RHI

CUSTOMER BENEFITS

Half-year Financial Report 2014

Quarterly Overview

Earnings indicators (in € million)	Q2/2014	Q1/2014	Delta	Q4/2013	Q3/2013	Q2/2013
Revenues	436.8	402.3	8.6%	456.6	427.4	445.2
EBITDA	**54.8**	**50.2**	**9.2%**	**43.3**	**50.2**	**102.2**
Operating result[1]	37.7	34.1	10.6%	18.0	32.2	27.2
EBIT	38.5	33.6	14.6%	(53.0)	30.7	84.0
Financial result	(6.9)	(6.8)	(1.5)%	(1.9)	(7.2)	(10.2)
Results from joint ventures	2.2	2.0	10.0%	2.8	1.5	1.8
Result before income taxes	33.8	28.8	17.4%	(52.1)	25.0	75.6
Income taxes	(11.0)	(9.0)	(22.2)%	13.6	(7.1)	(15.1)
Result from continued operations	22.8	19.8	15.2%	(38.5)	17.9	60.5
EBITDA %	12.5%	12.5%	0.0pp	9.5%	11.7%	23.0%
EBIT %	8.8%	8.4%	0.4pp	(11.6)%	7.2%	18.9%
Result from continued operations %	5.2%	4.9%	0.3pp	(8.4)%	4.2%	13.6%

Cash flow indicators (in € million)	Q2/2014	Q1/2014	Delta	Q4/2013	Q3/2013	Q2/2013
Cash flow from operating activities	**(10.6)**	**23.0**	**(146.1)%**	**54.5**	**53.7**	**25.5**
Cash flow from investing activities	(4.1)	(5.3)	(22.6)%	(42.6)	(14.1)	(8.3)
Cash flow from financing activities	(46.3)	(1.9)	2.336.8%	(68.0)	12.4	(45.2)
Free Cash flow	(14.7)	17.7	(183.1)%	11.9	39.6	17.2

Balance sheet indicators (in € million)	Q2/2014	Q1/2014	Delta	Q4/2013	Q3/2013[2]	Q2/2013[2]
Balance sheet total	1,714.6	1,759.1	(2.5)%	1,724.0	1,817.6	1,823.4
Equity	485.4	497.5	(2.4)%	485.5	527.2	527.2
Equity ratio (in %)	28.3%	28.3%	0.0pp	28.2%	29.0%	28.9%
Net debt	459.2	408.3	12.5%	422.9	430.8	464.2
Gearing-Ratio (in %)[3]	94.6%	82.1%	12.5pp	87.1%	81.7%	88.1%
Net debt / EBITDA[4]	**2.3**	**1.7**	**35.3%**	**1.6**	**1.6**	**1.6**
Working Capital[5]	542.7	507.5	6.9%	481.0	513.1	542.9
Working Capital %[6]	31.1%	31.5%	(0.4)pp	26.3%	30.0%	30.5%
Capital Employed[7]	1,184.6	1,152.6	2.8%	1,138.8	1,218.9	1,268.7
Return on capital employed (in %)[8]	**9.4%**	**8.6%**	**0.8pp**	**(13.4)%**	**7.6%**	**22.2%**

Stock exchange indicators (Vienna)	Q2/2014	Q1/2014	Delta	Q4/2013	Q3/2013	Q2/2013
Number of shares (million units)	39,819	39,819	0.0%	39,819	39,819	39,819
Closing price (in €)	24.59	23.36	5.3%	22.56	24.40	26.75
Market capitalization (in € million)	**979**	**930**	**5.3%**	**898**	**972**	**1.065**
Earnings per share (in €)	0.56	0.49	14.3%	(0.97)	0.44	1.51
Price-earnings ratio	**11.0**	**11.9**	**(7.6)%**	**(5.8)**	**13.9**	**4.4**

1) EBIT before impairment and restructuring expenses and result from Chapter 11 proceedings
2) for explanations regarding the adjustments, see Annual Report 2013, page 82 (other changes in comparative information)
3) excluding non-current provisions for pensions, termination benefits and service anniversary bonuses
4) EBITDA trailing twelve months
5) Working Capital: Inventories + Trade receivables and receivables from long-term construction contracts – Trade payables – Prepayments received
6) Working Capital / (Revenues x 4)
7) Capital Employed: Property, plant and equipment + Goodwill + Other intangible assets + Working Capital
8) Return on capital employed: (EBIT – Taxes) x 4 / average Capital Employed

Condensed Interim Management Report

as of June 30, 2014

Economic Environment

The IMF reduced its growth expectations for the global economy in the year 2014 from 3.7% at the beginning of the year to now 3.4%due to geopolitical tensions.

In its update of the World Economic Outlook published in July 2014, the International Monetary Fund (IMF) forecasts global economic growth of 3.4% in the current year and an acceleration of growth to 4.0% in the year 2015. This corresponds to a reduction of expected growth by 0.2% for the year 2014 in comparison with the figures published in April of this year. The reasons on the one hand lie in the geopolitical tensions in Ukraine and the Middle East: growth forecasts for Russia, for example, were lowered significantly from 2.0% at the beginning of the year to 0.2% as a result of economic sanctions by the European Union and the USA; on the other hand, a harsh winter in the USA had a negative impact on economic growth in the first quarter of 2014. This also caused the International Monetary Fund to reduce the growth forecast for the USA in the year 2014 from 2.8% to 1.7%. The IMF attested the European Union progress in fighting the consequences of the financial and sovereign debt crisis as a result of the consolidation policy of the past years. The high unemployment rates, especially in the peripheral states, and the low inflation rate in the euro area, which only amounted to 0.5% in June 2014, still cause concern. On the one hand, low inflation rates lead to higher real interest rates, thus aggravating the debt burden and putting a damper on economic growth; on the other hand, the effects of high inflation rates are easier to fight than deflation with the means available to monetary policy.

While the base rate in Europe is likely to remain at a very low level for a longer period, a slow increase can be expected in the USA starting in 2015 due to good economic data.

The risk of possible deflation in the euro area caused the European Central Bank (ECB) to reduce the base rate to a new historic low of 0.15% and the deposit rate from 0.0% to (0.1)% in early June. Hence, banks that deposit money with the ECB for a short period have to pay penalty interest for the security offered. One of the objectives is to encourage banks to expand lending rather than hoarding surplus liquidity. While the base rate is likely to remain very low in Europe for a longer period of time according to the ECB President, in the USA the base rate of the US Federal reserve is expected to be raised again for the first time in the first half of 2015 due to good economic data and declining unemployment figures. In addition to the imminent end of the monthly bond purchases in October 2014, this should lead to a devaluation of the euro against the US dollar, which in turn will result in a higher inflation rate due to higher prices for imported goods and will support export-oriented companies.

In the past months, the most important central banks have increasingly voiced concerns that investors misjudge and misprice risks due to low interest rates. Representatives pointed out, among other things, the high ratings at the stock and bond markets and as well as investors' significantly increased risk inclination.

Five large emerging countries established their own development bank in mid-July.

Since the tightening of the US monetary policy started in June 2013, the emerging countries have suffered from capital outflows, which have had a negative effect on growth as a result of declining investments, and from high inflation rates resulting from the devaluation of local currencies. This leads to a focus of politics and business on domestic consumption as a basis of sustainable growth. In addition, the heads of state of the five large emerging economies Brazil, Russia, India, China and South Africa agreed on the establishment of their own development bank in mid-July as a counterpart to the World Bank, and a reserve fund worth USD 100 billion.

Asset, Financial and Earnings Position

The RHI Group's sales volume rose by 3.6% compared with the first quarter of 2014 to roughly 465,000 tons and amounted to roughly 914,000 tons in the first half of 2014. The increase by 4.0% compared with the first half of 2013 results from the integration of Orient Refractories into the RHI Group in late April 2013 and a rise in sales volume in the Raw Materials Division due to higher external raw material sales. While the Steel Division thus recorded an increase by 2.3% in the first half of 2014, sales volume in the Industrial Division was down 2.3% on the comparative period of 2013.

The increase in sales volume in the first half of the year results from higher external raw material sales.

In the first half of 2014, revenues of the RHI Group declined by 3.6% compared with the first half of 2013, and amounted to € 839.1 million. Revenues of the Steel Division were down 1.4% on the comparative period of 2013 despite the integration of the Indian company Orient Refractories Ltd. in late April 2013. This is in part also attributable to political tensions in Ukraine, which brought business to a nearly complete standstill, to a weaker development of revenues in Vietnam and Thailand resulting from increased steel imports from China, and to declining competitiveness in the South American market resulting from the massive devaluation of South American currencies against the euro and increased import duties to protect local manufacturers. Revenues of the Industrial Division dropped by 9.3% compared with the first half of 2013 because of a weaker development of the nonferrous metals business unit resulting from lower metal prices, and because of ongoing challenges in the market environment of the business unit glass.

