ANNUAL REPORT 2009

RESOURCES FOR THE FUTURE

RHI

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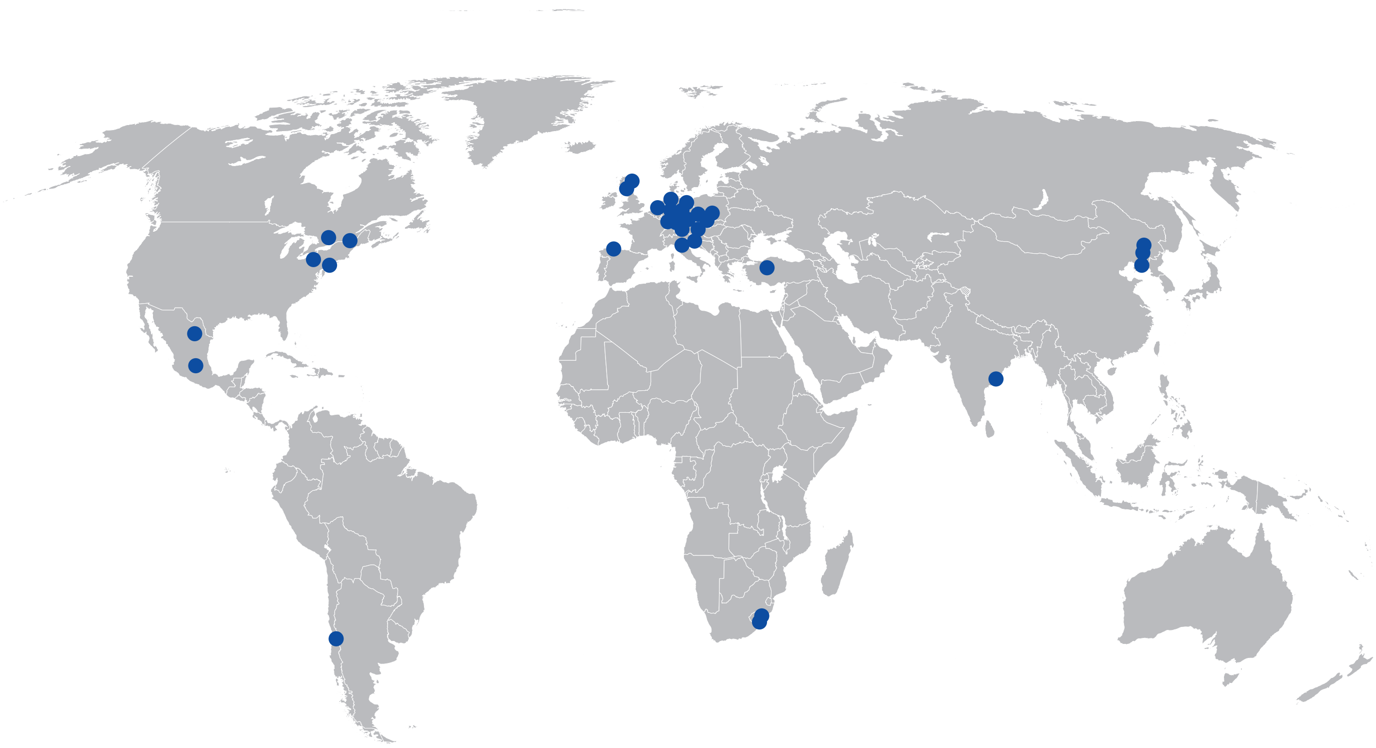
Resources for the Future

With the financial year 2009, RHI draws a balance of a year that was significantly marked by the challenges of global recession. A situation that RHI managed successfully by quick and far-sighted action. This is how RHI created a sound company basis in order to protect future resources. Resources that represent the basis of future growth and profitability and that will mark RHI's success in the future beyond the period of a calendar year.

Therefore, the annual financial report 2009 of RHI is dedicated to the topic of resources: which framework conditions will mark us, which positions does RHI take in this context and which activities have we already taken or initiated.

The protection and preservation of resources in the global competition, but also the responsible dealing with raw material, energy and environmental resources will distinguish successful from less successful companies more clearly than ever. Therefore, the clear motto of the annual financial report gears to the values of responsibility and secure future:

Resources for the future.



RHI mining, raw material and production sites

HQ Vienna/AT
TC Leoben/AT

Breitenau/AT
Hochfilzen/AT
Radenthein/AT
Trieben/AT
Veitsch/AT

Aken/DE
Duisburg/DE
Mainzlar/DE
Marktredwitz/DE
Niederdollendorf/DE
Urmitz/DE

Bonnybridge/GB
Clydebank/GB
Evergem/BE
Soufflenheim/FR
Lugones/ES
Marone/IT
San Vito/IT
Eskisehir/TR

Isithebe/ZA
Tugela/ZA
Bécancour/CA
Burlington/CA
Falconer/US
Saybrook/US
Ramos Arizpe/MX
Tlalnepantla/MX
Santiago/CL

Bayuquan/CN
Dalian/CN
Dashiqiao/CN
Venkatapuram/IN


Spain: 5.6%
Turkey: 25.6%
Greece: 5.5%
Poland: 0.8%
Austria: 9.9%
Slovakia: 18.3%
CIS Europe: 34.1%
(magnesite production in Europe incl. Turkey)
Source: World Mining Data. Austrian Federal Ministry of Economics 2009

RAW MATERIALS RESOURCES

"AS A RAW MATERIAL-PROCESSING GROUP DEEPLY ROOTED IN EUROPE, A COMMON EUROPEAN RAW MATERIALS POLICY IS AN IMPORTANT CONCERN TO US THAT WE HAVE TO TACKLE TOGETHER WITH OUR PARTNERS IN POLITICS."

CEO Thomas Fahnemann

Securing the Future Availability of Raw Materials in Europe

In the global competition for raw materials resources, the European strategies are currently lagging far behind those of many other industrial nations. The EU Raw Materials Initiative of the European Commission gives the outline of efficient actions which RHI supports through its sustainable resource strategies as well as a detailed catalogue of recommendations for securing the future availability of resources in Europe.

The worldwide awakening on the energy sector took place a long time ago: since the oil crisis of the 70s at the latest, the fact that - except for renewable sources of energy - the energy resources of our planet are limited and the regulation of access to energy raw materials represents a politically very sensitive topic has been firmly anchored in general thinking. The same applies to the field of raw materials, but the awareness of global shortage of non-energy resources as well as the calls for an orientation of foreign affairs towards the raw materials interests of the countries are still relatively new. In particular the boom of Asian economic giants - above all China - with the consequence of a vast hunger for raw materials, however, has shown: the raw materials market is becoming more and more competitive. However, at present, the European strategies for dealing with this challenge are still lagging far behind those of many other industrial nations. For example, many emerging countries have already increasingly introduced industrial strategies to protect their own basis of resources. For quite a long time, the USA have been defining critical raw materials and building up strategic stocks of raw materials that are critical to the American defence industry. Japan has already started a broadly based raw materials diplomacy as well.

It is true that the EU member states have introduced various measures during the past years as well; in particular Germany has proven to be one of the most advanced countries in this area. Up to now, however, there has been no policy on a European level that combines the different measures in an integrated strategy. This strategy has now been available for more than one year in the form of the EU Raw Materials Initiative introduced in November 2008 which defines three fundamental goals: the non-discriminating guarantee of access of the European nations to raw materials on the international markets, the durable reinforcement of the supply of raw materials from own European sources as well as the reduction of the consumption of raw materials of the EU and the limitation of its dependence on importation.

This selective strategic action plan, which, besides fair access to resources for the European nations, also calls for increased awareness with respect to consumption and sustainability, constitutes a decisive concern for RHI as a raw material-processing group deeply rooted in Europe. The company clearly supports this approach through a clear catalogue of recommendations for a pan-European raw materials policy. Besides the determination of a common, long-term strategic European raw material policy with clear competences on the level of the EU and of the member states, it includes the quick preparation of a list of actions for critical raw materials, long-term trade agreements with countries rich in raw materials as well as, in the context of new legislations, the definition of the future availability of raw materials as an important criterion for the overall balance of interests.

Dolomite mining, Marone, Italy

Magnesite mining, Breitenau, Austria

Independence as a Guarantor of the Future

Thanks to an extensive, international network of own mining facilities and oint venture partners, RHI ensures its high degree of independence of the international raw materials markets and secures sustainable prospects of success for the future.

The industrial site of Europe is sustainably put at risk without a sufficient supply of raw materials. Traditional industrial countries such as Austria are exposed to even greater risks: nearly 60 percent of added value and 55 percent of the employment relationships in Austria are attributable to industry and production-related services. Therefore, a primary strategic goal of RHI is to ensure the future availability of raw materials resources through an extensive, international network of own mining facilities and joint venture partners. More than 50% of the magnesite- and dolomite-based raw materials are currently coming from own sources. There are plans to increase this percentage in the future, since an own supply of raw materials is a key factor for RHI's company success for reasons of independence and costs.

RHI has sustainably secured its access to the raw materials resources of magnesite and dolomite absolutely essential to the refractories sector mainly through its own mining facilities in Austria, Italy and Turkey as well as through a joint venture partner in China. In Austria alone, RHI has three own magnesite mining facilities in Hochfilzen, Breitenau and Radenthein. The facilities in Marone / Italy (dolomite) as well as Eskisehir / Turkey (magnesite) constitute two other companies where 1.2 million tonnes are mined and processed every year. Moreover, future availability of resources is ensured by a joint venture opencast mining partner in China from which RHI buys raw magnesite for further processing.

Annual employee air kilometres: 2,185,000 km

Percentage of men: 87%

Percentage of women: 13%

Employees: 6,963

Annual working hours: 13,955,856 h

Annual coffee consumption: 1,277,500 l

New apprentices per year: 51

Multiple awards for apprentice training

Nations: 59

HUMAN RESOURCES

"WITH RESPECT TO THE DEMOGRAPHIC DEVELOPMENT, THE POTENTIAL OF FEMALE AND YOUNG EMPLOYEES WILL BE PARTICULARLY DECISIVE FOR THE FUTURE SUCCESS OF AN INDUSTRIAL COMPANY SUCH AS RHI."

Andreas Berger
Human Resources Manager RHI AG

Evelyn Ebner, apprentice, production engineering, Veitsch, Austria

Quality Right From the Start

With the special quality of its apprentice training, RHI makes a valuable investment in the future and sustainably guarantees its demand for highly qualified trained employees and executives from among its own apprentices.

Not only female, but in particular young employees count as the most important resources for the future in the context of RHI's extraordinary human resources philosophy: not least in order to guarantee the demand for highly qualified trained employees and executives from among its own apprentices. As one of the leading apprentice-training companies in Austria, RHI offers its apprentices one of the best apprenticeships in the industry as well as an interdisciplinary apprenticeship and further training programme from the first year of apprenticeship on. This includes, for example, special activities and services such as the national and international exchange of apprentices between the sites, various outdoor training activities, ongoing further training in the form of group and project work, presentations, rhetoric classes, English classes, training as industrial technician, apprenticeship with higher school certificate, fitness and industrial safety programmes or a special Girl's Day for future female employees. Excellent performances at work and at vocational school are rewarded with corresponding bonuses.

The actively internalised vision of RHI as a responsible promoter of young employees regularly wins top-class awards. For example, the Radenthein site / Carinthia of RHI was elected "Training company of the year" by 700 apprentices in late 2008. In the last financial year, RHI also collected points for its qualities as an extraordinary training company: the apprentice project I AM ("Information AS Motivation") was nominated for the Austrian National Award for Industrial Safety 2009. In the context of the project, young employees had to realise a risk analyses for every workplace of their site and learnt, among other things in a workshop, the fundamentals of risk evaluation as well as extensive know-how on the various possibilities of modern hazard prevention at work as a valuable knowledge for a safe future working life.


Sylvia Holly, Production Line Manager, Veitsch, Austria

Demographic Change as an Opportunity

The quota of women on the labour market will continue to increase constantly during the next decade as well, in particular in the field of highly qualified female employees. A trend that RHI has identified as a special opportunity to substantiate its extensive quality philosophy for a long time already and that it sustainably supports with a large number of activities and initiatives to promote its female employees.

Demographic change is one of the greatest challenges of the 21st century. Women will play a decisive key role in the design of this deep structural and social change in Western industrial nations, the labour market will depend more strongly on qualified female employees in the future. Current EU forecasts assume that, for the next decade, a clear continued extension of the participation in gainful employment has to be expected across all age groups of potentially gainfully employed women (that is from 15 to over 60 years) and that this ratio will reach a constant level only from approx. 2020 on. However, the relatively new topic of equal opportunities has only been firmly anchored in the social and economic awareness as an unalterable fundamental right for roughly one generation: for example, the first EU directive in the area of employment that provides for an equal salary for men and women only dates from 1975. In a world where discrimination against women still is a part of real everyday life in many places, a real, future-looking equality of opportunities can only exist where it is shown exemplarily every day by raising awareness among all employees and identified as a valuable development potential of modern working life - from a human and from an economic point of view.

The fact that equal opportunities do not only mean equal treatment, but in particular the special promotion of female employees, has long been an integral part of RHI's human resources philosophy and has earned the company the rank of one of the most attractive and multi-award winning Austrian employers. In this context, RHI was nominated for the first State Award for Equal Opportunities in Research and Development in late 2009. The award is part of the FEMtech programme of the Austrian Federal Ministry for Transport, Innovation and Technology aiming at the selective and sustainable promotion of equal opportunities for women in research and technology. The evaluation criteria included the respective situation of women and men in the company, the understanding and institutionalisation of equal opportunities as well as the novelty and degree of innovation of the measures. The jury mainly appreciated RHI's active, consistent promotion of junior staff and development of female employees: a particular acknowledgement of RHI's increased activities to win junior female employees and highly qualified women for the company.

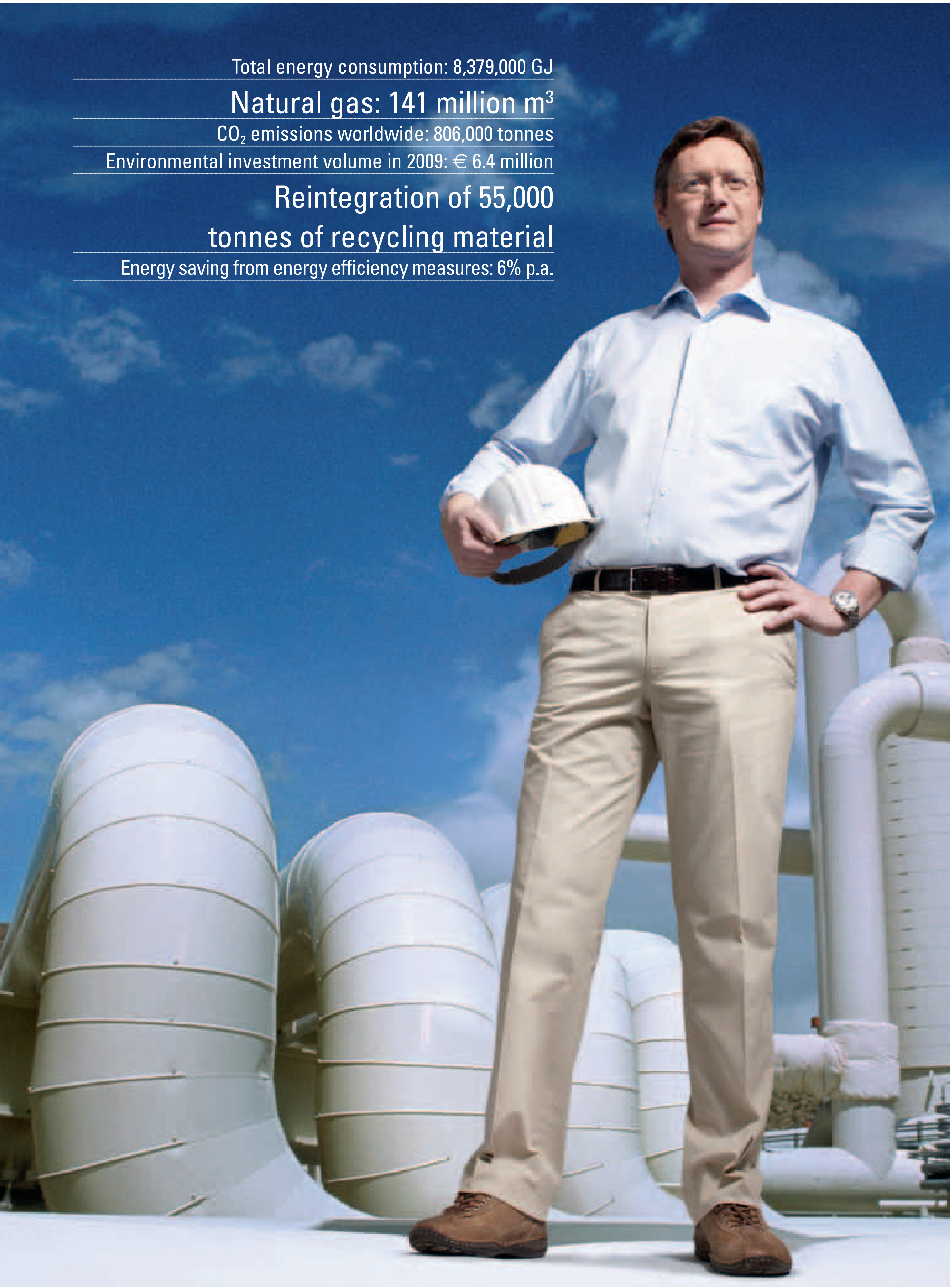
RHI's employees themselves furnished the convincing proof of the particular efficiency, practicability and fairness of the measures and programmes for promoting equal opportunities offered by RHI: positive answers in surveys on the topic of equal opportunities and job satisfaction were particularly frequent among female employees. The company supports this great confidence in RHI's qualities as promoter of equal job opportunities by means of various further activities and initiatives, e.g. mentoring measures and coaching programmes for promoting female junior executives, various promoting and public relation activities for focussing on female researchers and executives in the company as well as the start of a company-wide gender diversity programme in early 2010.


Gerhild Kold, mine surveyor, Breitenau, Austria

ENERGY RESOURCES

“TODAY, MODELS FOR RESOURCE-SAVING ENVIRONMENTAL COMPATIBILITY AS WELL AS FOR ECONOMIC SAVING HAVE TO GO HAND IN HAND: AS AN INVESTMENT IN A FUTURE WORTH LIVING AS WELL AS IN THE SUSTAINABLE CONSERVATION OF VALUABLE COMPETITIVE ADVANTAGES.”

Franz Maier
Head of the RHI Competence Centre for Environment and Energy



Total energy consumption: 8,379,000 GJ
Natural gas: 141 million m³
CO_2 emissions worldwide: 806,000 tonnes
Environmental investment volume in 2009: € 6.4 million
Reintegration of 55,000 tonnes of recycling material
Energy saving from energy efficiency measures: 6% p.a.

ENERGY RESOURCES

Economy in Line with Ecology

Europe takes its international climate protection obligations extremely seriously in the global comparison and has long discovered resource-saving environmental technologies as the decisive factors of future economic lead. his also emphasises RHI's position, which ranks among the top companies of its industry worldwide in questions of energy efficiency, environmentally sound production methods as well as the latest recycling technologies.

The current requirements of climate protection present the economy and politics on a global level with the great challenge of a deep structural change. A smart climate policy - as the EU states leading with respect to climate protection have already realised - not only is a matter of long-term ecological responsibility, but it also provides considerable advantages to the national economies in the medium term already, supports the economic activity and may dramatically reduce the dependence on imported energy. The emission trade in the EU based on the Kyoto Protocol of 1997 strongly emphasises the fact that a separation of economic and ecological reason is no longer possible: environmental polluters have to reckon with severe cost disadvantages, while companies acting in an environmentally sound manner have long discovered the trade in emission certificates as an additional dynamic economic factor.

Europe takes its international climate protection obligations extremely seriously. This is not only emphasised by the position of a large number of European companies that lead the way in many fields in the development of innovative technological efficiency measures in times of strict climate policy and dramatically increasing energy and raw material costs. Intelligent, resource-saving environmental compatibility goes hand in hand with convincing economic saving models, both as an investment in a future worth living and in the sustainable preservation of a valuable competitive lead.

€ 35 Million for the Development of Environmentally Compatible Technologies

Therefore, for RHI as a leading company deeply rooted in Europe, future-oriented corporate responsibility today means more than ever to strive for a maximum of energy efficiency, both from an ecological and economic point of view, and to massively promote the use of environmentally sound production methods. During the last five years alone, RHI invested €35 million in the development of sustainable, energy-saving and environmentally sound technologies - this corresponds to not less than 11% of the total annual investments of the company.

ORC plant, Radenthein, Austria

In order to constantly improve energy efficiency, RHI maintains, among other things, a recognised Competence Centre for Environment and Energy whose team is comprised of experts for the respective sources of energy and processes. Measures for continuous improvement (e.g. latest technologies for process optimisation, waste-heat recovery or replacement of sources of energy by environmentally sound alternatives) as well as a dedicated energy efficiency analysis programme developed by the competence centre resulted in dramatic savings of energy resources in many RHI sites in the past years.

The special importance of intelligent economic sustainability and resource-saving process technologies is also represented by RHI's high recycling competence thanks to which the company has become the refractories manufacturer using the most recycling materials worldwide. In particular, the economic recycling of scrap materials has increasingly gained in importance in the past years and, besides the ongoing development of further highly economic recycling concepts, earns RHI a decisive competitive advantage as leading recycling specialist in the refractories sector that also has an excellent environmental balance with respect to the recycling of raw materials: in 2009 alone, more than 55,000 tonnes of raw materials were recycled, that means more than 55,000 tonnes less waste at waste disposal sites, with the additional effect of a reduction of emissions by not less than 80,000 tonnes CO_2 per years.

Environmentally Sound Saving Model of International Standing

With its new waste-heat recovery power plant in Radenthein, RHI realises a worldwide pioneering project and creates a win-win situation with respect to economic efficiency and environmental compatibility.

In the context of its special environmental responsibility as an industrial company, RHI put into operation at the Radenthein site / Carinthia in August 2009 a new, worldwide unique power plant, which transforms the waste heat of two production kilns into electric current. The 1,000 kW power regeneration plant uses the heat created during the thermal afterburning of waste gases, transforms it into electric current by means of a heat exchanger and thus creates approx. 12% of the entire plant consumption of electric power. A win-win situation from an economic and ecological point of view since the new plant produces 7 gigawatt hours per year thus relieving the public power supply network - this corresponds to the demand of approx. 1,400 private households and results in a reduction of not less than 3,000 tonnes CO_2.

The power regeneration plant at the Radenthein site - with investments totalling € 5.6 million, the largest individual environmental investment of RHI in the financial year 2009 - does not use a traditional steam turbine for power generation, but a so-called organic rankine cycle plant, which has no direct impact on the environment. The plant is powered 100% by exhaust gases of the tunnel kilns, where approx. 50,000 tonnes of refractory bricks are produced per year, and does not need any further fossil sources of energy. RHI's new waste heat plant is a worldwide unique pilot project: a sensational and extraordinary example of intelligent, environment- and cost-saving energy efficiency.

FINANCIAL RESOURCES

„IN THE FUTURE, VALUES SUCH AS QUALITY, SUBSTANCE AND STABILITY WILL MORE THAN EVER CONSTITUTE THE MOST CONVINCING ARGUMENTS ON THE CAPITAL MARKET – AND THE BEST STRATEGY TO CONSERVE FINANCIAL RESOURCES.“

Barbara Potisk-Eibensteiner
Finance & Investor Relations Manager

Revenues €1,236.9 million

EBITDA € 114.5 million

EBITDA margin: 9.3%

Balance sheet total: € 1,271.2 million

Net debt: € 233.2 million

Gearing ratio: 102.4%

Available line of credit: approx € 230 million

Free cash flow: € 165.8 million

Equity: € 227.8 million

FINANCIAL RESOURCES

Building Foundations for the Future

The recession scenario of the past year as well as the global financial crisis have clearly shown that values such as quality, substance and stability will more than ever constitute the most convincing arguments on the capital market. A strategy on which RHI has relied for a long time in order to conserve its financial resources and which the company now substantiates by taking consistent restructuring measures.

In recent years, globalisation, growth of the financial markets as well as their increasing liberalisation have also inevitably entailed their increasing sensitivity to turbulences and financial crises. Therefore, the current recession scenario - even if it is undoubtedly one of the greatest challenges the world economy has recently been faced with - is not to be considered to be a transient phenomenon, but a clear sign of the fact that, together with the growth of global economy, a growth of opportunities and challenges has to be accepted as well.

Therefore, stabilisation and recovery are not a matter of the favourable change of external circumstances, but a matter of the individual entrepreneurial initiative. Companies that only rely on transient structural measures will not be prepared best for the future. Rather, it will be those companies that ensure the safety of the foundations of their supply of capital by deeply reconsidering their structures and pursuing clear models geared to long-term planning, sustainability and stability. In the future, values such as quality, substance and stability will more than ever constitute the most convincing arguments on the capital market - and the best strategy to face the restraint shown on the capital sector as well as the general shortage of investment resources.

Stability, long-term planning and continuity, while at the same time providing the highest possible flexibility and maximum responsiveness to current market changes, will therefore play a decisive role for RHI's company success in the future as well for guaranteeing financial resources in the form of sufficient liquidity and capital generation . RHI has already realised an important measure for the long-term conservation of such a capital foundation with its successfully implemented rigid working capital programme, which was launched during the last financial year in the context of an extensive restructuring and cost cutting programme: despite difficult framework conditions, the working capital ratio was reduced from more than 40% to reach 30% in 2009 and, as a further consequence, net debt was reduced significantly. Therefore, maintaining this rigid discipline with respect to working capital will be one of the largest challenges for RHI's successful future.

Another challenge that RHI's consistent restructuring and cost cutting programme managed successfully in 2009: not having to break and / or renegotiate the banking covenants of net debt / EBITDA of 3.5 calculated for the last quarterly EBITDA x 4 and thus not having to accept an additional interest expense amounting to tens of millions. By achieving this central goal no. 1, which the entire Group fixed in 2009, as well as based on the successful restructuring of RHI in the context of which all sites of the company underwent a consistent efficiency review and optimisation, the course for achieving future goals has now been set. A safe foundation both for RHI's own growth and for the acquisitive growth of the company - in particular on the international future markets - is safeguarded extensively and sustainably.

Well Prepared for the Upswing

Besides an extensive reorganisation and an efficient cost cutting programme, RHI took decisive steps for the future with its new plant concept approach in 2009 - with consistently increased efficiency and flexibility for conserving its company growth.

The worldwide recession, which marked RHI's business development significantly in the first half-year 2009, was replaced by a first bottom formation on most of the markets from the middle of the year onwards. The revisions of forecasts for the global economy also substantiate a visible recovery trend driven, among other things, by the strong performance of the Asian economy.

A trend for which RHI is best prepared thanks to the conservation of its financial resources performed successfully in the last financial year. And a success that counts even more as RHI by no means started the year of crisis 2009 under ideal conditions: with an equity ratio of 13.7% and net debt of 375 million, which were now successfully increased to 17.9% and reduced to 233.2 million, respectively, at the end of 2009. Therefore, a solid bank policy that ensured RHI's liquidity resources in cooperation with national and international banks was of essential importance in the tense stage of the credit crunch of the year 2009 on a broad basis.

Besides a clear reorganisation and an efficient cost cutting programme, RHI took decisive steps for the future with its new plant concept in 2009 as well. In order to be able to ideally meet the future demand for refractory materials, the new plant concept defines which sites will produce which products and capacities in the future. This will result in a decrease in the European portion of production from 69% to 52% and an increase in the Asian portion of production from 16% to 26% in the future. Since very volatile markets have to be expected for 2010 despite the forecasts of economic recovery, RHI's entire organisation is betting on maximum flexibility - in particular in the field of production and distribution. For example, capacities in Europe were shut down temporarily only so that they will be available again in case of increased demand.

Management Board RHI AG

Management Board
(from left to right))

Henning E. Jensen
(since 18 January 2010), CFO

Thomas Fahnemann
Chairman, CEO

Giorgio Cappelli
COO Steel Division

Manfred Hödl
COO Industrial Division

Other members of the RHI Management Board were Stefano Colombo until 28 May 2009 and Rudolf Payer until 12 March 2010.

Foreword by the CEO

Ladies and Gentlemen,
Dear Shareholders,

The financial year 2009 was one of the most difficult years in the company's history, but it was also a year where we initiated a radical structural change at RHI.

With respect to the market, in particular the first half-year was marked by global recession in all segments. Thanks to the quick implementation of a significant cost-cutting programme and the consistent adjustment of production capacities to market demand, we managed to hold our grounds at the operating level. This is how we managed the year of crisis 2009 without losses – despite a fall in demand by up to 50% in some regions and business segments.

Thanks to an active management of our current assets we were able to reduce net debt by approx. € 142 million. At the same time, we managed to increase equity capital to reach € 227.8 million. This resulted in an improvement in the equity ratio to 17.9% at the end of 2009 (13.7% at the end of 2008).

In addition to the demands of crisis management, we also set the course for the future in 2009:

>> We defined the company goals for the year 2015 in a complex strategy process. In summary: We would like to become the most profitable company of our industry and see ourselves as the world's leading generalist in the refractories market. We are clearly growth-oriented and will very consistently focus on growth in Asia and South America in the years to come.
>> A new division structure for the operating units implemented from the middle of the year on with common shared service centres constitutes the basis of higher transparency and market- and customer-oriented action of the operating units. This structure also constitutes an important condition for our future growth.
>> Moreover, with respect to the global economic situation changed since 2009 and on account of the experiences gained from the crisis, we carried out a detailed analysis of our site and product structure. The result was a new plant concept. It enables us to use existing capacities highly flexible in accordance with the market situation. By doing so, we react to the development of the past months, which were marked by an unprecedented, sudden market slump followed very quickly by a recovery of demand in some segments, but we also create production capacities in a region of enormous growth potential by investing in China.
>> Finally, as of the end of the year, we started an internal process optimisation programme aiming at optimising internal processes grown historically over many years in order to optimally prepare our company for further growth.

There is no doubt that our industry will be a growth industry in the years to come as well. Examples of important mega trends acting as growth drivers include: The increase in prosperity and the high demand for infrastructural investments in the emerging markets, the increasing urbanisation and the growth in population – this will result in a further increase in the demand for steel, glass and cement as well as nonferrous metals. The growth cycles of these products are connected inseparably with the refractories industry.

It is true that any dynamic market growth also involves new challenges. We have to realise that future success will largely depend on the best possible availability of our resources. Therefore, RHI will increasingly focus on the long-term securing of resources in the years to come, in particular for mineral raw materials, but also for immaterial resources such as technology, know-how and power of innovation as well as employees. Sufficient capital also is important in order to be able to ideally finance the required growth investments. Competition for future resources has already started. We want to actively participate in this competition as global market leader and finally win it.

Thus, 2009 was a very eventful year for our company. We can be proud of our achievements and of the fact that we managed the year of crisis 2009 well. However, we have great plans for the years to come. With this in mind, I would like to thank our employees for their commitment and motivation during the last year. I would also like to extend my thanks to our customers and shareholders for the great trust that they put in our company.

Thomas Fahnemann

Strategy and Business Model

RHI has laid the foundations for a positive further development of the strategic market position and profitability with the successful implementation of the profit centre organisation. By assigning the production sites and the research and development activities to the divisions, RHI again improved market orientation and thus customer orientation. These actions enable RHI to better meet the long-term strategic growth targets.

Shortly after the modification of the basic organisation, RHI also initiated a complex process improvement programme under the title "Project Simplification". In this project, process benchmarks were analysed in the second half-year of 2009, the actual processes were analysed comprehensively and first recommendations and measures were developed. At the beginning of 2010, the most important subprojects will be implemented in order to reach another clear increase in efficiency.

At the same time, Group strategy and division strategies were revised and clear steps towards an increase in profitability and growth were initiated. In 2009, the development of the capacities in China was decided and started. Thus, approx. 10% of the production capacities will move from Western Europe and North America to China.

The planned further development of business for 2010 focuses on the BRIC countries – here we see chances for organic growth and acquisitions without losing sight of market leadership in the "Western world".

Strategic aims:

>> Further development of market leadership.
>> Focus on BRIC: Growth in the regions of greatest economic development.
>> Further development of raw materials business and backward integration.
>> Increase in profitability through further cost cutting and improvements in efficiency.

In order to achieve these aims, we will make use of and further develop RHI's "classic" strengths.

Technology leadership

Technology leadership is based on RHI's comprehensive R&D activities, which will be further increased in the future – thanks to the assignment of the R&D departments to the respective divisions – and will be converted into market success more quickly.

As the technology leader, RHI enables steel manufacturers worldwide to concentrate on their core competences. Tailored to the different regional requirements of customers, the **Steel Division** provides individually customised solutions and complete high-quality packages consisting of refractories, machinery and services to the flow control segment providing slide gates and systems as well as isostatic products and the related systems.

A clear leading edge in refractories technology, coupled with reliability and the reputation of a full-range supplier, also forms the basis of the **Industrial Division's** success. Service, process technology and engineering expertise for customised refractories concepts guarantee added value for the production of cement, lime and nonferrous metals. A broad, high-quality product range of fused cast and ceramic products, combined with global market presence and a network with plant manufacturers and customers characterise the outstanding position of the glass segment. A high degree of innovation, product and service quality as well as engineering in projects are the prerequisites for success in the environment, energy, chemicals sector.

Backward integration

The RHI Group attaches top priority to strengthening self-supply with magnesia raw materials. This includes production and the sustainable development of the process technology of raw material production processes, the development of new raw materials, the efficient utilisation of the Group's own deposits and the search for new raw material sources.

The **Raw Materials Division** connects the focus on the core points stated above with a further development of the Group's own raw materials business. Existing sales business is developed in a profitable manner, existing raw materials markets are opened for RHI and new fields of application and use for the Group's raw materials basis are developed. These actions aim at clearly strengthening the RHI Group's overall raw materials position.

Global presence

The strategy to act as a global full-range supplier with excellent service and intensified self-supply with magnesia raw materials will secure and further strengthen RHI's market position in the coming years. This also requires an increased sales presence in those regions that will experience above-average growth in the future.

