

# QUARTERLY REPORT I/2010



**RHI**



# Key Figures RHI Group

## Earnings indicators

in € million	1 <sup>st</sup> Quarter		Change in %
	2010	2009 <sup>1)</sup>	
Revenues	342.2	315.8	8.4
EBITDA	44.9	26.9	66.9
EBITDA-margin	13.1%	8.5%	4.6 pts
EBIT	31.7	14.1	124.8
EBIT margin	9.3%	4.5%	4.8 pts
Profit before income taxes	26.8	5.4	396.3
Profit for the year	21.5	4.7	357.4
Cash flow from operating activities	22.4	26.5	(15.5)
Capital expenditure	5.2	9.5	(45.3)
Employees at 31 March	7,279	7,567	(3.8)

1) after reclassification

## Balance sheet indicators

in € million	31.03.2010	31.03.2009	Change in %
Balance sheet total	1,342.9	1,334.4	0.6
Equity	268.8	201.2	33.6
Net debt	217.6	360.9	(39.7)
Gearing	81.0%	179.4%	(54.8)

## Stock exchange indicators

in €	1 <sup>st</sup> Quarter		Change in %
	2010	2009 <sup>1)</sup>	
Basic earnings per share	0.57	0.10	470.0
Diluted earnings per share	0.57	0.10	470.0
Share price: high	26.47	13.09	102.2
Share price: low	16.43	8.70	88.9
Share price: average	21.41	10.67	100.7
Share price at 31 March	25.47	10.41	144.7
Market capitalisation (in € million)	1,014	395	156.9

1) after reclassification

## Changes in the reporting structure

Starting with the report on the first quarter of 2010, RHI has adjusted the reporting structure to reflect the organisational changes implemented in 2009 and 2010 as well as the resulting internal reporting structure. For reasons of transparency and comparability, the reclassifications were also made retroactively for the years 2007, 2008 and 2009 as well as the reference period of 2009. The first quarter of 2010 and the reference quarter of 2009 were reviewed by the auditor. The five steps of reclassification comprise:

- >> The removal of Isolit-Isolier GmbH from the figures of 2007 due to the sale in the year 2008 in accordance with IFRS 5, and reclassification of impairment losses.
- >> Reclassification of centrally reported costs of information technology of the production sites and competence centres of production from general and administration costs to cost of sales, and reclassification of services previously included in cost of marketing and sales to cost of sales.
- >> Elimination of the item special direct distribution costs and reclassification of these costs to cost of sales and sales and marketing costs.
- >> Allocation of the costs of the segment Holding/Other to the three divisions
- >> Direct cost allocation of raw materials purchased externally to the Steel and Industrial Divisions and elimination of these costs from the internal revenues of the Raw Materials Division.

The following table compares the results after reclassification according to the new reporting structure with the segment results as published for the years 2007, 2008 and 2009 as well as the first quarter of 2009.

in € million	<b>1<sup>st</sup> Quarter 2009</b>		<b>2009</b>		<b>2008</b>		<b>2007</b>	
	after reclassi- fications	as reported	after reclassi- fications	as reported	after reclassi- fications	as reported	after reclassi- fications	as reported
<b>Revenues</b>	<b>315.8</b>	<b>315.8</b>	<b>1,236.9</b>	<b>1,236.9</b>	<b>1,596.7</b>	<b>1,596.7</b>	<b>1,467.6</b>	<b>1,485.8</b>
Steel Division	165.3	165.3	703.6	703.6	957.6	957.6	891.8	891.8
Industrial Division	145.9	145.9	513.6	513.6	605.6	605.6	536.5	536.6
Raw Materials Division	34.4	203.6	135.1	458.8	167.5	1,012.5	142.1	977.1
thereof internal revenues	29.8	199.0	115.4	439.1	134.1	979.0	102.8	919.7
<b>Operating result</b>	<b>14.1</b>	<b>14.1</b>	<b>79.0</b>	<b>79.0</b>	<b>166.1</b>	<b>166.1</b>	<b>169.6</b>	<b>168.1</b>
Steel Division	(6.8)	(0.7)	2.7	18.8	63.9	89.0	87.6	82.7
Industrial Division	19.5	20.2	64.6	75.5	74.7	89.7	67.8	70.5
Raw Materials Division	1.4	(5.4)	11.7	10.5	27.5	(12.7)	14.2	14.9
Holding/Other	n.a.	n.a.	n.a.	(25.8)	n.a.	n.a.	n.a.	n.a.
<b>EBIT</b>	<b>14.1</b>	<b>14.1</b>	<b>54.8</b>	<b>54.8</b>	<b>148.4</b>	<b>148.4</b>	<b>165.8</b>	<b>164.3</b>
Steel Division	(6.8)	(0.7)	(6.7)	11.9	58.8	83.9	87.6	82.7
Industrial Division	19.5	20.2	54.2	67.0	70.9	86.0	64.0	66.7
Raw Materials Division	1.4	(5.4)	7.3	6.1	18.6	(21.5)	14.2	14.9
Holding/Other	n.a.	n.a.	n.a.	(30.2)	n.a.	n.a.	n.a.	n.a.
<b>EBIT margin</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.4%</b>	<b>4.4%</b>	<b>9.3%</b>	<b>9.3%</b>	<b>11.3%</b>	<b>11.1%</b>
Steel Division	(4.1)%	(0.4)%	(1.0)%	1.7%	6.1%	8.8%	9.8%	9.3%
Industrial Division	13.4%	13.8%	10.6%	13.0%	11.7%	14.2%	11.9%	12.4%
Raw Materials Division	4.1%	(2.7)%	5.4%	1.3%	11.1%	(2.1)%	10.0%	1.5%

The following table shows the income statements of the years 2007, 2008 and 2009 and of the first quarter of 2009, each as reported and after reclassifications.

Explanations can be found in the notes to the non-condensed consolidated financial statements, which are binding in the English version. All figures shown in this management report and interim consolidated financial statements for the first quarter of 2010 and the comparative quarter of 2009 correspond to the new reporting structure.

	<b>1<sup>st</sup> Quarter 2009</b>		<b>2009</b>		<b>2008</b>		<b>2007</b>	
in € million	after reclassi- fications	as reporte d	after reclassi- fications	as reported	after reclassi- fications	as reported	after reclassi- fications	as reported
<b>Revenues</b>	<b>315.8</b>	<b>315.8</b>	<b>1,236.9</b>	<b>1,236.9</b>	<b>1,596.7</b>	<b>1,596.7</b>	<b>1,467.6</b>	<b>1,485.8</b>
Special direct distribution of costs	n.a.	(27.3)	n.a.	(99.1)	n.a.	(142.4)	n.a.	(124.6)
Cost of sales	(244.5)	(219.7)	(965.2)	(890.6)	(1,210.5)	(1,089.1)	(1,107.7)	(1,023.4)
<b>Gross profit</b>	<b>71.3</b>	<b>68.8</b>	<b>271.7</b>	<b>247.2</b>	<b>386.2</b>	<b>365.2</b>	<b>359.9</b>	<b>337.8</b>
<b>Gross profit margin in %</b>	<b>22.6</b>	<b>21.8</b>	<b>22.0</b>	<b>20.0</b>	<b>24.2</b>	<b>22.9</b>	<b>24.5</b>	<b>22.7</b>
Distribution costs	(26.0)	(20.8)	(102.5)	(77.9)	(124.3)	(92.6)	(112.1)	(82.0)
Administrative expenses	(27.1)	(29.8)	(89.9)	(89.9)	(105.6)	(116.3)	(87.5)	(98.0)
Impairment losses	0.0	0.0	(9.1)	(9.1)	(17.8)	(17.8)	(0.8)	(3.0)
Restructuring loss	0.0	0.0	(15.1)	(15.1)	0.0	0.0	(3.0)	0.0
Other income	1.1	1.1	7.8	7.8	19.7	19.7	9.9	10.1
Other expenses	(5.2)	(5.2)	(8.2)	(8.2)	(9.8)	(9.8)	(0.6)	(0.6)
<b>Operating results</b>	<b>14.1</b>	<b>14.1</b>	<b>54.8</b>	<b>54.8</b>	<b>148.4</b>	<b>148.4</b>	<b>165.8</b>	<b>164.3</b>
<b>EBIT margin in%</b>	<b>4.5</b>	<b>4.5</b>	<b>4.4</b>	<b>4.4</b>	<b>9.3</b>	<b>9.3</b>	<b>11.3</b>	<b>11.1</b>
Interest income	0.4	0.4	2.6	2.6	4.2	4.2	4.4*	4.2
Interest expenses	(4.8)	(4.8)	(19.1)	(19.1)	(23.2)	(23.2)	(24.8)	(24.8)
Other financial results	(4.4)	(4.4)	(15.4)	(15.5)	(18.2)	(18.2)	(18.6)	(18.6)
Results from associates	0.1	0.1	2.4	2.4	2.2	2.2	1.4	1.4
<b>Profit before income taxes</b>	<b>5.4</b>	<b>5.4</b>	<b>25.2</b>	<b>25.2</b>	<b>113.4</b>	<b>113.4</b>	<b>128.2</b>	<b>126.5</b>
Income taxes	(0.7)	(0.7)	(3.8)	(3.8)	(11.6)	(11.6)	(15.1)	(15.5)
Profit for the period from continuing operations	4.7	4.7	21.4	21.4	101.8	101.8	113.1	111.1
Loss for the period from discontinued operations	0.0	0.0	0.0	0.0	(1.2)	(1.2)	(2.1)	0.0
<b>Profit for the period</b>	<b>4.7</b>	<b>4.7</b>	<b>21.4</b>	<b>21.4</b>	<b>100.6</b>	<b>100.6</b>	<b>111.0</b>	<b>111.0</b>
thereof attributable to equity holders of RHI AG	3.7	3.7	20.9	20.9	98.1	98.1	109.4	109.4
thereof attributable to non-controlling interests	1.0	1.0	0.5	0.5	2.5	2.5	1.6	1.6

\* Interest effects from continuing operations compared to discontinued operations

# Management Report RHI Group

## Business development

The recovery of the global economy continued in the first months of 2010. Emanating from a strong development of the Asian and Latin American emerging markets, the USA and Europe also recorded a positive economic development. Therefore the International Monetary Fund (IMF) raised the expectations for global economic growth in 2010 in its spring report: the global gross domestic product is now expected to grow by 4.2%; with a significantly stronger development expected in China (+10%), India (+8.8%) and Brazil (+5.5%) than in the rest of the world. The IMF estimates that growth in the Euro area will amount to 1.0% and in the USA to 3.1%.

The recovery of the global economy had a clearly positive impact on RHI's customer industries. The global steel output in the first quarter of 2010 increased by 29% compared to the first quarter of 2009. Above all, North America and Europe recorded high growth rates after the deep crisis in 2009. Accordingly, capacity utilisation amounted to roughly 90%. In the cement, glass and nonferrous metals industries no clear upward trend was tangible yet in the first months of 2010. While the construction industry remained weak in Europe and the USA because the economic recovery programmes had not yet taken effect, the BRIC states reported a positive development.

In this market environment, RHI benefited from the broad positioning in the Steel and Industrial Divisions, its global presence and previously implemented measures to increase flexibility and optimise costs. The growing demand in the Steel Division was therefore also fully reflected in terms of earnings. At the same time, business in the Industrial Division, which varied greatly by region and sector, was balanced out well. In the Raw Materials Division, demand rose again in the world markets and a corresponding increase in prices was recorded.

## Development of the individual divisions

### Segment Reporting

	1 <sup>st</sup> Quarter		
in € million	2010	2009 <sup>1)</sup>	Change in %
<b>Revenues</b>	<b>342.2</b>	<b>315.8</b>	<b>8.4</b>
Steel Division	218.8	165.3	32.4
Industrial Division	117.3	145.9	(19.6)
Raw Materials Division			
External revenues	6.1	4.6	32.6
Internal revenues	31.0	29.8	4.0
<b>EBIT</b>	<b>31.7</b>	<b>14.1</b>	<b>124.8</b>
Steel Division	14.8	(6.8)	317.6
Industrial Division	14.8	19.5	(24.1)
Raw Materials Division	2.1	1.4	50.0
<b>EBIT margin</b>	<b>9.3%</b>	<b>4.5%</b>	<b>4.8ppts</b>
Steel Division	6.8%	(4.1)%	10.9ppts
Industrial Division	12.6%	13.4%	(0.8)ppts
Raw Materials Division	5.7%	4.1%	1.6ppts

1) after reclassification

## Revenues & earnings

Compared to the reference period in 2009, revenues of the RHI Group rose by 8.4% to € 342.2 million in the first quarter of 2010 (Q1/2009: € 315.8 million). Above all, the Steel Division recorded substantial growth. The decline in the Industrial Division resulted primarily from the very strong first quarter of 2009, when RHI benefited from a high order backlog from the year 2008. The Group's sales volume amounted to 418,000 tonnes (Q1/2009: 346,000 tonnes). Due to RHI's good market position and the increasing demand, product prices remained stable or increased slightly during the reporting period. The Group's EBIT rose by 124.8% to € 31.7 million compared to the first quarter of 2009 (Q1/2009: € 14.1 million). Accordingly, the EBIT margin more than doubled from 4.5% to 9.3%. This development reflects not only better capacity utilisation, but also the effects of the efficiency and cost optimisation programme implemented in 2009 as well as the fact that the new plant concept, which is keyed to maximum flexibility, is working.