The decline in revenues is due to political tensions in Ukraine, a difficult market environment in South America and a weaker development of the nonferrous metals business unit.

The operating result amounted to € 71.8 million in the past quarter. Compared with the operating result of € 76.6 million in the first half of 2013, this corresponds to a decline by 6.3%. While the Steel Division benefited from better capacity utilization after the closure of the plant in Duisburg, Germany, at the beginning of the financial year, the operating result of the Industrial Division dropped due to lower revenues and the associated lower capacity utilization at the production facilities. The operating result margin decreased from 8.8% in the first half of 2013 to 8.6% in the first half of 2014.

EBIT amounted to € 72.1 million in the first half of 2014 and includes restructuring costs of € 0.5 million resulting from the closure of the plant in Duisburg, Germany, and income from the reversal of provisions amounting to € 0.8 million due to a reassessment of the scope of obligations related to the termination of the US Chapter 11 proceedings in the previous year. In the first half of last year, EBIT included provisions for restructuring of € 19.0 million related to the announced closure of the site in Duisburg, Germany, and net income from the termination of the US Chapter 11 proceedings amounting to € 75.8 million.

EBIT of the comparative prior-year period includes high extraordinary effects.

The financial result including the result from joint ventures amounted to € (9.5) million in the first half of this year. The tax rate rose from 28.4% in the first half of 2013 to 31.9% in the first half of 2014.

The result after income taxes thus totaled € 42.6 million in the first half of 2014. The result after income taxes of € 83.3 million in the first half of 2013 was positively affected by net income from the termination of the US Chapter 11 proceedings. Earnings per share declined from € 2.08 to € 1.05.

Compared with the first quarter of 2014, revenues rose by 8.6% to € 436.8 million in the second quarter of 2014. This is primarily attributable to an increase in business volume in Europe, Russia and the Middle East in the Steel Division and significantly higher revenues in the business unit environment, energy, chemicals.

The operating result rose to € 37.7 million in the second quarter of 2014 after € 34.1 million in the preceding quarter. The operating result margin thus improved slightly to 8.6% in the past quarter. While the Steel and Industrial Divisions raised their operating result margins due to better capacity utilization, the operating result margin of the Raw Materials Division dropped, which was, amongst other things, attributable to damage caused by a fire in Porsgrunn, Norway, and the related restricted availability of the fusion lines.

The equity ratio improved slightly to 28.3%.

Equity amounted to € 485.4 million as of June 30, 2014 after € 485.5 million as of December 31, 2013. Here, a reduction of the actuarial interest rate used to determine pension and termination payment obligations in the euro area by 60 basis points led to an increase in personnel provisions amounting to € 22.0 million in the first half of 2014, which at the same time reduced equity by € 15.9 million taking into account deferred taxes. The equity ratio improved slightly from 28.2% at the end of the financial year 2013 to 28.3% as of June 30, 2014 as a result of a slightly lower balance sheet total.

Cash and cash equivalents dropped from € 112.4 million to € 66.9 million, which was due to the dividend payment of € 29.9 million and an increase in working capital compared with December 31, 2013. Net debt consequently rose from € 422.9 million to € 459.2 million. As a result, the gearing ratio increased from 87.1% to 94.6%.

Cash flow from operating activities is characterized by a strong increase in working capital and payments related to the social plan in Duisburg.

Net cash flow from operating activities amounted to € 12.4 million in the first half of 2014 after € 63.3 million in the comparative period of the previous year. This is primarily attributable to the massive increase in working capital in the second quarter of 2014 as well as payments totaling roughly € 12 million made in the context of the social plan adopted as a result of the closure of the plant in Duisburg, Germany. Net cash flow from investing activities amounted to € (9.4) million in the first half of the year.

The number of employees dropped from 8,121 at the end of the year 2013 to 8,026, which was amongst other things due to closure of the plant in Duisburg, Germany.

Segment Reporting

	H1/2014	H1/2013[1]	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013[1]
Sales (thousand tons)	914	879[2]	465	449[2]	458[2]	431[2]	441[2]
in € million							
Revenues	**839.1**	**870.7**	**436.8**	**402.3**	**456.6**	**427.4**	**445.2**
Steel Division	535.4	542.8	278.7	256.7	278.7	276.0	286.3
Industrial Division	278.8	307.4	145.6	133.2	170.9	140.7	147.7
Raw Materials Division							
External revenues	24.9	20.5	12.5	12.4	7.0	10.7	11.2
Internal revenues	132.5	122.5	63.9	68.6	58.1	55.6	59.3
EBITDA	**105.0**	**168.1**	**54.8**	**50.2**	**43.3**	**50.2**	**102.2**
EBITDA margin	12.5%	19.3%	12.5%	12.5%	9.5%	11.7%	23.0%
Operating result[3]	**71.8**	**76.6**	**37.7**	**34.1**	**18.0**	**32.2**	**27.2**
Steel Division	42.8	36.5	24.6	18.2	7.1	20.8	14.6
Industrial Division	23.4	37.7	13.3	10.1	19.7	12.8	11.1
Raw Materials Division	5.6	2.4	(0.2)	5.8	(8.8)	(1.4)	1.5
Operating result margin	**8.6%**	**8.8%**	**8.6%**	**8.5%**	**3.9%**	**7.5%**	**6.1%**
Steel Division	8.0%	6.7%	8.8%	7.1%	2.5%	7.5%	5.1%
Industrial Division	8.4%	12.3%	9.1%	7.6%	11.5%	9.1%	7.5%
Raw Materials Division[4]	3.6%	1.7%	(0.3)%	7.2%	(13.5)%	(2.1)%	2.1%
EBIT	**72.1**	**133.4**	**38.5**	**33.6**	**(53.0)**	**30.7**	**84.0**
Steel Division	43.0	72.9	25.1	17.9	3.3	21.1	51.0
Industrial Division	23.5	56.2	13.6	9.9	17.7	12.9	29.6
Raw Materials Division	5.6	4.3	(0.2)	5.8	(74.0)	(3.3)	3.4
EBIT margin	**8.6%**	**15.3%**	**8.8%**	**8.4%**	**(11.6)%**	**7.2%**	**18.9%**
Steel Division	8.0%	13.4%	9.0%	7.0%	1.2%	7.6%	17.8%
Industrial Division	8.4%	18.3%	9.3%	7.4%	10.4%	9.2%	20.0%
Raw Materials Division[4]	3.6%	3.0%	(0.3)%	7.2%	(113.7)%	(5.0)%	4.8%
Financial result	**(13.7)**	**(20.7)**	**(6.9)**	**(6.8)**	**(1.9)**	**(7.2)**	**(10.2)**
Results from joint ventures	4.2	3.7	2.2	2.0	2.8	1.5	1.8
Result before income taxes	**62.6**	**116.4**	**33.8**	**28.8**	**(52.1)**	**25.0**	**75.6**
Income taxes	(20.0)	(33.1)	(11.0)	(9.0)	13.6	(7.1)	(15.1)
Income taxes in %	31.9%	28.4%	32.5%	31.3%	26.1%	28.4%	20.0%
Result from continued operations	**42.6**	**83.3**	**22.8**	**19.8**	**(38.5)**	**17.9**	**60.5**
Earnings per share in €[5]	1.05	2.08	0.56	0.49	(0.97)	0.44	1.51

1) after reclassification

2) adjusted for sales volume of Orient Refractories Ltd.

3) EBIT before impairment and restructuring expenses and result from Chapter 11 proceedings

4) based on external and internal revenues

5) basic and diluted

Steel Division

Better economic data in Europe and the USA led to a slight recovery of the steel markets in the industrialized nations.

The sovereign debt crisis in Europe, slow economic growth in the industrialized nations and weak economic conditions in the emerging markets have left a trace on the steel industry in the last two years. However, a slight recovery of the steel markets in the industrialized nations became noticeable in the first half of 2014 with better economic data especially in the USA and in Europe. In particular, positive data from the automotive industry and the construction sector stimulated demand. Consequently, the European industry association of the iron and steel industry expects the demand for steel to grow between 3.0% and 3.5% in the current year and in the year 2015. An increase in building activities should have a positive effect on the steel market since the construction industry, which accounts for roughly 35% of the European steel demand, is one of the main drivers of demand. Outside of Europe, the share of the construction industry in steel consumption is significantly higher in some areas.

