Industrial Division	13.40%	13.80%	8.57%	11.68%	7.57%	7.03%	11.99%	15.25%
Raw Materials Division	4.10%	(2.70)%	11.68%	(2.65)%	(0.93)%	1.88%	7.14%	2.25%

1) before impairment losses and restructuring expenses

	1 <sup>st</sup> Quarter 2009		2 <sup>nd</sup> Quarter 2009		3 <sup>rd</sup> Quarter 2009		4 <sup>th</sup> Quarter 2009	
in € million	after reclassi- fications	as reported	after reclassi- fications	as reported	after reclassi- fications	as reported	after reclassi- fications	as reported
<b>Revenues</b>	<b>315.8</b>	<b>315.8</b>	<b>288.7</b>	<b>288.7</b>	<b>295.7</b>	<b>295.7</b>	<b>336.7</b>	<b>336.7</b>
Special direct distribution of costs	n.a.	(27.3)	n.a.	(20.4)	n.a.	(25.1)	0.0	(26.3)
Cost of sales	(244.5)	(219.7)	(223.5)	(204.8)	(236.9)	(214.0)	(260.3)	(252.1)
<b>Gross profit</b>	<b>71.3</b>	<b>68.8</b>	<b>65.2</b>	<b>63.5</b>	<b>58.8</b>	<b>56.6</b>	<b>76.4</b>	<b>58.3</b>
<b>Gross profit margin in %</b>	<b>22.6</b>	<b>21.8</b>	<b>22.6</b>	<b>22.0</b>	<b>19.9</b>	<b>19.1</b>	<b>22.7</b>	<b>17.3</b>
Distribution costs	(26.0)	(20.8)	(24.8)	(20.8)	(23.7)	(19.3)	(27.9)	(17.0)
Administrative expenses	(27.1)	(29.8)	(25.3)	(27.6)	(23.8)	(26.0)	(13.7)	(6.5)
Impairment losses	0.0	0.0	(2.8)	(2.8)	0.0	0.0	(6.3)	(6.3)
Restructuring losses	0.0	0.0	(6.8)	(6.8)	(3.1)	(3.1)	(5.2)	(5.2)
Other income	1.1	1.1	3.7	3.7	2.0	2.0	1.0	1.0
Other expenses	(5.2)	(5.2)	(1.9)	(1.9)	1.2	1.2	(2.3)	(2.3)
<b>Operating results</b>	<b>14.1</b>	<b>14.1</b>	<b>7.3</b>	<b>7.3</b>	<b>11.4</b>	<b>11.4</b>	<b>22.0</b>	<b>22.0</b>
<b>EBIT margin in %</b>	<b>4.5</b>	<b>4.5</b>	<b>2.5</b>	<b>2.5</b>	<b>3.9</b>	<b>3.9</b>	<b>6.5</b>	<b>6.5</b>
Interest income	0.4	0.4	0.3	0.3	0.3	0.3	1.6	1.6
Interest expenses	(4.8)	(4.8)	(6.0)	(6.0)	(4.9)	(4.9)	(3.4)	(3.4)
Other financial results	(4.4)	(4.4)	(4.1)	(4.1)	(4.0)	(4.0)	(3.0)	(3.0)
Results from associates	0.1	0.1	0.2	0.2	0.8	0.8	1.3	1.3
<b>Profit before income taxes</b>	<b>5.4</b>	<b>5.4</b>	<b>(2.3)</b>	<b>(2.3)</b>	<b>3.6</b>	<b>3.6</b>	<b>18.5</b>	<b>18.5</b>
Income taxes	(0.7)	(0.7)	(0.1)	(0.1)	(1.5)	(1.5)	(1.5)	(1.5)
Profit for the period from continuing operations	4.7	4.7	(2.4)	(2.4)	2.1	2.1	17.0	17.0
Loss for the period from discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Profit for the period</b>	<b>4.7</b>	<b>4.7</b>	<b>(2.4)</b>	<b>(2.4)</b>	<b>2.1</b>	<b>2.1</b>	<b>17.0</b>	<b>17.0</b>
thereof attributable to equity holders of RHI AG	3.7	3.7	(1.9)	(1.9)	2.2	2.2	16.9	16.9
thereof attributable to non-controlling interests	1.0	1.0	(0.5)	(0.5)	(0.1)	(0.1)	0.1	0.1

# Management Report RHI Group

## Business Development

In the 2<sup>nd</sup> quarter of 2010 the positive development of the global economy continued, leading to a significantly better business environment for RHI compared to the 1<sup>st</sup> half of 2009.

In its economic outlook published in late May 2010, the OECD forecast an increase in global trade of 10.6% in 2010 compared to the previous year (following a decline of 11% in 2009). The IMF in turn raised its global growth forecast for the current year by 0.4% to new 4.6% in July 2010. The global economic recovery is still driven by the high growth rates in the emerging markets. According to the IMF, China will grow by 10.5%, India by 9.5% and Brazil by 7.1%. For the Euro zone, the growth forecasts for 2010 are still subdued at an unchanged 1% (IWF) and 1.2% (OECD). GDP growth is projected to significantly exceed 3% in the USA and Japan in 2010. However, leading indicators of the OECD recently showed that the recovery slowed down slightly.

