Consolidated Management Report 2013

Economic Environment

Important progress was made in overcoming the European sovereign debt crisis in 2013.

After the situation in the European financial markets had continued to calm down at the beginning of the year, the fragile combination of Europe's strained public finance and a troubled banking sector came to the foreground again with the deadlock following the parliamentary election in Italy and the aggravation of the crisis in Cyprus. Due to the bloated Cypriot banking system, a decision to wind up a bank with the corresponding contribution of wealthy investors and creditors was adopted for the first time in the European Union in the course of the negotiations for an aid package. The statements by the Eurogroup president saying that Cyprus represented a turning point in dealing with the imminent bankruptcy of banks and was to be considered a model for other countries, as well as the discussion regarding the security of savings deposits within the European Union, caused significant irritations in the financial markets in the short term. Subsequently, the debate regarding tax honesty and the "tax optimization" model, which some countries had discovered for themselves as a business model, led to substantial pressure on intransparent tax havens and to breaking down banking secrecy in Luxembourg and several British overseas territories. Following lengthy negotiations, the European heads of state and government agreed in September to establish a single supervisory mechanism headed by the European Central Bank, which will directly supervise the roughly 130 largest banks in the euro area. Another important step towards the creation of a European banking union was taken in December, when the implementation of a single resolution mechanism for banks faced with economic difficulties was politically agreed. This mechanism serves to ensure that the resolution of banks can be managed efficiently and with minimum costs for tax payers.

The reforms introduced to increase competitiveness in the European crisis states showed first results.

In Europe, the reform efforts of the euro area peripheral states showed first results. Labor market reforms, for example, have produced further progress in the reduction of unit labor costs. As a consequence of increased competitiveness, some of the euro crisis states reported substantial export growth. The positive development of leading economic indicators led to an improved climate in Europe in the second half of the year. According to the Markit Purchasing Managers Index, the euro area recorded the strongest growth in more than two years, thus indicating a gradual recovery of the economy. The high unemployment rate, especially unemployment of young people, which exceeds 50% in some countries, and the associated weak internal demand, persist as negative aspects.

In early July, representatives of the USA and the European Union entered into negotiations about a transatlantic free trade agreement. By eliminating tariff and non-tariff trade barriers such as approval procedures, standards and norms, the agreement is intended to have a positive effect of roughly 0.5% per year on economic growth and to create some 500,000 jobs. The free trade area would represent approximately 50% of the global economic performance and comprise roughly 800 million people.

In the USA economic growth accelerated in the second half of the year.

In the USA, economic growth was moderately positive in the year 2013. While in the first half of the year uncertainties related to raising the debt ceiling had a negative effect, growth accelerated in the second half of the year driven by strong domestic demand and a recovery of the housing market. In contrast to the stabilizing situation in the advanced economies, growth in the emerging markets fell short of expectations due to cyclical factors and a decline in potential growth. So far these countries have not managed to compensate the decline in export business by increased domestic demand. In addition, low raw material prices, concerns regarding the credit quality of banks and increased capital outflows of foreign investors burdened growth. The

Chinese economy was not able to detach itself from this development either and did not meet expectations in the year 2013. Weaker economic data are, amongst other things, attributable to recent reforms to restructure the Chinese economic model. The objective is to reduce the dependence of economic growth on exports and investment and to strengthen domestic consumption through subsidies. This shift of growth away from assets and the construction industry is intended to contribute to cut existing excess capacity in several industries and to dampen property prices.

The stock markets reached record levels due to an economic recovery and the loose monetary policy of the central banks.

The constellation of an improving macroeconomic environment in the advanced economies in combination with the continued loose monetary policy of the central banks provided for new record levels in the stock markets in the year 2013. Gold and other raw materials and especially currencies of the emerging markets came under pressure following the announcement of the US Federal Reserve that the monthly purchases of long-term US bonds and mortgage-backed securities would be reduced if there were signs of a sustainable economic recovery and the related easing in the employment market. Short-term interest rates in the USA and Europe remained at an unusually low level in the year 2013. However, in the second half of the year an increase was to be observed at the long end of the interest rate curve.

In the current "World Economic Outlook" of January 2014, the International Monetary Fund (IMF) forecast an increase in global economic growth from 3.0% in the year 2013 to 3.7% in the year 2014.

IMF outlook

GDP growth in %	2011	2012	2013	2014e	2015e
World	**3.9**	**3.1**	**3.0**	**3.7**	**3.9**
Developed economies	**1.7**	**1.4**	**1.3**	**2.2**	**2.3**
USA	1.8	2.8	1.9	2.8	3.0
Eurozone	1.5	(0.7)	(0.4)	1.0	1.4
Germany	3.4	0.9	0.5	1.6	1.4
France	2.0	0.0	0.2	0.9	1.5
Italy	0.4	(2.5)	(1.8)	0.6	1.1
Spain	0.1	(1.6)	(1.2)	0.6	0.8
Emerging markets	**6.2**	**4.9**	**4.7**	**5.1**	**5.4**
Brazil	2.7	1.0	2.3	2.3	2.8
Russia	4.3	3.4	1.5	2.0	2.5
India	6.3	3.2	4.4	5.4	6.4
China	9.3	7.7	7.7	7.5	7.3
Middle East / North Africa	3.9	4.1	2.4	3.3	4.8
Mexico	4.0	3.7	1.2	3.0	3.5

Earnings Position

The changes in the RHI Management Board as of July 1, 2013 led to a minor adaptation in the organizational structure of the Raw Materials Division, which now combines all raw material activities in one organizational unit. In addition to raw material purchasing and the sale of raw materials, it also comprises the RHI Group's own raw material production. This change has no effect on the figures of the segment reporting of the previous year.

Income statement

in € million	2013	2012	Change
Revenues	**1,754.7**	**1,835.7**	**(4.4)%**
Steel Division	1,097.5	1,112.7	(1.4)%
Industrial Division	619.0	673.9	(8.1)%
Raw Materials Division			
External revenues	38.2	49.1	(22.2)%
Internal revenues	236.2	188.5	25.3%
EBITDA	**261.6**	**229.4**	**14.0%**
EBITDA margin	14.9%	12.5%	2.4pp
Operating result[1]	**126.8**	**164.4**	**(22.9)%**
Steel Division	64.4	54.0	19.3%
Industrial Division	70.2	91.8	(23.5)%
Raw Materials Division	(7.8)	18.6	(141.9)%
Operating result margin	**7.2%**	**9.0%**	**(1.8)pp**
Steel Division	5.9%	4.9%	1.0pp
Industrial Division	11.3%	13.6%	(2.3)pp
Raw Materials Division	(2.8)%	7.8%	(10.6)pp
EBIT	**111.1**	**167.6**	**(33.7)%**
Steel Division	97.3	50.1	94.2%
Industrial Division	86.8	91.8	(5.4)%
Raw Materials Division	(73.0)	25.7	(384.0)%
EBIT margin	**6.3%**	**9.1%**	**(2.8)pp**
Steel Division	8.9%	4.5%	4.4pp
Industrial Division	14.0%	13.6%	0.4pp
Raw Materials Division	(26.6)%	10.8%	(37.4)pp
Financial results	**(29.8)**	**(21.3)**	**(39.9)%**
Result from associates	8.0	5.3	50.9%
Result before income taxes	**89.3**	**151.6**	**(41.1)%**
Income taxes	(26.6)	(38.1)	30.2%
Income taxes in %	29.8%	25.1%	4.7pp
Result after income taxes from continuing operations	**62.7**	**113.5**	**(44.8)%**
Result after income taxes from discontinued operations	0.7	0.0	100.0%
Result after income taxes	**63.4**	**113.5**	**(44.1)%**
Earnings per share in € (basic and diluted)			
Continuing operations	1.55	2.85	
Discontinued operations	0.02	0.00	

1) before restructuring effects

Business Development

In a persisting difficult market environment, the RHI Group's sales volume fell by 6.0% from 1,850,000 tons to 1,739,000 tons due to weaker steel business in Europe and the Middle East, declining volume in the business unit cement and a lower number of new construction projects in the business unit environment, energy, chemicals. In comparison with the record level of 2,006,000 tons realized in the year 2007 this corresponds to a decrease by slightly more than 13%.

Revenues amounted to € 1,754.7 million in the past financial year after € 1,835.7 million in the year 2012. The decline in revenues, which at 4.4% was slightly more moderate than the decline in volume, was primarily attributable to the contribution to revenues by the 69.6% share in the Indian company Orient Refractories Ltd., which was acquired in late April, and improvements in the product mix. Compared with the pre-crisis level of the year 2007, this corresponds to an increase by 19.6% despite the lower sales volume. The price increases realized in the market as a result of higher raw material prices as well as shifts in the product mix were the main reasons for this increase.

The operating result before restructuring effects dropped significantly from € 164.4 million in the previous year to € 126.8 million in the year 2013. This development was caused especially by difficulties in the fusion line in Porsgrunn, Norway, which burdened the operating result with more than € 30 million, and weaker capacity utilization of the production plants resulting from the decline in sales volume. The operating result also includes write-offs totaling € 6.5 million for the engineering and the steel construction of the investment project in Brazil, which was stopped, and negative currency effects of € 16.9 million.

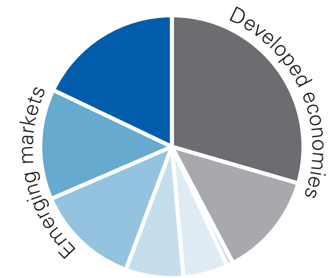
The restructuring result of € (15.7) million shown after the operating result includes net proceeds from the termination of the US Chapter 11 proceedings amounting to € 76.0 million on the one hand, and restructuring expenses of € 24.7 million for the closure of the site in Duisburg, Germany, an impairment of € 65.3 million based on the revised assumptions for the plant in Norway and a write-down of € 1.7 million resulting from capacity adjustments as well as product and process optimizations at the raw materials plant in Dashiqiao, China, on the other hand.

EBIT in the past financial year amounted to € 111.1 million after € 167.6 million in the year 2012. The EBIT margin fell from 9.1% to 6.3% in 2013. EBITDA and the EBITDA margin of the RHI Group rose from € 229.4 million or 12.5% in the year 2012 to € 261.6 million or 14.9% in 2013 as a result of the net proceeds from the termination of the US Chapter 11 proceedings.

The financial results declined from € (21.3) million to € (29.8) million in the year 2013. This is primarily attributable to a positive one-off effect of € 7.1 million realized in the previous year from the reclassification of the accumulated fair value adjustment recognized in equity made to the old shares in Stopinc AG, Switzerland, in the course of the takeover of the outstanding 50%.

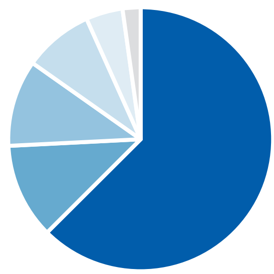
Profit before income taxes dropped from € 151.6 million in the year 2012 to € 89.3 million in the year 2013. The tax rate rose to 29.8%.
Profit after income taxes thus amounted to € 63.4 million in the financial year 2013 after € 113.5 million in the previous year. Earnings per share declined from € 2.85 to € 1.57.

Revenues by region



- 29.5% Western Europe
- 12.8% USA & Canada
- 0.8% Australia & Japan
- 5.5% CIS
- 7.1% Eastern Europe
- 12.8% Middle East & Africa
- 13.6% S. America & Mexico
- 17.9% Asia

Revenues by industry



- 62.5% Steel
- 11.7% Cement/Lime
- 10.6% Nonferrous metals
- 8.5% Glass
- 4.5% Environment/Energy/Chemicals
- 2.2% Raw materials

Steel Division

The development of the steel industry varied greatly in different regions.

In 2013, world steel production recorded an increase of roughly 3% in comparison with the previous year, exceeding the 1.6 billion-ton mark. While steel output has stagnated at roughly 361 million tons since 2010 in the advanced economies, it has risen by some 175 million tons to approximately 1.25 billion tons in the emerging markets during the same period. This increase is primarily attributable to the ongoing rapid development of steel output in China. In the year 2013, nearly every other ton of steel, or roughly 48.5%, was produced in China. In comparison, China only contributed 15% to global steel production as recently as in the year 2000. The average increase in volume by approximately 15% in this period is, however, seen critically by many experts who assume that excess capacity totals up to 250 million tons, which represents a risk for the steel industry outside of China.

As the global economy continues to be weak, the conflict of individual economic areas regarding illegal subsidies and the resulting competitive distortions is getting increasingly fierce. In mid-June, the European Commission lodged a formal complaint with the World Trade Organization against China due to high special duties imposed on seamless stainless steel tubes, thus aggravating the tense trade relationship. The two trade areas have been accusing each other of protectionism and dumping for some time now.

The slowing economic growth in the emerging markets also affected local steel production. The volume produced outside of China thus stagnated at roughly 467 million tons in 2013. The share of the emerging markets in the quantity of steel produced worldwide amounted to approximately 78%. Not including China, this share falls to 56% and roughly corresponds to the share in revenues the Steel Division generates in the emerging markets.

Steel production

in million tons	2008	2009	2010	2011	2012	2013
World	**1,343**	**1,237**	**1,433**	**1,537**	**1,559**	**1,607**
China	512	577	639	702	731	779
World ex China	831	660	794	835	828	828
Developed economies	404	281	361	368	362	361
Emerging Markets	939	956	1,072	1,169	1,197	1,246
Regions						
Africa & Middle East	34	33	37	39	40	42
European Union	199	139	173	178	169	166
Other European countries	32	29	34	39	40	39
CIS	114	98	108	113	111	109
North America	124	83	112	119	122	119
South America	47	38	44	48	46	46
Asia	793	817	925	1,001	1,031	1,086

Source: World Steel Association (January 2014)

The Steel Division's revenues were maintained largely stable in a challenging market environment.

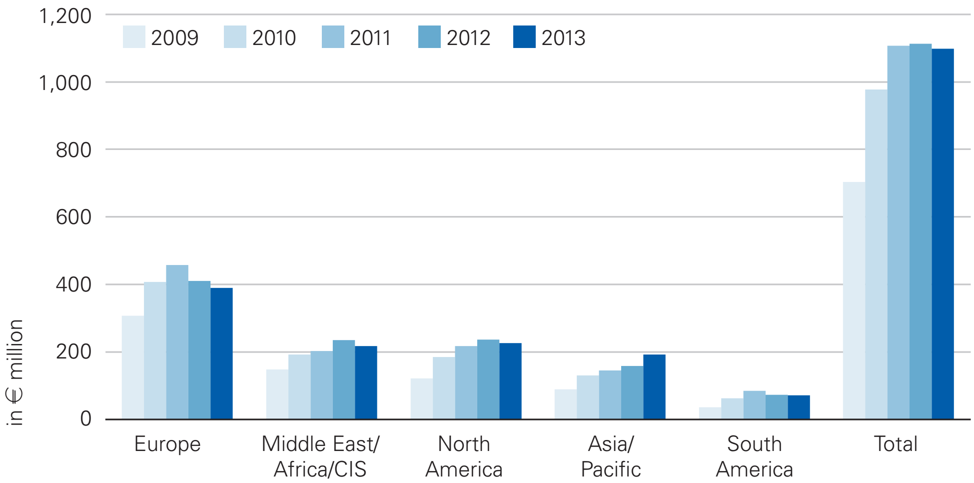
In a challenging market climate, sales volume of the Steel Division declined by some 5% year-on-year to 1,187,000 tons due to weaker business in Europe and the Middle East. In contrast, revenues were maintained nearly constant at € 1,097.5 million after € 1,112.7 million in the previous year due to the initial consolidation of the 69.6% share in the Indian Orient Refractories Ltd. (ORL), which was acquired in late April, and improvements in the product mix. Adjusted for ORL's contribution to revenues, the decline amounted to 4.3%. The operating result amounted to € 64.4 million in the past financial year after € 54.0 million in the comparative period and includes write-offs of € 6.5 million for the steel construction of the investment project in Brazil, which was stopped. The operating result margin rose from 4.9% in the previous year to 5.9% and reflects the focus on sustainable profitability. The restructuring result of € 32.9 million, which largely results from the termination of the US Chapter 11 proceedings, increased the EBIT margin by 3.0 percentage points to 8.9%.

Segment indicators

in € million	2013	2012	Change
Revenues	1,097.5	1,112.7	(1.4)%
Operating result	64.4	54.0	19.3%
Operating result margin	5.9%	4.9%	1.0pp
EBIT	97.3	50.1	94.2%
EBIT margin	8.9%	4.5%	4.4pp

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

Development of revenues



Europe

The weak demand in Europe results from the strong decline in the two most important customer industries, the construction and automotive industries.

The European steel industry has been suffering from shrinking markets and existing excess capacities for several years. Consequently, steel consumption in Europe was roughly one third lower than before the onset of the economic crisis in the year 2008. The weak demand situation in Europe results on the one hand from a strong decline in the two most important customer industries, the construction and automotive industries, which together account for approximately 40% of the demand for steel, and on the other hand from low investments in infrastructure due to the saving efforts undertaken in Europe to reduce the national budget deficits. The imbalance between supply and demand leads to falling steel prices and causes realizable margins to dwindle. Many producers therefore feel forced to intensify initiated cost-saving measures even further, which leads to expectations of further job cuts within the steel industry.

Persisting low growth rates required an adjustment of production capacities; therefore, the Duisburg plant will be closed.

As the growth rates in the European steel industry are expected to remain low in the future, the RHI Group had to adjust its refractory production capacity. For this reason, the Supervisory Board of RHI AG approved the closure of the Duisburg site at its meeting on May 3, 2013. The plant primarily produces magnesia-carbon bricks for the steel industry and employed 110 employees at the end of the financial year. Restructuring expenses of € 24.7 million were incurred here in the past financial year. RHI expects better capacity utilization of the production facilities and a corresponding reduction of fixed costs to result from the optimized plant structure.

Steel production in Italy, the second largest in Europe after Germany, again dropped sharply by more than 10% year-on-year. To avoid insolvency and the related job cuts, the country's two largest steel manufacturers were put under state control in the last two years. Taranto in southern Italy, the largest steel plant in Europe with more than 20,000 employees, is not only faced with a decline in demand, but also with substantial environmental problems.

The European Commission presented a comprehensive action plan to support the European steel sector.

To support the European Steel sector with its 360,000 employees, the European Commission presented the "Action plan for a competitive and sustainable steel industry in Europe" in mid-June, the first comprehensive initiative for the industry since the Davignon Plan in 1977. The objectives are to cut bureaucracy resulting from official regulations, to facilitate restructuring processes and the access to foreign markets and raw materials, and to strengthen demand in important customer industries. In addition, innovation, energy efficiency – due to energy costs, which are high in international comparison, hardly any investments are made anymore in the European Union – and sustainable production processes are to be promoted with roughly € 280 million. In addition, the ambitious goal of the action plan is to increase the share of the European steel industry in the economic performance of the European Union from currently 15% to 20% by 2020.

In this challenging market environment, the contribution to revenues of this region fell by roughly 5% compared with the previous year. This development was caused especially by a weak linings business in Germany and a lower contribution to revenues by Italy. At the aggregate level, the most massive drop in revenues was recorded in the ladle and electric arc furnace segments. In contrast, Great Britain and Poland saw positive developments, with significant increases in particular in the converter segment. An equally positive development was the extension of the two full line service contracts in Luxemburg by another five years.

Africa/CIS/Middle East

In the CIS region growing competition through Chinese import has a negative effect on the earnings situation of local steel manufacturers.

The crisis of the steel industry occurred with a delay in the CIS region. The combines, which are often backwards integrated, try to ensure utilization of their production capacity through massive price reductions. Moreover, growing competition through Chinese imports has a negative effect on the earnings situation of the local steel companies. Especially commodity producers are faced with a lack of competitiveness in comparison with Chinese manufacturers, causing further deterioration in prices.

In this market environment, the CIS region's contribution to revenues fell by roughly 8% in comparison with the previous year. In addition to a decline in volume, the devaluation of the Russian ruble also adversely affected the development of revenues. Moreover, the trend to buy Russian and high import duties make the situation of foreign refractories suppliers more difficult. While revenues from linings products such as linings for steel ladles, electric arc furnaces and converters were maintained stable, revenues from flow control products dropped by more than 20%, thus falling significantly short of expectations.

In the Middle East, political unrest still has a negative impact on the market environment. The region's contribution to revenues declined by approximately 6% year-on-year. This development was above all due to lower revenues in the electric arc furnace segment in Turkey and in Saudi Arabia. Fortunately, revenues generated with flow control products, especially in the slide gate business, saw a double-digit increase. Africa's contribution to revenues remained stable compared with the previous year.

In the Middle East political unrest unsettles market participants.

RHI positions itself as a full-range and system supplier for construction projects and as a reliable project partner for long-term contracts. As some important major contracts were won in the past year, this should have a positive effect on the development of revenues in the year 2014.

North America

The development of the North American steel industry fell significantly short of expectations in the year 2013. The consolidating economic upswing in the USA, which was primarily driven by strong domestic demand and a recovery of the US housing market, was not yet reflected in an increase in steel production. Consequently, steel production was down roughly 2% on the previous year. In addition, low steel prices, shorter ordering cycles on part of the customers and the resulting short-term capacity utilization place a burden on many steel manufacturers. Above all, the traditional converter steel plants suffer from weak incoming orders compared with the more flexible and more modern electric steel plants.

The recovery of the US economy has not yet been reflected in growing steel production.

However, in the medium term, experts expect a reindustrialization of the USA as a result of the development of shale oil and shale gas deposits. Energy-intensive industries, for example the chemical industry, have already invested billions in building and expanding production capacities. The steel industry benefits directly from the access to cheap energy, which increases the competitiveness of local producers, and indirectly from their customer industries' expected growth. Due to the high share of energy costs in overall costs, modern electric steel mills, which account for a share of nearly 60% in the overall US market, enjoy a massive cost advantage. RHI strives to participate in this development and evaluates the options for its own production facility.

Modern electric steel mills in the USA enjoy a major competitive advantage due to their access to cheap energy.

The region's contribution to revenues declined by roughly 5% compared to the previous year. This was due in particular to weaker business in the ladle and electric arc furnace segment. Moreover, in comparison with the previous year the US dollar has weakened against the euro, which has a negative impact on the development of revenues and contributions to earnings of the region. Revenues from flow control products such as slide gate plates, isostatically pressed products and tundish mixes were maintained nearly constant. The declining unemployment rate in the USA and an improving economic climate lead to expectations of an increase in revenues in the year 2014.

South America

Low raw material prices, insufficient infrastructure and a lack of reforms dampen growth in South America.

The South American economy suffers particularly badly from the worldwide drop in raw material prices as it is highly dependent on raw material exports. In addition, weak domestic demand, insufficient infrastructure and reforms that were not implemented during the economic boom of the past years adversely affect further growth, which fell significantly short of expectations in the year 2013.

After substantial amounts of capital flowed into the emerging markets in the course of the expansive monetary policy of the central banks of the industrialized nations, investors are now massively withdrawing money from the emerging markets as there are clear indications that the US Federal Reserve will abandon its policy of cheap money. However, countries which import more than they export have to rely on foreign capital to finance their current account deficits. The withdrawal of investors caused the currencies of the emerging markets to come under significant pressure. The Brazilian real lost nearly 15% against the US dollar and close to 20% against the euro, thus making foreign imports more expensive. To fight the related high inflation rates, the Brazilian central bank was forced to increase the base rate in six steps to 10% in the past year, with the corresponding negative effects on the already low economic growth rates.

As the Brazilian real devalued, local producers became significantly more competitive compared with imports.

In this economically challenging market environment, steel production in South America declined marginally compared with the previous year. While the decline was far more pronounced in the first half of the year, South American producers became significantly more competitive than imports in the second half of the year as a result of the devaluation of the local currencies. In addition, the market in Brazil was closed off further as new anti-dumping duties were collected on steel imports from China, South Korea, South Africa and the Ukraine.

RHI maintained the region's contribution to earnings largely stable compared with the previous year. However, the import duties on refractory products, which were increased in the middle of last year, and the generally weak economic climate led to significant pressure on realizable margins. The Soccer World Cup in the year 2014 and the Olympic Games in the year 2016 led to anticipated infrastructure projects. As economic growth also collapsed in other countries following major sports events, there is little hope for a fast recovery of the Brazilian economy. Despite lower growth rates RHI will hold on to the South American market and evaluates the options regarding a production site in Brazil in the future.

Asia/Pacific

Chinese manufacturers try to gain market share in South East Asia.

The competitiveness of steel manufacturers in the Asia/Pacific region suffers from increased input costs resulting from a devaluation of local currencies in the past months. Above all, raw materials traded in US dollars became more expensive. In addition, many local producers outside of China are increasingly confronted with Chinese steel imports. Chinese manufacturers also try to gain market share in the refractories market due to lower growth in the domestic economy. Due to its longstanding presence in the market as well as the strong service business, RHI considers itself in a good position to continue its success in the market. In addition, production sites in India and in China support the market position in the region.

In India, expansions of existing steel plants and new plants led to a year-on-year increase in steel production of roughly 5%. With a per capita steel consumption of less than 80 kilograms, there is great pent-up demand in India in comparison with China, where per capita consumption totals 400 kilograms. RHI strives to participate in this catching-up process.

The Indian Orient Refractories Ltd. contributed € 32 million to the RHI Group's revenues.

After 43.6% of the share capital in the Indian Orient Refractories Ltd. (ORL) had been acquired from the core shareholders in early March, RHI closed the mandatory public offer for another 26% of the ORL shares on April 29, 2013. The purchase price for the 69.6% share totaled roughly € 50 million. The transaction enables RHI to consistently implement the growth strategy in the emerging markets and additionally serves to strengthen the number-two position in the flow control business. In the eight months since its initial consolidation in late April the company contributed € 32.2 million to revenues and, adjusted for the depreciation resulting from the purchase price allocation, € 6.4 million to the RHI Group's EBIT. The target aimed for is to double the revenues of the company in the next few years by tapping synergies on the sales side and by participating in the growth of the Indian refractories market.

Reforms introduced to restructure the Chinese economy dampen future growth.

In China the new government tries to shift growth, which is strongly driven by investment, more towards domestic consumption by means of structural reforms. Excess capacities, which are estimated at roughly 30% for the steel industry for example, will be reduced and the production of higher-grade, knowledge-based products will be promoted. While the average capacity utilization in Chinese Industry still came to 80% in the year 2007 according to calculations of the International Monetary Fund, it has fallen to only about 60% due to collapsing export business amongst other things. As a result of existing excess capacity, falling manufacturing prices have been observed for Chinese products in the last two years. The average steel price, for example, dropped by roughly 15% compared with the previous year. An action plan introduced in July provides for production restrictions and the decommissioning of production capacities in heavy industry and serves as a signal to Chinese industry to increase its adaptability. To fight the high level of air pollution, China introduced emissions trading with CO_2 certificates in several regions in the past year. With three production facilities of Western standards, RHI considers itself to be well positioned and expects to benefit from the initiated reforms in the medium term. With respect to the refractories industry, RHI expects ongoing consolidation within the next few years in a market with more than 3,000 competitors.

The region's contribution to revenues rose especially due to the integration of Orient Refractories Ltd. into the RHI Group by some 21% compared to the previous year. RHI relies on further growth in the high technology segment in the region and tries to provide optimum customer service through local service teams.

Industrial Division

The decline in revenues is due to weak demand in the glass industry and the completion of a major project in the ferrochrome segment in the previous year.