Compared to the fourth quarter of 2009, the first quarter of 2010 showed a largely stable development. Revenues slightly exceeded the figure of the fourth quarter of 2009 of € 336.7 million due to higher revenues in the Steel Division. EBIT rose from € 22.0 million to € 31.7 million. The result of the fourth quarter of 2009 was still affected by impairment losses and restructuring expenses to the amount of roughly € 11.5 million; in the first quarter of 2010 they amounted to € 1.9 million.

In the first quarter of 2010 the plant in Santiago, Chile, was severely damaged by the earthquake. The damage is largely covered by insurance, which is expected to be paid out in the second quarter.

As of 31 March 2010 all relevant balance sheet indicators improved further. Net debt was reduced by 6.7% to € 217.6 million versus € 233.2 million as of 31 December 2009. The equity ratio rose to 20.0% as of the closing date, after 17.9% at 31 December 2009. Cash and cash equivalents amounted to € 165.5 million (31.12.2009: € 139.8 million). Net cash flow from operating activities declined by 15.5% to € 22.4 million (Q1/2009: € 26.5 million) and net cash flow from investing activities, at € (2.9) million (Q1/2009: € (8.2) million), was also low in the reporting period as a result of the still restrictive investment programme.

There were no new developments in the US Chapter 11 proceedings in the reporting period.

The number of employees of 7,279 as of 31 March 2010 (31.03.2009: 7,567) reflected the capacity adjustment programme, which was completed in 2009. Recently people have been hired again due to the strong demand in the Steel segment.

## Steel Division

In the world steel market the strong demand of the fourth quarter of 2009 continued at the beginning of 2010. All regions of the world – with the exception of the CIS – therefore retained or slightly exceeded the level of steel output of the fourth quarter of 2009, which caused significant growth rates in a year-on-year comparison: world steel output rose 29% from 266,000 tonnes in the first quarter of 2009 to 342,000 tonnes in the first quarter of 2010. Especially the EU 27 (+37%), North America (+54%), South America (+39%) and the Asia/Pacific region without China (+28%)

contributed to this development. In China, steel output in the first three months was 25% higher than in the reference period, while the Eastern European countries and Russia showed a somewhat weaker development.

In line with this strong market development – especially in RHI's current core markets, Europe and North America – RHI raised revenues in the Steel Division by 32.4% to € 218.8 million in the first quarter of 2010 (Q1/2009: € 165.3 million). At € 14.8 million, EBIT was satisfying after it had still been negative in the first quarter of 2009 (€ (6.8) million) and amounted to € 10.0 million in the fourth quarter of 2009. The cost savings realised in 2009 and the high capacity utilisation led to a general increase in profitability in the division; additional contributions to earnings were achieved through the successful implementation of the sales offensive in Asia and South America.

The number of incoming orders in the core markets continued to increase in the first quarter of 2010, which provides grounds for optimism for the second and third quarters of 2010. If the economic situation continues to develop positively, increasing prices and longer delivery times on the raw materials side will be the consequence in the third quarter.

**EMEA** In Western Europe the steel industry experienced a very positive development compared to the previous year. Even in comparison with the good fourth quarter of 2009 a further upward trend was recorded. RHI was able to take full advantage of this trend as the market and technology leader, to capitalise on the location advantage and thus generate an above-average increase in revenues.

The Eastern European steel markets were still affected by the economic crisis in the first quarter of 2010. The difficult financial situation of many steel plants also had an impact on RHI. However, a delayed recovery is expected in the next quarters.

In the Middle East steel output declined in the reporting period compared to the fourth quarter of 2009, as did the demand for refractory products.

**North America** In North America, the upward trend in the steel industry, which had begun in the third quarter of 2009, continued. The business with refractory materials was therefore easy to expand, with the trend towards full-line-service contracts continuing.

**South America** The positive development of the steel production in South America persisted in the first quarter of 2010 despite the earthquake in Chile and the energy crisis in Venezuela. As market presence was intensified and the sales organisation expanded, RHI managed to grow substantially faster than the market, thus gaining market share.

**Asia/Pacific** In the Asia/Pacific region (without China) RHI grew considerably faster than the market in the first three months of 2010. Sales volume developed particularly well in India, Taiwan and Korea.

**China** In China, RHI significantly increased revenues in comparison with the first quarter of 2009 and the fourth quarter of 2009, thus recording a company development exceeding market growth. RHI benefited especially from its successful focus on high-quality products and the service business.

## Industrial Division

The very sluggish recovery of the global construction industry as well as ongoing financial constraints for investments in the customer industries led to an overall subdued development in RHI's Industrial Division again in the first quarter of 2010. The level of incoming orders varied greatly in terms of regions and sectors and was highly volatile.

As a result of this difficult market development, revenues of the Industrial Division, at € 117.3 million in the first three months of 2010, fell short of the excellent reference figure of 2009 of € 145.9 million. EBIT amounted to € 14.8 million (Q1/2009: € 19.5 million), which corresponds to a very positive EBIT margin of 12.6% (Q1/2009: 13.4%).

**Glass** The market development in the glass segment was unsatisfactory again in the first quarter of 2010. As demand for glass was still low due to the crisis, production continued to be low in the customer industries and investment projects were delayed. Only the flat glass market in China and the container glass market in Russia represented positive exceptions. A tangible recovery was also identifiable in the special glass segment with new construction projects in the TFT glass segment, especially in Asia. However, as the general weakness of the market kept persisting, both incoming orders and capacity utilisation were not yet satisfactory in the reporting period.

In early April 2010 RHI acquired a minority stake in one of the largest Russian refractories manufacturers for the glass industry. The company operates a plant for fused cast bricks in Moscow and primarily supplies Russian customers.

**Cement/Lime** As in the previous year, cement consumption showed major regional variations. In some Western European countries such as Germany, Italy and Spain, cement sales volume fell again in the first months of 2010 compared to 2009. The US market showed a similar picture. The further development in these two regions is highly dependent on a recovery of the construction industry. In the Eastern European and Russian cement industry an end of the economic crisis is not foreseeable. Here, refractories sales volume fell significantly short of the level of 2009. Despite this difficult market situation in Western and Eastern Europe and the USA, RHI was able to maintain stable prices.

The markets in Asia, Latin America and Africa showed a significantly more positive development in the first quarter of 2010. In China, RHI once again increased its sales volume, which was primarily due to the product quality and the high service level. In Southeast Asia, first signs indicated a further recovery of the construction industry. This also had an effect on the refractories sales in this region. Latin America has overcome the economic crisis. Demand for refractories has thus exceeded the level of 2009. In addition, opportunities are arising for the construction industry, above all in Brazil because of the Olympic Games and the Soccer World Cup.

The positive development in the lime project business continued in the first quarter of 2010. Above all in China, the Asia/Pacific region but also in the Near and Middle East, business was tangibly stimulated. Central and South America also recovered significantly faster than Western Europe and North America. Only Russia still only showed minor activities in the lime sector.



RHI therefore recorded substantially higher sales volume and revenues in the lime segment compared to both the first quarter of 2009 and to the fourth quarter of 2009.

#### **Nonferrous Metals**

In the nonferrous metals segment the project business continued to recover slowly in the first quarter of 2010. This was attributable to increasing metal prices, whose development indicates ongoing successful project business. Third-party business, which had suffered a sharp drop following the temporary shutdown of many metallurgical plants, also recovered slightly in the first months of 2010, with inventories increasingly being stocked up again by customers. This generally positive trend was offset by special factors, such as strikes in Canada, and a general price pressure. However, the starting recovery will only have an effect on RHI's revenues and earnings in the months to come because of the process of major projects.

#### **Environment, Energy, Chemicals**

Due to the cancellation or delay of many new construction and extension projects, the level of incoming orders was low in the first quarter of 2010. In the chemicals, petrochemical and refinery segments, however, a positive turnaround began to show. An increasing number of new projects – predominantly in the BRIC countries and in countries producing oil and natural gas – are planned. The extension of basic services in the economic centres of China in turn provided for an increase in demand in the environment segment.

#### **Raw Materials Division**

Revenues in RHI's Raw Materials Division increased by 7.8% in the first quarter of 2010 compared to the reference period of 2009. This was primarily attributable to the improved capacity utilisation, which resulted from stronger demand in RHI's Steel Division. EBIT also rose slightly from € 1.4 million in first quarter of 2009 to € 2.1 million.

The upward trend for raw material prices continued in the first quarter of 2010, though in a somewhat weaker form. The market prices of Chinese raw materials rose substantially, while prices for raw materials outside China remained constant or increased moderately.

The rise in demand affected the availability of some raw materials. In the first quarter of 2010, a critical level was reached for fused magnesia, bauxite and graphite. In the case of fused magnesia, RHI was able to cover its needs by stepping up its own production.

Raw material production in the first quarter of 2010 fell slightly short of the fourth quarter of 2009. With the exception of the plants in Dashiqiao and Isithebe, capacities for raw material production were nearly fully used.

**Outlook** Assuming that the current development in the financial markets has no negative effects on the real economy, RHI expects a result for the second quarter of 2010, which should essentially match that of the first quarter of 2010.

Due to the market recovery, the ongoing expansion of the market position and the clearly improved cost structure compared with 2009, RHI is confident for the year 2010 to realise an increase in revenues and earnings in comparison with 2009.

Vienna, 5 May 2010

The Management Board



Thomas Fahnemann  
CEO



Henning E. Jensen  
CFO



Giorgio Cappelli  
COO Steel



Manfred Hödl  
COO Industrial

# Interim Consolidated Financial Statements

## Consolidated Balance Sheet

in € million	31.03.2010	31.12.2009
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	415.4	411.2
Goodwill	14.7	14.7
Other intangible assets	40.6	41.3
Shares in associates	12.9	12.4
Other financial assets	37.0	36.9
Non-current receivables	2.8	2.8
Deferred tax assets	69.2	72.1
	<b>592.6</b>	<b>591.4</b>
<b>Current assets</b>		
Inventories	326.7	286.7
Trade and other current receivables	251.5	245.9
Current portion of non-current receivables	0.5	0.5
Income tax receivables	4.2	4.2
Other financial assets	1.9	2.7
Cash and cash equivalents	165.5	139.8
	<b>750.3</b>	<b>679.8</b>
	<b>1,342.9</b>	<b>1,271.2</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	289.4	289.4
Group reserves	(39.0)	(80.1)
Equity attributable to equity holders of RHI AG	250.4	209.3
Non controlling interest	18.4	18.5
	<b>268.8</b>	<b>227.8</b>
<b>Non-current liabilities</b>		
Non-current financial liabilities	218.2	217.6
Deferred tax liabilities	3.9	8.7
Personnel provisions	286.7	287.5
Other non-current provisions	3.3	3.2
Other non-current liabilities	5.5	5.7
	<b>517.6</b>	<b>522.7</b>
<b>Current liabilities</b>		
Current financial liabilities	164.9	155.4
Trade and other current payables	285.1	265.2
Other financial liabilities	4.4	1.4
Income tax payables	29.1	27.2
Current provisions	73.0	71.5
	<b>556.5</b>	<b>520.7</b>
	<b>1,342.9</b>	<b>1,271.2</b>

## Income Statement

	<b>1<sup>st</sup> Quarter</b>	
in € million	2010	2009
Revenues	342.2	315.8
Cost of sales	(257.8)	(244.5)
<b>Gross profit</b>	<b>84.4</b>	<b>71.3</b>
Sales and marketing costs	(24.5)	(26.0)
General and administration costs	(22.7)	(27.1)
Restructuring costs	(1.9)	0.0
Other income	1.5	1.1
Other expenses	(5.1)	(5.2)
<b>Operating results</b>	<b>31.7</b>	<b>14.1</b>
Interest income	0.5	0.4
Interest expenses	(3.0)	(4.8)
Other financial result	(4.0)	(4.4)
Financial result	(6.5)	(8.8)
Results from associates	1.6	0.1
<b>Profit before income taxes</b>	<b>26.8</b>	<b>5.4</b>
Income taxes	(5.3)	(0.7)
<b>Profit after income taxes</b>	<b>21.5</b>	<b>4.7</b>
Profit attributable to		
equity holders of RHI AG	22.5	3.7
non controlling interests	(1.0)	1.0
	21.5	4.7
in €		
Basic earnings per share	0.57	0.10
Diluted earnings per share	0.57	0.10

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

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

## Statement of Comprehensive Income

	<b>1<sup>st</sup> Quarter</b>	
in € million	2010	2009
Profit	21.5	4.7
Unrealised results from currency translation recognised in equity	19.5	14.7
<b>Total comprehensive income</b>	<b>41.0</b>	<b>19.4</b>
Total comprehensive income attributable to		
equity holders of RHI AG	41.1	17.5
non controlling interests	(0.1)	1.9
	41.0	19.4