The development of the sales organisation in Brazil is a good example for the strengthening of the global sales network and only marks the beginning of RHI's BRIC initiative.

RHI Share

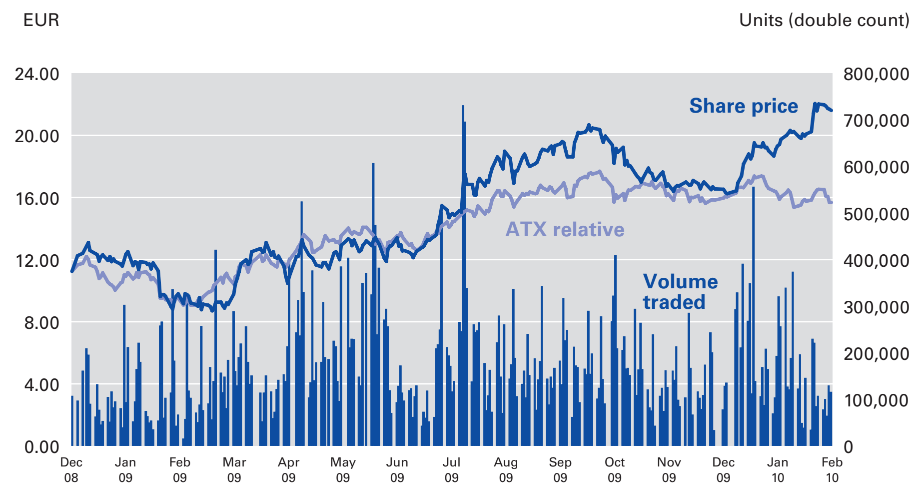
Market development

While the crisis in the real economy depressed stock markets in the first quarter of 2009, the anticipated economic recovery and expected profitability increases attributable to measures taken during the crisis subsequently led to a massive recovery of share prices. On 30 December 2009, the lead index ATX closed at 2,495.56 points or a plus of 42.5% compared to the last trading day of 2008.

In 2009, the RHI share started at a price of € 12.25 and dropped in March 2009 to reach a low of € 8.70. In October 2009, it reached a high of € 20.68 and closed at € 16.24 at the Vienna Stock Exchange on 30 December 2009.

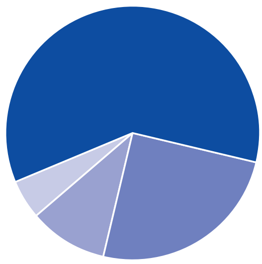
In the year 2009, 42.4 million RHI shares were traded. However, due to the low share price, turnover dropped by approx. 71% and amounted to € 620 million. In the lead index ATX, RHI was weighted at 1.34% at year-end 2009, and at 1.13% in the ATX Prime.

Performance of the RHI share



ISIN

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



< 60% Free float
> 25% MS Private Foundation, Austria
> 10% FEWI Beteiligungsgesellschaft mbH, Germany
> 5% Raiffeisen Group, Austria

RHI shareholder structure

The MS Private Foundation ("MSPF") has been holding more than 25% of the RHI shares since 20 April 2007. Apart from MSPF, FEWI Beteiligungsgesellschaft mbH, Germany, reported more than 10% and the Raiffeisen Group; Austria, more than 5% of the RHI voting rights in accordance with the Austrian Stock Exchange Act.

RHI convertible bonds

In 2009, all outstanding convertible bonds were converted into new RHI shares. Thus, the number of shares totals 39,819,039 as of 31 December 2009. New shares from the conversion of RHI convertible bonds A and B are eligible for dividends from the beginning of the financial year in which they are issued.

Employee stock ownership plan

The employee stock ownership plan "4 plus 1", which was introduced worldwide in 2005, was continued in the year 2009 in all fully consolidated companies of RHI. This plan grants employees the option to receive bonus stock worth up to € 1,460 against RHI stock they have purchased to a total of € 5,840 per annum. At year-end 2009, 790 employees participated in this plan.

Profit appropriation

At the Annual General Meeting on 30 April 2010, the RHI Management Board will propose to carry forward the accumulated profit 2009 of RHI AG in its entirety with a view to the further strengthening of liquidity and equity.

Stock Exchange indicators of the RHI share

in €	2009	2008	Change
Share price at year-end[1]	16.24	11.25	44.4%
High[1]	20.68	33.95	-39.1%
Low[1]	8.70	10.60	-17.9%
Average[1]	14.40	24.71	-41.7%
Earnings per share (diluted)	0.52	2.51	-79.3%
Number of shares (in million units)	39.82	37.93	5.0%
Stock exchange turnover (in million units)	42.43	81.43	-47.9%
Stock exchange turnover (in € million)	620	2,120	-70.7%
Market capitalisation (in € million)[2]	647	427	51.6%

1) Closing price at Vienna Stock Exchange
2) at year-end

Investor Relations

In the year of crisis 2009, RHI increased communication work on the capital market and informed investors from all over the world about the measures taken and the company's development at road shows, investor conferences, one-on-ones and telephone conferences.

Coverage 2009

In the year 2009, the following banks and investment companies covered RHI AG in analyses (in alphabetical order): Berenberg Bank, CA Cheuvreux, Deutsche Bank, Equita, Erste Bank, Hauck & Aufhäuser, HSBC Trinkaus & Burkhardt, Raiffeisen Centrobank, Sal. Oppenheim, UniCredit.

All shareholders and market participants can contact the investor relations team of RHI AG for information. In accordance with the Austrian Corporate Governance Code, all current information and reports are also available on the Internet at www.rhi-ag.com.

Investor Relations Officer:
Barbara Potisk-Eibensteiner
Shareholder Hotline: +43 (0)50213-6123
Shareholder Fax: +43 (0)50213-6130
E-Mail: rhi@rhi-ag.com
Internet: www.rhi-ag.com

Capital Market Calendar 2010

30 April	Annual General Meeting
11 May	Result Q1/2010
3 August	Half-year result 2010
4 November	Result Q3/2010

Corporate Governance

Since 1 October 2002, the Austrian Code of Corporate Governance has given Austrian companies a framework for the management and supervision of a company.

The Corporate Governance Code advocates a system of management and supervision of companies aimed at achieving accountability and creating long-term, sustainable value. This is intended to provide a company's stakeholders with a high degree of transparency and to serve as an important guide for national and international investors. The Code is based on Austrian stock corporation law, stock exchange and capital market regulations, important EU recommendations, and its principles follow the OECD's guidelines for Corporate Governance.

RHI supports the Code's objectives to strengthen the confidence of domestic and foreign investors in the Austrian capital market by providing more transparency and uniform standards. In addition, RHI advocates the statutory provisions to prevent insider trading and has implemented the Securities Issuer Compliance Regulation which is currently in force in the company.

RHI's Boards meet regularly to intensively discuss the Corporate Governance Code as amended, the Code's regulations and recommendations are met to a very great extent by RHI. RHI ensures transparency as required by Figure 60 of the Code by preparing a Corporate Governance Report in the context of the annual report and by publishing it on the company's website at www.rhi-ag.com → Corporate Governance → Corporate Governance Report.

The Austrian Code of Corporate Governance is available on the Internet at www.corporate-governance.at.

Report of RHI AG on the Corporate Governance Code for the financial year 2009

RHI respects the Austrian Corporate Governance Code and undertakes to comply with the provisions documented therein. The code comprises the following rule categories:

1. **Legal Requirement (L):**
   The rule refers to mandatory legal requirements.
2. **Comply or Explain (C):**
   This rule is to be followed; any deviation must be explained and the reasons stated in order to be in compliance with the Code.
3. **Recommendation (R):**
   The nature of this rule is a recommendation; non-compliance with this rule requires neither disclosure nor explanation.

Information to be disclosed in accordance with the Austrian Corporate Governance Code:

Figure 16
Corporate Governance Code (Comply or Explain)

Members of the Management Board, period in office, allocation of rights and duties, (Group-external) supervisory board mandates

Name Function	Year of birth	First appointment	End of period in office
Thomas Fahnemann, Chairman Allocation of rights and duties: (until 28 May 2009): Personnel; Legal Issues; Internal Audit; Communications; Strategy; Technology/Production; R&D; Raw Materials (from 28 May 2009): Strategy/M&A; Personnel; Legal Issues; Internal Audit; Communications; Finance/IR; Raw Materials Division	1961	1 Jan 2009	31 Dec 2011
Stefano Colombo*), Deputy Chairman Allocation of rights and duties: (until 28 May 2009): Finance/IR; M&A; Controlling; Participations outside Refractories	1961	6 Jun 2007	31 Aug 2010
Giorgio Cappelli, Member of the Management Board Allocation of rights and duties: Steel Division	1956	1 Jan 2007	31 Mar 2012
Manfred Hödl, Member of the Management Board Allocation of rights and duties: Industrial Division	1955	1 Jan 2007	31 Mar 2012
Rudolf Payer, Member of the Management Board Allocation of rights and duties: (until 28 May 2009): Accounting; IT; Risk Management; (from 28 May 2009): Accounting; IT; Risk Management; Controlling, Participations outside Refractories	1960	6 Jun 2007	30 Jun 2010

*) resigned from office prematurely as of 28 May 2009

Working method of the Management Board

In the period under review, the company's Management Board comprised five (5) / four members ((4) from 28 May 2009 on). Each member of the Management Board has his own area of responsibility on which he keeps the other members informed. Cooperation and responsibilities of the Management Board are governed by internal rules.

Meetings of the entire Management Board generally take place every two weeks and are chaired by the chairman of the Management Board. During the meetings, among other things, resolutions on measures and business activities that require the approval of the entire Management Board according to the internal rules of the Management Board are passed. The meeting will be able to pass resolutions if at least half of the members of the Management Board participate in the passing of a resolution. Resolutions of the entire Management Board are passed by a simple majority. In case of parity of votes, the chairman's vote will be decisive. An extraordinary meeting of the entire Management Board can be convened at the request of a member of the Management Board. Resolutions of the Management Board can also be passed outside meetings if all members of the Management Board are involved in the passing of the resolution and agree to it. Written minutes are drawn up for every meeting of the entire Management Board and for every passing of a resolution that has taken place outside a meeting and signed by all members of the Management Board. A copy of the minutes will be sent immediately to the members of the Management Board.

Group-external supervisory board mandates of the members of the Management Board

The members of the Management Board have no Group-external supervisory board mandates except for Mr. Colombo, who was a member of the supervisory board of BAST AG.

Figure 30
Corporate Governance Code (Comply or Explain)

Information regarding the principles of remuneration of the Management Board

- >> **Principles for granting performance-linked payments to the Management Board and performance criteria:**
  The variable portion is linked to the realisation of defined cost reductions, the Group result and a cash flow target.
- >> **Relationship of fixed to performance-linked components of total compensation:**
  The relationship of fixed to performance-linked components of total compensation depends on the achievement of the targets for the respective year and amounts to up to 127% for 2009.
- >> **Principles of the company retirement plan:**
  Pension commitments are made on the basis of a "deferred compensation" only; there is no defined benefit plan.
- >> **Principles of eligibility and claims in the event of termination of the function:**
  No claims beyond the Management Board contract.
- >> **Existence of a D&O insurance the costs of which are borne by the company:**
  A D&O insurance the costs of which are borne by the company exists.

Figure 31
Corporate Governance Code (Comply or Explain)

Compensations (fixed and performance-linked) for each member of the Management Board in detail

In the financial year 2009, expenditure amounting to € 4.2 million (previous year: € 5.4 million) is stated for the Management Board. For reasons of data privacy, the following table only shows the expenditure for those members of the Management Board who had an existing Management Board mandate as of 31 December 2009:

	Thomas Fahnemann	Giorgio Cappelli	Manfred Hödl	Rudolf Payer
Fixed earnings	606,989	314,240	313,844	301,344
Variable earnings	600,000	408,000	408,000	408,000
Other	98,963	10,221	73,589	13,297
Total	**1,305,952**	**732,461**	**795,433**	**722,641**

Variable earnings are performance-linked and will only be paid in the following year.

Other expenditure mainly includes expenditure for termination benefits, pension, service anniversary bonuses and holiday allowances.

Figure 36
Corporate Governance Code (Comply or Explain)

Number of meetings of the Supervisory Board; self-evaluation

The Supervisory Board had seven meetings in the period under review. In addition, the following meetings of the committees of the Supervisory Board as well as of the presidium took place.

The Supervisory Board dealt with its activity with respect to its efficiency, in particular organisation and method of working, in the period under review.

Figure 39
Corporate Governance Code (Comply or Explain)

Appointment to committees, number of meetings and activity in the financial year 2009

Three committees are established at RHI AG (Audit, Nomination and Compensation committee) that exercise the activities and have the power of decision stipulated by the Austrian Corporate Governance Code according to the figures 40 - 43 and the relevant legal requirements.

The activities of the Audit committee comprised in particular matters of the annual report, Group audit and accounting as preparation for the Supervisory Board in the period under review. In addition, this committee dealt with the selection of the auditor and risk management.

In the period under review, the activity of the Nomination committee particularly comprised proposals for appointment of members of the Supervisory Board and of the CFO in the Management Board.

The activities of the Compensation committee comprised matters regarding bonus payment and the remuneration of the Management Board.

Audit committee (6 meetings):
G. Peskes, Certified Public Accountant (finance expert)
M. Gröller
S. Prinz zu Sayn-Wittgenstein-Berleburg
L. Miedl

Nomination committee (3 meetings):
M. Gröller
H. Cordt
H. Draxler
G. Peskes, Certified Public Accountant

Compensation committee (3 meetings):
M. Gröller
H. Cordt
H. Draxler
G. Peskes, Certified Public Accountant

Figure 49
Corporate Governance Code (Comply or Explain)

Contracts with members of the Supervisory Board subject to approval

There were no such contracts in the period under review.

Figure 51
Corporate Governance Code (Comply or Explain)

Detailed statement of the remuneration granted to the Supervisory Board

In accordance with § 15 of the articles of association of RHI AG, the Supervisory Board members (capital representatives) receive a remuneration payable at the end of a financial year, the amount of which is determined by the Annual General Meeting. The distribution of the remuneration determined by the Annual General Meeting is effected in such a way that the Chairman of the Supervisory Board receives the 2.5-fold amount of an ordinary Supervisory Board Member, and the Deputy Chairman of the Supervisory Board as well as the Chairman of the Audit committee receive the 1.75-fold amount, on a pro-rata-temporis basis. Moreover, an attendance fee of € 545 was granted for every attended meeting.

In the period under review, the members of the Supervisory Board received the following remuneration that was approved by the Annual General Meeting 2009 to compensate for the activity in the financial year 2008.

	€
Michael Gröller	60,900.00
Herbert Cordt	44,265.00
Helmut Draxler	42,085.00
Gert Peskes Certified Public Accountant	45,355.00
Ulrich Glaunach*)	12,756.67
Mark Eckhout**)	9,423.33
Stanislaus Prinz zu Sayn-Wittgenstein-Berleburg	24,905.00
Hubert Gorbach	24,360.00

*) from 29 May 2008
**) until 29 May 2008

No stock option plans were planned for the members of the Supervisory Board.

Figures 53, 54 + 58 Corporate Governance Code (Comply or Explain)

Criteria of independence, independent Supervisory Board members, period in office

Independent RHI AG Supervisory Board members in accordance with the criteria established by the Supervisory Board and shown below are:

Criteria for the determination of independence:

A) Independence of the member of the Supervisory Board
A member of the Supervisory Board of RHI AG has to be deemed independent when they have no business or personal relationship with the company or its Management Board that constitutes a material conflict of interest and therefore may influence the member's behaviour.

B) Non-presence of independence
A member of the Supervisory Board of RHI has to be deemed not independent when
- >> the member of the Supervisory Board has been a member of the Management Board or an executive of the company or of a subsidiary of the company in the last five years;
- >> the member of the Supervisory Board has or has had a business relationship with the company or a subsidiary of the company in the last year to an extent important to the member of the Supervisory Board. The same applies to business relationships with companies in which the member of the Supervisory Board has an important economic interest. The approval of individual business transactions by the Supervisory Board according to Legal Requirement 48 does not automatically result in a classification as independent;
- >> the member of the Supervisory Board has been an auditor of the company or a partner to or an employee of the auditing company in the last three years;
- >> the member of the Supervisory Board is a member of the Management Board of another company where a member of the Management Board of RHI AG is a member of the Supervisory Board;
- >> the member of the Supervisory Board is a close relative (direct descendants, spouses, partners in life, parents, uncles, aunts, sisters and brothers, nieces, nephews) of a member of the Management Board or persons who are in a position described above.

Supervisory Board Members:	Year of birth	First appointment	End of period office
M. Gröller, Chairman	1941	15 Feb 2002	AGM 2010
H. Cordt, Deputy Chairman	1947	1 Jun 2007	AGM 2010
H. Draxler*), Deputy Chairman	1950	1 Jun 2007	AGM 2010
U. Glaunach	1956	29 May 2008	AGM 2011
H. Gorbach	1956	1 Jun 2007	AGM 2010
G. Peskes	1944	1 Jul 1999	AGM 2012
S. Prinz zu Sayn-Wittgenstein-Berleburg	1965	17 May 2001	AGM 2012

AGM = Annual General Meeting

According to the Supervisory Board, the number of two independent members of the Supervisory Board of RHI AG stipulated according to rule 54 CGC currently corresponds to the sufficient number of independent members to be fixed by the Supervisory Board according to rule 53. It is declared that the Supervisory Board of RHI currently has six independent capital representatives.

In accordance with Figure 54 of the Corporate Governance Code, the members of the Supervisory Board shall, in the case of companies with a free float of more than 50%, include at least two independent members who are not shareholders with a stake of more than 10% or who represent such a shareholder's interests. RHI AG has declarations by Mr. Gröller and Mr. Peskes stating that they meet these criteria.

*) Note: Mr. Draxler is NOT an independent member of the Supervisory Board pursuant to the criteria for independence, because he was Chairman of the Management Board from 2002 to 2007.

Figure 58
Corporate Governance Code (Comply or Explain)

Disclosure of other supervisory board mandates of the members of the Supervisory Board for other listed companies

>> Michael Gröller (Chairman)
Chairman of the Supervisory Board of Mayr-Melnhof Karton AG, Vienna, Austria
>> Helmut Draxler (Deputy Chairman):
Member of the Supervisory Board of OMV AG, Vienna, Austria
>> G. Peskes:
Member of the Supervisory Board
- Custodia Holding AG, Munich, Germany
- Nymphenburg Immobilien AG, Munich, Germany
- von Roll Holding AG, Wädenswil, Switzerland
- Zwack Unicum Rt., Budapest, Hungary
>> Ulrich Glaunach
Member of the Supervisory Board of Heracles S.A., Greece (resigned in the middle of 2009)

No member of the Supervisory Board attended less than half of the meetings of the Supervisory Board in person.

Working method of the Supervisory Board
The Supervisory Board comprises eleven (11) members. It is involved in strategy and planning as well as in all matters of essential importance to the company by the Management Board. The internal rules for the Management Board include reservations of consent of the Supervisory Board for important business transactions. The chairman of the Supervisory Board coordinates the work in the Supervisory Board, chairs its meetings and represents the board towards third parties. The Management Board informs the Supervisory Board in a timely manner and comprehensively in writing as well as in the Supervisory Board meetings held regularly, at least quarterly, of the planning, the business development and the situation of the Group including risk management. An extraordinary meeting of the Supervisory Board is convened in case of important events. The Supervisory Board has established internal rules for its work. The Supervisory Board generally passes its resolutions in meetings. The Supervisory Board is authorised to pass resolutions when the meeting has been convened in accordance with the internal rules and at

least three members are present. Resolutions can also be passed outside a meeting by written, telegraphic or equivalent vote at the discretion of the chairman of the Supervisory Board. In general, resolutions of the Supervisory Board are passed by a simple majority of the votes cast. In case of parity of votes, the vote of the chairman of the Supervisory Board will be decisive; if the chairman does not attend the meeting, the vote of the deputy chairman of the Supervisory Board will be decisive. Minutes of the meetings of the Supervisory Board will be drawn up and will be signed by the chairman of the Supervisory Board. Resolutions passed outside meetings will also be set forth in writing. A copy of the minutes or of the resolution passed outside a meeting will be sent immediately to the members of the Supervisory Board. The members of the Supervisory Board who have participated in the meeting or in the passing of a resolution can address objections or change requests in writing to the chairman of the Supervisory Board within two weeks after delivery. In this case, the objection or change request will be settled in the following meeting of the Supervisory Board. Otherwise, the minutes and / or the resolution shall be deemed approved.

Working method of the committees
The provisions regarding the working method of the Supervisory Board apply mutatis mutandis to its committees.

The following items deviate from the provisions of the Corporate Governance Code:

Figure 31
Corporate Governance Code (Comply or Explain)

Detailed statement of the remunerations of the Management Board

The remunerations of those members of the Management Board who resigned before 31 December 2009 are not presented in detail since, by nature, they could no longer participate in the passing of the resolution regarding the detailed statement.

RHI AG
Management Board

US Chapter 11 Proceedings

The Chapter 11 proceedings of the US companies NARCO, Harbison-Walker, AP Green and GIT, which were deconsolidated as of 31 December 2001, were completed positively at first instance in September and December 2007 with an approval of the reorganisation plan and a confirmation of this plan. These companies were no longer considered to be subsidiaries of RHI AG because the Chapter 11 proceedings initiated by the companies in early 2002 do not permit RHI AG to exercise control.

RHI AG and several RHI affiliates entered into settlement agreements on 9 April 2004 with the previous US owners, Honeywell and Halliburton / DII, and with the companies that are operating under Chapter 11 in order to finally clarify unresolved issues, earlier contractual agreements as well as mutual claims and claims of third parties. These agreements regulate the waiver by RHI to receivables due from the US companies before the Chapter 11 proceedings as well as the waiver by RHI to all shares in the US companies in conjunction with the termination of the Chapter 11 proceedings. As RHI wrote down all accounts receivable and carrying values of related investments in the financial statements 2001, these agreements will not adversely affect RHI's results. A condition to the coming into effect of the settlement agreement is a USD 40 million payment by Honeywell to RHI Refractories Holding under a prior contract related to NARCO's Chapter 11 proceedings, as soon as the decision has become final and has been implemented. (Based on this contract, USD 60 million has already been paid.)

In January 2005, RHI AG and its affiliates became beneficiaries with legal security of the channelling injunctions of the DII reorganisation plan. This plan was approved by the competent court in the course of the Chapter 11 proceedings which DII filed for in late 2003. With the completion of the DII proceedings, all present and future asbestos and silica-based claims against the former RHI subsidiary Harbison-Walker were finally transferred with legal security to the DII trust funds. DII fulfilled its contractual obligations towards RHI on 24 January 2005 with a payment of USD 10.0 million. This represented the final settlement of a major part of the claims against former RHI companies in the USA.

When the approval of the plan of reorganisation was confirmed on 18 December 2007, a 30-day appeal period began. Within this period, two insurance companies lodged appeals based on reasons which they had already argued without success in the first-instance proceedings. The hearing in the appeal proceedings took place on 21 May 2009; however, it is unclear when the court of appeals will issue its decision. In the reporting period 2009, no further developments of material importance took place in the appeals proceedings.

If the court gives its final approval to all reorganisation plans, RHI AG and its affiliates will receive full legal security with respect to all remaining damages claims against the US companies operating under Chapter 11. Moreover, RHI AG and its affiliates will then become beneficiaries of the court orders based on the reorganisation plans. All existing and future asbestos-related claims against the deconsolidated US companies would then be completed with full legal security.

Management Report
RHI Group 2009

Management Report

RHI Group

in € million	2009	2008[1]	Change
Revenues	**1,236.9**	**1,596.7**	**-22.5%**
Steel Division	703.6	957.6	-26.5%
Industrial Division	513.6	605.6	-15.2%
Raw Materials Division			
External revenues	19.7	33.5	-41.2%
Internal revenues	439.1	583.8	-24.8%
Pre restructuring EBIT[2]	**79.0**	**166.2**	**-52.5%**
Steel Division	18.8	76.5	-75.4%
Industrial Division	75.5	79.3	-4.8%
Raw Materials Division	10.5	28.2	-62.8%
Holding/others	-25.8	-17.8	-44.9%
Pre restructuring EBIT margin	**6.4%**	**10.4%**	**-38.5%**
Steel Division	2.7%	8.0%	-66.3%
Industrial Division	14.7%	13.1%	12.2%
Raw Materials Division	2.3%	4.6%	-50.0%
EBIT	**54.8**	**148.4**	**-63.1%**
Steel Division	11.9	71.4	-83.3%
Industrial Division	67.0	75.5	-11.3%
Raw Materials Division	6.1	19.3	-68.4%
Holding/others	-30.2	-17.8	-69.7%
EBIT margin	**4.4%**	**9.3%**	**-52.7%**
Steel Division	1.7%	7.5%	-77.3%
Industrial Division	13.0%	12.5%	4.0%
Raw Materials Division	1.3%	3.1%	-58.1%

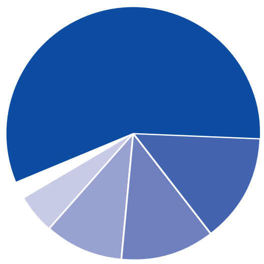
1) adjusted
2) before impairment losses and restructuring expenses

Business development

With a few exceptions only, the crisis of real economy resulting from the financial market crisis of 2008 hit all economies of the world in 2009. In addition to Asia, which was mainly influenced positively by the growth in China, only the Middle East was able to escape recession. Record unemployment figures in the USA, France and Great Britain, massive decreases in retail sales in Germany, Ireland, Spain and USA, only mild improvements in consumer confidence and decreases in rents in all developed countries had negative effects on nearly all sectors. Capacity utilisation of industrial production in Western economies was far below the long-term average in 2009.

Earnings and Financial Position

Revenues by industry

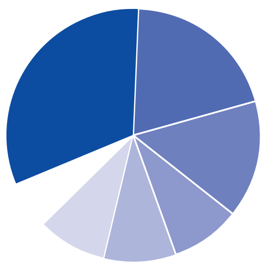


Revenues of the RHI Group decreased by 22.5% to € 1,236.9 million in 2009 (previous year: € 1,596.7 million) and developed very differently in the individual divisions as shown below. RHI closed the financial year 2009 with an operating result before impairment and restructuring expenses of € 79.0 million (previous year: € 166.2 million) and an EBIT of € 54.8 million, with restructuring expenses amounting to € 15.1 million and being directly connected to the reduction of staff by approx. 1,000 employees.

Revenues and result developments of the Steel Division were marked by the massive drop in steel production in Europe and North America during the first half-year. On account of the increasingly positive development in the second half-year, the division managed to close the financial year with a decline in revenues by approx. 26% to € 703.6 million and a decrease in the operating result by approx. 75% to € 18.8 million. The expenses for restructuring and impairments reduced the EBIT to € 11.9 million.

On account of the good backlog of orders from 2008, the Industrial Division was unimpressed by the crisis during the first four months of 2009. However, from May on, revenues collapsed in this division as well. The Industrial Division reports revenues of € 513.6 million for the entire year 2009, a decrease by approx. 15% compared to the previous year. The operating result of € 75.5 million (previous year: € 79.3 million) was reduced by restructuring and impairment expenses amounting to € 8.5 million and resulted in an EBIT of € 67.0 million and an EBIT margin of 13.0%.

Revenues by region



Revenues and result of the Raw Materials Division were marked by under-utilisation of capacities in 2009. After € 617.3 million in 2008, revenues of the division decreased by 25.7% to reach € 458.8 million in 2009. The operating result of the division before impairment and restructuring expenses dropped to € 10.5 million, EBIT amounted to € 6.1 million.

Cash flow

Cash flow from operating activities 2009, at € 202.0 million, was clearly higher than that of the reference period 2008 of € 123.5 million. Cash flow from investing activities amounted to € -36.2 million in 2009 (previous year: € -73.2 million). The investment policy was revised in 2009 and the budget for replacement investments was defined as € 20.0 million. Half of the investments in property, plant and equipment and intangible assets amounting to € -41.5 million result from the completion of projects started in 2008. Cash flow from financing activities amounted to € -72.7 million in 2009 (previous year: € -34.9 million) and predominantly consisted of loan repayments and interest payments.

RHI Group: Cash flow

in € million	2009	2008	Change
CONTINUING OPERATIONS			
Cash flow from operating activities	202.0	123.5	63.6%
Cash flow from investing activities	-36.2	-73.2	50.5%
Cash flow from financing activities	-72.7	-34.9	-108.3%
Cash flow from continuing operations	93.1	15.4	504.5%
Cash flow from discontinued operations	0.0	-2.2	100.0%

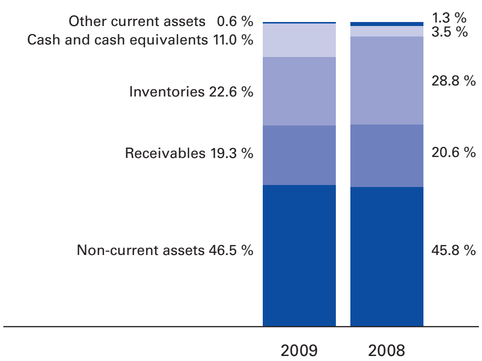
Profit Development and Balance Sheet Structure

Profit before income taxes from continued operations was down by 77.8% to € 25.2 million in 2009 (previous year: € 113.4 million). The tax rate in the reporting period, at 15.0%, exceeded the prior-year figure of 10.2%. The RHI Group's profit for the year thus amounted to € 21.4 million, compared with € 101.8 million in the financial year 2008.

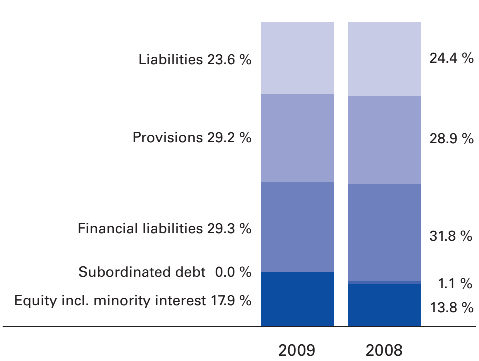
Profit attributable to minority interest amounted to € 0.5 million in 2009 (previous year: € 2.5 million), profit attributable to the equity holders of RHI AG thus equalled € 20.9 million (previous year: € 98.1 million). Basic earnings per share based on the average number of shares of RHI AG issued in 2009 amounted to € 0.55 (previous year: € 2.64) per share.

Balance sheet structure

ASSETS



EQUITY AND LIABILITIES

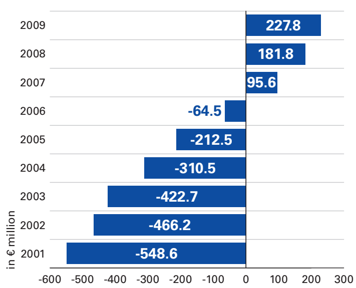


The balance sheet structure is characterised by a relatively high capitalisation ratio and a long-term financing component, which are typical of the industry. The balance sheet total decreased by 3.9% to € 1,271.2 million compared to the previous year on account of the reduction of inventories and the associated reduction of debts. The Working Capital Programme started in the second quarter of the year under report resulted in a reduction of inventories by approx. 25% despite a heavy drop in demand.

ROCE, at 7.9 in 2009, was clearly lower than that of the previous year of 20.1 due to EBIT.

The decline in personnel provisions is mainly a result of the reduction in personnel.

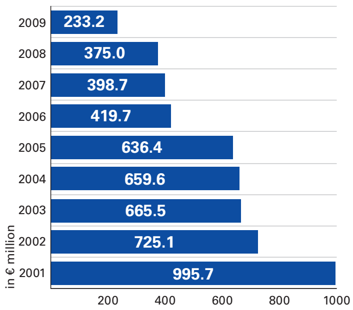
Equity development



In 2009, RHI increased its equity further. It amounted to € 227.8 million as of 31 December 2009 (previous year: € 181.8 million). Equity had been negative since 2001, even when including the subordinated mezzanine capital, due to the required restructuring measures. With effect from 31 December 2006, the subordinated mezzanine capital was restructured in a syndicated loan which must be repaid by the end of 2013.

The capital restructuring measures also included subordinated convertible bonds issued in 2002. In 2009, all outstanding convertible bonds were converted into new RHI shares.

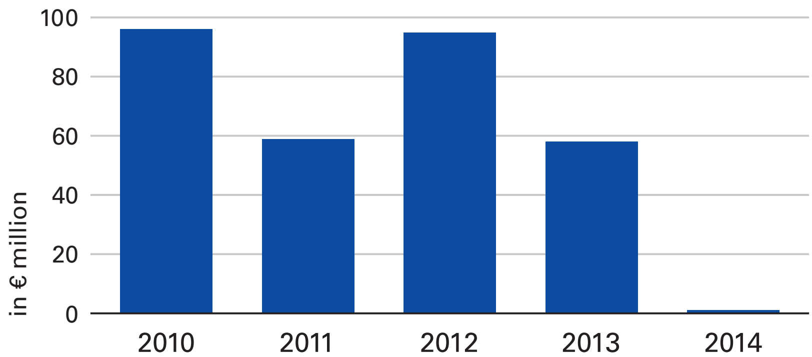
Net financial liabilities



The consolidated balance sheet as of 31 December 2009 shows financial liabilities in the amount of € 373.0 million; less cash and cash equivalents equalling € 139.8 million, net financial liabilities amounted to € 233.2 million (previous year: € 375.0 million). Net financial liabilities correspond to the 2-fold EBITDA of 2009. The gearing ratio improved from 206.3% on the balance sheet date 2008 to 102.4% on the balance sheet date 2009.

57.4% of the liabilities to banks have a term between one and five years; the remaining 42.6% is due in less than one year. At 31 December 2009, 72.0% of liabilities to banks carried a fixed average interest rate of 3.60%; the remaining 28.0% carried a 1.98% variable interest rate.

The repayment structure of the most important loans as of 31 December looks as follows:



On 31 December 2009, RHI had unused credit facilities amounting to € 133.2 million with Austrian and foreign banks, and a line of credit from the sale of receivables in the amount of € 100.0 million, roughly 65% of which was used.