This positive economic development is also reflected in the business development of RHI in the 1<sup>st</sup> half of 2010. Compared to the highly difficult 1<sup>st</sup> half of 2009, revenues and earnings were improved significantly.

## Revenues & earnings

Revenues of the RHI Group rose by 22.5% to € 740.7 million in the 1<sup>st</sup> half of 2010 compared to the reference period 2009 (1<sup>st</sup> half 2009: € 604.5 million). Above all the Steel Division recorded an increase by 46.4%. The decline in the Industrial Division was primarily due to the strong reference period of 2009. The Group's sales volume amounted to 862,200 tonnes (1<sup>st</sup> half 2009: 663,800 tonnes). Compared to the 1<sup>st</sup> half of 2009, the Group's operating result soared by 139.2% to € 74.4 million (1<sup>st</sup> half 2009: € 31.1 million), with the balance of the reduction of carrying values and the compensation by insurance in Chile causing a positive one-off effect of € 7.9 million. The pre-restructuring EBIT margin was raised from 5.1% to 10.0%. Impairment losses and restructuring expenses amounted to € (4.1) million in the 1<sup>st</sup> half of 2010; the Group's EBIT equalled € 70.3 million (1<sup>st</sup> half 2009: € 21.4 million).

In comparison with the 1<sup>st</sup> quarter of 2010, the 2<sup>nd</sup> quarter of 2010 developed largely positively. Revenues exceeded the previous quarter by 16.5%, and EBIT rose from € 31.7 million to € 38.6 million.

As of 2 July 2010, the equity ratio was raised to 22.3% versus 20.0% at 31 March 2010. Net debt, at € 234.4 million, exceeded the level of the previous quarter of € 217.6 million, cash and cash equivalents declined by € 17.2 million to € 148.3 million. Net cash flow from operating activities continued to decline and amounted to € 16.2 million at half year (1<sup>st</sup> quarter 2010: € 22.4 million), which is attributable to an increase in receivables due to turnover, and to building up inventories. Net cash flow from investing activities, at € (8.9) million (1<sup>st</sup> quarter 2010: € (2.9) million) predominantly reflects the expansion of capacity in Dalian, China.

In the US Chapter 11 proceedings the appellants in the NARCO proceedings indicated to the court in the reporting period that they have come to an agreement in principle. In the GIT proceedings the court announced that another hearing would be held before the entire judges' college. Beyond that no new developments took place.

The number of employees rose by 2.8% to 7,258 compared to the prior-year reference period due to good capacity utilisation; compared to the 1<sup>st</sup> quarter of 2010, however, this figure fell slightly.

### Development of the individual divisions

#### Segment Reporting

	2 <sup>nd</sup> Quarter		1 <sup>st</sup> Half	
	2010	2009 <sup>1)</sup>	2010	2009 <sup>1)</sup>
Sales (thousand tons)	450.0	318.0	862.2	663.8
in € million				
<b>Revenues</b>	<b>398.5</b>	<b>288.7</b>	<b>740.7</b>	<b>604.5</b>
Steel Division	247.4	153.1	466.2	318.4
Industrial Division	144.8	129.5	262.1	275.4
Raw Materials Division				
External revenues	6.3	6.1	12.4	10.7
Internal revenues	34.3	23.0	65.3	52.8
<b>Operating result<sup>2)</sup></b>	<b>40.8</b>	<b>17.0</b>	<b>74.4</b>	<b>31.1</b>
Steel Division	14.8	(2.9)	30.9	(9.7)
Industrial Division	23.8	13.5	39.2	33.0
Raw Materials Division	2.2	6.4	4.3	7.8
<b>Operating result margin<sup>2)</sup></b>	<b>10.2%</b>	<b>5.9%</b>	<b>10.0%</b>	<b>5.1%</b>
Steel Division	6.0%	(1.9)%	6.6%	(3.0)%
Industrial Division	16.4%	10.4%	15.0%	12.0%
Raw Materials Division	5.4%	22.0%	5.5%	12.3%
<b>EBIT</b>	<b>38.6</b>	<b>7.3</b>	<b>70.3</b>	<b>21.4</b>
Steel Division	14.0	(7.2)	28.8	(14.0)
Industrial Division	22.5	11.1	37.3	30.6
Raw Materials Division	2.1	3.4	4.2	4.8
<b>EBIT margin</b>	<b>9.7%</b>	<b>2.5%</b>	<b>9.5%</b>	<b>3.5%</b>
Steel Division	5.7%	(4.7)%	6.2%	(4.4)%
Industrial Division	15.5%	8.6%	14.2%	11.1%
Raw Materials Division	5.2%	11.7%	5.4%	7.6%

1) after reclassification

2) before impairment losses and restructuring expenses

### Steel Division

The global steel industry's rapid recovery from the massive slump in 2009 characterised the 1<sup>st</sup> half of 2010. The global steel output in the 1<sup>st</sup> half of 2010 was up roughly 28% on the 1<sup>st</sup> half of 2009, not including China even 34%.

The Steel Division reported a significant increase in revenues and earnings in the 1<sup>st</sup> half of 2010 compared with the same period of the previous year. Revenues improved by 46.4% from € 318.4 million to € 466.2 million; the operating result rose from € (9.7) million to € 30.9.