## Statement of Changes in Equity

Equity attributable to equity holders of RHI AG							Non- con- trolling interests	Total equity
in € million	Share capital	Additional paid-in capital	Fair value reserves	Currency translation reserves	Accumu- lated results	Total		
<b>31.12.2009</b>	<b>289.4</b>	<b>38.3</b>	<b>3.1</b>	<b>(61.3)</b>	<b>(60.2)</b>	<b>209.3</b>	<b>18.5</b>	<b>227.8</b>
Total comprehensive income	-	-	-	18.6	22.5	41.1	(0.1)	41.0
<b>31.3.2010</b>	<b>289.4</b>	<b>38.3</b>	<b>3.1</b>	<b>(42.7)</b>	<b>(37.7)</b>	<b>250.4</b>	<b>18.4</b>	<b>268.8</b>

Equity attributable to equity holders of RHI AG							Non- con- trolling interests	Total equity
in € million	Share capital	Additional paid-in capital	Fair value reserves	Currency translation reserves	Accumu- lated results	Total		
<b>31.12.2008</b>	<b>275.6</b>	<b>38.3</b>	<b>3.1</b>	<b>(79.4)</b>	<b>(75.0)</b>	<b>162.6</b>	<b>19.2</b>	<b>181.8</b>
Total comprehensive income	-	-	-	13.8	3.7	17.5	1.9	19.4
<b>31.3.2009</b>	<b>275.6</b>	<b>38.3</b>	<b>3.1</b>	<b>(65.6)</b>	<b>(71.3)</b>	<b>180.1</b>	<b>21.1</b>	<b>201.2</b>

## Statement of Cash Flows

in € million	2010	2009
<b>Cash and cash equivalents at 1 January</b>	<b>139.8</b>	<b>46.3</b>
Net cash flow from operating activities	22.4	26.5
Net cash flow from investing activities	(2.9)	(8.2)
Net cash flow from financing activities	4.2	11.5
Change in cash and cash equivalents due to currency translation	2.0	1.3
<b>Cash and cash equivalents at 31 March</b>	<b>165.5</b>	<b>77.4</b>



# RHI Share

## RHI Shareholder structure



< 60% Free Float  
> 25% MS Private Foundation,  
Austria  
> 10% FEWI BeteiligungsgmbH,  
Germany,  
> 5% Raiffeisen Group,  
Austria

The shares of RHI AG are admitted to trading on the Vienna Stock Exchange. RHI is represented in the ATX, the lead index and the most important trading segment of the Austrian capital market, and is a member of the Prime Market at the Vienna Stock Exchange. In the year 2009, all outstanding convertible bonds were converted to new RHI shares. On 31 December 2009, 39,819,039 no-par common shares with voting rights of RHI AG were admitted to trading in Vienna.

## Financial Calendar

Half-year results 2010  
Results for the 3<sup>rd</sup> Quarter 2010

3 August 2010  
4 November 2010

## Stock exchange key figures

in €	1 <sup>st</sup> Quarter	
	2010	2009
Highest share price	26.47	13.09
Lowest share price	16.43	8.70
Share price at 31 March	25.47	10.41
Market capitalisation (in € million)	1,014	395

## 31<sup>st</sup> Annual General Meeting

At the Annual General Meeting in 2008, authorised capital to the amount of up to 3,750,353 no-par bearer shares of the company, which the Management Board may use with the consent of the Supervisory Board until 29 May 2013, also for a cash contribution, was adopted. The Annual General Meeting of 2010 has now adopted further authorised capital of up to 5,972,855 no-par bearer shares, which the Management Board may exercise with the consent of the Supervisory Board until 30 April 2015 in return for a cash contribution. The Management Board has thus been authorised, with the approval of the Supervisory Board and without further approval by the Annual General Meeting, to increase share capital by issuing up to 9,723,208 no-par shares. The current number of no-par bearer shares of RHI AG equals 39,819,039.

In the course of the employee stock ownership plan the Annual General Meeting extended the authorisation to acquire treasury shares. The Management and Supervisory Boards were discharged for the financial year 2009. The Annual General Meeting re-elected Michael Gröller, Herbert Cordt, Helmut Draxler and Hubert Gorbach and newly elected David Schlaff to the Supervisory Board.

### ISIN

RHI Share: AT 0000676903

Reuters: RHIV.VI  
Bloomberg: RHI AV

### Information on RHI

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# **RHI Consolidated Financial Statements 1<sup>st</sup> Quarter 2010**

# RHI Consolidated Statement of Financial Position

## 1<sup>st</sup> Quarter 2010

in € million	Notes	31.3.2010	%	31.12.2009	%	31.3.2009	%
<b>ASSETS</b>							
<b>Non-current assets</b>							
Property, plant and equipment	(1)	415.4	30.9	411.2	32.3	432.3	32.4
Goodwill	(2)	14.7	1.1	14.7	1.2	14.7	1.1
Other intangible assets	(3)	40.6	3.0	41.3	3.2	42.6	3.2
Shares in associates	(4)	12.9	1.0	12.4	1.0	11.4	0.9
Other non-current financial assets	(5)	37.0	2.8	36.9	2.9	37.7	2.8
Non-current receivables	(6)	2.8	0.2	2.8	0.2	0.7	0.0
Deferred tax assets	(7)	69.2	5.1	72.1	5.7	72.8	5.5
		<b>592.6</b>	<b>44.1</b>	<b>591.4</b>	<b>46.5</b>	<b>612.2</b>	<b>45.9</b>
<b>Current assets</b>							
Inventories	(8)	326.7	24.3	286.7	22.6	383.9	28.8
Trade and other current receivables	(9)	251.5	18.7	245.9	19.3	244.1	18.3
Current portion of non-current receivables	(6)	0.5	0.1	0.5	0.1	3.1	0.2
Income tax receivables		4.2	0.3	4.2	0.3	7.2	0.5
Other financial assets	(10)	1.9	0.2	2.7	0.2	6.5	0.5
Cash and cash equivalents	(11)	165.5	12.3	139.8	11.0	77.4	5.8
		<b>750.3</b>	<b>55.9</b>	<b>679.8</b>	<b>53.5</b>	<b>722.2</b>	<b>54.1</b>
		<b>1,342.9</b>	<b>100.0</b>	<b>1,271.2</b>	<b>100.0</b>	<b>1,334.4</b>	<b>100.0</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
Share capital	(12)	289.4	21.5	289.4	22.8	275.6	20.7
Group reserves	(12)	-39.0	-2.9	-80.1	-6.3	-95.5	-7.2
Equity attributable to equity holders of RHI AG		250.4	18.6	209.3	16.5	180.1	13.5
Non-controlling interests	(12)	18.4	1.4	18.5	1.4	21.1	1.6
		<b>268.8</b>	<b>20.0</b>	<b>227.8</b>	<b>17.9</b>	<b>201.2</b>	<b>15.1</b>
<b>Non-current liabilities</b>							
Non-current financial liabilities	(14)	218.2	16.3	217.6	17.1	301.3	22.6
Deferred tax liabilities	(7)	3.9	0.3	8.7	0.7	10.5	0.8
Personnel provisions	(15)	286.7	21.4	287.5	22.6	297.6	22.3
Other non-current provisions	(16)	3.3	0.2	3.2	0.3	3.2	0.2
Other non-current liabilities	(17)	5.5	0.4	5.7	0.4	5.3	0.4
		<b>517.6</b>	<b>38.6</b>	<b>522.7</b>	<b>41.1</b>	<b>617.9</b>	<b>46.3</b>
<b>Current liabilities</b>							
Subordinated convertible bonds	(18)	0.0	0.0	0.0	0.0	13.9	1.0
Current financial liabilities	(14)	164.9	12.3	155.4	12.2	137.0	10.3
Trade and other current payables	(17)	285.1	21.2	265.2	20.9	252.5	18.9
Other financial liabilities	(10)	4.4	0.3	1.4	0.1	2.4	0.2
Income tax payables		29.1	2.2	27.2	2.2	35.9	2.7
Current provisions	(19)	73.0	5.4	71.5	5.6	73.6	5.5
		<b>556.5</b>	<b>41.4</b>	<b>520.7</b>	<b>41.0</b>	<b>515.3</b>	<b>38.6</b>
		<b>1,342.9</b>	<b>100.0</b>	<b>1,271.2</b>	<b>100.0</b>	<b>1,334.4</b>	<b>100.0</b>

# RHI Consolidated Income Statement 1<sup>st</sup> Quarter 2010

in € million	Notes	1.1.-31.3.2010	%	1.1.-31.3.2009 <sup>1)</sup>	%
Revenues	(22)	342.2	100.0	315.8	100.0
Cost of sales	(23)	-257.8	-75.3	-244.5	-77.4
<b>Gross profit</b>		<b>84.4</b>	<b>24.7</b>	<b>71.3</b>	<b>22.6</b>
Sales and marketing costs	(24)	-24.5	-7.2	-26.0	-8.2
General and administration costs	(25)	-22.7	-6.6	-27.1	-8.6
Restructuring costs	(26)	-1.9	-0.5	0.0	0.0
Other income	(27)	1.5	0.4	1.1	0.3
Other expenses	(28)	-5.1	-1.5	-5.2	-1.6
<b>Operating results</b>		<b>31.7</b>	<b>9.3</b>	<b>14.1</b>	<b>4.5</b>
Interest income	(29)	0.5	0.1	0.4	0.1
Interest expenses	(30)	-3.0	-0.9	-4.8	-1.5
Other financial results	(31)	-4.0	-1.2	-4.4	-1.4
Financial results		-6.5	-2.0	-8.8	-2.8
Results from associates		1.6	0.5	0.1	0.0
<b>Profit before income taxes</b>		<b>26.8</b>	<b>7.8</b>	<b>5.4</b>	<b>1.7</b>
Income taxes	(32)	-5.3	-1.5	-0.7	-0.2
<b>Profit after income taxes</b>		<b>21.5</b>	<b>6.3</b>	<b>4.7</b>	<b>1.5</b>
Profit attributable to					
equity holders of RHI AG		22.5	104.7	3.7	78.7
non-controlling interests		-1.0	-4.7	1.0	21.3
		21.5	100.0	4.7	100.0
in €					
Basic earnings per share	(40)	0.57		0.10	
Diluted earnings per share <sup>2)</sup>	(40)	0.57		0.10	

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

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

## RHI Consolidated Statement of Comprehensive Income 1<sup>st</sup> Quarter 2010

in € million	1.1.-31.3.2010	1.1.-31.3.2009
Profit after income taxes	21.5	4.7
Unrealised results from currency translation recognised in equity	19.5	14.7
<b>Total comprehensive income</b>	<b>41.0</b>	<b>19.4</b>
Total comprehensive income attributable to equity holders of RHI AG	41.1	17.5
non-controlling interests	-0.1	1.9
	41.0	19.4



# RHI Consolidated Statement of Changes in Equity

## 1<sup>st</sup> Quarter 2010

in € million	Equity attributable to equity holders of RHI AG						Non-con-trolling interests	Total equity
	Share capital	Additional paid-in capital	Fair value reserves	Currency translation reserves	Accumu-lated results	Total		
<b>31.12.2009</b>	<b>289.4</b>	<b>38.3</b>	<b>3.1</b>	<b>-61.3</b>	<b>-60.2</b>	<b>209.3</b>	<b>18.5</b>	<b>227.8</b>
Total comprehensive income	-	-	-	18.6	22.5	<b>41.1</b>	<b>-0.1</b>	<b>41.0</b>
<b>31.3.2010</b>	<b>289.4</b>	<b>38.3</b>	<b>3.1</b>	<b>-42.7</b>	<b>-37.7</b>	<b>250.4</b>	<b>18.4</b>	<b>268.8</b>

in € million	Equity attributable to equity holders of RHI AG						Non-con-trolling interests	Total equity
	Share capital	Additional paid-in capital	Fair value reserves	Currency translation reserves	Accumu-lated results	Total		
<b>31.12.2008</b>	<b>275.6</b>	<b>38.3</b>	<b>3.1</b>	<b>-79.4</b>	<b>-75.0</b>	<b>162.6</b>	<b>19.2</b>	<b>181.8</b>
Total comprehensive income	-	-	-	13.8	3.7	<b>17.5</b>	<b>1.9</b>	<b>19.4</b>
<b>31.3.2009</b>	<b>275.6</b>	<b>38.3</b>	<b>3.1</b>	<b>-65.6</b>	<b>-71.3</b>	<b>180.1</b>	<b>21.1</b>	<b>201.2</b>

Explanations on equity are provided under note (12).

