

Quarterly Financial Report III/2008



Key Figures RHI Group

in € million	Q1 – Q3		Change
	2008	2007 ^{*)}	
Revenues	1,220.9	1,085.9	12.4%
EBITDA	184.9	160.7	15.1%
EBITDA margin	15.1%	14.8%	2.0%
EBIT	148.0	123.7	19.6%
EBIT margin	12.1%	11.4%	6.1%
Profit before income taxes	123.5	96.1	28.5%
Profit from continuing operations	108.3	82.9	30.6%
Loss from discontinued operations	-1.1	-1.1	0.0%
Profit	107.2	81.8	31.1%
Equity	203.4	64.2	216.8%
Basic earnings per share (in €)	2.84	2.25	26.2%
Diluted earnings per share (in €)	2.69	2.04	31.9%
Continuing operations:			
Number of employees at 30 September	7,845	7,298	7.5%
Average number of employees Q1-Q3	7,726	7,240	6.7%

^{*)} adjusted

Dear Shareholders,

In the past weeks, the financial crisis emanating from the USA has shaken the international capital markets and triggered fears of recession worldwide.

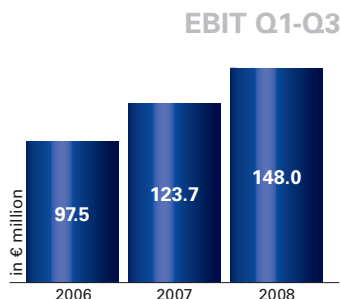
The Vienna Stock Exchange has also been unable to detach itself from these developments. The RHI share, which was one of the outperformers in the first half of 2008, lost some 17% of its value in September. This negative trend continued in October despite a good business development and sufficient liquidity of the company.

In the present quarterly financial report you will see that the RHI Group recorded double-digit growth rates in revenues and earnings in the first three quarters of the year despite the tense situation in the raw material markets and significant price increases in energy and transport. Moreover, equity, which was positive again for the first time as of 30 June 2007, was increased to € 203.4 million at 30 September 2008.

The investments scheduled for the year 2008, with a focus on China and India, are in the final stage or already operating. In the year 2009 they will make a positive contribution to earnings with additional group-owned raw materials and an extended product range.

The RHI Group is therefore also prepared for possible difficult economic cycles. With a planned investment volume of € 4 million, self-supply with high-quality raw materials from the Turkish deposit will be increased by 30,000 tonnes per year in order to guarantee the supply of important markets in the future based on cost advantages.

Management Report RHI Group



In the first three quarters of 2008, the RHI Group increased revenues to € 1,220.9 million, up 12.4% on the same period in 2007. The decline in sales volume was caused by the Group's own consumption of Turkish raw materials, which had already been announced in the half-year report. EBITDA rose by 15.1% to € 184.9 million; EBIT improved by 19.6% to € 148.0 million. At 12.1%, the EBIT margin thus clearly exceeded the prior-year figure of 11.4%.

Profit before income taxes amounted to € 123.5 million (previous year: € 96.1 million), up 28.5%. The tax rate, at 12.3%, was slightly below the level of the previous year. At € 107.2 million, the profit of the RHI Group exceeded the comparable figure of 2007 (€ 81.8 million) by 31.1%. At 30 September 2008, equity amounted to € 203.4 million, an increase by € 107.8 million compared to December 2007. Financial liabilities amounted to € 448.3 million at the balance sheet date and, taking into account cash and cash equivalents of € 64.4 million, net financial liabilities were € 383.9 million. In the third quarter of 2008, cash flow from operating activities, at € 93.3 million (previous year: € 46.8 million), exceeded the prior-year figure significantly. Cash flow from investing activities, at € -57.5 million, reflects the finalising costs at the Chinese raw material plant.

By 30 September 2008 no further progress was made in the US Chapter 11 proceedings.

Segment Reporting

	3 rd Quarter		Q1 – Q3	
	2008	2007 ^{*)}	2008	2007 ^{*)}
Sales (thousand tonnes)	484.4	505.2	1,562.6	1,482.2
in € million				
Revenues	414.1	362.1	1,220.9	1,085.9
Segment Steel	262.5	229.3	749.1	668.8
Segment Industrial	146.9	123.0	446.8	389.3
Segment Raw Materials/Production	256.8	235.1	778.7	708.8
Consolidation	-252.1	-225.3	-753.7	-681.0
EBIT	49.9	42.1	148.0	123.7
Segment Steel	33.4	23.3	78.0	62.7
Segment Industrial	21.7	15.4	63.7	48.4
Segment Raw Materials/Production	-5.2	3.4	6.3	12.6
EBIT margin	12.1%	11.6%	12.1%	11.4%
Segment Steel	12.7%	10.2%	10.4%	9.4%
Segment Industrial	14.8%	12.5%	14.3%	12.4%
Segment Raw Materials/Production	-2.0%	1.4%	0.8%	1.8%