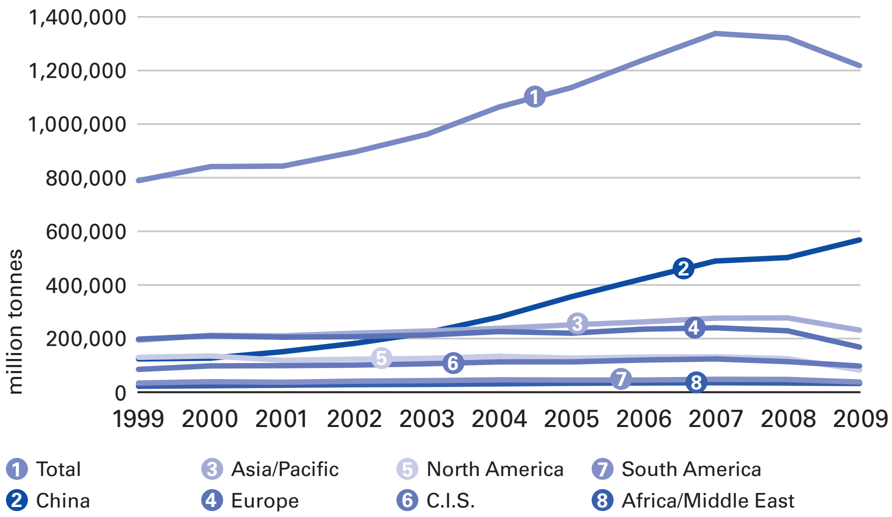
Steel Division

World steel output fell to 1,223,441 tonnes in 2009 and thus decreased by approx. 8% compared to the reference year 2008. This development resulted from a massive decrease in the EU27 (-30%), North America (-34%), South America, Asia excl. China and CIS, which was largely compensated for by a simultaneous increase by 13.5% in China as well as an increase by 3.5% in the rest of Asia. Chinese steel output accounted for 46% of world steel output in 2009 compared to 37% in 2008.

Revenues of the Steel Division fell short of the development of world steel production since RHI is disproportionately strongly represented in the developed countries.

Steel output recovered worldwide in the fourth quarter of 2009 and RHI recorded incoming orders corresponding to the best months of 2008.

World steel output



Whereas during the first six months the division result was still negative, the result of the overall year 2009 was positive on account of the increases in revenues in the second half-year as well as the consistent cost cutting in production, sales and administration and amounted to € 11.9 million. Another focus was on the optimisation of working capital as well as on the combination of research and marketing in one department with the objective of being able to react in a quicker and more efficient manner to the worldwide changes in market conditions.

Segment indicators

in € million	2009	2008[1)]	Change
Revenues	703.6	957.6	-26.5%
EBIT	11.9	71.4	-83.3%
EBIT margin	1.7%	7.5%	-77.3%

1) adjusted

RHI also managed to increase the portion of Full Line Service contracts in the difficult market environment of 2009. These contracts involve the complete or partial refractory management of steelworks by RHI. RHI no longer charges the quantity of refractory material and service, but an amount per tonne of steel produced depending on the output of the unit or steelworks.

EMEA On average, steel output dropped by 30% in 2009 compared to 2008. This resulted in the shutdown of capacities and some plant closures, in particular in France. In this weak environment, RHI defended its market position as full-range supplier with high problem-solving capacity and even improved it for "A" customers.

During the first six months of 2009, RHI recorded a significant decrease in revenues in Eastern Europe, followed by a strong recovery in the second half-year. Increasing liquidity issues and an unstable economic situation of the customers in Central and Eastern Europe as well as in the Ukraine made business difficult. Furthermore, this tendency was influenced negatively by the "buy local" campaign. The beginning of the year 2009 was very difficult for Russian steel manufacturers on account of the weak demand for steel and problems with the local power supply. However, the situation stabilised during the second half-year.

Steel output in Africa as well as in the Near and Middle East was largely uninfluenced by the economic crisis. In these regions, RHI defended the good market position and won several important contracts in the core business, for converters and ladle gates, as well as for special products such as isostatically pressed materials.

North America The worldwide economic crisis hit the American steel industry hardest. Average capacity utilisation amounted to 42.4% in 2009, which was reflected in correspondingly reduced consumptions of refractories. Steel output slowly increased from the beginning of August 2009 on and reached a capacity utilisation of 64.7% on average during the last months of the financial year. Some customers changed their purchasing behaviour towards lump-sum offers such as full-line service in the course of 2009. In Mexico, where RHI has high market share, opportunities for long-term service contracts are increasing.

South America Steel output in South America dropped by 19% by the end of 2009 compared to 2008. The severe drop during the first months was followed by a constant recovery from June 2009 on. The reorientation and strengthening of sales in Brazil made increases in revenues possible for RHI despite the lower steel production and the associated reduction of demand for refractories. Thanks to RHI's strategy of offering complete solutions for the steel industry in this region, important contracts were also concluded in the second quarter of 2009.

Asia/Pacific The global economic crisis resulted in a drastic fall in production in steel industry in the region Asia/Pacific during the first six months, in particular in countries such as Thailand, Vietnam and Malaysia. The second half-year turned out to be slightly more positive. In addition to increasing steel output, RHI's business was also driven by the development of new projects in India. These new projects as well as the existing business constitute a sound basis for RHI for the further development of regional customer service and on-site production.

China Despite the difficult competitive environment, RHI recorded revenue growth in China, in particular in the segment of high-quality products. In the Chinese market there is increasing demand for contract business that includes both material supply and services, in particular by new steel plants.

Industrial Division

Globally operating customers prefer partners who can guarantee secure supply with high-grade refractory systems based on a globally positioned production and sales network.

Moreover, customer aggregates with sophisticated process technology increasingly require specific service and advice packages. Through the continuous expansion of its technology leadership and the capacity to solve problems, RHI did justice to this development, more so than its competitors.

Due to the exceptionally high order level at the end of 2008, the economic crisis did not yet have any negative effects on the result of the Industrial Division in the first quarter. Revenues and result nearly reached the record levels of 2008. From the second quarter on, the crisis showed its effects in the Industrial Division as well. A cost-cutting programme initiated and implemented consistently at the beginning of the year and the measures for reducing the working capital largely compensated for the negative effects and allowed RHI to achieve its profitability goals.

In general, we can say that the following business units defended their significant market shares in their customer segments again in 2009.

Segment indicators

in € million	2009	2008[1]	Change
Revenues	513.6	605.6	-15.2%
EBIT	67.0	75.5	-11.3%
EBIT margin	13.0%	12.5%	4.0%

1) adjusted

Cement

Demand for cement showed clear regional differences in 2009. Whereas China, Latin America and also Africa recorded a good business development, demand for cement clearly dropped in Western and Eastern Europe, North America and Russia. Many customers were constrained to adjust capacities to the decreasing demand, which had corresponding effects on the demand for refractories. Moreover, refractory components stored at customer sites were distributed among other plants to reduce stocks. In addition, some customers had to carry out debt restructuring on account of the financial crisis, which created additional cost pressure in the field of refractories.

Demand for cement fell by approximately 50% in Spain, Great Britain, Ireland and Russia. In Germany, capacity adjustments had already taken place before the crisis, which resulted in a moderate decrease by 10%. Moreover, new construction projects were put off for lack of funding in particular in Eastern Europe and Russia.

The USA was hit hard by the economic crisis. Demand for cement dropped by another 12% in 2009, after a decrease by 13% in 2008. As a result, cement plants were shut down and the demand for refractories fell accordingly.

In general, the Near and Middle East as well as Africa were not hit by the crisis in 2009, these regions recorded a good overall development of revenues.

New construction projects were realised in Northern Africa in which RHI participated successfully on account of the existing technical expertise as well as good business relationships with all renowned kiln manufacturers.

The engagement of Chinese groups in the African countries rich in raw materials resulted in an increased investment activity in infrastructure projects. This is why the local cement capacities were well utilised in 2009 and cement was imported. In addition to the completion of new plants, further projects can be expected in these countries.

In Mexico, the crisis only had moderate effects on the demand for refractories. Cost-cutting measures taken by important customers resulted in an increased use of stocked material and thus in a reduction of the demand for refractories. Capacities were taken off the market here as well on account of the standstill of cement exports into the USA.

The cement industry was nationalised in Venezuela. RHI managed to keep the high market shares despite the change of control. In Brazil, a large contract with the largest Brazilian cement manufacturer was won for the first time in 2009.

China, the largest growth market for cement, has great importance for RHI. Good business activity was recorded in 2009 despite the international financial and economic crisis. Moreover, RHI successfully managed to further develop the cooperation with Chinese kiln manufacturers. India proved to be unimpressed by the financial crisis; RHI successfully defended the existing high market shares on this market as well. Demand for cement decreased in some countries of Southeast Asia in 2009, which resulted in a massive reduction of the existing stock of refractories.

Lime

After a strong beginning of the year, the lime market dropped by more than 35% worldwide in the second and third quarters of 2009, some regions such as Western Europe, USA and China being hit clearly harder. Therefore, postponements and cancellations of projects and decreases in the repair business negatively influenced RHI's lime business. At the end of the third and in the fourth quarters of 2009, this segment experienced a clear recovery resulting in a satisfactory year-end result. Thanks to a large number of projects in the definition phase, the lime segment starts the year 2010 on a good basis.

Glass

Compared to 2008, the worldwide glass market was strongly dampened in accordance with the general economic development. This decrease hit all regional markets more or less hard.

RHI's glass business recorded an absolutely positive business development in the first half-year thanks to high order backlog. However, incoming orders in 2009 as well as the price development reflected the general economic situation.

Nearly all planned new construction projects in the container glass segment were put off for an indefinite period of time unless already funded completely and in the implementation phase.

Investments were limited to repairs extending the useful life only; investments were virtually deferred in this industry.

The flat glass industry, which strongly depends on the construction industry, showed a similar situation except for China. Public economic stimulus packages had a direct positive effect on this industrial segment there.

The manufacturers of glass for TFT monitors counteracted the crisis. This field is considered to be the growth market; investments were advanced. All other special glass manufacturers recorded drastic falls in production.

Nonferrous metals

The market for nonferrous metals was already affected by cancellations of projects started in the previous year at the beginning of 2009. This trend continued and resulted in the total loss of nearly all new construction projects. In particular in the copper and nickel segment, some construction sites in progress were stopped at short notice due to the progressive economic crisis, which also affected orders already in production at RHI.

The price development for all nonferrous metals that started in the last quarter of 2008 reached its low by the second quarter of 2009 – in particular copper and nickel recorded historical lows. This resulted in the fact that, in addition to a lack of project business, third-party business partially declined due to under-utilisation and shutdowns in many metallurgical plants. The negative effect was additionally aggravated by the massive reduction of refractory stocks by nearly all customers.

Given the seriousness of the economic crisis, however, the nonferrous segment won some market shares and acquired new customers – even if on an essentially more moderate level compared to the previous years. The good cooperation with the large groups and kiln manufacturers also hit by the crisis was positive as well; RHI as the generally accepted technology leader convinced them by the reliably high quality of RHI refractory products as well as the global presence of the production and distribution sites.

In project business, which was strongly affected by the crisis, and in continuous third-party business RHI maintained and partially extended its market leadership during the crisis, in particular in the copper and nickel sector. RHI materials were used nearly exclusively for large repairs of key aggregates of the copper industry and the important ferronickel aggregates. Such repairs are traditionally carried out acyclically and strongly decreased in 2009. This is largely due to the key account overall approach with worldwide, high-quality supply availability, which is becoming more and more important given the increasing competition.

Both sales volume and revenues decreased due to the crisis in 2009 compared to the record levels of the previous year; however, the overall relative earnings reached an unchanged high level.

Environment, energy, chemicals

The development of the market in the environment, energy and chemicals sector was marked by the worldwide financial and economic crisis as well. The low level of energy prices resulted in postponements and even project cancellations in the area of the construction of new plants; only projects in progress were continued.

Capacities of existing plants were also partially reduced or shut down temporarily. The efforts of many customers to quickly improve cash flow resulted in the reduction of existing stocks, which led to an additional decrease in the demand for refractories.

The year 2009 differed strongly from region to region. Whereas the effects of global recession were only mild in the Near and Middle East and parts of Asia, Europe and Africa recorded a decrease in demand. It is important to note that RHI maintained the very high level in the Near and Middle East and extended its business in Canada, Eastern Europe and Asia.

In the field of plant manufacturing, RHI customers appreciate above all the great engineering competence as well as the project management capacities. Operators and installation companies use the worldwide production network, the broad product range and rely on the high quality standard of RHI products.

Although the prices of petroleum and natural gas recovered in the course of 2009, the propensity to invest is still very low. Projects in plant manufacturing are put off and existing plants are not operated at full capacity yet.

Despite the difficult climate, the environment, energy and chemistry sector achieved revenues at the level of the previous year and reached earnings comparable to the previous year.

Raw Materials Division

The business activity of the Raw Materials Division mainly comprises the group-wide supply of the Steel and Industrial Divisions with third-party raw materials and raw materials produced in its own plants, which are passed on at market prices within the Group. Another strategic focus of the Raw Materials Division is on the further development of external markets as well as new fields of application for caustic, sintered and melted products.

The plants of the Raw Materials Division comprise the three Austrian sites of Breitenau, Hochfilzen and Radenthein, the Eskisehir site in Turkey, Isithebe in South Africa as well as Dashiqiao in China.

Overall revenues of the Raw Materials Division in 2009 amounted to € 458.8 million (previous year: € 617.3 million), including € 439.1 million (previous year: € 583.8 million) of deliveries within the RHI Group and € 19.7 million (previous year: € 33.5 million) of deliveries to external customers. EBIT of the Raw Materials Division amounted to € 6.1 million (previous year: € 19.3 million) and mainly results from the under-utilisation of capacities during the first three quarters as well as the negative earnings of the Chinese raw materials plant in Dashiqiao, which was still in the start-up phase in 2009.

Segment indicators

in € million	2009	2008[1]	Change
Revenues			
External revenues	19.7	33.5	-41.2%
Internal revenues	439.1	583.8	-24.8%
EBIT	6.1	19.3	-68.4%
EBIT margin	1.3%	3.1%	-58.1%

1) adjusted

The demand for third-party raw materials constantly fell during the first six months; the first quarter of 2009 recorded a decrease in the demand for third-party raw materials by only 9% compared to the fourth quarter of 2008; however, in the second quarter, the decrease by approx. 24% was much more severe compared to the first quarter of 2009. The situation of demand recovered clearly in the third and fourth quarters of 2009. In the second half-year of 2009, demand for third-party raw materials increased by approx. 17% on average compared to the first half-year. The fourth quarter in particular showed a clear improvement and finally reached a level slightly above the fourth quarter of the previous year.

The development of demand from the last quarter of 2008 to the last quarter of 2009 is also reflected in the price level of foreign raw materials. The prices for third-party raw materials fell significantly during the first nine months of the year 2009 in analogy with the demand situation and reached their low in the third quarter. This resulted in temporary shutdowns of production lines of suppliers. Besides the decrease in consumption, the markets for third-party raw materials were strongly marked by a considerable reduction of stocks until the third quarter. The raw material stocks at the RHI sites were consistently reduced and adjusted to the changed demand profile.

The prices followed the increasing demand in the fourth quarter. A price level above the last quarter of 2009 is predicted for 2010.

The price of energy, one of the most important cost drivers of raw materials production, also decreased noticeably in 2009. After the crude oil price had already decreased strongly as of the year-end 2008 and increased again the course of the first half-year, the price of natural gas fell significantly. The drop in prices in 2009 is due to the decrease in demand as well as to the gas-price formula that provides for the time-delayed linking of contract prices to crude oil products in Europe. A general recovery of demand with a corresponding price increase is expected for 2010. The energy exchange EEX recorded strong drops in prices at the beginning of 2009 and partially reached the level of 2005. After a short increase, prices remained stable in the course of the year and fell again at the end of the year.

The demand situation for own raw materials was similar to the development of third-party raw materials; the downtrend was cushioned by increasingly substituting own raw materials for third-party raw materials. This contributed to the fact that, in particular during the first two quarters of 2009, the drop in orders of the Steel and Industrial Divisions was not completely reflected in the production of raw materials. Towards the end of the third quarter and above all in the fourth quarter, the established raw material plants produced at high levels comparable to 2008.

Despite the generally low demand for raw materials, the sales volume of the raw materials produced in Turkey largely continued at a high level. Thus, the third shaft kiln at the Eskisehir RHI plant was put into operation in September as scheduled. This investment increases the annual production capacity by approx. 25,000 tonnes.

The Isithebe and Dashiqiao sites were hit particularly hard by the crisis on account of their development stage and the partially lacking backward integration. Packages of measures for stabilising the demand and production situation were developed. An improved situation for the Dashiqiao site is expected for the following years after the development of the Chinese processing capacity in 2010.

After the production of melted products, the regular production of high-quality sinter was started in 2009. Sinter production is technically very advanced; the quality level is comparable to that of the competitors. Market development for this line of products is being prepared.

The sale of raw materials by the plants of the Raw Materials Division to third parties maintained the level of the previous year despite the crisis. There are plans to further increase the sale of own raw materials to third parties, which is expected to make an essential contribution to the Division's success.

With respect to investments, besides the completion of the projects approved and started in the previous years, expenses were reduced to the minimum in 2009 and only the most important replacement investments were made.

Outlook

On account of the consistently positive forecasts for the steel industry for the first half-year as well as the unexpectedly quick, but moderate recovery of demand on the part of the industrial customers, RHI expects an improved, but volatile business development in 2010.

Steel

Based on the large volume of incoming orders in the fourth quarter of 2009 and the consistently positive business development during the first months of 2010, the Steel Division expects a clear increase compared to the overall year 2009 both for revenues and for the result. The positive picture differs from region to region as follows:

In general, the outlook in Western Europe is optimistic for 2010 on account of a slow, but constant recovery of steel output. RHI expects the reactivation of some of the customer aggregates that were shut down in 2009.

Although the modernisation of steel industry in the Ukraine was postponed due to the crisis, a positive business development is expected for Central and Eastern Europe. Three new steelworks using RHI refractory material were built in this region. The intensification of the direct distribution channel through the sales office in Moscow meets the customers' expectations and allows for further revenues potential.

Three plants under construction with start of production in 2010 and at least two new plants in Saudi Arabia with a later start of construction ensure a positive business climate in the region of Africa and the Near and Middle East. Moreover, countries underdeveloped up to now such as Algeria and Kazakhstan are considered to present a growth potential for 2010 as well.

RHI expects a slow recovery of demand in the USA in the coming months. RHI considers steel output in Mexico to be stable and to correspond to the level of the fourth quarter of 2009.

An output increase from 37.8 million to more than 50 million tonnes per year is assumed for steel output in South America in 2010 on account of the persistent recovery of demand and the starting up of the steelworks of ThyssenKrupp CSA. The continuation of the active cultivation of the Brazilian market initiated in 2009 constitutes the basis for the further growth of the RHI market share in South America. Special regional factors such as the political situation, the energy crisis in Venezuela as well as the implications of the earthquake disaster in Chile might have a negative effect on the business development of RHI and of other foreign companies based there.

Thanks to the development of new steelworks in Asia, the outlook for 2010 is consistently positive for Asia/Pacific. Large steel manufacturers are increasingly investing in India, Indonesia and Vietnam in order to protect themselves against exports from China. Thus, a capacity increase from 570 million tonnes of steel in 2009 to 700 million tonnes is expected for 2010.

Besides the further improvement of the cost structure, the goals of the Steel Division for 2010 include an increase in the portion of FLS contracts as well as the further positioning in the market for isostatically pressed products. In addition, RHI is increasingly aiming at system solutions in the field of Flow Control and equipment that take into account both technical and safety aspects. These system solutions offer the customer the possibility of a fully automated plant operation and a further reduction of specific production costs.

RHI will further increase research efforts in 2010 in order to find environmentally friendly alternatives for raw materials and bonds. This also includes an increased portion of recycling materials as secondary raw materials.

As announced in 2009, RHI will increase the production capacity of magnesia carbon bricks in China in 2010. In addition, there is a clear strategy of raising the market share in the BRIC countries. This is why distribution and marketing will be continued to be reinforced and the development of additional product capacities on site will be taken into consideration.

Industrial

After the Industrial Division felt the effects of the crisis with a delay at the end of the second quarter following strong revenues and EBIT in the first quarter 2009, and a mild recovery occurred again in the fourth quarter, the target is to maintain the level of revenues in 2010. Besides the expected infrastructure projects in Europe and North America, essential influencing factors will mainly include the development of the prices of raw materials and the customers' possibilities of funding projects.

On account of the upcoming winter repairs, demand in the cement business increased during the last weeks of 2009 and at the beginning of 2010. Business development in Europe will strongly depend on whether the infrastructure projects promised by the governments are realised. RHI assumes that the economic crisis has not yet been overcome, in particular in Western and Eastern Europe, North America and Russia. A moderate decrease in the demand for cement by approx. 2% is expected in North America for 2010, after which the demand for refractories is expected to stabilise on a low level. In contrast, there are positive effects on the demand for cement on account of infrastructure projects in connection with the Olympic Games and the Soccer World Cup 2014 in Brazil and expected good business activities in other Latin American countries, Asia and Africa. The further implications of the financial crisis in Dubai will be decisive for the Gulf region. A positive business development can be expected for the other countries of the Near and Middle East depending on the political situation.

After the severe decrease in project inquiries in the glass segment during the second half-year of 2009 and the associated lower volume of incoming orders, the situation has clearly improved at the beginning of 2010. Particularly positive factors are orders from Russia, a market that completely collapsed in 2009, already entered in the books as well as increased investment activities on the North American glass market as well as in the Near and Middle East and in Asia/Pacific. The Chinese glass market, which continued to grow in 2009, will experience a positive development in 2010 as well. Production capacities for RHI glass products at the Chinese Dalian site are booked for the first half-year and large parts of the second half-year.

The nonferrous metal segment has experienced a slow recovery since the fourth quarter of 2009, in particular in the project business; this recovery will continue in 2010. Large repairs and new construction projects stopped or put off due to the crisis will be again advanced in the light of increasing prices of metal. The price levels of the most important nonferrous metals are expected to increase moderately; however, it is assumed that the record levels of 2008 will not be reached. Third-party business, which has collapsed on account of the temporary shutdown of many steelworks, will continue to recover in the coming months.

Whereas there were virtually no investments in new plants in the environment, energy and chemicals sector in the year under review, RHI has been increasingly dealing with project inquiries since the beginning of 2010. The inquiries mainly come from the Near and Middle East and Asia. Moreover, there are new investment projects in North America and Australia mainly concerning new plants in chemical industry.

The Industrial Division will invest in a third tunnel kiln at the Chinese Dalian site in 2010. Besides the supply of the local market with refractory applications for the cement and glass industries, additional capacities for the export will be created.

Raw materials

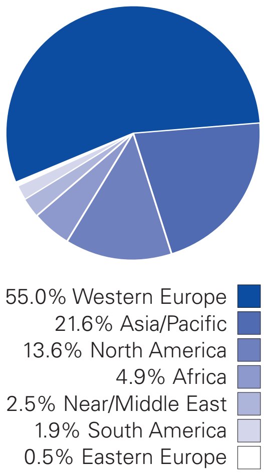
As demand largely recovered, good capacity utilisation of the raw materials plants is expected for 2010. Except for the Dashiqiao and Isithebe sites, RHI expects a nearly complete use of the capacities of the most important plants. The optimisation measures initiated in 2009 are expected to have a correspondingly positive effect on performance.

A significant increase in revenues is expected in the external markets for sintered and caustic products, which are profitable for RHI.

Besides the further strengthening of RHI's position on the core markets and the increase in the market share in new markets, working capital optimisation and a further improvement in the cost structure are in the focus for 2010. The "Project Simplification", which was launched in 2009 and will result in a simplification of internal processes, is an important element of this approach.

Employees

Employees by region



The year of crisis 2009 also confronted the HR area of RHI with new challenges. For example, the number of employees had to be reduced from 7,766 to 6,963 worldwide.

55.0% of the employees working for the fully consolidated companies of the RHI Group in 2009 were employed in Western Europe, 21.6% in Asia/Pacific, 13.6% in North America, 4.9% in Africa, 2.5% in the Near and Middle East, 1.9% in South America and 0.5% in Eastern Europe. 1,675 persons were employed in Austria at the end of 2009.

Employees by gender
In 2009, on average, 87% of the employees were male and 13% female. The project launched in 2009 that aims at making RHI a more attractive employer for women will be continued in 2010. The share of female executives was increased again in 2009. Overall, however, it still is not satisfactory. HR Marketing will therefore increasingly concentrate on employing highly-qualified women at RHI in 2010.

Diversity
As a globally acting company, RHI supports employees from different cultures and of both genders and promotes internationality. Persons of 14 different nationalities are working at the Vienna site alone. RHI employs persons of 59 different nationalities worldwide.

Loyalty
Despite the difficult environment of 2009, the fluctuation of RHI employees did not increase nationally or internationally. This high level of loyalty of RHI employees worldwide also is evidence of a strong and good corporate culture at RHI and of functioning of retention programmes. In Austria, employees stay with RHI for 14 years on average, globally for 11 years.

Training in the RHI Group

Despite the economically bad framework conditions, RHI did not save on apprentice training. The number of new apprentices hired in 2009 was nearly unchanged compared to previous years. The apprentices receive additional training at RHI's training workshops. RHI attaches special importance to the development of young people not only in professional training but also in their personality. By international postings, young people are familiarised with the requirements of an internationally operating company at an early stage. Consistent and continuous training and further education will secure experienced and highly motivated staff for RHI in the future as well.

Personnel development

Focal points in personnel development for 2009 included the further development of the top tier of managers in strategic competence as well as of other experienced and long-serving managers of the Group in leadership competence in an intercultural environment. Moreover, particular importance was attached to the further qualification of local management resources in the international environment of RHI AG.

Overall, € 745,000.00 were invested in apprentice training and further education in Austria alone in 2009, including € 290,000.00 for internal training programmes. Training costs per head of the Austrian employees amounted to approx. € 445. On average the Austrian employees spent between two and three days in training in 2009.

Furthermore, the apprentice training and further education programme was redesigned in 2009 and implemented in 2010.

Health and safety at work

Health at work is a topic that plays an important role for RHI. Several actions for workplace health promotion were planned and realised again in 2009. Industrial accidents and the resulting consequences rank among the main risks in the HR sector. Non-compliance with national laws and guidelines may in extreme cases lead to a shutdown of entire plants or parts of plant. RHI therefore attaches great importance to this topic. RHI has also implemented the highest industrial safety standards in those countries where the local authorities do not take such issues very seriously. As a result, the overall number of industrial accidents was reduced further.

Performance-based compensation systems

The principle of leadership by targets has proven its value at RHI over many years. The required appraisal interviews are conducted with great commitment on the part of both employees and their superiors and supported by appropriate training programmes on the part of personnel development. Depending on an employee's tasks, up to 50% of the annual income is variable and dependent on the accomplishment of individual and Group targets, which are agreed with the respective manager at the beginning of the year.

Dealing with social partners

RHI considers its employee representatives worldwide business partners. When dealing with them, these activities are always characterised by openness and honesty. This enables RHI to solve even difficult issues together and to the satisfaction of all employees.

Personnel indicators

	2009	2008	Change
Revenues in € million	1,236.9	1,596.7	-22.5%
Personnel expenses in € million	305.5	338.1	-9.6%
Average annual number of employees	7,272	7,692	-5.5%
Number of employees at 31.12.	6,963	7,766	-10.3%
Personnel expenses in % of revenue	24.7	21.2	16.5%
Personnel expenses per employee in € 1,000	42.0	44.0	-4.5%
Revenues per employee in € 1,000	170.1	207.6	-18.1%

Sustainability

The principle of economic and ecological sustainability constitutes the basis of the long-term company success of the RHI Group.

RHI AG has been committed to the resource-saving management of nature and of the raw materials that are obtained in opencast mining or underground mining for 175 years. RHI has successively built and developed its social responsibility over the same period of time and constitutes an economic and social backbone on many sites.

This internalised sustainability is expressed by an open relationship marked by confidence with all relevant stakeholders in all countries and regions where RHI has plants.

In the year of crisis 2009, RHI also made extensive investments going beyond the measurable effects of a calendar year.

Integrated Management System

In 2001, RHI AG implemented an Integrated Management System (IMS) where all existing programmes for quality management, environmental protection, safety at work and health protection were linked in order to integrate them as elements of the economic action of RHI AG. Within the framework of IMS, the "Legal Compliance Management System" initiated in 2008 was completed at six Austrian and German sites; further implementations and the establishment of site-specific legal registers with external support are being implemented on a continuous basis.

Quality management

Quality is of overriding importance in production both for services and all company processes. As a global market leader for high-quality ceramic refractories, RHI builds on extensive knowledge of customer requirements, employee competence and know-how, compliance with quality standards and continuous innovation by its own R&D. Production processes are continuously improved technically and the infrastructure in the field of quality is developed further on a continuous basis. All RHI sites are certified worldwide in accordance with the quality standard ISO 9001:2008 by Lloyd's Register Quality Assurance Limited.

In 2009, RHI's IMS auditors audited every site with respect to the implemented IMS management systems: 32 sites according to ISO 9001:2008 and 23 sites according to ISO 9001:2008 and ISO 14001:2004. 19 sites were audited according to Lloyd's Register Quality Assurance Limited.

Environmental management

The consistent and continuous reduction of direct and indirect environmental impacts constitutes an important business objective of RHI AG. In the course of product development, great importance is attached to the environmental relevance of production and use of refractory materials in the customer units. Measurable environmental relevance and recyclability of the products during and after their use by the customers is a competitive criterion that is becoming more and more important.

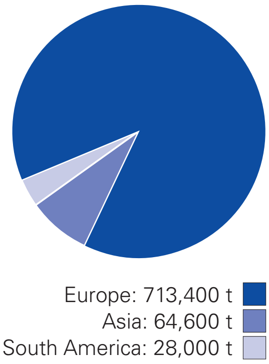
With the implementation of the certified environmental management system, the effectiveness of the use of raw and auxiliary materials, energy and transport has increased continuously. The system for registration and evaluation of environment-relevant data including logistics resulted in an acceleration of environment-relevant improvements.

The certification in accordance with ISO 14001:2004 by Lloyd's Register Quality Assurance Limited covered more than two thirds of RHI sites and workplaces. In 2009, the Saybrook plant (USA) successfully realised the certification audit and was integrated into the RHI matrix.

Environment

CO_2: 2009 was marked by the Kyoto 2 Conference in Copenhagen. Like many European industrial companies, RHI clearly commits to climatic protection and the associated further voluntary reduction of CO_2 emissions. However, RHI also calls for corresponding contributions of all countries involved, including the USA, China, India and other emerging countries in order to ensure fair global competition in the future. RHI has invested € 35 million in environment-improving measures in the last five years. However, in many areas, the industry reaches the limits of further CO_2 reduction – as does RHI. Approximately two thirds of the emissions are technically inevitable and are created during the further processing of the raw material magnesite. The further technically feasible CO_2 reduction potential for RHI plants amounts to a maximum of 5%.

CO_2 Balance

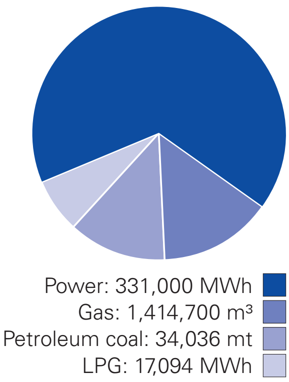


European Emissions Trading Scheme: Within the scope of the new ETS directive of the European Commission, RHI was classified as "Carbon Leakage" exception in the three segments of magnesia, refractories and dolomite. The subsequent benchmark process comparing the emissions data of the individual companies is intended to determine the allocation of free certificates. RHI actively accompanies this benchmark process as environmental technology pioneer for the refractories industry.

In 2009, CO_2 emissions worldwide amounted to 806,000 tonnes.

The environmental investments in 2009 illustrate the importance of the environment as a topic: despite the clearly reduced Group investment programme, a total of € 6.4 million was invested in environment-improving measures, corresponding to approx. 20% of the overall investments at the sites worldwide.

Energy consumption



The RHI Competence Centre for Environment and Energy focuses on the energy management that carries out continuous energy efficiency analyses for savings of gas and power for all sites and, based on these results, develops the corresponding improvement measures and investment programmes - with the focus on the parallel implementation at all plants. As in 2008, total energy consumption was again reduced by approx. 6% p.a. on average.

The most important environmental investment projects in 2009 were conducted in the field of optimisation of energy efficiency: existing plants were made more resource-efficient by using new technologies. For example, at the Trieben (Austria), Mainzlar (Germany) and Tlalnepantla (Mexico) plants, energy costs of 7%, approx. 8% and 8%, respectively, were saved. One of the largest investments was made in energy-optimising maintenance works in the tunnel kiln at Veitsch/Austria in 2009: approx. € 2 million not only improve the performance of the tunnel kiln, but also reduce natural gas consumption by 10% per year. The tunnel kiln maintenance work carried out in Radenthein/Austria and Eskisehir/Turkey has resulted in clear savings potential.

Recycling and Raw materials

RHI is actively involved in shaping the challenges of the current use of raw materials. In this context, the reuse of refractory return materials from metallurgical and other industrial high-temperature processes is of essential importance for ecological and economic reasons. The increased use of these materials saves natural resources and is a sustainable contribution to climate protection. This requires a maximum of logistic and technical competence in order to use the return materials as high-quality secondary raw materials efficiently in the product process. It constitutes a great challenge to make the required resources available sufficiently, continuously and of constant quality in order to be able to integrate them in the overall value chain. This is why the research and development department developed approaches for secondary raw materials specially adjusted to products and production sites. This allowed RHI to reintegrate a large portion of 55,000 tonnes of recycling material as raw materials into the production process in 2009, which corresponds to a reduction of emissions of approx. 80,000 tonnes CO_2 p.a.

The development of innovative technical procedures such as the remelting of basic and non-basic return materials enabled new high-grade raw materials of a quality level comparable to primary melting raw materials. By using secondary raw materials, RHI managed to optimise production costs and to clearly improve the ecological impact of the product.

The REACH regulation, the European Community regulation on chemicals, governs the registration, evaluation, authorisation and restriction of chemicals. Within the European Union, only those chemical substances that have been registered in advance may be marketed. Every manufacturer or importer who wants to market their substances falling under the scope of REACH has to have an own registration number for these substances (more than a tonne per year). RHI has completed the required pre-registration of 12 substances used in the Group in due time and is now actively acting as a so-called "Lead-Registrant" or as part of a consortium in the registration process, which has to be completed by 01 December 2010.