# RHI Consolidated Cash Flow Statement

## 1<sup>st</sup> Quarter 2010

in € million	Notes	1.1.-31.3.2010	1.1.-31.3.2009
Profit after income taxes		21.5	4.7
Adjustments for			
income taxes		5.3	0.7
depreciation and amortisation charges		13.2	12.8
(gains)/losses from sale of non-current assets		-0.1	1.3
interest result		2.5	4.4
results from associates		-1.6	-0.1
other non-cash changes		6.4	4.5
Change in working capital			
Inventories		-29.4	3.0
Trade receivables		2.6	31.8
Other receivables and assets		-1.5	0.8
Provisions		-6.6	-4.4
Trade payables		7.9	-31.9
Other liabilities		6.2	2.2
<b>Cash flow from operating activities</b>		<b>26.4</b>	<b>29.8</b>
Income taxes paid		-4.0	-3.3
<b>Net cash flow from operating activities</b>	(35)	<b>22.4</b>	<b>26.5</b>
Investments in property, plant and equipment and intangible assets		-5.2	-9.5
Cash inflows from the sale of property, plant and equipment and intangible assets		0.9	0.3
Investments in non-controlling interests		-0.2	0.0
Investments in non-current receivables		0.0	-2.1
Investments in non-current financial assets		0.0	-0.1
Dividend payments from associates		1.1	2.8
Interest received		0.5	0.4
<b>Net cash flow from investing activities</b>	(36)	<b>-2.9</b>	<b>-8.2</b>
Proceeds from non-current borrowings		1.7	0.0
Repayments of non-current borrowings		-2.0	-4.3
Proceeds from current borrowings		7.5	30.5
Repayments of current borrowings		0.0	-10.1
Interest payments		-3.0	-4.6
<b>Net cash flow from financing activities</b>	(37)	<b>4.2</b>	<b>11.5</b>
<b>Total cash flow</b>		<b>23.7</b>	<b>29.8</b>
<b>Change in cash and cash equivalents</b>		<b>23.7</b>	<b>29.8</b>
Cash and cash equivalents as of 1.1.		139.8	46.3
Change in cash and cash equivalents due to currency translation		2.0	1.3
Cash and cash equivalents as of 31.3.		165.5	77.4

# RHI Notes to the Consolidated Financial Statements 1<sup>st</sup> Quarter 2010

## 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 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 Group companies included in these interim consolidated financial statements were prepared as of 31 March 2010.

The consolidated financial statements were prepared in accordance with IAS 34 and 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 reporting date.

The preparation of the consolidated financial statements in accordance with generally accepted accounting and valuation principles 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 closing 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.

The consolidated financial statements as of 31 March 2010 were released by the Management Board on 5 May 2010.

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

### **Initial application of financial reporting standards**

The following new or revised accounting standards and interpretations, which are to be applied in the EU, were applied for the first time in 2010:

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

The revised versions of IFRS 3 “Business Combinations” and IAS 27 “Consolidated and Separate Financial Statements” have been applied by the RHI Group since 1 January 2010. 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 attributable to a business combination are no longer part of the cost of a business combination, but must normally be recognised through profit or loss.

Changes in contingent consideration resulting from events after the acquisition date will not result in an adjustment of goodwill but will usually have to be recognised through profit or loss.

The new version of IFRS 3 provides two options for the measurement of non-controlling interests at acquisition: non-controlling interests may be measured at their fair value, i.e. at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets and of goodwill, or, as in the past, only at the fair value of the identifiable assets and liabilities attributable to the non-controlling interests.

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 in profit or loss at the date when control is obtained.

The seller in a business combination may contractually indemnify the acquirer for the outcome of a contingency, e.g. a tax contingency. The resulting indemnification asset has to be recognised at the same time that the indemnified liability is recognised and has to be measured on the same basis as the indemnified liability.

According to the amendments to IAS 27 changes in the percentage of ownership without a loss of control may only be treated as equity transactions. However, if 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 gain or loss must be recognised through profit or loss.

Another amendment to IAS 27 regulates the allocation of losses attributable to non-controlling interests. Under the previously applicable provisions of IAS 27, losses that exceed the carrying amount of non-controlling interests were normally allocated to the equity holders of the parent. Since 1 January 2010 the share of non-controlling interests is allocated to non-controlling interest even if this results in the carrying amount of the respective non-controlling interest being negative.

The revised versions of IFRS 3 and IAS 27 mainly have to be applied prospectively. The amendments had no effect on the RHI Group’s assets, liabilities, financial position and profit or loss in the financial statements as of 31 March 2010 but will have an effect on future consolidated financial statements if business combinations are realised.

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

### **New financial reporting standards not yet adopted**

The IASB has issued new standards and amendments to standards and interpretations that need not be applied mandatorily yet. They have not been applied prematurely on a voluntary basis either.

IAS 32 (amended 2009) "Financial Instruments: Presentation - Classification of Rights Issues" was adopted by the EU prior to the preparation of the consolidated financial statements. The initial application of this amendment will have no effect on the Group's financial statements.

The IASB has also issued other accounting regulations that have not been endorsed by the EU yet:

- >> IAS 24 (revised 2009): Related Party Disclosures
- >> IFRS 9 (2009): Financial Instruments
- >> 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", "held to maturity investments", "available-for-sale financial assets" and "financial assets at fair value through profit or loss" are replaced by the categories "amortised cost" and "fair value". Whether an instrument qualifies for the category of amortised cost, 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 retroactively for annual periods beginning on or after 1 January 2013.

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

### **Changes in the presentation of the income statement**

In the year 2009, the costs of information technology of the production plants and the competence centres of production previously reported centrally were no longer recognised under general and administration costs, but under cost of sales. In the first quarter of 2009 € 2.7 million were reclassified to the income statement item cost of sales. Moreover, the costs of services previously included under sales and marketing costs amounting to € 1.2 million were transferred to cost of sales.

In the first quarter of 2010, a reclassification was introduced pursuant to which the originally reported line item special direct distribution costs was transferred to cost of sales and sales and marketing costs. The special direct distribution costs, the reporting of which is not common among our peers, originally consisted of freight, licences, commissions and other costs and amounted to € 27.3 million in the first quarter of 2009. Except for commissions in the amount of € 6.4 million, which were reclassified to sales and marketing costs, all other items were re-allocated to cost of sales. As a result the reclassified cost of sales for the first three months of 2009 increased by € 20.9 million and sales and marketing costs increased by € 6.4 million.

### **Changes in segment reporting**

In order to enhance comparability and transparency of the operating segments Steel, Industrial and Raw Materials, expenses for central functions and other previously not assigned income and expenses are allocated to the three operating segments in the management reporting starting with 2010. The costs of the comparable period of € 9.2 million originally reported under "Holding and other" were allocated to the operating segments on the basis of external revenues of the segments realised in the first quarter 2009.



In order to better reflect the overall performance of the Raw Materials segment and the factual circumstances (as raw material purchases are in fact effected by the Steel and Industrial segments), the management of the Group decided to report purchases of raw materials from third parties in the segments Steel and Industrial where such raw material is processed. Before, raw material for the segments Steel and Industrial was purchased by the segment Raw Materials from third parties and resold to the segments Steel and Industrial. Starting with 2010 the Raw Materials segment's internal and external sales reflect only internally produced raw material. The comparable data were adjusted accordingly.

## 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 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. Acquisition-related transaction costs that are directly related to the business combination are recognised through profit or loss since 1 January 2010.

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.

In case 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 and presentation currency**

The individual account balances 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 financial statements of Magnesit Anonim Sirketi are prepared in Euro.

The consolidated financial statements are presented in Euro, which represents the functional and presentation 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 closing date are recognised to the income statement.

### **Group companies**

The financial statements of foreign subsidiaries that have a different functional currency than the Group presentation currency are translated into Euro as follows:

Assets and liabilities are translated at the average exchange rate on the closing 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:

Currencies	ISO-Code	Closing rate		Average monthly rate	
		31.3.2010	31.12.2009	1.1.-31.3.2010	1.1.-31.3.2009
Pound sterling	GBP	0.89	0.89	0.89	0.92
Canadian dollar	CAD	1.37	1.50	1.48	1.63
Chilean peso	CLP	710.14	725.49	725.49	814.60
Mexican peso	MXN	16.68	18.64	18.04	18.95
Chinese renminbi yuan	CNY	9.24	9.77	9.52	8.95
South African rand	ZAR	9.94	10.57	10.57	12.97
US dollar	USD	1.35	1.43	1.39	1.32

## **C Property, plant and equipment**

Property, plant and equipment are measured at acquisition or production cost, less depreciation on a systematic basis. 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 not material, 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 amortisation of the outstanding liability. As of the reporting date, the carrying amount of property, plant and equipment leased through finance leasing is not material. All other leases are treated as operating leases. 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 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 as 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.

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 amounts and economic useful lives are reviewed as of each closing 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 amount of the replaced components is derecognised. Regular maintenance and repair costs are expensed as incurred.

Gains or losses on the disposal of non-current assets, which represent the difference between the net realisable value and carrying amount, are recognised as income or expense in the income statement.

## **D Goodwill**

Goodwill is recognised as an asset in accordance with IFRS 3 and 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 period 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 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 impairment loss is reversed.

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.

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.

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. A review of the discount rates as of 31 March 2010 shows no major changes in the assumed interest rates.

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 non-current financial assets**

The financial assets recorded in the RHI consolidated financial statements comprise solely financial assets classified as "available for sale".

Financial assets available for sale are initially measured at fair value plus any related transaction expenses. Subsequent measurement reflects fair value, whereby fair value changes are recorded directly in equity without recognition to profit or loss. 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 effort, these financial assets are measured at cost. If there are any indications that the fair value is lower, the carrying amount 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 collectibility 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 closing date.

Non-current receivables that are due and payable within twelve months after the reporting date are included under current receivables.

## **I Deferred taxes**

Deferred taxes are recognised on temporary differences between the tax base and the IFRS carrying amount 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 profits, 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 closing date.

Deferred tax assets and liabilities are offset 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 date of the financial statements.

The determination of acquisition 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 are not 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 foreign currencies are translated using the average exchange rate on the closing 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. Proceedings from the sale of these rights are recognised under revenue.

#### **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 financial assets available for sale.

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 closing date. These forward rates are based on 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 presented as other financial 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 denominated in foreign currencies are translated at the average exchange rate on the closing date.

#### **P Provisions**

Provisions are created when the Group incurs a legal or constructive obligation as a result of past events, 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 settlement value as of the reporting date, if the discount effect 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 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, Germany and Austria.

For pension plans financed through external funds, the pension obligation is calculated according to the projected unit credit method and reduced by the plan assets. If the plan 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 and expected income on plan assets.

Actuarial assumptions are required to calculate these obligations, above all 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. For the first quarter 2010, no actuarial gains or losses were recognised as the pension provisions were calculated on the basis of a preview for the entire year prepared by an actuary.

### **Provisions for termination benefits**

Provisions for termination benefits comprise primarily 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. For the first quarter 2010, no actuarial gains or losses were recognised as the provisions for termination benefits were calculated on the basis of a preview for the entire year prepared by an actuary.

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. 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 and an increase by 3.25 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. For the first quarter 2010, no actuarial gains or losses were recognised as the provisions for service anniversary bonuses were calculated on the basis of a preview for the entire year prepared by an actuary.

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.

### **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 on the closing 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 classified 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 equity kicker, 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 is carried at amortised cost up to the point of redemption or conversion; its relating 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, the consideration 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 agreed, 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 arises.

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.

Comparable 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 comparable figures. In contrast, the cash flow statement for the comparable period is adjusted in accordance with IFRS 5.

The residual activities of the discontinued Waterproofing Division, which focuses on asphalt surfacing, waterproofing and bituminous pavement as well as the provision of moisture-resistant insulating materials, were accounted for in accordance with the provisions of IFRS 5 from 30 June 2008 up to its sale 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.

## **V Segment reporting**

The RHI Group comprises the three operating 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 business activity of the segment Raw Materials mainly comprises the group-wide supply with raw materials produced in its own plants, which are passed on at market prices within the Group. The corresponding plants are allocated to the three segments.

For the segments, income statements up to the operating results are available. The result from associates is allocated to the segments. The financial result and the income taxes are not allocated to the reportable segments.

The segment assets include the trade receivables due from customers 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 presented under "unallocated assets".

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.

Explanations on the changes in segment reporting are provided under "Accounting principles, general".

## **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 objectives: 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 utilise 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 are recorded and quantified quarterly by local risk owners in the operating units.

Group Risk Management under the responsibility of the CFO 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 March 2010, the RHI Group had unused, immediately available lines of credit totalling € 102.4 million (31 December 2009: € 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 forward exchange contracts.

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 primarily 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. As of 31 March 2010, the interest-bearing financial liabilities used by the RHI Group for financing purposes comprised approx. 70 percent of fixed-interest instruments and approx. 30 percent of variable-interest instruments. Interest rate risk was not hedged with derivative financial instruments during the reporting period 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). As of 31 March 2010, the allocation of free certificates was nearly sufficient. 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 period.

### **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 year 2009 as well as during the first quarter of 2010, 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.

The assumptions underlying the impairment test as of 31 December 2009 regarding future cash flows are still applicable. A review of the discount rates as of 31 March 2010 shows no major changes in the assumed interest rates. Therefore, additional impairments or reversals of impairment are not necessary.

### **Impairment of goodwill**

The effect of an adverse change by plus ten percent in the interest rate or minus ten percent in the contribution margin as estimated on 31 March 2010 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 ten percent from the estimates made by management, the present value of the pension obligations as of 31 March 2010 would be € 14.2 million higher or € 12.9 million lower.