In the first half of 2014, global steel output was up 2.2% on the comparative period of the previous year. Although the growth rate of the Chinese steel industry approached average global growth, China's share in world steel production exceeded the 50% mark for the first time. In the year 2000, this share was still at around 15%. While the European steel industry saw a significant recovery in the first half of the year, growth in the USA fell short of expectations despite the economic upturn.

in million tons	H1/2014	H1/2013	Delta	Q2/2014	Q1/2014	Delta
China	409.6	399.9	2.4%	208.6	201.0	3.8%
World ex China	409.4	401.3	2.0%	205.9	203.5	1.2%
thereof EU28	87.4	84.2	3.8%	43.5	43.9	(0.9)%
thereof USA	43.5	43.1	0.9%	21.9	21.6	1.4%
World	**819.0**	**801.2**	**2.2%**	**414.5**	**404.5**	**2.5%**

Source: World Steel Association (July 2014)

Sales volume of the Steel Division rose by 2.3% compared with the first half of 2013 to roughly 622,000 tons. In comparison with the first quarter of 2014, an increase by 3.9% to roughly 317,000 tons was realized.

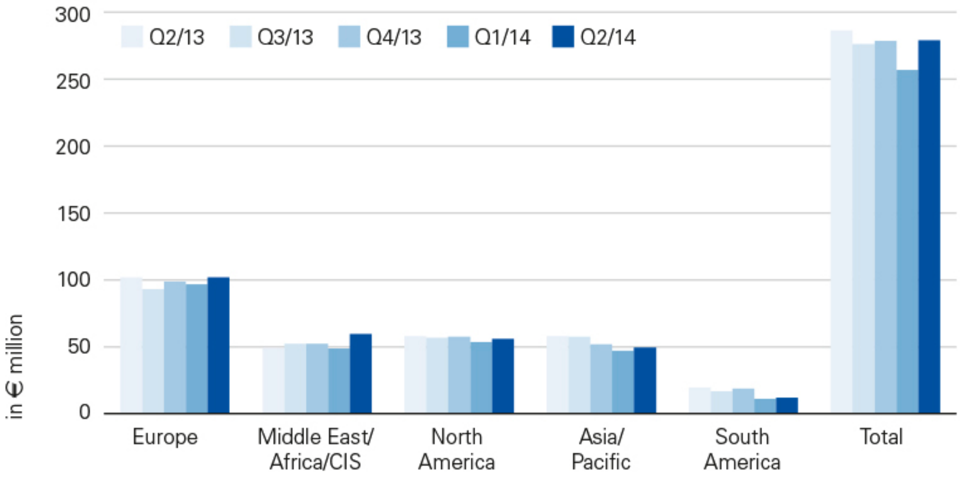
The decline in revenues is attributable to weaker business developments in South America and Asia.

Revenues of the Steel Division amounted to € 535.4 million in the first half of 2014, down 1.4% on the comparative period of 2013, at € 542.8 million. This is attributable to a weaker development in South America and Asia with the exception of India. However, the operating result improved from € 36.5 million in the first half of 2013 to € 42.8 million in the first half of 2014 due to improvements in product mix. In addition, the first half of 2013 was influenced by negative exchange rate effects. The operating result margin of 8.0% exceeded that of the comparative period of 2013, at 6.7%.

In the second quarter of 2014, revenues of the Steel Division amounted to € 278.7 million, thus exceeding the revenues of the preceding quarter at € 256.7 million, but falling short of the figure of the comparative quarter of 2013, at € 286.3 million. The increase in comparison with the first quarter of 2014 is primarily due to a significantly higher contribution to revenues from Europe, Russia and the Middle East. The operating result rose from € 18.2 million in the first quarter of 2014 to € 24.6 million in the past quarter, thus also exceeding that of the comparative quarter of 2013, at € 14.6 million.

The development of revenues in the past five quarters is shown below:

Development of revenues



Europe

The recovery of the European steel industry is predominantly based on the positive figures in the automotive industry.

After steel output in the European Union in the first quarter of 2014 was up 6.3% on the first quarter of 2013 and considerably exceeded expectations, growth in the second quarter slowed down to 1.3% compared with the prior-year quarter. Hence, the steel volume produced in the European Union in the first half of 2014 was 3.8% higher than in the comparative period of the previous year. This positive development is predominantly driven by good figures in the automotive industry, as the number of new registrations of cars in the European Union rose by 6.5% and that of commercial vehicles by 9.3% compared with the first half of 2013. However, these high growth rates are based on a low absolute level.

Apart from the recovery of the relevant end markets, the European stainless steel industry benefited from two other developments that occurred in the first half of 2014: the ban on exports of unprocessed nickel ores, which has been in place in Indonesia since the beginning of the year, has severely disrupted the supply chain of Chinese nickel pig iron producers. Moreover, anti-dumping proceedings against Chinese manufacturers of cold-rolled stainless steel were initiated by the European Union at the request of the European industry association Eurofer. While the European producers reduced capacities in the past years, the share of Chinese imports soared by roughly 65% in a stagnating market between 2010 and 2013 and by now amounts to roughly 20%.

The region's revenues in the first half of 2014 remained nearly constant compared with the same period of the previous year. While the linings business expanded slightly, especially in the converter segment, flow control business in the segment of isostatically pressed products declined. In the second quarter of 2014, however, revenues increased by more than 5% compared with the preceding quarter. This development was primarily based on improvements in the linings business in the electric steel and ladle segments. After a significant increase in the order level in the first quarter of 2014, it remained constant at a high level in the past quarter, which indicates growing revenues in the second half of the year compared with the same period of the previous year.

Africa/CIS/Middle East

Political tensions in Ukraine burdened the business development in the first half of 2014.

While political tensions between Ukraine and Russia and the associated uncertainties regarding the further economic development burdened steel production in the CIS region in the first quarter of 2014, local producers increased their output by 4.8% in the second quarter notwithstanding the conflict in Eastern Ukraine, which is still unresolved. Despite this strong increase, the weak first quarter of 2014 was not entirely offset, which is why a 1.0% decline in steel production was recorded in the first half of 2014 compared with the same period of 2013. In this market environment, the CIS region's contribution to revenues dropped by 10% compared with the first half of 2013. While the flow control business declined only slightly, the linings business contracted significantly, especially in the electric steel segment. However, in the second quarter of 2014 revenues were increased by more than 70% compared with the first quarter of 2014. This development was attributable especially to an improved linings business in the ladle and converter segments. A substantial increase in the order level gives grounds for optimism for the business development for the further course of the year.

In the region Africa/Middle East, steel production was increased by 6.2% in the first half of 2014 compared with the same period of the previous year, which was above all due to higher steel output in Saudi Arabia and Qatar. The region's contribution to revenues in the first half of 2014 was up roughly 4% on the first half of 2013. While the flow control business decreased, the linings business was significantly expanded, especially in the ladle and converter segments. In the second quarter of 2014, revenues rose by some 10% compared with the weak first quarter. The satisfactory order level indicates a positive business development for the second half of the year.

North America

Increasing steel imports and the substitution of steel with lighter metals influenced the development in the USA.

Steel production in North America in the first half of 2014 was up 1.7% on the comparative period of the previous year, which was mainly attributable to strong growth in Mexico. In the USA, the economic upturn was not yet reflected in an increase in local steel output, and growth was only 0.9% in the first half of 2014. The reasons for this situation include massive increases in steel imports and the substitution of steel with lighter metals such as aluminum in the automotive industry. Business in the USA is working capital intensive for RHI because of the volatile capacity utilization at many customer plants and short order cycles, along with a lack of production capacities for linings products. Due to long lead times from European production, consignment stocks are held for customers. RHI is currently working on new approaches to enhance the supply chain.

The region's contribution to revenues in the first half of 2014 declined by roughly 2% compared to the same period of 2013. While the flow control business recorded double-digit growth rates, the development in the linings business was weak, especially in the ladles segment. In the second quarter of 2014, revenues were roughly 5% higher than in the first quarter, a development predominantly driven by the flow control business in the slide gate plate segment. The level of orders remained stable in the past quarter. As a result of the good order situation in the flow control business, capacity utilization at the plant in Saybrook, USA, which specializes in isostatic products, is very good.

South America

Steel production in South America decreased by 2.6% in the first half of 2014 compared with the same period of 2013 due to a subdued economic outlook. As exporters of raw materials, the South American economies are still suffering from falling raw material prices and the capital flight of foreign investors resulting from the slump in growth. The collection of import and anti-dumping duties improved the market environment of local steel producers only for a short period of time.