Transport and logistics

All logistic activities are controlled at the Leoben site, Austria. For many years, RHI has developed extensive targeted activities in the field of logistics management in order to use all means of transport as economically and efficiently as possible and thus save as many resources as possible. In 2009, the volume of cargo in continental traffic reduced by 40% on average. The portion of rail freight still increased compared to road transport since, in particular in the inbound area, rail transport is gaining in importance compared to maritime traffic between China and Europe as the economically more efficient option. For example, since 2008, RHI has particularly changed the means of traffic for transports from and to China and to the CIS countries using the Trans-Siberian Railway instead of ships and trucks. Further quantities were transported by rail instead of trucks in 2009 as well: approx. 515,500 tonnes were transported by truck, the portion of railway transports amounted to 140,400 tonnes or 27.2%. The increase compared to 2008 amounted to 4.2%; this slight increase is due to the increased volume of partial deliveries and smaller quantities in the year of crisis 2009.

Renaturation/ biodiversity

Continuously protecting nature while at the same time using resources constitutes an ongoing challenge that RHI responsibly addresses through a large number of renaturation projects and projects promoting biodiversity at the sites. In this context, RHI initiates its own projects and enters partnerships with various local institutions, for example:

>> At the Hochfilzen site / Austria, RHI financially and organisationally supports the protection and conservation of the nearby nature reserve Griesensee and won the Nature Protection Award of the federal state of Salzburg. Sustainable investments for recultivation measures and protection of biodiversity in the Weißenstein opencast mine are also made at this site.
>> RHI has been working on the consistent creation of green belts around the site in Ramos Arizpe/Mexico for about two years.
>> The reforestation project initiated in Eskisehir/Turkey was continued in 2009.

Social responsibility

As a company rich in tradition and having a history of more than one century, RHI puts into practice its social responsibility at the sites in many ways. In the context of "Corporate Citizenship", RHI supports programmes that improve and develop the individual and local conditions of living on a sustained basis. In particular, activities of the communities contributing to public welfare are supported actively: social projects and facilities, but also projects in the field of education, health, sports and infrastructure.

Examples of projects:
>> In China, community and district programmes are supported financially and sustainably at various sites in order to cover food and health needs of socially disadvantaged people.
>> The Mexican site Ramos Arizpe has committed itself mainly to the considerable support of a social facility that initiates and realises nutrition and education programmes for severely disadvantaged children. The employees of the site and RHI participate equally in this programme, which has been supported for about three years. RHI also is a sustainable partner for the Mexican Red Cross.
>> In Italy, mainly social and health projects in the community as well as national organisations that devote themselves to the research and control of diseases are supported with important amounts. Moreover, an extensive social fund, which mainly covers health expenditures for the employees, has been established.
>> The "good corporate citizenship" of MAS, the wholly-owned company of RHI in Turkey, focused on the financial support of needy pupils and students by the Turkish Crescent and the support of the international festival of culture in Eskisehir.
>> The German sites concentrated mainly on the support of local schools in the fields of sports, nutrition and education. For example, project days with the plants were realised. Local facilities such as fire brigades are supported as well. Moreover, the programme "Agenda 21", the exchange between local citizens and immigrants, is supported.

>> In Austria, for many years, the main focus has been on the support of disadvantaged children and adolescents. RHI cooperates with the SOS Children's Villages at various sites, for example in Carinthia and Vienna. Another important factor is the active exchange between schools and plants: in the context of regular plant visits and events and special teaching boxes in order to make technology accessible to children and adolescents in a hands-on and entertaining manner.
>> The long-standing cooperation with the University of Leoben is one of the most important partnerships not only in the field of research, but also in the field of education: RHI supports symposia and events, but also the practical training of the students by excursions and awarding so-called practice cheques.

Furthermore, a large number of non-profit associations that promote sport activities in particular for adolescents and realise all-year cultural events in the respective regions, as well as music associations for preserving traditions are supported in Austria.

Health and safety at work

At RHI, industrial health and safety protection is grouped with the quality and environment management system in an integrated management system. The sustainable integration of health protection into the organisational and personnel development is becoming more and more important not least due to the demographic development and the associated employment records. In this context, RHI has taken over a pioneering role for company health policy, creating a win-win situation for employees and company: improved quality of life and thus increased commitment. Healthy and motivated employees constitute the most important resource for the long-term success of a company.

RHI's Health and Safety Management (H&S Management) aims at developing new tools, methods and measures that distinguish modern industrial safety and health protection against the background of a continuously changing world of employment and increasing mental strains. They were tested exemplarily at individual RHI AG sites in the course of the project and have already been partially implemented for the worldwide companies and sites. All sites have a standardised Health and Safety Policy, which is reflected in regular training and meetings and supported by corresponding incentives, but also is reviewed regularly. For example, the health circles, which have been established firmly at the sites for years have been continued with continuously increased offers. The following activities were carried out in 2009 in the context of these health circles: health days, active sports programmes and common sports activities, health screening with special focuses, safety days or stress tests. Individual programmes were completed, for example, by activities promoting a healthier diet (free fruit in the company, cookery courses etc.) as well as body relaxation.

Health and team support of young employees is of particular importance in the company. This is emphasised by various activities actively involving adolescents, for example teamwork days and apprentice exchange programmes between the sites as well as sports activities and coaching sessions on drug prevention. The free participation in the so-called pro-fit week on the topics of health, nutrition, work-life balance, group dynamics was offered to the employees and apprentices at all Austrian sites again in 2009.

A large number of national and international awards confirm the success of the H&S Management. For example, RHI AG won the "MOVE Europe" award of the European Union in 2009. "MOVE Europe" is a campaign of the European network for workplace health promotion and distinguishes companies that excellently manage to integrate healthy lifestyles into daily workplace routine. In 2009, 48 companies from 20 European countries were awarded prizes. Moreover, RHI was nominated for the Austrian National Award for Industrial Safety in 2009 for the project "I AM – Information as Motivation".

The most important principles of RHI's H&S Management include the integration of the comprehensive workplace health promotion into corporate culture, the strengthening of the personal health competence, a comprehensive offer for a sustainable health profile, the use of participative health management processes for changes in behaviour as well as regular controlling of target achievement and systematic process evaluation. Moreover, RHI's H&S Management links the existing activities on the topics "demographic development" and "gender diversity" and ensures the cooperation of in-house experts.

Research & Development

Strategic orientation towards innovation

Research and development continue to be a top priority and have top importance in the RHI Group even in the year of the worldwide economic crisis. Since the world market leader also is expected to be the technology and product leader, research and development naturally constitute a central element of our corporate philosophy. In order to further accelerate the innovation process, that is to shorten the "time to market" of newly developed products, the area of research and development was brought closer to the marketing units in the course of the reorganisation project carried out in the year under review.

Moreover, the further development and the extension of the networks that, in addition to RHI's own R&D employees, include the fields of activity of customers and markets, national and international university institutes and non-university research facilities constitute basic elements of the strategic approach of the Group. Short lines of communication with all relevant units, intensive project processing and R&D services of highest international standard mark the success story of RHI's research and development.

Innovation Strategy Board

Together with the marketing and sales units of the Steel, Industrial and Raw Materials Divisions, projects of strategic importance are generated based on current market information and thus the foundations for the economic success of tomorrow and the day after tomorrow are laid today by means of consistent implementation of project targets. The Innovation Strategy Board was set up, which evaluates strategically important projects in the course of the stage gate process and optimally accompanies them until completion. In addition, the introduction of a Knowledge Management System is planned in order to ensure the sustainability of the innovation process.

Intensive cooperation with domestic and foreign university institutes and non-university research facilities preserve and extend the basic knowledge - real fundamental topics are dealt with scientifically and converted into advanced topics of product development.

The most important current R&D objectives and approaches are:

>> Development of innovative natural and synthetic raw materials with respect to the backward integration relevant to Group strategy.
>> Development of solutions for all RHI customer industries, relevant to both refractories and processes.
>> Continuous (further) development of production technologies for basic materials, intermediate and finished products, but also completely new technologies.
>> Development of new processing machines and easy-to-process lining methods with respect to the field of tension of user-material-machine relevant to industrial safety.
>> High-temperature sensor technology for stress and wear analyses as well as for increasing operational safety of the products in case of use in systems.
>> Thermodynamic, thermo physical and fluid dynamic modelling and simulation methods that support the process of product development show the products in different customer processes in the operational use and support the design of products and the engineering of linings.

>> Fundamental studies in the areas of thermal mechanics, thermal chemistry and the corrosion of refractory products in operation.

>> Optimisation of the environmental impact in the production and application of refractory raw materials and finished products.
>> Use of scrap materials after their use in operation.
>> Development of new test methods for finished products.

R&D plays an important role in the context of the introduction and implementation of the REACH regulation (EC no. 1907/2006, "Registration, Evaluation, Authorisation and Restriction of Chemicals") of the European Union. On the one hand, all registrations of chemicals are controlled and realised centrally by R&D, on the other hand, RHI is already looking for alternative substances for chemicals that must no longer be used within the EU after the implementation of the guideline, and alternative substances are tested for the usability in RHI products.

As in the previous years, another important task of R&D is the active management of intellectual property in the form of patents and trademarks. In 2009, RHI's patent portfolio was clearly strengthened, products were protected and RHI's advance in technology was further increased by new patents registered in the areas of product formulation, product geometry and product use.

Award-winning research & development

The Leoben research and development site was nominated for the State Award for Equal Opportunities in the year under review. This State Award for Equal Opportunities in R&D was awarded by the Austrian Federal Ministry for Transport, Innovation and Technology for the first time in 2009. By granting this award, the Federal Ministry wants to emphasise workplace measures to improve equal opportunities in R&D and to present innovative and successful solutions.

Investments in the power of innovation

In the reporting period, investments in R&D amounted to more than 1% of the consolidated revenues, which clearly exceeds the average of the refractories industry.

More than 150 scientists constitute the R&D team at the RHI technology centre and the respective locations of the RHI Group.

The R&D employees confer their acquired knowledge to the colleagues from all other areas of the Group in a large number of internal training programmes and thus lay the foundation for RHI's technology leadership. This is how the latest discoveries and developments of R&D are of benefit to customers worldwide in a quick and unbureaucratic manner - one of the essential elements of RHI's success.

Risk Management, Accounting & Internal Control System

RHI is exposed to a variety of risks as a result of its business operations, which require systematic and continuous risk management. Therefore, a company-wide risk management was introduced in 2009 with the following aims: The systematic identification, evaluation and management of risks will result in a conscious and transparent dealing with risks. Risks should be identified early so that effective and efficient control measures can be taken proactively. The process, which is controlled centrally and is uniform throughout the Group, is not limited to financial risks, but covers all risks associated with the business activity. The Group's reactivity in situations of risk should be increased, on the one hand, in order to protect RHI against unforeseen financial loss and reductions of the result and, on the other hand, in order to be able to exhaust the entire economic growth potential. Internalised risk management constitutes an essential competitive factor.

The Management Board of RHI AG established the main risk areas, i.e. strategy, sales volume, production, supply chain, research & development, employees, finance, IT, compliance & legal matters in a comprehensive risk framework.

RHI defines risk as a possible future deviation from a planned target figure (EBIT) over an observation period of one year and of five years for strategic risks.

The management of the risk areas is exercised by the risk owners who control operating activities in these areas. The risk areas are broken down further into risk categories, to which individual risks are allocated at the lowest level. These risks will be recorded and quantified quarterly by local risk owners in the operating units.

Group Risk Management, up to now assigned to the Business Administration director, is responsible for the entire risk management process, provides for the validation and consolidation of the risks recorded in a decentralised manner and reports to the stakeholders of the risk management process (Management Board, Supervisory Board, managing directors, risk owners).

RHI uses a professional risk management system in order to ensure an efficient and effective risk management. The risk management process is audited by Internal Audit.

Risk policies and guidelines of operating risk management are set forth in a risk manual, which has been laid down as mandatory throughout the entire Group within the global roll-out in the year 2009.

Important risks in the business processes were identified, analysed and evaluated in the course of risk analysis. Adequate activities and measures have been elaborated by the risk owners for these identified and evaluated risks in order to counteract and minimise these risks. Overall, no substantial risks or risks threatening the company's existence have been identified.

Financial risks

The management of financial risks is embedded in RHI's Group risk management. The Management Board is responsible for the definition of risk policies. The implementation of risk policies and ongoing risk management have been centralised and are coordinated by the Group's treasury department. The goals and principles for risk management as well as the distribution of duties and responsibilities between the treasury department and the operating units are defined in internal guidelines.

In the RHI Group, credit risk arises primarily in connection with trade receivables due from customers. Credit insurance and collateral arranged through banks (guarantees, letters of credit) are used to counteract the immanent risk of default inherent in business operations to the greatest extent possible, even if the contract partners have an excellent credit rating.

Credit risk and the related risk of default are monitored continuously, and provisions and valuation allowances are recorded to reflect actual and identifiable risks. The risk of default is not concentrated on a single customer group or sector because the RHI Group is active in many different branches and has a large number of business partners, and also maintains sufficient coverage through credit insurance.

The Group's financial policy is based on long-term planning and is managed and monitored centrally. The liquidity requirements defined by the planning process are met through the conclusion of appropriate financing agreements.

As of 31 December 2009, the RHI Group had unused, immediately available lines of credit totalling € 133.2 million. These facilities were concluded with various Austrian and international banks in order to ensure the Group's independence from specific financial institutions.

The companies are integrated into a clearing process managed by the central treasury department and subject to financing limits. This reduces the need for external financing at the overall Group level.

The objective of risk management in this area is to minimise possible losses through the monitoring and management of these risks considering the related opportunities.

Foreign exchange risk arises above all in areas where business transactions (operating activities, investments, financing) are conducted in a currency other than the functional currency of a company. Decisions on the use of hedging instruments are based on the Group's net position in the relevant currency. In the reporting period, a large part of the net surplus was hedged by futures.

Interest rate risk in the RHI Group is primarily related to financial instruments carrying variable interest rates which may cause fluctuations in earnings or cash flows. The RHI Group is exposed to interest rate risk almost exclusively in the euro zone.

The objective of risk policies in the RHI Group is to maintain a balance between variable and fixed-interest borrowings in accordance with the current and planned financing structure. The interest-bearing financial liabilities used by the RHI Group for financing purposes comprise approx. 72.0% of fixed-interest instruments and approx. 28.0% of variable-interest instruments. Interest rate risk was not hedged with derivative financial instruments during the reporting year because the financing structure of the Group is secured over the long-term through a sound balance of financing sources.

CO_2 certificates

In general, due to the insufficient allocation of free certificates, RHI has to buy additional certificates at market prices during phase II (2008-2012). This was not required during the first three quarters of the year 2009 on account of the under-utilisation of capacities in the raw materials plants. The terms for phase III (beginning in 2013) are still unresolved, and it is therefore not possible to evaluate the related risks.

Other market risks

The risk of rising energy and raw material prices is countered by strategic measures such as an increase in the share of own raw materials in production, the geographical diversification of plant locations and the partial conclusion of long-term supply contracts at fixed prices.

No derivative financial instruments were concluded as hedges for other market risks during the reporting year.

Accounting process

RHI has drawn up a detailed documentation of the financial reporting process including the associated risks and the controls used in the respective process step.

On an aggregated level, the financial reporting process was defined as a sequence of preparation, consolidation, audit and publication of the financial statements.

The documentation was drawn up based on the Group accounting manual. It defines the IFRS charts of accounts and determines the standards for the allocation and entering of business transactions to accounts.

When evaluating the risks of the accounting process and determining the controls, particular attention was paid to those items of the balance sheet and of the income statement that might have the most sustainable effects on the financial reporting of the RHI Group.

RHI regularly offers training on different focuses in order to ensure sufficient communication and know-how regarding the Group's standards for internal controls. Participation of employees of all Group companies is mandatory.

SAP systems are used for consolidation and for financial accounting of nearly all companies.

Internal control system

RHI has guidelines on the internal control system (ICS), which address the risks of the Group and define preventative measures. The guidelines were established by the Management Board and introduced throughout the Group. The respective competent local management is responsible for implementing and monitoring the internal control system. In addition, these internal controls are audited regularly on Group level. The risk portfolio is reviewed annually for necessary adjustments.

The implementation of and compliance with the guidelines is audited by the staff unit Group Audit, which reports to the Management Board. The annual revision plan is derived from the risk assessment of all company activities in the Group, approved by the Management Board and reported to the audit committee of the Supervisory Board. The results of the audits of effectiveness of the ICS are reported to the Management Board on a regular basis.

The audit committee and the Supervisory Board receive a report at least once per year. In 2009, the audit committee and the Supervisory Board received one report each.

Central elements of the ICS are regular audits of compliance with the institutionalised four-eye principle, the segregation of duties and defined control steps for the monitoring and control of effectiveness and efficiency of the operating activity (e.g. protection of assets against loss and damage caused by malversation), the reliability of financial reporting and compliance with the legal provisions applicable to the company.

The RHI Group's guidelines pertaining to the ICS follow the basic structures of the internationally recognised standards for internal control systems (COSO - Internal Control and Enterprise Risk Managing Frameworks of the Committee of Sponsoring Organizations of the Treadway Commission).

Notes in Accordance with § 243a UGB

Composition of RHI share capital, class of shares, limitations and rights

At 31 December 2009, the share capital of RHI AG amounted to € 289,376,212.84 (31 December 2008: € 275,626,514.10) and consisted of 39,819,039 (31 December 2008: 37,927,039) no-par bearer shares. Only shares of this class are issued. Each RHI share has one vote. There are no RHI shares with special control rights.

Limitations regarding the voting rights of RHI shares, also from agreements between shareholders, are not known to the company.

Direct or indirect stakes in RHI capital

At 31 December 2009, one shareholder (MS Private Foundation) to whom more than 25% of the voting rights were attributable was known to RHI. In addition, the MS Private Foundation declared that it holds RHI convertible bonds and holds 29.22% of RHI shares after their conversion – as it has fully exercised its conversion rights for all convertible bonds issued by RHI. The complete conversion of all convertible bonds issued was completed on 10 December 2009.

In addition, two shareholders with a stake in excess of 5% subject to registration were known to the company at 31 December 2009: FEWI Beteiligungsgesellschaft mbH, Germany, to whom more than 10% of the voting rights were attributable, and the Raiffeisen Group, Austria, to whom more than 5% of the voting rights were attributable.

Authorisation of the members of the Management Board regarding the possibility to issue shares and buy back shares

Conditional capital

Based on a resolution of the extraordinary general meeting of RHI AG of 15 February 2002, share capital was conditionally increased by a sum of up to € 72,305,836.31 by issuing up to 9,949,500 bearer shares with voting rights by means of an amendment to the articles of association of RHI AG. The issue price amounts to € 7.27.

The conditional capital increase is carried out only insofar as bearers of convertible bonds tranche A issued on the basis of the resolution of the extraordinary general meeting on 15 February 2002 exercise their conversion rights to shares of RHI AG.

In the financial year 2009, the Management Board issued 1,749,000 bearer shares corresponding to the maximum conditional capital.

Authorised capital I

At the annual general meeting of RHI AG of 15 February 2002, the Management Board was authorised, within a period of five years of registration of the change in the company's articles, with the consent of the Supervisory Board and without further consent by the Annual General Meeting and excluding shareholders' subscription rights, to increase share capital on one or several occasions up to a maximum amount of € 72,305,836.31 by issuing 9,949,500 no-par bearer shares with voting rights at an issue price of € 7.27 insofar as bearers of convertible bond certificates tranche B exercise their right to converting the bonds to shares of the company.

In accordance with a resolution of the Annual General Meeting of 19 May 2005, the term was extended until 30 April 2010 for an amount of € 50,122,453.68.

In the year under report 2009, the Management Board issued 143,000 bearer shares corresponding to the maximum authorised capital I.

Authorised capital II

By a resolution adopted at the Annual General Meeting of 29 May 2008, the Management Board was authorised to increase share capital pursuant to § 169 of the Stock Corporation Act, with the approval of the Supervisory Board, by up to € 27,254,875.44 by issuing up to 3,750,353 no-par bearer shares with voting rights until 29 May 2013 in return for a cash contribution or contribution in kind, and to determine the issue price, the issue conditions and further details regarding the implementation of the capital increase in consultation with the Supervisory Board. Moreover, the Management Board was authorised, with the consent of the Supervisory Board, to exclude shareholders' subscription rights if (i) the capital increase takes place against contributions in kind or if (ii) the capital increase takes place against cash and the minimum issue price of the new shares corresponds to the average of the closing prices of the RHI share (ISIN AT0000676903) at Vienna Stock Exchange of the 30 trading days preceding the day of subscription of the new shares plus a premium of at least 25% or (iii) for fractional amounts.

Employee stock ownership plan "4 plus 1"

With a resolution of the Annual General Meeting of RHI AG of 28 May 2009, the Company was authorised to acquire treasury shares in accordance with § 65 para. 1 (4) AktG (Stock Corporation Act) in the amount of up to 12,000 no-par shares, which corresponded to 0.032% of the Company's share capital at the time the resolution was adopted, at the share price of the day this authorisation to issue shares to employees and executives of the company as well as to members of the management, executives and employees of Group companies is exercised within the framework of the "employee stock ownership plan 4 plus 1". The authorisation is valid for 16 months from the day of the resolution.

Significant agreements taking effect in the case of a change of control

In the addendum to the restructuring agreement made with RHI's consortium of banks in January 2007, the following cancellation right was agreed with UniCredit Bank Austria AG (formerly: Bank Austria Creditanstalt AG (BA-CA)) as the consortium leader relating to the term loan facility in the amount of € 400.0 million: "If the economic and/or legal control of RHI AG changes ("change of control"), both BA-CA and RHI AG are entitled to terminate the restructuring agreement including the addendum subject to a notice period of 3 months at the end of a calendar month. "Change of control" exists when a change of control in accordance with the Austrian Takeover Act in the version of the Act amending Takeover Law 2006 becomes known about RHI AG. The cancellation of the restructuring agreement including the addendum due to a change of control through BA-CA or RHI AG shall be carried out within an exercise period of 90 days following the information of the respective party of the occurrence of a change of control, complying with a 3-month cancellation period at the end of a calendar month. If BA-CA or RHI AG cancels the agreement within the exercise period of 90 days, the extraordinary cancellation right in accordance with item 10.3. of the addendum will expire."

No compensation agreements have been concluded between the company and the members of its Management and Supervisory Board or employees in case of a public takeover bid.

Provisions regarding the appointment and removal of members of the Management and Supervisory Board

The appointment and removal of members of the Management Board are stipulated in § 75 of the Stock Corporation Act (AktG). In addition to that, the articles of association stipulate in § 8 that the Management Board shall consist of two, three, four or five persons. The appointment period of members of the Management Board shall end on the 65th birthday.

The Supervisory Board shall consist of at least three members. An appointment to become a Supervisory Board Member shall last be possible before the 70th birthday.

Material Events after the Balance Sheet Date

Details of material events after the balance sheet date can be found in the notes.

Vienna, 10 March 2010

Management Board:

Thomas Fahnemann
CEO

Henning E. Jensen
CFO

Giorgio Cappelli
COO Steel

Manfred Hödl
COO Industrial

Rudolf Payer
Business Administration

RHI Consolidated Financial Statements 2009

RHI Consolidated Statement of Financial Position 2009

in € million	Notes	31.12.2009	%	31.12.2008	%
ASSETS					
Non-current assets					
Property, plant and equipment	(1)	411.2	32.3	426.1	32.2
Goodwill	(2)	14.7	1.2	14.7	1.1
Other intangible assets	(3)	41.3	3.2	43.7	3.3
Shares in associates	(4)	12.4	1.0	14.1	1.1
Other financial assets	(5)	36.9	2.9	37.7	2.8
Non-current receivables	(6)	2.8	0.2	0.7	0.1
Deferred tax assets	(7)	72.1	5.7	69.4	5.2
		591.4	**46.5**	**606.4**	**45.8**
Current assets					
Inventories	(8)	286.7	22.6	380.9	28.8
Trade and other current receivables	(9)	245.9	19.3	272.7	20.6
Current portion of non-current receivables	(6)	0.5	0.1	1.0	0.1
Income tax receivables		4.2	0.3	8.2	0.6
Other financial assets	(10)	2.7	0.2	7.8	0.6
Cash and cash equivalents	(11)	139.8	11.0	46.3	3.5
		679.8	**53.5**	**716.9**	**54.2**
		1,271.2	**100.0**	**1,323.3**	**100.0**
EQUITY AND LIABILITIES					
Equity					
Share capital	(12)	289.4	22.8	275.6	20.8
Group reserves	(12)	-80.1	-6.3	-113.0	-8.5
Equity attributable to equity holders of RHI AG		209.3	16.5	162.6	12.3
Minority interests	(12)	18.5	1.4	19.2	1.4
		227.8	**17.9**	**181.8**	**13.7**
Non-current liabilities					
Non-current financial liabilities	(14)	217.6	17.1	302.4	22.9
Deferred tax liabilities	(7)	8.7	0.7	11.1	0.8
Personnel provisions	(15)	287.5	22.6	297.7	22.5
Other non-current provisions	(16)	3.2	0.3	3.2	0.2
Other non-current liabilities	(17)	5.7	0.4	5.4	0.4
		522.7	**41.1**	**619.8**	**46.8**
Current liabilities					
Current subordinated convertible bonds	(18)	0.0	0.0	13.9	1.1
Current financial liabilities	(14)	155.4	12.2	118.9	9.0
Trade and other current payables	(17)	265.2	20.9	282.1	21.3
Other financial liabilities	(10)	1.4	0.1	0.0	0.0
Income tax payables		27.2	2.2	35.8	2.7
Current provisions	(19)	71.5	5.6	71.0	5.4
		520.7	**41.0**	**521.7**	**39.5**
		1,271.2	**100.0**	**1,323.3**	**100.0**

RHI Consolidated Income Statement 2009

in € million	Notes	2009	%	2008 [1]	%
CONTINUING OPERATIONS					
Revenues	(23)	1,236.9	100.0	1,596.7	100.0
Special direct distribution costs	(24)	-99.1	-8.0	-142.4	-8.9
Cost of sales	(25)	-890.6	-72.0	-1,104.6	-69.2
Gross profit		**247.2**	**20.0**	**349.7**	**21.9**
Distribution costs	(26)	-77.9	-6.3	-87.8	-5.5
Administrative expenses	(27)	-89.9	-7.3	-105.6	-6.6
Impairment losses	(28)	-9.1	-0.7	-17.8	-1.1
Restructuring costs	(29)	-15.1	-1.2	0.0	0.0
Other income	(30)	7.8	0.6	19.7	1.2
Other expenses	(31)	-8.2	-0.7	-9.8	-0.6
Operating results		**54.8**	**4.4**	**148.4**	**9.3**
Interest income	(32)	2.6	0.2	4.2	0.3
Interest expenses	(33)	-19.1	-1.5	-23.2	-1.5
Other financial results	(34)	-15.5	-1.3	-18.2	-1.1
Financial results		-32.0	-2.6	-37.2	-2.3
Results from associates		2.4	0.2	2.2	0.1
Profit before income taxes		**25.2**	**2.0**	**113.4**	**7.1**
Income taxes	(35)	-3.8	-0.3	-11.6	-0.7
Profit for the year from continuing operations		**21.4**	**1.7**	**101.8**	**6.4**
DISCONTINUED OPERATIONS					
Loss for the year from discontinued operations	(38)	0.0		-1.2	
Profit for the year		**21.4**		**100.6**	
Profit attributable to					
equity holders of RHI AG		20.9	97.7	98.1	97.5
minority interests		0.5	2.3	2.5	2.5
		21.4	100.0	100.6	100.0
in €					
Continuing operations					
Basic earnings per share	(44)	0.55		2.64	
Diluted earnings per share [2]	(44)	0.52		2.51	
Discontinued operations					
Basic earnings per share		0.00		-0.03	
Diluted earnings per share [2]		0.00		-0.03	

1) The comparable data for 2008 were adjusted. See note (22).

2) The calculation of diluted earnings per share is based on the assumption that the convertible bonds issued will be converted by 31 December 2009.

RHI Consolidated Statement of Comprehensive Income 2009

in € million	2009	2008
Profit after income taxes	**21.4**	**100.6**
Other results recognised in equity net of income taxes		
Unrealised results from currency translation	18.1	-22.2
Actuarial results arising from defined benefit pension plans and termination benefits	-5.9	9.0
Deferred taxes on actuarial results arising from defined benefit pension plans and termination benefits	1.6	-2.6
Unrealised results from fair value change on financial assets available for sale	0.0	-1.3
	13.8	**-17.1**
Total comprehensive income	**35.2**	**83.5**
Total comprehensive income attributable to		
equity holders of RHI AG	34.7	80.1
minority interests	0.5	3.4
	35.2	83.5

RHI Consolidated Statement of Changes in Equity 2009

in € million	Share capital	Additional paid-in capital	Fair value reserves	Currency translation reserves	Accumulated results	Total	**Minority interests**	**Total equity**
	Equity attributable to equity holders of RHI AG							
31.12.2008	**275.6**	**38.3**	**3.1**	**-79.4**	**-75.0**	**162.6**	**19.2**	**181.8**
Total comprehensive income	-	-	-	18.1	16.6	**34.7**	**0.5**	**35.2**
Dividends	-	-	-	-	-	**0.0**	**-0.9**	**-0.9**
Capital increase	13.8	-	-	-	-	**13.8**	**-**	**13.8**
Change in minority interests	-	-	-	-	-1.8	**-1.8**	**-0.3**	**-2.1**
31.12.2009	**289.4**	**38.3**	**3.1**	**-61.3**	**-60.2**	**209.3**	**18.5**	**227.8**

in € million	Share capital	Additional paid-in capital	Fair value reserves	Currency translation reserves	Accumulated results	Total	**Minority interests**	**Total equity**
	Equity attributable to equity holders of RHI AG							
31.12.2007	**272.3**	**38.3**	**4.4**	**-56.5**	**-179.3**	**79.2**	**16.4**	**95.6**
Total comprehensive income	-	-	-1.3	-22.9	104.3	**80.1**	**3.4**	**83.5**
Dividends	-	-	-	-	-	**0.0**	**-0.8**	**-0.8**
Capital increase	3.3	-	-	-	-	**3.3**	**-**	**3.3**
Change in minority interests	-	-	-	-	-	**0.0**	**0.2**	**0.2**
31.12.2008	**275.6**	**38.3**	**3.1**	**-79.4**	**-75.0**	**162.6**	**19.2**	**181.8**

Explanations on equity are provided under note (12).

RHI Consolidated Cash Flow Statement 2009

in € million	Notes	2009	2008
CONTINUING OPERATIONS			
Cash flow from operating activities	(39)	**202.0**	**123.5**
Investments in subsidiaries and other businesses net of cash		0.0	-10.9
Investments in minority interests		-1.8	-2.6
Cash outflow from the sale of discontinued operations net of cash		0.0	-0.2
Investments in property, plant and equipment and intangible assets		-41.5	-76.7
Cash inflows from the sale of property, plant and equipment and intangible assets		1.1	6.2
Investments in non-current receivables		-2.2	-0.3
Cash inflows from non-current receivables		0.6	2.5
Investments in financial assets		0.0	-0.8
Cash inflows from the sale of financial assets		0.9	3.3
Dividend payments from associates		4.1	0.6
Investment subsidies received		0.0	0.9
Interest received		2.4	4.2
Dividends received		0.2	0.6
Cash flow from investing activities	(40)	**-36.2**	**-73.2**
Dividend payments to minority shareholders		-0.8	-0.8
Proceeds from current borrowings		11.1	2.1
Repayments of non-current borrowings		-71.4	-61.9
Proceeds from current borrowings		33.2	49.1
Repayments of current borrowings		-24.8	0.0
Interest payments		-20.0	-23.4
Cash flow from financing activities	(41)	**-72.7**	**-34.9**
Cash flow from continuing operations		**93.1**	**15.4**
DISCONTINUED OPERATIONS			
Cash flow from discontinued operations	(42)	**0.0**	**-2.2**
Total cash flow		**93.1**	**13.2**
Change in cash and cash equivalents		**93.1**	**13.2**
Cash and cash equivalents at beginning of year		46.3	35.0
Change in cash and cash equivalents due to currency translation		0.4	-1.9
Cash and cash equivalents at year-end		139.8	46.3

RHI Notes to the Consolidated Financial Statements 2009

The RHI Group

RHI is a global industrial group, which maintains its headquarters in Austria. The Group produces ceramic products that are used in high-temperature production processes exceeding 1,200°C.

The business activities of the RHI Group comprise the three segments Steel, Industrial and Raw Materials. The Industrial segment includes the cement, lime, glass, non-ferrous metals, environment, energy and chemical industries. The Raw Materials segment covers the value-added activities of the Group's mining and raw material operations, which primarily supply the Steel and Industrial segments.

The remaining activities of the Waterproofing Division that focuses on asphalt surfacing, waterproofing and bituminous pavement as well as the provision of moisture-resistant insulating materials, were sold on 1 September 2008.

The Insulating Division, which manufactures and sells products made of stone-wool as well as wood-wool building boards and natural insulating materials, was sold on 13 June 2006.

The parent company of the Group is RHI AG, which is headquartered in Austria at Wienerbergstrasse 11, 1100 Vienna.

The RHI share is included in the ATX index, and is traded in the Prime Market segment of the Vienna Stock Exchange.

Accounting principles, general

The financial year of the RHI Group comprises the period from 1 January to 31 December. The financial statements of all companies included in the consolidation were prepared as of the Group closing date on 31 December 2009.

The consolidated financial statements were prepared pursuant to § 245 a of the Austrian Commercial Code in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU). These consolidated financial statements do not differ from financial statements prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

The consolidated financial statements reflect the principle of historical cost, with the exception of plan assets as defined in IAS 19 as well as derivative financial instruments and financial assets classified as available for sale (IAS 39), which are all measured at fair value as of the balance sheet date.