### **Deferred taxes**

If future taxable profits during the planning period defined for the recognition and measurement of deferred taxes varied by ten percent from the assumptions made as of 31 March 2010, the net position recognised for deferred taxes would presumably increase by € 3.9 million or decrease by € 5.4 million.

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

## **Z Group of consolidated companies**

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 group of consolidated companies has not changed in the first three months of 2010. In the year 2009 it developed as follows:

	Full consolidation	Equity method
<b>31.12.2008</b>	<b>73</b>	<b>3</b>
Additions	2	0
Disposals	-2	0
<b>31.12.2009</b>	<b>73</b>	<b>3</b>

### **Fully consolidated subsidiaries**

With effect as of 1 May 2009, the newly founded subsidiaries LLC "RHI Wostok Service", Moscow, Russia (100 percent) and RHI Refratários Brasil Ltda., Sao Paulo, Brazil (100 percent) were consolidated.

With share purchase 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 amount of the non-controlling interests of € 0.3 million amounted to € 1.8 million and was recognised directly in equity. The cash transfer is made up of payments that have already been made before the time of acquisition and in the following years.

In the year 2009, RHI as majority owner of Liaoning RHI Jinding Magnesite Co., Ltd., Dashi-qiao City, PR China, carried out a capital increase amounting to € 5.6 million. The non-controlling owner did not take part in the capital increase. This resulted in an increase in RHI's share by 3.33 percent up to 83.33 percent.

RHI Monofrax PPE LLC, Wilmington, USA, was excluded from consolidation as of 1 July 2009 following its merger with RHI Monofrax, Ltd., Wilmington, USA.

RHI Africa Investment Holdings (Pty) Ltd., Sandton, South Africa, was excluded from consolidation as of 30 November 2009 due to liquidation. The liquidation of this company had no material effect on RHI Group's assets, liabilities, financial position and profit or loss in 2009.

### **Subsidiaries not included in the consolidation**

Three subsidiaries 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 (45).

## Notes on Individual Items of the 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 as of 31 December and 31 March are translated into Euro at the closing rates. Changes that take place during the reporting period are translated at the average monthly exchange rates. The currency translation differences resulting from the use of different translation rates are presented separately.

#### (1) Property, plant and equipment

Property, plant and equipment developed as follows during the first quarter of 2010:

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 31.12.2009	354.1	31.7	707.4	211.7	18.5	1,323.4
Currency translation	4.6	0.0	10.5	2.1	0.7	17.9
Additions	0.1	0.0	0.4	1.2	3.1	4.8
Retirements and disposals	-0.1	0.0	-0.5	-0.1	0.0	-0.7
Reclassifications	0.2	0.0	2.8	-0.1	-3.0	-0.1
<b>Cost at 31.3.2010</b>	<b>358.9</b>	<b>31.7</b>	<b>720.6</b>	<b>214.8</b>	<b>19.3</b>	<b>1,345.3</b>
Accumulated depreciation at 31.12.2009	213.8	22.9	515.5	158.9	1.1	912.2
Currency translation	1.2	0.0	5.0	0.8	0.0	7.0
Depreciation charges	2.0	0.1	6.5	2.8	0.0	11.4
Retirements and disposals	-0.1	0.0	-0.5	-0.1	0.0	-0.7
Reclassifications	0.0	0.0	0.5	-0.5	0.0	0.0
<b>Accumulated depreciation at 31.3.2010</b>	<b>216.9</b>	<b>23.0</b>	<b>527.0</b>	<b>161.9</b>	<b>1.1</b>	<b>929.9</b>
<b>Carrying amounts at 31.3.2010</b>	<b>142.0</b>	<b>8.7</b>	<b>193.6</b>	<b>52.9</b>	<b>18.2</b>	<b>415.4</b>

Property, plant and equipment developed as follows during the first quarter of 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	3.2	0.0	6.5	1.5	3.0	14.2
Additions	0.0	0.0	1.3	0.8	7.3	9.4
Retirements and disposals	-0.5	0.0	-2.4	-2.8	0.0	-5.7
Reclassifications	0.2	0.0	4.0	0.0	-4.3	-0.1
<b>Cost at 31.3.2009</b>	<b>337.2</b>	<b>31.6</b>	<b>686.1</b>	<b>217.3</b>	<b>63.6</b>	<b>1,335.8</b>
Accumulated depreciation at 31.12.2008	201.4	22.5	493.0	166.1	8.9	891.9
Currency translation	1.1	0.0	3.0	0.6	0.0	4.7
Depreciation charges	1.8	0.1	6.4	2.7	0.0	11.0
Retirements and disposals	-0.4	0.0	-1.0	-2.7	0.0	-4.1
<b>Accumulated depreciation at 31.3.2009</b>	<b>203.9</b>	<b>22.6</b>	<b>501.4</b>	<b>166.7</b>	<b>8.9</b>	<b>903.5</b>
<b>Carrying amounts at 31.3.2009</b>	<b>133.3</b>	<b>9.0</b>	<b>184.7</b>	<b>50.6</b>	<b>54.7</b>	<b>432.3</b>

Depreciation charges on property, plant and equipment are included in the income statement items cost of sales with € 10.8 million (first quarter 2009: € 10.2 million), sales and marketing costs with € 0.2 million (first quarter 2009: € 0.2 million) and general and administration costs with € 0.4 million (first quarter 2009: € 0.6 million).

The income statement includes rental and lease payments for leased property, plant and equipment (operating leases) totalling € 4.1 million (first quarter 2009: € 4.9 million).

The marketability of real estate totalling € 20.4 million (31 December 2009: € 20.4 million) is limited by its commitment as collateral for credits.

## (2) Goodwill

There were no changes in goodwill during 2010 and 2009. Goodwill totalling € 14.7 million refers to: € 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 the first quarter of 2010:

in € million	Internally generated intangible assets	Other intangible assets	Total
Cost at 31.12.2009	20.5	68.7	89.2
Currency translation	0.2	0.8	1.0
Additions	0.0	0.4	0.4
Reclassifications	0.0	0.1	0.1
<b>Cost at 31.3.2010</b>	<b>20.7</b>	<b>70.0</b>	<b>90.7</b>
Accumulated amortisation at 31.12.2009	9.9	38.0	47.9
Currency translation	0.2	0.2	0.4
Amortisation charges	0.6	1.2	1.8
<b>Accumulated amortisation at 31.3.2010</b>	<b>10.7</b>	<b>39.4</b>	<b>50.1</b>
<b>Carrying amounts at 31.3.2010</b>	<b>10.0</b>	<b>30.6</b>	<b>40.6</b>

Other intangible assets changed as follows during the first quarter of 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	0.6	0.9
Additions	0.0	0.1	0.1
Reclassifications	0.0	0.1	0.1
<b>Cost at 31.3.2009</b>	<b>17.8</b>	<b>67.1</b>	<b>84.9</b>
Accumulated amortisation at 31.12.2008	6.8	33.3	40.1
Currency translation	0.2	0.2	0.4
Amortisation charges	0.6	1.2	1.8
<b>Accumulated amortisation at 31.3.2009</b>	<b>7.6</b>	<b>34.7</b>	<b>42.3</b>
<b>Carrying amounts at 31.3.2009</b>	<b>10.2</b>	<b>32.4</b>	<b>42.6</b>

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

The carrying amount of intangible assets having an indefinite useful life is unchanged compared to the reference date, 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.

Amortisation charges on intangible assets are included in the income statement items cost of sales with € 0.8 million (first quarter 2009: € 0.9 million) and general and administration costs with € 1.0 million (first quarter 2009: € 0.9 million).

Expenses recognised for research and development totalled € 4.9 million in the first three months of 2010 (first quarter 2009: € 4.8 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 first quarter 2010 and the first quarter 2009:

in € million	2010	2009
<b>Carrying amount at 1.1.</b>	<b>12.4</b>	<b>14.1</b>
Share in profit	1.6	0.1
Dividends	-1.1	-2.8
<b>Carrying amount at 31.3.</b>	<b>12.9</b>	<b>11.4</b>

As of 31 March 2010, the goodwill included under shares in associates amounts to € 4.9 million (31 December 2009: € 4.9 million).

Summarised financial information (not adjusted to reflect the percentage of ownership of the RHI companies) is as follows: assets € 29.3 million (31 December 2009: € 28.3 million), liabilities € 13.3 million (31 December 2009: € 13.3 million), revenues € 7.8 million (first quarter 2009: € 3.2 million) and profit € 3.2 million (first quarter 2009: € 0.2 million).

#### (5) Other non-current financial assets

The other non-current financial assets shown on the balance sheet comprise the following financial assets:

in € million	31.3.2010	31.12.2009
Investments - available for sale	6.3	6.3
Securities - available for sale	28.3	28.3
Prepayments on financial assets	2.4	2.3
<b>Other non-current financial assets</b>	<b>37.0</b>	<b>36.9</b>

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.

As of 31 March 2010, the accumulated impairment losses recognised to financial assets available for sale totalled € 6.2 million (31 March 2009: € 7.1 million).

#### (6) Non-current receivables and current portion of non-current receivables

Non-current receivables including the current portion totalled € 3.3 million (31 December 2009: € 3.3 million).

As of 31 March 2010, receivables with a total nominal value of € 0.8 million (31 December 2009: € 0.8 million) were assigned.

## (7) Deferred taxes

Net deferred taxes on balance sheet items are as follows:

in € million	31.3.2010	31.12.2009
Deferred tax assets	69.2	72.1
Deferred tax liabilities	-3.9	-8.7
<b>Net position</b>	<b>65.3</b>	<b>63.4</b>

The following table shows the development of the Group's net position during the first three months of 2010 and 2009:

in € million	2010	2009
<b>Net position at 1.1.</b>	<b>63.4</b>	<b>58.3</b>
Currency translation	1.0	0.4
Change to income statement	0.9	3.6
<b>Net position at 31.3.</b>	<b>65.3</b>	<b>62.3</b>

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
<b>31.12.2009</b>	<b>32.8</b>	<b>7.6</b>	<b>44.0</b>	<b>13.9</b>	<b>98.3</b>
Currency translation	0.2	0.1	0.2	0.5	1.0
Change to income statement	0.3	0.1	0.3	0.1	0.8
<b>31.3.2010</b>	<b>33.3</b>	<b>7.8</b>	<b>44.5</b>	<b>14.5</b>	<b>100.1</b>

in € million	Personnel provisions	Other provisions	Tax loss carryforwards	Other	Total
<b>31.12.2008</b>	<b>33.0</b>	<b>9.5</b>	<b>41.0</b>	<b>9.7</b>	<b>93.2</b>
Currency translation	0.0	0.0	0.2	0.2	0.4
Change to income statement	0.1	-0.2	-0.1	2.1	1.9
<b>31.3.2009</b>	<b>33.1</b>	<b>9.3</b>	<b>41.1</b>	<b>12.0</b>	<b>95.5</b>

### Deferred tax liabilities

in € million	Non-current assets	Other	Total
<b>31.12.2009</b>	<b>26.2</b>	<b>8.7</b>	<b>34.9</b>
Change to income statement	-0.2	0.1	-0.1
<b>31.3.2010</b>	<b>26.0</b>	<b>8.8</b>	<b>34.8</b>

in € million	Non-current assets	Other	Total
<b>31.12.2008</b>	<b>25.5</b>	<b>9.4</b>	<b>34.9</b>
Change to income statement	0.6	-2.3	-1.7
<b>31.3.2009</b>	<b>26.1</b>	<b>7.1</b>	<b>33.2</b>

In 2010, subsidiaries that reported losses for the first quarter 2010 or the previous year recognised net deferred tax assets totalling € 6.6 million (31 December 2009: € 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 € 682.8 million as of 31 March 2010 (31 December 2009: € 691.1 million). Deferred taxes were not recorded on € 501.3 million of this amount (31 December 2009: € 511.2 million). The main portion of the unrecognised tax losses can be carried forward indefinitely. Approx. € 3.1 million expire in 2010, € 2.1 million in 2011, € 10.9 million in 2014, € 13.7 million in 2015 and € 3.9 million after 2018.

Deferred tax assets were not recognised on temporary differences of € 6.6 million (31 December 2009: € 6.0 million).

Taxable temporary differences of € 31.3 million (31 December 2009: € 22.9 million) and deductible temporary differences of € 68.2 million (31 December 2009: € 78.1 million) were not recognised on shares in subsidiaries because corresponding profit distributions or the sale of the investments are not expected in the foreseeable future.

The temporary differences related to associates are immaterial.

## Current assets

### (8) Inventories

Inventories as presented on the balance sheet comprise the following:

in € million	31.3.2010	31.12.2009
Raw materials and supplies	100.3	95.6
Unfinished products	54.8	51.2
Finished products and goods	165.3	133.9
Prepayments made	6.3	6.0
<b>Inventories</b>	<b>326.7</b>	<b>286.7</b>

Inventories recognised by the RHI Group amounted to € 326.7 million as of 31 March 2010 (31 December 2009: € 286.7 million). Of this total, € 4.9 million (31 December 2009: € 4.6 million) were carried at net realisable value. Impairment losses recognised during the first quarter of 2010, netted out against reversals of impairment losses, amount to approx. € 1.1 million (first quarter 2009: € 0.2 million).