^{*)} adjusted

Steel Division

The steel industry increased its output by 4.6% to 1.036 million tonnes in the first nine months of the year 2008. The trend was positive in all regions of the world; adjusted for China, production rose by 3.7%. During the same period, the Steel Division increased revenues by 12.0% to € 749.1 million and sales volume by 4.5%. EBIT was up 24.4% on the previous year; the EBIT margin, at 10.4%, also exceeded the figure of the same period in 2007.

The persisting high demand in Europe continued to ensure full capacity utilisation again in the third quarter. Sales volume remained at the prior-year level, and revenues and earnings were raised due to successful price increases.

Refractories sales in North America were characterised by a good steel output, which was supported by declining steel imports. In order to meet the high expectations of the South American steel industry regarding value-added products and service, the sales and services structure based in Brazil was extended in early September.

In the third quarter, sales volume and profitability in Asia were improved again on the previous year. Despite the Olympic Games held in Beijing in August, RHI managed to continue the upwards trend in terms of earnings.

Industrial Division

RHI's Industrial Division reported a 14.8% increase in revenues to € 446.8 million in the first three quarters of 2008. With an EBIT margin of 14.3%, an increase by 15.3% was accomplished compared to the same period of the previous year.

In the Cement/Lime segment, a seasonal decline in sales volume was recorded in the cement industry in the third quarter. The good order situation in September indicates that the winter repair season has started and the European cement plants are stocking up on refractory materials for upcoming maintenance work. In general, the year 2008 has been characterised by a good order situation in both drop shipping and project business. However, individual new construction projects have been postponed as a result of the global financial crisis. In addition, cement sales have plummeted in important markets such as the USA, Mexico, Great Britain and Italy due to the real estate crisis, which will also affect sales volume in the coming year. From today's perspective it is difficult to assess to what extent the crisis will have an impact on project business in the year 2009.

The positive development of the glass market continued in the third quarter of 2008; RHI's production capacity utilisation is still good and gives rise to longer delivery times. As in the previous months, all segments – container glass, flat glass and the special glass industry – contributed to this positive development. As a result of this situation, a series of projects, in particular in the growth regions South America, Russia and India have been announced. Chinese manufacturers are stepping up their efforts to improve the energy balance of float tanks, thus requiring higher-grade refractory materials from renowned suppliers such as RHI. Europe continues to drive an increased use of solar energy, which has been demonstrated by the commissioning of the required flat glass tanks in Germany and Turkey.

In the Nonferrous Metals Business Unit a sustained positive development was reported in the third quarter although the most important metal prices showed a clear downward trend. Nevertheless, important orders were recorded in project business, focusing once again on ferroalloys in the South American region. In drop shipping, business in Australia, which had been expected somewhat earlier, was realised in the copper segment.

Business developments in the Environment, Energy, Chemicals segment exceeded expectations in terms of both revenues and earnings in the third quarter of 2008. The core market Canada, with a focus on the chemical and petrochemical industries and oil refineries, contributed significantly to the record revenues in the third quarter.

Raw materials/Production Division

Revenues of RHI's Raw Materials/Production Division in the third quarter of 2008 rose by 9.9% on the same period of the previous year. Internal prices between RHI's divisions are only adjusted once per year. The next adjustment will be made in early 2009. This results in a negative EBIT of € 5.2 million in the third quarter, which is below the comparable period of 2007.

The situation for magnesitic raw materials shows a varied picture. Due to the limited export licenses in China and suppressed smuggling of Chinese raw materials, both volume and prices of magnesite are still critical. However, the restriction of exports has eased the tense raw material supply situation within China.

Since September the smelter of the raw material joint venture in China has been in production; the sintering line will be commissioned according to schedule in the fourth quarter.

Outlook

Due to the high level of incoming orders in the Steel and Industrial Divisions, RHI expects a satisfactory business development until the end of the year. RHI's business model, which is predominantly characterised by recurring wear business, should, even in macro-economically uncertain times, ensure the capacity utilisation in the Group to a large extent.

Significant production cuts in the steel industry, above all in the markets relevant to RHI, will lead to considerable reductions in volume, especially for short-lived refractory commodities. Consequently, the double-digit growth rates recorded so far in 2008 will not continue in the coming year. The further development of the Steel Division in 2009 will be heavily dependent on the global environment, with employment in the automotive, construction and mechanical engineering sectors being decisive for its customer industry.