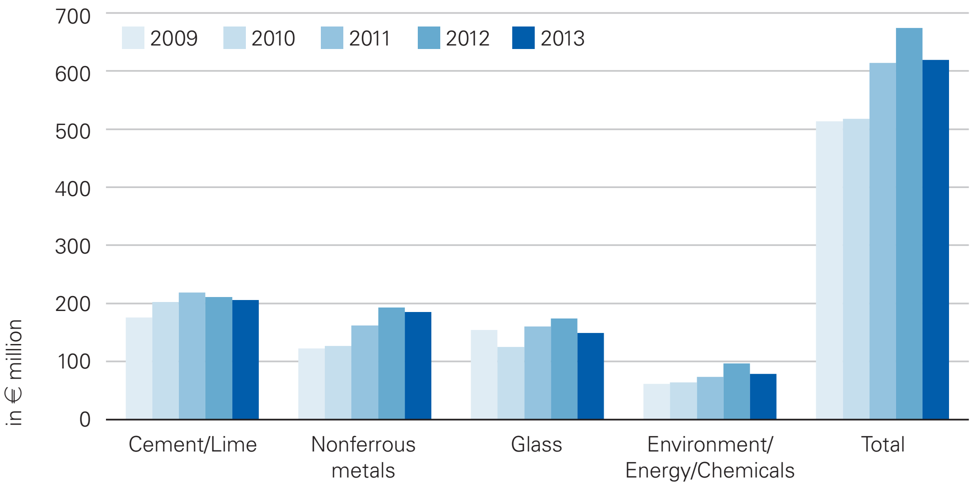
Sales volume in the Industrial Division Industrial dropped by roughly 7% compared with the previous year to 439,000 tons due to a decline in the number of construction projects in the business unit environment, energy, chemicals and decreasing volume in the business unit cement. The decline in revenues from € 673.9 million in the year 2012 to € 619.0 million in the year 2013 is primarily attributable to weak demand in the business units glass and environment, energy, chemicals and to the non-recurrence of the delivery of a major project in the ferrochrome segment in the previous year. The operating result dropped significantly from € 91.8 million to € 70.2 million in the year 2013 due to a shift in product mix. Consequently, the operating result margin fell from 13.6% in the previous year to 11.3%. The restructuring result of € 16.6 million, which primarily results from the termination of the US Chapter 11 proceedings, increased the EBIT margin by 2.7 percentage points to 14.0%.

Segment indicators

in € million	2013	2012	Change
Revenues	619.0	673.9	(8.1)%
Operating result	70.2	91.8	(23.5)%
Operating result margin	11.3%	13.6%	(2.3)pp
EBIT	86.8	91.8	(5.4)%
EBIT margin	14.0%	13.6%	0.4pp

The development of revenues of the past five years is shown below:

Development of revenues



Cement/Lime

In Europe cement production capacities were shut down again in the year 2013.

Demand did not pick up significantly in the relevant customer industries in the year 2013. Further cement production capacities were shut down, especially in Europe, so the demand for refractory products continued to decline in countries like Spain, Italy and parts of Eastern Europe. This is attributable to the recession, which has been ongoing for more than two years now, and to lower investments in infrastructure due to tight national budgets. Especially in Southern Europe the low euro interest rates caused a real estate boom, which came to a sudden end. The construction and cement industries are still suffering from the consequences of this sudden end. In Spain, for example, less than 10 million tons of cement were produced in the year 2013, while production had still totaled some 55 million tons in the year 2007. Due to the market environment, cement producers were forced to adapt their costs to the demand situation. RHI reacted to this development with a new, less expensive product line whose share in revenues was significantly expanded in the past financial year.

In China the construction cycle cooled down noticeably as a result of the declining economic growth. Moreover, the new government tries to make further growth less dependent on investments and exports. The shift of growth away from assets and the construction industry should contribute to the reduction of existing excess capacities in different industries and to a dampening effect on high property prices. Against this background, the revenues realized in China fell by roughly 18% compared with the previous year. However, with a share of 16%, China continues to be the most important market for the business unit cement/lime.

The construction cycle in China cooled down significantly due to slower economic growth.

The decline in revenues suffered in China was partially compensated by positive developments in South East Asia, where good utilization of local cement production facilities based on strong domestic demand led to the corresponding demand for refractories. While revenues were expanded substantially especially in Indonesia due to the construction of new plants, India's contribution to earnings stagnated. For the coming year, a difficult market environment is expected in India until the upcoming elections. Following that, however, business activities should pick up significantly.

In addition to the import duties increased in the previous year, anti-dumping duties on Chinese and Mexican magnesite bricks, which were introduced in December 2013, have a negative effect on further market growth. Africa, where intensive construction activities can be observed and double-digit annual growth rates are realized, is considered the most important future market for the cement/lime business unit. RHI again significantly increased its revenues in Africa in the past year, especially in Algeria. If the uncertain political situation in some countries stabilizes, demand is expected to pick up further.

Africa is an important future market due to intensive construction activities.

Nonferrous metals

In the business unit nonferrous metals, the financial year 2013 was marked by a decline in the relevant metal prices resulting from weaker-than-expected growth in demand. The price of nickel fell by 17.5%, followed by aluminum with a decrease by 11.5% and copper by 6.0%. The falling raw material prices were also reflected in the balance sheets of the major mining corporations in the form of impairments and consequently led to cancelations of planned investments in the further development of raw material deposits in the billion range.

Falling metal prices led to a cancelation of planned investments in the billion range in the further development of raw material deposits.

On a positive note, RHI material was used almost exclusively for the few new construction projects that were carried out. The RHI Group supplied the refractory lining for all kilns in the only construction project of the copper industry worldwide, Kansanshi in Zambia, and scored as a preferred supplier for major international projects. In all cases of major overhauls of flash and ISAsmelt aggregates RHI material was used exclusively. In this context, large contracts in Spain, Sweden, Mexico and Chile must be mentioned.

In Korea RHI is in charge of the engineering for the world's largest ferronickel kiln and supplies the majority of the refractories required.

Another important major contract was won in Korea: RHI will be in charge of the engineering for the world's largest ferronickel kiln and will supply the majority of the refractories required starting in 2014. In addition, contracts in the million-euro range were obtained for the major overhaul of two ferronickel kilns in Indonesia. An important step within the ferrosilicon industry was also taken in Korea, where materials for two complete electric furnaces were delivered.

Business with the lead and zinc industry, which now contributes more than 10% to revenues, showed a positive development. A further increase can be expected for the coming years because on the one hand, prices remained nearly constant in comparison with the previous year, and on the other hand, RHI expanded its market position, especially in terms of aggregates for the recycling of batteries. In addition, some important projects in the secondary aluminum segment in Brazil, the USA and Europe were won and business volume increased compared with the previous year.

Additional personnel in the areas of process technology and technical marketing allowed important permanent exchange of information with kiln manufacturers on the one hand, and on the other hand improved the ability to react to customer problems and industry-specific requirements competently and on short notice.

Glass

The global glass market is still characterized by high excess capacity in the flat glass segment.

The environment for the global glass industry remained challenging in the year 2013, the main reason being excess capacities worldwide, especially the flat glass sector, which is dependent on the construction industry. In this sector, the weak construction industry additionally aggravates the situation of manufacturers. Many glass producers therefore postponed not only investments in planned construction projects, but also in repairs due to lower capacity utilization, which experts estimate to be only about 50%, as plants could no longer be operated economically.

As a response to the challenging market environment, drastic cost-cutting measures were adopted in the glass industry and investments were limited to the absolutely necessary minimum, with negative consequences for suppliers such as the refractories industry. Moreover, a wave of consolidation can be observed in the glass industry, aiming to realize synergies and economies of scale and to clean up the market. Consequently, especially smaller companies which cannot keep up with large manufacturers in terms of costs are faced with massive challenges and are expected to concentrate on specialized products in the medium term.

Cost pressure in the glass industry leads to a further consolidation of the market.

In the USA, the Ardagh Group attempted to take over the bottle glass manufacturer Verallia North America for roughly USD 1.7 billion after it had acquired Anchor Glass in the previous year. However, the attempt failed because of competition concerns. The Federal Trade Commission therefore stopped the planned takeover for the time being due to a joint market share of approximately 50% in the US market.

The refractories industry was unable to detach itself from this difficult market environment. The year 2013 of the business unit glass was characterized by reductions of production capacity in the relevant customer industries. Revenues fell by roughly 14% compared to the previous year. While business in the flat glass segment was expanded due to the good order situation in Turkey, the container glass segment (glass as packaging material in the foods industry) recorded a significant decline due to weak demand, especially in Germany and in the Middle East. In the special glass segment, the decrease in revenues in Asia was nearly compensated by an increase in business volume in Europe and Egypt.

Due to the difficult situation in the domestic market, many Chinese refractory producers increasingly try to gain a foothold in South East Asia and the CIS region. A lack of utilization of the large fused cast capacities as well as financing difficulties put smaller producers under enormous pressure. RHI met the trend towards cheap refractory solutions with significantly shorter service lives by introducing adapted lining concepts, with recycling concepts playing an increasingly important role. In addition to the positioning as a full-range supplier of major glass furnace projects, the service ranges was also expanded further in order to be able to offer system solutions from one source to a greater extent.

RHI meets the trend towards cheap refractory solutions with shorter service lives with adapted lining concepts.

The demand for projects saw a positive development towards the end of the financial year. In a slightly improving market environment, numerous customer enquiries were recorded, especially from China. Here, the glass industry is under pressure to modernize due to new regulations of the government. Moreover, the backlog of repairs, which has accumulated in the flat glass industry for several years, should be dissolved in an improving economic climate, which is why RHI expects a higher level of revenues for the year 2014 than in the past financial year.

Environment, energy, chemicals

The year 2013 in the environment, energy, chemicals business unit was characterized by limited investment activities of the relevant customer industries. Only few new construction projects were realized in the area of energy production as well as in the oil and gas industry. This development is, amongst other things, attributable to uncertainties regarding energy supply and environmental regulations in the future. In this environment, RHI stepped up its service activities and positions itself as a full-range supplier, as many customers in the maintenance business only take note of full-range suppliers, more package solutions comprising engineering, material, installation and maintenance were offered. Despite growing success in the service business, the missing construction business could not be offset. Consequently, revenues fell by roughly 19% compared with the strong previous year. This development was due especially to the poor order situation in the important Canadian market, where the devaluation of the Canadian dollar against the euro placed an additional burden on import business. In contrast, revenues in Europe were expanded further, especially in the area of oil refineries. Activities in the USA were also successful: RHI won its first major full-range contract. Apart from signs of an economic upturn, the American shale gas boom has caused construction activities to pick up in the area of gas processing. In this context, the area of gas liquefaction (gas-to-liquids) is particularly interesting for RHI.

In a market environment characterized by low investments RHI stepped up services activities in the maintenance business.

The current market situation presents challenges related to existing excess capacities, in particular with alumina products. However, with an increased focus on the service business, RHI can detach itself a little from the pressure on margins. For the year 2014, the RHI Group expects increased investing activities in the relevant customer industries and consequently revenues exceeding those of the year 2013.

Raw Materials Division

A decrease in sales volume in the Steel and Industrial Divisions compared to the previous year led to underutilization of the raw material plants.

As raw material prices declined and the market environment continued to be difficult, external raw material revenues fell short of expectations in the past financial year. Due to decreasing sales volume in the Steel and Industrial Divisions, the quantity of raw materials required also dropped. Moreover, the level of self-sufficiency in magnesite raw materials was higher than in the previous year, which resulted in underutilization of the raw material plants. For example, the capacity of the second rotary kiln at the Eskisehir site, Turkey, which had been commissioned in the second half of 2012, was not yet fully used.

In Porsgrunn, Norway, a series of technical defects led to a prolongation of the start-up phase. In addition to damage caused by a fire, the reduced performance of the pneumatic conveyance of causter to the fusion line delayed continuous operations with significant production quantities. After stable operational conditions were accomplished in the fourth quarter of 2013, it turned out that the costs budgeted in the original business plan cannot be realized in the medium term. Despite a variety of defined measures, the revised assumptions resulted in an impairment of € 65.3 million, which is equivalent to roughly 60% of the total investment sum of the project. The Supervisory Board approved the proposal of the Management Board to call in external consultants to identify further improvement potential. The plant in Norway will burden the result of the year 2014 with approximately € 15 to 20 million. The production capacity installed at the site in Norway covers RHI's own fused magnesia requirements outside of China and makes the RHI Group independent of Chinese suppliers. Due to the high quality, this also results in a unique selling proposition among customers of the Steel segment.

Difficulties in the fusion process in Porsgrunn, Norway, led to an impairment of € 65.3 million.

Revenues of the Raw Materials Division amounted to € 274.4 million in the past financial year after € 237.6 million in the year 2012. Of this total, deliveries to the Steel and Industrial Divisions of the RHI Group accounted for € 236.2 million and external customers for € 38.2 million (previous year: € 188.5 million and € 49.1 million respectively). The operating result includes the proceeds from the sale of land amounting to € 2.7 million and dropped from € 18.6 million to € (7.8) million in the year 2013 as a result of difficulties in the fusion line in Norway. Consequently, the operating result margin fell from 7.8% in the previous year to (2.8)%. The impairment test performed as a result of the revised assumptions for the plant in Porsgrunn, Norway, resulted in an impairment of € 65.3 million and reduced the EBIT margin by 23.8 percentage points to (26.6)%.

Segment indicators

in € million	2013	2012	Change
Revenues	274.4	237.6	15.5%
External revenues	38.2	49.1	(22.2)%
Internal revenues	236.2	188.5	25.3%
Operating result	(7.8)	18.6	(141.9)%
Operating result margin	(2.8)%	7.8%	(10.6)pp
EBIT	(73.0)	25.7	(384.0)%
EBIT margin	(26.6)%	10.8%	(37.4)pp

In the course of extending the production portfolio at the raw materials plant in Dashiqiao, China, the installation of a water-cooling system enabled the production of hercynite for the use in fired bricks for the cement industry. The conversion made an impairment of € 1.7 million resulting from capacity adjustments as well as production and process optimization necessary.

In 2013, the planning and construction of a plant for the recovery of tailings was started at the Hochfilzen plant, Austria. Roughly 1.8 million tons of tailings which date back to the time when a flotation plant was operated in Hochfilzen, are stored at the site. The construction of this new facility serves to return these residual materials to the production process, thus reducing costs and increasing the useful life of the mine. The commissioning of the facility is scheduled for late 2014.

On the market side, prices for externally purchased raw materials declined. Due to low demand worldwide, the prices for export licenses from China were also below the average of the two preceding years. For 2014, RHI expects a stable price level in comparison with the past financial year.

The development of energy prices continued to vary greatly in different regions. Thanks to a changeover to less expensive energy sources, especially in China, RHI realized cost reductions.

Financial and Assets Position

RHI acquired a 69.6% share in the Indian Orient Refractories Ltd. in 2013.

Investments

In the year 2013 the RHI Group made investments adding up to € 139.3 million. The acquisition of the 69.6% share in the Indian company Orient Refractories Ltd. (ORL) with the objective to further strengthen the position in the flow control business in the emerging markets accounted for roughly € 50 million. Approximately € 24 million were invested in environmental matters and public authority requirements, roughly € 7 million in the extension of production capacities, and some € 58 million in maintenance, repair and rationalization measures as well as other investments such as gunning machines for the sales organization, IT systems, other intangible assets and down payments.

The regional distribution of investments is shown in the table below:

Investments

in € million	2013	2012	Change
EMEA	76.2	155.2	(50.9)%
Asia	56.7	14.4	293.8%
NAFTA	5.6	6.2	(9.7)%
South America	0.8	10.3	(92.2)%
Investments	**139.3**	**186.1**	**(25.1)%**

Free cash flow increased as a result of significantly lower investments.

Cash flow and liquidity

Net cash flow from operating activities increased from € 161.1 million in the year 2012 to € 171.5 million in the year 2013 due to net cash inflow of € 24.8 million resulting from the termination of the US Chapter 11 proceedings.

After the record level realized in the previous year, net cash flow from investing activities decreased from € (165.9) million to € (125.1) million in the year 2013, which primarily resulted from the increase in self-supply with raw materials, with a positive effect from the sale of non-current assets, especially land in Turkey, Germany, Austria and Chile, which added up to € 6.9 million (previous year: € 8.6 million).

Free cash flow increased from € (4.8) million in the year 2012 to € 46.4 million in the year 2013 as a result of reduced investments.

Net cash flow from financing activities amounted to € (112.8) million in the past financial year due to scheduled repayments, after € 47.8 million in the year 2012.

Cash and cash equivalents decreased from € 185.7 million in the previous year to € 112.4 million as of December 31, 2013 as a result of the negative cash flow balance of € (66.4) million and the effects of exchange rate fluctuations amounting to € (6.9) million.

Cash flow

in € million	2013	2012	Change
Net cash flow from operating activities	171.5	161.1	6.5%
Net cash flow from investing activities	(125.1)	(165.9)	24.6%
Net cash flow from financing activities	(112.8)	47.8	(336.0)%
Cash flow	**(66.4)**	**43.0**	**(254.4)%**

Net debt and financing

The consolidated statement of financial position as of December 31, 2013 shows financial liabilities amounting to € 535.3 million (previous year: € 604.2 million). After the deduction of cash and cash equivalents, net financial liabilities amounted to € 422.9 million (previous year: € 418.5 million). Net financial liabilities correspond to roughly 1.6 times the EBITDA of the year 2013. This key figure also corresponds to the covenants in the most important loan agreements of the RHI Group and will lead to renegotiations of the loan conditions if the value of 3.8 is exceeded. Compliance with the covenants is inspected quarterly, calculated on the basis of the EBITDA of the preceding four quarters. The last remaining loan agreement with a default threshold of 3.5 was repaid as of December 31, 2013.

Net financial liabilities correspond to roughly 1.6 times the EBITDA of the year 2013.

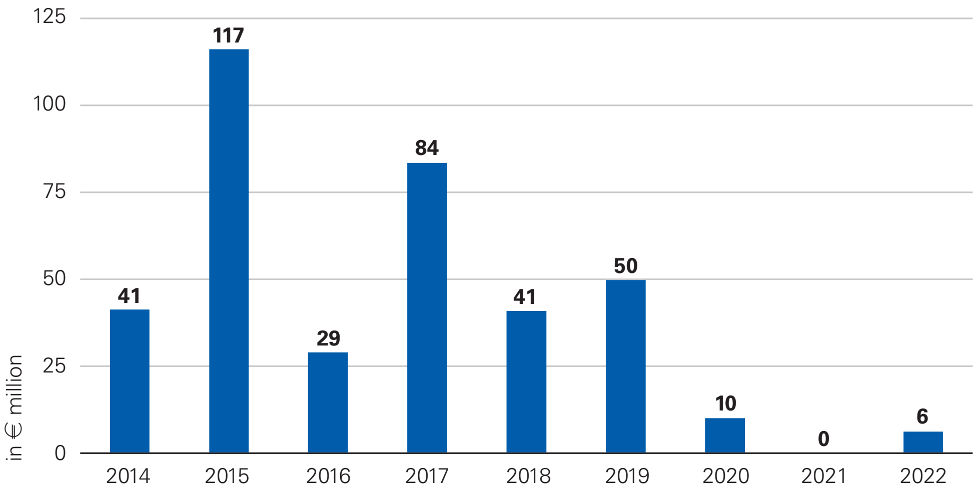
In the year 2013, the *Schuldscheindarlehen* of € 130 million issued in the previous year was increased bilaterally by another € 12 million with a term of five years. In addition, interest rate hedges totaling € 100 million were concluded in the past financial year. In order to secure the low interest rate level in the long term, a variable interest rate was converted into a fixed interest rate through an interest rate swap. This affected loans with maturity between the years 2017 and 2019.

Interest rate swaps of € 100 million were concluded in the past financial year.

Taking into account interest rate hedges, 54.6% (December 31, 2012: 68.3%) of liabilities to banks including the *Schuldscheindarlehen* carried a variable average interest rate of 2.0% and 45.4% (December 31, 2012: 31.7%) a fixed average interest rate of 3.2% as of December 31, 2013.

A term to maturity of more than five years applies to 15.9% of the financial liabilities, while 51.7% have a term to maturity between one and five years and 32.4% a term to maturity of less than one year. The repayment structure of non-current liabilities to financial institutions including the *Schuldscheindarlehen* and the non-current portion of repayments in the year 2014 as of December 31, 2013 is shown below:

Repayment structure



At December 31, 2013 the RHI Group had credit facilities of € 373.8 million with Austrian and foreign banks, of which € 262.3 million were unused at the end of December (previous year: € 273.0 million). In addition, a credit line from the sale of receivables amounting to € 85.0 million was available at December 31, 2013, of which 86.9% was used (previous year: 93.3%).

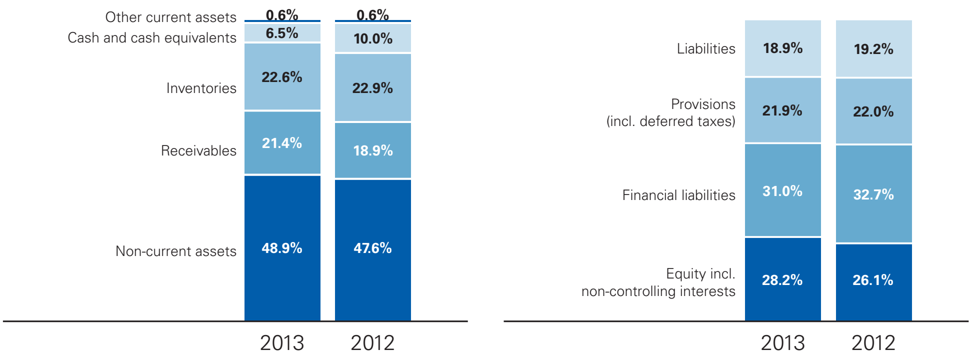
Balance sheet structure and equity development

The balance sheet total of the RHI Group declined by 6.8% from € 1,849.6 million in the previous year to € 1,724.0 million in the year 2013, which was primarily attributable to a decrease in non-current assets resulting from an impairment made for the plant in Porsgrunn, Norway, and to repayments of liabilities to banks. Given the nature of the industry, the balance sheet structure of RHI is characterized by relatively high asset intensity and a long-term financing component.

Balance sheet structure

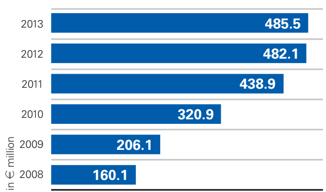
ASSETS

EQUITY AND LIABILITIES



Working Capital, which consists of inventories and trade receivables less trade payables and prepayments received, was increased slightly by 0.3% compared with the previous year and amounted to € 481.0 million at the end of the financial year (previous year: € 479.6 million). As revenues dropped in comparison with the previous year, the working capital ratio, which reflects working capital in relation to revenues, rose from 26.1% to 27.4% in the year 2013.

Equity development



The equity of the RHI Group amounted to € 485.5 million at December 31, 2013 compared with € 482.1 million in the previous year. As a result of the lower balance sheet total, the equity ratio rose from 26.1% to 28.2% in the year 2013. The gearing ratio declined from 153.7% in the previous year to 151.1% in the past financial year; not taking into account non-current provisions for pensions, termination benefits and service anniversary bonuses, this corresponds to a slight increase from 86.8% to 87.1%.

ROCE (Return on Capital Employed) is calculated by dividing EBIT less tax by the average capital employed (property, plant and equipment including goodwill, other intangible assets and working capital) and serves to measure how effectively and profitably a company uses its invested capital. Due to a massive decrease in EBIT in comparison with the previous year, ROCE fell from 11.6% in the year 2012 to 7.3% in the year 2013.

Non-financial Performance Indicators

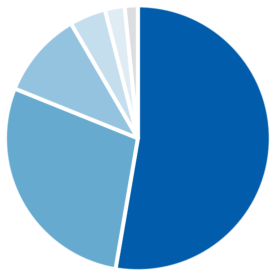
Non-financial performance indicators are important value drivers in a company which are not directly reflected in the income statement, the statement of financial position or the cash flow statement, but account for a substantial part the company's success. An outstanding market position as well as a competitive advantage and a leading edge in innovation are generated by the interaction of a variety of intangible factors and are reflected in the financial indicators.

Employees

In the financial year 2013 the number of employees increased from 7,917 to 8,121 as a result of the integration of the Indian company Orient Refractories Ltd. into the RHI Group. Not taking into account this acquisition, the number of employees decreased to 7,648.

In 2013, 52.7% of the employees in the fully consolidated companies of the RHI Group worked in Western Europe, 28.4% in Asia/Pacific, 10.5% in North America, 4.4% in the Middle East and Africa, 2.4% in Eastern Europe and 1.6% in South America. In Austria, 1,863 employees worked for RHI at the end of the year 2013.

Employees by region



Diversity

The staff of RHI is made up of 64 nationalities in total. The average age of the workforce was roughly 41 years, with 62.4% of the employees falling in the 30-50 age group. The group of under-30-year-olds accounts for 18.1% and the group of over-50-year-olds for 19.5% of the employees. Average company affiliation amounted to approximately 11 years. The share of women was roughly 12% worldwide. The decline by two percentage points compared with the previous year is due to the acquisition of the production site in India, where staff is traditionally male.

The establishment of equal opportunities in the RHI Group was pushed further in the year 2013. The objective is to fully utilize the potential of both genders in order to maintain the company's competitiveness in the long term. For example, a network was started to promote an exchange of female engineers across departments, and projects aiming to improve parental leave management and childcare were initiated. In the selection of personnel, a newly introduced recruiting software helped to establish an even more transparent process for all parties involved. At career fairs the focus was still placed on making female role models in technical professions more visible. The share of women in the Management Board amounted to 25% at the end of the financial year, and to 3% and 9% respectively at the first and second reporting levels.

Training in the RHI Group

Employees from 64 different nations worked for the RHI Group in the year 2013.

RHI takes account of the demographic changes in society and the related shortage of skilled professionals by offering outstanding apprentice training which goes far beyond the legally required level. For example, RHI promotes the mobility and job opportunities of young people through a variety of additional offers such as language courses and stays at locations abroad as part of apprentice exchanges. Other training measures include social competence, methods of modern production technology, energy efficiency, occupational safety and general business administration. The objective is to employ apprentices trained specifically for the relevant requirements to cover the demand for skilled professionals.

In the year 2013, 237 apprentices worked for RHI.

In the year 2013, 237 apprentices worked for RHI in Austria, Germany, Ireland, Italy and Switzerland, roughly 78% of them in technical apprenticeships. The share of women was up three percentage points on the previous year and amounted to roughly 17%. RHI supports several initiatives to raise interest in technical careers in industry among girls and women. Approximately half of the female apprentices in the RHI Group are trained in technical apprenticeships.

Advanced education and personnel development

The personnel development concept introduced in 2012 is based on the following seven core competencies of RHI:

- Market and customer orientation
- Strategic planning and action
- Innovation and change
- Result orientation
- Cooperation and communication
- Leadership
- Diversity

The RHI Future Circles, the Group's talent management program, had 102 participants.

Special programs serve to support both structured knowledge building and personnel development. In the RHI Future Circles, a talent management program implemented throughout the Group, employees with a particularly high development potential receive targeted support and are prepared for future tasks. In the past financial year, 102 people participated in these programs.

In addition, employees are strengthened in their competence and position within multi-module development programs. Such programs have been established for the areas Management/Leadership, Operations and Professionals and started successfully with the first groups.

In the past financial year, employees in Austria completed an average of 4.2 advanced training days per person.

Health and safety at work

It is increasingly important for companies to demonstrate to employees, customers and other business partners that occupational safety is consistently integrated into the company's processes. This is done by dealing with risks responsibly and by designing safe production and business processes.

RHI carries out integrated programs in the area of occupational safety and health protection in order to prevent occupational accidents and to increase the wellbeing of employees. Initiatives which have been running for many years such as health circles, back training, nutritional counseling, safety days, preventive medical check-ups or shared sports programs are popular and used by many employees.

Dealing with social partners

RHI AG considers its employee representatives all over the world business partners. The Management Board of RHI AG seeks active exchange, for example by participating in works council conferences. Dealing with each other is characterized by mutual respect and openness. This way it is possible to solve even difficult problems together and to the best possible satisfaction of all parties involved.

Personnel indicators

	2013	2012	Change
Annual average number of employees[1)]	8,285	8,019	3.3%
Number of employees at 12/31	8,121	7,917	2.6%
Revenues in € million	1,754.7	1,835.7	(4.4)%
Revenues per employee in € 1,000	211.8	228.9	(7.5)%
EBIT in € million	111.1	167.6	(33.7)%
EBIT per employee in € 1,000	13.4	20.9	(35.9)%
Value added in € million[2)]	525.4	564.7	(7.0)%
Value added per employee in € 1,000	63.4	70.4	(9.9)%
Personnel expenses in € million	414.3	397.1	4.3%
Personel expenses per employee in € 1,000	50.0	49.5	1.0%
Personnel expenses in % of revenues	23.6%	21.6%	2.0pp

1) weighted by level of employment

2) Value added: EBIT + personnel expenses

Innovation / Research & Development

A department for innovation and IP-management was established in 2013 in order to support the transformation of ideas into marketable products.