### (9) Trade and other current receivables

Trade and other current receivables as presented on the balance sheet are classified as follows:

in € million	31.3.2010	31.12.2009
Trade receivables	198.9	195.2
Receivables from long-term construction contracts	4.9	5.4
Receivables from associates	1.1	1.3
Other current receivables	46.6	44.0
<b>Trade and other receivables</b>	<b>251.5</b>	<b>245.9</b>



Other current receivables comprise the following:

in € million	31.3.2010	31.12.2009
Taxes other than income taxes	22.6	22.3
Receivables employees	1.1	0.9
Prepaid expenses for mining sites	6.3	6.3
Other prepaid expenses	1.8	1.6
Other	14.8	12.9
<b>Other current receivables</b>	<b>46.6</b>	<b>44.0</b>

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 € 56.1 million as of 31 March 2010 (31 December 2009: € 58.1 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 recorded as a derecognition of receivables on the Group's balance sheet.

Trade receivables with a total nominal value of € 15.0 million are assigned for financial liabilities as of 31 March 2010. The amount remained unchanged compared to 31 December 2009.

Prepayments received amounting to € 9.5 million (31 December 2009: € 5.7 million) are netted out against the receivables from long-term construction contracts.

Valuation adjustments to trade and other current receivables developed as follows:

in € million	2010	2009
<b>Accumulated valuation adjustments at 1.1.</b>	<b>12.0</b>	<b>14.9</b>
Currency translation	0.4	0.3
Addition	1.0	1.1
Use	0.0	-0.2
Reversal	-1.0	-0.1
<b>Accumulated valuation adjustments at 31.3.</b>	<b>12.4</b>	<b>16.0</b>

Income and expenses arising from valuation adjustments and write-offs of trade and other current receivables are included primarily under sales and marketing costs and general and administration costs.

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

The following table shows the credit risk secured by credit insurance, letters of credit and bank guarantees by customer segment:

in € million	31.3.2010	31.12.2009
Segment Steel	152.0	135.9
Segment Industrial	50.0	63.1
Segment Raw Materials	1.8	1.6
Trade receivables and receivables from construction contracts	203.8	200.6
Credit insurance and bank guarantees	-155.1	-144.0
<b>Net credit exposure</b>	<b>48.7</b>	<b>56.6</b>

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

in € million	31.3.2010	31.12.2009
US dollar	51.0	50.1
Pound sterling	2.1	2.6
Other currencies	1.7	2.1
Other functional currencies	149.0	145.8
<b>Trade receivables and receivables from construction contracts</b>	<b>203.8</b>	<b>200.6</b>

The classification of receivables by days outstanding is as follows:

in € million	31.3.2010	31.12.2009
Neither impaired nor past due at closing date	173.1	178.0
Not impaired at closing date and past due in the following time frames		
Less than 30 days	20.2	16.2
Between 30 and 59 days	6.3	3.6
Between 60 and 89 days	2.8	0.2
More than 90 days	1.4	2.6
<b>Trade receivables and receivables from construction contracts</b>	<b>203.8</b>	<b>200.6</b>

With respect to trade receivables and receivables from construction contracts that were neither impaired nor overdue, there were no indications as of 31 March 2010 that the debtors would be unable to meet their payment obligations.

Valuation adjustments were not recognised for receivables of € 30.7 million that were overdue as of 31 March 2010 (31 December 2009: € 22.6 million) because the risk of default was mainly covered by credit insurance as well as bank guarantees and letters of credit.

#### (10) Other financial assets and liabilities

Other financial assets are classified as follows:

in € million	31.3.2010	31.12.2009
Shares - available for sale	1.6	1.6
Financial assets - held for trading	0.3	1.1
<b>Other financial assets</b>	<b>1.9</b>	<b>2.7</b>

Other financial liabilities are classified as "held for trading" and amount to € 4.4 million (31 December 2009: € 1.4 million).

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

	31.3.2010		31.12.2009	
	Nominal value in million	Market value in € million	Nominal value in million	Market value in € million
EUR purchase / CAD sale	EUR 4.9	-0.2	-	-
EUR purchase / CNY sale	EUR 31.3	-1.1	EUR 31.3	0.9
EUR purchase / INR sale	EUR 4.0	-0.3	-	-
EUR purchase / USD sale	USD 36.0	-2.5	USD 36.0	-1.1
USD purchase / CNY sale	USD 40.0	-0.2	USD 40.0	-0.3
		<b>-4.3</b>		<b>-0.5</b>

#### (11) Cash and cash equivalents

This balance sheet item is classified as follows:

in € million	31.3.2010	31.12.2009
Cash on hand	0.1	0.1
Cheques	1.3	2.2
Cash at banks	164.1	137.5
<b>Cash and cash equivalents</b>	<b>165.5</b>	<b>139.8</b>

Foreign exchange regulations in various countries restrict the use of cash and cash equivalents totalling € 4.9 million (31 December 2009: € 2.5 million).

## Equity and Liabilities

### (12) Equity

#### Share capital

The share capital of RHI AG as of 31 March 2010 totalled € 289,376,212.84 (31 December 2009: € 289,376,212.84) and is comprised of 39,819,039 (31 December 2009: 39,819,039) zero par value bearer shares. The company held no treasury stock as of 31 March 2010.

#### 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 to exercise 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 the previous year. This led to the issue of 1,749,000 shares of bearer stock by the Management Board.

The unused conditional capital developed as follows in 2009:

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

The conditional capital was 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:

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

The authorised capital I was 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 March 2010.

#### **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 total € 11.3 million.

#### **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. In accordance with 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.

#### **Non-controlling interests**

The non-controlling interests presented as of 31 March 2010 comprise primarily the non-controlling interests in 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 Magnesita Co., Ltd., Dashi-qiao 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 2010, equity increased from € 227.8 million to € 268.8 million. The increase by € 41.0 million resulted mainly from the increase in the items of currency translation reserves and accumulated results. Based on a balance sheet total of € 1,342.9 million (31 December 2009: € 1,271.2 million), the equity ratio equalled 20.0 percent as of 31 March 2010 (31 December 2009: 17.9 percent).

Capital is analysed in relation to risk and managed on the basis of interest-bearing net debt to equity (net gearing). Interest-bearing net debt represents interest-bearing liabilities minus interest-bearing assets. Net gearing based on equity fell from 102.4 to 81.0 percent as of 31 March 2010.

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

#### (14) Financial liabilities

The balance sheet item financial liabilities includes all interest-bearing liabilities of the RHI Group.

in € million	31.3.2010	31.12.2009
Liabilities to financial institutions	208.9	209.0
Other loans	9.3	8.6
<b>Non-current financial liabilities</b>	<b>218.2</b>	<b>217.6</b>
Liabilities to financial institutions	164.2	154.8
Bank bills	0.4	0.4
Other loans	0.3	0.2
<b>Current financial liabilities</b>	<b>164.9</b>	<b>155.4</b>
<b>Financial liabilities</b>	<b>383.1</b>	<b>373.0</b>

Non-current liabilities to financial institutions have a remaining term of two to five years.

Liabilities to financial institutions also comprise export financing (including financing for the acquisition of companies) totalling € 260.0 million (31 December 2009: € 260.0 million).

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

31.3.2010				31.12.2009			
Interest terms	Effective annual	Currency	Carrying amount	Interest terms	Effective annual	Currency	Carrying amount
fixed until	interest rate		in € million	fixed until	interest rate		in € million
2010	Variable interest rate + margin	EUR	15.0	2010	Variable interest rate + margin	EUR	15.0
	EURIBOR + margin	EUR	63.7		EURIBOR + margin	EUR	58.7
	LIBOR + margin	CAD	21.9		LIBOR + margin	CAD	20.0
	LIBOR + margin	USD	8.0		LIBOR + margin	USD	7.9
	2.40 % + margin	EUR	33.8		2.40 % + margin	EUR	33.8
	1.52 % + margin	EUR	1.2		1.52 % + margin	EUR	1.2
	Interbank rate + margin	Various	4.2		Interbank rate + margin	Various	1.9
2011	1.50 % + margin	EUR	2.0	2011	1.50 % + margin	EUR	2.0
2012	2.50 % + margin	EUR	25.1	2012	2.50 % + margin	EUR	25.1
	2.18 % + margin	EUR	10.0		2.18 % + margin	EUR	10.0
2013	2.54 % + margin	EUR	186.2	2013	2.54 % + margin	EUR	186.2
	1.52 % + margin	EUR	2.0		1.52 % + margin	EUR	2.0
			<b>373.1</b>				<b>363.8</b>

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 are secured by liens on real estate and other collateral, unchanged compared to the year ended 31 December 2009.

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 Refractories 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	31.3.2010	31.12.2009
Pensions	222.7	222.8
Termination benefits	46.6	46.5
Other personnel provisions	17.4	18.2
<b>Personnel provisions</b>	<b>286.7</b>	<b>287.5</b>

### Provisions for pensions

The amount of the pension obligations is calculated in accordance with actuarial methods and is based on assumptions, which are in part dependent on the economic situation in the individual countries. The actuarial assumptions as of 31 March 2010 correspond to those as of 31 December 2009 and are shown in the following table:

Interest rate	4.0 % - 9.0 %
Expected yield on plan assets	1.8 % - 9.0 %
Salary increase	2.0 % - 5.0 %
Pension increase	2.0 % - 4.34 %
Discounts for employee turnover	0 - 5.0 %
Retirement age	55 – 65 years
Mortality tables	
Austria	AVÖ-P 2008, Ang
Germany	Heubeck 2005 G
USA	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	31.3.2010	31.12.2009
Present value of unfunded pension obligations	203.6	204.4
Present value of wholly or partly funded pension obligations	84.0	81.8
Fair value of plan assets	-64.9	-63.4
<b>Provisions for pensions</b>	<b>222.7</b>	<b>222.8</b>

The present value of the pension obligations developed as follows:

in € million	2010	2009
<b>Present value of pension obligations at 1.1.</b>	<b>286.2</b>	<b>285.9</b>
Currency translation	2.0	1.3
Current service cost	0.7	0.9
Interest cost	3.7	4.0
Benefits paid	-5.0	-5.4
<b>Present value of pension obligations at 31.3.</b>	<b>287.6</b>	<b>286.7</b>

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

in € million	2010	2009
<b>Fair value of plan assets at 1.1.</b>	<b>63.4</b>	<b>61.3</b>
Currency translation	1.0	0.9
Expected return on plan assets	0.4	0.5
Benefits paid	-0.4	-0.4
Contributions to external funds	0.5	0.9
<b>Fair value of plan assets at 31.3.</b>	<b>64.9</b>	<b>63.2</b>

As of 31 March 2010, the plan assets were comprised of 51 percent (31 December 2009: 52 percent) insurance, eight percent (31 December 2009: seven percent) of stocks and 41 percent (31 December 2009: 41 percent) of fixed-interest securities.

The following table shows the development of the recognised net liability for the first quarter of 2010 and 2009:

in € million	2010	2009
<b>Provisions for pensions at 1.1.</b>	<b>222.8</b>	<b>224.6</b>
Currency translation	1.0	0.4
Pension cost	4.0	4.4
Benefits paid	-4.6	-5.0
Contributions to external funds	-0.5	-0.9
<b>Provisions for pensions at 31.3.</b>	<b>222.7</b>	<b>223.5</b>

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	1.1.-31.3.2010	1.1.-31.3.2009
Current service cost	0.7	0.9
Interest cost	3.7	4.0
Expected return on plan assets	-0.4	-0.5
<b>Pension cost</b>	<b>4.0</b>	<b>4.4</b>

Current service costs are included under personnel expenses. Interest costs as well as the expected return on plan assets are recognised in the financial results.



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

in € million	31.3.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Present value of pension obligations	287.6	286.2	285.9	309.0	323.2
Fair value of plan assets	-64.9	-63.4	-61.3	-67.3	-63.3
<b>Deficit</b>	<b>222.7</b>	<b>222.8</b>	<b>224.6</b>	<b>241.7</b>	<b>259.9</b>

The actuarial net losses recognised directly in equity total € 30.1 million as of 31 December 2009 (31 December 2008: € 23.9 million). For the first quarter 2010 and 2009, no actuarial gains or losses were recognised.

### Provisions for termination benefits

The carrying amounts of the provisions for termination benefits are calculated using the same methods as the provisions for pensions. These calculations are based on assumptions, which in part differ by country. The actuarial assumptions as of 31 March 2010 correspond to those as of 31 December 2009 and are shown in the following table:

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

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

in € million	2010	2009
<b>Present value of termination benefit obligations at 1.1.</b>	<b>46.5</b>	<b>49.9</b>
Currency translation	0.1	0.1
Current service cost	0.5	0.5
Interest cost	0.6	0.7
Benefits paid	-1.1	-1.0
<b>Present value of termination benefit obligations at 31.3.</b>	<b>46.6</b>	<b>50.2</b>

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

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

The following table shows the development of the present value of termination benefit obligations:

in € million	31.3.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Present value of termination benefit obligations	46.6	46.5	49.9	52.8	48.9

The actuarial net losses recognised directly in equity total € 11.8 million as of 31 December 2009 (31 December 2008: € 12.1 million). For the first quarter 2010 and 2009, no actuarial gains or losses were recognised.