The preparation of the consolidated financial statements in agreement with generally accepted accounting and valuation methods under IFRS, as adopted by the EU, requires the use of estimates and assumptions that influence the amount and presentation of assets and liabilities on the balance sheet as well as the disclosure of contingent assets and liabilities as of the balance sheet date and the recognition of income and expenses during the reporting period. Although these estimates reflect the best knowledge of the Management Board based on current transactions, the actual values recognised at a later date may differ from these estimates.

All amounts in the notes and tables are shown in € million, unless indicated otherwise. Individual as well as total figures represent the values with the smallest rounding difference. Therefore, minor differences may result from the addition of these rounded individual figures.

Release of the consolidated financial statements for 2009
These consolidated financial statements were released by the Management Board on 10 March 2010.

The individual financial statements of the parent company, which were also included in the consolidation after adjustments to reflect International Financial Reporting Standards, will be presented to the Supervisory Board on 26 March 2010 for examination. The Supervisory Board may approve the consolidated financial statements or delegate this approval to the annual general meeting.

Initial application of financial reporting standards
The following new or revised accounting standards and interpretations, which are to be used in the EU, were applied for the first time in 2009:

>> IAS 1 (amended 2007): Presentation of Financial Statements - Revised Presentation
>> IAS 1 (amended 2008): Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation
>> IAS 23 (revised 2007): Borrowing Costs
>> IAS 27 (amended May 2008): Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
>> IAS 32 (amended 2008): Financial Instruments: Presentation - Puttable Financial Instruments and Obligations Arising on Liquidation
>> IAS 39 (amended November 2008): Reclassification of Financial Assets: Effective Date and Transition
>> IAS 39 (amended 2009): Financial Instruments: Recognition and Measurement - Embedded Derivatives
>> IFRS 1 (amended May 2008): First-time Adoption of International Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
>> IFRS 2 (amended 2008): Share-based Payment
>> IFRS 7 (amended March 2009): Improving Disclosures about Financial Instruments - Amendments to IFRS 7
>> IFRS 7 (amended November 2008): Reclassification of Financial Assets: Effective Date and Transition
>> IFRS 8 (2006): Operating Segments
>> Improvements to IFRSs (2008)
>> IFRIC 9 (amended 2009): Reassessment of Embedded Derivatives
>> IFRIC 12 (2006): Service Concession Arrangements
>> IFRIC 13 (2007): Customer Loyalty Programmes
>> IFRIC 15 (2008): Agreements for the Construction of Real Estate
>> IFRIC 16 (2008): Hedges of a Net Investment in a Foreign Operation

The extended IAS 1 (amended in 2007) "Presentation of Financial Statements" has been applied in the RHI Group since 1 January 2009. The most important change for the RHI consolidated financial statements consists in recognising the income and expenses recognised up to now directly in equity in a statement of comprehensive income that is prepared in addition to the income statement. The tax effects attributable to every item of the other result recognised in equity are presented separately. The statement of changes in equity shows the total comprehensive income and the transactions with shareholders.

With the revision to IAS 23 "Borrowing Costs", the IASB eliminated the option for the treatment of borrowing costs that are incurred directly in connection with the acquisition, construction or production of a qualified asset. These borrowing costs must always be capitalised as part of the acquisition or production cost of the asset since 1 January 2009. An asset is considered to be qualified when a substantial period of time is required to get the asset ready for its intended use or sale. Borrowing costs for inventories that are regularly produced in large volumes may not be capitalised. No material investments of a project term of more than one year were made in the reporting period so that the change has no effect on this consolidated financial statements. The change will have an effect on future consolidated financial statements if corresponding investment projects are realised.

The initial application of the modifications of IFRS 7 "Financial instruments: Disclosures" that mainly include improved disclosures with respect to the determination of the fair value had no important effects on the disclosures in the notes to the consolidated financial statements 2009.

Since 1 January 2009, segment reporting is carried out according to the provisions of IFRS 8 "Operating Segments". IFRS 8 prescribes to determine the segments based on internal reporting. The result and asset values have to be published according to Group-internal control and reporting. The initial application of IFRS 8 did not result in any adjustments of the segment reporting structure of the RHI Group. However, segment definition changed on account of the reorganisation of RHI's Group structure from 1 July 2009 on. From this date on, production facilities and research activities will be allocated to the Steel, Industrial or Raw Materials segments that will thus be managed as independent segments having profit and loss responsibility. Before, all production facilities were allocated to the segment Raw Materials, Production, other. Holding and other separately shows the costs of the holding functions as well as other not allocated income and expenses. The prior-year data were adjusted according to this new organisation. Geographical segment reporting was changed from reporting by regions to reporting by countries.

In May 2008, the IASB issued a collection of miscellaneous amendments to existing standards under the title "Improvements to IFRSs". The adjustments concern amendments of presentation, recognition and measurement as well as term or editorial changes. The changes mainly have to be applied to financial years that begin on or after 1 January 2009 and had no considerable effects on the annual financial statements of the RHI Group.

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

New financial reporting standards not yet adopted
The IASB has issued new standards and amendments to standards and interpretations that must not be applied mandatorily during the 2009 financial year yet. They have not been applied prematurely on a voluntary basis either.

The following standards were adopted by the EU prior to the preparation of the consolidated financial statements and published in the Journal of the European Union:

>> IAS 27 (amended January 2008): Consolidated and Separate Financial Statements
>> IAS 32 (amended 2009): Financial Instruments: Presentation - Classification of Rights Issues
>> IAS 39 (amended July 2008): Financial Instruments: Recognition and Measurement - Eligible Hedged Items
>> IFRS 1 (revised November 2008): First-time Adoption of IFRSs - Changes in Structure
>> IFRS 3 (amended January 2008): Business Combinations
>> IFRIC 17 (2008): Distributions of Non-Cash Assets to Owners
>> IFRIC 18 (2009): Transfers of Assets from Customers

The IASB issued revised versions of IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements" in January 2008. The major changes compared with the previous version of these standards can be summarised as follows:

In accordance with IFRS 3, acquisition-related costs that are directly related to a business combination may no longer be considered part of the purchase price for the acquired entity, but must normally be recognised through profit or loss.

In cases where subsequent measurement would lead to an adjustment of the acquisition cost to reflect future events that were recognised as a liability on the acquisition date, no changes may be made to the carrying amount of goodwill.

The new version of IFRS 3 provides two options for the accounting treatment of minority interests: minority interests may be recognised together with the applicable share of goodwill or, as in the past, only the fair value of the identifiable assets and liabilities attributable to the minority interests may be recognised.

In the case of business combinations achieved in stages, the differences between the carrying amount and the fair value of the previously held shares must be recognised to profit or loss at the date when control is obtained. The previously allowed recognition directly to a revaluation reserve in equity is no longer possible.

The amended IFRS 3 regulates the accounting treatment of rights granted by the seller to the acquirer for contingent consideration in connection with a liability in the acquired entity, e.g. in connection with tax risks or legal disputes. In the future, this contingent consideration will lead to the recognition of an asset equal to the amount of the related liability. In subsequent periods, the asset must then be valued in a corresponding manner with the related liability.

The amendments to IAS 27 make the application of the economic entity approach mandatory for the accounting of transactions with minority interests. Changes in the percentage of ownership without a loss of control may only be treated as equity transactions. However, when the control over a subsidiary is lost, the consolidated assets and liabilities must be derecognised. Any remaining investment in the former subsidiary must then be recognised at fair value, whereby any resulting differences must be recognised through profit or loss.

Another amendment to IAS 27 regulates the allocation of losses attributable to minority interests. Under the currently applicable provisions of IAS 27, losses that exceed the carrying amount of minority interests are normally allocated to majority interests. In the future, the carrying amount of minority interests can also be negative.

The revised versions of IFRS 3 and IAS 27 mainly have to be applied prospectively to reporting periods that start on or after 1 July 2009. The amendments will have an effect on the RHI Group's assets, liabilities, financial position and profit or loss depending on the type and volume of future transactions.

The IASB has also issued other accounting regulations that had not been adopted by the EU before the RHI consolidated financial statements were prepared:

>> IAS 24 (revised 2009): Related Party Disclosures
>> IFRS 1 (amended 2009): First-time Adoption of IFRSs - Additional Exemptions for First-time Adopters
>> IFRS 2 (amended 2009): Group Cash-settled Share-based Payment Arrangements
>> IFRS 9 (2009): Financial Instruments
>> Improvements to IFRSs (2009)
>> IFRIC 14 (amended 2009): IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
>> IFRIC 19 (2009): Extinguishing Financial Liabilities with Equity Instruments

IFRS 9 "Financial Instruments" was published in November 2009. IFRS 9 regulates the classification and measurement of financial assets. The valuation categories of loans and receivables, assets held to maturity, financial assets available for sale and assets carried at fair value recognised through profit or loss are replaced by the categories amortised costs and fair value. Whether an instrument qualifies for the category of amortised costs, depends on the company's business model, i.e. how the company controls its financial instruments, and on the contractual cash flows of the individual instrument. Amendments have to be applied with retroactive effect for business years starting on or after 1 January 2013.

The initial application of the other standards and interpretations is not expected to have any effect, or any material effect, on the RHI Group.

Principles of Accounting and Measurement

A Principles of consolidation

Subsidiaries

Subsidiaries are all companies in which RHI AG directly or indirectly exercises control over financial and operating policies and also generally holds more than 50 percent of voting rights. The determination of whether control exists also includes the existence and impact of potential voting rights that are currently exercisable or convertible.

The purchase method is used to account for all business combinations. Under this method, the purchase price for the shares in a consolidated subsidiary, including any direct transaction costs, is offset against the proportional share of net assets based on the fair value of acquired assets and liabilities on the date of acquisition or transfer of control.

Identifiable intangible assets are accounted for separately. They are amortised on schedule and if the useful life cannot be determined, they are tested at least once each year for impairment in accordance with the procedure used for goodwill.

Any remaining goodwill is allocated to the relevant cash-generating unit and tested for impairment at this level. In accordance with the provisions of IFRS 3, negative goodwill is recognised immediately to profit or loss. Goodwill that arose prior to 1 January 2002 and was netted out against equity remains part of reserves. In the case of impairment or deconsolidation, it is accounted for without recognition to profit or loss in accordance with the provisions of IFRS 3.

When the RHI Group acquires additional shares in companies that are already included in the consolidated financial statements as subsidiaries, the difference between the purchase price and the proportional share of acquired net assets is recorded under equity.

All intragroup receivables and liabilities as well as income and expenses are eliminated.

Intragroup results on the sale of non-current assets and inventories between Group companies are eliminated.

In accordance with IAS 12, deferred taxes are calculated on temporary differences arising from the consolidation.

Subsidiaries are deconsolidated on the day control ends.

Associates

The equity method is used to consolidate major associates in cases where the RHI Group holds between 20 and 50 percent of the shares and is able to exercise a significant influence.

The principles applicable to full consolidation are applied accordingly to differences between the acquisition cost of the investments and the fair value of the Group’s share in the equity of the associates. The acquisition cost of investments included at equity is increased or decreased each year to reflect the change in the equity of the individual associates that is attributable to the RHI Group.

B Foreign currency translation

Functional currency and reporting currency

The individual positions in the accounts of foreign Group companies are valued in the currency of the primary economic environment in which the company operates (functional currency). This is the local currency for all Group companies, with the exception of Magnesit Anonim Sirketi, Eskisehir, Turkey. The annual financial statements of Magnesit Anonim Sirketi are consolidated in euros.

The consolidated financial statements are presented in euro, which represents the functional and reporting currency of RHI AG.

Foreign currency transactions and balances
Foreign currency transactions in the individual financial statements of Group companies are translated into the functional currency based on the exchange rate in effect on the date of the transaction. Gains and losses arising from the settlement of such transactions and the measurement of foreign currency receivables and liabilities at the exchange rate in effect on the balance sheet date are recognised to the income statement.

Group companies
The annual financial statements of foreign subsidiaries that have a different functional currency than the Group reporting currency are translated into euros as follows:

Assets and liabilities are translated at the average exchange rate on the balance sheet date, while the income statement is translated at the average monthly exchange rate. Any differences resulting from this translation process as well as differences resulting from the translation of amounts carried forward from the prior year are recorded directly in equity without recognition to profit or loss. Cash flows are translated at average monthly exchange rates.

Unrealised currency translation differences resulting from non-current shareholder loans are offset against the currency translation reserve without recognition to profit or loss.

The euro exchange rates for the major Group currencies are shown in the following table:

		Closing rate		Average rate	
Currencies	ISO-Code	31.12.2009	31.12.2008	2009	2008
Pound sterling	GBP	0.89320	0.96000	0.89750	0.78883
Canadian dollar	CAD	1.50310	1.71600	1.59250	1.53917
Chilean peso	CLP	725.49430	900.40000	784.52667	763.87500
Mexican peso	MXN	18.63760	19.35000	18.95167	16.11000
Chinese renminbi yuan	CNY	9.76600	9.60900	9.50998	10.25403
South African rand	ZAR	10.57140	13.16980	11.70833	11.86167
US dollar	USD	1.43030	1.39770	1.39150	1.48092

C Property, plant and equipment
Property, plant and equipment are measured at acquisition or production cost, less systematic depreciation. These assets are depreciated on a straight-line basis over the expected useful life. Depreciation is calculated pro rata temporis beginning in the month the asset is available for use, i.e. when the asset is at its designated location and ready for operations as intended by management.

Assets that are held to generate rental or leasing income or to realise a long-term increase in value and are not used in production or administration are of lesser importance, and are included under property, plant and equipment. These assets are measured at depreciated acquisition or production cost.

Leased property, plant and equipment that qualify as asset purchases financed with long-term funds are capitalised at the lower market value of the asset or the present value of the lease payments in accordance with IAS 17. The leased assets are depreciated on a systematic basis over the useful life. The payment obligations resulting from future lease instalments are discounted and recorded as liabilities. Current lease payments are apportioned between a finance charge and the reduction of the outstanding liability. As of the balance sheet date, the carrying amount of property, plant and equipment leased through finance leasing is of lesser importance. All other leases are treated as operating leases and attributed to the lessor. The lease payments resulting from operating leases are expensed as incurred.

The production cost of internally generated assets comprises direct costs as well as a proportional share of capitalisable production overheads. Borrowing costs for investments in property, plant and equipment that have been started after 1 January 2009 and have a project term of more than half a year are capitalised if material.

Expected demolition and disposal costs at the end of an asset's useful life are capitalised as part of acquisition cost and recorded in a provision. The criteria for this treatment are a legal or constructive obligation towards a third party and the ability to prepare a reliable estimate.

Scheduled depreciation in the RHI Group is based on the following useful lives:

Factory buildings	15 to 50 years
Other buildings	10 to 50 years
Land improvement	8 to 50 years
Technical equipment and machinery	3 to 60 years
Other plant, furniture and fixtures	3 to 20 years

The remaining carrying values and economic useful lives are examined as of each balance sheet date, and adjusted if necessary.

Depletion is recorded on raw material deposits in accordance with the units of production method.

When components of plant or equipment must be replaced at regular intervals, the relevant replacement costs are capitalised as incurred if the criteria set forth in IAS 16 have been met. The carrying value of the replaced components is derecognised. Regular maintenance and repair costs are expensed as incurred.

D Goodwill

Goodwill is recognised as an asset in accordance with IFRS 3. It is tested for impairment at least once each year, or when a change in circumstances indicates that the asset could be impaired.

Goodwill that has been fully written off through an impairment charge is included under disposals on the schedule of non-current assets.

In accordance with IFRS 3, negative goodwill is recognised immediately through profit or loss after a new assessment of the identifiable assets, liabilities and contingent liabilities.

E Other intangible assets

Research costs are expensed in the year incurred.

Development costs also represent expenses in the period incurred. They are only capitalised if the intangible asset is expected to generate probable future cash flows that not only cover normal costs, but also the related development costs. In addition, the recognition criteria defined in IAS 38 must be met.

Capitalised development costs are amortised on a straight-line basis over the expected useful life, which does not exceed ten years.

The development costs for internally generated software are expensed as incurred, if their primary purpose is to maintain the functionality of existing software.

Expenses that can be directly and conclusively allocated to individual programs and represent a significant extension or improvement over the original condition of the software are capitalised as production costs and added to the original purchase price of the software. These direct costs include the personnel expenses for the development team as well as a proportional share of overheads. Software is amortised over a period of four years.

Purchased intangible assets are measured at acquisition cost, which also includes related transaction costs, less systematic amortisation.

Acquired brand rights are not reduced by systematic amortisation because they have an indefinite useful life. However, these assets are tested for impairment on an annual basis as well as when events or a change in circumstances indicate that the asset may be impaired.

Patents are amortised on a straight-line basis over their remaining term, which covers 90 percent of the expected future cash flows. Customer bases identified during the allocation of the purchase price are amortised over a useful life of seven years. The ordinary useful life of all other acquired intangible assets ranges from three to ten years.

F Impairment of property, plant and equipment, goodwill and other intangible assets

Property, plant and equipment and intangible assets, including goodwill, are tested for impairment if there is any indication that the value of these items may be impaired. Intangible assets with an indefinite useful life and goodwill are tested annually for impairment.

An asset is considered to be impaired if its recoverable amount is less than the carrying amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use (present value of future cash flows).

If the reasons for a previously recognised impairment loss cease to exist, except for goodwill, the asset is written up to its carrying amount.

In order to carry out impairment tests, assets are first combined into groups (cash-generating units) for which separate cash flows can be determined. The plant represents the smallest cash-generating unit.

As in the prior year, the impairment test is based on the value in use. The discounted cash flow method is used, and incorporates the terminal value based on growth of 1.5 percent, unchanged compared to the previous year.

The interest rates used to discount cash flows reflect the specific risks of the individual countries in which the cash-generating units are located. These interest rates range from 8.91 to 14.02 percent. These interest rates ranged from 8.13 to 11.36 percent in the previous year.

The determination of cash flows is based on a simplified cash flow statement that covers forecast data for a period of five years. This forecast data is based on market evaluations by management.

G Other financial assets

The financial assets shown in the RHI consolidated financial statements are comprised solely of financial assets classified as "available for sale".

Available-for-sale financial assets are initially measured at fair value plus any related transaction expenses. Subsequent measurement reflects fair value, whereby temporary impairment and any increases in fair value are recorded directly in equity without recognition to profit or loss. Lasting or major impairment is reflected through a charge to profit or loss.

Any impairments of equity instruments are reversed without recognition to profit or loss; for debt instruments, these impairments are reversed and recognised to profit or loss. The accumulated gains and losses from fair value measurement that are recorded under equity are only recognised to profit or loss when the financial asset is sold.

All purchases and sales of financial assets available for sale are recognised as of the trading date.

The RHI Group classifies shares in non-consolidated subsidiaries, investments in other companies and securities as available for sale. If there is no active market and the relevant fair values cannot be reliably determined with reasonable expense, these financial assets are measured at cost. If there are any indications that the fair value is lower, the carrying value is adjusted to equal this amount.

H Non-current receivables

Non-current receivables are measured at amortised cost, whereby the effective interest rate method is applied to receivables that are not interest-bearing or carry interest at a rate below the market level. Any doubt concerning the collectability of non-current receivables is reflected in the use of the lower realisable amount. Foreign currency receivables are translated at the exchange rate in effect on the balance sheet date.

Non-current receivables that are due and payable within 12 months after the balance sheet date are included under current receivables.

I Deferred taxes

Deferred taxes are recognised on temporary differences between the tax base and the IFRS carrying value of assets and liabilities, tax-loss carryforwards and consolidation entries.

Deferred taxes are recognised on temporary differences relating to shares in subsidiaries and associates, unless the parent company is in a position to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse.

The RHI Group only recognises deferred tax assets if it is reasonably certain that sufficient taxable profit, including results from the reversal of taxable temporary differences, will be available within a five-year planning period to utilise the deferred tax assets.

The calculation of deferred taxes is based on the tax rate expected in the individual countries at the time of realisation (10 to 40 percent), and generally reflects the enacted or substantively enacted tax rate on the balance sheet date.

Deferred tax assets and liabilities are netted out if there is an enforceable right to offset current tax receivables against current tax liabilities, and if the deferred taxes are due from/to the same tax authorities.

Deferred tax assets are shown under non-current assets, and deferred tax liabilities are reported under non-current liabilities.

J Inventories

Inventories are stated at acquisition or production cost, or at net realisable value as of the balance sheet date.

The determination of cost is based on the moving average price method.

Finished goods and work in process are valued at fixed and variable production cost. Borrowing costs for inventories that are regularly produced in large volumes may not be capitalised.

K Long-term construction contracts

Construction contracts are accounted for using the percentage of completion method if the criteria defined in IAS 11 have been met.

Under the percentage of completion method, production costs plus an appropriate mark-up for profit based on the stage of completion are recognised under receivables from construction contracts and under revenues. The stage of completion is based on the expenses incurred as a percentage of the expected total expenses for the contract. Any expected losses on a contract are covered by provisions, which also reflect identifiable risks. Prepayments received from customers are deducted from contract receivables. Any resulting negative balance on a construction contract is recorded as a liability from construction contracts.

L Trade and other current receivables

Receivables are carried at nominal value after the deduction of any valuation adjustments. These valuation adjustments are determined on an individual basis and reflect any recognisable risk of default. Specific cases of default are reflected in derecognition of the relevant receivables.

Receivables denominated in a foreign currency are translated using the average exchange rate on the balance sheet date.

M Emission rights

Since 1 January 2005 RHI has been subject to the European emission trading system. This system provides for the allocation of certificates that grant emission rights to specific companies. These certificates must be redeemed with the responsible authority within four months after the end of a calendar year based on the actual level of emissions for that year. If the actual volume of emissions exceeds the rights allocated for the particular year, the company must purchase additional rights to remedy the deficit.

Purchased rights are carried at cost under other assets. These assets are derecognised when the certificates are returned to the responsible authority. If the existing emission certificates are not sufficient to cover the probable liabilities, provisions will be made.

Rights received free of charges are not recognised on the balance sheet. Revenue from the sale of these rights are recognised as income.

N Other financial assets and liabilities

Other financial assets comprise financial assets that are classified as “available for sale“ and “held for trading“.

The same valuation methods are used to measure current and non-current available-for-sale financial assets.

In the RHI Group, financial assets held for trading include derivative financial instruments in the form of forward exchange contracts as well as embedded derivatives in outstanding orders and trade receivables that are denominated in a foreign currency. The underlying transactions for the derivatives are carried at amortised cost.

Derivative financial instruments are valued individually using the applicable forward rate as of the balance sheet date. These forward rates are based on the spot rates, and also include forward premiums and discounts. Unrealised valuation gains or losses are recognised to the income statement under other income or expense.

Financial liabilities classified under this valuation category are included under other current liabilities.

O Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cheques as well as balances with financial institutions that had a remaining term of up to three months as of the date of deposit.

Cash and cash equivalents in foreign currencies are translated at the average exchange rate on the balance sheet date.

P Provisions

Provisions are created when the Group incurs a legal or constructive obligation to a third party as a result of past events and it is probable that an outflow of resources will be required to meet this obligation, and the amount of the obligation can be reliably estimated.

Non-current provisions are measured at their discounted repayment value as of the balance sheet date, if the interest effect of the discount is material.

Personnel provisions

Provisions for pensions

With respect to post-employment benefits, a differentiation is made between defined contribution and defined benefit plans.

Defined contribution plans limit the company's obligation to the agreed amount of contributions. The related expenses are included under personnel costs, and a provision is not required. The RHI Group has defined contribution plans in Canada, Great Britain and, in part, also in Austria.

Defined benefit plans require the company to provide the agreed amount of benefits to active and former employees and their dependents, whereby a differentiation is made between pension systems financed through provisions and pension systems financed by funds. In Austria and Germany, the majority of pension commitments are financed through additions to provisions. The RHI Group has pension plans that are financed through funds in Mexico, Great Britain, the USA and, in part, also in Germany and Austria.

For pension plans financed through funds, the pension obligation is calculated according to the projected unit credit method and reduced by the fund assets. If the fund assets are not sufficient to cover the obligation, the net obligation is recognised as a liability under the provisions for pensions.

The calculation of provisions for pensions is based on actuarial methods in accordance with IAS 19. The present value of future benefits is based on the length of service, expected wage/salary developments and pension adjustments.

The pension cost to be recognised for a particular period comprises the current service cost, interest expense, expected income on plan assets and income or expense from the recognition of past service costs over time.

Actuarial assumptions are required to calculate these obligations, above all regarding the interest rate used for discounting, but also the rates of increases in wages/salaries and pensions as well as the retirement age and probability of employee turnover and actual claims. The calculation is based on local biometric parameters.

The present value of future benefits is calculated using an interest rate that reflects the average yield on first class fixed-interest industrial or government bonds with a similar term.

The rates of increase for wages/salaries were based on an average of past years, which is also considered to be representative of the future.

The discounts applied to employee turnover and the probability of actual claims are based on figures from comparable prior periods.

The calculation of pension obligations reflects the expected retirement age based on the underlying commitments.

For pension commitments that limit claims to the amount of plan assets, the present value of the obligation equals the total amount of plan assets.

The expected long-term income on investment is determined for each category of assets based on publicly available and internal capital market studies and forecasts.

Actuarial gains and losses are recorded directly to the equity item of accumulated results in the period incurred, after the deduction of deferred taxes and without recognition to profit or loss.

Provisions for termination benefits
Provisions for termination benefits are comprised primarily of obligations to employees under Austrian law and, to a lesser extent, of obligations under other local regulations.

Termination benefits as defined by Austrian labour law represent one-off lump-sum payments to employees, which are required when the employer terminates the employment relationship or when the employee retires. The amount of the termination payment is dependent on the last wage/salary as well as the length of service. RHI has direct obligations to employees who joined the company up to and including 2002, for which provisions were created and measured in accordance with IAS 19. The projected unit credit method is used for these calculations. Actuarial gains and losses are recorded directly to equity after the deduction of deferred taxes and shown in the statement of comprehensive income.

Legal regulations in Austria require employers to make regular contributions equal to 1.53 percent of the monthly wage/salary to a statutory termination benefit scheme for all employees who joined an Austrian company during or after 2003. The company has no further obligations above and beyond these contributions. Claims by employees to termination benefits are filed with the statutory termination benefit scheme, while the regular contributions are treated similar to those for defined contribution pension plans and included under personnel expenses.

Other personnel provisions
Other personnel provisions include provisions for service anniversary bonuses, lump-sum settlements and payments to semi-retirees.

Service anniversary bonuses are one-time special payments that are dependent on the employee's wage/salary and length of service. The employer is required by collective bargaining agreements or company agreements to make these payments after an employee has reached a certain number of uninterrupted years of service with the same company.

When a company has a legal obligation to pay service anniversary bonuses, the relevant provisions are calculated in accordance with the employees' length of service based on an interest rate of 5.3 percent (31 December 2008: 5.5 percent) and an increase by 3.25 percent (31 December 2008: 3.55 percent) in wages/salaries based on the projected unit credit method. Actuarial gains and losses are recognised to profit or loss in the period incurred.

Individual companies in the RHI Group are required by company agreements to make lump-sum settlement payments.

In addition, local labour laws and other similar regulations require certain Group companies to create provisions for part-time work for older employees. The discount rate amounts to 5.3 percent as of 31 December 2009 (31 December 2008: 5.5 percent).

Provisions for warranties
Provisions for warranties are created as required for individual contracts. The amounts of the provisions are based on expected or actual warranty claims.

Q Trade and other current payables
These liabilities are initially recognised at fair value, and subsequently measured at amortised cost.

Foreign currency liabilities are translated at the average exchange rate in effect on the balance sheet date.

R Subsidies
Subsidies for the promotion of investments are recognised as liabilities, and released through profit or loss over the useful life of the relevant asset.

Subsidies that were granted as compensation for expenses or losses are recognised to income or loss in the periods in which the subsidised expenses are incurred. In the RHI Group, they mainly include subsidies for research and further education.

S Convertible bonds
Convertible bonds are viewed as compound financial instruments that have both a debt and equity component. The present value of the liability and the equity portion of the convertible bond are established on the issue date, whereby the calculation of the present value of the liability was based on the market interest rate for an equivalent, non-convertible bond. The remaining difference to the nominal value of the bond, which represents the value of the conversion option, is included under additional paid-in capital. Deferred taxes were not calculated for this difference based on the assumption that all individual convertible bond certificates will be converted.

The convertible bond liability will be carried at amortised cost up to the point of redemption or conversion; cost is calculated by applying the effective interest method. The interest expense on the convertible bond is calculated using an internal interest rate of 7.3 percent (rounded).

As of 31 December 2009, all individual convertible bond certificates had been converted.

T Revenue and expenses
Revenue comprises the sale of products and services less rebates and other sales deductions.

Revenue is realised when a service is performed or when ownership and risk are transferred to the customer, after the return compensation has been contractually defined or can otherwise be determined and the RHI Group can therefore expect to collect the related receivable. If formal acceptance by the customer is planned, the related revenue is only recognised after this acceptance has been received.

Revenue on construction contracts is realised according to the percentage of completion method, if the requirements of IAS 11 have been met.

Moreover, revenue from the sale of emission rights is recognised under revenues.

Expenses are recognised to the income statement when a service is consumed or the costs are incurred.

Interest income and expenses are recognised in accordance with the effective interest method.

Dividends from investments that are not accounted for according to equity consolidation are recognised to profit and loss at the time the legal claim arose.

Income taxes are recognised according to the local regulations applicable to each company.

The 2005 Austrian tax reform introduced an option that allows companies to create corporate groups for taxation purposes. RHI AG, as the head of the group, has created a corporate tax group with seven Austrian subsidiaries of the RHI Group. These companies are contractually obliged to transfer their profit or loss to RHI AG.

U Discontinued operations

A discontinued operation represents a component of a company that was sold or is classified as held for sale. It can be a subsidiary that was acquired solely with the intention to resell, or a major line of business or geographical operation.

An operation is classified as discontinued when it is sold, or at an earlier date if the criteria defined in IFRS 5 for classification as held for sale have been met.

The scheduled depreciation of non-current assets belonging to the discontinued operation ceases as of the date the operation is classified as discontinued. Assets and liabilities are carried at the lower of book value or selling price less costs to sell.

Prior year data relating to a discontinued operation held for sale is shown separately on the income statement without any valuation adjustments. On the balance sheet, no adjustments are made to prior year figures. In contrast, the cash flow statement for the prior year is adjusted in accordance with IFRS 5.

The residual activities of the discontinued Waterproofing Division were accounted for in accordance with the provisions of IFRS 5 from 30 June 2008 up to its sale on 1 September 2008. The discontinued Insulating Division was sold on 13 June 2006.

V Segment reporting

The RHI Group comprises the three segments Steel, Industrial and Raw Materials. This segmentation of the company divisions gears to internal control and reporting.

The segmentation into Steel and Industrial constituted a grouping of the main consumer industries. The Industrial segment includes the glass, cement / lime, non-ferrous metals, environment, energy and chemical industries. The Raw Materials segment, that mainly realises internal revenue, groups raw materials production and the strategic purchase of raw materials. The corresponding plants are allocated to the three segments. Holding and other shows the central functions as well as other not directly attributable income and expenses.

An income statement including operating results is available for the segments. The result from associates is allocated to the segments. The financial result and the income taxes are attributed to the holding function.

Transfer prices between the segments are based on normal market conditions.

The segment assets include the external receivables and inventories available to operating segments and reported to the management for control and measurement. The shares in associates are attributed to the segments. All other assets are recognised under Holding and other.

In accordance with IFRS 8, the data on revenues is disclosed by customer sites and the data on long-term assets (property, plant and equipment and intangible assets) is disclosed based on the respective sites of the companies of the RHI Group.

W Risk management

RHI is exposed to a variety of risks as a result of its business operations, which require systematic and continuous risk management. Therefore, a company-wide risk management was introduced in 2009 with the following aims: The systematic identification, evaluation and management of risks will result in a conscious and transparent dealing with risks. Risks should be identified early so that effective and efficient control measures can be taken proactively. The process, which is controlled centrally and is uniform throughout the Group, is not limited to financial risks, but covers all risks associated with the business activity. The Group's reactivity in situations of risk should be increased, on the one hand, in order to protect RHI against unforeseen financial loss and reductions of the result and, on the other hand, in order to be able to exhaust the entire economic growth potential. Internalised risk management constitutes an essential competitive factor.

The Management Board of RHI AG established the main risk areas, i.e. strategy, sales volume, production, supply chain, research and development, employees, finance, IT, as well as compliance and legal matters in a comprehensive risk framework.

RHI defines risk as a possible future deviation from a planned target figure (operating result) over an observation period of one year and of five years for strategic risks.

The management of the risk areas is exercised by the risk owners who control operating activities in these areas. The risk areas are broken down further into risk categories, to which individual risks are allocated at the lowest level. These risks will be recorded and quantified quarterly by local risk owners in the operating units.

Group Risk Management, up to now attached to the Business Administration director, is responsible for the entire risk management process, provides for the validation and consolidation of the risks recorded in a decentralised manner and reports to the stakeholders of the risk management process (Management Board, Supervisory Board, managing directors, risk owners).

RHI uses a professional risk management system in order to ensure an efficient and effective risk management. The risk management process is audited by Internal Audit.

Risk policies and guidelines of operating risk management are set forth in a risk manual, which has been laid down as mandatory throughout the entire Group within the global roll-out in the year 2009.

Important risks in the business processes were identified, analysed and evaluated in the course of risk analysis. Adequate activities and measures have been elaborated by the risk owners for these identified and evaluated risks in order to counteract and minimise these risks. In all, no substantial risks or risks threatening the company's existence have been identified.

Financial risks
The management of financial risks is embedded in RHI's Group risk management. The Management Board is responsible for the definition of risk policies. The implementation of risk policies and ongoing risk management have been centralised and are coordinated by the Group's treasury department. The goals and principles for risk management as well as the distribution of duties and responsibilities between the treasury department and the operating units are defined in internal guidelines.

In the RHI Group, credit risk arises primarily in connection with trade receivables due from customers. Credit insurance and collateral arranged through banks (guarantees, letters of credit) are used to counteract the immanent risk of default inherent in business operations to the greatest extent possible, even if the contract partners have an excellent credit rating.

Credit risk and the related risk of default are monitored continuously, and provisions and valuation allowances are recorded to reflect actual and identifiable risks. The risk of default is not concentrated on a single customer group or sector because the RHI Group is active in many different branches and geographical areas and has a large number of business partners, and also maintains sufficient coverage through credit insurance.