As a result of the good market conditions, revenues of the Steel Division in the 2<sup>nd</sup> quarter of 2010 were 62% higher than the prior-year reference period. RHI's growth thus again clearly exceeded the growth rate of global steel production. Compared with the 1<sup>st</sup> quarter of 2010, revenues were increased by 13.1% in the

2<sup>nd</sup> quarter. The operating result of the 2<sup>nd</sup> second quarter, at € 14.8 million, developed very positively after it had been negative at € (2.9) million in the 2<sup>nd</sup> quarter of 2009. The EBIT margin deteriorated in comparison with the 1<sup>st</sup> quarter of 2010 due to the increase in raw material prices. First price adjustments were implemented in the 2<sup>nd</sup> quarter, and further price increases are planned.

**EMEA** In Western Europe the steel industry developed positively in the 1<sup>st</sup> half of 2010 in comparison with the previous year. This trend continued, though in a somewhat weaker form, in the 2<sup>nd</sup> quarter of 2010; especially the order situation of the steel mills for special steels has continued to recover.

The Eastern European steel markets showed a recovery in the 2<sup>nd</sup> quarter of 2010 in comparison with the 1<sup>st</sup> quarter of 2010. RHI was able to score as a reliable market and technology leader vis-à-vis the competition from Asia and to significantly increase revenues in this region compared to the 1<sup>st</sup> quarter of 2010.

A positive development was also recorded in the Middle East. RHI managed to increase revenues substantially as a systems supplier also in this region.

**North America** In North America the upward trend in the steel industry, which had begun in the 3<sup>rd</sup> quarter of 2009, continued. The business with refractory materials was expanded above average, especially due to the conclusion of additional full-line-service contracts.

**South America** In South America steel production developed more moderately than in other regions in the 2<sup>nd</sup> quarter of 2010, with growth amounting to 4.5% compared to the 1<sup>st</sup> quarter of 2010. The earthquake in Chile and the energy crisis in Venezuela showed their impact. In a year-on-year comparison, RHI has managed to grow substantially faster than the market and gain market share due to an intensified market presence and the expansion of the sales organisation.

**Asia/Pacific** The increase in steel output in Asia/Pacific (not including China) in the 2<sup>nd</sup> quarter of 2010 amounted to 6.5% compared with the 1<sup>st</sup> quarter of 2010. The positive development was driven primarily by the markets India, Vietnam and Taiwan. In India and Vietnam RHI succeeded in concluding several major full-line-service contracts in the 2<sup>nd</sup> quarter of 2010.

**China** In China RHI managed to raise revenues substantially in the 2<sup>nd</sup> quarter of 2010 compared with the 1<sup>st</sup> quarter of 2010, thus also exceeding the growth rate of the global steel production in this region. The successful focus on high-quality products on the one hand and project business on the other will be continued.

## Industrial Division

In the 2<sup>nd</sup> quarter of 2010 business in the most important customer industries of the Industrial Division recovered slightly. However, a genuine upswing – of the global construction industry in particular – is not yet in sight. The development of the nonferrous metals industry has been characterised by declines in prices, some of which have been substantial, since the beginning of the 2<sup>nd</sup> quarter of 2010. The order situation of RHI's Industrial Division developed positively overall in the 2<sup>nd</sup> quarter of 2010, but continued to show regional and industry-specific differences.

Revenues of the Industrial Division, at € 262.1 million in the 1<sup>st</sup> half of 2010, fell slightly short of the figure of the 1<sup>st</sup> half of 2009 (€ 275.4 million), which was still affected by the good order situation of the year 2008. The improvement of the pre-restructuring EBIT margin to 16.4% in the 2<sup>nd</sup> quarter is primarily attributable to the one-off effect in Chile.

**Glass** The demand for refractory materials for the glass industry continued to stagnate in most regions in the 2<sup>nd</sup> quarter of 2010. Apart from the stable flat glass market in China, which was barely affected by the crisis, a further recovery in the container glass segment was tangible in Russia. As a result of the investment in the Russian refractories manufacturer ZAO Podolsk Refractories and the related sales activities, RHI strengthened its position further in the Russian market in the 2<sup>nd</sup> quarter of 2010. In North and South America, increasing investment activities, which resulted from a rising number of repairs, were to be observed. In the other regions demand for refractory products was still subdued. However, the utilisation of existing production capacity increased again, and melting tanks that had been closed down or had never been commissioned, were used again. Overall, the market climate was still difficult and the level of incoming orders still low.

**Cement/Lime** The regionally varying market developments in the 1<sup>st</sup> quarter of 2010 persisted in the 2<sup>nd</sup> quarter. In Eastern Europe the downward trend in cement production was stopped and seems to have bottomed out now. In Germany the market is also stabilising, a recovery is expected for the year 2011. In Spain, Ireland and Great Britain substantial parts of the production capacities were taken off the market. No recovery is to be expected in those countries in the near future. Therefore cement producers have introduced rigorous cost-cutting measures. Therefore Chinese suppliers have managed to successfully sell test volumes successfully.

The development of the US market currently resembles that of Western Europe. The decline in sales volume of the previous quarters has also come to a halt there. Latin America, China and North Africa have suffered only little from the crisis of the year 2009. The positive trend of the 1<sup>st</sup> quarter of 2010 also persisted in the 2<sup>nd</sup> quarter of 2010. In Mexico and South America, new projects are tackled again and RHI expect sales opportunities due to its good market position. In China RHI once again managed to increase sales volume, which is attributable to high product quality and the technical after-sales service.