The devaluation of local currencies and high import duties had a negative impact on the RHI Group's competitiveness.

The region's contribution to revenues fell by some 38% in the first half of 2014 compared with the same period of 2013 and reflects the decline in competitiveness in comparison with local refractories manufacturers. They benefit from the devaluation of the South American currencies against the euro, which was more than 20% year-on-year, on the one hand and from higher import duties designed to protect local producers on the other. Both factors have a negative impact on the development of the RHI Group's revenues in the commodity segment, for example for ladle bricks. In the second quarter of 2014, revenues were roughly 9% higher than in the first quarter. This development was predominantly driven by a strong flow control business in Brazil. Revenues in the electric steel sector also saw a positive development. Despite a slight increase in the order level in the past quarter, RHI expects the market environment in South America to continue to be challenging.

Asia/Pacific

Many local steel producers in the Asia/Pacific region are increasingly confronted with Chinese imports. More and more Chinese producers try to compensate the domestic decline in demand by expanding their export business in order to still be able to utilize their production capacity.

The business development of the region suffers from increasing steel imports from China.

While the Chinese government has committed to cutting steel production capacities by roughly 10% by 2017 in order to reduce surplus capacities and to close old steel mills with low environmental standards, the new Indian Prime Minister, Narendra Modi, pursues ambitious growth plans, based on which steel production capacities should more than triple to 300 million tons by the year 2025. This would correspond to an annual growth of more than 10%. After the USA, India is already the country with the highest share in revenues for RHI. Thanks to the acquisition of Orient Refractories Ltd. (ORL) in India in the previous year, RHI considers itself in a good position to participate in any further growth of the refractory market.

The region's contribution to revenues increased by roughly 10% in the first half of 2014 in comparison with the same period of 2013 due to the integration of Orient Refractories Ltd., which was acquired in late April 2013, into the RHI Group. Not taking into account ORL's share in revenues, however, revenues dropped by roughly 9% compared with the first half of 2013. This is primarily attributable to weaker business in Vietnam and Thailand. In the second quarter of 2014, revenues were up roughly 5% on the first quarter. This development was driven above all by a strong flow control business in the slide gate plate segment. The order level developed positively in the past quarter.

Industrial Division

The decline in revenues in the first half of the year results from a weaker development of the nonferrous metals and glass business units.

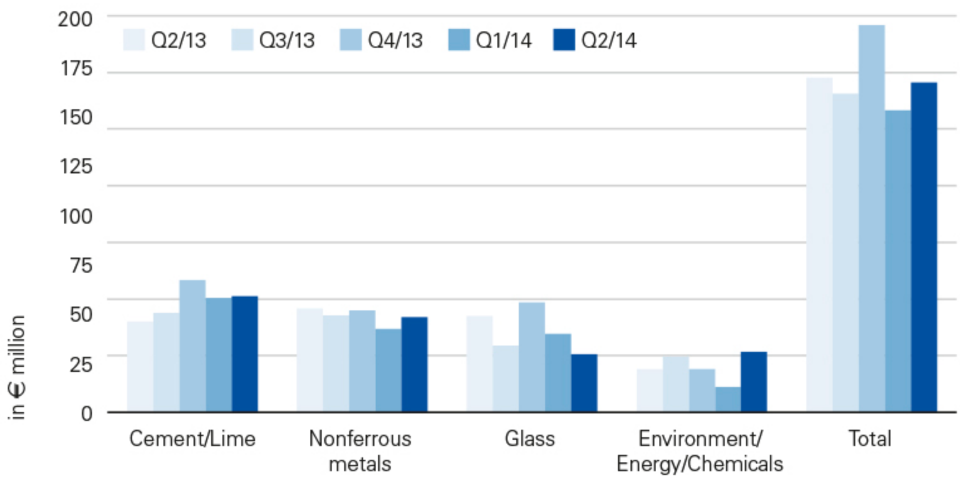
Sales volume of the Industrial Division declined by 2.3% compared with the first half of 2013 and totaled roughly 211,000 tons. However, compared with the first quarter of 2014, a 6.9% increase to roughly 109,000 tons was realized.

Revenues of the Industrial Division, at € 278.8 million in the first half of 2014, were 9.3% lower than in the comparative period of 2013, at € 307.4 million. This is attributable to a weaker development of the glass and nonferrous metals business units. The operating result decreased from € 37.7 million in the first half of 2013 to € 23.4 million in the first half of 2014 as a result of lower revenues and the associated lack of coverage of fixed costs at the production plants. The operating result margin, at 8.4%, was lower than in the comparative period of 2013, at 12.3%.

In the second quarter of 2014, revenues of the Industrial Division totaled € 145.6 million, thus exceeding the revenues of € 133.2 million in the preceding quarter, but falling short of the revenues of the comparative quarter of 2013, at € 147.7 million. The increase on the first quarter of 2014 is primarily attributable to a significantly higher contribution to revenues by the environment, energy, chemicals business unit. The operating result rose from € 10.1 million in the first quarter of 2014 to € 13.3 million in the past quarter, thus also exceeding that of the second quarter of 2013, at € 11.1 million.

The development of revenues in the past five quarters is shown below:

Development of revenues



Cement/Lime

Revenues in the first half of the year were only slightly lower than in the prior-year comparative period.

While revenues fell short of expectations in the first quarter of 2014, a significant increase in revenues was realized in the second quarter of 2014 compared with the same period of the previous year. Consequently, revenues in the first half of 2014 were only slightly lower than in the first half of 2013. In some countries which had a weak start to the year 2014, business activities picked up significantly. Especially in India, the demand for refractory materials recorded a considerable increase after the world's longest parliamentary elections.

The volume sold on the African continent in the past quarter was also substantially higher than in the first quarter of 2014. While market share was gained thanks to the efforts of the strong sales teams in Algeria and Nigeria, the business environment in

Egypt and Libya was difficult due to the unstable political situation and the resulting lack of investments in infrastructure projects. Currently, projects for new plants are being negotiated, which is why RHI expects higher contributions to revenues from Africa in 2014 than in the previous financial year.

After a strong first quarter, the development of revenues in South America was slightly weaker in the past quarter. This is primarily attributable to weaker business in Venezuela. Here, the allocation of foreign currency to cement producers was insufficient so that deliveries were only possible to a very limited extent.

In North America, the progressing economic recovery is reflected in a growing demand for cement, consequently leading to good capacity utilization among local producers. Existing capacities are currently being expanded, with the quality of refractories only playing a minor role in many cases. Despite massive price pressure in the supply industry, RHI successfully participated in the improving market environment.

Nonferrous metals

The contribution to revenues of the nonferrous metals business unit in the first half of 2014 was lower than in the first half of 2013, although an increase in revenues was realized in the second quarter of 2014 compared with the preceding quarter. This is primarily attributable to a decline in project business resulting from lower metal prices. As the major mining corporations are under pressure to save and consequently massively reduce investment programs, no fast recovery is to be expected in the coming months. Most kiln manufacturers also report poor capacity utilization, which has negative consequences for the refractories business.

The decline in revenues is primarily attributable to weaker project business as a result of falling metal prices.

In the past quarter, several major projects in Asia and Africa were delivered. As a result, revenues in the copper segment in China increased significantly. In South Korea, the world's largest ferronickel electric furnace, for which RHI supplied the refractory lining for key areas, will be installed shortly. In South Africa, the company won larger contracts in the ilmenite and platinum segments. In Zambia, further orders for the copper project Kansanshi and for repairs were delivered. In the aluminum segment, RHI won three important large projects in the million-euro range, which will be delivered in the upcoming quarters. Moreover, RHI obtained a major contract in Guatemala for the refractory lining of a complete nickel rotary kiln.

The further development of metal prices is expected to be positive. Nearly all nonferrous metal prices rose in the course of the first half of the year. The price of nickel in particular picked up significantly due to the ban on exports of unprocessed ores in Indonesia, which has been in place since the beginning of the year. A slight recovery can also be observed in the price of copper, though it was less significant in comparison with the price of nickel. The end of the strike in the gold and platinum industry in South Africa should also have a positive effect on the further business development. After six months of industrial action and tough negotiations, an agreement was reached between the conflict parties. However, in terms of revenues, these positive developments are only expected to show an effect in the coming financial year.

Glass

The contribution to revenues and earnings of the business unit glass was still weak in the first half of the year.

The earnings situation in the business unit glass continued to be tense in the first half of 2014. While many small glass producers, especially in Eastern Europe, are struggling to survive financially, the large manufacturers try to consolidate the market in order to improve utilization of their production capacities. As a result, necessary repairs and investments are postponed, leading to significant underutilization of the production capacities of the refractory industry and, accordingly, to high pressure on prices in the industry.