### Other personnel provisions

This item developed as follows during the reporting period:

in € million	Service anniversary bonuses	Lump-sum settlements	Payments to semi-retirees	Total
<b>31.12.2009</b>	<b>12.0</b>	<b>0.7</b>	<b>5.5</b>	<b>18.2</b>
Use	-0.2	-0.2	-1.1	-1.5
Addition	0.2	0.0	0.5	0.7
<b>31.3.2010</b>	<b>12.0</b>	<b>0.5</b>	<b>4.9</b>	<b>17.4</b>

### (16) Other non-current provisions

The non-current provisions included on the balance sheet amounting to € 3.3 million (31 December 2009: € 3.2 million) are comprised primarily of accruals for the demolition and disposal of buildings and plants 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 € 5.5 million (31 December 2009: € 5.7 million) include deferred income for subsidies received from third parties of € 4.4 million (31 December 2009: € 4.5 million). These subsidies are designed primarily to support capital expenditure. 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 certain investment volumes or creation and maintenance of jobs.

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

in € million	31.3.2010	31.12.2009
Trade payables	164.7	154.1
Prepayments received on orders	21.1	22.4
Accounts payable to associates	1.0	1.0
Other current payables	98.3	87.7
<b>Trade and other current payables</b>	<b>285.1</b>	<b>265.2</b>

Other current payables comprise the following items:

in € million	31.3.2010	31.12.2009
Taxes other than income taxes	9.5	10.1
Liabilities employees	51.2	42.5
Other	37.6	35.1
<b>Other current payables</b>	<b>98.3</b>	<b>87.7</b>

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 had a total nominal value of € 72,360,000 and was divided into 1,809 individual convertible bond certificates with a nominal value of € 40,000 each. The term of the convertible bond matured at 31 December 2009, and conversion was possible for the first time on 1 January 2007 at a ratio of 1 : 5,500 shares in RHI AG. The convertible bond carried an interest rate of six percent p.a., which was 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 had a total nominal value of € 72,360,000 and was divided into 1,809 individual convertible bond certificates with a nominal value of € 40,000 each. The term of tranche B expired at 31 December 2009, and conversion was 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 carried an interest rate of six percent p.a., which was 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.

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

in € million	Units	Nominal	Premium	Total
<b>31.12.2008</b>	<b>344</b>	<b>13.8</b>	<b>0.1</b>	<b>13.9</b>
Conversion	-344	-13.8	0.0	-13.8
Interest	-	-	-0.1	-0.1
<b>31.12.2009</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

As of 31 December 2009, all individual convertible bond certificates of tranche A and of tranche B had been converted.

#### (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 compensation	Legal disputes	Other	Total
<b>31.12.2009</b>	<b>7.8</b>	<b>21.4</b>	<b>18.7</b>	<b>21.8</b>	<b>0.5</b>	<b>1.3</b>	<b>71.5</b>
Currency translation	0.0	0.2	0.0	0.0	0.0	0.0	0.2
Use	0.0	-1.6	0.0	0.0	0.0	0.0	-1.6
Reversal	0.0	-0.2	0.0	0.0	0.0	0.0	-0.2
Addition	0.1	0.6	1.1	1.0	0.0	0.3	3.1
<b>31.3.2010</b>	<b>7.9</b>	<b>20.4</b>	<b>19.8</b>	<b>22.8</b>	<b>0.5</b>	<b>1.6</b>	<b>73.0</b>

#### Demolition and disposal costs, environmental damages

The current provisions for demolition and disposal costs as included on the balance sheet total € 6.6 million (31 December 2009: € 6.5 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 that cannot be assigned to one of the above-mentioned categories of provisions. The individual amounts are immaterial.

### (20) Contingent liabilities

The components of contingent liabilities are shown below:

in € million	31.3.2010	31.12.2009
Liabilities from sureties	5.7	6.1
Liabilities from guarantees	19.8	21.7
Other	0.2	0.2
<b>Contingent liabilities</b>	<b>25.7</b>	<b>28.0</b>

The contingent liabilities reported as of 31 March 2010 include contingent liabilities of € 2.5 million for the discontinued Waterproofing Division (31 December 2009: € 2.9 million).

### (21) Other financial obligations

Other financial obligations consist of the following items:

in € million	Total	Remaining term		
	31.3.2010	up to 1 year	2 to 5 years	over 5 years
Obligations from rental and leasing contracts	43.9	8.9	23.6	11.4
Capital commitments	6.3	6.3	0.0	0.0
Miscellaneous financial obligations	17.1	3.4	13.7	0.0
<b>Other financial obligations</b>	<b>67.3</b>	<b>18.6</b>	<b>37.3</b>	<b>11.4</b>

in € million	Total	Remaining term		
	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
<b>Other financial obligations</b>	<b>70.2</b>	<b>22.5</b>	<b>39.4</b>	<b>8.3</b>

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.

## Notes to Individual Items on the Income Statement

Explanations on reclassified income statement items are provided under "Accounting principles, general".

### (22) Revenues

Revenues are classified as follows:

in € million	1.1.-31.3.2010	1.1.-31.3.2009
Revenues from the sale of products and services	333.0	308.0
Revenues from long-term construction contracts	9.2	7.8
<b>Revenues</b>	<b>342.2</b>	<b>315.8</b>

### (23) Cost of sales

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.

### (24) Sales and marketing costs

This item includes personnel expenses for the distribution staff, commissions, as well as scheduled depreciation and other operating expenses related to the distribution services and units.

### (25) General and administration costs

General and administration costs consist primarily of personnel expenses for the administrative functions as well as expenses for research and non-capitalisable development costs.

### (26) Restructuring costs

Restructuring costs amount to € 1.9 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. No restructuring costs were incurred in the first quarter 2009.

### (27) Other income

Other income is classified as follows:

in € million	1.1.-31.3.2010	1.1.-31.3.2009
Gains from the disposal of property, plant and equipment and intangible assets	0.1	0.1
Foreign exchange gains	0.2	0.3
Miscellaneous income	1.2	0.7
<b>Other income</b>	<b>1.5</b>	<b>1.1</b>

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 closing date.

### (28) Other expenses

Other expenses include the following:

in € million	1.1.-31.3.2010	1.1.-31.3.2009
Losses from the measurement of derivative financial instruments	3.9	3.9
Losses from the disposal of property, plant and equipment and intangible assets	0.0	0.5
Miscellaneous expenses	1.2	0.8
<b>Other expenses</b>	<b>5.1</b>	<b>5.2</b>

Losses from the valuation of derivative financial instruments include losses from the change in the market value of forward exchange contracts of € 3.9 million (first quarter 2009: € 1.6 million). This item additionally included 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 in the first quarter 2009.

### (29) Interest income

Interest income includes income from securities and non-current receivables amounting to € 0.1 million (first quarter 2009: € 0.1 million) as well as other interest and similar income amounting to € 0.4 million (first quarter 2009: € 0.3 million).

### (30) Interest expenses

This item includes interest and similar expenses amounting to € 3.0 million (first quarter 2009: € 4.8 million).

### (31) Other financial results

The other financial results are classified as follows:

in € million	1.1.-31.3.2010	1.1.-31.3.2009
Expected return on plan assets	0.4	0.5
Interest expense for personnel provisions	-4.4	-4.9
<b>Other financial results</b>	<b>-4.0</b>	<b>-4.4</b>

### (32) Income taxes

Income taxes in the Group are comprised of the following items:

in € million	1.1.-31.3.2010	1.1.-31.3.2009
Current tax expense	6.2	4.3
Deferred tax (income)/expense relating to the origination and reversal of temporary differences	-0.6	-3.7
tax loss carryforwards	-0.3	0.1
	-0.9	-3.6
<b>Income taxes</b>	<b>5.3</b>	<b>0.7</b>

Income tax expense of € 5.3 million for the first three months of 2010 is € 1.4 million lower than the arithmetic income tax expense of € 6.7 million that would result from the application of the Austrian corporate income rate of 25 percent to profit before tax.

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

in € million	1.1.-31.3.2010	1.1.-31.3.2009
<b>Profit before income taxes</b>	<b>26.8</b>	<b>5.4</b>
<b>Arithmetic tax expense</b>	<b>6.7</b>	<b>1.4</b>
Different foreign tax rates	0.5	0.1
Expenses not deductible for tax purposes, non-creditable withholding taxes	2.3	1.1
Income not subject to tax	-0.9	-0.7
Unrecognised tax losses and temporary differences of the financial period	1.8	1.1
Reduction in actual income tax expense due to utilisation of previously unrecognised tax losses and temporary differences	-4.7	-2.8
Income tax relating to prior periods	-1.1	0.0
Other	0.7	0.5
<b>Recognised tax expense</b>	<b>5.3</b>	<b>0.7</b>

### (33) Expense categories

Expenses are classified by category as follows:

in € million	1.1.-31.3.2010	1.1.-31.3.2009
Cost of material and other production services	187.2	157.1
Personnel costs	82.9	83.6
Depreciation and amortisation charges	13.2	12.8

### (34) Personnel costs

The individual components of personnel costs are listed below:

in € million	1.1.-31.3.2010	1.1.-31.3.2009
Wages and salaries	64.4	64.9
Pensions		
Defined benefit plans	0.7	0.9
Defined contribution plans	0.5	0.5
Termination benefits		
Defined benefit plans	0.5	0.5
Defined contribution plans	0.3	0.3
Other payments	0.6	0.2
Social expenses	15.9	16.3
<b>Personnel costs</b>	<b>82.9</b>	<b>83.6</b>

## 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 closing date. The effects of changes in exchange rates on cash and cash equivalents are shown separately.

### **(35) Net cash flow from operating activities**

Net 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.

### **(36) Net cash flow from investing activities**

Net cash flow from investing activities shows the cash inflows and outflows for disposals of and additions to non-current assets.

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.

### **(37) Net cash flow from financing activities**

Net 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.

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.



## Other Disclosures

### (38) Segment reporting

Explanations on reclassifications are provided under "Accounting principles, general".

#### Segment reporting by operating company divisions

The following table shows the financial data of the operating segments for the first quarter of 2010:

in € million	Steel	Industrial	Raw Materials	Elimination/ Unallocated assets	Group
External revenues	218.8	117.3	6.1	0.0	342.2
Intragroup revenues	0.0	0.0	31.0	-31.0	0.0
<b>Segment revenues</b>	<b>218.8</b>	<b>117.3</b>	<b>37.1</b>	<b>-31.0</b>	<b>342.2</b>
<b>Operating results</b>	<b>14.8</b>	<b>14.8</b>	<b>2.1</b>	<b>0.0</b>	<b>31.7</b>
Depreciation and amortisation charges	6.1	4.5	2.6	0.0	13.2
Restructuring costs	1.3	0.6	0.0	0.0	1.9
Results from associates	0.0	0.0	1.6	0.0	1.6
Segment assets at 31.3.	296.1	115.4	119.0	799.5	1,330.0
Shares in associates at 31.3.	0.2	0.0	12.7	0.0	12.9
					1,342.9
Investments in property, plant and equipment and intangible assets	3.0	1.8	0.4	0.0	5.2

The segment data for the first quarter of 2009 are as follows:

in € million	Steel	Industrial	Raw Materials	Elimination/ Unallocated assets	Group
External revenues	165.3	145.9	4.6	0.0	315.8
Intragroup revenues	0.0	0.0	29.8	-29.8	0.0
<b>Segment revenues</b>	<b>165.3</b>	<b>145.9</b>	<b>34.4</b>	<b>-29.8</b>	<b>315.8</b>
<b>Operating results</b>	<b>-6.8</b>	<b>19.5</b>	<b>1.4</b>	<b>0.0</b>	<b>14.1</b>
Depreciation and amortisation charges	6.1	4.7	2.0	0.0	12.8
Results from associates	0.0	0.0	0.1	0.0	0.1
Segment assets at 31.12.	249.0	122.9	115.4	771.5	1,258.8
Shares in associates at 31.12.	0.2	0.0	12.2	0.0	12.4
					1,271.2
Investments in property, plant and equipment and intangible assets	2.3	1.3	5.9	0.0	9.5

Revenues amounting to € 45.3 million (first quarter 2009: € 29.5 million) mainly included in the Steel segment were realised with one customer in the first three months of 2010.

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 shown under unallocated assets.