Following the successful 1<sup>st</sup> quarter of 2010, the positive trend in the lime segment also continued in the 2<sup>nd</sup> quarter of 2010, though at a slightly lower level. The regions of Central and South America as well as India and China are constantly increasing in significance in the market overall. The business in these regions was previously exclusively characterised by project business. RHI has now managed to win the entire ongoing repair business of a leading lime producer in the Mexican market.

Investment volumes in the North American market and the CIS countries continued to show a hesitant development. In Western Europe capacity utilisation in primary production was high again, which should lead to a significant increase in RHI deliveries in the future. Overall, deliveries to the lime industry suffered increasing price pressure on the part of some competitors.



## **Nonferrous Metals**

Following a clear upward trend of most metal prices, especially for nickel and copper, a tangible decline of prices was recorded in the 2<sup>nd</sup> quarter of 2010, which recently stabilised at a low level.

In the 2<sup>nd</sup> quarter, revenues from customers in the nonferrous metals industry overall clearly exceeded the 1<sup>st</sup> quarter, with results improving accordingly; incoming orders stabilised at a higher level.

The recovery of project business, which had already been tangible in the 1<sup>st</sup> quarter of 2010, continued in the 2<sup>nd</sup> quarter of 2010 and led to new orders. In the ferro-nickel segment the company began to deliver materials for major projects in Columbia and Macedonia. Successes were also recorded in third-party business in Brazil, where RHI supplies refractory materials for downstream aggregates such as lades. Part of the nickel industry in North America was on strike in the 2<sup>nd</sup> quarter of 2010. The strike was ended in late June, which should revive business significantly in this region in the 2<sup>nd</sup> of the year. However, it seems unlikely that the lack of orders in the previous months will be fully compensated.

## **Environment, Energy, Chemicals**

The positive trend in the chemicals, petrochemicals and refinery segment of the 1<sup>st</sup> first quarter of 2010 continued in the 2<sup>nd</sup> quarter of 2010. Both revenues and the level of incoming orders developed positively. Rising demand from the industrialised countries and the BRIC states as well as the construction of new plants in the Middle East indicate that this trend will persist. The Environment, Energy, Chemicals segment should therefore have overcome the economic and financial crisis.

## **Raw Materials Division**

Revenues of the Raw Materials Division improved from € 63.5 million to € 77.7 million in the 1<sup>st</sup> half of 2010, up 22.4% on the same period in 2009. This was caused by significantly higher demand of the Steel and Industrial Divisions. On 19 April heavy rainfalls triggered a landslide at the Eskisehir plant in Turkey. Expenses related to the landslide to the amount of € 1.5 million had a negative effect on the result of the 2<sup>nd</sup> quarter.

Raw material production remained at a high level in the 2<sup>nd</sup> quarter of 2010 and exceeded the production performance of the 1<sup>st</sup> quarter of 2010 by another 2.2%. The consumption in the Group of the raw materials produced in the division exceeded the level of the 1<sup>st</sup> quarter of 2010 by 5% in the 2<sup>nd</sup> quarter of 2010. Compared to the 1<sup>st</sup> half of 2009, capacity utilisation was 32.4% higher. With the exception of the plants in Dashiqiao/China and Isithebe/South Africa, capacities were largely fully utilised. The production of finished products of the Raw Materials Division in the 1<sup>st</sup> half of 2010 exceeded the prior-year figure by roughly 57%. In comparison with the 1<sup>st</sup> quarter of 2010, the production of finished products rose by 15%. For the 2<sup>nd</sup> half of 2010, RHI expects the level of demand and production to be similarly high as in the 1<sup>st</sup> half of 2010.

External revenues of the Raw Materials Division in the 1<sup>st</sup> half of 2010 rose by some 16% compared to the 1<sup>st</sup> half of 2009 and by roughly 3% compared to the 1<sup>st</sup> quarter of 2010. Revenues from commodities in the 1<sup>st</sup> half of 2010 also slightly exceeded the figures of the prior-year reference period.

The upward trend of raw material prices continued in the 2<sup>nd</sup> quarter of 2010. The market price for Chinese raw materials in particular rose significantly, which was above all attributable to higher prices for export licences and the weaker Euro in relation to the US dollar. The prices of raw materials outside China remained constant.

Growing demand had an effect on the availability of some raw materials. The critical supply situation for fused magnesia persists. RHI has been able to cover its requirements through an increase in its own production. Due to the expected shortage of export licenses in the 2<sup>nd</sup> half of 2010, export prices for Chinese raw materials are continuing to increase. If the export prices of Chinese raw materials remain high, it can be assumed that the raw materials of Western producers will also become more expensive.

#### **Risk Report**

In the 1<sup>st</sup> half of 2010, no relevant changes occurred in the categories of risk or the methods of risk management. For detailed information refer to the annual report 2009.

#### **Outlook**

RHI expects a sustained recovery of the global economy in the 2<sup>nd</sup> half of the year, which will again be driven by growth in the emerging markets. A potential slow-down of the growth momentum should not counteract the overall trend. Uncertainties may result from changes in the structure of raw material prices.