Against this background, the situation of the flat glass industry is critical. Further capacity was taken off the market in the second quarter of 2014. In contrast, repair activities in the container glass segment continue at a stable level. In both segments, however, an increasing number of enquiries regarding projects were recorded, especially in China. Here RHI managed to extend its range of customers by offering alternative material concepts, and to generate new orders. A slight improvement is also noticeable in the special glass segment. The level of incoming orders is still low, but increasing.

The outlook for the glass market is therefore cautiously positive. RHI expects the market climate to improve at the end of the financial year in view of the signs of increasing project activities and due to the current backlog of repairs from preceding periods. However, no sustainable recovery is recognizable among important drivers of the glass industry, for example in the construction industry.

Environment, energy, chemicals

After a weak start to the year, revenues increased significantly in the second quarter.

After a weak start to the financial year 2014, a significant increase was recorded for revenues and sales volume in the second quarter compared with the preceding quarter. This development was primarily due to high revenues from the construction business in Canada, predominantly from the processing of oil sand in the province of Alberta. In addition, a large refinery stop in Romania was successfully completed after several weeks. While revenues in the first half of the year exceeded the prior-year level, the margins realized fell significantly short of expectations.

The main investments in new plants are made in the USA, the CIS region and in Asia. For example, the number of oil and gas drilling sites in the USA has risen from just over 750,000 to more than 1.1 million in the last ten years. The US authorities are currently trying to curtail plans to export energy in the form of liquefied natural gas and to increasingly promote processing in the country. This should drive the demand for refractory products in the USA on a sustained basis. In the CIS region, old plants are overhauled or replaced with new ones. Plant manufacturers have already placed a large number of related orders. In Asia, the investment volume is still at a good level, even if growth in China has slowed down. In India, RHI won its largest contract in the environment, energy, chemicals business unit to date. Here, RHI will deliver the refractory linings for a petrol coke gasification plant in the upcoming quarters and provide the related services. Due to the high order level RHI expects good capacity utilization in terms of both materials and installation for the rest of the year.

Raw Materials Division

In the Raw Materials Division, revenues amounted to € 157.4 million in the first half of 2014, up 10.1% on the revenues of € 143.0 million in the comparative period of 2013. This is attributable to both an increase in internal demand and higher external revenues. The operating result rose from € 2.4 million in the first half of 2013 to € 5.6 million in the first half of 2014. This development reflects the improved capacity utilization of the raw material plants. The operating result margin, at 3.6%, exceeded that of the comparative period of 2013, at 1.7%.

The increase in revenues is based on higher internal demand and a rise in raw material sales.

In the second quarter of 2014, revenues of the Raw Materials Division amounted to € 76.4 million and were lower than the revenues of € 81.0 million in the preceding quarter, but exceeded revenues of the comparative quarter of 2013, at € 70.5 million. The decrease on the first quarter of 2014 is due to lower internal demand. The operating result dropped from € 5.8 million in the first quarter of 2014 to € (0.2) million in the past quarter and was therefore also lower than in the comparative quarter of 2013, at € 1.5 million. This is primarily attributable to the fire damage at the plant in Porsgrunn, Norway, caused by a power failure in the entire industrial park in May. As a result, seven out of ten production lines were not available to RHI for several weeks. The operating result margin consequently dropped to (0.3)%, falling short of the 7.2% of the preceding quarter and also of the operating result margin of the comparative period of 2013.

In Porsgrunn, Norway, many of the technical measures defined in the fourth quarter of 2013 to reduce current production costs were implemented in the past quarter. Significant progress was made in optimizing the fusion operations. As a result, the output of fused magnesia in line with specifications was stabilized at roughly 1,000 tons per week and material waste was reduced accordingly. However, only little progress was made in the optimization of the upstream causter process. Here, further measures are required in order to accomplish a competitive cost structure.

While progress was made in optimizing the fusion operations in Norway, further measures are required in the causter process to accomplish a competitive cost structure.

Capacity utilization at the raw material plants was satisfactory in the first half of the year. Especially the demand for basic mixes provided for good capacity utilization at the Austrian sites of Breitenau and Hochfilzen as well as the site in Eskisehir, Turkey.

In early April, RHI signed a contract for the acquisition of a raw material plant with a production capacity of some 100,000 tons of sintered magnesia and mining rights in Erzurum, Turkey. The acquisition serves to further expand self-supply with raw materials for refractory products for the steel and cement industries. After an upgrade of the plants and a redesign of the mining concept, a positive contribution to EBIT is expected starting from the year 2016. The purchase price agreed amounts to USD 30 million; in addition, a debtor warrant of up to USD 16 million, depending on the obtainable quantities and qualities of raw materials, was agreed. As of June 25, 2014, the competent first instance civil court approved the sale of the raw material plant and the mining rights. The fulfilment of further contractual conditions is currently being worked on.

Outlook

Provided that the macroeconomic environment and exchange rates remain stable, RHI expects similar revenues in the third quarter of 2014 as in the second quarter of 2014, and a significant increase in revenues in the Industrial Division in the fourth quarter of 2014.

As the growth of revenues did not meet internal expectations in the second quarter of 2014 and the industrial business was weaker in comparison with the previous year, especially in the glass and nonferrous metals business units, RHI expects revenues at the prior-year level and an operating result margin between 8% and 9% for the full year 2014.

Risk Report

In the first half of 2014, the risk management processes and key risks remained largely unchanged. Potential effects of the political crisis in Ukraine are considered a new, material uncertainty, whose development will be closely monitored. No risks that are considered to be a threat to the existence of the Group were identified.

Condensed, Unaudited
Interim Consolidated Financial Statements

as of 06/30/2014

Consolidated Statement of Financial Position

as of 06/30/2014

in € million	06/30/2014	12/31/2013
ASSETS		
Non-current assets		
Property, plant and equipment	531.0	543.7
Goodwill	35.3	34.5
Other intangible assets	75.6	79.6
Shares in joint ventures	16.2	18.2
Other non-current financial assets	38.4	37.1
Other non-current assets	9.0	9.1
Deferred tax assets	121.9	121.4
	827.4	**843.6**
Current assets		
Inventories	428.4	389.4
Trade and other current receivables	382.9	368.6
Income tax receivables	6.9	7.8
Other current financial assets	2.1	2.2
Cash and cash equivalents	66.9	112.4
	887.2	**880.4**
	1,714.6	**1,724.0**
EQUITY AND LIABILITIES		
Equity		
Share capital	289.4	289.4
Group reserves	184.7	185.9
Equity attributable to shareholders of RHI AG	474.1	475.3
Non-controlling interests	11.3	10.2
	485.4	**485.5**
Non-current liabilities		
Non-current financial liabilities	340.8	362.1
Other non-current financial liabilities	1.0	0.0
Deferred tax liabilities	16.8	17.4
Personnel provisions	330.8	312.9
Other non-current provisions	4.1	4.1
Other non-current liabilities	6.7	7.9
	700.2	**704.4**
Current liabilities		
Current financial liabilities	185.3	173.2
Other current financial liabilities	0.7	0.3
Trade and other current payables	288.8	291.8
Income tax payables	23.0	25.7
Current provisions	31.2	43.1
	529.0	**534.1**
	1,714.6	**1,724.0**

Consolidated Income Statement

from 01/01/2014 to 06/30/2014

in € million	4-6/2014	4-6/2013	1-6/2014	1-6/2013
Revenues	436.8	445.2	839.1	870.7
Cost of sales	(342.7)	(347.4)	(651.9)	(665.5)
Gross profit	**94.1**	**97.8**	**187.2**	**205.2**
Sales and marketing costs	(28.7)	(30.5)	(55.1)	(59.4)
General and administration costs	(29.1)	(33.8)	(60.4)	(63.7)
Other income	1.6	1.1	2.1	4.5
Other expenses	(0.2)	(7.4)	(2.0)	(10.0)
Operating result	**37.7**	**27.2**	**71.8**	**76.6**
Restructuring costs	0.0	(19.0)	(0.5)	(19.0)
Net income from US Chapter 11 proceedings	0.8	75.8	0.8	75.8
Operating results (EBIT)	**38.5**	**84.0**	**72.1**	**133.4**
Interest income	0.6	0.5	0.9	1.1
Interest expenses	(4.7)	(7.5)	(9.0)	(16.0)
Other financial results	(2.8)	(3.2)	(5.6)	(5.8)
Financial results	(6.9)	(10.2)	(13.7)	(20.7)
Results from joint ventures	2.2	1.8	4.2	3.7
Result before income taxes	**33.8**	**75.6**	**62.6**	**116.4**
Income taxes	(11.0)	(15.1)	(20.0)	(33.1)
Result after income taxes	**22.8**	**60.5**	**42.6**	**83.3**
attributable to shareholders of RHI AG	22.4	60.2	41.9	82.9
attributable to non-controlling interests	0.4	0.3	0.7	0.4
in €				
Earnings per share (basic and diluted)	0.56	1.51	1.05	2.08

All items up to and including the operating result do not include any restructuring costs or results from the US Chapter 11 proceedings.