In the Industrial Division, it remains to be seen whether projects will be postponed. While the real estate crisis in some regions of the world slows down cement consumption, the glass industry currently expects little impact of the financial crisis on planned investments. Major investment projects, especially in the nickel, copper and zinc segments, are influenced by the sharply dropped metal and alloy prices, which are leading to order postponements.

The Raw Materials/Production Division will suffer from the high energy and raw material costs in the next few months. The additional supply with own raw materials from China will have a positive effect on the result in 2009.

Consolidated Financial Statements

Balance Sheet

in € million	30.09.2008	31.12.2007
ASSETS		
Non-current assets		
Property, plant and equipment	447.1	419.9
Goodwill	14.3	15.3
Other intangible assets	35.2	36.6
Shares in associates	14.3	12.4
Other non-current financial assets	39.5	39.5
Non-current receivables	0.9	1.1
Deferred tax assets	71.4	72.6
	622.7	597.4
Current assets		
Inventories	368.9	311.3
Trade and other current receivables	320.3	283.8
Current portion of non-current receivables	0.8	1.3
Income tax receivables	2.2	8.1
Current financial assets	3.4	3.4
Cash and cash equivalents	64.4	35.0
	760.0	642.9
	1,382.7	1,240.3
EQUITY AND LIABILITIES		
Equity		
Share capital	274.8	272.3
Group reserves	-88.4	-193.1
Equity attributable to equity holders of RHI AG	186.4	79.2
Minority interest	17.0	16.4
	203.4	95.6
Non-current liabilities		
Subordinated convertible bond	14.7	17.2
Non-current financial liabilities	360.0	349.4
Deferred tax liabilities	9.7	10.1
Personnel provisions	313.1	318.1
Other non-current provisions	3.1	3.0
Other non-current liabilities	4.5	6.4
	705.1	704.2
Current liabilities		
Trade and other current payables	274.7	251.9
Current financial payables	88.3	84.3
Income tax payables	41.4	37.7
Current provisions	69.8	66.6
	474.2	440.5
	1,382.7	1,240.3

Income Statement

in € million	3 rd Quarter		Q1 – Q3	
	2008	2007 ^{*)}	2008	2007 ^{*)}
Continuing operations				
Revenues	414.1	362.1	1,220.9	1,085.9
Special direct distribution costs	-38.0	-30.8	-107.6	-90.7
Cost of sales	-280.9	-244.7	-820.9	-733.6
Gross profit	95.2	86.6	292.4	261.6
Distribution costs	-20.8	-20.7	-61.6	-60.1
Administrative expenses	-30.2	-25.2	-89.3	-78.5
Other income	4.6	4.2	10.1	7.8
Other expenses	1.1	-2.8	-3.6	-7.1
Operating results	49.9	42.1	148.0	123.7
Financial results	-8.5	-8.6	-26.8	-28.0
Results from associates	0.5	0.7	2.3	0.4
Profit before income taxes	41.9	34.2	123.5	96.1
Income taxes	-5.2	-5.9	-15.2	-13.2
Profit from continuing operations	36.7	28.3	108.3	82.9
Profit/loss from discontinued operations	0.1	-0.2	-1.1	-1.1
Profit	36.8	28.1	107.2	81.8
Profit attributable to				
equity holders of RHI AG	36.4	27.9	106.5	80.5
minority interest	0.4	0.2	0.7	1.3
	36.8	28.1	107.2	81.8
in €				
Basic earnings per share	0.97	0.78	2.84	2.25
Diluted earnings per share	0.92	0.70	2.69	2.04

^{*)} adjusted

Cash Flow Statement

in € million	2008	2007
Cash and cash equivalents at 1 January	35.0	66.7
thereof cash and cash equivalents from continuing operations	34.6	66.5
Cash flow from operating activities	93.3	46.8
Cash flow from investing activities	-57.5	-78.0
Cash flow from financing activities	-4.3	-8.7
Cash flow from discontinued operations	-2.1	0.0
Cash and cash equivalents at 30 September	64.4	26.8
thereof cash and cash equivalents from continuing operations	64.4	26.6

Statement of Changes in Equity

in € million	2008	2007
Equity at 1 January	95.6	-64.5
Change in currency translation reserves	-1.1	-5.7
Profit	107.2	81.8
Total recognised income and expenses	106.1	76.1
Dividend payments	-0.8	-2.0
Capital increase	2.5	60.1
Effects of convertible bonds	0.0	-1.8
Change in minority interest	0.0	-3.7
Equity at 30 September	203.4	64.2

Consolidated Financial Statements

Notes

Principles and methods

The unaudited interim financial statements at 30 September 2008 were drawn up in accordance with the provisions of IAS 34 and, applying § 245a UGB (Austrian Commercial Code), in accordance with the provisions of the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) as amended and recognised by the European Union (EU).