The order status of the Steel Division for the 3<sup>rd</sup> quarter of 2010 indicates a business development comparable to the two previous quarters, though moderately weaker due to seasonal factors. In comparison with the 1<sup>st</sup> half of 2010, RHI expects global steel output to decline slightly in the 2<sup>nd</sup> half of the year 2010. In addition, the increased raw material costs will cause pressure on margins and make significant price adjustments necessary in the coming quarters.

In the Industrial Division RHI considers the market development positive and expects revenues in the 2<sup>nd</sup> half to exceed the figures of the 1<sup>st</sup> half, which will be primarily attributable to a good 4<sup>th</sup> quarter.

The development of the Raw Materials Division will depend on the further economic development, especially in the steel industry.

Overall, RHI expects revenues in the 2<sup>nd</sup> half of the year to reach the level of the 1<sup>st</sup> half. Higher raw material prices and the delayed price adjustments give reason to expect an EBIT margin in the 3<sup>rd</sup> quarter 2010 of 50-150 base points below that of the 1<sup>st</sup> half of the year.

# Condensed Consolidated Interim Financial Statements

## Selected Explanatory Notes

### Principles and methods

Starting with the 2<sup>nd</sup> quarter of 2010, the financial years of RHI AG will be divided into four quarters of 13 weeks each. The resulting reporting periods for the financial year 2010 and the periods of the previous year are shown in the following table:

	2010	2009
1 <sup>st</sup> quarter	1 Jan - 31 Mar	1 Jan - 31 Mar
2 <sup>nd</sup> quarter	1 Apr - 2 Jul	1 Apr - 30 Jun
3 <sup>rd</sup> quarter	3 Jul - 1 Oct	1 Jul - 30 Sep
4 <sup>th</sup> quarter	2 Oct - 31 Dec	1 Oct - 31 Dec

The interim financial statements at 2 July 2010 were prepared in accordance with IAS 34 and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as amended and recognised by the European Union (EU).

In the interim financial statements as of 2 July 2010, the same accounting and valuation principles as in the preparation of the consolidated financial statements as of 31 December 2009 were applied. The following new or revised accounting standards and interpretations, which are also applicable in the EU, were applied for the first time in the year 2010:

- >> IAS 27 (amended 2008): Consolidated and Separate Financial Statements
- >> IAS 28 (amended 2008): Investments in Associates
- >> IAS 39 (amended 2008): Financial Instruments: Recognition and Measurement - Eligible Hedged Items
- >> IFRS 2 (amended 2009): Share-based Payment - Group Cash-settled Share-based Payment Arrangements
- >> IFRS 3 (amended 2008): Business Combinations
- >> Improvements to IFRSs (2009)
- >> IFRIC 17 (2008): Distributions of Non-Cash Assets to Owners
- >> IFRIC 18 (2009): Transfers of Assets from Customers

The revised versions of IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements" have been applied by the RHI Group since 1 January 2010. Explanations on the major changes compared with the previous version of these standards are provided in the quarterly report I/2010, Notes to the Consolidated Financial Statements, "Accounting principles, general".

The other new or revised standards and interpretations were applied in these financial statements as well. Their application had no effect on the figures reported in these financial statements, but may affect the accounting of future transactions.

### **The presentation of the income statement has changed as follows:**

In the year 2009, the costs of information technology of the production plants and the competence centres of production previously reported centrally were no longer recognised under general and administration costs, but under cost of sales. In the 1<sup>st</sup> half of 2009 € 5.0 million were reclassified to the income statement item cost of

sales. Moreover, the costs of services previously included under sales and marketing costs amounting to € 2.5 million were transferred to cost of sales.

In 2010, a reclassification was introduced pursuant to which the originally reported line item special direct distribution costs was transferred to cost of sales and sales and marketing costs. The special direct distribution costs, the reporting of which is not common among our peers, originally consisted of freight, licences, commissions and other costs and amounted to € 47.7 million in the 1<sup>st</sup> half of 2009. Except for commissions in the amount of € 11.7 million, which were reclassified to sales and marketing costs, all other items were re-allocated to cost of sales. As a result the reclassified cost of sales for the 1<sup>st</sup> half of 2009 increased by € 36.0 million and sales and marketing costs increased by € 11.7 million.

**In 2010 segment reporting has changed as follows:**

As of 2010 internal and external revenues of the Raw Materials segment reflect only internally produced raw materials. Previously raw materials purchased from third parties also led to internal revenues of the Raw Materials segment. This change resulted in a decline in revenues in the Raw Materials segment by € 150.7 million in the 1<sup>st</sup> half of 2009. A further reduction in revenues by € 173.1 million is attributable to the fact that since 1 July 2009 the Steel and Industrial Divisions have been invoiced only for the share of raw materials. Until 30 June 2009 they had been invoiced for the entire production costs.

The proceeds from the sale of emission certificates of € 3.1 million realised in the 2<sup>nd</sup> quarter of 2009 were allocated to the divisions.

Since 1 July 2009 production plants and research activities have been allocated to the operating segments. Prior to that, all production facilities had been allocated to the Raw Materials/Production segment. The reclassification of the comparative figures resulted in effects on the divisional results.

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

**Consolidated companies** The group of consolidated companies has not changed since the previous balance sheet date.

In the 1<sup>st</sup> half of 2009 RHI acquired the remaining 33.33% in RHI Refractories Spaeter GmbH, Urmitz, Germany, so that RHI holds 100% of the shares. The difference between the cost of the additional shares amounting to € 2.1 million and the proportional carrying value of the minority interests of € 0.3 million amounted to € 1.8 million and was recognised directly in equity.