Consolidated Statement of Comprehensive Income

from 01/01/2014 to 06/30/2014

in € million	4-6/2014	4-6/2013	1-6/2014	1-6/2013
Result after income taxes	**22.8**	**60.5**	**42.6**	**83.3**
Currency translation differences				
Unrealized results from currency translation	4.0	(22.4)	3.0	(13.4)
Reclassification to the income statement due to the disposal of subsidiaries	0.0	0.0	0.0	(0.1)
Market valuation of cash flow hedges				
Unrealized results from fair value change	(0.8)	1.1	(1.5)	1.1
Deferred taxes on unrealized results from fair value change	0.2	(0.3)	0.4	(0.3)
Reclassification reserves to the income statement	0.0	0.0	(0.1)	0.0
Market valuation of available-for-sale financial instruments				
Unrealized results from fair value change	1.0	(0.2)	1.8	0.1
Deferred taxes on unrealized results from fair value change	(0.3)	0.1	(0.5)	0.0
Items that will be reclassified subsequently to profit or loss, if necessary	**4.1**	**(21.7)**	**3.1**	**(12.6)**
Remeasurement of defined benefit plans	(12.7)	0.0	(22.0)	0.0
Deferred taxes on remeasurement of defined benefit plans	3.6	0.0	6.1	0.0
Items that will not be reclassified to profit or loss	**(9.1)**	**0.0**	**(15.9)**	**0.0**
Other comprehensive income after income taxes	**(5.0)**	**(21.7)**	**(12.8)**	**(12.6)**
Total comprehensive income	**17.8**	**38.8**	**29.8**	**70.7**
attributable to shareholders of RHI AG	17.4	39.0	28.7	70.8
attributable to non-controlling interests	0.4	(0.2)	1.1	(0.1)

Consolidated Cash Flow Statement

from 01/01/2014 to 06/30/2014

in € million	1-6/2014	1-6/2013
Result after income taxes	42.6	83.3
Adjustments for		
income taxes	20.0	33.1
depreciation and amortization charges	32.9	34.7
reversal of impairment losses on financial assets	0.0	(0.2)
losses/(gains) from the disposal of property, plant and equipment	0.7	(3.4)
net income from US Chapter 11 proceedings	(0.8)	(75.8)
interest result	8.1	14.9
results from joint ventures	(4.2)	(3.7)
other non-cash changes	5.1	34.1
Changes in assets and liabilities		
Inventories	(37.7)	(12.5)
Trade receivables	(19.7)	(7.0)
Other receivables and assets	6.9	(0.6)
Provisions	(21.7)	(10.2)
Trade payables	(0.9)	(23.0)
Other liabilities	(1.7)	(10.1)
Net cash inflows from US Chapter 11 proceedings	0.0	27.9
Cash flow from operating activities	**29.6**	**81.5**
Income taxes paid less refunds	(17.2)	(18.2)
Net cash flow from operating activities	**12.4**	**63.3**
Investments in subsidiaries net of cash	0.0	(48.9)
Cash inflows from the sale of subsidiaries net of cash	0.0	(0.2)
Investments in property, plant and equipment and intangible assets	(18.0)	(28.2)
Cash inflows from the sale of property, plant and equipment	1.6	5.4
Cash inflows from / investments in non-current receivables	0.1	(0.1)
Dividend payments from joint ventures	6.2	2.6
Interest received	0.7	1.0
Net cash flow from investing activities	**(9.4)**	**(68.4)**
Dividend payments to shareholders of RHI AG	(29.9)	(29.9)
Proceeds from non-current borrowings and loans	1.2	0.8
Repayments of non-current borrowings and loans	(18.1)	(11.7)
Changes in current borrowings	7.4	(8.6)
Interest payments	(8.8)	(7.8)
Net cash flow from financing activities	**(48.2)**	**(57.2)**
Total cash flow	**(45.2)**	**(62.3)**
Change in cash and cash equivalents	**(45.2)**	**(62.3)**
Cash and cash equivalents at beginning of year	112.4	185.7
Changes due to currency translation	(0.3)	(2.1)
Cash and cash equivalents at year-end	66.9	121.3

Consolidated Statement of Changes in Equity

from 01/01/2014 to 06/30/2014

in € million	Share capital	Additional paid-in capital	Retained earnings
12/31/2013	**289.4**	**38.3**	**287.7**
Result after income taxes	**-**	**-**	**41.9**
Currency translation differences	-	-	-
Market valuation of cash flow hedges	-	-	-
Market valuation of available-for-sale financial instruments	-	-	-
Remeasurement of defined benefit plans	-	-	-
Other comprehensive income after income taxes	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**41.9**
Dividends	-	-	(29.9)
Transactions with shareholders	**-**	**-**	**(29.9)**
06/30/2014	**289.4**	**38.3**	**299.7**

in € million	Share capital	Additional paid-in capital	Retained earnings
12/31/2012 adjusted[1)]	**289.4**	**38.3**	**255.0**
Result after income taxes	**-**	**-**	**82.9**
Currency translation differences	-	-	-
Market valuation of cash flow hedges	-	-	-
Market valuation of available-for-sale financial instruments	-	-	-
Remeasurement of defined benefit plans	-	-	-
Other comprehensive income after income taxes	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**82.9**
Dividends	-	-	(29.9)
Change in non-controlling interests due to			
addition to consolidated companies	-	-	-
disposal of consolidated companies	-	-	-
Transactions with shareholders	**-**	**-**	**(29.9)**
06/30/2013	**289.4**	**38.3**	**308.0**

1) Explanations regarding adjustments are provided in the section "Other changes in comparative information" of the notes to the consolidated financial statements 2013.

Group reserves						
Accumulated other comprehensive income						
Cash flow hedges	Available-for-sale financial instruments	Defined benefit plans	Currency translation	Equity attributable to shareholders of RHI AG	Non-controlling interests	Total equity
0.5	**2.0**	**(70.3)**	**(72.3)**	**475.3**	**10.2**	**485.5**
-	**-**	**-**	**-**	**41.9**	**0.7**	**42.6**
-	-	-	2.6	**2.6**	**0.4**	**3.0**
(1.2)	-	-	-	**(1.2)**	**-**	**(1.2)**
-	1.3	-	-	**1.3**	**-**	**1.3**
-	-	(15.9)	-	**(15.9)**	**-**	**(15.9)**
(1.2)	**1.3**	**(15.9)**	**2.6**	**(13.2)**	**0.4**	**(12.8)**
(1.2)	**1.3**	**(15.9)**	**2.6**	**28.7**	**1.1**	**29.8**
-	**-**	**-**	**-**	**(29.9)**	**-**	**(29.9)**
-	**-**	**-**	**-**	**(29.9)**	**-**	**(29.9)**
(0.7)	**3.3**	**(86.2)**	**(69.7)**	**474.1**	**11.3**	**485.4**

Group reserves						
Accumulated other comprehensive income						
Cash flow hedges	Available-for-sale financial instruments	Defined benefit plans	Currency translation	Equity attributable to shareholders of RHI AG	Non-controlling interests	Total equity
-	**1.6**	**(69.7)**	**(33.2)**	**481.4**	**0.7**	**482.1**
-	**-**	**-**	**-**	**82.9**	**0.4**	**83.3**
-	-	-	(13.0)	**(13.0)**	**(0.5)**	**(13.5)**
0.8	-	-	-	**0.8**	**-**	**0.8**
-	0.1	-	-	**0.1**	**-**	**0.1**
-	-		-	**-**	**-**	**-**
0.8	**0.1**	**-**	**(13.0)**	**(12.1)**	**(0.5)**	**(12.6)**
0.8	**0.1**	**-**	**(13.0)**	**70.8**	**(0.1)**	**70.7**
-	-	-	-	**(29.9)**	**-**	**(29.9)**
-	-	-	-	**-**	**5.1**	**5.1**
-	-	-	-	**-**	**(0.8)**	**(0.8)**
-	**-**	**-**	**-**	**(29.9)**	**4.3**	**(25.6)**
0.8	**1.7**	**(69.7)**	**(46.2)**	**522.3**	**4.9**	**527.2**

Selected Explanatory Notes

Principles and methods

The interim financial statements as of 06/30/2014 were prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" and with the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU).