Innovation management

In the year 2013 a department for innovation and IP management was established to underline the importance of innovation to the RHI Group. This department reports directly to the CEO of the Group. Its main responsibilities include the identification and substantiation of innovation potential, the preparation of the decision-making basis necessary for implementation, and the support of all organizational units involved in their realization. In the past financial year, the focus was placed on designing innovation processes and their framework conditions as well as on developing an innovation strategy. A systematic innovation process is to support the planning, control and monitoring of the transformation of ideas into marketable products. The key elements of this process are the structured collection of ideas, defining objective evaluation criteria and analyzing market potential. Another objective is to protect innovations through comprehensive patents and to consistently enforce them in the market.

Examples of projects carried out in the year 2013 include:

- Implementation of a corporate innovation and ideas management platform, which enables the collection and evaluation of data through an adequate software solution

- Use of microwave technology in the heat-up phase of brick firing with the objective to save energy, while at the same time eliminating bottlenecks in production

- Identification of all potential markets for ceramic insulating materials, including "non-RHI-related" business segments

RHI employs more than 160 people in research and development.

Strategic approaches in research and development

In line with the corporate strategy, the research and development activities were pursued consistently in the reporting period. The Technology Center Leoben acts as a hub in a worldwide network consisting of scientists and employees from a variety of specialist departments within the Group, including product management, marketing, sales, production and application technology, as well as raw material suppliers, technologically leading customer companies and cooperation partners at the technical, scientific and application-specific levels outside the Group. This network provides the more than 160 internal research and development employees with access to international specialists, enabling them to work on targeted solutions, product concepts and systems, and to take them to market maturity.

In addition to its most important cooperation partner, the University of Leoben, the RHI Group also cooperates with the following institutions at the scientific level: ENSCI Limoges, Fraunhofer Gesellschaft, Joanneum Research, University of Graz, Slovak Academy of Sciences, Graz University of Technology, Vienna University of Technology, University of Bayreuth. Furthermore, RHI also worked together with key customers of the steel industry in several competence centers promoted by the Austrian Research Promotion Agency, for example with voestalpine Stahl Donawitz, voestalpine Stahl Linz, Böhler Edelstahl, Siemens VAI and Ebner-Industrieofenbau.

The most important directions of RHI's R&D activities have not changed significantly compared with the previous years. Some examples include:

- Using recycled raw materials and researching new methods to recycle refractory materials which were contaminated during operations
- Searching for innovative, energy-efficient and emission-friendly production methods for raw materials
- The use of innovative materials and combinations of materials
- Researching high-temperature insulation materials for more efficient energy use (insulation of high-temperature aggregates)
- The optimized use of non-oxide material components
- The use of environmentally sound bond systems
- The advancement of special ceramics such as isostatically pressed components, complex cast components and slide gate plates

Patents & Intellectual Property

The RHI patent portfolio consists of more than 120 active patent families. Patents and trademarks are used to protect products internationally and to prevent the abuse of innovative technologies and products. In the year 2013, 25 patents were filed and will expand the portfolio accordingly in the years to come. They include patents applications with respect to the geometry of refractory components, lining concepts for customer aggregates and the composition of refractory products. Due to the advanced stage of some projects, a series of patent applications is to be expected for the year 2014 as well. RHI strives to systematically check new developments for patentability in order to protect innovations by trademarks and to consolidate its market position – an increasingly important aspect these days.

The patent portfolio of the RHI Group consists of 120 active patent families. In the year 2013, 25 applications for new patents were filed.

Environmental protection and energy efficiency

One of the key tasks of research and development is to develop the environmental protection and energy efficiency standards in the RHI Group further. In close co-operation with the relevant specialists, production processes are thoroughly examined and improved further, even beyond the applicable limit values.

Energy efficiency is one of the key tasks in the work of R&D.

As in the previous years, research and development is responsible for the implementation of the REACH Regulation (EC No 1907/2006, "Registration, Evaluation, Authorisation and Restriction of Chemicals") and the CLP Regulation (EC No 1272/2008, "Classification, Labelling and Packaging of Chemicals") of the European Union. The registration of the chemicals used is performed, controlled and administered centrally.

Another ongoing process in R&D is the search for alternative substances for chemicals which may no longer be used after the implementation of the Regulation in the EU or which may cause concern. In the year 2013, this was primarily related to different carbon-based bonds and additives containing boron oxide, which are often used as sintering agents in finished products.

In the area of energy efficiency, research projects were initiated which aim to critically examine the energy-intensive process steps drying, hardening and sintering. The objective is to enhance the reactions occurring during these temperature treatment steps through simulations and models, thus reducing energy consumption.

Raw material development and backward integration

R&D supports the development of new products in the area of raw material substitution.

At the test facilities of the Technology Center Leoben, a variety of fused materials was produced on a trial scale based on comprehensive phase-theory considerations and thermo-mechanical calculations. They were analyzed, characterized and the most promising were passed on to product development. One of the results was a fused raw material suitable for functional products in continuous casting; a patent was filed for this material.

One of the main focal points in R&D activities is placed on reintroducing used refractory materials and residual materials of the ceramic industry into the refractory cycle. During use, refractory materials are subject to manifold chemical and physical changes. The objective is to increase the recycling rate of currently 5.4% by combining treatment methods and defining limit values. In addition, existing treatment methods have to be appropriately combined with methods to be developed in order to recover the recyclable material contained in used refractories. The aim is to use the secondary materials like the original refractory materials as far as possible, without affecting the properties of the refractory products made from them.

Water modeling

RHI simulates different customer-specific flow conditions in order to be able to offer optimal refractory solutions.

RHI has performed computer simulation calculations for many years in order to study the flow conditions of liquid steel from the steel ladle and tundish to the solidification in the mold, and to offer optimal refractory and design solutions for all customers. In the year 2013, numerous tests were conducted on the installed water models with a wide variety of geometries with respect to customer aggregate and refractory component, leading to a considerable number of successfully completed customer projects and to six first patent applications in the steel casting segment. They are related to novel designs of impact absorbers and submerged nozzles as well as the design of ladle bottoms for an improved output of liquid steel.

Taking account of this success, the plan for the year 2014 is to create a model to analyze ISO products for thin slab as well as billet and bloom casters in order to be able to cover the entire spectrum of continuous casting plants. Moreover, the reconstruction of a model to simulate slide gate systems is considered with the objective to further deepen the understanding of processes and to integrate the results into product development.

Training center for the cement industry

At the Training Center Cement customers from the cement industry can see, learn and practice the lining of a cement rotary kiln (on a 1:1 model) with brick material and state-of-the-art lining machinery, as well as the usage of monolithic materials at seminars that take several days. Due to an increasing number of customer requests, a burner lance model was added to the Training Center in the past financial year and five installation courses were held in Russian, English, French and German for customers from 22 cement plants. In addition to the seminars for customers, numerous RHI employees also received training in specific applications. R&D also offers refractory training for employees from other areas of the Group in order to exchange the latest findings and developments. These courses were very popular again in the year 2013.

Investments in innovative power and the future of the company

Research and development expenses amounted to roughly € 21 million in 2013.

Research and development costs before subsidies and capitalization amounted to roughly € 21 million in the past financial year, with the optimization of existing products and production processes as well as process improvements accounting for roughly 20%, the development of new products and production processes for roughly 40%, basic research for approx. 15% and environmental protection and energy efficiency for roughly 25%.

At the end of 2013, more than 160 people worked in research and development; the share of women slightly exceeds 30%. The R&D team in Leoben consists of colleagues from 15 different nations; approximately 50% have a university degree.

Training and further education have traditionally been very important in R&D. In the year 2013, seven female and six male apprentices were trained in eight different technical professions. This is a clear sign for training personnel resources required in the future internally and to equip them with the best possible specialist knowledge for the challenges to come in their profession.

Sustainability

In 2013, the second sustainability report in accordance with the Global Reporting Initiative was published.

Sustainability report

In May 2013, RHI published its second sustainability report in accordance with the Global Reporting Initiative (GRI) 3.1. In the course of external reporting, the sustainability topics in the company were systematized, prepared in a structured manner and integrated in various company processes in the long term. The sustainability performance is only shown in a condensed form in the annual report 2013; the sustainability report 2013, which is published in the second quarter of 2014, contains more detailed information.

The RHI sustainability strategy is based on the triple bottom line, which balances economics, ecology and society. Sustainable management in the context of all processes and customer requirements, responsible exploration and use of resources as well as assuming responsibility towards society and employees are at the heart of this strategy.

Stakeholder forum

In October 2013, RHI organized the second stakeholder forum, in which external parties from different sectors participated. Apart from the dialogue regarding the stakeholders' requirements as well as the further sustainability process of the Group, the focus was placed on developing a materiality matrix together. Based on a materiality analysis, a variety of issues were identified and prioritized. The higher the agreement in the materiality matrix – i.e. the more relevant a topic is for RHI and its stakeholders – the more this topic should influence sustainability management in the future.

RHI is certified according to ISO 9001:2008 at 27 of 33 production sites and according to ISO 14001:2004 at 21 production sites.

Integrated Management System

The RHI sustainability process is supported by the Integrated Management System (IMS). It ensures standardized control of management systems in the areas of quality (ISO 9001), environment (ISO 14001), occupational safety and health. RHI is externally certified according to ISO 9001:2008 at 27 of 33 production sites and according to ISO 14001:2004 at 21 production sites by Lloyd's Register Quality Assurance, Vienna. Internal and external audits serve to identify potential for improvement on an ongoing basis, which is then implemented as part of the continuous improvement process.

In the area of health and safety at work, a management system in accordance with OHSAS 18001 (Occupational Health and Safety Assessment Series) was introduced throughout the Group in the past financial year; twelve production sites in Europe, Asia and America have already been certified.

Moreover, customer satisfaction surveys were conducted in the steel sales region Europe and in the business unit glass on topics such as product and service quality, sustainability and brand loyalty. In order to ensure high quality of suppliers in the long term, audits of strategically important suppliers were performed in order to establish mutual understanding of process regarding production and application.

Environment and energy

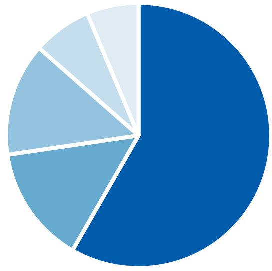
The absolute energy consumption of the RHI Group totaled 3,550 gigawatt hours in the past financial year (previous year: 3,337). The increase by roughly 6% compared with the previous year is primarily attributable to an increase in the production of raw materials resulting from the investments made in the previous years.

The focus in energy management was placed on the implementation of an energy management system in accordance with ISO 50001 at the German plants in 2013 in order to reduce energy consumption on a sustained basis. All relevant sites provided evidence that they meet the requirements for the corresponding certification, which will be carried out in the first half of 2014. Then the roll-out at the other sites of the Group will follow.

In the year 2013, (direct) CO2 emissions amounted to roughly 1.48 million tons (previous year: 1.40). The increase compared with the previous year is based on the Group's own production of raw materials, while raw material purchases decreased at the same time.

The RHI Group invested approximately € 23 million in environmental measures in the year 2013. These investments consisted of environmental investments, waste disposal costs and services such as certifications or consulting services. The most important environmental projects in the past financial year were waste gas purification plants in Mainzlar, Germany, and Trieben, Austria, which contain afterburning, desulfurization and dust removal, as well as the renovation of the pitch impregnation facility in Radenthein, Austria, totaling roughly € 14 million.

Energy consumption



- Natural Gas: 2,070 GWh
- Electricity: 510 GWh
- Coal/Coke: 490 GWh
- Diesel/Petrol/Oil: 255 GWh
- LPG/Propane: 225 GWh

Use of secondary raw materials

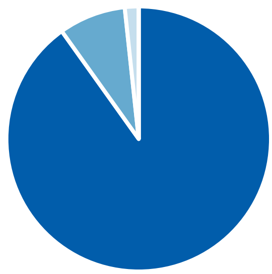
RHI attaches great importance to the sustainable and intelligent use of resources. In the year 2012, a secondary raw materials unit was established, which initiates and coordinates topics relevant to recycling across departments.

The objective is to reuse a large part of the refractory products utilized by customers as high-quality recycling materials. Due to the chemical changes that refractories undergo during use in the customer unit, only a certain part of the scrap material has previously been recovered directly for the production of refractory materials. RHI intends to tap this unused potential to a significantly higher level by applying different treatment methods; this is also a strategic focus of R&D.

The recycling of refractory materials has many advantages. It not only counteracts increasingly scarce resources and rising raw material prices, but also causes a significant reduction of CO2 emissions and of energy consumption.

The procurement of secondary raw materials was extended both regionally and in terms of products in the year 2013. New processing and treatment methods were developed and existing processes advanced further. Based on new formulas, a higher share of secondary raw materials was processed in the year 2013. In comparison with the financial year 2012, the volume of recycled materials used was up 12.4% from roughly 72,500 tons to roughly 81,500 tons. This is equivalent to a recycling share of 5.4% in relation to the annual production volume compared with 4.5% in the financial year 2012. The objective is to continuously increase this share in the coming years.

CO_2 emissions



- Europe: 1,331,000 t
- Asia: 121,000 t
- America: 25,000 t

RHI's target is to use at least 200,000 tons of recycled materials in production by 2020.

RHI's target is to utilize a minimum of 200,000 tons of recycled materials in production by 2020.

Social responsibility

RHI supports local training initiatives in order to enhance the employability of young people.

As a good corporate citizen, the RHI Group wants to make a positive contribution to society at the production locations and to improve the living conditions of both its employees and the community. Based on a feasibility study on the topic of employability co-financed by the Austrian Development Agency (ADA), RHI, in cooperation with ICEP, an Austrian development organization, launched programs in Mexico and Turkey designed to enhance the employability of young people on a sustained basis. In cooperation with local partners, apprenticeships for industrial mechanics and industrial electricians were established in Ramos Arizpe, Mexico, and adaptations of the technical and practical training to the job market were started at three vocational schools in Eskisehir, Turkey. Both projects are promoted by the Austrian Development Agency. In India, RHI primarily supports local training initiatives.

At the European locations, RHI is closely involved in the municipalities and makes an important contribution to maintaining the local community by supporting aid organizations and sports clubs.

Risk Management, Accounting & Internal Control System

Risk management process

In recent years, the importance of a functional risk management for corporate management has been steadily increasing for RHI as a globally operating group. The structured process has been improved continuously since its introduction in the year 2009, with the aim to create added value for the company. The goal is to enable risk-aware decision-making in line with the defined risk policy of RHI based on the systematic identification and evaluation of risks and opportunities by the responsible managers.

Central risk management is part of the finance department and is responsible for the risk management process and its further development. To ensure a coherent risk culture, the participants in the risk management process are offered uniform methods and comprehensive support (training, guidelines) for the identification and evaluation of risks and opportunities and provided with a professional software.

Risks and opportunities are allocated to the following risk areas in the Group: strategy, volume/sales, operations, supply chain, compliance, legal & taxes, finance and corporate.

In the year 2013, the auditor was commissioned to evaluate the functionality of the risk management for the first time. Based on the reference model (ISO 31.000:2009) chosen by RHI, the auditor assessed the risk management to be functional as of September 30, 2013.

Risk area: strategy

The RHI Group already generates 57% of its revenues in the emerging markets. The expansion strategy pursued in the growth markets is characterized by specific market and country risks, which are controlled through spreading, monitoring and the use of local know-how. The financial success of the investments made to increase the level of self-sufficiency with magnesia raw materials to 80% depends to a great extent on the further price development of sintered and fused magnesia in the world markets. Consequently, there is a risk regarding falling prices of the relevant raw materials. In addition, the flexibility to react to market fluctuations declines as a result of an increase in fixed costs.

Risk area: volume/sales

The customer industries of the RHI Group show above-average sensitivity to economic fluctuations. The further economic development and the related demand by customer industries remains the main uncertainty in this area. In addition, growth in the emerging markets will fall short of the high growth rates of the past. In contrast, the easing political situation in the Middle East is considered to be an opportunity.

Risk area: operations

The safety and availability of production facilities represents a significant risk for RHI as an asset-intensive company, which has been successfully controlled using risk control programs and optimized maintenance and insurance concepts. A further tightening of the emissions limits equally represents a high risk. The risks related to the utilization of existing capacity resulting from lower demand for refractories have been reduced with a series of measures (increased flexibility, closure of the Duisburg plant); nonetheless they are still present. Another significant risk for the RHI Group results from an additional impairment requirement and closure costs for the Porsgrunn plant if no sustainable profitability can be ensured in the medium term.

Risk area: supply chain

As a globally operating production company, RHI is exposed to the development of the procurement markets. Especially price fluctuations in the raw material, energy and transport markets represent a significant risk factor for the Group. These uncertainties are reduced by concluding long-term supply contracts and are not considered a threat at present.

Risk area: compliance, legal & taxes

Like many other internationally operating corporations, RHI is confronted with increasing regulatory challenges. The risks resulting from non-compliance with internal or external regulations may cause not only substantial financial damage, but also significant damage to the company's reputation. To counter these growing risks, measures such as the introduction of a code of conduct and a compliance guideline have been taken and compliance training was conducted. Moreover, tax and company audits as well as a change in business models may have a negative effect on the Group.

Risk area: finance

Financial risks are incorporated in RHI's corporate risk management and are centrally controlled by Group Treasury. None of the following risks represent a significant risk for the RHI Group:

Credit risk in the RHI Group is primarily related to operating receivables due from customers. In order to counteract the default risk related to a hedged item, receivables are hedged as far as possible through credit insurance and collateral arranged through banks (guarantees, letters of credit), even if the contractual partner has an outstanding credit rating. Credit and default risks are monitored continuously, and the corresponding value adjustments and provisions are formed for risks that have occurred and for identifiable risks.

The Group's financial policy is based on long-term financial planning and is centrally controlled and monitored continuously at RHI. The liquidity requirements resulting from budget and medium-term planning is secured by concluding appropriate financing agreements. These lines of credit were concluded with different Austrian and international financial institutions in order to ensure independence of banks. The companies of the RHI Group are integrated into a clearing process managed by Central Treasury and provided with financing limits in order to minimize the need of borrowings for the Group as a whole.

Foreign exchange risks arise especially where business transactions (operating activities, investments, financing) are conducted in a currency other than the functional currency of a company. They are monitored at the group level and analyzed with respect to hedging options. The net position of the Group serves as the basis for decisions regarding the use of hedging instruments.

Hedges were in place for the following currencies in the year 2013:

- US dollar (surplus of receivables of RHI AG)
- Chinese renminbi (intercompany financing of Chinese subsidiaries in euro and US dollar)
- Norwegian crown (intercompany financing of RHI Normag in euro)
- Indian rupie (intercompany financing of Indian subsidiaries in euro, partial hedging of purchase price of Orient Refractories Ltd.)

At December 31, 2013, the following open hedge positions existed:

- US dollar (volume: USD 35 million, surplus of receivables of RHI AG, functional currency: euro)
- Chinese renminbi (volume: € 41.7 million, surplus of liabilities from intercompany financing, functional currency: Chinese renminbi)
- Indian rupie (volume: € 6.2 million, surplus of liabilities from intercompany financing, functional currency: Indian rupie)

The interest risk in the RHI Group is primarily related to financial instruments carrying variable interest rates, which may lead to fluctuations in results and cash flows. The RHI Group is predominantly exposed to interest risks in the euro area. In the year 2013, interest hedges totaling € 100 million were concluded in order to secure the low interest rate level. A variable interest rate was converted into a fixed interest rate through an interest rate swap. This affected loans with maturity beyond 2016.

Risk area: corporate

This risk area covers all other important corporate areas such as personnel, IT, safety and organization. As a global company, RHI is exposed to all usual corporate risks, including data security or failures of IT systems, which are controlled with the appropriate measures. In this area, particular emphasis is placed on the opportunity resulting from improved, more customer-oriented company processes for increased market orientation.

Financial reporting process

At the aggregated level, the financial reporting process at RHI consists of preparation, consolidation, audit and publication. The Group companies prepare individual financial statements according to IFRS at the company level based on the rules and provisions set out in the RHI Group manual for financial reporting. In the Group manual, a uniform chart of accounts and rules regarding measurement and recognition are defined. The individual IFRS financial statements of the Group companies, which are predominantly prepared with SAP, provide the basis for further processing in central group accounting. The consolidation department, whose tasks and responsibilities essentially comprise the support of the Group companies' data reports, the execution of consolidation measures, the analysis of the consolidated financial statements and the preparation of financial reports, is responsible for the preparation of the consolidated financial statements. The consolidation process is described in a guideline, which provides an overview of the sequence of the preparation of the consolidated financial statements by means of Hyperion Financial Management and quality assurance measures. In addition to the comprehensive and automated controls in the form of validations, extensive manual checks regarding plausibility and completeness of the financial information are performed. The information of internal and external accounting is based on the same data base and is reconciled for reporting on a monthly basis. In the assessment of risks involved in the financial reporting process and the determination of controls, special attention is paid to those items of the statement of financial position and the income statement which may have the most sustainable effects on the financial reporting of the RHI Group. These are in particular non-current assets, inventories, trade receivables and payables as well as personnel provisions. The internal financial reports prepared by Corporate Controlling are primarily addressed to the Management Board and executives on a monthly basis and the Supervisory Board of RHI AG. As part of mandatory external reporting, interim reports and half-year financial reports in accordance with IAS 34 as well as Annual financial reports/annual reports are prepared and published.

Internal control system

RHI has guidelines regarding the internal control system (ICS), which address the risks of the Group and define preventive measures. The guidelines were established by the Management Board and have been introduced throughout the Group. The respective competent central and local management is responsible for implementing and monitoring the ICS. In addition, these internal controls are audited regularly at the group level. The risk portfolio is reviewed annually for necessary adjustments. The implementation of and compliance with the guidelines is audited by the staff unit Group Audit, which reports to the Management Board. The annual audit plan is derived from the risk assessment of all company activities in the Group, approved by the Management Board and reported to the audit committee of the Supervisory Board. The results of the audits of the effectiveness of the ICS are reported to the Management Board on a regular basis. In the year 2013, reports on the effectiveness of the ICS were made twice to the audit committee and once to the Supervisory Board. The RHI Group's guidelines pertaining to the ICS follow the basic structures of the internationally recognized standards for internal control systems (COSO – Internal Control and Enterprise Risk Managing Frameworks of the Committee of Sponsoring Organizations of the Treadway Commission).

Central elements of the ICS include regular audits of compliance with the institutionalized four-eye principle, the separation of duties and defined control steps for the monitoring and control of effectiveness and efficiency of the operating activity (e.g. protection of assets against loss and damage caused by malversation), the reliability of financial reporting and compliance with the legal provisions applicable to the company. In spring of 2013, RHI enforced a code of conduct, which is applicable throughout the Group. In this code, the Group not only commits to compliance with legal compliance requirements, but also advocates ethical standards that go far beyond these requirements. The code of conduct was translated into nine languages and distributed to all employees worldwide. Its implementation was accompanied by intensive training courses and communication measures, which will be continued in the year 2014. As a further measure, the code of conduct has also been incorporated in existing contracts with sales agents and other representatives in order to also ensure correct behavior in an indirect market appearance.

Notes in accordance with § 243a UGB

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

At December 31, 2013, the share capital of RHI AG amounted to € 289,376,212.84 (12/31/2012: € 289,376,212.84) and consisted of 39,819,039 (12/31/2012: 39,819,039) no-par bearer shares. Only shares of this class are issued. Each RHI share has one vote. There are no RHI shares with special control rights.

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

Direct or indirect shares in RHI capital

At February 26, 2014, the following investors with significant shareholdings were known to RHI: MS Private Foundation, Austria, with a share of more than 25%, Chestnut Beteiligungsgesellschaft mbH with more than 5% and Silver Beteiligungsgesellschaft mbH with more than 5%. The voting rights of Chestnut Beteiligungsgesellschaft mbH and Silver Beteiligungsgesellschaft mbH are jointly exercised; consequently, the joint share in voting rights held by the two companies exceeds 10%.

Authorization of the members of the Management Board to issue shares

The Management Board was authorized by resolution of the Annual General Meeting of RHI AG on April 30, 2010, in accordance with § 169 of the Stock Corporation Act, to increase share capital, without any further consent by the Annual General Meeting until April 30, 2015 – also in several tranches – for a cash contribution by up to € 43,406,425.75 by issuing up to 5,972,855 no-par bearer shares with voting rights and to determine the issue price, the issue conditions and further details regarding the execution of the capital increase.

Employee stock ownership plan "4 plus 1"

With a resolution of the Annual General Meeting of RHI AG of May 3, 2013, the company was authorized to acquire treasury shares in accordance with § 65 para. 1 (4) AktG (Stock Corporation Act) in the amount of up to 12,000 no-par shares, which corresponded to 0.03% of the company's share capital at the time the resolution was adopted; the shares can be acquired at the share price of the day on which this authorization to issue shares to employees and executives of the company as well as to members of the management, executives and employees of Group companies is exercised as part of the employee stock ownership plan "4 plus 1". The authorization is valid for 18 months from the day of the resolution.

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

In July 2012, RHI issued a *Schuldscheindarlehen* amounting to € 130 million, which was bilaterally increased by € 12 million in July 2013. The relevant agreement contains not only reasons for cancelation ensuing from legislation, but also a reason to cancel in the event that a person or a group of persons acting in concert acquires direct or indirect control of more than 50% of the shares or the voting rights in the borrower. In this context, control refers to the right to appoint the majority of the Management Board members of the borrower, or to hold the majority of the voting rights at the Annual General Meeting, or to have the contractual right to determine the business policy of the borrower. In the event that this reason of cancelation exists, the lenders may declare the loan due with immediate effect and demand immediate repayment of the principal including interest, as well as the payment of other amounts payable that may have been incurred.

For other significant lines of credit and loans of a financing volume of roughly € 222 million, a change of control represents a cancelation right for the lenders.

A compensation agreement has been concluded with one member of the Management Board for the case of a public takeover bid.

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

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

The Supervisory Board consists of a minimum of three members.

Outlook

In October 2013, the World Steel Association published its outlook on the development of steel demand in the year 2014. According to this outlook, the growth of global steel consumption will accelerate from 3.1% in the year 2013 to 3.3% in the year 2014. While the growth of the past years was primarily driven by the strong development of demand in the emerging markets, demand for steel is expected to recover in the advanced economies in the year 2014. Following two years of decline, steel consumption is forecast to grow again and to increase from (1.6)% in the year 2013 to 1.7%. Especially the recovery of the demand for steel in Europe will contribute to this development. Due to the economic recovery in the European Union, an increase by 2.1% is expected to follow a decrease by 3.8% in the year 2013. In contrast, the demand for steel in the emerging markets is anticipated to cool down, especially in China. The growth rate of steel consumption is expected to slow down from 4.9% in the year 2013 to 3.8% in 2014. Despite the decline, the growth of demand should still significantly exceed that of the advanced economies. The Steel Division is optimistic that it will participate in such a recovery in Europe and expand business especially in the Asia/Pacific region through the further integration of the Indian company Orient Refractories Ltd. into the RHI Group. The Management Board of RHI AG therefore expects an increase in revenues in the Steel Division compared with the previous year.

With the progressing recovery of the construction industry, in particular in the USA, the business unit cement/lime should realize a slightly better contribution to revenues and earnings than in the year 2013. Many customers of the nonferrous metals business unit canceled investments in a further development of raw material deposits in the billion range as a result of decreasing metal prices. In the glass industry, a slight improvement in the market environment was to be observed towards the end of the year 2013 and more customer enquiries were processed. If the backlog of repairs accumulated over several years in the flat glass industry should dissipate, the contribution to revenues and earnings of the business unit glass is expected to improve in the year 2014. After a weak financial year 2013 due to lower investment activities in the relevant customer industries, the business unit environment, energy, chemicals should clearly increase revenues in the year 2014. Growth opportunities for RHI lie especially in the area of gas liquefaction.