**Earthquake in Chile in February 2010** The earthquake in Chile in late February 2010 had a massive impact on the RHI plant in Santiago. The reduction in carrying amounts of € 2.9 million related to the destroyed plants and the corresponding insurance compensation to the amount of € 7.9 million are shown net under other income.

In addition, the production of bricks had to be discontinued at the production site in Chile due to the damage created. It is currently being evaluated which parts of production will be continued. The proceeds from the insurance compensation for the

operational interruption and other damage amounts to roughly € 2.7 million for the 1<sup>st</sup> half of 2010 and is also shown under other income. The corresponding expenses are included in the individual items of the income statement.

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

**Related companies** 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.

**Changes in the Management Board** Mr. Rudolf Payer, a member of the Management Board of RHI AG since 6 June 2007, resigned from his mandate with effect from 12 March 2010. His responsibilities were taken over by Mr. Henning E. Jensen, CFO of RHI AG since 18 January 2010.

**Statement by the Management Board** 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 1<sup>st</sup> half of 2010 ending on 2 July do not necessarily allow conclusions regarding the development of future results.

Vienna, 26 July 2010

Management Board



Thomas Fahnemann  
CEO



Henning E. Jensen  
CFO



Giorgio Cappelli  
COO Steel



Manfred Hödl  
COO Industrial

## Report on Review of Condensed Consolidated Interim Financial Information

Att. Managing Board of RHI AG

**Introduction** We have reviewed the accompanying Condensed Consolidated Interim Financial Statements 1<sup>st</sup> half-year 2010 of RHI AG, Vienna. These condensed consolidated interim financial statements comprise the Consolidated Statement of Financial Position as of July 2, 2010, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement for the six-month period then ended, and Selected Explanatory Notes to the Condensed Interim Financial Statements 1<sup>st</sup> half-year 2010. Management is responsible for the preparation and fair presentation of the Condensed Interim Financial Statements 1<sup>st</sup> half-year 2010 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

Referring to § 275 of the Austrian Enterprise Code ("UGB") our responsibility and liability for actual damage due to gross negligence is limited to EUR Mio 2. According to the "General Conditions of Contract for the Public Accounting Professions," as issued by the Chamber of Public Accountants and Tax Advisors in Austria on March 8, 2000, revised on March 22, 2010 ("AAB 2010") our liability for slight negligence is excluded. The above mentioned limitations of liability as agreed with RHI AG are also applicable to our relation to third parties, who undertake or refrain from actions on the basis of our review report.

**Scope of Review** We conducted our review in accordance with 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 conducted in accordance with International Standards on Auditing 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.

**Conclusion** Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Financial Statements 1<sup>st</sup> half-year 2010 of RHI AG do not give a true and fair view of the financial position of the entity as at July 2, 2010, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Vienna, July 26, 2010

Deloitte Audit Wirtschaftsprüfungs GmbH

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

Mag. Friedrich Wiesmüllner m.p.  
Austrian Certified Public Accountant

# Condensed Consolidated Interim Financial Statements

## Consolidated Statement of Financial Position

in € million	02.07.2010	31.12.2009
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	423.1	411.2
Goodwill	14.8	14.7
Other intangible assets	39.9	41.3
Shares in associates	13.3	12.4
Other financial assets	38.5	36.9
Non-current receivables	2.9	2.8
Deferred tax assets	69.8	72.1
	<b>602.3</b>	<b>591.4</b>
<b>Current assets</b>		
Inventories	365.2	286.7
Trade and other current receivables	283.9	246.4
Income tax receivables	4.6	4.2
Other financial assets	3.1	2.7
Cash and cash equivalents	148.3	139.8
	<b>805.1</b>	<b>679.8</b>
	<b>1,407.4</b>	<b>1,271.2</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	289.4	289.4
Group reserves	5.8	(80.1)
Equity attributable to equity holders of RHI AG	295.2	209.3
Non-controlling interests	18.6	18.5
	<b>313.8</b>	<b>227.8</b>
<b>Non-current liabilities</b>		
Non-current financial liabilities	217.5	217.6
Deferred tax liabilities	3.9	8.7
Personnel provisions	285.2	287.5
Other non-current provisions	3.3	3.2
Other non-current liabilities	6.3	5.7
	<b>516.2</b>	<b>522.7</b>
<b>Current liabilities</b>		
Current financial liabilities	165.2	155.4
Trade and other current payables	292.4	265.2
Other financial liabilities	9.8	1.4
Income tax payables	33.1	27.2
Current provisions	76.9	71.5
	<b>577.4</b>	<b>520.7</b>
	<b>1,407.4</b>	<b>1,271.2</b>