The Group's financial policy is based on long-term planning and is managed centrally and monitored continuously. The liquidity requirements defined by the planning process are met through the conclusion of appropriate financing agreements.

As of 31 December 2009, the RHI Group had unused, immediately available lines of credit totalling € 133.2 million (31 December 2008: € 121.3 million). These facilities were concluded with various Austrian and international banks in order to ensure the Group's independence from specific financial institutions.

The companies are integrated into a clearing process managed by the central treasury department and subject to financing limits. This reduces the need for external financing at the overall Group level.

The objective of risk management in this area is to minimise possible losses through the monitoring and management of these risks considering the related opportunities.

Foreign exchange risk arises above all in areas where business transactions (operating activities, investments, financing) are conducted in a currency other than the functional currency of a company. Decisions on the use of hedging instruments are based on the Group's net position in the relevant currency. In the reporting period, a large part of the net surplus was hedged by futures.

Interest rate risk in the RHI Group is primarily related to financial instruments carrying variable interest rates which may cause fluctuations in earnings or cash flows. The RHI Group is exposed to interest rate risk almost exclusively in the euro zone.

The objective of risk policies in the RHI Group is to maintain a balance between variable and fixed-interest borrowings in accordance with the current and planned financing structure. The interest-bearing financial liabilities used by the RHI Group for financing purposes comprised approx. 72 percent of fixed-interest instruments and approx. 28 percent of variable-interest instruments. Interest rate risk was not hedged with derivative financial instruments during the reporting year because the financing structure of the Group is secured over the long-term through a sound balance of financing sources.

Emission certificates
In general, due to the insufficient allocation of free certificates, RHI has to buy additional certificates at market prices during phase II (2008-2012). This was not required during the first three quarters of the year 2009 on account of the under-utilisation of capacities in the raw materials plants. The terms for phase III (beginning in 2013) are still unresolved, and it is therefore not possible to evaluate any possible related risks.

Other market risks

The risk of rising energy and raw material prices is countered by strategic measures such as an increase in the share of own raw materials in production, the geographical diversification of plant locations and the partial conclusion of long-term supply contracts at fixed prices.

No major derivative financial instruments were concluded as hedges for other market risks during the reporting year.

X US Chapter 11 proceedings

In the USA, the first instance in the Chapter 11 proceedings over North American Refractories Co., Harbison-Walker Refractories Co., AP Green Industries Inc. and Global Industrial Technologies Inc., companies deconsolidated as of 31 December 2001 already, was positively concluded during September and December 2007 with the approval and confirmation of the reorganisation plan. These companies are no longer considered to be subsidiaries of RHI AG because the Chapter 11 proceedings initiated by the companies at the beginning of 2002 do not permit RHI AG to exercise control.

RHI AG and several Group companies concluded agreements on 9 April 2004 with the previous US owners, Honeywell International Inc. and Halliburton / DII Industries, LLC, and the companies involved in the Chapter 11 proceedings to finally clarify outstanding points and earlier contractual agreements as well as reciprocal claims and claims by third parties.

The agreements regulate the waiver by RHI to receivables due from the US companies before the Chapter 11 proceedings as well as the waiver by RHI to all shares in the US companies in conjunction with the termination of the Chapter 11 proceedings. Since RHI had written off all related receivables and investments in the consolidated financial statements for 2001, the implementation of these agreements will have no further effect on earnings. In order for the agreement to take effect, Honeywell must make a payment of USD 40.0 million to RHI Refractories Holding Company as soon as the court decision becomes legally effective and is implemented. This payment is defined in an earlier contract relating to the Chapter 11 proceedings over North American Refractories Co. RHI has already received USD 60.0 million on the basis of this contract.

In January 2005, RHI AG and its affiliates became beneficiaries with legal security of the channeling injunctions of the DII reorganisation plan. This plan was approved by the competent court in the course of the Chapter 11 proceedings which DII filed for in late 2003. With the completion of the DII proceedings, all present and future asbestos- and silica-based claims against the former RHI subsidiary Harbison-Walker were finally transferred with legal security to the DII trust funds. This represented the final settlement of a major part of the claims against former RHI companies in the USA. DII met its contractual obligations and transferred a payment of USD 10.0 million to RHI on 24 January 2005.

When the approval of the plan of reorganisation was confirmed on 18 December 2007, a 30-day appeal period began. Two insurance companies filed appeals within this period based on the reasoning they had used unsuccessfully in their first instance appeals. The hearing in the appeal proceedings took place on 21 May 2009, however, it is unclear when the court of appeals will issue its decision. In the reporting period 2009, no further developments of material importance took place in the appeals proceedings.

The final court decision on the reorganisation plans will give RHI AG and its affiliates full legal security concerning all remaining claims for damages against the US companies covered by the Chapter 11 proceedings. Moreover, RHI AG and its affiliates will then become beneficiaries of the court orders based on the reorganisation plans. All existing and future asbestos-related claims for damages against the deconsolidated US companies would then be completed with full legal security.

Y Assumptions and estimates

To a certain extent, the application of accounting and valuation policies by the RHI Group also involves the use of forward-looking assumptions and estimates concerning non-current assets, valuation adjustments to inventories and receivables, provisions and deferred taxes. The actual values realised at a later date may differ from these assumptions and estimates.

Impairment of intangible assets and property, plant and equipment

Intangible assets with a definite useful life and property, plant and equipment must be tested for impairment when events or a change in circumstances indicate that the carrying amount of an asset may not be recoverable. In accordance with IAS 36, such impairment losses are determined through comparisons with the discounted future cash flows expected from the related assets of the cash-generating units.

A decrease by 10 percent in the estimated contribution margin would lead to an impairment charge of € 16.6 million, while an increase by 10 percent in the estimated contribution margin would result in the reversal of impairment charges totalling € 12.6 million recognised to profit and loss.

An increase by 10 percent in the underlying discount rate would result in impairment charges of € 3.0 million to property, plant and equipment and intangible assets. In contrast, a reduction by 10 percent in the assumed discount rate would require the reversal of € 3.8 million in impairment charges that were recognised during 2009 and 2008.

Impairment of goodwill

The effect of an adverse change by +10 percent in the interest rate or -10 percent in the contribution margin as estimated on 31 December 2009 would not result in an impairment charge to the recognised goodwill.

In accordance with IAS 36, impairment losses recognised to goodwill in previous years may not be reversed if the actual interest rate lies below or the actual contribution margin lies above the estimates made by management.

Provisions for pensions

The present value of the pension obligation is dependent on a number of factors which, in turn, are based on actuarial assumptions. The assumptions used to determine these expenses include the interest rate. Any change in the interest rate will have an effect on the present value of the obligation.

The Group determines an appropriate interest rate at the end of each year. This interest rate is used to calculate the present value of the expected future cash outflows required to settle the obligation. The calculation of the interest rate is based on the interest rate for industrial or government bonds of the highest rating, which are denominated in the currency in which the benefits will be paid and whose term reflects the term of the pension obligation.

Other key assumptions are based in part on market conditions. Additional explanations are provided under note (15).

If the interest rate differed by 10 percent from the estimates made by management, the present value of the pension obligations would be € 14.1 million higher or € 12.8 million lower.

Deferred taxes

If future taxable profits during the planning period defined for the accounting and valuation of deferred taxes varied by 10 percent from the assumptions made as of the balance sheet date, the net position recognised for deferred taxes would presumably increase by € 3.7 million or decrease by € 5.4 million.

Changes in the estimates and assumptions underlying the other balance sheet items would not have a material impact on the Group's assets, liabilities, financial position and profit or loss for the following financial year.

Z Consolidation range

In addition to RHI AG, the consolidated financial statements include 72 subsidiaries, in which RHI AG directly or indirectly owns the majority of shares or exercises management control.

Three companies whose operating and financial policies are significantly influenced by Group companies (associates) are included in the consolidation at equity.

The consolidation range changed as follows during the reporting year:

	Full consolidation	Equity method
31.12.2008	**73**	**3**
Additions	2	0
Disposals	-2	0
31.12.2009	**73**	**3**

The consolidation range changed as follows during the prior year:

	Full consolidation	Equity method
31.12.2007	**74**	**4**
Additions	1	0
Disposals	-2	-1
31.12.2008	**73**	**3**

Fully consolidated subsidiaries, acquisition of business operations

Additions in 2009

The consolidation range was extended by the newly founded subsidiaries LLC "RHI Wostok Service", Moscow, Russia (100 percent) and RHI Refratários Brasil Ltda., Sao Paulo, Brazil, (100 percent) with effect as of 1 May 2009.

With the sales agreement of 30 April 2009, RHI purchased the remaining 33.33 percent in RHI Refractories Spaeter GmbH, Urmitz, Germany; RHI is now holding 100 percent of shares. The increase in majority interests was treated as a transaction between owners. 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. The money payment is made up of payments that have already been made before the time of acquisition and in the following years.

In the year under report, RHI as majority owner of Liaoning RHI Jinding Magnesia Co., Ltd., Dashiqiao City, PR China, carried out a capital increase amounting to € 5.6 million. The minority owner did not take part in the capital increase. This resulted in an increase in RHI's share by 3.33 percent to 83.33 percent.

Additions in 2008

On 16 July 2008, Radex Vertriebsgesellschaft mbH, Leoben, Austria, acquired 51 percent of the shares in Quintermina AG, Chur, Switzerland. The primary business activity of the acquired company covers trading in magnesium products and other minerals as well as related raw materials. For reasons of simplification, 31 July 2008 was selected as the date of initial consolidation.

The fair values of the acquired net assets are shown in the following table:

in € million	31.7.2008
Financial assets	1.4
Inventories	1.3
Other current assets (excluding cash and cash equivalents)	1.1
Cash and cash equivalents	0.3
Non-current liabilities	-2.1
Current liabilities	-1.4
Net assets	**0.6**
Minority interests	-0.3
Net assets acquired	**0.3**

The difference between the IFRS carrying amounts immediately prior to the business combination and the fair values of the acquired net assets was immaterial.

The cash purchase price for this acquisition totalled € 0.6 million. Goodwill resulting from the transaction amounted to € 0.3 million.

Quintermina AG contributed revenues of € 2.3 million to continuing operations during the period from 1 August 2008 to 31 December 2008. Profit after tax for continuing operations includes earnings of approx. € 0.7 million for this same period. If the acquisition had taken place at the beginning of the financial year 2008, the contribution to revenues would have equalled € 4.3 million and the Group profit after tax from continuing operations would have equalled € 102.3 million.

On 11 January 2008, a contract was signed with the Cookson Group plc, London, Great Britain, for the acquisition of the assets and liabilities of two plants in Scotland (Bonnybridge) and the USA (Saybrook) (plants managed by Foseco plc., Tamworth, Great Britain). These plants produce carbon-bonded ceramic products.

The acquisition was finalised on 16 April 2008, and the assets and liabilities were taken over by RHI AG, RHI Refractories UK Limited, Clydebank, Great Britain, Veitsch-Radex America Inc., Mokena, USA, and Veitsch-Radex America Inc., Burlington, Canada.

The acquisition costs totalled € 10.6 million, and included € 0.7 million of directly attributable expenses for business and legal consulting.

The assets, liabilities and contingent liabilities acquired as of the acquisition date were as follows:

in € million	IFRS carrying amount	Fair value
Property, plant and equipment	5.1	4.8
Intangible assets	1.1	3.0
Inventories	3.7	3.8
Deferred tax liabilities	0.0	-0.5
Non-current provisions	0.0	-0.2
Current provisions	0.0	-0.1
Net assets acquired	**9.9**	**10.8**

This acquisition resulted in negative goodwill of € 0.2 million, which was recognised under other income during previous year.

The acquired plants contributed € 14.0 million to Group revenues from continuing operations during the period from 16 April 2008 to 31 December 2008. Profit after tax for continuing operations includes negative earnings of approx. € 1.8 million for this same period. If the acquisition had taken place at the beginning of the financial year 2008, the contribution to revenues would have equalled € 19.9 million and Group profit after tax from continuing operations would have equalled € 101.3 million.

RHI acquired the remaining 40 percent in Dolomite Franchi S.p.A., Brescia, Italy, through a purchase contract dated 31 July 2007. The purchase price, including directly attributable costs of acquisition, equalled € 7.0 million. Of this total, € 3.0 million was due and payable on the acquisition date. A payment of € 2.6 million was made during 2008. The remainder of the purchase price of € 1.4 million was paid in 2009. The increase in majority interests was treated as a transaction between owners. The difference between the cost of the additional shares and the € 8.0 million proportional carrying value of the minority interests equalled € 1.0 million, and was recognised directly in equity.

Disposals in 2009

RHI Monofrax PPE LLC, Wilmington, USA, left the circle of fully consolidated subsidiaries as of 1 July 2009 following its merger with RHI Monofrax, Ltd., Wilmington, USA.

RHI Africa Investment Holdings (Pty) Ltd., Sandton, South Africa, left the circle of fully consolidated subsidiaries as of 30 November 2009 through liquidation. The liquidation of this company has no material effect on RHI Group's assets, liabilities, financial position and profit or loss.

Disposals in 2008

On 30 June 2008, the Management Board of RHI AG approved the sale of the company Isolit-Isolier GmbH, Vienna, Austria, which was responsible for the remaining activities of the Insulating Division that was sold during 2000. The active search for a buyer and implementation of the sale plans began immediately after the approval was granted.

On 13 August 2008, Radex Vertriebsgesellschaft mbH, Leoben, Austria, as the sole owner, signed a purchase and takeover agreement with the managing directors of Isolit-Isolier GmbH. The contract was fulfilled on 1 September 2008. For reasons of simplification, deconsolidation was recognised as of 31 August 2008.

The net assets of the company on the date of deconsolidation are shown below:

in € million	31.8.2008
Property, plant and equipment	0.7
Inventories	0.5
Trade and other current receivables	5.4
Cash and cash equivalents	0.2
Personnel provisions	-0.4
Trade and other current liabilities	-5.3
Net assets sold	**1.1**

The cash flow of € -0.2 million generated by this sale represented the sale price received in cash less the cash and cash equivalents surrendered as part of the transaction. Receivables of € 2.1 million due from Isolit-Isolier GmbH were settled through the sale.

Corrosion Technology Peru, S.A., Lima, Peru, left the circle of fully consolidated subsidiaries on 31 October 2008 through liquidation. The liquidation of this company had no material effect on the Group's assets, liabilities, financial position and profit or loss.

Companies consolidated at equity

The 50 percent stake in Shandong RHI New Materials Co., Ltd., Zibo City, PR China, which was held by Radex Vertriebsgesellschaft mbH, Leoben, Austria, was transferred to Zibo GT Industrial Cheramics Co., Ltd., Zibo City, PR China, as of 29 August 2008. RHI deconsolidated this company, which was previously included at equity, as of 1 September 2008 for reasons of simplification. The transaction had no important effect on the RHI Group's asset position and profit or loss.

Subsidiaries not included in the consolidation

Three subsidiaries (2008: four) were not included in the consolidated financial statements because their influence on the Group's assets, liabilities, financial position and profit or loss as well as its cash flows is considered to be immaterial.

49 former US subsidiaries of the RHI Group (in particular Harbison-Walker Refractories Co., AP Green Industries Inc. and North American Refractories Co.) have not been classified as subsidiaries of RHI AG since 31 December 2001 because the Chapter 11 proceedings do not permit RHI AG to exercise control.

A detailed overview of the shareholdings and consolidation range of RHI AG is provided under note (50).

Notes on Individual Items of Statement of Financial Position

Assets

Non-current assets
The development of non-current assets is presented according to the main categories.

Assets held by foreign companies at the beginning and end of the year are translated into euros at the exchange rates in effect on the balance sheet date. Changes that take place during the year are translated at the average monthly exchange rates. The currency translation differences resulting from the use of different translation rates are shown separately.

The assets attributable to the discontinued Waterproofing Division were reclassified to current assets as of 30 June 2008.

(1) Property, plant and equipment
Property, plant and equipment developed as follows during 2009:

in € million	Real estate, land and buildings	Raw material deposits	Technical equipment and machinery	Other plant and office equipment	Prepayments made and plant under construction	Total
Cost at 31.12.2008	334.3	31.6	676.7	217.8	57.6	1,318.0
Currency translation	2.8	0.0	9.4	0.8	-2.2	10.8
Additions	4.0	0.1	12.8	4.5	15.1	36.5
Retirements and disposals	-1.3	0.0	-19.4	-20.4	0.0	-41.1
Reclassifications	14.3	0.0	27.9	9.0	-52.0	-0.8
Cost at 31.12.2009	**354.1**	**31.7**	**707.4**	**211.7**	**18.5**	**1,323.4**
Accumulated depreciation at 31.12.2008	201.4	22.5	493.0	166.1	8.9	891.9
Currency translation	1.3	0.0	5.1	0.3	0.0	6.7
Depreciation charges	7.3	0.4	25.0	10.7	0.0	43.4
Impairment losses	1.8	0.0	5.2	0.3	1.1	8.4
Write-ups	-0.2	0.0	0.0	0.0	0.0	-0.2
Retirements and disposals	-1.1	0.0	-16.6	-20.2	0.0	-37.9
Reclassifications	3.3	0.0	3.8	1.7	-8.9	-0.1
Accumulated depreciation at 31.12.2009	**213.8**	**22.9**	**515.5**	**158.9**	**1.1**	**912.2**
Carrying amounts at 31.12.2009	**140.3**	**8.8**	**191.9**	**52.8**	**17.4**	**411.2**

Property, plant and equipment developed as follows during 2008:

in € million	Real estate, land and buildings	Raw material deposits	Technical equipment and machinery	Other plant and office equipment	Prepayments made and plant under construction	Total
Cost at 31.12.2007	331.9	31.3	671.4	209.1	41.0	1,284.7
Currency translation	-2.1	0.0	-10.0	0.4	3.0	-8.7
Change in consolidated companies	0.0	0.0	4.5	0.3	0.0	4.8
Additions	6.9	0.3	20.3	6.4	36.3	70.2
Retirements and disposals	-3.5	0.0	-16.1	-9.1	0.0	-28.7
Reclassifications	1.8	0.0	7.1	11.2	-22.7	-2.6
Reclassification of discontinued operations	-0.7	0.0	-0.5	-0.5	0.0	-1.7
Cost at 31.12.2008	**334.3**	**31.6**	**676.7**	**217.8**	**57.6**	**1,318.0**
Accumulated depreciation at 31.12.2007	193.3	22.1	490.0	159.4	0.0	864.8
Currency translation	-1.4	0.0	-6.3	0.0	0.0	-7.7
Depreciation charges	7.0	0.4	25.1	10.5	0.0	43.0
Impairment losses	4.8	0.0	3.4	0.7	8.9	17.8
Retirements and disposals	-2.2	0.0	-14.0	-8.7	0.0	-24.9
Reclassifications	0.0	0.0	-4.7	4.7	0.0	0.0
Reclassification of discontinued operations	-0.1	0.0	-0.5	-0.5	0.0	-1.1
Accumulated depreciation at 31.12.2008	**201.4**	**22.5**	**493.0**	**166.1**	**8.9**	**891.9**
Carrying amounts at 31.12.2008	**132.9**	**9.1**	**183.7**	**51.7**	**48.7**	**426.1**

Systematic amortisation on property, plant and equipment as shown on the income statement is related to the cost of sales with € 40.9 million (2008: € 40.1 million), distribution costs with € 0.8 million (2008: € 0.8 million) and administrative expenses with € 1.7 million (2008: € 2.1 million).

The income statement for continuing operations includes rental and lease payments for leased property, plant and equipment (operating leases) totalling € 16.8 million (2008: € 17.0 million).

The marketability of real estate totalling € 20.4 million (31 December 2008: € 20.6 million) is limited by its commitment as collateral for credits.

(2) Goodwill

Goodwill developed as follows:

in € million	2009	2008
Cost/carrying amount at beginning of year	**14.7**	**15.3**
Change in consolidated companies	0.0	0.3
Reduction through offset	0.0	-0.9
Cost/carrying amount at year-end	**14.7**	**14.7**

The prior-year addition of € 0.3 million to goodwill is attributable to the initial consolidation of Quintermina AG, Chur, Switzerland, into the consolidation range of the RHI Group.

The final determination of the purchase price for the assets and liabilities of RHI Monofrax, Ltd. and RHI Monofrax PPE LLC was determined in April 2008. The adjustment to the purchase price was offset against the carrying value of goodwill (€ 0.9 million), and the remaining negative goodwill of € 0.2 million was recognised through profit or loss.

The goodwill recognised as of 31 December 2009 did not change compared to the previous year. It is comprised of the following items: € 0.4 million for Quintermina AG and € 0.4 million for RHI Clasil Limited, € 12.7 million for the production facilities in Mexico and approx. € 1.2 million for the plants belonging to the Didier-Werke AG Group (with the exception of Mexico).

(3) Other intangible assets

Other intangible assets changed as follows during 2009:

in € million	Internally generated intangible assets	Other intangible assets	Total
Cost at 31.12.2008	17.5	66.3	83.8
Currency translation	0.3	0.0	0.3
Additions	2.7	2.3	5.0
Retirements and disposals	0.0	-0.7	-0.7
Reclassifications	0.0	0.8	0.8
Cost at 31.12.2009	**20.5**	**68.7**	**89.2**
Accumulated amortisation at 31.12.2008	6.8	33.3	40.1
Currency translation	0.3	0.0	0.3
Amortisation charges	2.3	4.9	7.2
Impairment losses	0.5	0.2	0.7
Retirements and disposals	0.0	-0.5	-0.5
Reclassifications	0.0	0.1	0.1
Accumulated amortisation at 31.12.2009	**9.9**	**38.0**	**47.9**
Carrying amounts at 31.12.2009	**10.6**	**30.7**	**41.3**

Other intangible assets changed as follows during 2008:

in € million	Internally generated intangible assets	Other intangible assets	Total
Cost at 31.12.2007	14.3	56.9	71.2
Currency translation	-0.4	0.6	0.2
Change in consolidated companies	0.0	3.0	3.0
Additions	3.7	4.5	8.2
Retirements and disposals	-0.1	-1.2	-1.3
Reclassifications	0.0	2.6	2.6
Reclassification of discontinued operations	0.0	-0.1	-0.1
Cost at 31.12.2008	**17.5**	**66.3**	**83.8**
Accumulated amortisation at 31.12.2007	5.2	29.4	34.6
Currency translation	-0.3	0.1	-0.2
Amortisation charges	2.0	4.9	6.9
Retirements and disposals	-0.1	-1.0	-1.1
Reclassification of discontinued operations	0.0	-0.1	-0.1
Accumulated amortisation at 31.12.2008	**6.8**	**33.3**	**40.1**
Carrying amounts at 31.12.2008	**10.7**	**33.0**	**43.7**

Internally generated intangible assets comprise capitalised software and product development costs.

The carrying value of intangible assets having an indefinite useful life is unchanged compared to the previous year and amounts to € 1.8 million and is attributed in full to the plants that manufacture isostatic products. It comprises the brand name DELTEK, which was acquired in April 2008 and – based on plans by management to continue the use of this brand and the resulting indeterminate useful life – classified as having an indefinite useful life.

Systematic amortisation on intangible assets as shown on the income statement is related to the cost of sales with € 3.5 million (2008: € 3.8 million), distribution costs with € 0.1 million (2008: € 0.1 million) and administrative expenses with € 3.6 million (2008: € 3.0 million).

Expenses recognised for research and development in 2009 totalled € 17.4 million (2008: € 18.2 million).

(4) Shares in associates

Like in the previous year, the RHI Group holds shares in three associates none of which is listed on a stock exchange. These shares developed as follows during the reporting year and the previous year:

in € million	2009	2008
Carrying amount at beginning of year	**14.1**	**12.4**
Share in profit	2.4	2.2
Dividends	-4.1	-0.6
Other changes in value (after taxes)	0.0	0.1
Carrying amount at year-end	**12.4**	**14.1**

The goodwill included under shares in associates amounts to € 4.9 million (31 December 2008: € 4.9 million).

Summarised financial information (not adjusted to reflect the percentage of ownership of the RHI companies) is as follows: assets € 28.3 million (31 December 2008: € 31.8 million), liabilities € 13.3 million (31 December 2008: € 13.7 million), revenues € 20.0 million (2008: € 20.7 million) and profit € 4.8 million (2008: € 4.4 million).

(5) Other financial assets
The other financial assets shown on the balance sheet are comprised of the following financial assets:

in € million	31.12.2009	31.12.2008
Investments - available for sale	6.3	6.3
Securities - available for sale	28.3	28.3
Prepayments on financial assets	2.3	3.1
Other financial assets	**36.9**	**37.7**

Stopinc AG, Hünenberg, Switzerland, in which the subsidiary Didier-Werke AG, Wiesbaden, Germany, holds a stake of 50 percent, is carried at fair value in accordance with IAS 39.

The impairment losses recognised to financial assets available for sale are as follows:

in € million	2009	2008
Accumulated impairment losses at beginning of year	**7.1**	**5.5**
Impairment losses	0.0	1.6
Write-ups	-0.9	0.0
Accumulated impairment losses at year-end	**6.2**	**7.1**

(6) Non-current receivables and current portion of non-current receivables
Non-current receivables, including the current portion of non-current receivables, totalled € 3.3 million (31 December 2008: € 1.7 million). No valuation adjustments to non-current receivables including the current portion of non-current receivables exist as of 31 December 2009 or 31 December 2008.

As of the balance sheet date, receivables with a total nominal value of € 0.8 million (31 December 2008: € 1.0 million) were assigned.

(7) Deferred taxes
Net deferred taxes on balance sheet items are as follows:

in € million	31.12.2009	31.12.2008
Deferred tax assets	72.1	69.4
Deferred tax liabilities	-8.7	-11.1
Net position	**63.4**	**58.3**

The following table shows the development of the Group’s net position during the current and prior financial years:

in € million	2009	2008
Net position at beginning of year	**58.3**	**62.5**
Currency translation	0.8	-1.1
Change in consolidated companies	0.0	-0.5
Change to income statement	2.4	-0.1
Recording without recognition through profit or loss	1.6	-2.6
Effect of changes in tax rates	0.3	0.1
Net position at year-end	**63.4**	**58.3**

The change in deferred taxes, excluding the offset of deferred tax assets and deferred tax liabilities due from/to the same fiscal authority, is shown below with a classification according to the type of temporary difference and loss carryforward:

Deferred tax assets

in € million	Personnel provisions	Other provisions	Tax loss carryforwards	Other	Total
31.12.2008	**33.0**	**9.5**	**41.0**	**9.7**	**93.2**
Currency translation	0.1	0.0	0.7	0.4	1.2
Change to income statement	-2.0	-1.9	2.3	3.7	2.1
Recording without recognition through profit or loss	1.6	0.0	0.0	0.0	1.6
Effect of changes in tax rates	0.1	0.0	0.0	0.1	0.2
31.12.2009	**32.8**	**7.6**	**44.0**	**13.9**	**98.3**

in € million	Personnel provisions	Other provisions	Tax loss carryforwards	Other	Total
31.12.2007	**38.4**	**7.8**	**41.1**	**10.5**	**97.8**
Currency translation	-0.3	-0.1	-0.7	-0.4	-1.5
Change to income statement	-2.4	1.8	0.6	-0.4	-0.4
Recording without recognition through profit or loss	-2.6	0.0	0.0	0.0	-2.6
Effect of changes in tax rates	-0.1	0.0	0.0	0.0	-0.1
31.12.2008	**33.0**	**9.5**	**41.0**	**9.7**	**93.2**

Deferred tax liabilities

in € million	Non-current assets	Other	Total
31.12.2008	**25.5**	**9.4**	**34.9**
Currency translation	0.3	0.1	0.4
Change to income statement	0.7	-1.0	-0.3
Effect of changes in tax rates	-0.3	0.2	-0.1
31.12.2009	**26.2**	**8.7**	**34.9**

in € million	Non-current assets	Other	Total
31.12.2007	**28.9**	**6.4**	**35.3**
Currency translation	-0.5	0.1	-0.4
Change in consolidated companies	0.5	0.0	0.5
Change to income statement	-3.0	2.7	-0.3
Effect of changes in tax rates	-0.4	0.2	-0.2
31.12.2008	**25.5**	**9.4**	**34.9**

In 2009, subsidiaries that reported losses for the past year recognised net deferred tax assets totalling € 5.9 million on temporary differences and tax loss carryforwards. These assets are considered to be unimpaired because the companies concerned are expected to generate taxable income in the future.

Tax loss carryforwards in the RHI Group totalled € 691.1 million as of 31 December 2009 (31 December 2008: € 679.4 million). Deferred taxes were not recorded on € 511.2 million of this amount (31 December 2008: € 506.3 million). The main portion of the unrecognised tax losses can be carried forward indefinitely. Approx. € 3.1 million expire in 2010, € 2.0 million in 2011, € 10.0 million in 2014 and € 10.3 million in 2015.

Deferred tax assets were not recognised on temporary differences of € 6.0 million (31 December 2008: € 6.9 million).

Taxable temporary differences of € 22.9 million (31 December 2008: € 20.5 million) and deductible temporary differences of € 78.1 million (31 December 2008: € 91.8 million) were not recognised on shares in subsidiaries because corresponding distributions of profit or the sale of the investments are not expected in the foreseeable future.

The temporary differences related to associates are immaterial.

The current portion of the net deferred tax position equals approx. € 0.6 million (31 December 2008: € 1.3 million).

Current assets
(8) Inventories
Inventories as shown on the balance sheet comprise the following:

in € million	31.12.2009	31.12.2008
Raw materials and supplies	95.6	156.3
Unfinished products	51.2	59.4
Finished products and goods	133.9	158.7
Prepayments made	6.0	6.5
Inventories	**286.7**	**380.9**

Inventories recognised by the RHI Group amounted to € 286.7 million as of 31 December 2009 (31 December 2008: € 380.9 million). Of this total, € 4.6 million (31 December 2008: € 11.9 million) were carried at net realisable value. Impairment charges recognised during the reporting year 2009, netted out against reversals of impairment charges, amount to approx. € 4.6 million (2008: € 8.3 million).

(9) Trade and other current receivables
Trade and other current receivables as shown on the balance sheet are classified as follows:

in € million	31.12.2009	31.12.2008
Trade receivables	195.2	217.5
Receivables from long-term construction contracts	5.4	4.1
Receivables from associates	1.3	0.7
Other current receivables	44.0	50.4
Trade and other receivables	**245.9**	**272.7**

Other current receivables comprise the following:

in € million	31.12.2009	31.12.2008
Other taxes	22.3	27.7
Receivables employees	0.9	0.9
Prepaid expenes for mining sites	6.3	5.3
Other prepaid expenses	1.6	1.9
Other	12.9	14.6
Other current receivables	**44.0**	**50.4**

RHI AG has sold trade receivables to an Austrian financial institution at an amount equal to the coverage provided by credit insurance. The balance sold equalled € 58.1 million as of 31 December 2009 (31 December 2008: € 71.5 million). This transaction also involved the transfer of default and foreign exchange risk on the sold receivables from RHI to the buyer. In accordance with the provisions of IAS 39, this sale was reflected as a reduction of receivables on the Group's balance sheet.

Trade receivables with a total nominal value of € 15.0 million were assigned for financial liabilities as of 31 December 2009. In the previous year there were no assignments of receivables.

Prepayments received amounting to € 5.7 million (31 December 2008: € 0.4 million) are netted out against the receivables from long-term construction contracts.

The valuation adjustments to trade and other current receivables developed as follows:

in € million	2009	2008
Accumulated impairment losses at beginning of year	**14.9**	**13.7**
Currency translation	0.2	-0.4
Addition	2.0	6.4
Use	-0.7	-3.0
Reversal	-4.4	-1.4
Reclassifications	0.0	0.1
Reclassification of discontinued operations	0.0	-0.5
Accumulated impairment losses at year-end	**12.0**	**14.9**

A provision of € 2.0 million was recognised in 2007 to reflect the risk arising from receivables due from an associate; this provision was used in the reference year.

The income and expenses arising from valuation adjustments and the derecognition of trade and other current receivables are included primarily under distribution costs and administrative expenses.

The credit risk arising from trade receivables and construction contracts is shown below, classified by customer industry, foreign currency and term:

The following table shows the credit risk by customer segment that is protected by credit insurance, letters of credit and guarantees:

in € million	31.12.2009	31.12.2008
Segment Steel	135.9	136.3
Segment Industrial	63.1	83.5
Segment Raw Materials	1.6	1.8
Receivables from trade receivables and construction contracts	200.6	221.6
Credit insurance and bank guarantees	-144.0	-158.5
Net credit exposure	**56.6**	**63.1**

The following table shows the carrying values of receivables denominated in the functional currency and in currencies other than the functional currency of the Group company:

in € million	31.12.2009	31.12.2008
US dollar	50.1	53.5
Pound sterling	2.6	1.3
Other currencies	2.1	2.4
Other functional currencies	145.8	164.4
Receivables from trade receivables and construction contracts	**200.6**	**221.6**

The classification of receivables by days outstanding is as follows:

in € million	31.12.2009	31.12.2008
Neither impaired nor past due at balance sheet date	178.0	179.8
Not impaired at balance sheet date and past due in the following time frames		
Less than 30 days	16.2	22.5
Between 30 and 59 days	3.6	12.5
Between 60 and 89 days	0.2	4.6
More than 90 days	2.6	2.2
Receivables from trade receivables and construction contracts	**200.6**	**221.6**

With respect to the trade receivables and receivables from construction contracts that were neither impaired nor overdue, there were no indications as of the balance sheet date that the debtors would be unable to meet their payment obligations.

Valuation adjustments were not recognised for receivables of € 22.6 million that were overdue as of the balance sheet date (31 December 2008: € 41.8 million) because the risk of default was mainly covered by credit insurance as well as guarantees and letters of credit.

(10) Other financial assets and liabilities
Other financial assets are classified as follows:

in € million	31.12.2009	31.12.2008
Investments - available for sale	1.6	1.6
Financial assets - held for trading	1.1	6.2
Other financial assets	**2.7**	**7.8**

Other financial liabilities are classified as "held for trading" and amount to € 1.4 million (31 December 2008: € 0.0 million).