The difficulties in the fusion plant in Porsgrunn, Norway, will burden the operating result of the year 2014 with € 15 to 20 million. The Management Board of RHI AG will monitor the success of the measures introduced to optimize the production process continuously and evaluate the future of the plant at the end of the year 2014.

Provided that the macroeconomic environment remains stable and exchange rates do not change in 2014, RHI expects an increase in revenues by roughly 3% compared with the year 2013 and an operating result margin between 8% and 9% including the negative effects from Norway. The RHI Group will make investments totaling approximately € 75 million in the year 2014.

Material Events after the Balance Sheet Date

The Management Board of RHI AG is not aware of any events after the balance sheet date which may have a material effect on the assets, financial and earnings position of the Group.

Vienna, February 26, 2014

The Management Board

Franz Struzl
CEO
CSO Industrial Division
CTO R&D

Barbara Potisk-Eibensteiner
CFO

Franz Buxbaum
COO

Reinhold Steiner
CSO Steel Division

Consolidated Financial Statements 2013

Consolidated Statement of Financial Position

as of 12/31/2013

in € million	Notes	12/31/2013	12/31/2012[1)]
ASSETS			
Non-current assets			
Property, plant and equipment	(1)	543.7	625.8
Goodwill	(2)	34.5	17.4
Other intangible assets	(3)	79.6	59.0
Shares in associates	(4)	18.2	14.1
Other non-current financial assets	(5)	37.1	34.5
Other non-current assets	(6)	9.1	9.9
Deferred tax assets	(7)	121.4	119.5
		843.6	**880.2**
Current assets			
Inventories	(8)	389.4	423.2
Trade and other current receivables	(9)	368.6	349.4
Income tax receivables	(10)	7.8	6.9
Other current financial assets	(11)	2.2	4.2
Cash and cash equivalents	(12)	112.4	185.7
		880.4	**969.4**
		1,724.0	**1,849.6**
EQUITY AND LIABILITIES			
Equity			
Share capital	(13)	289.4	289.4
Group reserves	(14)	185.9	192.0
Equity attributable to shareholders of RHI AG		475.3	481.4
Non-controlling interests	(15)	10.2	0.7
		485.5	**482.1**
Non-current liabilities			
Non-current financial liabilities	(16)	362.1	390.7
Deferred tax liabilities	(7)	17.4	10.2
Personnel provisions	(17)	312.9	327.2
Other non-current provisions	(18)	4.1	3.7
Other non-current liabilities	(19)	7.9	5.2
		704.4	**737.0**
Current liabilities			
Current financial liabilities	(16)	173.2	213.5
Other current financial liabilities	(11)	0.3	2.3
Trade and other current payables	(20)	291.8	310.7
Income tax payables	(21)	25.7	38.5
Current provisions	(22)	43.1	65.5
		534.1	**630.5**
		1,724.0	**1,849.6**

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

Consolidated Income Statement

from 01/01/2013 to 12/31/2013

in € million	Notes	2013	2012
Revenues	(23)	1,754.7	1,835.7
Cost of sales	(24)	(1,374.2)	(1,433.0)
Gross profit		**380.5**	**402.7**
Sales and marketing costs	(25)	(118.2)	(120.2)
General and administration costs	(26)	(117.7)	(115.0)
Other income	(27)	7.9	12.5
Other expenses	(28)	(25.7)	(15.6)
Operating result		**126.8**	**164.4**
Impairment losses	(29)	(65.3)	0.0
Income from restructuring	(30)	0.0	7.1
Restructuring costs	(31)	(26.4)	(3.9)
Net income from US Chapter 11 proceedings	(32)	76.0	0.0
Operating results (EBIT)		**111.1**	**167.6**
Interest income	(33)	2.5	3.3
Interest expenses	(34)	(21.2)	(18.5)
Other financial results	(35)	(11.1)	(6.1)
Financial results		(29.8)	(21.3)
Results from associates	(4)	8.0	5.3
Result before income taxes		**89.3**	**151.6**
Income taxes	(36)	(26.6)	(38.1)
Result after income taxes from continuing operations		**62.7**	**113.5**
Result after income taxes from discontinued operations	(37)	**0.7**	**0.0**
Result after income taxes		**63.4**	**113.5**
attributable to shareholders of RHI AG		62.6	113.4
attributable to non-controlling interests		0.8	0.1

in €			
Earnings per share (basic and diluted)	(45)	1.57	2.85
thereof continuing operations		1.55	2.85
thereof discontinued operations		0.02	0.00

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

Consolidated Statement of Comprehensive Income

from 01/01/2013 to 12/31/2013

in € million	2013	2012[1)]
Result after income taxes	**63.4**	**113.5**
Other comprehensive income after income taxes		
Currency translation differences		
Unrealized results from currency translation	(40.9)	0.1
Reclassification to the income statement due to the disposal of subsidiaries	(0.1)	(2.6)
Market valuation of cash flow hedges		
Unrealized results from fair value change	0.6	0.0
Deferred taxes on unrealized results from fair value change	(0.2)	0.0
Reclassification reserves to the income statement	0.1	0.0
Market valuation of available-for-sale financial instruments		
Unrealized results from fair value change	0.5	0.0
Deferred taxes on unrealized results from fair value change	(0.1)	0.0
Reclassification reserves to the income statement	0.0	(7.1)
Items that will be reclassified subsequently to profit or loss	**(40.1)**	**(9.6)**
Remeasurement of defined benefit plans	0.2	(42.5)
Deferred taxes on remeasurement of defined benefit plans	(0.8)	11.7
Items that will not be reclassified subsequently to profit or loss	**(0.6)**	**(30.8)**
Total comprehensive income	**22.7**	**73.1**
attributable to shareholders of RHI AG	23.8	73.0
attributable to non-controlling interests	(1.1)	0.1

Explanations regarding changes in presentation are provided in the section "Initial application of new financial reporting standards" in the notes to the consolidated financial statements.

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

Consolidated Cash Flow Statement

from 01/01/2013 to 12/31/2013

in € million	Notes	2013	2012
Result after income taxes from continuing operations		62.7	113.5
Adjustments for			
income taxes		26.6	38.1
depreciation and amortization charges		72.1	61.8
impairment losses of property, plant and equipment and intangible assets		78.4	1.8
reversal of impairment losses of property, plant and equipment		0.0	(1.8)
reversal of impairment losses on financial assets		(0.4)	(1.6)
gains from the disposal of property, plant and equipment		(2.4)	(7.1)
gains from the disposal of subsidiaries		0.0	(7.3)
net income from US Chapter 11 proceedings		(76.0)	0.0
interest result		18.7	15.2
realized gains on available-for-sale financial instruments		0.0	(7.1)
results from associates		(8.0)	(5.3)
other non-cash changes		49.9	23.3
Changes in assets and liabilities			
Inventories		24.6	6.9
Trade receivables		(24.9)	25.0
Other receivables and assets		0.1	(8.0)
Provisions		(26.9)	(20.1)
Trade payables		(2.5)	(33.5)
Other liabilities		0.1	3.8
Net cash inflows from US Chapter 11 proceedings		24.8	0.0
Cash flow from operating activities		**216.9**	**197.6**
Income taxes paid less refunds		(45.4)	(36.5)
Net cash flow from operating activities	(40)	**171.5**	**161.1**
Investments in subsidiaries net of cash		(49.9)	(18.2)
Cash inflows from the sale of subsidiaries net of cash		(0.1)	2.4
Investments in property, plant and equipment and intangible assets		(89.4)	(167.9)
Cash inflows from the sale of property, plant and equipment		6.9	8.6
Cash inflows from / investments in non-current receivables		0.5	(0.3)
Sale of / investments in securities		(0.1)	0.3
Dividend payments from associates		3.7	5.5
Investment subsidies received		0.9	0.5
Interest received		2.4	3.2
Net cash flow from investing activities	(41)	**(125.1)**	**(165.9)**
Dividend payments to shareholders of RHI AG		(29.9)	(29.9)
Dividend payments to non-controlling interests		(0.4)	0.0
Proceeds from non-current borrowings and loans		14.0	192.0
Repayments of non-current borrowings and loans		(80.3)	(74.2)
Changes in current borrowings		2.0	(20.5)
Interest payments		(18.2)	(19.6)
Net cash flow from financing activities	(42)	**(112.8)**	**47.8**
Total cash flow		**(66.4)**	**43.0**
Change in cash and cash equivalents		**(66.4)**	**43.0**
Cash and cash equivalents at beginning of year		185.7	144.5
Changes due to currency translation		(6.9)	(1.8)
Cash and cash equivalents at year-end	(43)	112.4	185.7

Consolidated Statement of Changes in Equity

from 01/01/2013 to 12/31/2013

in € million	Share capital	Additional paid-in capital	Retained earnings
Notes	(13)	(14)	(14)
12/31/2012	**289.4**	**38.3**	**255.0**
Result after income taxes	**-**	**-**	**62.6**
Other comprehensive income after income taxes			
Currency translation differences	-	-	-
Market valuation of cash flow hedges	-	-	-
Market valuation of available-for-sale financial instruments	-	-	-
Remeasurement of defined benefit plans	-	-	-
	-	-	-
Total comprehensive income	**-**	**-**	**62.6**
Dividends	-	-	(29.9)
Change in non-controlling interests due to			
addition to consolidated companies	-	-	-
disposal of consolidated companies	-	-	-
Transactions with shareholders	**-**	**-**	**(29.9)**
12/31/2013	**289.4**	**38.3**	**287.7**

in € million	Share capital	Additional paid-in capital	Retained earnings
12/31/2011[1]	**289.4**	**38.3**	**132.6**
Reclassification[2]	-	-	38.9
12/31/2011 adjusted	**289.4**	**38.3**	**171.5**
Result after income taxes	**-**	**-**	**113.4**
Other comprehensive income after income taxes			
Currency translation differences	-	-	-
Market valuation of cash flow hedges	-	-	-
Market valuation of available-for-sale financial instruments	-	-	-
Remeasurement of defined benefit plans[3]	-	-	-
	-	-	-
Total comprehensive income	**-**	**-**	**113.4**
Dividends	-	-	(29.9)
Transactions with shareholders	**-**	**-**	**(29.9)**
12/31/2012	**289.4**	**38.3**	**255.0**

1) Explanations regarding the adjustment are provided in the notes to the consolidated financial statements 2012, section "Other changes in the methods of accounting and measurement and in presentation".

2) The remeasurement results of defined benefit plans, which were previously shown under retained earnings, are now shown presented separately for reasons of transparency.

3) Explanations regarding adjustments are provided in the section "Other changes in comparative information".

Group reserves						
Accumulated other comprehensive income						
Cash flow hedges	Available-for-sale financial instruments	Defined benefit plans	Currency translation	Equity attributable to shareholders of RHI AG	Non-controlling interests	Total equity
(14)	(14)	(14)	(14)		(15)	
-	**1.6**	**(69.7)**	**(33.2)**	**481.4**	**0.7**	**482.1**
-	**-**	**-**	**-**	**62.6**	**0.8**	**63.4**
-	-	-	(39.1)	**(39.1)**	**(1.9)**	**(41.0)**
0.5	-	-	-	**0.5**	**-**	**0.5**
-	0.4	-	-	**0.4**	**-**	**0.4**
-	-	(0.6)	-	**(0.6)**	**-**	**(0.6)**
0.5	0.4	(0.6)	(39.1)	**(38.8)**	**(1.9)**	**(40.7)**
0.5	**0.4**	**(0.6)**	**(39.1)**	**23.8**	**(1.1)**	**22.7**
-	-	-	-	**(29.9)**	**(0.4)**	**(30.3)**
-	-	-	-	**-**	**11.8**	**11.8**
-	-	-	-	**-**	**(0.8)**	**(0.8)**
-	**-**	**-**	**-**	**(29.9)**	**10.6**	**(19.3)**
0.5	**2.0**	**(70.3)**	**(72.3)**	**475.3**	**10.2**	**485.5**

Group reserves						
Accumulated other comprehensive income						
Cash flow hedges	Available-for-sale financial instruments	Defined benefit plans	Currency translation	Equity attributable to shareholders of RHI AG	Non-controlling interests	Total equity
-	**8.7**	**-**	**(30.7)**	**438.3**	**0.6**	**438.9**
-	-	(38.9)	-	-	-	-
-	**8.7**	**(38.9)**	**(30.7)**	**438.3**	**0.6**	**438.9**
-	**-**	**-**	**-**	**113.4**	**0.1**	**113.5**
-	-	-	(2.5)	**(2.5)**	**-**	**(2.5)**
-	-	-	-	**-**	**-**	**-**
-	(7.1)	-	-	**(7.1)**	**-**	**(7.1)**
-	-	(30.8)	-	**(30.8)**	**-**	**(30.8)**
-	(7.1)	(30.8)	(2.5)	**(40.4)**	**-**	**(40.4)**
-	**(7.1)**	**(30.8)**	**(2.5)**	**73.0**	**0.1**	**73.1**
-	-	-	-	**(29.9)**	**-**	**(29.9)**
-	**-**	**-**	**-**	**(29.9)**	**-**	**(29.9)**
-	**1.6**	**(69.7)**	**(33.2)**	**481.4**	**0.7**	**482.1**

Notes

to the Consolidated Financial Statements 2013

General

RHI is a globally operating Austrian industrial group. The core activities of the RHI Group comprise the development and production as well as the sale, installation and maintenance of high-grade refractory products and systems which are used in industrial high-temperature processes exceeding 1,200 °C. RHI supplies customers in the steel, cement, lime, glass and nonferrous metals industries. In addition, RHI products are employed in the environment (waste incineration), energy (refractory construction) and chemicals (petrochemicals) sectors.

The ultimate parent undertaking of the Group is RHI AG, a stock corporation under Austrian law. The company is registered in the commercial register under the number FN 103123b at the Commercial Court of Vienna and has its legal domicile and head office in Wienerbergstraße 9, 1100 Vienna, Austria.

The RHI share is a member of the ATX and the Prime Market of the Vienna Stock Exchange.

The consolidated financial statements were prepared as of the reporting date of the annual financial statements of RHI AG. The financial year of RHI AG corresponds to the calendar year. Insofar as financial years of companies included in the consolidated financial statements do not end on the balance sheet date of RHI AG on December 31 due to local legal requirements, interim financial statements are prepared for the purpose of consolidation.

The consolidated financial statements for the period from January 1 to December 31, 2013 were drawn up pursuant to § 245a of the Austrian Commercial Code (UGB) in accordance with all International Financial Reporting Standards (IFRSs) mandatory at the time of preparation as adopted by the European Union (EU). The additional requirements of § 245a para. 1 UGB were taken into account.

The presentation in the consolidated statement of financial position distinguishes between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are due within one year or within a longer normal business cycle. Deferred tax assets and liabilities are generally presented as non-current items.

The consolidated income statement is drawn up in accordance with the cost of sales method. Under this method, revenues are offset against the expenses incurred to generate them, which are allocated to the functions production, sales and administration.

The EBIT (earnings before interest and taxes) and operating result (EBIT adjusted for special influences) are shown separately in the income statement as they are important key figures of measuring performance for the RHI Group. Special influences are related in particular to effects from impairment tests at the level of cash-generating units or from restructuring due to massive capacity adjustments, significantly changed market strategies or comprehensive reorganization in administration. The presentation chosen is to convey a true view of the earnings situation, which is comparable over time, to the users of the RHI consolidated financial statements.

With the exception of specific items such as available-for-sale financial assets, derivative financial instruments and defined benefit obligations, the consolidated financial statements are prepared in accordance with the principle of historical acquisition and production costs. The measurement methods applied to the exceptions are described in the following.

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

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

The Management Board of RHI AG completed and signed the present consolidated financial statements on February 26, 2014 and released them for distribution to the Supervisory Board. The Supervisory Board is responsible for reviewing the consolidated financial statements and for stating whether it approves the consolidated financial statements.

Initial application of new financial reporting standards

In the financial year 2013, the following new or revised financial reporting standards and interpretations, which are also adopted by the EU, were applied for the first time:

>> IAS 1 (amended 2011): Presentation of Items of Other Comprehensive Income
>> IAS 12 (amended 2010): Deferred Tax: Recovery of Underlying Assets
>> IAS 19 (amended 2011): Employee Benefits
>> IFRS 1 (amended 2010): Severe Hyperinflation and Removal of Fixed Dates
>> IFRS 1 (amended 2012): Government Loans
>> IFRS 7 (amended 2011): Disclosures – Offsetting Financial Assets and Financial Liabilities
>> IFRS 13 (2011): Fair Value Measurement
>> IFRIC 20 (2011): Stripping Costs in the Production Phase of a Surface Mine
>> Improvements to IFRSs 2009-2011 (2012)

The amended IAS 1 "Presentation of Financial Statements" leads to a revised presentation of the statement of comprehensive income. The individual components of other comprehensive income have to be grouped between items which are never reclassified to the income statement, and items which are reclassified to the income statement under certain conditions. Income taxes related to the items of other comprehensive income have to be allocated to these items. RHI applied the changes with retroactive effect and adjusted the items of other comprehensive income accordingly. RHI did not make use of the option to replace the term other comprehensive income with "income statement and other comprehensive income".

The amended IAS 12 "Income Taxes" includes clarifications for the recognition of deferred taxes for investment properties if they are measured at fair value in accordance with IAS 40. For the measurement of deferred taxes, the presumption is introduced that the recovery of the carrying amount will be through sale, unless this presumption can be overturned in a concrete individual case. The amended standard has no effect on the consolidated financial statements of RHI.

In June 2011, the IASB adopted amendments to IAS 19 "Employee Benefits", which are applicable as of January 1, 2013 with retroactive effect from January 1, 2012. The change currently relevant to RHI is the abolishment of expected return on plan assets and the introduction of a return on plan assets at the discounted rate of the corresponding defined benefit obligation or semi-retirement obligation. This leads to a net measurement of the net liability or net asset and a net interest expense from defined benefit plans and semi-retirement obligations.

As the adjustment effects are of minor importance, RHI did not correct the consolidated income statement 2012. If a retroactive adjustment had been made, the financial result for the financial year 2012 would have improved by roughly € 0.7 million from € (21.3) million to € (20.6) million. The effects on income taxes would have amounted to less than € (0.1) million and on earnings per share to less than € 0.01. The Group's equity as of January 1, 2012 and December 31, 2012 would be unchanged.

The prospective application of the net interest method has an effect of less than € 0.1 million on the financial result of the year 2013.

As a result of the application of the amendments to IAS 19, the form of presentation and the scope of the notes with respect to employee benefits in the RHI consolidated financial statements 2013 have changed. RHI applied the transitional regulations in the preparation of the notes and retrospectively adjusted the prior-year comparative figures.

The amendments to IFRS 7 "Financial Instruments: Disclosures" require disclosures on all offset financial instruments and on those which were not offset, but are subject to master netting agreements or similar agreements. This had no effect on the notes to the consolidated financial statements.

The initial application of IFRS 13 "Fair Value Measurement" resulted in additional notes.

In October 2011, IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" was published. This standard governs the accounting of the benefit of the stripping activity. The costs of stripping activities have to be accounted for in accordance with the principles of IAS 2 "Inventories" to the extent that the benefit from the stripping activity is realized in the form of inventory produced. The costs of stripping activity which provides a benefit in the form of improved access to ore or minerals are recognized as a non-current asset where it is probable that a future economic benefit arises, an ore or mineral body is identified and the related costs can be measured reliably. The accounting and valuation methods of the RHI Group have not changed due to IFRIC 20.

The improvements to the IFRSs published in May 2012 include changes and clarifications for fives standards:

The change in IAS 1 "Presentation of Financial Statements" refers to the question when the preparation of a third balance sheet as of the beginning of a comparative period and the related notes are required. The amendment clarifies that the preparation of a third balance sheet is only mandatory if accounting and measurement changes are applied retroactively or if balance sheet items are retroactively adjusted or reclassified and the retroactive adjustment or reclassification of items has a significant effect on the information of the third balance sheet. It is also clarified that notes to the third balance sheet are not necessary. The new or amended accounting standards initially applied by RHI in the current financial year or the changes made in presentation have no major effect on the information in the consolidated statement of financial position as of January 1, 2012. In accordance with the amended IAS 1, RHI therefore did not prepare a third balance sheet.

The improvement of IAS 16 "Property, plant and equipment" stipulates that spare parts and maintenance devices classified as property, plant and equipment also have to be recognized as such.

A clarification was added to IAS 32 "Financial instruments: Presentation" stating that tax effects of a distribution to holders of equity instruments and with respect to transaction costs related to an equity transaction have to be accounted for in accordance with IAS 12 "Income Taxes".

Other changes in comparative information

Due to adjusting events, the purchase price allocation of the Stopinc Group, which was fully acquired as of January 1, 2012, was adjusted applying IAS 8. Taking into account additional plan assets for defined benefit obligations amounting to € 8.6 million led to a reduction of the provisions for pensions of € 1.4 million and to the recognition of an asset of € 1.9 million pursuant to the provisions of IAS 19 and IFRIC 14 on asset ceilings. Deferred tax liabilities were increased by € 0.7 million. These adjustments increased the net assets acquired as of January 1, 2012 by a total of € 2.6 million; at the same time, goodwill had to be reduced by the same amount.

Provisions for pensions had to be reduced by € 2.0 million as of December 31, 2012 due to additional actuarial effects, which were recognized in other comprehensive income after the deduction of income taxes amounting to € 0.4 million. The consolidated income statement of the year 2012 was not affected.

Due to changes described above, the following items of the consolidated statement of financial position at December 31, 2012 were adjusted:

in € million	12/31/2012 as published	adjustments	12/31/2012 adjusted
Goodwill	20.0	(2.6)	17.4
Other non-current assets	10.7	1.9	12.6
Group reserves	190.4	1.6	192.0
Deferred tax liabilities	9.1	1.1	10.2
Personnel provisions	330.6	(3.4)	327.2

At December 31, 2013, financial receivables of € 2.2 million (12/31/2012: € 2.7 million, 12/31/2011: € 2.3 million) were reclassified from other non-current assets to other non-current financial assets in the consolidated statement of financial position. Current financial receivables, which were previously shown under trade and other current receivables, were reclassified to other current financial assets (12/31/2013: € 2.0 million, 12/31/2012: € 2.5 million, 12/31/2011: € 2.4 million). The prior-year figures were adjusted accordingly in the consolidated statement of financial position. However, due to the immaterial nature of the changes in presentation, no third balance sheet was prepared as of January 1, 2012.

In addition, in order to improve the informative value of the consolidated statement of changes in equity, equity items were renamed and the structure of presentation was changed. Remeasurement results of defined benefit plans, which were previously included in retained earnings, have been separated. The components of total comprehensive income are now presented separately.

The changes in the RHI Management Board as of July 1, 2013 led to a minor adaptation in the organizational structure of the Raw Materials Division, which now combines all raw material activities in one organizational unit. In addition to raw material purchasing and the sale of raw materials, it also comprises the RHI Group's own raw material production. This change has no effect on the figures of the segment reporting of the previous year.

New financial standards not yet adopted

The IASB issued further standards and amendments to standards and interpretations, whose application was, however, not yet mandatory in the financial year 2013. They were not applied prematurely on a voluntary basis.

The following standards were adopted by the EU by the time of the preparation of the RHI consolidated financial statements:

>> IAS 27 (revised version 2011): Separate Financial Statements
>> IAS 28 (revised version 2011): Investments in Associates and Joint Ventures
>> IAS 32 (amended 2011): Offsetting Financial Assets and Financial Liabilities
>> IFRS 10 (2011): Consolidated Financial Statements
>> IFRS 11 (2011): Joint Arrangements
>> IFRS 12 (2011): Disclosure of Interests in Other Entities
>> IFRS 10 - 12 (revised version 2011): Transition Guidance

In May 2011, the IASB published the standards IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures". Due to a delay in the enforcement of these standards on part of the EU, they are applicable to financial years starting on or after January 1, 2014.

IFRS 10 supersedes the provisions on consolidation previously defined in IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities" and explains a uniform control concept for all entities including special purpose entities. Control exists when an investor is exposed to the risks of variable returns from the company in which it holds a share or has a right to variable returns and has the ability to affect those returns through its power over the investee. If one of those elements changes, it must be reassessed whether control exists. Hence, IAS 27 now only includes provisions regarding the accounting of investments in subsidiaries, associates and joint ventures in the separate financial statements of the parent company.

IFRS 11 supersedes IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Ventures". It governs the accounting of joint operations and joint ventures. Joint ventures have to be included in the consolidated financial statements using the equity method in accordance with IAS 28 in the future. The option to apply proportionate consolidation was eliminated.

IFRS 12 provides disclosure standards for consolidated financial statements and pools the disclosures for subsidiaries, jointly controlled entities, associated companies and structured entities. With IFRS 12, the disclosure requirements of IAS 27, IAS 28 and IAS 31 are superseded.

The initial application of the above-mentioned standards is not expected to have significant effects on the asset, financial and earnings position and on the notes.

The amendments to IAS 32 "Financial Instruments: Presentation" in particular clarify the meaning of "currently legally enforceable right to offset" and "simultaneous realization and settlement". RHI assumes that the changes in IAS 32 will have no effect on the consolidated financial statements.

The following financial reporting standards were adopted by the IASB, but had not yet been adopted by the EU at the time of the preparation of the RHI consolidated financial statements:

>> IFRS 9 (2009/2010): Financial Instruments
>> IFRS 10, IFRS 12, IAS 27 (amended 2012): Investment entities
>> IAS 36 (amended 2013): Recoverable Amount Disclosures for Non-Financial Assets
>> IAS 39 (amended 2013): Novation of Derivatives and Continuation of Hedge Accounting
>> IFRIC 21 (2013): Levies

The new IFRS 9 "Financial Instruments" supersedes the current provisions of IAS 39 "Financial Instruments: Recognition and Measurement" for the accounting of financial instruments.

The measurement categories 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 amortized cost and fair value. Whether an instrument can be allocated to the category amortized cost depends on the business model of the company, i.e. how the company controls its financial instruments, and on the contractual cash flows of the individual instrument. IFRS 9 introduces additional changes with respect to financial liabilities.

Currently a project of the IASB dealing with the topics "amortized cost and impairment of financial assets" as well as "hedge accounting" is in progress.

IFRS 9 must be applied for financial years starting on or after January 1, 2018. A reliable estimate of the effects of the application of IFRS 9 can only be made once a detailed analysis has been conducted.

The amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" define investment entities and include new disclosure requirements for investment entities. As RHI AG is not an investment entity, this change will have no effect on the RHI Group.

The amendments to IAS 36 "Impairment of Assets" eliminate the unintended consequences of IFRS 13 for the disclosure requirements according to IAS 36 and only require that the recoverable amount of the assets or cash-generating units is indicated if impairments or reversals of impairments have been recognized during the year.

As a result of the amendments to IAS 39 "Financial Instruments: Recognition and Measurement", derivatives are still designated as a hedging instrument in continuing hedging relationships despite the novation. The prerequisite is that, based on legal or regulatory requirements, the parties to a hedging instrument agree that a central counterparty replaces the original counterparty and any other changes of the hedging instrument are limited to those required to exchange this counterparty. RHI does not expect any effects on the consolidated financial statements because the currently existing derivatives are not subject to legal or regulatory requirements regarding novation to a central counterparty.

The interpretation IFRIC 21 "Levies" provides guidance on when to recognize a liability for a levy imposed by a government based on legal requirements. RHI assumes that this standard will not have an effect on the consolidated financial statements.

Principles of consolidation

A Group of consolidated companies

In addition to RHI AG as the parent company, the consolidated financial statements include the financial statements of 79 subsidiaries in which RHI directly or indirectly exercises control.

Two companies whose operating and financial policies are significantly influenced by Group companies (associates) are consolidated at equity.

As in the previous year, four subsidiaries and three other investments, which are considered to be immaterial for the assets, financial and earnings position of the RHI Group due to their suspended or minimal business activities, were not included in the consolidated financial statements.