The interim consolidated 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 12/31/2013.

With the exception of the changes described in the following, the same accounting and measurement principles were used as in the previous year:

>> IAS 27 (revised version 2011): Separate Financial Statements
>> IAS 28 (revised version 2011): Investments in Associates and Joint Ventures
>> IAS 32 (amended 2011): Offsetting Financial Assets and Financial Liabilities
>> IAS 36 (amended 2013): Recoverable Amount Disclosures for Non-Financial Assets
>> IAS 39 (amended 2013): Novation of Derivatives and Continuation of Hedge Accounting
>> IFRS 10 (2011): Consolidated Financial Statements
>> IFRS 11 (2011): Joint Arrangements
>> IFRS 12 (2011): Disclosure of Interests in Other Entities
>> IFRS 10 - IFRS 12 (amended 2012): Transition Guidance
>> IFRS 10, IFRS 12, IAS 27 (amended 2012): Investment Entities

IFRS 10 "Consolidated Financial Statements" supersedes the provisions on consolidation previously defined in IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities" and explains a standard control concept for all entities including special purpose entities.

Control exists when an investor is exposed to the risks of variable returns from the company in which it holds a share or has a right to variable returns and has the ability to affect those returns through its power over the investee. If one of those elements changes, it has to be reassessed whether control exists.

Hence, IAS 27 now only includes provisions regarding the accounting of interests in subsidiaries, associates and joint ventures in the separate financial statements of the parent company provided that they are prepared in accordance with IFRS.

IFRS 11 "Joint Arrangements" supersedes IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". It governs the accounting of joint operations and joint ventures. The classification of a joint arrangement as a joint operation or a joint venture depends on the rights and duties of the parties to the arrangement. The structure, the legal form of the arrangement as well as all contractual conditions and other relevant facts and circumstances have to be taken into account in the classification.

A joint operation exists when two or more companies make an agreement whereby they have direct rights to the assets and obligations for the liabilities. A joint venture is defined as a joint arrangement in which the parties which jointly exercise control have rights to the net assets of the arrangement in which they hold an interest. Joint ventures have to be included in the consolidated financial statements using the equity method in accordance with IAS 28. Assets and liabilities as well as income and expenses of a joint operation have to be recognized proportionately in the consolidated statement of financial position and in the income statement.

IFRS 12 "Disclosure of Interests in Other Entities" provides disclosure standards for consolidated financial statements and pools the disclosures regarding interests in other entities. With IFRS 12, the disclosure requirements of IAS 27, IAS 28 and IAS 31 are superseded.

The initial application of the consolidation package IFRS 10 – 12 as of 01/01/2014 does not result in any changes in the type of consolidation for the companies of the RHI Group and consequently not in any change in the previous accounting of these Group companies. However, as a result of the reassessment of the involvement in MAGNIFIN Magnesiaprodukte GmbH & Co KG and Società Dolomite Italiana SDI S.R.L. i.L. (formerly Società Dolomite Italiana SDI S.p.A.), which used to be classified as associates, these companies were reclassified as joint ventures. As these entities continue to be accounted for using the equity method according to IFRS, there is no effect on the recognized assets, liabilities and comprehensive income of the RHI Group.

Due to the application of IFRS 12, taking into account the changed classification of the two above-mentioned investments, the required information regarding the interests in other entities in the RHI consolidated financial statements as of 12/31/2014 may be more extensive than previously.

The other accounting standards initially applied in 2014 have no impact on the asset, financial and earnings position of this interim report.

Changes in comparative information

As a result of the adaptation of the organizational structure in the Raw Materials Division as of 07/01 of the previous year, the divisional results for the first half-year of 2013 changed as follows:

in € million	After reclassification	As published
Revenues	**870.7**	**870.7**
Steel Division	542.8	542.8
Industrial Division	307.4	307.4
Raw Materials Division		
External revenues	20.5	20.5
Internal revenues	122.5	122.5
Operating result	**76.6**	**76.6**
Steel Division	36.5	34.8
Industrial Division	37.7	36.2
Raw Materials Division	2.4	5.6
Operating result margin	**8.8%**	**8.8%**
Steel Division	6.7%	6.4%
Industrial Division	12.3%	11.8%
Raw Materials Division	1.7%	3.9%
EBIT	**133.4**	**133.4**
Steel Division	72.9	71.3
Industrial Division	56.2	54.7
Raw Materials Division	4.3	7.4
EBIT margin	**15.3%**	**15.3%**
Steel Division	13.4%	13.1%
Industrial Division	18.3%	17.8%
Raw Materials Division	3.0%	5.2%

Audit and review by an auditor

The consolidated interim financial statements as of 06/30/2014 were neither fully audited nor reviewed by an auditor.

Group of consolidated companies

The group of consolidated companies was reduced by one fully consolidated subsidiary, INTERSTOP Corporation, in comparison with the balance sheet date 12/31/2013. After this US subsidiary had been sold to the RHI subsidiary RHI US Ltd. by Stopinc AG at the end of 2013, it was merged with this company in January 2014.

The preliminary fair values of the net assets determined as of 12/31/2013 for the share in Orient Refractories Ltd., India, which was acquired in the previous year, correspond to the final values. An adjustment to the amounts recognized on a preliminary basis due to new findings in the course of the business development was possible until 04/29/2014 according to IFRS 3.

Goodwill

Goodwill developed as follows:

in € million	01/01 – 06/30/2014	01/01 – 12/31/2013
Cost at beginning of period	36.7	17.4
Currency translation	0.8	(4.4)
Additions to consolidated companies	0.0	23.7
Cost at end of period	**37.5**	**36.7**
Accumulated impairment at beginning of period	(2.2)	0.0
Impairment losses	0.0	(2.2)
Accumulated impairment at end of period	**(2.2)**	**(2.2)**
Carrying amounts at end of period	**35.3**	**34.5**

Personnel provisions

For interim reports, provisions for pensions and termination payments are determined on the basis of a preview for the entire year prepared by an actuary. If there are significant changes in the actuarial assumptions in the course of the year, a remeasurement of the net debt from employee-related defined benefit obligation is recognized.

In the first half of 2014, a reduction of the actuarial interest rate used to determine pension and termination payment obligations in the euro area by 60 basis points led to an increase in personnel provisions amounting to € 22.0 million (first quarter of 2014: € 9.3 million). Taking into account deferred taxes, equity declined by € 15.9 million (first quarter of 2014: € 6.8 million). Pension and termination payment obligations were not reassessed as of 06/30 of the previous year because the interest rate level compared with the balance sheet date 12/31/2012 had been largely unchanged.

Other income/ Other expenses

Income from the sale of land shown in other income in the first half of the previous year amounted to € 2.9 million and was allocable to the Raw Materials Division in its entirety. No significant sale of land was realized in the current reporting period.

The net impact from the foreign currency effect through profit and loss and the results from forward exchange contracts amounts to € 0.4 million in the first half of 2014 (first half of 2013: € (8.6) million).

Closure Duisburg plant

The restructuring costs of € 0.5 million recognized in the first half of 2014 result from the closure of the plant in Duisburg, Germany, and are related to expenses for the social plan. The majority of the employees of the Duisburg plant were transferred to a transitional company as of 03/31/2014, which resulted in a cash outflow of € 12.0 million for RHI. The provisions for restructuring recognized in the first half of the previous year for the closure of this plant amounted to € 19.0 million.

Net income US Chapter 11 proceedings

With effect from 04/30/2013, the reorganization proceedings under Chapter 11 of the US Bankruptcy Code of the RHI US companies which were deconsolidated as of 12/31/2001 and the associated asbestos-related claims for damages were definitively completed with full legal security. This resulted in net income of € 75.8 million in the first half of the previous year (for details see half-year financial report 2013, page 23 f.). Net income from the US Chapter 11 proceedings of € 0.8 million recognized in the first half of 2014 resulted from the reduction of provisions due to a reassessment of the scope of obligations.

Norway

At the site in Porsgrunn, Norway, a power failure in the industry cluster in early May 2014 led to a shutdown of the fusion plant. As of mid-May, 70% of the fusion lines were back in operation, and by late June production was resumed in all fusion lines. Supply of the RHI production facilities with high-grade fused magnesia was still largely carried out by the Norwegian production site even during the months of May and June. The damage incurred is covered by insurance. Claims for compensation against the industry cluster are currently under review.