The explanations given in the notes to the consolidated financial statements 2007, in particular with a view to principles of accounting and valuation, apply correspondingly. IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions" will be applied for the first time in the consolidated statements for the financial year 2008.

Changes in consolidation

On 30 June 2008 the Management Board decided to sell Isolit-Isolier GmbH, Vienna, Austria. In accordance with IFRS 5, Isolit-Isolier GmbH is thus divested from the Raw Materials, Production, Other Division and shown as discontinued operations. The relevant comparable figures were adjusted. With effect from 1 September 2008, the company was sold within the framework of a management buyout.

In addition, the company Shandong RHI New Materials Co., Ltd., Zibo City, PR China, which had been consolidated at equity, was deconsolidated with effect from 29 August 2008.

Other income and expenses

In the first half, foreign exchange losses were shown under other expenses, which turned into foreign exchange gains in the third quarter, thus leading to a positive effect in this quarter.

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.

Events after the balance sheet date

No events subject to disclosure occurred between the balance sheet date on 30 September 2008 and release for publication on 27 October 2008.

Other notes

The Management Board of RHI AG declares, to the best of its knowledge, that the unaudited quarterly financial report is a fair presentation of the assets, financial and earnings position of the Group in accordance with IFRS to be applied in the EU.

Vienna, 27 October 2008

Andreas Meier
Chairman

Stefano Colombo
Deputy Chairman, CFO

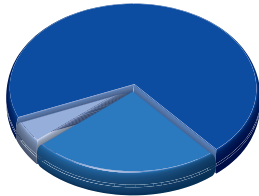
Giorgio Cappelli
Steel Division

Manfred Hödl
Industrial Division

Rudolf Payer
Accounting, Taxes and IT

RHI Share

RHI Shareholder structure at 20 October 2008:



< 70% Free float
> 25% MS Private Foundation, Austria
> 5% Wilhelm Winterstein, Germany

The shares of RHI AG are traded on the Vienna Stock Exchange. At the Vienna Stock Exchange, RHI is represented in the Prime Market and the Austrian Traded Index ATX, the lead index and most important trading segment of the Austrian capital market. Following the conversion of 57 convertible bonds of tranche B on 1 October 2008, 37,817,039 no-par common shares with voting rights of RHI AG are admitted to trading in Vienna.

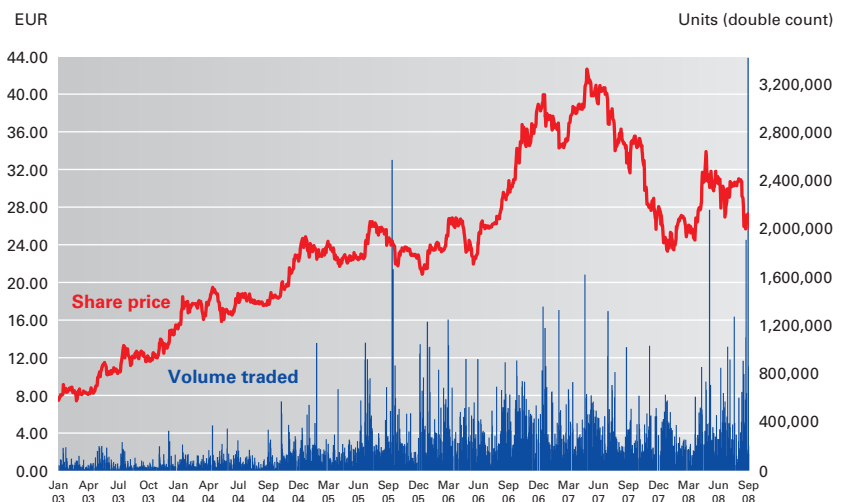
Financial calendar for 2009

Preliminary result 2008	12 March 2009
Final result 2008	23 April 2009
Result of the 1- Quarter 2009	5 May 2009
Annual General Meeting 2009	28 May 2009
Half-year result 2009	4 August 2009
Result of the 3- Quarter 2009	3 November 2009

Stock market figures

in €	3 rd Quarter	
	2008	2007
Lowest share price	23.35	32.28
Highest share price	33.95	42.73
Share price at 30 September	25.56	32.28
Market capitalisation (in € million)	958.59	1,208.10

Performance of the RHI share 01/2003 - 09/2008



ISIN

RHI share:
AT0000676903
Convertible bond tranche A:
AT0000443049
Convertible bond tranche B:
AT0000443056

Information on RHI

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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

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

This quarterly 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.