The group of consolidated companies developed as follows:

	2013		2012	
Number of entities	Full consolidation	Equity method	Full consolidation	Equity method
Balance at beginning of year	**79**	**2**	**75**	**2**
Additions	2	0	5	0
Disposals	(1)	0	(1)	0
Balance at year-end	**80**	**2**	**79**	**2**

Additions 2013

Orient Refractories Ltd.

On January 15, 2013, the RHI subsidiary Dutch US Holding B.V., Arnhem, Netherlands, signed an agreement for the acquisition of 43.6% of the share capital of Orient Refractories Ltd. ("ORL"). ORL is a listed company based in India and produces special refractory products and refractory mixes for the iron and steel industry. The company's head office is based in New Delhi; the production and R&D site is located in Bhiwadi, Rajasthan. Moreover, ORL operates eight sales offices in India. As of December 31, 2013, ORL had 473 employees.

The closing of the acquisition of this block of shares through Dutch US Holding B.V. took place on April 3, 2013. The purchase price amounted to € 31.8 million and was paid in cash. The mandatory public offer to the shareholders of ORL related to the acquisition of the block of shares for up to another 26% of the shares commenced on March 25, 2013 and was closed on April 29, 2013. The public offer was accepted in full. The purchase price amounted to € 19.0 million and was also paid in cash. After the execution of the mandatory offer, Dutch US Holding B.V. now holds 69.6% in the share capital of ORL.

The acquisition is treated as a single transaction. The initial consolidation was carried out with the execution of the mandatory public offer on April 29, 2013 on the basis of 69.6% of the voting rights in ORL. Non-controlling interests were measured on the basis of the proportional share of net assets.

The IFRS valuations, which had been determined on a preliminary basis at the time of initial consolidation, were adjusted during the measurement period, for the last time in the fourth quarter of 2013. As a result of the fair value adjustments, property, plant and equipment increased by € 2.5 million, other intangible assets by € 29.5 million, other non-current assets by € 0.5 million and inventories by € 1.0 million on the assets side. In turn, deferred tax liabilities were increased by € 11.4 million on the liabilities side. In terms of current liabilities, the adjustment of fair value caused a reduction of trade and other current liabilities amounting to € 0.3 million. Accordingly, goodwill was reduced by € 15.6 million and non-controlling interests increased by € 6.8 million.

The components of the purchase price based on the preliminary fair value at the date of initial consolidation are shown in the following table:

in € million	04/29/2013
Property, plant and equipment	6.6
Intangible assets	29.5
Other non-current assets	0.5
Inventories	9.4
Trade and other current receivables	10.4
Cash and cash equivalents	2.1
Deferred tax liabilities	(11.6)
Current financial liabilities	(0.8)
Trade and other current payables	(7.0)
Income tax payables	(0.2)
Net assets	**38.9**
Non-controlling interest	(11.8)
Proportional share of net assets acquired	**27.1**
Goodwill	23.7
Purchase price	**50.8**

The goodwill created in the course of the acquisition reflects the expected strategic advantage for the Group resulting from a stronger market position in the flow control business in the growing Indian and Asian steel industry. Goodwill cannot be used for tax purposes.

The gross value of the receivables acquired amounted to € 10.6 million at the date of acquisition, the carrying amount amounts to € 10.4 million (corresponds to fair value).

In the period from May to December 2013, ORL contributed € 32.2 million to revenues and € 2.4 million to result after income taxes. In the period from January 1, 2013 until the inclusion in the RHI consolidated financial statements, ORL realized revenues of € 17.7 million and earnings after tax of € 1.1 million. When the pro-forma items were determined it was assumed that the adjustments of fair value determined on a preliminary basis, which were made at the date of acquisition, would have also been applicable in the case of an acquisition as of January 1, 2013.

The external acquisition-related costs amount to € 0.7 million and were recognized in general and administration costs in the years 2012 and 2013.

RHI Refractories Egypt LLC.
With effect from November 1, 2013, the newly established subsidiary RHI Refractories Egypt LLC. based in Cairo, Egypt (100%) was included in the group of consolidated companies.

Additions 2012
Stopinc Group
With a purchase contract dated January 18, 2012, Radex Vertriebsgesellschaft mbH, Leoben, acquired the remaining 50% share in Stopinc AG, Hünenberg, Switzerland, with effect from January 1, 2012. RHI now holds 100% of the shares and voting rights.

Stopinc AG and its subsidiaries INTERSTOP Corporation, Cincinnati, USA, INTERSTOP (Shanghai) Co., Ltd., Shanghai, PR China, as well as Mezubag AG, Pfäffikon, Switzerland, (acquisition through Stopinc AG on January 18, 2012) manufacture and sell special products for the use in the steel industry. With this takeover, RHI has strengthened the flow control segment, which covers the regulated flow of liquid steel in the production process. With the Interstop brand, Stopinc AG ranks among the world market leaders in this market sector. RHI AG has kept the trademark. Activities will be expanded further by intensifying research activities, with a focus on Asia. At the date of acquisition, the Stopinc Group had 113 employees.

The US subsidiary INTERSTOP Corporation was sold by Stopinc AG to the RHI subsidiary RHI US Ltd. at the end of 2013 and merged with this company in January 2014.

The date of initial consolidation of the Stopinc Group was January 1, 2012. Taking into account the adjustments according to IAS 8 made in the financial year 2013, the purchase price consisted of the following components:

in € million	01/01/2012[1)]
Property, plant and equipment	4.5
Intangible assets	15.8
Other non-current assets	1.9
Deferred tax assets	0.4
Inventories	8.4
Trade and other current receivables	9.3
Other current financial assets	0.3
Cash and cash equivalents	1.7
Deferred tax liabilities	(4.1)
Personnel provisions	(0.3)
Other non-current provisions	(0.2)
Current financial liabilities	(1.6)
Trade and other current payables	(6.5)
Income tax payables	(0.7)
Net assets acquired	**28.9**
Goodwill	0.0
Total purchase price	**28.9**

1) Explanations regarding adjustments are provided in the section "Other changes in comparative information."

The total purchase price of € 28.9 million comprised the fair value of the equity share of 50% amounting to € 11.5 million held immediately before the acquisition as well as the purchase price of the remaining share paid in cash, which amounted to € 17.4 million. The pro-rata dividend entitlement of the former co-owner of the Stopinc Group for the financial year 2011 was recognized in the cash flow statement in the item investments in subsidiaries net of cash.

No fair value adjustment was required for the previously held shares at the date of initial consolidation. The changes in fair value of € 7.1 million, which were recorded in equity prior to January 1, 2012, were derecognized in profit and loss through the financial results in accordance with IFRS 3.42.

The costs related to the acquisition amounted to less than € 0.1 million.

The gross carrying amount of the receivables acquired amounted to € 10.1 million at the acquisition date; the carrying amount was € 9.3 million (corresponded to fair value).

RHI MARVO SRL

With effect from June 1, 2012, the newly established subsidiary RHI MARVO SRL, Ploiesti, Romania (100%) was included in the group of consolidated companies. This company primarily provides lining services for refractory materials.

Disposals 2013

As of March 21, 2013, all shares (51%) in FC Technik AG, Winterthur, Switzerland, were sold. The proportional share of net assets disposed at the date of deconsolidation is shown below:

in € million	03/21/2013
Property, plant and equipment	0.1
Inventories	0.1
Trade and other current receivables	1.1
Cash and cash equivalents	0.7
Trade and other current payables	(0.3)
Income tax payables	(0.1)
Net assets disposed	**1.6**
Non-controlling interest	(0.8)
Proportional share of net assets disposed	**0.8**

The result from deconsolidation is calculated as follows:

in € million	03/21/2013
Proceeds on the sale	0.7
Proportional share of net assets disposed	(0.8)
Reclassification proportional currency translation differences	0.1
Result from deconsolidation	**0.0**

At the balance sheet date, € 0.6 million of the proceeds on the sale of € 0.7 million had been paid. The remaining part of € 0.1 million is due in the year 2014.

Disposals 2012

As of July 31, 2012, all shares in RHI Isithebe (Pty) Limited, Sandton, South Africa were sold. Deconsolidated net debt at the time of deconsolidation is shown in the table below:

in € million	07/31/2012
Inventories	2.7
Trade and other current receivables	1.4
Income tax receivables	0.9
Personnel provisions	(0.1)
Trade and other current payables	(0.9)
Current provisions	(6.3)
Deconsolidated net debt	**(2.3)**

The result from deconsolidation is calculated as follows:

in € million	07/31/2012
Proceeds on the sale	2.4
Deconsolidated net debt	2.3
Reclassification currency translation differences	2.6
Result from deconsolidation	**7.3**

The profit, after deduction of cost related to the sale of € 0.2 million, was shown under income from restructuring.

The following list, which was drawn up in accordance with § 245a para. 1 UGB in conjunction with § 265 para 2 UGB, shows all companies in which RHI holds a share of at least 20%:

	Name and registered office of the company	12/31/2013 Share-holder	12/31/2013 Share in %	12/31/2013 Type of cons.[1)]	12/31/2012 Share-holder	12/31/2012 Share in %	12/31/2012 Type of cons.[1)]
1.	RHI AG, Vienna, Austria			F			F
2.	Betriebs- und Baugesellschaft mbH, Wiesbaden, Germany	6.	100.0	F	6.	100.0	F
3.	CJSC "RHI Podolsk Refractories", Moscow, Russia	31.,73.	100.0	F	31.,73.	100.0	F
4.	Didier Belgium N.V., Evergem, Belgium	41.,69.	100.0	F	41.,69.	100.0	F
5.	Didier Vertriebsgesellschaft mbH, Wiesbaden, Germany	6.	100.0	F	6.	100.0	F
6.	Didier-Werke AG, Wiesbaden, Germany	1.,31.	100.0	F	1.,31.	100.0	F
7.	Dolomite Franchi S.p.A., Brescia, Italy	31.	100.0	F	31.	100.0	F
8.	D.S.I.P.C.-Didier Société Industrielle de Production et de Constructions, Breuillet, France	6.	100.0	F	6.	100.0	F
9.	Dutch Brasil Holding B.V., Arnhem, Netherlands	73.	100.0	F	73.	100.0	F
10.	Dutch MAS B.V., Arnhem, Netherlands	6.	100.0	F	6.	100.0	F
11.	Dutch US Holding B.V., Arnhem, Netherlands	73.	100.0	F	73.	100.0	F
12.	FC Technik AG, Winterthur, Switzerland	-	-	-	31.	51.0	F
13.	Full Line Supply Africa (Pty) Limited, Sandton, South Africa	31.	100.0	F	31.	100.0	F
14.	GIX International Limited, Wakefield, Great Britain	80.	100.0	F	80.	100.0	F
15.	INDRESCO U.K. Ltd., Wakefield, Great Britain	14.	100.0	F	14.	100.0	F
16.	INTERSTOP Corporation, Cincinnati, USA	70.	100.0	F	72.	100.0	F
17.	INTERSTOP (Shanghai) Co., Ltd., Shanghai, PR China	72.	100.0	F	72.	100.0	F
18.	Latino America Refractories ApS, Hellerup, Denmark	80.	100.0	F	80.	100.0	F
19.	Liaoning RHI Jinding Magnesia Co., Ltd., Dashiqiao City, PR China[2)]	31.	83.3	F	31.	83.3	F
20.	LLC "RHI Wostok", Moscow, Russia	1.,31.	100.0	F	1.,31.	100.0	F
21.	LLC "RHI Wostok Service", Moscow, Russia	1.,31.	100.0	F	1.,31.	100.0	F
22.	Lokalbahn Mixnitz-St. Erhard AG, Vienna, Austria	61.	100.0	F	61.	100.0	F
23.	Magnesit Anonim Sirketi, Eskisehir, Turkey[3)]	31.	100.0	F	10.	100.0	F
24.	Magnesitwerk Aken Vertriebsgesellschaft mbH i.L., Aken, Germany	6.	100.0	F	6.	100.0	F
25.	MARVO Feuerungs- und Industriebau GmbH, Gerbstedt, Germany	26.	100.0	F	26.	100.0	F
26.	MARVO Feuerungs- und Industriebau GmbH, Kerpen, Germany	6.	100.0	F	6.	100.0	F
27.	Mezubag AG, Pfäffikon, Swiss	72.	100.0	F	72.	100.0	F
28.	Orient Refractories Ltd., New Delhi, India	11.	69.6	F	-	-	-
29.	Premier Periclase Ltd., Drogheda, Ireland	11.	100.0	F	11.	100.0	F
30.	Producción RHI México, S. de R.L. de C.V., Ramos Arizpe, Mexico	53.,80.	100.0	F	53.,80.	100.0	F
31.	Radex Vertriebsgesellschaft mbH, Leoben, Austria	77.	100.0	F	77.	100.0	F
32.	REFEL S.p.A., San Vito al Tagliamento, Italy	6.	100.0	F	6.	100.0	F
33.	Refractory Intellectual Property GmbH, Vienna, Austria	1.	100.0	F	1.	100.0	F
34.	Refractory Intellectual Property GmbH & Co KG, Vienna, Austria	1.,33.	100.0	F	1.,33.	100.0	F
35.	RHI Argentina S.R.L., San Nicolás, Argentina	18.,80.	100.0	F	18.,80.	100.0	F
36.	RHI Canada Inc., Burlington, Canada	80.	100.0	F	80.	100.0	F
37.	RHI Chile S.A., Santiago, Chile	14.,80.	100.0	F	14.,80.	100.0	F
38.	RHI Clasil Limited, Hyderabad, India[2)]	80.	53.7	F	80.	53.7	F

	Name and registered office of the company	12/31/2013 Share-holder	Share in %	Type of cons.[1)]	12/31/2012 Share-holder	Share in %	Type of cons.[1)]
39.	RHI Dinaris GmbH, Wiesbaden, Germany	69.	100.0	F	69.	100.0	F
40.	RHI Finance A/S, Hellerup, Denmark	1.	100.0	F	1.	100.0	F
41.	RHI GLAS GmbH, Wiesbaden, Germany	69.	100.0	F	69.	100.0	F
42.	RHI India Private Limited, Navi Mumbai, India[2)]	80.	60.0	F	80.	60.0	F
43.	RHI MARVO SRL, Ploiesti, Romania	31.,73.	100.0	F	31.,73.	100.0	F
44.	RHI Monofrax, LLC, Wilmington, USA	70.	100.0	F	70.	100.0	F
45.	RHI Normag AS, Porsgrunn, Norway	31.	100.0	F	31.	100.0	F
46.	RHI-Refmex, S.A. de C.V., Ramos Arizpe, Mexico	53.,80.	100.0	F	53.,80.	100.0	F
47.	RHI Refractories Africa (Pty) Ltd., Sandton, South Africa	6.	100.0	F	6.	100.0	F
48.	RHI Refractories Andino C.A., Puerto Ordaz, Venezuela	80.	100.0	F	80.	100.0	F
49.	RHI Refractories Asia Ltd., Hongkong, PR China	71.	100.0	F	71.	100.0	F
50.	RHI Refractories Asia Pacific Pte. Ltd., Singapore	1.	100.0	F	1.	100.0	F
51.	RHI Refractories (Dalian) Co., Ltd., Dalian, PR China	31.	100.0	F	31.	100.0	F
52.	RHI Refractories Egypt LLC., Cairo, Egypt	31.,73.	100.0	F	-	-	-
53.	RHI Refractories España, S.L., Lugones, Spain	6.,10.	100.0	F	6.,10.	100.0	F
54.	RHI Refractories France S.A., Breuillet, France	71.	100.0	F	71.	100.0	F
55.	RHI Refractories Holding Company, Wilmington, USA	80.	100.0	F	80.	100.0	F
56.	RHI Refractories Ibérica, S.L., Lugones, Spain	71.	100.0	F	71.	100.0	F
57.	RHI Refractories Italiana s.r.l., Brescia, Italy	71.	100.0	F	71.	100.0	F
58.	RHI Refractories Liaoning Co., Ltd., Bayuquan, PR China[2)]	31.	66.0	F	31.	66.0	F
59.	RHI Refractories Mercosul Ltda, Sao Paulo, Brazil	73.,80.	100.0	F	73.,80.	100.0	F
60.	RHI Refractories Nord AB, Stockholm, Sweden	71.	100.0	F	71.	100.0	F
61.	RHI Refractories Raw Material GmbH, Vienna, Austria	1.,31.	100.0	F	1.,31.	100.0	F
62.	RHI Refractories Site Services GmbH, Wiesbaden, Germany	6.	100.0	F	6.	100.0	F
63.	RHI Refractories (Site Services) Ltd., Newark, Great Britain	67.	100.0	F	67.	100.0	F
64.	RHI Refractories UK Limited, Clydebank, Great Britain	6.	100.0	F	6.	100.0	F
65.	RHI Refratários Brasil Ltda, Belo Horizonte, Brazil	9.,80.	100.0	F	9.,80.	100.0	F
66.	RHI Rückversicherungs AG, Vaduz, Liechtenstein	31.	100.0	F	31.	100.0	F
67.	RHI Sales Europe West GmbH, Mülheim-Kärlich, Germany	6.,71.	100.0	F	6.,71.	100.0	F
68.	RHI Trading (Dalian) Co., Ltd., Dalian, PR China	31.	100.0	F	31.	100.0	F
69.	RHI Urmitz AG & Co KG, Mülheim-Kärlich, Germany	5.,6.	100.0	F	5.,6.	100.0	F
70.	RHI US Ltd., Wilmington, USA	11.	100.0	F	11.	100.0	F
71.	SAPREF AG für feuerfestes Material, Basel, Switzerland	80.	100.0	F	80.	100.0	F
72.	Stopinc AG, Hünenberg, Switzerland	6.,31.	100.0	F	6.,31.	100.0	F
73.	Veitscher Vertriebsgesellschaft mbH, Vienna, Austria	1.	100.0	F	1.	100.0	F
74.	Veitsch-Radex America Inc., Burlington, Canada	36.	100.0	F	36.	100.0	F
75.	Veitsch-Radex America LLC., Wilmington, USA	70.	100.0	F	70.	100.0	F
76.	Veitsch-Radex GmbH, Vienna, Austria	1.	100.0	F	1.	100.0	F
77.	Veitsch-Radex GmbH & Co OG, Vienna, Austria	1.,76.	100.0	F	1.,76.	100.0	F
78.	Veitsch-Radex Vertriebsgesellschaft mbH, Vienna, Austria	1.	100.0	F	1.	100.0	F
79.	VERA FE, Dnepropetrovsk, Ukraine	31.	100.0	F	31.	100.0	F
80.	VRD Americas B.V., Arnhem, Netherlands	1.,31.	100.0	F	1.,31.	100.0	F
81.	Zimmermann & Jansen GmbH, Düren, Germany	6.	100.0	F	6.	100.0	F
82.	Dr.-Ing. Petri & Co. Unterstützungs-Gesellschaft mbH, Duisburg, Germany	6.	100.0	N	6.	100.0	N
83.	INTERSTOP do Brasil i.L., Barueri, Brazil	72.	100.0	N	72.	100.0	N

	Name and registered office of the company	12/31/2013 Share-holder	Share in %	Type of cons.[1)]	12/31/2012 Share-holder	Share in %	Type of cons.[1)]
84.	INTERSTOP Licensing LLC, Dover, USA	72.	100.0	N	72.	100.0	N
85.	RHI Réfractaires Algérie E.U.R.L., Sidi Amar, Algeria	54.	100.0	N	54.	100.0	N
86.	MAGNIFIN Magnesiaprodukte GmbH & Co KG, St. Jakob, Austria	73.,90.	50.0	E	73.,90.	50.0	E
87.	Società Dolomite Italiana SDI S.p.A., Gardone Val Trompia, Italy	7.	50.0	E	7.	50.0	E
88.	LLC "NSK Ogneupor Holding", Moskau, Russia	31.	49.0	I	31.	49.0	I
89.	LLC "NSK Ogneupor", Novokuznetsk, Russia	31.	49.0	I	31.	49.0	I
90.	MAGNIFIN Magnesiaprodukte GmbH, St. Jakob, Austria	73.	50.0	I	73.	50.0	I

1) Type of consolidation:
F Fully consolidated company
E Associated company consolidated at equity
N Not consolidated due to minor significance, measured at amortized cost
I Other immaterial investment, measured at amortized cost

2) In accordance with IAS 32, non-controlling interests are shown under financial liabilities due to put options exercisable at any time or contractually guaranteed dividend payments.

3) Other shareholders are VRD Americas B.V., Lokalbahn Mixnitz St. Erhard AG and Veitscher Vertriebsgesellschaft mbH.

i.L. In liquidation

B Methods of consolidation

Subsidiaries

Subsidiaries are companies in which RHI AG directly or indirectly exercises control over financial and operating policies and also generally holds more than 50% of voting rights. When assessing whether control exists, the existence and impact of potential voting rights that are currently exercisable or convertible are taken into consideration.

The acquisition 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 the acquired assets and liabilities at the date of acquisition or transfer of control. Intangible assets which were previously not recognized in the separate financial statements of the company acquired are also measured at fair value. Intangible assets identified when a company is acquired, for example patents, brand names and customer relations, are only measured separately at the time of acquisition if the conditions for the capitalization of an intangible asset in accordance with IAS 38 are met.

For the acquisition of companies in which less than 100% shares are acquired, IFRS 3 allows an accounting policy choice whereby either goodwill proportionate to the share held or goodwill including the share accounted for by non-controlling interests can be recognized. This accounting policy choice can be exercised anew for any company acquisition.

As a rule, the measurement at the date of acquisition can only be made on a preliminary basis. If adjustments are necessary within twelve months of the acquisition in favor or at the expense of assets and liabilities, they will be made accordingly. These adjustments are presented in the notes.

The goodwill determined 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 recognized immediately to profit or loss in other income after renewed measurement of the identifiable assets, liabilities and contingent liabilities.

Shares in net assets of subsidiaries that are not attributable to RHI AG are shown separately as non-controlling interests as a component of equity. Puttable non-controlling interests are shown under financial liabilities in accordance with their limited contractual term.

Transaction costs which are directly related to business combinations are expensed as incurred. Conditional components of the purchase price are recorded at fair value at the date of initial consolidation. Adjustments after the value adjustment period of twelve months are recognized in profit or loss.

When additional shares are acquired in companies which are already included in the consolidated financial statements as subsidiaries, the difference between the purchase price and the proportional carrying amount in the subsidiary's net assets is offset against equity. Gains and losses from the sale of shares are also recorded in equity unless they lead to a loss of the controlling influence.

In the case of a step acquisition and the related obtaining of a possible controlling interest, the difference between the carrying amount and the fair value at the date of the initial full consolidation is realized through profit or loss.

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

Intragroup results related to intragroup deliveries of non-current assets and inventories as well as transfers of shares 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 shares in significant associates provided that RHI AG directly or indirectly holds between 20% and 50% of the voting rights and is thus able to exercise significant influence.

At the date of acquisition, a positive difference between the acquisition costs and the share in the fair values of identifiable assets and liabilities of the associate is determined and recognized as goodwill. Goodwill is shown under the balance sheet item shares in 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. Unrealized intragroup results from transactions with these companies are offset against the carrying amount of the investment on a pro-rata basis within the framework of consolidation, if they are material.

RHI examines at every balance sheet date whether there are objective indications of an impairment of the shares in the associates. If such indications exist, the required impairment is determined as the difference between the recoverable amount and the carrying amount of the associate and recognized in profit and loss in the item results from associates. If the reasons for a previously recognized impairment cease to exist, a reversal of impairment is recognized in profit and loss.

The financial statements of the companies consolidated at equity are prepared in accordance with uniform accounting and measurement methods throughout the Group.

C Foreign currency translation

Functional currency and presentation currency

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

The items included in the financial statements of each Group company are valued based on the currency of the primary economic environment in which the company operates (functional currency). This is the local currency for all Group companies, with the exception of Magnesit Anonim Sirketi, Eskisehir, Turkey. The annual financial statements of Magnesit Anonim Sirketi are prepared in euro.

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 monetary assets and liabilities in foreign currencies at the exchange rate in effect on the balance sheet date are recognized in profit or loss under other income or expenses. Contrary to this, unrealized currency translation differences from monetary differences which form part of a net investment in a foreign business are recognized in other comprehensive income in equity.

Group companies

The annual financial statements of foreign subsidiaries that have a functional currency differing from the Group presentation currency are translated into euros as follows:

Assets and liabilities are translated at the exchange rate on the balance sheet date, while the income statements are 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 in other comprehensive income without recognition to profit or loss. Cash flows are translated at average monthly exchange rates.

Goodwill and adjustments to the fair value of assets and liabilities related to the purchase price allocation of a foreign subsidiary are recognized as assets and liabilities of the respective foreign subsidiary and translated at the exchange rate at the balance sheet date.

The RHI sales company in Venezuela does not apply the provisions of IAS 29 for Financial Reporting in Hyperinflationary Economies as it is immaterial for the presentation of the asset, financial and earnings position of the Group.

The euro exchange rates of important currencies are shown in the following table:

		Closing rate		Average monthly rate	
Currencies	ISO-Code	12/31/2013	12/31/2012	2013	2012
Brazilian real	BRL	3.25	2.70	2.86	2.51
Pound sterling	GBP	0.83	0.82	0.85	0.81
Chilean peso	CLP	723.59	631.42	653.11	632.36
Chinese renminbi yuan	CNY	8.33	8.22	8.13	8.14
Indian rupee	INR	85.08	72.46	77.62	68.53
Canadian dollar	CAD	1.46	1.31	1.36	1.28
Mexican peso	MXN	18.03	17.20	16.97	17.00
Norwegian krone	NOK	8.37	7.36	7.76	7.56
Swiss franc	CHF	1.23	1.21	1.22	1.22
South African rand	ZAR	14.49	11.19	12.66	10.54
US dollar	USD	1.38	1.32	1.33	1.29

Principles of Accounting and Measurement

A Property, plant and equipment

Property, plant and equipment is measured at acquisition or production cost, less accumulated depreciation on a systematic basis and impairments. 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 realize 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 capitalized 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 installments are discounted and recorded as liabilities. Current lease payments are apportioned between a finance charge and the amortization of the outstanding liability. As of the balance sheet date, the property, plant and equipment leased through finance leasing is of small scale. All other leases are treated as operating leases. The lease payments resulting from operating leases are expensed as incurred.

The production costs of internally generated assets comprise direct costs as well as a proportional share of capitalizable production overheads and borrowing costs. If financing can be specifically allocated to an investment, the actual borrowing costs are capitalized as production costs. If no direct connection can be made, the average rate on borrowed capital of the Group is used as the capitalization rate due to the central funding of the Group.

Expected demolition and disposal costs at the end of an asset's useful life are capitalized 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.

Real estate and land are not depreciated on a systematic basis. Depreciation of other material property, plant and equipment is based on the following useful lives in the RHI Group:

Factory and office buildings	15 to 50 years
Land improvement	8 to 30 years
Crusher machines and mixing facilities	8 to 20 years
Presses	10 to 12 years
Tunnel, rotary and shaft kilns	50 years
Other kilns	20 to 30 years
Cars, other plant, furniture and fixtures	3 to 35 years

The residual carrying amounts and economic useful lives are reviewed regularly, and adjusted if necessary.

Depletion is recorded on raw material deposits of the volume actually mined in proportion to the estimated volume.

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

Gains or losses from the disposal of property, plant and equipment, which result as the difference between the net realizable value and the carrying amount, are recognized as income or expense in the income statement.

B Goodwill

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

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

C Other intangible assets

Research costs are expensed in the year incurred.

Development costs also represent expenses in the period. They are only capitalized 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. Capitalized development costs are amortized on a straight-line basis over the expected useful life, but over a maximum of 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 capitalized 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 an adequate, proportional share of overheads. Software is predominantly amortized over a period of four years.

Purchased intangible assets are measured at acquisition cost, which also includes acquisition-related costs, less amortization, less accumulated amortization and impairments. The following table shows the most important useful lives:

Patents	7 to 18 years
Brand rights	20 years
Land use rights	50 or 65 years
Customer relations	4 to 7 years

D 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 for impairment at least annually.

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 net selling price and its value in use (present value of future cash flows). If the carrying amount is higher than the recoverable amount, an impairment loss equivalent to the resulting difference is recognized in the income statement.