Income taxes

The tax rate in the first half of 2014 amounts to 32% (first half of 2013: 28%).

Dividends

The Annual General Meeting on 05/09/2014 approved the payout of a dividend of € 0.75 per share for the year 2013. Consequently, dividends totaling € 29.9 million were paid to the shareholders of RHI AG in the second quarter of 2014.

Segment reporting

The key figures of the operating segments for the first half of 2014 are shown in the table below:

in € million	Steel	Industrial	Raw Materials	Elimination/ Unallocated assets	Group
External revenues	535.4	278.8	24.9	0.0	839.1
Internal revenues	0.0	0.0	132.5	(132.5)	0.0
Segment revenues	**535.4**	**278.8**	**157.4**	**(132.5)**	**839.1**
Operating result	**42.8**	**23.4**	**5.6**	**0.0**	**71.8**
Restructuring costs	(0.3)	(0.2)	0.0	0.0	(0.5)
Net income from US Chapter 11 proceedings	0.5	0.3	0.0	0.0	0.8
EBIT	**43.0**	**23.5**	**5.6**	**0.0**	**72.1**
Financial results					(13.7)
Results from joint ventures					4.2
Result before income taxes					**62.6**
Segment assets at 06/30/2014	605.0	280.9	493.7	318.8	1,698.4
Shares in joint ventures 06/30/2014	0.1	0.0	16.1	0.0	16.2
					1,714.6

The following table shows the operating segments for the first half of 2013:

in € million	Steel	Industrial	Raw Materials	Elimination/ Unallocated assets	Group
External revenues	542.8	307.4	20.5	0.0	870.7
Internal revenues	0.0	0.0	122.5	(122.5)	0.0
Segment revenues	**542.8**	**307.4**	**143.0**	**(122.5)**	**870.7**
Operating result[1)]	**36.5**	**37.7**	**2.4**	**0.0**	**76.6**
Restructuring costs	(12.3)	(6.6)	(0.1)	0.0	(19.0)
Net income from US Chapter 11 proceedings	48.7	25.1	2.0	0.0	75.8
EBIT	**72.9**	**56.2**	**4.3**	**0.0**	**133.4**
Financial results					(20.7)
Results from joint ventures					3.7
Result before income taxes					**116.4**
Segment assets at 12/31/2013	574.2	266.8	494.9	369.9	1,705.8
Shares in joint ventures 12/31/2013	0.2	0.0	18.0	0.0	18.2
					1,724.0

1) adjusted

Disclosures on financial instruments

Financial assets and liabilities at fair value

As in the previous year, the fair values are determined according to the following hierarchy:

Level 1: Quoted prices in active markets for identical financial instruments.
Level 2: Measurement techniques in which all important data used are based on observable market data.
Level 3: Measurement techniques in which all important data used are based on non-observable market data.

Financial assets and liabilities measured at fair value and classified by the corresponding levels are shown below:

	06/30/2014		
in € million	Level 1	Level 2	Level 3
Financial assets			
Available-for-sale securities and shares	33.0	0.0	1.6
Financial assets held for trading	0.0	0.2	0.0
Financial liabilities			
Interest derivatives in a hedging relationship	0.0	1.0	0.0
Financial liabilities held for trading	0.0	0.7	0.0

	12/31/2013		
in € million	Level 1	Level 2	Level 3
Financial assets			
Available-for-sale securities and shares	31.2	0.0	1.6
Interest derivatives in a hedging relationship	0.0	0.6	0.0
Financial assets held for trading	0.0	0.2	0.0
Financial liabilities			
Financial liabilities held for trading	0.0	0.3	0.0

In the two reporting periods there were no transfers between fair value measurements of the levels 1, 2 and 3.

The fair value of level 3 financial assets did not change in the financial year 2013 and the first half of 2014 and amounts to € 1.6 million.

Financial assets and liabilities at amortized cost

The following table shows the carrying amounts and fair values of the financial assets and liabilities which are carried at amortized cost:

	06/30/2014		12/31/2013	
in € million	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Available-for-sale investments	0.4	0.4	0.4	0.4
Available-for-sale securities and shares	1.1	1.1	1.1	1.1
Other financial receivables	4.2	4.2	4.2	4.2
Trade and other current receivables	382.9	382.9	368.6	368.6
Cash and cash equivalents	66.9	66.9	112.4	112.4
Financial liabilities				
Non-current financial liabilities	340.8	355.3	362.1	373.3
Current financial liabilities	185.3	185.3	173.2	173.2
Trade and other current payables	288.8	288.8	291.8	291.8

Related companies

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

Contingent liabilities

Contingent liabilities recorded no material changes since the previous balance sheet date.

Seasonal and cyclical influence

Explanations regarding seasonal and cyclical influences on the operating activities of the RHI Group can be found in the interim consolidated management report.

Employees

The average number of employees of the RHI Group weighted by level of employment amounted to 8,013 in the first half of 2014 (first half of 2013: 8,359).

Investment project Turkey

The Turkish subsidiary Magnesit Anonim Sirketi, Eskisehir, signed a contract with the Cihan Group regarding the acquisition of a raw material plant and mining rights in Erzurum, Turkey, on 04/07/2014. The agreed purchase price amounts to USD 30 million. In addition, a debtor warrant of up to USD 16 million was agreed upon, which depends on the realizable raw material quantities and qualities.

At 06/25/2014, the first instance of the competent civil court approved the sale of the raw material plant and the mining rights in Erzurum, Turkey. The fulfilment of other contractual conditions is currently being worked on.

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 2014 ending on June 30 do not necessarily allow conclusions regarding the development of future results.

Vienna, 08/05/2014

Management Board

Franz Struzl
CEO
CSO Industrial Division
CTO R&D

Barbara Potisk-Eibensteiner
CFO

Franz Buxbaum
COO

Reinhold Steiner
CSO Steel Division

RHI Share

The shares of RHI AG are admitted to official 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. On June 30, 2014, 39,819,039 no-par common shares of RHI AG with voting rights were admitted to trading in Vienna

Shareholder structure

- MS Private Foundation, AUT >25%
- Chestnut Beteiligungsgesellschaft mbH, GER* >5%
- Silver Beteiligungsgesellschaft mbH, GER* >5%
- Free Float <65%

* Voting rights are exercised jointly.

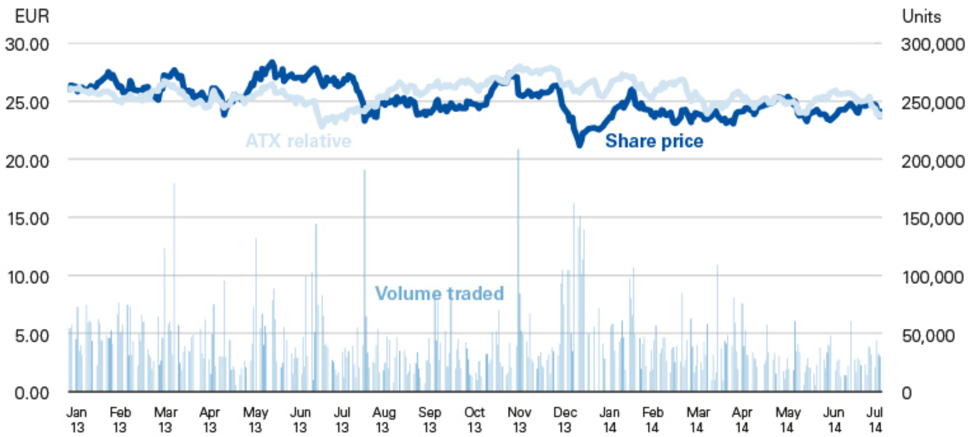
Capital market calendar 2014

Preliminary result 2013	February 25, 2014
Final result 2013	April 4, 2014
RHI Annual General Meeting	May 9, 2014
Ex-dividend day	May 12, 2014
Report on the first quarter of 2014	May 14, 2014
Dividend payment day	May 19, 2014
Half-year result 2014	August 5, 2014
Report on the third quarter of 2014	November 5, 2014

Stock exchange key figures

Share price on the Vienna Stock Exchange (in €)	H1/2014	H1/2013
Highest closing price	26.05	28.38
Lowest closing price	22.85	23.84
Closing price at end of period	24.59	26.75
Market capitalization (in € million)	979	1,065

Share performance 01/2013 - 07/2014



ISIN
RHI share: AT0000676903
Reuters: RHIV.VI
Bloomberg: RHI AV

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The English translation of the RHI annual report is for convenience.
Only the German text is binding.

This quarterly 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.

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