## Consolidated Income Statement

in € million	2 <sup>nd</sup> Quarter		1 <sup>st</sup> Half	
	2010	2009 <sup>1)</sup>	2010	2009 <sup>1)</sup>
Revenues	398.5	288.7	740.7	604.5
Cost of sales	(308.8)	(223.5)	(566.6)	(468.0)
<b>Gross profit</b>	<b>89.7</b>	<b>65.2</b>	<b>174.1</b>	<b>136.5</b>
Sales and marketing costs	(26.8)	(24.8)	(51.3)	(50.8)
General and administration costs	(28.0)	(25.3)	(50.7)	(52.4)
Impairment losses	0.0	(2.8)	0.0	(2.8)
Restructuring costs	(2.2)	(6.8)	(4.1)	(6.8)
Other income	7.7	3.7	9.2	4.8
Other expenses	(1.8)	(1.9)	(6.9)	(7.1)
<b>Operating results</b>	<b>38.6</b>	<b>7.3</b>	<b>70.3</b>	<b>21.4</b>
Interest income	0.4	0.3	0.9	0.7
Interest expenses	(3.9)	(6.0)	(6.9)	(10.8)
Other financial result	(2.2)	(4.1)	(6.2)	(8.5)
Financial result	(5.7)	(9.8)	(12.2)	(18.6)
Results from associates	2.0	0.2	3.6	0.3
<b>Profit/Loss before income taxes</b>	<b>34.9</b>	<b>(2.3)</b>	<b>61.7</b>	<b>3.1</b>
Income taxes	(7.3)	(0.1)	(12.6)	(0.8)
<b>Profit/Loss after income taxes</b>	<b>27.6</b>	<b>(2.4)</b>	<b>49.1</b>	<b>2.3</b>
Profit/Loss attributable to				
equity holders of RHI AG	27.7	(1.9)	50.2	1.8
non-controlling interests	(0.1)	(0.5)	(1.1)	0.5
	27.6	(2.4)	49.1	2.3
in €				
Basic earnings per share	0.70	(0.05)	1.26	0.05
Diluted earnings per share	0.70	(0.04)	1.26	0.05

1) Explanations on the reclassified comparable data for 2009 are provided in the notes.

2) The calculation of diluted earnings per share for the comparative period 2009 was based on the assumption that the convertible bonds issued would be converted by 31 December 2009. As of 31 December 2009, all convertible bonds had been converted.

## Consolidated Statement of Comprehensive Income

in € million	2 <sup>nd</sup> Quarter		1 <sup>st</sup> Half	
	2010	2009	2010	2009
Profit/Loss	27.6	(2.4)	49.1	2.3
Unrealised results from currency translation recognised in equity	18.5	0.7	38.0	15.4
<b>Total comprehensive income</b>	<b>46.1</b>	<b>(1.7)</b>	<b>87.1</b>	<b>17.7</b>
Total comprehensive income attributable to				
equity holders of RHI AG	44.9	(0.5)	85.9	17.0
non-controlling interests	1.2	(1.2)	1.2	0.7
	46.1	(1.7)	87.1	17.7



## Consolidated Statement of Changes in Equity

Equity attributable to equity holders of RHI AG								Non-controlling interests	Total equity
in € million	Share capital	Additional paid-in capital	Fair value reserves	Currency translation reserves	Accumulated results	Total			
<b>31 December 2009</b>	<b>289.4</b>	<b>38.3</b>	<b>3.1</b>	<b>(61.3)</b>	<b>(60.2)</b>	<b>209.3</b>	<b>18.5</b>	<b>227.8</b>	
Total comprehensive income	-	-	-	35.7	50.2	<b>85.9</b>	<b>1.2</b>	<b>87.1</b>	
Dividends	-	-	-	-	-	<b>0.0</b>	<b>(1.1)</b>	<b>(1.1)</b>	
<b>2 July 2010</b>	<b>289.4</b>	<b>38.3</b>	<b>3.1</b>	<b>(25.6)</b>	<b>(10.0)</b>	<b>295.2</b>	<b>18.6</b>	<b>313.8</b>	

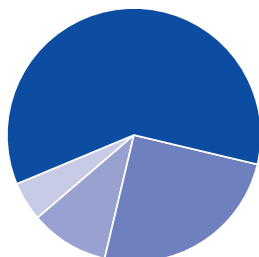
Equity attributable to equity holders of RHI AG								Non-controlling interests	Total equity
in € million	Share capital	Additional paid-in capital	Fair value reserves	Currency translation reserves	Accumulated results	Total			
<b>31 December 2008</b>	<b>275.6</b>	<b>38.3</b>	<b>3.1</b>	<b>(79.4)</b>	<b>(75.0)</b>	<b>162.6</b>	<b>19.2</b>	<b>181.8</b>	
Total comprehensive income	-	-	-	15.2	1.8	<b>17.0</b>	<b>0.7</b>	<b>17.7</b>	
Dividends	-	-	-	-	-	<b>0.0</b>	<b>(0.7)</b>	<b>(0.7)</b>	
Change in non-controlling interests	-	-	-	-	(1.8)	<b>(1.8)</b>	<b>(0.3)</b>	<b>(2.1)</b>	
<b>30 June 2009</b>	<b>275.6</b>	<b>38.3</b>	<b>3.1</b>	<b>(64.2)</b>	<b>(75.0)</b>	<b>177.8</b>	<b>18.9</b>	<b>196.7</b>	