If the reasons for a previously recognized impairment loss cease to exist, except for goodwill, a reversal of impairment on the amortized acquisition and production costs is recognized to profit or loss.

If there is an indication for an impairment of a specific asset, only this specific asset will be tested for impairment. The recoverable amount is determined through the net selling price. If the net selling price is lower than the carrying amount, an impairment loss is recorded.

For impairment tests, assets are combined into groups for which separate cash flows can be determined. These cash-generating units (CGU) of the RHI Group reflect the market appearance and market presence and as such generate the largest part of the cash flows. The cash-generating units correspond to the strategic business units. In the Steel Division there are two such units, Linings and Flow Control, which are defined by the production stage in the process of steel production. In the Industrial Division, each of the four industry sectors forms a separate cash-generating unit. In the Raw Materials Division, all production lines producing raw materials, with the exception of Norway, are combined in one cash-generating unit.

The Porsgrunn plant in Norway is not included in the unit Raw Materials, but treated as a separate CGU because due to the dimension and the special situation of the Porsgrunn plant, a dedicated management has been installed for the coordination and implementation of the optimization measures. This organization goes far beyond plant management and for example also comprises sub-tasks in the area of administration processes. Moreover, fused magnesia, which is exclusively intended for the use in the CGU Linings, is produced in Porsgrunn. This results in an isolated relationship with the CGU Linings for the CGU Norway.

The CGUs of the RHI Group are shown in the table below:

	RHI Group		
	Steel Division	Industrial Division	Raw Materials Division
CGU	Linings	Glass	Raw Materials Production
	Flow Control	Cement/Lime	Norway
		Nonferrous Metals	
		Environment, Energy, Chemicals	

As in the previous year, the impairment test is based on the value in use. The recoverable amount of the cash-generating units is determined using the discounted cash flow method and incorporates the terminal value based on growth of 1.5%. The growth rate of 1.5% contained in the terminal value is lower than the average growth rate of the revenues of the RHI Group in the last five years (1.9% for the years 2008-2013).

A simplified cash flow statement serves to determine the cash flows on the basis of strategic financial planning. The cash flows determined take into account income taxes paid. The interest rates used to discount cash flows reflect the country-specific risks of the respective cash-generating unit. The interest rates after tax are applied. These interest rates, weighted by cash-generating unit, range from 6.6% to 6.9%. In the previous year, the analog interest rates ranged from 6.4% to 6.7%.

The calculations for purposes of impairment tests are based on the five years of strategic financial planning planned in detail. The plan figures are based on assumptions of the management and are secured through external sources of information. Planning of the CGUs Linings and Flow Control was based on the planning of the strategic business units under the following premises:

The basis for the strategic planning of the CGU Linings is the forecast of world steel production by independent institutions (CRU). Taking into account the strategic focus in regional and technological terms, the growth of revenues of the CGU Linings is derived from this forecast. This growth of revenues leads to higher profitability as innovations are ready to be brought to the market, production costs are continuously optimized and in many cases existing structures are used. An interest rate after tax of 6.8% (2012: 6.7%) was applied.

The forecast of the world steel production also forms the basis for the CGU Flow Control. In addition to new innovations, the synergies of the integration of the Stopinc Group in the year 2012 and of the Indian company Orient Refractories Ltd. in the year 2013 will take full effect in Flow Control. Strategic targets such as cost leadership in production and lean administrative structures also support success. An interest rate after tax of 6.9% (2012: 6.7%) was applied.

Based on the review conducted in the financial year 2013, the recoverability of the assets was proven for all cash-generating units with the exception of the CGU Norway. The impairment determined for the CGU Norway totals € 65.3 million, with goodwill accounting for € 2.2 million and the impairment of property plant and equipment accounting for € 63.1 million. The impairment test of the year 2012 showed no impairment losses at the level of the cash-generating units.

E Other financial assets and liabilities

The item other financial assets in the consolidated statement of financial position of RHI includes shares in non-consolidated subsidiaries and other investments, securities, financial receivables and positive fair values of derivative financial instruments. The item other financial liabilities includes negative fair values of derivative financial instruments.

Shares in non-consolidated subsidiaries, investments in other companies and securities are classified entirely as "available for sale" in the RHI Group. Available-for-sale financial assets are initially measured at fair value including any related transaction expenses. Subsequent measurement reflects fair value, with changes in fair value being recorded in other comprehensive income. The accumulated gains and losses from fair value measurement that are recorded under other comprehensive income are only reclassified to the income statement with the disposal of the financial assets. Impairments are charged to profit or loss. Impairment losses on equity instruments recognized to profit and loss are reversed through other comprehensive income. Reversals of impairment for debt instruments are recognized to profit and loss. Available-for-sale financial assets of minor importance are measured at cost. If there are indications that fair value is lower, the lower value is recognized.

Financial receivables are measured at amortized cost applying the effective interest method. Any doubt concerning the collectability of the receivables is reflected in the use of the lower fair value. Foreign currency receivables are translated at the exchange rate effective on the balance sheet date.

Derivative financial instruments, which are not part of an effective hedging relationship in accordance with IAS 39, must be classified as held for trading in accordance with IFRS and measured at fair value. In the RHI Group, this measurement category includes forward exchange contracts as well as embedded derivatives in open orders that are denominated in currencies other than the functional currency. Derivative financial instruments are valued individually using the applicable forward rate as of the balance sheet date. These forward rates are based on spot rates, and also include forward premiums and discounts. Unrealized valuation gains or losses and results from the realization of the forward exchange contracts are recognized to the income statement under other income or expenses. The underlying transactions for the derivatives are carried at amortized cost.

For derivative financial instruments, which are incorporated in an effective hedging relationship in accordance with IAS 39, the hedge is recognized as such (hedge accounting). RHI applies the stipulations regarding hedge accounting to protect future cash flows (cash flow hedge). This reduces volatilities in the income statement and in the cash flows. Derivative financial instruments are concluded in the form of interest rate swaps to protect the cash flow risk of financial liabilities carrying variable interest. The interest rate swaps as hedging instruments are measured at fair value, which corresponds to the amount which RHI would receive or have to pay on the reporting date when the financial instrument is terminated. The fair value is calculated using the interest rates and yield curves relevant on the balance sheet date. The effective part of the fair value changes is initially recorded in other comprehensive income as unrealized gain or loss. Only at the time of the realization of the hedged item, the contribution of the hedged item is shown in the income statement. Ineffective parts of the fair value changes of cash flow hedges are recognized immediately in the income statement.

F Deferred taxes

Deferred taxes are recognized 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 recognized 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. No temporary differences are recognized for financial instruments which were issued by subsidiaries to non-controlling interests and which are classified as a financial liability in accordance with IFRS.

The RHI Group only recognizes 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 utilize the deferred tax assets.

The calculation of deferred taxes is based on the tax rate expected in the individual countries at the time of realization and generally reflects the enacted or substantively enacted tax rate on the balance sheet date. As in the previous years, deferred taxes of the Austrian Group companies are determined at the corporation tax rate of 25%. Tax rates from 9% to 40% (12/31/2012: 12.5% to 40%) were applied for foreign companies.

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 in the statement of financial position, and deferred tax liabilities are reported under non-current liabilities.

G Inventories

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

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

Finished goods and work in process are valued at fixed and variable production cost.

The net realizable value is the estimated selling price in the ordinary course of business minus any estimated cost to complete and to sell the goods. Impairments due to reduced usability are reflected in the calculation of the net realizable value.

H 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 recognized 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.

I Trade and other current receivables

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

Receivables denominated in foreign currencies are translated using the mean rate of exchange on the balance sheet date.

J Emission certificates

Emission certificates acquired for a consideration are recognized at cost and recognized to profit and loss in cost of sales when used up, written down to fair value or sold. In the case of a shortfall, a provision is formed equivalent to the fair value of the lacking emission certificates.

Emission certificates allocated free of charge are not recognized in the balance sheet. Proceeds from the sale of these rights are recognized under revenues.

K Cash and cash equivalents

Cash on hand, checks received and cash at banks with an original term of a maximum of three months are shown under cash and cash equivalents. Moreover, shares in money market funds, which are only exposed to insignificant value fluctuations due to their high credit rating and investments in extremely short-term money market instruments and can be converted to defined cash amounts within two days at any time, are also recorded under cash equivalents under IAS 7.

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

L Provisions

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

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

If maturities cannot be estimated, they are shown under current 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 to earmarked pension plans. The related expenses are shown in the functional areas and thus in the operating result. No provisions are necessary.

Defined benefit plans require the company to provide the agreed amount of benefits to active and former employees and their dependents, with a differentiation made between pension systems financed through provisions and pension systems financed by funds.

For pension plans financed through external funds, the pension obligation is calculated according to the projected unit credit method and reduced by the fair value of the plan assets. If the plan assets are not sufficient to cover the obligation, the net obligation is recognized under provisions for pensions. However, if the plan assets exceed the obligations and the company is entitled to the claims, the net position is shown under other non-current assets.

The present value of defined benefit obligations for current pensions, future pension benefits and similar obligations and the related expenses are calculated separately for each plan annually by independent qualified actuaries in accordance with the provisions of IAS 19. The present value of future benefits is based on the length of service, expected wage/salary developments and pension adjustments.

The expense to be recognized in a period includes the current and past service costs, settlement gains and losses, interest expenses from the interest accrued on obligations and interest income from plan assets. The net interest expense is shown separately in the financial result. All other expenses related to defined benefit plans are allocated to the costs of the relevant functional areas.

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 starting age and probability of employee turnover and actual claims. The calculation is based on local biometric parameters.

Interest rates chosen on the basis of the average interest on high-quality corporate bonds issued with adequate maturities and currencies are applied to determine the present value of pension obligations. In countries where there is no sufficiently liquid market for high-quality corporate bonds, the returns on government bonds are used as a basis.

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

Remeasurement gains and losses are recorded under other comprehensive income in the period incurred after taking into account deferred taxes

Provisions for termination benefits
Provisions for termination benefits are primarily related to obligations to employees whose employment is subject to Austrian law.

Employees who joined an Austrian company before December 31, 2002 receive a one-off lump-sum termination benefit as defined by Austrian labor legislation if the employer terminates the employment relationship or when the employee retires. The amount of the termination payment depends on the relevant salary at the time of the termination as well as the number of years of service and ranges between two and twelve monthly salaries. These obligations are measured in accordance with IAS 19 using the projected unit credit method applying an accumulation period of 25 years. Remeasurement gains and losses are recorded directly to other comprehensive income after considering tax effects and shown in the statement of comprehensive income.

For employees who joined an Austrian company after December 31, 2002, employers are required to make regular contributions equal to 1.53% of the monthly wage/salary to a statutory termination benefit scheme. 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 like defined contribution pension plans and included under personnel expenses of the functional areas.

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. Obligations related to service anniversary bonuses exist in Austrian and German Group companies.

Under IAS 19 service anniversary bonuses are treated as other long-term employee benefits. Provisions for service anniversary bonuses are calculated based on the projected unit credit method. Remeasurement gains or losses are recorded in the personnel costs of the functional areas in the period incurred.

Individual companies are required by company agreements to make lump-sum settlement payments.

Local labor laws and other similar regulations require individual Group companies to create provisions for semi-retirement obligations. The obligations are partially covered by qualified plan assets and are reported on a net basis in the balance sheet.

Provisions for warranties
Provisions for warranties are created for individual contracts at the time of the sale of the goods concerned, or after a service has been provided. The amounts of the provisions are based on the expected or actual warranty claims.

Provisions for restructuring
Provisions for restructuring are created insofar as a detailed formal restructuring plan has been developed and announced prior to the balance sheet date or whose implementation was commenced prior to the balance sheet date.

M Trade and other current payables
These liabilities are initially recognized at fair value, and subsequently measured at amortized cost. Foreign currency liabilities are translated at the mean rate of exchange in effect on the balance sheet date.

N Subsidies

Subsidies for the promotion of investments are recognized 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 recognized to profit or loss in the periods in which the subsidized expenses are incurred. In the RHI Group, they mainly include subsidies for research and further education.

O Revenues and expenses

Revenues comprise the sale of products and services less rebates and other sales deductions.

Revenues are realized 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 recognized after this acceptance has been received.

Revenue on construction contracts is realized 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 recognized under revenues.

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

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

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

Income taxes are recognized according to the local regulations applicable to each company. Current and deferred income taxes are recognized in the income statement unless they are related to items which were recorded directly in equity or in other comprehensive income. In such a case, income taxes are also recorded in equity or other comprehensive income.

The Austrian tax reform of 2005 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.

Segment reporting

The RHI Group comprises the operating segments Steel, Industrial and Raw Materials. This segmentation of the business activities is geared to internal control and reporting.

The segmentation into Steel and Industrial represents a grouping by the main customer industries. The Steel segment specializes in supporting customers in the steel-producing and steel-processing industry. The Industrial segment serves customers in the glass, cement/lime, nonferrous metals and environment, energy, chemicals industries. The main activities of the two segments consist of market development, global sales of high-grade refractory bricks, mixes and special products as well as providing services at the customers' sites.

The operating activities of the segment Raw Materials primarily consist of supplying Group companies with raw materials. This includes mining magnesite and dolomite in mines owned by the Group and raw material production from seawater, processing and finishing raw materials as well as purchasing and selling raw materials. Within the Group, raw materials are carried at market price. The globally located manufacturing sites, which process the raw materials, are combined in one organizational unit. The allocation of manufacturing cost variances of the production plants to the Steel and Industrial Divisions is based on the supply flow.

The research activities of the RHI Group are managed centrally. R&D costs are allocated directly to the three segments.

The Shared Service Center costs of the Group are allocated to the three operating segments according to the agreed Service Level Agreements. The allocation of expenses of Group management is based on external revenues.

An income statement up to the EBIT is available for each segment. The operating result (EBIT adjusted for special effects) serves for internal management and as an indicator of sustainable earnings power of a business as presented in the income statement. The results from associates are allocated to the segments. The financial result and income taxes are managed on a group basis and are not allocated.

Segment assets include trade receivables and inventories, which are available to the operating segments and are reported to the management for control and measurement, as well as property plant and equipment, goodwill and other intangible assets, which are allocated to the segments based on the utilization of such assets. Shares in associates are allocated to the segments. All other assets are shown under unallocated assets. The recognition of segment assets is determined on the basis of the accounting and measurement methods applied to the IFRS consolidated financial statements.

Data on revenues by country are disclosed by the sites of the customers. Data on non-current assets (property, plant and equipment and intangible assets) is disclosed on the basis of the respective locations of the companies of the RHI Group.

Discretionary decisions, assumptions and estimates

The RHI Group used forward-looking assumptions and estimates, especially with respect to business combinations, non-current assets, valuation adjustments to inventories and receivables, provisions and income taxes to a certain extent in the application of accounting and measurement methods. The estimates are based on comparable values in the past and other findings regarding transactions to be accounted. The actual values may ultimately deviate from the assumptions and estimates made.

A Business combinations (initial consolidation)
Estimates relating to the calculation of fair values of acquired assets, liabilities and contingent liabilities are required within the context of business combinations.

If intangible assets are identified, discretionary estimates are necessary for the determination of fair values by means of discounted cash flows, especially regarding the duration and amount of future cash flows, as well as for the determination of an adequate discount rate. When determining the fair value of land, buildings and technical plant, above all the estimate of comparability of the reference objects with the objects subject to valuation is discretionary.

When making discretionary decisions in the context of purchase price allocations on major company acquisitions, RHI consults with independent experts who accompany the execution of the discretionary decisions and record it in expert documents.

B 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.

As part of the annual planning process, the impairment test is conducted for the CGUSs defined in the RHI Group, thus taking into account all changes resulting from updates of strategic planning.

Sensitivity analyses are also performed as part of the impairment test. In their calculation one of the following parameters is changed: discount rate, profitability in the form of the contribution margin and perpetuity growth rate.

All CGUs, with the exception of the CGU Raw Materials Norway, pass this stress test. For the CGU Raw Materials Norway, a 10% increase in the discount rate would imply an additional impairment of € 7.1 million; a 10% decrease in profitability would mean an additional impairment of € 8.8 million and a reduction of the growth rate by 50% would lead to an additional impairment of property, plant and equipment and intangible assets amounting to € 6.8 million.

C Impairment of goodwill
The effect of an adverse change by plus 10% to the estimated interest rates as of December 31, 2013 or by minus 10% in the contribution margin would not result in an impairment charge to the goodwill recognized.

D Provisions for pensions and termination benefits

The present value of pension and termination benefit obligations depends on a number of factors, which are based on actuarial assumptions such as interest rates, salary and pension increases as well as life expectancy.

In the following sensitivity analysis, one material parameter was changed in each case while the other influences were maintained constant. In reality, however, it is rather unlikely that these influences do not correlate. The present value of the pension obligations for the sensitivities shown was calculated using the same method as for the actual present value of the pension obligations (projected unit credit method).

	12/31/2013		12/31/2012[1]	
in %	Pension plans	Termination benefits	Pension plans	Termination benefits
Interest rate +0.25%	(2.6)%	(2.6)%	(2.5)%	(2.4)%
Interest rate -0.25%	2.8%	2.7%	2.6%	2.9%
Salary increase +0.25%	0.2%	2.5%	-	-
Salary increase -0.25%	(0.2)%	(2.4)%	-	-
Pension increase +0.25%	2.1%	-	-	-
Pension increase -0.25%	(2.0)%	-	-	-
Life expectancy +1 year	2.8%	-	-	-
Life expectancy -1 year	(2.7)%	-	-	-

1) For the previous year, only sensitivities for the interest rate are available.

These changes would have no immediate effect on the result of the period as remeasurement gains and losses are recorded in other comprehensive income without impact on profit or loss.

E Income taxes

The calculation of income taxes of RHI AG and its subsidiaries is based on the tax laws applicable in the individual countries. Due to their complexity, the tax items presented in the financial statements may be subject to deviating interpretations by taxpayers on the one hand and local finance authorities on the other.

When determining the amount of the capitalizable deferred tax claims, an estimate of the management is required regarding the amount of future taxable income and the expected time. Should the future taxable profit deviate by 10% from the assumption within the plan period defined for the accounting and measurement of deferred taxes, the net position of deferred tax assets would have to be increased by € 0.3 million (12/31/2012: € 0.5 million) or reduced by € 0.3 million (12/31/2012: € 1.5 million).

F Other items

With respect to the other balance sheet items, RHI assumes that no material effects on the asset, financial and earnings position would result for the following financial year due to changes in the estimates and assumptions.

Notes to the Consolidated Statement of Financial Position

Assets

(1) Property, plant and equipment
Property, plant and equipment developed as follows in the year 2013:

in € million	Real estate, land and buildings	Raw material deposits	Technical equipment, machinery	Other plant, office equipment	Prepayments made and plant under construction	Total
Cost at 12/31/2012	401.6	32.0	792.0	241.9	124.8	1,592.3
Currency translation	(12.6)	0.0	(11.3)	(1.8)	(2.4)	(28.1)
Additions to consolidated companies	1.5	0.0	4.5	0.5	0.1	6.6
Disposals of consolidated companies	0.0	0.0	(0.1)	(0.1)	0.0	(0.2)
Additions	4.3	0.5	15.1	6.0	51.3	77.2
Retirements and disposals	(8.5)	0.0	(18.4)	(7.9)	(5.2)	(40.0)
Reclassifications	68.2	0.0	40.7	3.4	(113.2)	(0.9)
Reclassification to current assets	0.0	0.0	0.0	0.0	(2.6)	(2.6)
Cost at 12/31/2013	**454.5**	**32.5**	**822.5**	**242.0**	**52.8**	**1,604.3**
Accumulated depreciation/ impairment at 12/31/2012	219.3	23.9	545.9	177.4	0.0	966.5
Currency translation	(1.4)	0.0	(3.6)	(1.1)	0.0	(6.1)
Disposals of consolidated companies	0.0	0.0	0.0	(0.1)	0.0	(0.1)
Depreciation charges	13.4	0.4	34.2	13.7	0.0	61.7
Impairment losses	43.9	0.0	22.6	1.4	7.9	75.8
Retirements and disposals	(7.7)	0.0	(16.6)	(7.7)	(5.2)	(37.2)
Accumulated depreciation/ impairment at 12/31/2013	**267.5**	**24.3**	**582.5**	**183.6**	**2.7**	**1,060.6**
Carrying amounts at 12/31/2013	**187.0**	**8.2**	**240.0**	**58.4**	**50.1**	**543.7**

Property, plant and equipment developed as follows in the year 2012:

in € million	Real estate, land and buildings	Raw material deposits	Technical equipment, machinery	Other plant, office equipment	Prepayments made and plant under construction	Total
Cost at 12/31/2011	385.8	32.0	748.1	228.8	53.8	1,448.5
Currency translation	(0.1)	0.0	0.0	(0.3)	2.6	2.2
Additions to consolidated companies	1.2	0.0	2.5	0.8	0.0	4.5
Disposals of consolidated companies	(0.2)	0.0	(10.2)	(0.3)	0.0	(10.7)
Additions	11.9	0.2	36.0	11.1	104.0	163.2
Retirements and disposals	(1.0)	(0.2)	(9.0)	(4.7)	0.0	(14.9)
Reclassifications	4.0	0.0	24.6	6.5	(35.6)	(0.5)
Cost at 12/31/2012	**401.6**	**32.0**	**792.0**	**241.9**	**124.8**	**1,592.3**
Accumulated depreciation/ impairment at 12/31/2011	211.3	23.7	532.6	168.8	0.0	936.4
Currency translation	0.1	0.0	0.6	(0.1)	0.0	0.6
Disposals of consolidated companies	(0.2)	0.0	(10.2)	(0.3)	0.0	(10.7)
Depreciation charges	9.9	0.4	29.6	13.0	0.0	52.9
Impairment losses	0.0	0.0	1.4	0.1	0.0	1.5
Reversal of impairment losses	(1.8)	0.0	0.0	0.0	0.0	(1.8)
Retirements and disposals	0.0	(0.2)	(7.8)	(4.3)	0.0	(12.3)
Reclassifications	0.0	0.0	(0.3)	0.2	0.0	(0.1)
Accumulated depreciation/ impairment at 12/31/2012	**219.3**	**23.9**	**545.9**	**177.4**	**0.0**	**966.5**
Carrying amounts at 12/31/2012	**182.3**	**8.1**	**246.1**	**64.5**	**124.8**	**625.8**

The additions to property, plant and equipment include capitalized borrowing costs of € 2.9 million (2012: € 1.6 million). The average capitalization rate amounted to 2.5% in the financial year 2013 (2012: 2.8%).

In the income statement, depreciation charges on property, plant and equipment are distributed to cost of sales with € 58.0 million (2012: € 49.7 million), sales and marketing costs with € 2.1 million (2012: € 1.8 million) and general and administration costs with roughly € 1.6 million (2012: € 1.4 million).

Impairment losses amounting to € 75.8 million are recognized in the income statement with € 63.1 million in the item impairment losses, with € 7.4 million in the item restructuring costs and with € 5.3 million in other expenses. The Steel segment accounts for roughly € 8.9 million, the Industrial Segment for € 2.0 million and the Raw Materials Segment for € 64.9 million. In the previous year, impairment losses amounting to € 1.5 million were included in restructuring costs and allocated to the Steel segment in their entirety. In the year 2012, reversals of impairment losses of € 1.8 million were shown under other income, with the Steel segment accounting for roughly € 0.3 million and the Industrial Segment for € 1.5 million.

Real estate, land and buildings with a carrying amount of € 6.2 million (12/31/2012: € 6.1 million), which are not used in production or for administration purposes and are available for sale in the medium to long term, are not shown separately as they are not considered material. The fair value resulting from comparable sales of such assets are estimated at € 8.5 million (12/31/2012: € 10.3 million).

There are no restrictions on the sale of property, plant and equipment.

(2) Goodwill
Goodwill developed as follows:

in € million	2013	2012[1)]
Cost at beginning of year	17.4	17.2
Currency translation	(4.4)	0.2
Additions to consolidated companies	23.7	0.0
Cost at year-end	**36.7**	**17.4**
Accumulated impairment at beginning of year	0.0	0.0
Impairment losses	(2.2)	0.0
Accumulated impairment at year-end	**(2.2)**	**0.0**
Carrying amount at year-end	**34.5**	**17.4**

1) Explanations regarding adjustments are provided in the section "Other changes in comparative information."

Impairment losses amounting to € 2.2 million are included in the item impairment losses in the income statement in their entirety and are allocable to the Raw Materials segment.

For the purpose of the annual impairment test in accordance with IAS 36, goodwill was allocated to the cash-generating units as follows:

in € million	12/31/2013	12/31/2012[1)]
Steel / Linings	9.4	10.0
Steel / Flow Control	23.6	3.3
Glass	0.6	0.6
Cement / Lime	0.4	0.5
Nonferrous Metals	0.2	0.2
Environment, Energy, Chemicals	0.3	0.3
Raw Materials	0.0	2.5
Goodwill	**34.5**	**17.4**

1) Explanations regarding adjustments are provided in the section “Other changes in comparative information".

(3) Other intangible assets
Other intangible assets changed as follows in the financial year 2013:

in € million	Internally generated intangible assets	Other intangible assets	Total
Cost at 12/31/2012	28.7	98.2	126.9
Currency translation	(0.2)	(5.5)	(5.7)
Additions to consolidated companies	0.0	29.5	29.5
Additions	5.0	1.3	6.3
Retirements and disposals	(0.5)	(0.8)	(1.3)
Reclassifications	0.0	0.9	0.9
Cost at 12/31/2013	**33.0**	**123.6**	**156.6**
Accumulated amortization/impairment at 12/31/2012	16.4	51.5	67.9
Currency translation	(0.1)	(0.3)	(0.4)
Amortization charges	2.5	7.9	10.4
Impairment losses	0.3	0.1	0.4
Retirements and disposals	(0.5)	(0.8)	(1.3)
Accumulated amortization/impairment at 12/31/2013	**18.6**	**58.4**	**77.0**
Carrying amounts at 12/31/2013	**14.4**	**65.2**	**79.6**

Other intangible assets changed as follows in the previous year:

in € million	Internally generated intangible assets	Other intangible assets	Total
Cost at 12/31/2011	24.9	80.8	105.7
Currency translation	0.1	(0.1)	0.0
Additions to consolidated companies	0.0	15.8	15.8
Disposals of consolidated companies	0.0	(0.1)	(0.1)
Additions	3.7	2.4	6.1
Retirements and disposals	0.0	(1.1)	(1.1)
Reclassifications	0.0	0.5	0.5
Cost at 12/31/2012	**28.7**	**98.2**	**126.9**
Accumulated amortization/impairment at 12/31/2011	13.7	46.1	59.8
Disposals of consolidated companies	0.0	(0.1)	(0.1)
Amortization charges	2.4	6.5	8.9
Impairment losses	0.3	0.0	0.3
Retirements and disposals	0.0	(1.1)	(1.1)
Reclassifications	0.0	0.1	0.1
Accumulated amortization/impairment at 12/31/2012	**16.4**	**51.5**	**67.9**
Carrying amounts at 12/31/2012	**12.3**	**46.7**	**59.0**

Internally generated intangible assets comprise capitalized software and product development costs. Other intangible assets include in particular acquired patents, trademark rights, software, customer relations of the Indian company Orient Refractories Ltd. and land use rights. An intangible asset with an unchanged carrying amount of € 1.8 million is not subject to amortization charges. This intangible asset is related to an acquired brand name. The Group plans to continue to use this brand name unchanged.

In the income statement, amortization charges on intangible assets are included in cost of sales with € 4.7 million (2012: € 3.3 million), sales and marketing costs with € 1.4 million (2012: € 1.4 million) and general and administration costs with roughly € 4.3 million (2012: € 4.2 million). Impairment losses amounting to € 0.4 million are included in the item general and administration costs with € 0.3 million and in restructuring costs with € 0.1 million. The impairment losses of the previous year of € 0.3 million were allocated to general and administration costs in their entirety.

Expenses recognized for research and development in the year 2013 amount to € 18.3 million (2012: € 19.0 million).

As of December 31, 2013 and December 31, 2012 there are no restrictions on the sale of intangible assets.