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 first quarter of 2010, revenues are classified by product groups as follows:

in € million	Steel	Industrial	Raw Materials	Group
Shaped products	137.9	88.9	0.0	226.8
Unshaped products	60.1	12.1	5.7	77.9
Other	20.8	16.3	0.4	37.5
<b>Revenues</b>	<b>218.8</b>	<b>117.3</b>	<b>6.1</b>	<b>342.2</b>

In the first quarter of 2009, revenues were classified by product groups as follows:

in € million	Steel	Industrial	Raw Materials	Group
Shaped products	101.9	119.2	0.0	221.1
Unshaped products	48.9	12.0	4.5	65.4
Other	14.5	14.7	0.1	29.3
<b>Revenues</b>	<b>165.3</b>	<b>145.9</b>	<b>4.6</b>	<b>315.8</b>

#### Segment reporting by countries

Revenues are classified by customer sites as follows:

in € million	1.1.-31.3.2010	1.1.-31.3.2009
Austria	8.2	7.9
Germany	36.5	33.8
USA	25.8	26.5
PR China	25.4	13.9
Italy	24.4	20.9
Mexico	22.4	16.7
India	16.7	14.0
France	11.3	11.3
Canada	11.0	12.6
Russia	9.5	6.3
Spain	8.8	7.8
Other countries	142.2	144.1
<b>Revenues</b>	<b>342.2</b>	<b>315.8</b>

Property, plant and equipment and intangible assets are classified by the respective sites of the Group companies as follows:

in € million	31.3.2010	31.12.2009
Austria	162.3	165.0
PR China	108.7	102.9
Germany	78.5	80.5
Other countries	121.2	118.8
<b>Property, plant and equipment and intangible assets</b>	<b>470.7</b>	<b>467.2</b>

### (39) Earthquake in Chile in February 2010

The earthquake in Chile in late February 2010 had a massive impact on RHI's plant in Santiago. Due to the damage caused by the earthquake, production had to be temporarily shut down. The risk of property damage (currently estimated at up to € 10 million) and damage resulting from the business interruption is covered by insurance. The exact dimension of damage is currently being determined by independent experts. The result of the claims settlement with the respective insurance companies depends on the experts' report and can therefore not yet be fully assessed. There may be an effect on the Group's EBITDA in the following months.

There are no consequences for the RHI Group's readiness to deliver as capacity is available worldwide.

### (40) Earnings per share

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.

	1.1.-31.3.2010	1.1.-31.3.2009
Profit attributable to equity holders of RHI AG (in € million)	22.5	3.7
Weighted average number of shares	39,819,039	37,927,039
<b>Basic earnings per share (in €)</b>	<b>0.57</b>	<b>0.10</b>

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 bonds. The proportional share of profit is also increased to reflect the expenses incurred in connection with the convertible bonds. The diluted earnings per share for the first quarter of 2009 are calculated as follows:

	1.1.-31.3.2009
Profit attributable to equity holders of RHI AG (in € million)	3.7
Plus interest expense of convertible bonds (in € million)	0.2
Less current taxes (in € million)	-0.1
Adjusted result for the period (in € million)	3.8
Weighted average number of shares	37,927,039
Potential number of shares from convertible bonds	1,892,000
Number of diluted shares	39,819,039
<b>Diluted earnings per share (in €)</b>	<b>0.10</b>

As of 31 December 2009, all individual convertible bond certificates had been converted. The diluted earnings per share totalling € 0.57 equal the basic earnings per share.

#### (41) Additional disclosures on financial instruments

##### Financial assets and liabilities at (amortised) cost

The following table shows the carrying amounts and fair values of the financial assets and liabilities that are carried at (amortised) cost:

in € million	31.3.2010		31.12.2009	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Prepayments on financial assets	2.4	2.4	2.3	2.3
Non-current receivables including current portion	3.3	3.3	3.3	3.3
Trade receivables and other current receivables	251.5	251.5	245.9	245.9
Cash and cash equivalents	165.5	165.5	139.8	139.8
<b>Financial liabilities</b>				
Non-current financial liabilities	218.2	221.4	217.6	219.4
Current financial liabilities	164.9	166.1	155.4	156.0
Trade and other current payables	285.1	285.1	265.2	265.2

The remaining terms of trade receivables, other receivables and liabilities as well as cash and cash equivalents are generally short. Therefore, the carrying amounts of these items approximate fair value as of the reporting 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 comparable 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	31.3.2010	31.12.2009
<b>Financial assets</b>		
Securities - available for sale	28.3	28.3
Financial assets - held for trading	0.3	1.1
Investments - available for sale	6.3	6.3
Shares - available for sale	1.6	1.6
<b>Financial liabilities</b>		
Financial liabilities - held for trading	4.4	1.4

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 the first quarter of 2010 and 2009 is shown in the following table, classified according to the valuation categories defined in IAS 39:

in € million	1.1.-31.3.2010	1.1.-31.3.2009
Net gain on financial assets classified as available for sale	0.1	0.1
Net loss from loans and receivables as well as financial liabilities	-2.5	-5.4
Net loss on financial assets and financial liabilities classified as held for trading	-3.9	-3.9

In the first quarter of 2010 and 2009 the net gain on financial assets available for sale comprises income from securities. As in the reference reporting period, the net gain does not include any changes in the fair value of financial assets available-for-sale that were transferred from equity to the income statement. There were no unrealised gains and losses in the first quarter of 2010 and 2009 that would have been recognised directly in equity and included in the calculation of the net gain.

The net loss arising from loans and receivables as well as financial liabilities includes interest income and expenses, 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 loss on financial assets and financial liabilities held for trading includes changes in the market value of forward exchange contracts. In the first quarter of 2009 this item also contained losses from 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 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 March 2010:

in € million	USD	EUR	MXN	Other	Total
Financial assets	254.5	12.7	0.0	21.9	289.1
Financial liabilities and provisions	-243.1	-21.6	-22.5	-27.6	-314.8
<b>Net foreign currency position</b>	<b>11.4</b>	<b>-8.9</b>	<b>-22.5</b>	<b>-5.7</b>	<b>-25.7</b>

The foreign currency positions as of 31 December 2009 are as follows:

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
<b>Net foreign currency position</b>	<b>5.6</b>	<b>-27.0</b>	<b>-21.2</b>	<b>0.4</b>	<b>-42.2</b>

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 closing date. It is assumed that the positions on the closing date are representative for the entire reporting period. 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 March 2010 would have had the following effect on profit or loss and equity (both excluding income taxes):

in € million	Appreciation of 10%		Devaluation of 10%	
	Gain/(loss)	Equity	Gain/(loss)	Equity
US dollar	-1.3	-1.3	1.0	1.0
Euro	0.5	0.5	-1.5	-1.5
Mexican peso	2.0	0.0	-2.5	0.0
Other currencies	1.2	-4.3	-1.4	5.2

The hypothetical effect on profit or loss and equity as of 31 December 2009 can be summarised as follows:

in € million	Appreciation of 10%		Devaluation of 10%	
	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

### 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 reporting 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 March 2010 had been 100 basis points higher or lower, the interest results would have been € 0.5 million (31 December 2009: € 0.4 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 2009: € 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.

## (42) Notes on related party transactions

### Related companies

The RHI Group maintains business relations with the associate MAGNIFIN Magnesiaprodukte GmbH & Co KG, St. Jakob, Austria.

In the first quarter of 2010, the Group provided services totalling € 0.4 million (first quarter 2009: € 0.3 million) to this related company. The Group received services valued at € 0.7 million (first quarter 2009: € 0.4 million) during the same period. The receivables due from MAGNIFIN Magnesiaprodukte GmbH & Co KG, St. Jakob, Austria, totalled € 1.1 million and € 1.3 million as of 31 March 2010 and 31 December 2009, respectively. The liabilities due to this company amounted to € 1.0 million as of 31 March 2010 and 31 December 2009.

#### Related persons

The income statement for the first quarter of 2010 includes expenses for the Management Board of € 1.5 million (first quarter 2009: € 1.0 million) which are comprised as follows:

in €	Thomas Fahnemann	Henning E. Jensen	Giorgio Cappelli	Manfred Hödl	Rudolf Payer
Fixed earnings	156,081	85,820	82,952	85,259	168,331
Variable earnings	138,374	106,250	101,780	101,743	101,220
Other	40,292	2,204	872	12,354	301,350
<b>Total</b>	<b>334,747</b>	<b>194,274</b>	<b>185,604</b>	<b>199,356</b>	<b>570,901</b>

The variable earnings presented, except for Mr. Payer, are based on estimates for the full year as the company does not pay or award executive bonuses on a quarterly basis. The fixed earnings of Mr. Payer contain the expenses until the expiry of his contract on 30 June 2010.

Liabilities and provisions of € 3.4 million were recognised for the Management Board (31 December 2009: € 3.2 million). Salaries and other current benefits totalling € 0.8 million were paid to the members of the Management Board during the first three months of 2010 (first quarter 2009: € 0.6 million). Payments made to former members of the Management Board and their surviving dependents totalled € 0.1 million (first quarter 2009: € 1.7 million). In the first quarter of 2009 this item included € 1.6 million of payments made in connection with the termination of employment. No remunerations were paid out to the members of the Supervisory Board during the first quarter of 2010 and 2009.

In the first quarter of 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 date of the financial statements, 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 the note (45).

#### (43) Personnel

The average number of employees in the RHI Group was:

	1.1.-31.3.2010	1.1.-31.3.2009
Salaried employees	3,045	3,229
Waged workers	4,083	4,398
<b>Average number of employees</b>	<b>7,128</b>	<b>7,627</b>

#### (44) Significant events after 31 March 2010

At the annual general meeting on 30 April 2010 the Management Board was authorised in accordance with § 169 of the Austrian Stock Corporation Act to increase share capital, with the approval of the Supervisory Board and without further approval by the annual general meeting, until 30 April 2015, in several tranches in exchange for a cash contribution by up to € 43,406,425.75 through the issue of up to 5,972,855 shares of bearer stock with voting rights and to determine the issue price, the issue conditions and further details regarding the implementation of the capital increase.

#### (45) RHI Group Companies as of 31 March 2010

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, Breuille, 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, Copenhagen, Denmark	F	72. EUR	20,000	100.00
16.	Liaoning RHI Jinding Magnesia Co., Ltd., Dashi-qiao 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	53.72
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-Refrimex, S.A. de C.V., Ramos Arizpe, Mexico	F	48.,72. MXN	163,937,660	100.00
42.	RHI Refractories Africa (Pty) Ltd., Sandton, South Africa	F	5. ZAR	215,705	100.00



			Parent	Currency	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., Singapore	F	1.	SGD	300,000	100.00
46.	RHI Refratários Brasil Ltda., Sao Paulo, Brazil	F	8.,72.	BRL	1,512,501	100.00
47.	RHI Refractories (Dalian) Co., Ltd., Dalian, PR China	F	27.	CNY	298,197,482	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

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

Giorgio Cappelli, Vienna

Manfred Hödl, Vienna

Rudolf Payer, Vienna, was also a member of the Management Board up to 12 March 2010.

## Members of the Supervisory Board

Herbert Cordt, Vienna, Chairman (Deputy Chairman up to 30 April 2010)

Helmut Draxler, Vienna, Deputy Chairman

Michael Gröller, Vienna, Deputy Chairman (Chairman up to 30 April 2010)

Hubert Gorbach, Frastanz

Gerd Peskes, Düsseldorf, Germany

Stanislaus Prinz zu Sayn-Wittgenstein-Berleburg, Munich, Germany

David A. Schlaff, New York (since 30 April 2010)

Ulrich Glaunach, Vienna, was also a member of the Supervisory Board during the reporting period (up to 30 April 2010).

Employee representatives:

Martin Kowatsch, Radenthein

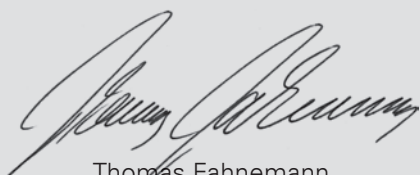
Leopold Miedl, Vienna

Roland Rabensteiner, Veitsch

Franz Reiter, St. Jakob in Haus

Vienna, 5 May 2010

Management Board



Thomas Fahnemann  
CEO



Giorgio Cappelli  
COO Steel



Henning E. Jensen  
CFO



Manfred Hödl  
COO Industrial

# Report on Review of Interim Financial Information

Att. Managing Board of RHI AG

## Introduction

We have reviewed the accompanying Consolidated Financial Statements 1st Quarter 2010 of RHI AG, Vienna. These interim financial statements comprise the Consolidated Statement of Financial Position as of March 31, 2010, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement for the three-month period then ended, and Notes to the Consolidated Financial Statement 1st Quarter 2010. Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements 1st Quarter 2010 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

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

## Scope of Review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Consolidated Financial Statements 1st Quarter 2010 of RHI AG do not give a true and fair view of the financial position of the entity as at March 31, 2010, and of its financial performance and its cash flows for the three-month period then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Vienna, May 5, 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 interim 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 important events that have occurred during the first three months of the financial year and their impact on the interim financial statements, of the principal risks and uncertainties for the remaining nine months of the financial year and of the major related party transactions to be disclosed.


The results of the first quarter of 2010 ending on 31 March do not necessarily permit conclusions on the future development of results.

Vienna, 5 May 2010

Management Board




Thomas Fahnemann  
CEO



Henning E. Jensen  
CFO



Giorgio Cappelli  
COO Steel



Manfred Hödl  
COO Industrial

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

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