The fair values of the current forward exchange contracts as of the balance sheet date are recognised in the financial assets and liabilities held for trading and are as follows:

	31.12.2009		31.12.2008	
	Nominal value in million	Market value in € million	Nominal value in million	Market value in € million
EUR purchase / USD sale	USD 36.0	-1.1	USD 50.0	3.7
EUR purchase / CNY sale	EUR 31.3	0.9	-	-
USD purchase / CNY sale	USD 40.0	-0.3	-	-

(11) Cash and cash equivalents
This balance sheet item is classified as follows:

in € million	31.12.2009	31.12.2008
Cash on hand	0.1	0.1
Cheques	2.2	0.1
Cash at banks	137.5	46.1
Cash and cash equivalents	**139.8**	**46.3**

Foreign exchange regulations in various countries restrict the use of cash and cash equivalents totalling € 2.5 million unchanged compared to the previous year.

Equity and Liabilities

(12) Equity
Share capital
The share capital of RHI AG totalled € 289,376,212.84 (31 December 2008: € 275,626,514.10) and is comprised of 39,819,039 (31 December 2008: 37,927,039) zero par value bearer shares.

The company held no treasury stock as of the balance sheet date.

Conditional capital
The general meeting of the company on 15 February 2002 adopted the resolution to carry out a conditional capital increase of up to € 72,305,836.31 (conditional capital) through the issue of up to 9,949,500 zero par value bearer shares with voting rights. This conditional capital increase was intended to grant the conversion rights held by the owners of tranche A of the convertible bond, who are also the holders of the subscription rights, to the extent these bondholders exercised their right to the subscription of shares. 1 January 2007 was defined as the first possible date for exercise of the conversion right.

In accordance with the authorisation for the exercise of conversion rights as defined in § 5 (2) of the articles of association, the holders of 318 tranche A convertible bonds filed statements of conversion in 2009. This led to the issue of 1,749,000 shares of bearer stock by the Management Board.

The unused conditional capital developed as follows:

	Number of convertible bonds	Number of shares	€
31.12.2008	**318**	**1,749,000**	**12,710,484.51**
Conversion in fourth quarter	-318	-1,749,000	-12,710,484.51
31.12.2009	**0**	**0**	**0.00**

	Number of convertible bonds	Number of shares	€
31.12.2007	**343**	**1,886,500**	**13,709,735.98**
Conversion in first quarter	-5	-27,500	-199,850.29
Conversion in fourth quarter	-20	-110,000	-799,401.18
31.12.2008	**318**	**1,749,000**	**12,710,484.51**

The conditional capital is used completely as of 31 December 2009.

Authorised capital I
The extraordinary general meeting on 15 February 2002 also authorised the Management Board to increase share capital in one or more tranches, with the consent of the Supervisory Board, but without further approval by the annual general meeting and excluding the subscription rights of shareholders. This authorisation covers a total increase of up to € 72,305,836.31 through the issue of 9,949,500 zero par value bearer shares with voting rights at an issue price of € 7.27 per share.

The capital increase will be executed against a contribution in kind in exchange for the claims of convertible bond holders.

A resolution passed by the annual general meeting on 19 May 2005 extended the term of this authorised capital I to cover the issue of up to € 50,122,453.68 on or before 30 April 2010.

Following a resolution of the Management Board of 16 September 2009 and the approval of the Supervisory Board of 17 September 2009, 26 individual bond certificates from tranche B were converted into 143,000 shares at a price of € 7.27 (rounded) based on the authorisation of 15 February 2002 to increase share capital.

The unused authorised capital I developed as follows in 2009 and 2008:

	Number of convertible bonds	Number of shares	€
31.12.2008	**26**	**143,000**	**1,039,243.10**
Conversion in September	-26	-143,000	-1,039,243.10
31.12.2009	**0**	**0**	**0.00**

	Number of convertible bonds	Number of shares	€
31.12.2007	**83**	**456,500**	**3,317,536.22**
Conversion in September	-57	-313,500	-2,278,293.12
31.12.2008	**26**	**143,000**	**1,039,243.10**

The authorised capital I is used completely as of 31 December 2009.

Authorised capital II
The annual general meeting of 29 May 2008 authorised the Management Board, in accordance with § 169 of the Austrian Stock Corporation Act and with the consent of the Supervisory Board, to increase share capital on or before 29 May 2013 in exchange for cash or contributions in kind by up to € 27,254,875.44 through the issue of up to 3,750,353 shares of bearer stock with voting rights.

There was no increase in share capital from authorised capital II before 31 December 2009.

Additional paid-in capital
Additional paid-in capital comprises premiums on the issue of shares and convertible bonds by RHI AG. The distribution of these funds is prohibited by law. The reserve for the convertible bonds totalled € 11.3 million as of 31 December 2009, unchanged compared to the previous year.

Fair value reserves
The changes in the fair value of available-for-sale securities and investments in subsidiaries and other companies are included under the fair value reserves.

Currency translation reserves
Currency translation reserves include the accumulated currency translation differences arising from investments in foreign subsidiaries as well as unrealised currency translation differences resulting from non-current shareholder loans.

Accumulated results
The item accumulated results includes results that were recognised by consolidated companies during prior periods, but not distributed.

This item also contains goodwill arising from the elimination of the investment and equity in subsidiaries and associates, which arose before 1 January 2002 and was recognised in full under equity for the financial statements prepared in accordance with the Austrian Commercial Code. As a consequence of the application of IFRS 3, these offsets are not reversed from equity to profit or loss when the relevant company is deconsolidated.

The item accumulated results also includes actuarial gains and losses arising from defined benefit pension plans and termination benefits after consideration of deferred taxes.

Distributable profit and dividends are generally related to the accumulated profit of RHI AG, which was calculated in accordance with Austrian commercial law.

Minority interests
The minority interests shown as of 31 December 2009 are comprised primarily of the non-controlling interests in the equity of the following companies: Didier-Werke AG Group, Wiesbaden, Germany, RHI Refractories Liaoning Co., Ltd., Bayuquan, PR China, RHI Clasil Limited, Hyderabad, India, and Liaoning RHI Jinding Magnesia Co., Ltd., Dashiqiao City, PR China.

(13) Information on capital management

The objective of capital management in the RHI Group is to develop and maintain an appropriate capital structure to support growth and acquisition goals as well as a sustainable increase in the value of the company. The improvement of the equity ratio and reduction in debt are reflected in an appropriate dividend policy.

In the financial year 2009, the operating equity, according to the definition of RHI comprised of the equity according to the consolidated balance sheet including the shares of other shareholders and the subordinated liability arising from convertible bonds, increased from € 195.7 million to € 227.8 million. The increase by € 32.1 million resulted mainly from the increase in the items of currency translation reserves and accumulated results. Based on a balance sheet total of € 1,271.2 million (31 December 2008: € 1,323.3 million), the operating equity ratio equalled 17.9 percent as of 31 December 2009 (31 December 2008: 14.8 percent).

Capital is analysed in relation to risk and managed on the basis of interest-bearing net debt to operating equity (net gearing). Interest-bearing net debt represents interest-bearing liabilities minus interest-bearing assets. Net gearing based on operating equity fell from 191.6 to 102,4 percent in 2009.

RHI AG is subject to the minimum capital requirements of the Austrian Stock Corporation Act. The articles of association do not include any requirements for capital.

(14) Financial liabilities

Financial liabilities include all interest-bearing liabilities of the RHI Group as of the balance sheet date.

in € million	31.12.2009	31.12.2008
Liabilities to financial institutions	209.0	294.8
Other loans	8.6	7.6
Non-current financial liabilities	**217.6**	**302.4**
Liabilities to financial institutions	154.8	117.0
Bank bills	0.4	0.1
Other loans	0.2	1.8
Current financial liabilities	**155.4**	**118.9**
Financial liabilities	**373.0**	**421.3**

Non-current liabilities to financial institutions have a remaining term of two to five years. Liabilities amounting to € 0.1 million had a remaining term of more than five years in the previous year.

Liabilities to financial institutions also comprise export financing (including financing for the acquisition of companies) totalling € 260.0 million (31 December 2008: € 297.6 million).

The interest commitments and conditions of non-current and current liabilities to financial institutions are shown below:

31.12.2009				31.12.2008			
Interest terms fixed until	Effective annual interest rate	Currency	Carrying amount in € million	Interest terms fixed until	Effective annual interest rate	Currency	Carrrying amount in € million
2010	Variable interest rate + margin	EUR	15.0	2009	Variable interest rate + margin	EUR	6.0
	EURIBOR + margin	EUR	58.7		EURIBOR + margin	EUR	72.5
	LIBOR + margin	CAD	20.0		LIBOR + margin	CAD	17.6
	LIBOR + margin	USD	7.9		LIBOR + margin	USD	9.7
	2.40 % + margin	EUR	33.8		2.95 % + margin	EUR	0.7
	1.52 % + margin	EUR	1.2		1.52 % + margin	EUR	2.0
	Interbank rate + margin	Various	1.9		4.25 %	EUR	0.1
2011	1.50 % + margin	EUR	2.0		Interbank rate + margin	Various	1.7
2012	2.50 % + margin	EUR	25.1	2010	1.90 % + margin	EUR	33.8
	2.18 % + margin	EUR	10.0		1.51 % + margin	EUR	2.9
2013	2.54 % + margin	EUR	186.2	2011	1.50 % + margin	EUR	3.5
	1.52 % + margin	EUR	2.0	2012	2.50 % + margin	EUR	25.1
				2013	2.54 % + margin	EUR	232.7
					1.33 % + margin	EUR	3.5
			363.8				**411.8**

In some cases, the terms to maturity of the contracts are substantially longer than the period during which interest terms are fixed.

Of the total financial liabilities, € 243.6 million (31 December 2008: € 285.9 million) are secured by liens on real estate and other collateral. Other pledged collateral comprises:

The pledge of all shares and investments in Didier-Werke AG, Wiesbaden, Germany; Veitsch-Radex GmbH, Vienna; Veitsch-Radex GmbH & Co, Vienna; Veitsch-Radex Vertriebsgesellschaft mbH, Vienna; Radex Vertriebsgesellschaft mbH, Leoben; RHI Refractories Raw Material GmbH, Vienna; VRD Americas B.V., Arnhem, Netherlands; Lokalbahn Mixnitz-St. Erhard AG, Vienna; Latino America Refratories ApS, Copenhagen, Denmark, and RHI Finance A/S, Hellerup, Denmark; the pledge of all brand and patent rights belonging to Veitsch-Radex GmbH & Co, Vienna, and RHI AG; as well as the assignment of receivables.

(15) Personnel provisions
Personnel provisions include the following provisions:

in € million	31.12.2009	31.12.2008
Pensions	222.8	224.6
Termination benefits	46.5	49.9
Other personnel provisions	18.2	23.2
Personnel provisions	**287.5**	**297.7**

Provisions for pensions

The amount of the pension obligations is calculated in accordance with actuarial methods and is based on the following assumptions, which are in part dependent on the economic situation in the individual countries:

	31.12.2009	31.12.2008
Interest rate	4.0 % - 9.0 %	4.0 % - 8.75 %
Expected yield on plan assets	1.8 % - 9.0 %	3.37 % - 8.75 %
Salary increase	2.0 % - 5.0 %	2.0 % - 5.0 %
Pension increase	2.0 % - 4.34 %	2.0 % - 4.34 %
Discounts for employee turnover	0 - 5.0 %	0 - 5.4 %
Retirement age	55 - 65 years	55 - 65 years
Mortality tables		
Austria	AVÖ-P 2008, Ang	AVÖ-P 2008, Ang
Germany	Heubeck 2005 G	Heubeck 2005 G
USA	RP2000	RP2000

The recognised provisions for pensions were derived from the scope of the pension obligations and the fair value of external plan assets, and are shown below:

in € million	31.12.2009	31.12.2008
Present value of unfunded pension obligations	204.4	208.9
Present value of wholly or partly funded pension obligations	81.8	77.0
Fair value of plan assets	-63.4	-61.3
Provisions for pensions	**222.8**	**224.6**

The present value of the pension obligations is comprised of the following:

in € million	2009	2008
Present value of pension obligations at beginning of year	**285.9**	**309.0**
Currency translation	1.3	-6.1
Current service cost	2.1	2.2
Past service cost	0.0	0.3
Interest cost	16.0	16.0
Actuarial losses/(gains)	7.5	-11.7
Direct pension payments	-26.6	-23.8
Present value of pension obligations at year-end	**286.2**	**285.9**

The development of plan assets is shown in the following table:

in € million	2009	2008
Fair value of plan assets at beginning of year	**61.3**	**67.3**
Currency translation	1.2	-5.1
Expected return on plan assets	3.1	2.7
Actuarial gains/(losses)	1.3	-3.2
Direct pension payments	-8.0	-5.6
Contributions to external funds	4.5	5.2
Fair value of plan assets at year-end	**63.4**	**61.3**

As of the balance sheet date, the plan assets were comprised of 52 percent (31 December 2008: 56 percent) insurance, seven percent (31 December 2008: five percent) of stocks and 41 percent (31 December 2008: 38 percent) of fixed-interest securities. In the previous year, plan assets also included one percent other assets.

The actual income from the external fund assets equal € 4.4 million (2008: loss of € 0.5 million).

The following table shows the development of the recognised net liability for the reporting year and prior year:

in € million	2009	2008
Provisions for pensions at beginning of year	**224.6**	**241.7**
Currency translation	0.1	-1.0
Pension cost	15.0	15.8
Actuarial losses/(gains)	6.2	-8.5
Direct pension payments	-18.6	-18.2
Contributions to external funds	-4.5	-5.2
Provisions for pensions at year-end	**222.8**	**224.6**

Payments into the plan are expected to total € 26.9 million in 2010. These payments include the planned contributions to external plan assets as well as pension payments that are not covered by appropriate reimbursements from plan assets.

The following amounts were recognised on the income statement:

in € million	2009	2008
Current service cost	2.1	2.2
Past service cost	0.0	0.3
Interest cost	16.0	16.0
Expected return on plan assets	-3.1	-2.7
Pension cost	**15.0**	**15.8**

The current and past service cost are recognised in the personnel expenses, whereas the interest portion of the addition to the provision as well as the expected return on plan assets are included under financial results.

The following table shows the development of the present value of pension obligations, plan assets and financing status:

in € million	31.12.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Present value of pension obligations	286.2	285.9	309.0	323.2	317.3
Fair value of plan assets	-63.4	-61.3	-67.3	-63.3	-57.8
Deficit	**222.8**	**224.6**	**241.7**	**259.9**	**259.5**

The actuarial gains and losses recognised directly in equity are shown below:

in € million	2009	2008
Actuarial losses at beginning of year	**23.9**	**32.4**
Losses/(gains) of the year	6.2	-8.5
Actuarial losses at year-end	**30.1**	**23.9**

The experience adjustments expressed as a percentage of the present value of pension obligations and plan assets are as follows:

in percent	31.12.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Losses/(gains) as a percent of the present value of the obligation	0.4	-0.8	2.9	1.7	2.4
(Gains)/losses as a percent of plan assets	-2.1	5.2	0.1	1.4	-3.8

Provisions for termination benefits
The carrying values of the provisions for termination benefits are calculated using the same methods as the provisions for pensions. These calculations are based on the following actuarial assumptions, which in part differ by country:

	31.12.2009	31.12.2008
Interest rate	5.3 % - 9.5 %	5.5 % - 8.75 %
Salary increase	3.0 % - 6.75 %	3.0 % - 7.1 %
Discounts for employee turnover	0 - 4.0 %	0 - 3.0 %
Retirement age	55 - 65 years	55 - 65 years
Mortality tables		
Austria	AVÖ-P 2008, Ang	AVÖ-P 2008, Ang
Italy	RG48	RG48

The development of the present value of termination benefit obligations and the recognised liability during the reporting year and prior year is shown below:

in € million	2009	2008
Present value of termination benefit obligations at beginning of year	**49.9**	**52.8**
Currency translation	0.2	-0.4
Current service cost	2.0	2.1
Interest cost	2.8	2.8
Actuarial gains	-0.3	-0.5
Termination benefit payments	-8.1	-6.5
Reclassification of discontinued operations	0.0	-0.4
Present value of termination benefit obligations at year-end	**46.5**	**49.9**

Current service costs are included under personnel expenses. Interest costs, however, are recognised in the financial results.

Payments for termination benefits are expected to total € 2.1 million in 2010.

The following table shows the present value of termination benefit obligations for the last five years:

in € million	31.12.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Present value of termination benefit obligations	46.5	49.9	52.8	48.9	46.8

The following actuarial gains and losses were included under other results recognised in the statement of comprehensive income:

in € million	2009	2008
Actuarial losses at beginning of year	**12.1**	**12.6**
Gains of the year	-0.3	-0.5
Actuarial losses at year-end	**11.8**	**12.1**

The following table shows the actuarial experience adjustments as a percentage of the present value of obligations as of the balance sheet date:

in percent	31.12.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
(Gains)/losses as a percent of the present value of the obligation	-0.2	1.8	5.7	5.1	-0.4

Other personnel provisions
This item developed as follows during the reporting year:

in € million	Service anniversary bonuses	Lump-sum settlements	Payments to semi-retirees	Total
31.12.2008	**17.0**	**0.4**	**5.8**	**23.2**
Use	-0.9	-0.2	-3.1	-4.2
Reversal	-4.2	-0.2	0.0	-4.4
Addition	0.1	0.7	2.8	3.6
31.12.2009	**12.0**	**0.7**	**5.5**	**18.2**

(16) Other non-current provisions

The non-current provisions included on the balance sheet amounting to € 3.2 million, unchanged compared to the previous year, are comprised primarily of accruals for the demolition and disposal of buildings and plant that are outdated or no longer required, and are based on legal obligations. These obligations are carried at the expected amount required for settlement because the interest effect that would result from discounting is considered immaterial. At present, it is not possible to estimate when these provisions will be used.

(17) Trade and other current payables

Other non-current liabilities of € 5.7 million (31 December 2008: € 5.4 million) include deferred income for subsidies received from third parties of € 4.5 million (31 December 2008: € 5.0 million). These subsidies are designed above all to support capital investment. The current portion of recognised subsidies equals € 0.3 million like in the previous year and is included under other current payables. The grantors of the subsidies were provided with proof of compliance with the required conditions, which include the investment of certain amounts or creation and maintenance of jobs.

The component items of trade and other current payables are shown below:

in € million	31.12.2009	31.12.2008
Trade payables	154.1	155.7
Prepayments received on orders	22.4	20.6
Accounts payable to associates	1.0	1.0
Other current payables	87.7	104.8
Trade and other current payables	**265.2**	**282.1**

Other current payables comprise the following items:

in € million	31.12.2009	31.12.2008
Other taxes	10.1	12.4
Liabilities employees	42.5	47.0
Interest liabilities on convertible bonds	0.0	0.8
Other	35.1	44.6
Other current payables	**87.7**	**104.8**

Liabilities to employees consist primarily of obligations for payroll taxes and employee-related duties, unused vacation and flexitime credits.

(18) Subordinated convertible bonds

The conditional capital increase was used for tranche A of the subordinated convertible bond, which has a total nominal value of € 72,360,000 and is divided into 1,809 individual convertible bond certificates with a nominal value of € 40,000 each. The term of the convertible bond extends to 31 December 2009, and conversion is possible for the first time on 1 January 2007 at a ratio of 1 : 5,500 shares in RHI AG. The convertible bond carries an interest rate of six percent p.a., which is dependent on profit. The entire tranche A was purchased by banks.

Authorised capital I was used to service tranche B of the subordinated convertible bond. Tranche B has a total nominal value of € 72,360,000 and is divided into 1,809 individual convertible bond certificates with a nominal value of € 40,000 each. The term of tranche B extends to 31 December 2009, and conversion is possible during the period from 1 January 2003 to 31 December 2009 at a ratio of 1 : 5,500 shares in RHI AG. Tranche B also carries an interest rate of six percent p.a., which is dependent on profit. It was offered for subscription from 8 to 30 April 2002.

Parts of tranche B were privately placed as tranche C during August 2002 at the same conditions applicable to the remainder of the convertible bond. As of 31 December 2002, 1,064 individual convertible bond certificates from tranche B and 537 individual convertible bond certificates from tranche C had been purchased. On 30 June 2003, tranches B and C were combined.

As of 31 December 2009, all individual convertible bond certificates of tranche A (31 December 2008: 318 individual convertible bond certificates) and of tranche B (31 December 2008: 26 individual convertible bond certificates) had been converted.

The following table shows the development of the bond in 2009:

in € million	Units	Nominal	Premium	Total
31.12.2008	**344**	**13.8**	**0.1**	**13.9**
Conversion	-344	-13.8	0.0	-13.8
Interest			-0.1	-0.1
31.12.2009	**0**	**0.0**	**0.0**	**0.0**

The development of the bond in 2008 is shown below:

in € million	Units	Nominal	Premium	Total
31.12.2007	**426**	**17.1**	**0.1**	**17.2**
Conversion	-82	-3.3	0.0	-3.3
31.12.2008	**344**	**13.8**	**0.1**	**13.9**

(19) Current provisions

The following table shows the development of current provisions:

in € million	Demolition and disposal costs, environmental damages	Warranties	Guarantees provided	Claims for compen-sation	Legal disputes	Other	Total
31.12.2008	**7.7**	**21.9**	**19.2**	**21.0**	**0.2**	**1.0**	**71.0**
Currency translation	0.0	0.2	0.0	0.0	0.0	0.0	0.2
Use	-0.1	-2.3	0.0	0.0	0.0	0.0	-2.4
Reversal	0.0	-2.1	-0.5	0.0	0.0	-0.1	-2.7
Addition	0.2	3.7	0.0	0.8	0.3	0.4	5.4
31.12.2009	**7.8**	**21.4**	**18.7**	**21.8**	**0.5**	**1.3**	**71.5**

Demolition and disposal costs, environmental damages

The current provisions for demolition and disposal costs as included on the balance sheet total € 6.5 million (31 December 2008: € 6.4 million). Based on contractual or legal obligations, the RHI Group also expects claims for environmental damages of € 1.3 million, unchanged compared to the previous year.

Warranties

The provisions for warranties include accruals for claims arising from warranties and other similar obligations.

Guarantees provided

This item covers obligations arising from sureties and guarantees provided to banks and insurance companies in Austria and other countries.

Claims for compensation

This item is comprised of provisions for possible claims arising from contractual or constructive obligations to provide compensation for damages and similar payments.

Legal disputes

Provisions were created for expected costs related to ongoing or probable legal disputes as well as court and arbitration proceedings. The amounts of the provisions were determined on the basis of information and cost estimates provided by the attorneys of the Group companies, and cover all estimated legal costs, fees and costs of possible settlements.

Other

This item comprises a certain number of provisions whose individual amounts are immaterial, in cases where assignment to one of the above-mentioned categories of provisions is not possible.

(20) Contingent liabilities

The components of contingent liabilities are shown below:

in € million	31.12.2009	31.12.2008
Liabilities from sureties	6.1	4.3
Liabilities from guarantees	21.7	21.7
Other	0.2	0.2
Contingent liabilities	**28.0**	**26.2**

The contingent liabilities reported as of 31 December 2009 include contingent liabilities of € 2.9 million for the discontinued Waterproofing Division (31 December 2008: € 3.4 million).

(21) Other financial obligations
Other financial obligations consist of the following items:

	Total	Remaining term		
in € million	31.12.2009	up to 1 year	2 to 5 years	over 5 years
Obligations from rental and leasing contracts	44.0	10.0	25.7	8.3
Capital commitments	8.9	8.9	0.0	0.0
Miscellaneous financial obligations	17.3	3.6	13.7	0.0
Other financial obligations	**70.2**	**22.5**	**39.4**	**8.3**

	Total	Remaining term		
in € million	31.12.2008	up to 1 year	2 to 5 years	over 5 years
Obligations from rental and leasing contracts	35.1	9.5	17.5	8.1
Capital commitments	7.8	7.8	0.0	0.0
Miscellaneous financial obligations	24.7	5.2	19.5	0.0
Other financial obligations	**67.6**	**22.5**	**37.0**	**8.1**

Rental and leasing obligations are comprised primarily of obligations arising from rental contracts for plant buildings and offices as well as leases for office furnishings and motor vehicles.

Miscellaneous financial obligations are primarily related to possible commission obligations arising from non-cancellable contracts. A commitment to acquire the minority interest in a subsidiary was included in the previous year.

Notes to Individual Items on the Income Statement

All disclosures on the income statement are related to continuing operations, unless indicated otherwise.

(22) Amendments of presentation
In connection with the introduction of the divisional organisational structure on 1 July 2009, the costs of information technology of the production plants and the competence centres of production of in all € 10.3 million initially assumed centrally were no longer recognised under administrative expense, but under cost of sales. Moreover, the costs of services up to now included under distribution costs amounting to € 4.8 million and under administrative expenses amounting to € 0.4 million are now recognised under gross profit.

Moreover, the presentation of the financial results was changed to gross presentation.

The prior year data were adjusted accordingly.

(23) Revenues
Revenues are classified as follows:

in € million	2009	2008
Revenues from the sale of products and services	1,180.5	1,547.3
Revenues from long-term construction contracts	53.3	49.4
Revenues from the sale of emission certificates	3.1	0.0
Revenues	**1,236.9**	**1,596.7**

(24) Special direct distribution costs
The individual components of this item are shown in the following table:

in € million	2009	2008
Freights	62.3	92.7
Licences	2.9	3.1
Commissions	24.5	36.5
Other	9.4	10.1
Special direct distribution costs	**99.1**	**142.4**

(25) Cost of sales
The cost of sales comprises the production cost of goods sold as well as the purchase price of merchandise sold. In addition to direct materials and production costs, it also includes overheads including scheduled depreciation on production equipment, the amortisation of intangible assets and impairment charges to inventories. Moreover, cost of sales also includes the costs of services provided.

(26) Distribution costs
This item includes personnel expenses for the distribution staff as well as scheduled depreciation and other operating expenses related to the distribution services and units.

(27) Administrative expenses
Administrative expenses consist primarily of personnel expenses for the administrative functions as well as expenses for research and non-capitalisable development costs.

(28) Impairment losses
In order to improve comparability, impairment charges recognised to property, plant and equipment and intangible assets are shown separately from ongoing expenses.

(29) Restructuring expenses
Restructuring expenses amount to € 15.1 million and result exclusively from personnel expenses and expenses for consulting. These expenses constitute non-recurring items that have been incurred in the context of the Group-wide adjustment of production capacities and an extensive reorganisation of the departments of distribution and administration.

(30) Other income
Other income is classified as follows:

in € million	2009	2008
Gains from the disposal of property, plant and equipment and intangible assets	0.5	2.8
Foreign exchange gains	0.0	2.9
Gain from the recognition of negative goodwill	0.0	1.1
Gains from the measurement of derivative financial instruments	0.0	6.6
Miscellaneous income	7.3	6.3
Other income	**7.8**	**19.7**

Foreign exchange gains include the net amount of gains and losses arising from changes in foreign exchange rates between the recognition date (average monthly exchange rate) and the payment date (spot rate) as well as foreign exchange effects arising from measurement at the exchange rate on the balance sheet date. If the net amount is negative, these foreign exchange losses are shown under other expenses.

Gains from the valuation of derivative financial instruments include net gains from the change in the market value of forward exchange contracts of € 2.3 million (2008: € 3.7 million) as well as net losses from the valuation of derivatives in orders and embedded derivatives in trade receivables that are denominated in a currency other than the functional currency of the RHI Group amounting to € 2.3 million (2008: net gains € 2.9 million).

(31) Other expenses
Other expenses include the following:

in € million	2009	2008
Losses from the disposal of property, plant and equipment and intangible assets	1.1	1.1
Foreign exchange losses	5.7	0.0
Miscellaneous expenses	2.0	9.4
Income from the reversal of provisions	-0.6	-0.7
Other expenses	**8.2**	**9.8**

Foreign exchange losses include the net amount of gains and losses arising from changes in foreign exchange rates between the recognition date (average monthly exchange rate) and the payment date (spot rate) as well as foreign exchange effects arising from measurement at the exchange rate on the balance sheet date. If the net amount is positive, these foreign exchange gains are shown under other income.

(32) Interest income
Interest income includes income from securities and non-current receivables amounting to € 1.2 million (2008: € 1.8 million) as well as other interest and similar income amounting to € 1.4 million (2008: € 2.4 million).

(33) Interest expenses
This item includes interest and similar expenses amounting to € 19.1 million (2008: € 23.2 million).

(34) Other financial results
The other financial results are classified as follows:

in € million	2009	2008
Income from investments	0.3	0.5
Impairment losses on financial assets	0.0	-1.6
Write-ups of financial assets	0.9	0.0
Expected return on plan assets	3.1	2.7
Interest expense for personnel provisions	-19.8	-19.8
Other financial results	**-15.5**	**-18.2**

(35) Income taxes
Income taxes in the Group are comprised of the following items:

in € million	2009	2008
Current tax expense	6.5	11.6
Deferred tax (income)/expense relating to the origination and reversal of		
temporary differences	-0.4	0.6
tax loss carryforwards	-2.3	-0.6
	-2.7	0.0
Income taxes	**3.8**	**11.6**

Income tax expense of € 3.8 million for 2009 is € 2.5 million lower than the arithmetic income tax expense of € 6.3 million that would result from the application of the Austrian corporate income rate of 25 percent to profit before tax from continuing operations.

The difference between the arithmetic and recognised tax expense resulted from the following factors:

in € million	2009	2008
Profit before income taxes	**25.2**	**113.4**
Arithmetic tax expense	**6.3**	**28.4**
Different foreign tax rates	1.2	1.3
Expenses not deductible for tax purposes, non-creditable withholding taxes	7.5	5.5
Income not subject to tax	-2.4	-6.2
Unrecognised tax losses and temporary differences of the financial year	3.3	0.6
Reduction in actual income tax expense due to utilisation of previously unrecognised tax losses and temporary differences	-2.5	-8.4
Reduction in deferred income tax expense due to utilisation of previously unrecognised tax losses and temporary differences	-2.1	-4.8
Deferred tax income due to changes in tax rates	-0.3	-0.1
Deferred income tax relating to prior periods	-0.6	-0.3
Current income tax relating to prior periods	-11.2	-6.6
Other	4.6	2.2
Recognised tax expense	**3.8**	**11.6**

(36) Expense categories
Expenses are classified by category as follows:

in € million	2009	2008
Cost of material and other production services	596.1	829.4
Personnel costs	305.5	338.1
Depreciation of property, plant and equipment and amortisation of other intangible assets	59.7	67.7

(37) Personnel costs
The individual components of personnel costs are listed below:

in € million	2009	2008
Wages and salaries	226.2	260.1
Pensions		
Defined benefit plans	2.1	2.5
Defined contribution plans	1.9	2.2
Termination benefits		
Defined benefit plans	2.0	2.1
Defined contribution plans	1.4	1.4
Other payments	6.6	1.5
Fringe benefits	65.3	68.3
Personnel costs	**305.5**	**338.1**

(38) Loss from discontinued operations
The component items of this position are shown in the following table:

in € million	2008
Revenues	10.2
Cost of sales	-9.5
Gross profit	**0.7**
Administrative expenses	-1.0
Operating results	**-0.3**
Financial results	-0.1
Loss for the year on discontinued operation Waterproofing	**-0.4**
Loss on the sale of discontinued operation Waterproofing	-3.2
Loss for the year from discontinued operation Waterproofing	**-3.6**
Income for the year on discontinued operation Insulating	2.4
Loss for the year from discontinued operations	**-1.2**

The information on the discontinued operation Waterproofing is related to the period from January to August 2008.

Notes to the Cash Flow Statement

The cash flow statement shows the cash inflows and outflows from operating activities, investing activities and financing activities. Cash flows from investing and financing activities were determined on the basis of cash payments, while cash flow from operating activities was derived from the consolidated financial statements using the indirect method.

Changes in the balance sheet items of companies that report in foreign currencies are translated at average monthly exchange rates and adjusted for effects arising from changes in the consolidation range or in other businesses. Therefore, the cash flow statement cannot be derived directly from changes in the consolidated balance sheet items. As on the balance sheet, cash and cash equivalents are translated at the exchange rate in effect on the balance sheet date. The effects of changes in exchange rates on cash and cash equivalents are shown separately.

The cash flow statement of the continuing operations and discontinued operations are presented separately. Transactions between these divisions are therefore not consolidated.

(39) Cash flow from operating activities
Cash flow from operating activities shows the net inflow of cash and cash equivalents based on profit after income taxes, which is adjusted for non-cash income and expenses (primarily depreciation and amortisation) and results that are allocated to cash flows from investing or financing activities as well as the changes in the commitment of funds in the working capital and actual tax payments.

in € million	2009	2008
Profit after income taxes from continuing operations	21.4	101.8
Adjustments for		
income taxes	3.8	11.6
scheduled depreciation and amortisation	50.6	49.9
impairment losses on property, plant and equipment and intangible assets	9.1	17.8
write-ups of property, plant and equipment	-0.2	0.0
impairment losses on financial assets	0.0	1.6
write-ups of financial assets	-0.9	0.0
losses/(gains) from sale of non-current assets	0.9	-1.7
interest result	16.5	19.0
dividend income	-0.3	-0.5
results from associates	-2.4	-2.2
other non-cash changes	17.7	15.3
Change in working capital		
Inventories	107.0	-81.5
Trade receivables	27.1	-1.1
Other receivables and assets	11.8	-4.5
Provisions	-32.1	-23.3
Trade payables	-3.9	13.8
Other liabilities	-13.0	21.1
Cash flow from operating activities	**213.1**	**137.1**
Income taxes paid	-11.1	-13.6
Net cash flow from operating activities	**202.0**	**123.5**

(40) Cash flow from investing activities
Cash flow from investing activities shows the cash inflows and outflows for disposals of and additions to non-current assets.

Payments have not been received yet for the sale of non-current assets totalling € 0.8 million unchanged compared to the previous year.

Non-cash additions of € 1.7 million to non-current assets recognised in 2008 resulted from an increase in the carrying value of obligations for site restoration and similar items.

Cash effects from business combinations or sale of companies (net change in cash and cash equivalents from initial consolidations and deconsolidations) are shown separately.

Interest and dividends received are included under cash flow from investing activities.

(41) Cash flow from financing activities
Cash flow from financing activities includes outflows in the form of dividend payments as well as inflows resulting from an increase in loans and outflows arising from the repayment of loans.