(4) Shares in associates

As in the previous year, the RHI Group holds shares in two associates which are not listed on a stock exchange. These shares developed as follows during the reporting year and the previous year:

in € million	2013	2012
Shares in associates at beginning of year	**14.1**	**14.5**
Share in profit	8.0	5.3
Dividend payments	(3.7)	(5.5)
Remeasurement losses (after taxes)	0.0	(0.2)
Other changes in value	(0.2)	0.0
Shares in associates at year-end	**18.2**	**14.1**

As in the previous year, goodwill included in the shares in associates amounts to € 4.9 million.

As in the previous years, no impairments were recorded in the financial year 2013.

Summarized financial information (not adjusted to reflect the percentage of ownership of RHI companies) is presented as follows: assets € 33.4 million (12/31/2012: € 24.8 million), liabilities € 6.8 million (12/31/2012: € 6.4 million), revenues € 33.5 million (2012: € 30.0 million) and profit € 16.0 million (2012: € 10.7 million).

(5) Other non-current financial assets
This item consists of the following financial assets:

in € million	12/31/2013	12/31/2012[1)]
Available-for-sale investments	0.4	0.4
Available-for-sale securities and shares	33.9	31.4
Interest derivatives designated as cash flow hedges	0.6	0.0
Other non-current financial receivables	2.2	2.7
Other non-current financial assets	**37.1**	**34.5**

1) Explanations regarding reclassifications are provided in the section "Other changes in comparative information".

As of December 31, 2013, accumulated impairments on investments and securities of € 2.0 million (12/31/2012: € 2.4 million) are recognized.

(6) Other non-current assets
Other non-current assets include the following items:

in € million	12/31/2013	12/31/2012[1)]
Prepaid expenses for stripping costs	6.8	7.1
Other prepaid expenses	0.4	0.0
Plan assets from overfunded pension plans	1.9	2.8
Other non-current assets	**9.1**	**9.9**

1) Explanations regarding adjustments and reclassifications are provided in the section "Other changes in comparative information".

Prepaid expenses for stripping costs arising from the development of a surface mine amounting to € 6.8 million (12/31/2012: € 7.1 million) are shown in non-current assets due to the planned use of the mine.

(7) Deferred taxes
The net position of deferred taxes of the Group on balance sheet items is calculated as follows:

in € million	12/31/2013	12/31/2012[1)]
Deferred tax assets	121.4	119.5
Deferred tax liabilities	(17.4)	(10.2)
Net position	**104.0**	**109.3**

1) Explanations regarding adjustments are provided in the section "Other changes in comparative information".

The following table shows the development of the Group's net position during the current and previous financial year:

in € million	2013	2012[1)]
Net position at beginning of year	**109.3**	**94.8**
Currency translation	1.0	0.0
Additions to consolidated companies	(11.6)	(3.7)
Changes recognized in profit or loss	6.1	6.5
Changes recognized in other comprehensive income	(1.1)	11.7
Tax rate changes recognized in profit or loss	0.3	0.0
Net position at year-end	**104.0**	**109.3**

1) Explanations regarding adjustments are provided in the section "Other changes in comparative information".

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 differences and loss carryforwards:

in € million	Tax loss carryforwards	Non-current assets	Personnel provisions	Other provisions	Other	Total
12/31/2012	**88.6**	**(39.0)**	**47.6**	**6.5**	**5.6**	**109.3**
Currency translation	(0.7)	2.3	(0.3)	(0.1)	(0.2)	1.0
Additions to consolidated companies	0.0	(11.4)	0.0	0.0	(0.2)	(11.6)
Changes recognized in profit or loss	(10.2)	19.7	(1.7)	(2.4)	0.7	6.1
Changes recognized in other comprehensive income	0.0	0.0	(0.8)	0.0	(0.3)	(1.1)
Tax rate changes recognized in profit or loss	(0.1)	0.1	0.0	0.2	0.1	0.3
12/31/2013	**77.6**	**(28.3)**	**44.8**	**4.2**	**5.7**	**104.0**

in € million	Tax loss carryforwards	Non-current assets	Personnel provisions[1)]	Other provisions	Other	Total
12/31/2011	**91.9**	**(38.8)**	**36.0**	**6.2**	**(0.5)**	**94.8**
Currency translation	0.1	(0.2)	0.2	0.0	(0.1)	0.0
Additions to consolidated companies	0.2	(3.3)	(0.5)	(0.3)	0.2	(3.7)
Disposals of consolidated companies	(1.5)	1.5	0.0	0.0	0.0	0.0
Changes recognized in profit or loss	(2.1)	1.8	0.1	0.6	6.1	6.5
Changes recognized in other comprehensive income	0.0	0.0	11.7	0.0	0.0	11.7
Tax rate changes recognized in profit or loss	0.0	0.0	0.1	0.0	(0.1)	0.0
12/31/2012	**88.6**	**(39.0)**	**47.6**	**6.5**	**5.6**	**109.3**

1) Explanations regarding adjustments are provided in the section "Other changes in comparative information".

As of December 31, 2013, subsidiaries which generated tax losses in the past year or the previous year recognized net deferred tax assets on temporary differences and on loss carryforwards of € 21.1 million (12/31/2012: € 6.5 million). These assets are considered to be unimpaired because the companies concerned are expected to generate taxable income in the future.

Tax loss carryforwards totaled € 458.7 million (12/31/2012: € 518.6 million) in the RHI Group as of December 31, 2013. A significant portion of the tax loss carryforwards originates in Austria and can be carried forward indefinitely. The annual offset of the Austrian tax loss carryforwards is limited to 75% of the respective tax result.

No deferred taxes were recognized for tax loss carryforwards of € 153.8 million (12/31/2012: € 169.1 million). The main part of the non-capitalized tax losses can be carried forward indefinitely. Roughly € 1.1 million (12/31/2012: € 2.1 million) can be used in the year 2014, € 4.7 million (12/31/2012: € 5.2 million) until the year 2015 and € 8.7 million (12/31/2012: € 30.1 million) until 2029. Roughly € 17.6 million will lapse at the earliest in the year 2030 if not used by then.

In addition, no deferred tax assets were recognized for temporary differences totaling € 1.7 million (12/31/2012: € 3.6 million) which can be carried forward indefinitely as it is not sufficiently probable that they can be used.

Taxable temporary differences of € 21.7 million (12/31/2012: € 47.7 million) and deductible temporary differences of € 118.2 million (12/31/2012: € 102.9 million) were not recognized on shares in subsidiaries and associates because the corresponding distributions of profit or the sale of the investments are not expected in the foreseeable future.

The maturity structure of deferred taxes is shown in the table below:

	12/31/2013			12/31/2012[1)]		
in € million	Current	Non-current	**Total**	Current	Non-current	**Total**
Deferred tax assets	24.3	97.1	**121.4**	36.6	82.9	**119.5**
Deferred tax liabilities	0.7	16.7	**17.4**	0.2	10.0	**10.2**

1) Explanations regarding adjustments are provided in the section "Other changes in comparative information".

(8) Inventories

Inventories as presented in the balance sheet consist of the following items:

in € million	12/31/2013	12/31/2012
Raw materials and supplies	87.9	103.1
Unfinished products	114.2	115.0
Finished products and goods	178.2	196.5
Prepayments made	9.1	8.6
Inventories	**389.4**	**423.2**

The inventories recognized as of December 31, 2013 totaled € 389.4 million (12/31/2012: € 423.2 million), of which € 3.2 million (12/31/2012: € 2.5 million) were carried at net realizable value. The reversals of impairment losses recorded in the financial year 2013, netted out against impairment losses, amount to roughly € 4.7 million (2012: impairment € 7.5 million) and are attributable to targeted management of slow inventories.

There are no restrictions on the disposal of inventories.

(9) Trade and other current receivables

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

in € million	12/31/2013	12/31/2012[1)]
Trade receivables	277.7	263.0
Receivables from long-term construction contracts	11.0	3.3
Receivables from associates	0.8	0.5
Taxes other than income taxes	55.3	62.5
Receivables employees	1.0	1.0
Prepaid expenses	4.8	2.6
Other current receivables	18.0	16.5
Trade and other current receivables	**368.6**	**349.4**

1) Explanations regarding reclassifications are provided in the section "Other changes in comparative information".

For long-term construction contracts from ongoing projects, order costs incurred by December 31, 2013 amounting to € 32.3 million (12/31/2012: € 19.2 million) and contributions to earnings amounting to € 28.2 million (12/31/2012: € 21.2 million) were offset against prepayments received amounting to € 49.5 million (12/31/2012: € 37.1 million). This results in receivables from long-term construction contracts of € 11.0 million (12/31/2012: € 3.3 million) for projects not invoiced by the balance sheet date.

Taxes other than income taxes include input tax credits and receivables from energy tax refunds, research, education and apprentice subsidies.

As in the previous year, trade receivables with a total nominal value of € 34.0 million were assigned for financial liabilities as of December 31, 2013.

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

in € million	2013	2012
Accumulated valuation adjustments at beginning of year	**15.0**	**15.7**
Currency translation	(0.4)	(0.1)
Additions to consolidated companies	0.2	0.8
Disposals of consolidated companies	(0.2)	0.0
Addition	9.7	6.1
Use	(0.8)	(0.5)
Reversal	(3.0)	(7.0)
Accumulated valuation adjustments at year-end	**20.5**	**15.0**

(10) Receivables from income taxes

Receivables from income taxes amounting to € 7.8 million (12/31/2012: € 6.9 million) are mainly related to tax prepayments and deductible withholding taxes.

(11) Other current financial assets and liabilities
Other current financial assets consist of the following items:

in € million	12/31/2013	12/31/2012[1)]
Other current financial receivables	2.0	2.5
Financial assets held for trading	0.2	0.1
Available-for-sale securities and shares	0.0	1.6
Other current financial assets	**2.2**	**4.2**

1) Explanations regarding reclassifications are provided in the section “Other changes in comparative information".

In the financial year 2013, the share in a housing association of € 1.6 million, which was shown under other current financial assets in the previous year, was reclassified to other non-current financial assets as a sale in the following year is not foreseeable.

The other current financial liabilities amounting to € 0.3 million (12/31/2012: € 2.3 million) include the negative fair values of derivative financial instruments in the form of forward exchange contracts and embedded derivatives in open orders in a currency other than the functional currency, which are categorized as held for trading. An overview of forward exchange contracts can be found under note (48).

(12) Cash and cash equivalents
This balance sheet item consists of the following components:

in € million	12/31/2013	12/31/2012
Cash at banks	110.3	185.1
Money market funds	1.5	0.0
Checks	0.5	0.5
Cash on hand	0.1	0.1
Cash and cash equivalents	**112.4**	**185.7**

Equity and liabilities

(13) Share capital
The share capital of RHI AG amounts to € 289,376,212.84 and consists of 39,819,039 zero par value bearer shares with voting rights, unchanged to the previous year. One share grants a calculated share of € 7.27 in capital stock.

With a resolution of the Annual General Meeting of RHI AG of May 3, 2013, the company was authorized to acquire treasury shares in accordance with § 65 para. 1 (4) AktG (Stock Corporation Act) in the amount of up to 12,000 no-par shares, which corresponded to 0.03% of the company’s share capital at the time the resolution was adopted; the shares can be acquired at the share price of the day on which this authorization to issue shares to employees and executives of RHI AG as well as to members of the management, executives and employees of Group companies of RHI AG is exercised as part of the employee stock ownership plan “4 plus 1”. The authorization is valid for 18 months starting on the day of the resolution.

In the year 2013, 4,245 (2012: 5,845) shares were acquired over the stock exchange for the employee stock ownership plan and issued to employees. As of December 31, 2013 and December 31, 2012 no treasury shares were held by RHI AG.

Authorized capital 2010
The Management Board was authorized by resolution of the Annual General Meeting of RHI AG on April 30, 2010, in accordance with § 169 of the Stock Corporation Act, to increase share capital with the approval of the Supervisory Board, without any further consent by the Annual General Meeting until April 30, 2015 – also in several tranches – for a capital contribution by up to € 43,406,425.75 by issuing up to 5,972,855 no-par bearer shares with voting rights and to determine the issue price, the issue conditions and further details regarding the execution of the capital increase. No capital increase out of the authorized capital 2010 was made by December 31, 2013.

Authorized capital 2008
The Annual General Meeting of May 29, 2008 authorized the Management Board in accordance with § 169 of the Stock Corporation Act to increase share capital, with the approval of the Supervisory Board, by up to € 27,254,875.44 by issuing up to 3,750,353 no-par bearer shares with voting rights until May 29, 2013 for a cash contribution or contribution in kind. The authorized capital 2008 was not used.

(14) Group reserves
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.

Retained earnings
The item retained earnings includes the result of the financial year and results that were earned by consolidated companies during prior periods, but not distributed. Distributable profit and dividends are generally related to the accumulated profit of RHI AG, which is determined in accordance with Austrian commercial law.

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

Accumulated other comprehensive income
The item cash flow hedges includes gains and losses from the effective part of cash flow hedges less tax effects. The accumulated gain or loss from the hedge allocated to reserves is only reclassified to the income statement if the hedged item also influences the result or is terminated.

Unrealized fair value changes of available-for-sale securities and shares in other investments are recognized in the item available-for-sale financial instruments. Deferred tax effects are deducted, unless gains from the sale of these financial instruments are treated as tax free under the applicable tax law.

The item defined benefit plans includes the gains and losses from the remeasurement of defined benefit pension and termination benefit plans taking into account tax effects. No reclassification of these amounts to the income statements will be made in future periods.

Currency translation includes the accumulated currency translation differences from translating the financial statements of foreign subsidiaries as well as unrealized currency translation differences from monetary items which are part of a net investment in a foreign business. If foreign companies are deconsolidated, the currency translation differences are recognized in the income statement as part of the gain or loss from the sale of shares in Group companies.

(15) Non-controlling interests
This item includes the shares of other shareholders in the listed company Orient Refractories Ltd., New Delhi, India, as of December 31, 2013. The minority interest shown in the previous year was derecognized in March 2013 as the RHI shares in the Swiss company FC Technik AG, Winterthur, were sold.

The disclosure of non-controlling interests is based on the equity stated of the subsidiaries concerned after adjustment to the accounting and measurement principles of the RHI Group as well as proportionate consolidation entries.

Accumulated other comprehensive income accounted for by non-controlling interests is related exclusively to currency translation differences:

The following table shows the development:

in € million	2013	2012
Accumulated other comprehensive income at beginning of year	**0.1**	**0.1**
Unrealized results from currency translation	(2.0)	0.0
Change due to disposal of subsidiaries	(0.1)	0.0
Accumulated other comprehensive income at year-end	**(2.0)**	**0.1**

(16) Financial liabilities
Financial liabilities include all interest-bearing liabilities of the RHI Group vis-à-vis financial institutions, non-controlling interests and other lenders at the balance sheet date.

The financial liabilities have the following contractual remaining terms:

	Total		Remaining term	
in € million	12/31/2013	up to 1 year	2 to 5 years	over 5 years
Liabilities to financial institutions	500.4	164.0	270.5	65.9
Other loans	34.9	9.2	6.5	19.2
Financial liabilities	**535.3**	**173.2**	**277.0**	**85.1**

	Total		Remaining term	
in € million	12/31/2012	up to 1 year	2 to 5 years	over 5 years
Liabilities to financial institutions	570.9	205.0	271.0	94.9
Other loans	33.3	8.5	5.1	19.7
Financial liabilities	**604.2**	**213.5**	**276.1**	**114.6**

In the financial year 2013, RHI AG took out a "Schuldscheindarlehen" amounting to € 12.0 million with a term of five years. In the previous year, RHI had issued a "Schuldscheindarlehen" for a total of € 130.0 million, which was placed with Austrian, German and Eastern European investors in tranches with terms ranging from three to ten years.

Taking into account the interest rate swaps concluded in the reporting period, roughly 45% (12/31/2012: 32%) of the liabilities to financial institutions (including the "Schuldscheindarlehen") amounting to € 500.4 million (12/31/2012: € 570.9 million) carry fixed interest and roughly 55% (12/31/2012: 68%) carry variable interest.

The following table shows interest commitments and conditions in detail taking into account the interest rate swaps:

Interest terms fixed until	Effective annual interest rate	Currency	12/31/2013 Carrying amount in € million	Interest terms fixed until	Effective annual interest rate	Currency	12/31/2012 Carrying amount in € million
2014	EURIBOR + margin	EUR	141.4	2013	EURIBOR + margin	EUR	251.0
	LIBOR + margin	CAD	34.1		LIBOR + margin	CAD	45.7
	Variable interest rate + margin	EUR	34.0		Variable interest rate + margin	EUR	34.0
	LIBOR + margin	USD	15.9		LIBOR + margin	USD	16.8
	ECB interest rate + margin	EUR	10.0		ECB interest rate + margin	EUR	10.0
	Floating interest rate + margin	EUR	27.1		Floating interest rate + margin	EUR	31.1
	Interbank rate + margin	Var.	13.1		2.54% + margin	EUR	46.5
					Other interest rates	Var.	7.4
2015	3.45%	EUR	12.0	2015	3.45%	EUR	12.0
	0.75% + margin	EUR	5.0		0.75% + margin	EUR	5.0
2017	0.69%	EUR	50.0				
2019	3.25%	EUR	24.0	2019	3.25%	EUR	24.0
	3.15%	EUR	16.0		3.15%	EUR	16.0
	1.46% + margin	EUR	10.0		1.46% + margin	EUR	10.0
	1.42% + margin	EUR	3.0		1.42% + margin	EUR	3.0
	0.72%	EUR	21.4				
	0.68%	EUR	25.0				
2020	3.15% + margin	EUR	38.8	2020	3.15% + margin	EUR	38.8
	3.9%	EUR	13.6		3.9%	EUR	13.6
2022	4.5%	EUR	6.0	2022	4.5%	EUR	6.0
			500.4				**570.9**

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

Export financing including financing of the acquisition of companies, which is included in liabilities to financial institutions, amounts to € 260.2 million (12/31/2012: € 330.3 million).

Of the liabilities to financial institutions recognized at December 31, 2013 € 34.0 million were secured by assignment of receivables, unchanged in comparison with the previous year.

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

in € million	12/31/2013	12/31/2012[1)]
Pensions	238.4	250.3
Termination benefits	55.7	57.7
Other personnel provisions	18.8	19.2
Personnel provisions	**312.9**	**327.2**

1) Explanations regarding adjustments are provided in the section "Other changes in comparative information".

Provisions for pensions

The net debt from pension obligations in the consolidated statement of financial position is derived as follows:

in € million	12/31/2013	12/31/2012[1)]
Present value of pension obligations	319.0	339.8
Fair value of plan assets	(86.5)	(95.6)
Funded status	**232.5**	**244.2**
Asset ceiling	4.0	3.3
Net debt from pension obligations	**236.5**	**247.5**
thereof assets from overfunded pension plans	1.9	2.8
thereof provisions for pensions	238.4	250.3

1) Explanations regarding adjustments are provided in the section “Other changes in comparative information".

The present value of pension obligations by beneficiary group is structured as follows:

in € million	12/31/2013	12/31/2012
Active beneficiaries	70.4	81.9
Terminated Beneficiaries	35.5	34.8
Retirees	213.1	223.1
Present value of pension obligations	**319.0**	**339.8**

The calculation of pension obligations is based on the following actuarial assumptions:

in %	12/31/2013	12/31/2012
Interest rate	3.7%	3.6%
Future salary increase	2.2%	2.0%
Future pension increase	1.7%	1.8%

These are average values which were weighted with the present value of the respective pension obligation.

The calculation of the actuarial interest rate for the European currency area is based on a yield curve for returns of high-quality corporate bonds denominated in EUR with an average rating of AA, which is derived from pooled index values. Where there are very long-term maturities, the yield curve follows the performance of bonds without credit default risk. The interest rate as of December 31, 2013 was calculated taking into account the expected future cash flows which were determined based on the current personal and commitment data. The method to determine the interest used by the former external expert as of December 31, 2012 differed in terms of reference portfolio and extrapolation method. If the interest rate at December 31, 2012 for the euro area had been determined based on the method applied as of December 31, 2013, the defined benefit obligations would have been roughly € 0.3 million lower at that time.

As in the previous year, the calculation in Austria was based on the Pagler & Pagler AVÖ 2008 P biometric calculation principles for salaried employees. In Germany, the Heubeck 2005 G actuarial tables were used as a basis. In the other countries, country-specific mortality tables were applied. The probability of employee turnover was estimated based on age or length of service. The retirement age used for the calculation depends on the respective legal requirements of the relevant country. The calculation is based on the earliest possible retirement age in accordance with the current legal requirements of the relevant country, depending amongst other things on gender and date of birth.

The main pension regulations are described below:

The Austrian Group companies account for € 131.8 million (12/31/2012: € 138.0 million) of the present value of pension obligations and for € 28.5 million (12/31/2012: € 32.5 million) of the plan assets. The agreed benefits include pensions, invalidity benefits and benefits for surviving dependents. Commitments in the form of company or individual agreements depend on length of service and the salary at the time of retirement. For the majority of commitments the amount of the company pension subsidy is limited to 75% of the final remuneration including a pension pursuant to the General Social Insurance Act (ASVG). RHI has concluded pension reinsurance policies for part of the commitments. The pension claims of the beneficiaries are limited to the coverage capital required for these commitments. Pensions are predominantly paid in the form of annuities and are partially indexed. For employees joining the company after January 1, 1984, no defined benefits were granted. Rather, a defined contribution pension model is in place. In addition, there are commitments based on the deferred compensation principle, which are fully covered by pension reinsurance policies.

The pension plans of the German Group companies account for € 111.7 million (12/31/2012: € 119.0 million) of the present value of pension obligations and for € 0.7 million (12/31/2012: € 0.7 million) of plan assets. The benefits included in company agreements comprise pensions, invalidity benefits and benefits for surviving dependents. The amount of the pension depends on the length of service for the majority of the commitments and is calculated as a percentage of the average monthly wage/salary of the last twelve months prior to retirement. In some cases commitments to fixed benefits per year of service have been made. The pensions are predominantly paid in the form of annuities and are adjusted in accordance with the development of the consumer price index for Germany. The pension plans are closed for new entrants. There is no defined contribution model on a voluntary basis. Individual commitments have been made, by now to the majority of the beneficiaries.

The following table shows the development of net debt from pension obligations:

in € million	2013	2012[1)]
Net debt from pension obligations at beginning of year	**247.5**	**218.3**
Currency translation	(1.3)	0.3
Additions to consolidated companies	0.0	(1.6)
Pension cost	12.5	15.2
Remeasurement losses/(gains)	0.7	38.1
Benefits paid	(17.8)	(17.8)
Contributions to external funds	(5.3)	(5.0)
Reclassifications	0.2	0.0
Net debt from pension obligations at year-end	**236.5**	**247.5**

1) Explanations regarding adjustments are provided in the section "Other changes in comparative information".

The present value of pension obligations developed as follows:

in € million	2013	2012
Present value of pension obligations at beginning of year	**339.8**	**289.5**
Currency translation	(2.7)	1.3
Additions to consolidated companies	0.0	15.8
Current service cost	3.9	3.6
Interest cost	11.7	14.7
Remeasurement losses/(gains)	(2.9)	40.6
Benefits paid	(31.1)	(26.1)
Employee contributions	0.4	0.4
Transfers/reclassifications	(0.1)	0.0
Present value of pension obligations at year-end	**319.0**	**339.8**

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

in € million	2013	2012[1)]
Fair value of plan assets at beginning of year	**95.6**	**71.2**
Currency translation	(1.4)	1.0
Additions to consolidated companies	0.0	22.7
Interest income	3.1	3.1
Income on plan assets less interest income	(2.9)	0.5
Benefits paid	(13.3)	(8.3)
Employers' contributions	5.3	5.0
Employee contributions	0.4	0.4
Transfers	(0.3)	0.0
Fair value of plan assets at year-end	**86.5**	**95.6**

1) Explanations regarding adjustments are provided in the section "Other changes in comparative information".

The changes in the asset ceiling are shown below:

in € million	2013	2012[1)]
Asset ceiling at beginning of year	**3.3**	**0.0**
Additions to consolidated companies	0.0	5.3
Changes	0.7	(2.0)
Asset ceiling at year-end	**4.0**	**3.3**

1) Explanations regarding adjustments are provided in the section "Other changes in comparative information".

At December 31, 2013 the weighted average duration of pension obligations amounts to 11 years.

The following amounts were recorded in the income statement:

in € million	2013	2012
Current service cost	3.9	3.6
Interest cost	11.7	14.7
Interest income	(3.1)	(3.1)
Pension expense recognized through profit or loss	**12.5**	**15.2**

The remeasurement results recognized in other comprehensive income are shown in the table below:

in € million	2013	2012[1)]
Accumulated remeasurement losses at beginning of year	**77.0**	**38.8**
Remeasurement losses/(gains) on present value of pension obligations[2)]		
from changes in demographic assumptions	0.1	1.3
from changes in financial assumptions	(6.1)	39.4
due to experience adjustments	3.1	0.0
Income on plan assets less interest income	2.9	(0.5)
Losses/(gains) from changes in asset ceiling less interest expenses	0.7	(2.0)
Accumulated remeasurement losses at year-end	**77.7**	**77.0**

1) Explanations regarding adjustments are provided in the section „Other changes in comparative information".
2) Including associates

The present value of plan assets is distributed to the following classes of investment:

	12/31/2013			12/31/2012[1]		
in € million	Active market	No active market	Total	Active market	No active market	Total
Insurances	0.0	63.9	63.9	0.0	42.4	42.4
Equity instruments	7.5	0.0	7.5	5.2	0.0	5.2
Debt instruments	1.9	8.7	10.6	2.6	41.1	43.7
Cash and cash equivalents	0.8	0.3	1.1	0.0	0.0	0.0
Other assets	0.3	3.1	3.4	1.1	3.2	4.3
Fair value of plan assets	**10.5**	**76.0**	**86.5**	**8.9**	**86.7**	**95.6**

1) Explanations regarding adjustments are provided in the section "Other changes in comparative information".

In the reporting period, the form of investment changed from bonds to qualified insurance policies for pension commitments in Great Britain.

RHI works with professional fund managers for the investment of plan assets. They act on the basis of specific investment guidelines adopted by the pension fund committee of the respective pension plans. The committees consist of management staff of the finance department and other qualified executives. They meet regularly in order to approve the target portfolio with the support of independent actuarial experts and to review the risks and the performance of the investments. In addition, they approve the selection or the extension of contracts of external fund managers.

The largest part of the assets is invested in pension reinsurance, which creates a low counterparty risk towards insurance companies. In addition, the Group is exposed to interest risks and longevity risks resulting from defined benefit commitments.

The Group generally endows the pension funds with the amount necessary to meet the legal minimum allocation requirements of the country in which the fund is based. Moreover, the Group makes additional allocations at its discretion from time to time. RHI expects employer contributions of € 3.1 million to external plan assets in the financial year 2014 and direct payments to entitled beneficiaries amounting to € 17.7 million.

Provisions for termination benefits
Provisions for termination benefits were based on the following weighted average measurement assumptions:

in %	12/31/2013	12/31/2012
Interest rate	3.6%	3.7%
Future salary increase	3.3%	3.4%

The interest rate for the measurement of termination benefit obligations in the euro area was determined taking into account the company specific duration of the portfolio. If the process applied to determine the interest rate as of December 31, 2013 had been used as of December 31 of the previous year, obligations arising from defined termination benefit plans would have been roughly € 0.7 million higher at that time.

Provisions for termination benefits developed as follows in the financial year and the previous year:

in € million	2013	2012
Present value of termination benefit obligations at beginning of year	**57.7**	**51.4**
Currency translation	(0.2)	0.1
Disposals of consolidated companies	0.0	(0.1)
Current service cost	1.7	1.7
Interest cost	2.1	2.6
Remeasurement losses/(gains)	(0.9)	4.2
Benefits paid	(4.7)	(2.2)
Present value of termination benefit obligations at year-end	**55.7**	**57.7**

Payments for termination benefits are expected to amount to € 1.5 million in the year 2014.