## Consolidated Cash Flow Statement

in € million	1 <sup>st</sup> Half	
	2010	2009
Profit after income taxes	49.1	2.3
Adjustments for		
income taxes	12.6	0.8
depreciation and amortisation charges	26.8	25.4
impairment losses on property, plant and equipment and intangible assets	0.0	2.8
write-ups of financial assets	(0.8)	(0.3)
losses from sale of non-current assets	0.1	1.3
interest result	5.9	10.1
dividend income	(0.8)	0.0
results from associates	(3.6)	(0.2)
other non-cash changes	12.8	9.2
Change in working capital		
Inventories	(59.8)	48.4
Trade receivables	(12.6)	77.5
Other receivables and assets	(9.7)	6.0
Provisions	(12.1)	(11.6)
Trade payables	13.2	(57.2)
Other liabilities	2.8	(16.1)
<b>Cash flow from operating activities</b>	<b>23.9</b>	<b>98.4</b>
Income taxes paid	(7.7)	(8.1)
<b>Net cash flow from operating activities</b>	<b>16.2</b>	<b>90.3</b>
Investments in non-controlling interests	(0.3)	(0.2)
Investments in property, plant and equipment and intangible assets	(14.5)	(15.1)
Cash inflows from the sale of property, plant and equipment and intangible assets	1.2	0.8
Investments in non-current receivables	(0.1)	(2.1)
Cash inflows from non-current receivables	0.1	0.2
Investments in financial assets	(0.5)	0.0
Cash inflows from the sale of financial assets	0.0	0.9
Dividend payments from associates	2.7	2.9
Investment subsidies received	1.0	0.0
Interest received	0.9	0.7
Dividends received	0.6	0.0
<b>Net cash flow from investing activities</b>	<b>(8.9)</b>	<b>(11.9)</b>
Dividend payments to non-controlling interests	(1.1)	(0.7)
Proceeds from current borrowings	1.7	10.2
Repayment of non-current borrowings	(3.4)	(10.9)
Proceeds from current borrowings	6.9	0.0
Repayment of current borrowings	0.0	(2.8)
Interest payments	(6.9)	(10.4)
<b>Net cash flow from financing activities</b>	<b>(2.8)</b>	<b>(14.6)</b>
<b>Total cash flow</b>	<b>4.5</b>	<b>63.8</b>
<b>Change in cash and cash equivalents</b>	<b>4.5</b>	<b>63.8</b>
Cash and cash equivalents as of 1.1.	139.8	46.3
Change in cash and cash equivalents due to currency translation	3.9	0.6
Cash and cash equivalents as of 2.7.	148.3	110.7

# RHI Share

## RHI Shareholder structure



- < 60% Free float
- > 25% MS Private Foundation, Austria
- > 10% FEWI Beteiligungsgesellschaft mbH, Germany
- > 5% Raiffeisen Group, 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 is a member of the Prime Market at the Vienna Stock Exchange. In the year 2009, all outstanding convertible bonds were converted to new RHI shares. On 2 July 2010, 39,819,039 no-par common shares with voting rights of RHI AG were admitted to trading in Vienna.

## Financial Calendar

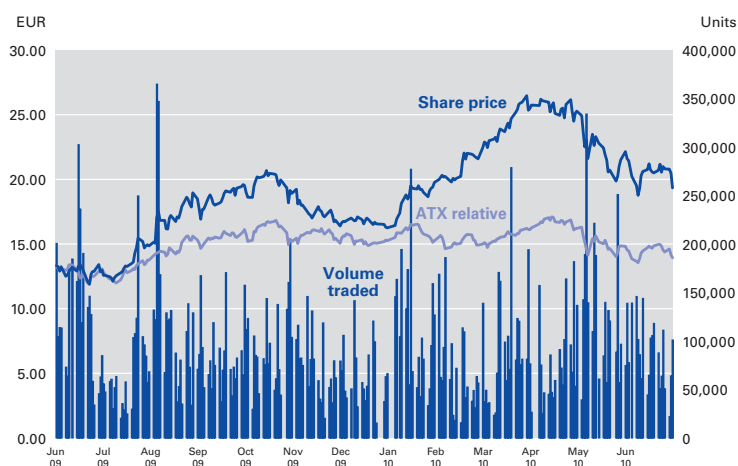
Results for the 3<sup>rd</sup> Quarter 2010

4 November 2010

## Stock exchange key figures

in €	1 <sup>st</sup> Half	
	2010	2009
Highest share price	26.47	13.42
Lowest share price	16.43	8.70
Share price at 2 July resp. 30 June	18.35	11.48
Market capitalisation (in € million)	730.68	487.74

## Performance of the RHI share 06/2009 - 06/2010



### ISIN

RHI Share: AT 0000676903

Reuters: RHIV.VI

Bloomberg: RHI AV

### Information on RHI

Investor Relations

Barbara Potisk-Eibensteiner

Tel. +43 (0)50213-6123

Fax: +43 (0)50213-6130

E-Mail: [rhi@rhi-ag.com](mailto:rhi@rhi-ag.com)

Internet: [www.rhi-ag.com](http://www.rhi-ag.com)

# Imprint

**Owner and publisher:**

**RHI AG**

Wienerbergstraße 11  
A-1100 Vienna, Austria  
Tel: +43 (0)50213-0  
E-mail: rhi@rhi-ag.com  
www.rhi-ag.com

**Concept, graphic design and coordination:**

**RHI AG**

Investor Relations  
Tel: +43 (0)50213-6123  
Fax: +43 (0)50213-6130

**Production:**

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

**Print:**

E. Schausberger & Co. Ges.m.b.H.  
Heidestraße 19  
A-4623 Gunskirchen

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).