The conversion of convertible bonds totalling € 13.9 million (2008: € 3.3 million) is not shown separately on the cash flow statement because this is a non-cash transaction.

Interest expense payments are allocated to cash flow from financing activities, whereby the interest component for employee-related provisions is allocated as a non-cash item to the change in personnel provisions.

(42) Cash flow from discontinued operations
Cash flow from discontinued operations amounted to € -2.2 million in 2008 and was comprised of the cash flow from operating activities amounting to € -2.0 million as well as the cash flow from financing activities amounting to € -0.2 million.

(43) Segment reporting
Segment reporting by operating company divisions
The following table shows the operating segments for 2009:

in € million	Steel	Industrial	Raw materials	Holding and other	Group
External revenues	703.6	513.6	19.7	0.0	1,236.9
Intragroup revenues	0.0	0.0	439.1	-439.1	0.0
Segment revenues	**703.6**	**513.6**	**458.8**	**-439.1**	**1,236.9**
Operating results	**11.9**	**67.0**	**6.1**	**-30.2**	**54.8**
Depreciation and amortisation charges	25.0	17.8	7.6	0.2	50.6
Impairment losses	1.6	3.8	3.7	0.0	9.1
Restructuring costs	5.3	4.7	0.7	4.4	15.1
Results from associates	0.0	0.0	2.4	0.0	2.4
Segment assets	249.0	122.9	115.4	771.5	1,258.8
Shares in associates	0.2	0.0	12.2	0.0	12.4
					1,271.2
Investments in property, plant and equipment and intangible assets	15.9	6.1	16.7	2.8	41.5

The operating segments of the adjusted period of the previous year are as follows:

in € million	Steel	Industrial	Raw materials	Holding and other	Continuing operations
External revenues	957.6	605.6	33.5	0.0	1,596.7
Intragroup revenues	0.0	0.0	583.8	-583.8	0.0
Segment revenues	**957.6**	**605.6**	**617.3**	**-583.8**	**1,596.7**
Operating results	**71.4**	**75.5**	**19.3**	**-17.8**	**148.4**
Depreciation and amortisation charges	25.2	17.7	6.8	0.2	49.9
Impairment losses	5.1	3.8	8.9	0.0	17.8
Results from associates	0.0	0.0	2.2	0.0	2.2
Segment assets	316.3	163.7	122.5	706.7	1,309.2
Shares in associates	0.2	0.0	13.9	0.0	14.1
					1,323.3
Investments in property, plant and equipment and intangible assets	16.3	15.0	41.4	4.0	76.7

Revenues amounting to € 136.7 million (2008: € 219.7 million) mainly included in the Steel segment were realised with a customer in 2009.

The segment assets include the external receivables and inventories available to operating segments and reported to the management for control and measurement. The shares in associates are attributed to the segments. All other assets are recognised under Holding and other.

The revenues of the Waterproofing Division that is active in Austria only and was discontinued in 2008 amounted to € 10.2 million, the operating results amounted to € -0.4 million.

When allocating the revenues to product groups, a distinction is made between shaped and unshaped products and other revenues. Other includes revenues from the provision of services as well as the sale of non-Group products.

In the reporting year, revenues are classified by product groups as follows:

in € million	Steel	Industrial	Raw Materials	Group
Shaped products	429.7	396.7	0.0	826.4
Unshaped products	213.1	44.1	18.9	276.1
Other	60.8	72.8	0.8	134.4
Revenues	**703.6**	**513.6**	**19.7**	**1,236.9**

In 2008, revenues were classified by product groups as follows:

in € million	Steel	Industrial	Raw Materials	Continuing operations
Shaped products	589.4	463.3	0.0	1,052.7
Unshaped products	279.9	56.1	30.5	366.5
Other	88.4	86.4	2.7	177.5
Revenues	**957.7**	**605.8**	**33.2**	**1,596.7**

Segment reporting by countries
Revenues are classified by customer sites as follows:

in € million	2009	2008
Austria	29.4	45.0
Germany	129.2	167.5
USA	96.9	136.6
Italy	76.6	103.8
Mexico	71.8	106.8
Canada	68.5	85.5
PR China	62.7	56.0
India	52.9	55.6
Russia	35.9	58.2
France	35.3	55.5
Egypt	35.3	28.7
Other countries	542.4	697.5
Revenues	**1,236.9**	**1,596.7**

Property, plant and equipment and intangible assets are classified by the respective sites of the Group companies as follows:

in € million	31.12.2009	31.12.2008
Austria	165.0	174.3
PR China	102.9	104.5
Germany	80.5	83.8
Other countries	118.8	121.9
Property, plant and equipment and intangible assets	**467.2**	**484.5**

(44) Earnings per share for continuing operations

In accordance with IAS 33, earnings per share are calculated by dividing the profit attributable to the equity holders of RHI AG by the weighted average number of shares outstanding during the financial year.

	2009	2008
Profit attributable to equity holders of RHI AG (in € million)	20.9	99.3
Weighted average number of shares	38,065,292	37,582,558
Basic earnings per share (in €)	**0.55**	**2.64**

The share of profit attributable to the shareholders of RHI AG is based on profit of € 21.4 million from continuing operations (2008: € 101.8 million) minus the € 0.5 million share of profit attributable to minority interests (2008: € 2.5 million).

The calculation of diluted earnings per share adjusts the weighted number of shares outstanding to also include the maximum number of shares that could result from the exercise of conversion rights for the convertible bond. The proportional share of profit is also increased to reflect the expenses incurred in connection with the convertible bond.

	2009	2008
Profit attributable to equity holders of RHI AG (in € million)	20.9	99.3
Plus interest expense of convertible bonds (in € million)	0.0	0.7
Less current taxes (in € million)	0.0	-0.2
Adjusted result for the period (in € million)	20.9	99.8
Weighted average number of shares	38,065,292	37,582,558
Potential number of shares from convertible bonds	1,753,747	2,236,481
Number of diluted shares	39,819,039	39,819,039
Diluted earnings per share (in €)	**0.52**	**2.51**

(45) Additional disclosures on financial instruments

Financial assets and liabilities at (amortised) cost

The following table shows the carrying values and fair values of the financial assets and liabilities that are carried at (amortised) cost:

	31.12.2009		31.12.2008	
in € million	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Prepayments on financial assets	2.3	2.3	3.1	3.1
Non-current receivables including current portion	3.3	3.3	1.7	1.7
Trade receivables and other current receivables	245.9	245.9	272.7	272.7
Cash and cash equivalents	139.8	139.8	46.3	46.3
Financial liabilities				
Subordinated convertible bonds	0.0	0.0	13.9	13.9
Non-current financial liabilities	217.6	219.4	302.4	297.9
Current financial liabilities	155.4	156.0	118.9	118.9
Trade and other current payables	265.2	265.2	282.1	282.1

The remaining terms of trade receivables, other receivables and liabilities as well as cash and cash equivalents are generally short. Therefore, the carrying values of these items approximate fair value as of the balance sheet date.

The fair values of financial liabilities are calculated as the present value of future cash flows, which are discounted at the market interest rate applicable to financial liabilities with a similar term and risk structure.

Financial assets and liabilities at fair value
The carrying amounts of financial assets and liabilities at fair value are shown in the following table:

in € million	31.12.2009	31.12.2008
Financial assets		
Securities – available for sale	28.3	28.3
Financial assets – held for trading	1.1	6.2
Investments – available for sale	6.3	6.3
Shares – available for sale	1.6	1.6
Financial liabilities		
Financial liabilities – held for trading	1.4	0.0

The fair value of securities available for sale is based on the market prices as of the balance sheet date.

The fair value of financial assets held for trading and liabilities mainly corresponds to the market value of the forward exchange contracts. Forward exchange contracts are valued based on quoted forward rates.

The fair value of investments and shares available for sale that are not publicly traded is calculated by discounting the expected cash flows or determined on the basis of similar transactions.

Net results by valuation category in accordance with IAS 39
The effect of financial instruments on the income and expenses recognised during 2009 and 2008 is shown in the following table, classified according to the valuation categories defined in IAS 39:

in € million	2009	2008
Net gain/loss on financial assets classified as available for sale	2.3	-0.7
Net loss from loans and receivables as well as financial liabilities	-21.0	-22.7
Net gain on financial assets and financial liabilities classified as held for trading	0.0	6.5

The net result on financial assets available for sale comprises income from securities, dividends, income from reversals of impairment losses as well as any gains or losses on sale. During the previous year, losses recognised directly in equity were taken into account for the determination of the net result. As in the prior year, the net results do not include any changes in the fair value of financial assets available for sale that were transferred from equity to the income statement.

The net loss arising from loans and receivables as well as financial liabilities includes interest income and expense, changes in valuation adjustments, payments received on and increases in the value of loans and receivables previously written off, foreign exchange gains and losses as well as gains and losses on derecognition.

The net gain on financial assets and financial liabilities held for trading includes changes in the market value of forward exchange contracts and derivatives in orders as well as embedded derivatives in trade receivables that are denominated in a currency other than the functional currency of the RHI Group.

Foreign exchange risks
Foreign exchange risks in the sense of IFRS 7 arise through financial instruments that are denominated in a currency other than the functional currency of the RHI Group (in the following, foreign currency) and are monetary in nature. The most important primary monetary financial instruments include trade receivables and trade payables, cash and cash equivalents, and financial liabilities recognised on the balance sheet. Equity instruments held are not monetary and are therefore not linked with any foreign exchange risk in the sense of IFRS 7.

The majority of foreign currency financial instruments in the RHI Group result from operating activities, above all from intragroup financing transactions, unless the foreign exchange effects recognised to profit or loss on non-current shareholder loans are eliminated in accordance with IAS 21 or are hedged through forward exchange contracts. Major foreign currency provisions are also included in the analysis of risk, in accordance with the definition used by RHI.

The following table shows the foreign currency positions of the RHI Group in the major currencies as of 31 December 2009:

in € million	USD	EUR	MXN	Other	Total
Financial assets	229.6	10.2	0.0	31.9	271.7
Financial liabilities and provisions	-224.0	-37.2	-21.2	-31.5	-313.9
Net foreign currency position	**5.6**	**-27.0**	**-21.2**	**0.4**	**-42.2**

The foreign currency positions as of 31 December 2008 are as follows:

in € million	USD	EUR	ZAR	Other	Total
Financial assets	236.7	19.5	2.8	9.8	268.8
Financial liabilities and provisions	-276.9	-50.1	-5.1	-7.0	-339.1
Net foreign currency position	**-40.2**	**-30.6**	**-2.3**	**2.8**	**-70.3**

The disclosures required by IFRS 7 for foreign exchange risks include a sensitivity analysis that shows the effects of hypothetical changes in the relevant risk variables on profit or loss and equity. In general, all non-functional currencies in which Group companies enter into financial instruments are considered to be relevant risk variables. The effects on a particular reporting period are determined by applying the hypothetical changes in these risk variables to the financial instruments held by the Group as of the balance sheet date. It is assumed that the holdings on the balance sheet date are representative for the entire year. The sensitivity analysis does not include the foreign exchange differences that result from translating the net asset positions of the foreign Group companies into the Group currency, the euro.

An increase or decrease in the relevant functional currency versus the following major currencies by ten percent as of 31 December 2009 would have had the following effect on profit or loss and equity (both excluding income taxes):

	Appreciation of 10%		Devaluation of 10%	
in € million	Gain/ (loss)	Equity	Gain/ (loss)	Equity
US dollar	-0.8	-0.9	0.3	0.4
Euro	1.2	1.2	-2.5	-2.5
Mexican peso	1.9	0.0	-2.4	0.0
Other currencies	-0.1	-4.3	0.0	5.2

The hypothetical effect on profit or loss as of 31 December 2008 can be summarised as follows:

	Appreciation of 10%		Devaluation of 10%	
in € million	Gain	Equity	Loss	Equity
US dollar	4.9	4.1	-5.6	-4.7
Euro	2.8	2.8	-3.4	-3.4
South African rand	0.1	-0.5	-0.2	0.6
Other currencies	0.0	-4.9	-0.1	6.0

Interest rate risks
The exposure to interest rate risks is presented through sensitivity analyses in accordance with IFRS 7. These analyses show the effects of changes in market interest rates on interest payments, interest income and interest expense and on equity.

The RHI Group measures fixed-interest financial assets and financial liabilities at amortised cost, and did not elect to use the option that permits the measurement of these items at fair value through profit or loss. Therefore, a hypothetical change in the market interest rates for these financial instruments as of the balance sheet date would have had no effect on profit and loss or equity.

Changes in market interest rates have an effect on the interest result from primary, variable interest financial instruments and are therefore included in the result-related sensitivity analysis. If the market interest rate as of 31 December 2009 had been 100 basis points higher or lower, the interest results would have been € 0.4 million (31 December 2008: € 0.6 million) lower or higher. As in the prior year, this hypothetical effect on profit is related solely to primary, variable interest net financial liabilities.

Other financial market risk
RHI holds shares in an investment fund amounting to € 27.2 million (31 December 2008: € 27.2 million), which were purchased above all as coverage for employee-related provisions. The market value of these shares is influenced by fluctuations on the worldwide volatile international stock and bond markets.

(46) Expenses for the Group auditor
The fee for the activity of the Group auditor Deloitte Audit Wirtschaftsprüfungs GmbH (2008: KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft) recognised under expenses amounted to € 0.4 million in 2009 (2008: € 0.5 million). The fee included € 0.2 million (2008: € 0.2 million) for the audit of the consolidated annual financial statements, € 0.1 million (2008: € 0.2 million) for other certification services as well as € 0.1 million (2008: € 0.1 million) for other services.

(47) Notes on related party transactions
Related companies
The RHI Group maintained business relations with the associate MAGNIFIN Magnesiaprodukte GmbH & Co KG, St. Jakob, Austria, during 2009 and 2008.

In 2009, the Group provided services totalling € 2.2 million (2008: € 2.4 million) to this related company. The Group received services valued at € 1.3 million (2008: € 1.8 million) during the same period.

The receivables due from MAGNIFIN Magnesiaprodukte GmbH & Co KG, St. Jakob, Austria, totalled € 1.3 million and € 0.7 million as of 31 December 2009 and 2008, respectively. The liabilities due to this company amounted to € 1.0 million as of 31 December 2009 and 2008.

Related persons
The income statement for 2009 includes expenses for the Management Board of € 4.2 million (2008: € 5.4 million). For reasons of data privacy, the following table only shows the expenses of those members of the Management Board who had an existing Management Board mandate as of 31 December 2009:

in €	Thomas Fahnemann	Giorgio Cappelli	Manfred Hödl	Rudolf Payer
Fixed earnings	606,989	314,240	313,844	301,344
Variable earnings	600,000	408,000	408,000	408,000
Other	98,963	10,221	73,589	13,297
Total	**1,305,952**	**732,461**	**795,433**	**722,641**

Liabilities and provisions of € 3.2 million were recognised for the Management Board (31 December 2008: € 6.0 million). Salaries and other current benefits totalling € 2.6 million were paid to the members of the Management Board during the reporting year (2008: € 4.5 million).

Payments made to former members of the Management Board and their surviving dependents totalled € 2.6 million (2008: € 0.5 million). This item includes € 2.1 million (2008: € 0.0 million) of payments made in connection with the termination of employment.

The members of the Supervisory Board received remunerations of € 0.3 million in 2009 (2008: € 0.2 million). These remunerations were recognised as an expense for the reporting year.

In 2009, a member of the Management Board of RHI AG was granted a secured loan amounting to € 2.1 million. The agreed interest rate amounts to 3.5 percent. The term of the loan shall end upon the member leaving the Management Board of RHI AG, however on 31 December 2011 at the latest. As of the balance sheet date, there were no other loans outstanding to members of the Management Board or Supervisory Board and no contingent liabilities on behalf of these persons.

The members of the Management Board and Supervisory Board are listed following note (50).

(48) Personnel
The average number of employees in the RHI Group was:

	2009	2008
Salaried employees	3,151	3,171
Waged workers	4,121	4,521
Continuing operations	**7,272**	**7,692**
Discontinued operations	**0**	**88**

(49) Significant events after the balance sheet date
The disastrous earthquake in Chile in late February 2010 had massive effects on RHI's plants in Chile. Production had to be suspended temporarily on account of the damage caused. The customers concerned were informed. Local management is currently determining the exact extent of damage to persons and property. No effects on RHI's supplies are to be expected due to worldwide available capacities.

(50) RHI Group Companies as of 31 December 2009
The following table lists the shares held by the RHI Group:

			Parent	Currency	Nominal capital in local currency	Share in %
1.	RHI AG, Vienna, Austria	F		EUR	289,376,213	
2.	Betriebs- und Baugesellschaft mbH, Wiesbaden, Germany	F	5.	EUR	894,761	100.00
3.	Didier Belgium N.V., Evergem, Belgium	F	63.	EUR	74,368	99.90
4.	Didier Vertriebsgesellschaft mbH, Wiesbaden, Germany	F	5.	EUR	178,952	100.00
5.	Didier-Werke AG, Wiesbaden, Germany	F	1.,27.	EUR	63,000,000	97.54
6.	Dolomite Franchi S.p.A., Brescia, Italy	F	27.	EUR	4,160,000	100.00
7.	D.S.I.P.C.-Didier Société Industrielle de Production et de Constructions, Breuillet, France	F	5.	EUR	1,735,990	99.88
8.	Dutch Brasil Holding B.V., Arnhem, Netherlands	F	65.	EUR	18,000	100.00
9.	Dutch MAS B.V., Arnhem, Netherlands	F	5.	EUR	30,000	100.00
10.	Dutch US Holding B.V., Arnhem, Netherlands	F	65.	EUR	18,000	100.00
11.	FC Technik AG, Winterthur, Switzerland	F	27.	CHF	100,000	51.00
12.	Full Line Supply Africa (Pty) Limited, Sandton, South Africa	F	27.	ZAR	100	100.00
13.	GIX International Limited, Wakefield, Great Britain	F	72.	GBP	1,004	100.00
14.	INDRESCO U.K. Ltd., Wakefield, Great Britain	F	13.	GBP	10,029,219	100.00
15.	Latino America Refractories ApS, Kopenhagen, Denmark	F	72.	EUR	20,000	100.00
16.	Liaoning RHI Jinding Magnesia Co., Ltd., Dashiqiao City, PR China	F	27.	CNY	300,000,000	83.33
17.	LLC "RHI Wostok", Moscow, Russia	F	1.,27.	RUB	3,500,000	100.00
18.	LLC "RHI Wostok Service", Moscow, Russia	F	1.,27.	RUB	12,075,750	100.00
19.	Lokalbahn Mixnitz-St. Erhard AG, Vienna, Austria	F	56.	EUR	119,397	100.00
20.	Magnesit Anonim Sirketi, Eskisehir, Turkey	F	9.,19.,27., 65.,72.	TRY	16,750,000	100.00
21.	Magnesitwerk Aken Vertriebsgesellschaft mbH, Aken, Germany	F	5.	EUR	130,000	100.00
22.	MARVO Feuerungs- und Industriebau GmbH, Kerpen, Germany	F	5.	EUR	513,450	100.00
23.	MARVO Feuerungs- und Industriebau GmbH, Siersleben, Germany	F	22.	EUR	25,565	100.00
24.	Producción RHI México, S. de R.L. de C.V., Ramos Arizpe, Mexico	F	48.,72.	MXN	9,441,250	100.00
25.	Productora RHI Chile S.A., Santiago, Chile	F	13.,72.	CLP	12,073,359,422	100.00
26.	Quintermina AG, Chur, Switzerland	F	27.	CHF	100,000	51.00
27.	Radex Vertriebsgesellschaft mbH, Leoben, Austria	F	69.	EUR	60,000,000	100.00
28.	REFEL S.p.A., San Vito al Tagliamento, Italy	F	5.	EUR	5,200,000	100.00
29.	Refractory Intellectual Property GmbH, Vienna, Austria	F	1.	EUR	17,500	100.00
30.	Refractory Intellectual Property GmbH & Co KG, Vienna, Austria	F	1.,29.	EUR	10,000	100.00
31.	RHI Argentina S.R.L., Buenos Aires, Argentina	F	15.,72.	ARS	10,000	100.00
32.	RHI Canada Inc., Burlington, Canada	F	72.	CAD	21,250,002	100.00
33.	RHI Chile S.A., Santiago, Chile	F	13.,72.	CLP	12,774,407,413	100.00
34.	RHI Clasil Limited, Hyderabad, India	F	72.	INR	184,000,000	51.00
35.	RHI Dinaris GmbH, Wiesbaden, Germany	F	63.	EUR	500,000	100.00
36.	RHI Finance A/S, Hellerup, Denmark	F	1.	EUR	70,000	100.00
37.	RHI GLAS GmbH, Wiesbaden, Germany	F	63.	EUR	500,000	100.00
38.	RHI India Private Limited, Navi Mumbai, India	F	72.	INR	835,000	60.00
39.	RHI Isithebe (Pty) Limited, Sandton, South Africa	F	27.	ZAR	1,500	100.00
40.	RHI Monofrax, Ltd., Wilmington, USA	F	10.	USD	3,558,751	100.00
41.	RHI-Refmex, S.A. de C.V., Ramos Arizpe, Mexico	F	48.,72.	MXN	163,937,660	100.00
42.	RHI Refractories Africa (Pty) Ltd., Sandton, Südafrika	F	5.	ZAR	215,705	100.00

			Parent	Cur-rency	Nominal capital in local currency	Share in %
43.	RHI Refractories Andino C.A., Puerto Ordaz, Venezuela	F	72.	VEF	1,600,001	100.00
44.	RHI Refractories Asia Ltd., Hongkong, PR China	F	64.	HKD	1,000	100.00
45.	RHI Refractories Asia Pacific Pte. Ltd., Singapur	F	1.	SGD	300,000	100.00
46.	RHI Refratários Brasil Ltda., Sao Paulo, Brasil	F	8.,72.	BRL	1,512,501	100.00
47.	RHI Refractories (Dalian) Co., Ltd., Dalian, PR China	F	27.	CNY	287,273,962	100.00
48.	RHI Refractories España, S.L., Lugones, Spain	F	5.,9.	EUR	6,930,000	100.00
49.	RHI Refractories France S.A., Breuillet, France	F	64.	EUR	703,800	100.00
50.	RHI Refractories Holding Company, Dover, USA	F	72.	USD	1	100.00
51.	RHI Refractories Ibérica, S.L., Madrid, Spain	F	64.	EUR	30,050	100.00
52.	RHI Refractories Italiana s.r.l., Brescia, Italy	F	64.	EUR	110,000	100.00
53.	RHI Refractories Liaoning Co., Ltd., Bayuquan, PR China	F	27.	CNY	180,000,000	60.00
54.	RHI Refractories Mercosul Ltda, Sao Paulo, Brazil	F	65.,72.	BRL	49,250	100.00
55.	RHI Refractories Nord AB, Stockholm, Sweden	F	64.	SEK	1,000,000	100.00
56.	RHI Refractories Raw Material GmbH, Vienna, Austria	F	1.,27.	EUR	35,000	100.00
57.	RHI Refractories Site Services GmbH, Wiesbaden, Germany	F	5.	EUR	1,025,000	100.00
58.	RHI Refractories (Site Services) Ltd., Newark, Great Britain	F	59.	GBP	1,350,000	100.00
59.	RHI Refractories Spaeter GmbH, Urmitz, Germany	F	5.,64.	EUR	256,157	100.00
60.	RHI Refractories UK Limited, Clydebank, Great Britain	F	5.	GBP	8,875,000	100.00
61.	RHI Rückversicherungs AG, Vaduz, Liechtenstein	F	27.	EUR	900,000	100.00
62.	RHI Trading (Dalian) Co., Ltd., Dalian, PR China	F	27.	CNY	39,865,230	100.00
63.	RHI Urmitz AG & Co KG, Mülheim-Kärlich, Germany	F	4.,5.	EUR	2,454,250	100.00
64.	SAPREF AG für feuerfestes Material, Basel, Switzerland	F	72.	CHF	4,000,000	100.00
65.	Veitscher Vertriebsgesellschaft mbH, Vienna, Austria	F	1.	EUR	36,336	100.00
66.	Veitsch-Radex America Inc., Burlington, Canada	F	32.	CAD	1	100.00
67.	Veitsch-Radex America Inc., Mokena, USA	F	32.	USD	100	100.00
68.	Veitsch-Radex GmbH, Vienna, Austria	F	1.	EUR	35,000	100.00
69.	Veitsch-Radex GmbH & Co, Vienna, Austria	F	1.,68.	EUR	106,000,000	100.00
70.	Veitsch-Radex Vertriebsgesellschaft mbH, Vienna, Austria	F	1.	EUR	36,336	100.00
71.	VERA FE, Dnipropetrovsk, Ukraine	F	27.	UAH	192,600	100.00
72.	VRD Americas B.V., Arnhem, Netherlands	F	1.,27.	EUR	33,750,450	100.00
73.	Zimmermann & Jansen GmbH, Düren, Germany	F	5.	EUR	3,835,000	100.00
74.	Dolomite Franchi GmbH i.L., Hattingen, Germany	N	6.	EUR	25,564	100.00
75.	Dr.-Ing. Petri & Co. Unterstützungs-Gesellschaft mbH, Duisburg, Germany	N	5.	DEM	50,000	100.00
76.	RHI Réfractaires Algérie E.U.R.L., Sidi Amar, Algeria	N	49.	DZD	100,000	100.00
77.	Dolomite di Montignoso S.p.A. i.L., Genoa, Italy	E	6.	EUR	743,600	28.56
78.	MAGNIFIN Magnesiaprodukte GmbH & Co KG, St. Jakob, Austria	E	1.,80.	EUR	9,447,468	50.00
79.	Società Dolomite Italiana SDI S.p.A., Gardone Val Trompia, Italy	E	6.	EUR	208,000	50.00
80.	MAGNIFIN Magnesiaprodukte GmbH, St. Jakob, Austria	I	1.	EUR	35,000	50.00
81.	LLC NSK Ogneupor Holding, Moscow, Russia	I	27.	RUB	10,000	49.00
82.	LLC NSK Ogneupor, Novokuznetsk, Russia	I	27.	RUB	10,000	49.00
83.	Stopinc AG, Hünenberg, Switzerland	I	5.	CHF	1,000,000	50.00
84.	Treuhandgesellschaft Feuerfest mbH i.L., Bonn, Germany	I	5.,57.,63.	DEM	50,000	38.00

F full consolidation
E associates, equity consolidation
N not consolidated
I investments
i.L. in liquidation

Members of the Management Board

Thomas Fahnemann, Vienna, Chairman
(since 1 January 2009)

Henning E. Jensen, Vienna (since 18 January 2010)

Giorgio Cappelli, Vienna

Manfred Hödl, Vienna

Rudolf Payer, Vienna

Stefano Colombo, Vienna, was also a member of the Management Board during the reporting year (Deputy Chairman up to 28 May 2009).

Members of the Supervisory Board

Michael Gröller, Vienna, Chairman

Herbert Cordt, Vienna, Deputy Chairman

Helmut Draxler, Vienna, Deputy Chairman

Ulrich Glaunach, Vienna

Hubert Gorbach, Frastanz

Gerd Peskes, Düsseldorf, Germany

Stanislaus Prinz zu Sayn-Wittgenstein-Berleburg, Munich, Germany

Employee representatives:

Martin Kowatsch, Radenthein

Leopold Miedl, Vienna

Roland Rabensteiner, Breitenau am Hochlantsch
(since 21 April 2009)

Franz Reiter, Hochfilzen

Karl Wetzelhütter, Breitenau am Hochlantsch, was also a member of the Supervisory Board during the reporting year (up to 31 March 2009).

Vienna, 10 March 2010

Management Board

Thomas Fahnemann
CEO

Henning E. Jensen
CFO

Giorgio Cappelli
COO Steel

Manfred Hödl
COO Industrial

Rudolf Payer
Business Administration

Auditor's Report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RHI AG, Vienna, for the fiscal year from January 1, 2009 to December 31, 2009. These consolidated financial statements comprise the consolidated statement of financial position as of December 31, 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year ended December 31, 2009, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System
The Company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2009 and of its financial performance and its cash flows for the fiscal year from January 1, 2009 to December 31, 2009 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Comments on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 10 March 2010

Deloitte Audit Wirtschaftsprüfungs GmbH

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

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

Statement of all Legal Representatives

Statement of all Legal Representatives

We confirm to the best of our knowledge that the consolidated financial statements, which were prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

The results of the financial year ending on 31 December 2009 do not necessarily permit conclusions on the future development of results.

Vienna, 10 March 2010

Management Board

Thomas Fahnemann
CEO

Henning E. Jensen
CFO

Giorgio Cappelli
COO Steel

Manfred Hödl
COO Industrial

Rudolf Payer
Business Administration

Abridged Annual Financial Statements 2009 of RHI AG in Accordance with the Austrian Commercial Code (UGB)

Management Report

Regarding the management report, reference is made to the statements of the annual financial statements of RHI AG.

Vienna, 10 March 2010

Management Board

Thomas Fahnemann
CEO

Henning E. Jensen
CFO

Giorgio Cappelli
COO Steel

Manfred Hödl
COO Industrial

Rudolf Payer
Business Administration

Report of the Supervisory Board

The Supervisory Board of RHI AG, Vienna, held seven meetings during the course of 2009. At these meetings and on other occasions, the Management Board informed the Supervisory Board about important matters relating to the management, operating activities and the situation of the company. The Supervisory Board therefore had ample opportunity to fulfil its obligation to remain informed of and to monitor company operations. The Supervisory Board saw no reason to raise objections to the activities and operations of the Management Board.

The financial statements of RHI AG and the consolidated financial statements 2009 were audited and certified without qualification by Deloitte Austria Wirtschaftsprüfungs GmbH, Vienna, duly appointed auditors at the 30th Annual General Meeting. Furthermore, the auditors confirmed that the management reports prepared are in accordance with the annual financial statements and the consolidated financial statements. The auditor's report was submitted to the members of the Supervisory Board in accordance with § 273 (4) UGB (Austrian Commercial Code).

At the meeting of the audit committee held on 10 March 2010, the financial statements of RHI AG and the RHI Group were examined and preparations made for the approval thereof.

The Supervisory Board examined the financial statements of RHI AG submitted by the Management Board and the management report as well as the corporate governance report for the year 2009 and approved these at its meeting on 26 March 2010. The financial statements of RHI AG have thus been approved in accordance with § 96 (4) AktG (Austrian Stock Corporation Act). At the same meeting, the Supervisory Board examined and approved the consolidated financial statements along with the management report of the Group.

The Supervisory Board approved the Management Board's proposed appropriation of earnings.

The audit committee held six meetings in 2009; the presidium (at the same time nomination and compensation committee) held eleven meetings, with three meetings being held in the function of the nomination committee and three in the function of the compensation committee. In addition to the audit of the financial statements, the topics monitoring of the accounting process, strategy, organisation, internal auditing, risk management, internal control system, personnel and current developments were discussed at these meetings.

Vienna, 26 March 2010

Michael Gröller
Chairman

Balance Sheet of RHI AG 2009[1]

in € 1,000	31.12.2009	31.12.2008
ASSETS		
Fixed assets		
Intangible assets	10,019.0	14,708.4
Property, plant and equipment	11,045.6	13,376.2
Financial assets	621,534.1	642,129.1
	642,598.7	**670,213.7**
Current assets		
Inventories	33,298.0	33,788.3
Receivables and other assets	531,775.2	575,365.0
Cash and cash equivalents	101,816.2	15,120.0
	666,889.4	**624,273.3**
Prepaid expenses and deferred charges	**39.8**	**104.5**
	1,309,527.9	**1,294,591.5**
EQUITY AND LIABILITIES		
Equity		
Share capital	289,376.2	275,626.5
Additional paid-in capital	39,142.1	39,131.8
Accumulated profit	242,278.7	268,179.5
	570,797.0	**582,937.8**
Subordinated mezzanine capital		
Subordinated convertible bonds	0.0	13,760.0
Effective equity capital	**570,797.0**	**596,697.8**
Provisions		
Provisions for termination benefits and pensions	40,663.4	46,501.9
Other provisions	98,836.0	96,929.7
	139,499.4	**143,431.6**
Liabilities		
Financial liabilities	321,744.8	366,605.7
Trade payables	12,803.7	14,456.6
Other liabilities	264,683.0	173,399.8
	599,231.5	**554,462.1**
	1,309,527.9	**1,294,591.5**
Contingent liabilities	65,224.5	72,631.7

[1] The financial statements of 2009 of RHI AG were compiled in accordance with the Austrian Commercial code (UGB) as amended. The balance sheet and the income statement shown here are a summarised presentation of the audited balance sheet and income statement.

Income Statement of RHI AG 2009[1]

in € 1,000	2009	2008
Revenues	846,518.3	1,121,484.0
Changes in inventories of work in progress and services not yet invoiced	-871.8	1,256.5
Other operating income	52,727.0	58,169.1
Cost of material and other production services	-628,683.7	-807,709.7
Personnel expenses	-62,648.6	-68,083.7
Depreciation and amortisation	-11,222.7	-9,039.2
Other operating expenses	-182,997.4	-266,227.1
Operating result	**12,821.0**	**29,849.9**
Income from investments	12,860.9	15,571.3
Income from other non-current securities	108.6	594.2
Other interest and similar income	15,385.6	26,295.8
Income from the write-up of financial assets	97.5	0.0
Expenses from financial assets	-46,624.0	-259.1
Interest and similar expenses	-19,164.7	-25,159.1
Financial result	**-37,336.1**	**17,043.1**
Result from ordinary activities	**-24,515.1**	**46,893.0**
Income taxes	-1,385.8	-1,200.0
Profit/Loss for the year	**-25,900.8**	**45,693.0**
Profit carried forward	268,179.5	222,486.5
Accumulated profit	**242,278.7**	**268,179.5**

Imprint

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

This annual 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.

These materials may use terms which are non-GAAP financial measures. These supplemental financial measures should not be viewed in isolation as alternatives to measures of RHI's financial condition, results of operations or cash flows as presented in accordance with IFRS in its Consolidated Financial Statements. For definition of these supplemental financial measures, a reconciliation to the most directly comparable IFRS financial measures and information regarding the usefulness and limitations of these supplemental financial measures please contact the RHI Investor Relations team (investor.relations@rhi-ag.com).