The following remeasurement gains and losses were included under other comprehensive income recognized in the statement of comprehensive income:

in € million	2013	2012
Accumulated remeasurement losses at beginning of year	**17.9**	**13.6**
Remeasurement losses/(gains)[1]		
from changes in financial assumptions	0.1	5.2
due to experience adjustments	(1.0)	(0.9)
Accumulated remeasurement losses at year-end	**17.0**	**17.9**

1) Including associates

At December 31, 2013 the weighted average duration of termination benefit obligations amounts to 11 years.

Other personnel provisions
Other personnel provisions developed as follows:

in € million	12/31/2013	12/31/2012
Service anniversary bonuses	16.4	14.7
Lump-sum settlements	0.7	1.1
Semi-retirements	1.7	3.4
Other personnel provisions	**18.8**	**19.2**

The measurement of provisions for service anniversary bonuses is based on an interest rate of 3.4% (12/31/2012: 3.4%) and takes into account salary increases of 4.5% (12/31/2012: 2.6%). The discount rate of provisions for semi-retirement amounts to 3.4% as of December 31, 2013 (12/31/2012: 3.3%).

The funded status of provisions for obligations to employees with semi-retirement contracts is shown in the table below:

in € million	12/31/2013	12/31/2012
Present value of semi-retirement obligations	4.7	7.6
Fair value of plan assets	(3.0)	(4.2)
Provisions for semi-retirement obligations	**1.7**	**3.4**

External plan assets are beyond the reach of all creditors and exclusively serve to meet semi-retirement obligations.

(18) Other non-current provisions
The development of non-current provisions is shown in the table below:

in € million	2013
Provision at beginning of year	**3.7**
Addition	0.4
Provision at year-end	**4.1**

The recognized provisions amounting to € 4.1 million (12/31/2012: € 3.7 million) are predominantly related to provisions for demolition and disposal costs for buildings and plant on land and property owned by third parties, and are based on legal obligations. These obligations are carried at the expected amount required for settlement as the interest effect resulting from discounting is immaterial. These provisions are currently expected to be used in two to five years.

(19) Other non-current liabilities
Other non-current liabilities of € 7.9 million (12/31/2012: € 5.2 million) include deferred income for subsidies received from third parties of € 4.3 million (12/31/2012: € 4.4 million). These subsidies are designed to primarily support capital expenditure. The grantors of the subsidies were provided with proof of compliance with the required conditions, which include certain investment volumes or the creation and maintenance of jobs. In addition, this item includes liabilities to employees.

(20) Trade and other non-current payables
The component items of trade and other current payables are shown below:

in € million	12/31/2013	12/31/2012
Trade payables	173.8	181.1
Prepayments received on orders	23.3	28.8
Accounts payable to associates	0.6	0.1
Taxes other than income taxes	16.8	14.1
Liabilities employees	51.8	54.3
Payables from commissions	10.2	8.7
Share purchase price liabilities	0.0	1.5
Other current payables	15.3	22.1
Trade and other current payables	**291.8**	**310.7**

The item liabilities employees consists primarily of obligations for wages and salaries, payroll taxes and employee-related duties, performance bonuses, unused vacation and flexitime credits.

In the financial year 2013, € 1.0 million of the conditional purchase price component related to the acquisition of the Russian company CJSC "Podolsk Refractories" based in Moscow (now renamed to CJSC "RHI Podolsk Refractories") were paid to the extent that the criteria agreed in the acquisition in the year 2011 were met. € 0.5 million were recognized through profit or loss in other income.

(21) Liabilities from income taxes
Liabilities from income taxes amounting to € 25.7 million (12/31/2012: € 38.5 million) primarily include income taxes for the current year and previous years which have not yet been definitively audited by domestic and foreign tax authorities. Taking into account a multitude of factors, including the interpretation, commenting and case law regarding the respective tax laws as well as past experiences, adequate tax provisions have been formed as far as apparent.

(22) Current provisions
The development of current provisions is shown in the table below:

in € million	Demolition/disposal costs, environ-mental damages	Warranties	Guarantees provided	Claims for compen-sation	Restructuring costs, other	Total
12/31/2012	**5.6**	**15.7**	**20.3**	**21.4**	**2.5**	**65.5**
Currency translation	0.0	(0.2)	0.0	0.1	(0.1)	(0.2)
Use	(1.4)	(6.4)	(2.0)	(0.8)	(0.6)	(11.2)
Reversal	(0.1)	(4.2)	(11.9)	(20.7)	(0.1)	(37.0)
Addition	8.0	5.9	0.0	0.0	12.1	26.0
12/31/2013	**12.1**	**10.8**	**6.4**	**0.0**	**13.8**	**43.1**

The item demolition and disposal costs, environmental damages includes to a significant extent provisions for the estimated dismantling and demolition costs of plant and building as well as the winding-up costs of the site in Duisburg, Germany. Expenses amounting to € 7.0 million are recognized in the consolidated income statement 2013 under restructuring costs and detailed explanations are given under note (31). Furthermore, provisions exist for recultivation and expected refurbishment costs resulting from environmental damage at other locations.

Provisions for warranties include provisions for claims arising from warranties and other similar obligations and contract loss provisions from unfavorable contracts.

In the context of the Chapter 11 proceedings of the former US companies of the RHI Group, provisions for guarantees provided and claims for compensation amounting to € 41.7 million were recognized as liabilities as of December 31 of the previous year. Following the definitive and legally secure termination of the proceedings on April 30, 2013, provisions of € 32.6 million were reversed through profit and loss. The reversal is shown in the item net income from US chapter 11 proceedings in the income statement. Guarantees amounting to € 2.0 million were drawn by a foreign bank. A provision for a guarantee of € 6.4 million still exists as of December 31, 2013. A payment of € 0.8 million had to be made to a pension fund. Further explanations with respect to the definitive and legally secure termination of the proceedings are provided under note (32).

The item restructuring costs, other primarily includes provisions for the costs expected related to the layoff of personnel at the production site in Duisburg, Germany. The expense amounting to € 11.7 million was recorded in the consolidated income statement under restructuring costs. It is expected that the majority of these costs will be incurred within twelve months. This item also includes several individually immaterial provisions which cannot be allocated to any of the above-mentioned provision categories.

Notes to the Consolidated Income Statement

(23) Revenues
Revenues consist of the following components:

in € million	2013	2012
Revenues from the sale of goods and the rendering of services	1,689.5	1,749.8
Revenues from long-term construction contracts	65.2	85.9
Revenues	**1,754.7**	**1,835.7**

The distribution of revenues by product group and division is given in the explanations to segment reporting under note (44).

(24) 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 amortization of intangible assets and impairment charges to inventories. Moreover, cost of sales also includes the costs of services provided by the Group or services received.

(25) Sales and marketing costs
This item includes personnel expenses for the sales staff, commissions, as well as scheduled depreciation and other operating expenses related to the market and sales processes.

(26) 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-capitalizable development costs as well as legal and consulting costs.

(27) Other income
The individual components of other income are:

in € million	2013	2012
Income from the disposal of assets	3.5	7.7
Income from the reversal of impairment losses of property, plant and equipment	0.0	1.8
Income from derecognition of share purchase price liability	0.5	0.0
Miscellaneous	3.9	3.0
Other income	**7.9**	**12.5**

Income from the disposal of assets predominantly includes income from the sale of land. Miscellaneous income primarily consists of other revenues and other operating income related to prior periods.

(28) Other expenses
Other expenses include:

in € million	2013	2012
Losses from the disposal of assets	(1.2)	(0.7)
Impairment losses of investment project Brazil	(6.5)	0.0
Foreign exchange result	(21.5)	(8.0)
Result from derivative financial instruments	4.6	(4.1)
Miscellaneous expenses	(1.1)	(2.8)
Other expenses	**(25.7)**	**(15.6)**

In September 2012, the RHI Management Board decided to revise the original plan for the construction of the plant in Brazil. This was caused by the changed political framework conditions in Brazil, especially the increase in import duties as well as the introduction of anti-dumping duties and the significantly higher investment costs in comparison with the original investment assumption. In December 2013 the Management Board decided not to pursue the original plans for the construction of a plant any longer. This results in an impairment loss amounting to € 6.5 million for plant, which was recognized under other expenses. Currently detailed plans are developed for a plant based on a new concept, which is intended to involve a significantly lower investment total, thus promising economic viability corresponding to the corporate objectives even in a changed environment and taking into account the above-mentioned impairment.

The foreign exchange result shown under other expenses includes the net amount of gains and losses 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 balance sheet date.

The result from derivative financial instruments includes realized effects from forward exchange contracts amounting to € 2.4 million (2012: € (0.8) million).

(29) Impairment losses
In Porsgrunn, Norway, high-grade fused magnesia is produced from seawater in a specifically developed process. Following problems during the start-up of the plant, the multi-stage production process is largely under control, but the cost-relevant process parameters underlying the investment plan cannot be achieved. In the coming months, RHI will develop these cost-relevant process parameters further in the direction of the original assumptions based on a specifically initiated optimization program. Under the conditions which are currently realizable, the investment does not show sufficient recoverability. Consequently, impairment losses amounting to € 65.3 million were recorded in the consolidated income statement for the financial year 2013.

At the same time, the Management Board of the RHI Group adopted long-term measures to optimize processes and structures in the fourth quarter of 2013, and their implementation has been started. The implementation is supported by highly frequent reporting and the assessment of possible risks.

(30) Income from restructuring
No income from restructuring was incurred in the financial year 2013. The income of € 7.1 million recorded in the previous year results from the sale of the shares held in the South African company RHI Isithebe (Pty) Limited in July 2012.

(31) Restructuring costs
Reflecting the strategic orientation of the production facilities, RHI decided on May 3, 2013 to adjust the capacity for magnesia-carbon bricks in Europe to changed demand by closing the plant in Duisburg, Germany. The negotiations regarding a compromise with the employee representatives were concluded on February 7, 2014. Expected restructuring costs totaling € 24.7 million for the social plan and a transfer company to be set up as well as for the winding up of the plant itself were accounted for in the consolidated financial statements.

In addition, impairment losses on fusion lines of € 1.7 million resulting from capacity adjustments were incurred at the Chinese raw material plant Dashiqiao.

The restructuring costs of € 3.9 million recorded in the previous year were incurred in the context of the partial closure of the ISO product line at the Bonnybridge plant in Scotland.

(32) Net income from US Chapter 11 proceedings
With effect from April 30, 2013, the reorganization proceedings under Chapter 11 of the US Bankruptcy Code of the RHI US companies which were deconsolidated as of December 31, 2001 and the associated asbestos-related claims for damages were definitively completed with full legal security after eleven years.

As RHI AG no longer exercised control due to the Chapter 11 proceedings initiated by the US companies NARCO, Harbison-Walker, AP Green and GIT (together with their subsidiaries the "ANH companies") in early 2002, these companies were deconsolidated as of December 31, 2001 and all relevant receivables and investments were written down.

In the subsequent years, RHI AG and some RHI Group companies entered into agreements with the previous US owners of the ANH companies Honeywell and Halliburton/DII, the US companies themselves and other parties in order to clarify previous contractual agreements, mutual claims and claims of third parties, which included claims related to receivables, payables, bank guarantees, liabilities and tax matters, which existed in the context of the US subsidiaries' affiliation with the RHI Group until the beginning of the Chapter 11 proceedings. These agreements regulate, amongst other things, the waiver of RHI to receivables due from the US companies from the period prior to the Chapter 11 proceedings and the waiver of RHI to all shares in the US companies in conjunction with the closing of the Chapter 11 proceedings. Based on these agreements, RHI had previously received payments by Honeywell and DII. Another important condition to the coming into effect of the agreements was a payment of USD 40.0 million by Honeywell to RHI Refractories Holding Company arranged in the context of the Chapter 11 proceedings of NARCO as soon as the decision of the court would become final and would be implemented.

In 2003, the companies operating under Chapter 11 submitted plans of reorganization for the NARCO and GIT groups to the court. Subsequently, the above-mentioned agreements were added to the plans and provide for the establishment of trust funds for asbestos-related claims for damages against the ANH companies. The progress of the Chapter 11 proceedings was delayed by several objections/appeals proceedings by the creditors and insurance companies and by adjustments to the plans.

It was only in the course of the year 2012 that the ANH companies agreed on a settlement with all insurance companies successful in the appeals proceedings; no objection was raised against this settlement. The confirmation hearing was held on October 29, 2012. The insolvency court confirmed the plan of reorganization on February 13, 2013 in a written opinion. Following a thorough review, RHI acknowledged this opinion. The competent district court confirmed the decision of the insolvency court on March 11, 2013. After the 30-day objection period expired and the conditions precedent were met, the plans of reorganization of the US companies became final as of April 30, 2013. RHI Refractories Holding Company received a payment of USD 40.0 million (€ 30.5 million) from Honeywell on May 2, 2013 as contractually agreed.

With the completion of the reorganization proceedings, all present and future claims against the ANH companies and consequently also against RHI were finally and legally securely transferred to the trust funds.

As there had been several indications in the course of the Chapter 11 proceedings that the proceedings would draw to a close, which, however, did not prove true, RHI did not recognize the positive effect on the results from the implementation of the agreements until the final and legally secure conclusion of the proceedings.

The effects on the asset, financial and earnings position of the RHI Group are shown in the table below:

in € million	12/31/2013	12/31/2012
Consolidated Statement of Financial Position		
Deferred tax assets	1.6	11.0
Trade and other current payables	0.3	11.6
Current provisions	6.4	41.7
Consolidated Income Statement		
Net income from US Chapter 11 proceedings	76.0	0.0
Steel	48.9	0.0
Industrial	25.2	0.0
Raw Materials	1.9	0.0
Income taxes	(13.5)	0.0
Consolidated Cash Flow Statement		
Result after income taxes	62.5	0.0
Adjustments for		
Income taxes	13.5	0.0
Net income from US Chapter 11 proceedings	(76.0)	0.0
Net cash inflows from US Chapter 11 proceedings	24.8	0.0

With the termination of the Chapter 11 proceedings, RHI recorded the payment of € 30.5 million by Honeywell and a cash outflow of € 2.8 million, which is primarily related to calling guarantees which served as collateral for premiums and deductibles for insurance policies of ANH companies. The RHI Group also received a payment of € 0.8 million from the ANH companies. Income taxes paid to tax authorities amounted to roughly € 3.7 million.

(33) Interest income

This item includes interest on cash at banks and similar income amounting to € 1.3 million (2012: € 1.9 million), interest income on available-for-sale securities and shares amounting to € 1.0 million (2012: € 1.2 million) and interest on financial receivables amounting to € 0.2 million (2012: € 0.2 million). In the previous year, interest income from available-for-sale securities and shares included income from impaired securities of € 0.7 million.

(34) Interest expenses

This item includes interest expenses for bank loans and "Schuldscheindarlehen" less capitalized interest on borrowings, interest from interest rate swaps, tax-related interest, interest expenses attributable to non-controlling interests and other interest and similar expenses.

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

in € million	2013	2012
Reversal of impairment losses on securities	0.4	1.6
Interest income on plan assets	3.1	3.1
Interest expense on provisions for pensions	(11.7)	(14.7)
Interest expense on provisions for termination benefits	(2.1)	(2.6)
Interest expense on other personnel provisions	(0.8)	(0.6)
Realized gains on available-for-sale financial instruments	0.0	7.1
Other financial results	**(11.1)**	**(6.1)**

(36) Income taxes
Income taxes consist of the following items:

in € million	2013	2012
Current tax expense	33.3	44.6
Deferred tax (income)/expense relating to		
temporary differences	(16.8)	(8.6)
tax loss carryforwards	10.1	2.1
	(6.7)	(6.5)
Income taxes	**26.6**	**38.1**

The arithmetic income tax expense, which would result from the application of the Austrian corporate tax rate of 25% on the result before tax from continuing operations, amounts to € 22.3 million (2012: € 37.9 million). The reasons for the difference between the arithmetic income tax and the income tax reported are shown below:

in € million	2013	2012
Result before income taxes	**89.3**	**151.6**
Arithmetic tax expense	**22.3**	**37.9**
Different foreign tax rates	(0.2)	(0.3)
Expenses not deductible for tax purposes, non-creditable taxes	10.4	8.7
Income not subject to tax	(6.2)	(6.4)
Non-capitalized tax losses and temporary differences of the financial year	5.3	10.6
Utilization of previously unrecognized loss carryforwards and temporary differences	(2.6)	(23.1)
Capitalization of previously unrecognized loss carryforwards and temporary differences	(0.9)	(1.0)
Deferred tax income due to changes in tax rates	(0.3)	0.0
Deferred income tax relating to prior periods	(0.5)	(0.4)
Current income tax relating to prior periods	6.5	12.3
Other	(7.2)	(0.2)
Recognized tax expense	**26.6**	**38.1**

As a result of the definitive disposal of the ANH companies due to the termination of the Chapter 11 proceedings, RHI Refractories Holding Company recorded a reduction of income tax expenses of € 8.7 million in the financial year 2013, which is recognized in the other reconciliation item. Income tax expenses directly attributable to the effects of the termination of the Chapter 11 proceedings amount to € 13.5 million for the RHI Group.

The effective tax rate of the Group amounts to 29.8% in relation to result before income taxes (2012: 25.1%).

(37) Result after income taxes from discontinued operations
This item includes non-cash income from the reversal of provisions in the context of the Insulating Division, which was sold in the year 2006, of € 1.0 million less deferred income taxes amounting to € 0.3 million. The result is attributable to the shareholders of RHI AG in its entirety.

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

in € million	2013	2012
Cost of material and other production services	859.1	959.5
Personnel costs	414.3	397.1
Depreciation and amortization charges	72.1	61.8

(39) Personnel costs
The individual components of personnel costs are listed below:

in € million	2013	2012
Wages and salaries	320.0	303.7
Pensions		
Defined benefit plans	3.9	3.6
Defined contribution plans	2.9	2.4
Termination benefits		
Defined benefit plans	1.7	1.7
Defined contribution plans	1.8	1.6
Other expenses	1.7	3.2
Fringe benefits	82.3	80.9
Personnel costs	**414.3**	**397.1**

Personnel costs include restructuring costs amounting to € 11.7 million (2012: € 2.3 million), lump-sum settlements of € 6.3 million (2012: € 1.2 million) and remeasurement losses from the measurement of other long-term employee benefits of € 2.3 million (2012: € 0.5 million).

As in the previous year, employees of RHI AG and Group companies had the opportunity to receive bonus shares as part of the voluntary RHI stock option plan “4 plus 1” in the financial year 2013. The employees receive one RHI share free of charge for every four RHI shares they have purchased themselves. The expense resulting from this employee stock option plan amounts to € 0.1 million (2012: € 0.1 million) and was recorded in the item wages and salaries.

Notes to the Consolidated Cash Flow Statement

The cash flow statement shows how cash and cash equivalents of the Group change through cash inflows and cash outflows during the reporting year. In accordance with IAS 7, cash flows from operating activities, from investing activities and from financing activities are distinguished. Cash flows from investing and financing activities are determined on the basis of cash payment, while cash flow from operating activities is 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 group of consolidated companies or in other businesses. Therefore, the cash flow statement cannot be derived directly from changes in the consolidated balance sheet items. As on the balance sheet, cash and cash equivalents are translated at the exchange rate in effect on the balance sheet date. The effects of changes in exchange rates on cash and cash equivalents are shown separately.

(40) Net cash flow from operating activities

Net cash flow from operating activities is derived indirectly based on result after income taxes. Result after income taxes is adjusted for results which are allocable to the cash flows from investing or financing activities and for non-cash expenses and income. Other non-cash expenses and income include in particular the net interest expenses for defined benefit pension plans amounting to € 11.5 million (2012: € 14.8 million), negative net remeasurement effects of monetary foreign currency positions and derivative financial instruments of € 14.7 million (2012: € 9.6 million) and non-cash funding of provisions for restructuring amounting to € 18.7 million (2012: € 0.0 million). Taking into account the change in funds tied up in working capital as well as other assets and liabilities and income taxes paid, the result is net cash flow from operating activities.

The termination of the reorganization process of the US ANH Group in the reporting period had an effect on cash and cash equivalents of the RHI Group through cash inflow of € 24.8 million. Note (32) provides further explanations.

(41) 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. The cash outflows for investments in property, plant and equipment and intangible assets differ from the additions to assets primarily through additions to assets capitalized in the previous year, which only had a cash effect in the financial year 2013. No payment has been received for plant sales amounting to € 0.6 million (2012: € 2.1 million).

Cash effects from business combinations or the sale of companies (net change in cash and cash equivalents from initial consolidations and deconsolidations) are shown separately. Expenses for the acquisition of subsidiaries amount to € 49.9 million in the reporting year, with the acquisition of 69.6% of the shares in Orient Refractories Ltd. (purchase price paid of € 50.8 million less acquired cash and cash equivalents of € 2.1 million) accounting for € 48.7 million, the payment for the acquisition of CJSC "RHI Podolsk Refractories" in the year 2011 accounting for € 1.0 million as the purchase price was made final, and the last purchase price instalment for the acquisition of shares in RHI Normag AS in the year 2011 accounting for € 0.2 million. In the previous year, payments for the acquisition of companies totaled € 18.2 million, which consisted of € 16.6 million for the acquisition of the Stopinc Group and € 1.6 million for RHI Normag AS.

Interest and dividends received are included under cash flow from investing activities.

(42) Net cash flow from financing activities

Net cash flow from financing activities includes outflows in the form of dividend payments and interest payments. In contrast, interest on borrowings capitalized in accordance with IAS 23 is included in cash flow from investing activities. Of the interest expenses recognized in the consolidated income statement in the financial year 2013, € 1.4 million are related to non-cash accrued interest, which are therefore not included in interest payments in the consolidated cash flow statement.

Inflows resulting from the proceeds and repayments of loans and other borrowings are classified as non-current or current according to the term of financing.

(43) Cash and cash equivalents

The use of cash and cash equivalents of € 21.0 million (12/31/2012: € 6.1 million) is restricted by foreign exchange regulations in various countries, which, based on previous experience, are for the short term.

Other Disclosures

(44) Segment reporting

Segment reporting by operating company division

The following table shows the financial data for the operating segments for the year 2013:

in € million	Steel	Industrial	Raw Materials	Elimination/ Unallocated assets	Group
External revenues	1,097.5	619.0	38.2	0.0	1,754.7
Internal revenues	0.0	0.0	236.2	(236.2)	0.0
Segment revenues	**1,097.5**	**619.0**	**274.4**	**(236.2)**	**1,754.7**
Operating result	**64.4**	**70.2**	**(7.8)**	**0.0**	**126.8**
Impairment losses	0.0	0.0	(65.3)	0.0	(65.3)
Restructuring costs	(16.0)	(8.6)	(1.8)	0.0	(26.4)
Net income from US Chapter 11 proceedings	48.9	25.2	1.9	0.0	76.0
Operating results (EBIT)	**97.3**	**86.8**	**(73.0)**	**0.0**	**111.1**
Depreciation and amortization charges	(25.2)	(17.3)	(29.6)	0.0	(72.1)
Results from associates	0.0	0.0	8.0	0.0	8.0
Segment assets	574.2	266.8	494.9	369.9	1,705.8
Shares in associates	0.2	0.0	18.0	0.0	18.2
					1,724.0
Investments in property, plant and equipment and intangible assets	61.0	12.5	10.0	0.0	83.5

The operating segments of the previous year are shown in the following table:

in € million	Steel	Industrial	Raw Materials	Elimination/ Unallocated assets	Group
External revenues	1,112.7	673.9	49.1	0.0	1,835.7
Internal revenues	0.0	0.0	188.5	(188.5)	0.0
Segment revenues	**1,112.7**	**673.9**	**237.6**	**(188.5)**	**1,835.7**
Operating result	**54.0**	**91.8**	**18.6**	**0.0**	**164.4**
Income from restructuring	0.0	0.0	7.1	0.0	7.1
Restructuring costs	(3.9)	0.0	0.0	0.0	(3.9)
Operating results (EBIT)	**50.1**	**91.8**	**25.7**	**0.0**	**167.6**
Depreciation and amortization charges	(21.0)	(15.5)	(25.3)	0.0	(61.8)
Results from associates	0.0	0.0	5.3	0.0	5.3
Segment assets[1)]	556.8	303.1	531.8	443.8	1,835.5
Shares in associates	0.2	0.0	13.9	0.0	14.1
					1,849.6
Investments in property, plant and equipment and intangible assets	57.6	42.3	69.4	0.0	169.3

1) Explanations regarding adjustments are provided in the section "Other changes in comparative information".

Revenues amounting to approximately € 219.8 million (2012: € 220.4 million) were realized with one customer in 2013, which are predominantly included in the Steel segment.

Segment assets include the external receivables and inventories which are reported to the management for control and measurement and which are available to operating segments as well as property, plant and equipment, goodwill and other intangible assets which are allocated to the segments based on utilization of the assets. Shares in associates are allocated to the segments. All other assets are recognized under unallocated assets.

When allocating revenues to product groups, a distinction is made between shaped products (e.g. hydraulically pressed bricks, fused cast bricks, isostatically pressed products) and unshaped products (e.g. repair mixes, construction mixes and castables) as well as other revenues. Other includes revenues from the provision of services as well as the sale of non-Group refractory products.

In the reporting year, revenues are classified by product group as follows:

in € million	Steel	Industrial	Raw Materials	Group
Shaped products	700.9	467.6	0.1	1,168.6
Unshaped products	312.3	53.2	38.0	403.5
Other	84.3	98.2	0.1	182.6
Revenues	**1,097.5**	**619.0**	**38.2**	**1,754.7**

In 2012, revenues were classified by product group as follows:

in € million	Steel	Industrial	Raw Materials	Group
Shaped products	678.4	508.3	0.1	1,186.8
Unshaped products	328.4	55.5	46.4	430.3
Other	105.9	110.1	2.6	218.6
Revenues	**1,112.7**	**673.9**	**49.1**	**1,835.7**

Segment reporting by country
Revenues are classified by customer sites as follows:

in € million	2013	2012
Austria	37.2	37.7
USA	156.5	166.4
Germany	155.0	166.0
India	127.7	102.9
Mexico	105.9	108.4
Italy	92.5	107.9
PR China	89.1	98.1
Canada	67.9	81.3
Russia	50.5	59.1
Saudi Arabia	48.7	51.7
Brazil	47.2	52.7
Other countries (each below € 45.0 million)	776.5	803.5
Revenues	**1,754.7**	**1,835.7**

The carrying amounts of property, plant and equipment and intangible assets are classified as follows by the respective sites of the Group companies:

in € million	12/31/2013	12/31/2012[1)]
Austria	184.3	178.6
PR China	138.2	149.0
Germany	82.1	85.2
India	54.2	6.0
Norway	34.4	109.1
Other countries (each below € 35.0 million)	164.6	174.3
Property, plant and equipment and intangible assets	**657.8**	**702.2**

1) Explanations regarding adjustments are provided in the section "Other changes in comparative information".

(45) Earnings per share

In accordance with IAS 33, earnings per share are calculated by dividing the profit or loss attributable to the shareholders of RHI AG by the weighted average number of shares outstanding during the financial year.

	2013	2012
Share of shareholders of RHI AG in result after income taxes (in € million)	62.6	113.4
Weighted average number of shares	39,819,039	39,819,039
Earnings per share (in €)	**1.57**	**2.85**
thereof continuing operations	1.55	2.85
thereof discontinued operations	0.02	0.00

There were no options for the issue of new shares or other circumstances that may lead to diluting effects. Therefore, the basic and diluted earnings per share correspond to one another.

(46) Dividend payments and proposed dividend

In accordance with the Stock Corporation Act, the dividend payable to the shareholders of RHI AG is based on the accumulated profit as shown in the annual financial statements of RHI AG, which are prepared in accordance with the Austrian Commercial Code. Accumulated profit developed as follows in the financial year 2013:

in € million	2013
Profit carried forward	566.2
Dividend payments	(29.9)
Net income for the year	54.0
Accumulated profit 12/31/2013	**590.3**
Proposed dividend	(29.9)
Profit carryforward	**560.4**

Based on a resolution adopted by the 34th Annual General Meeting on May 3, 2013, dividends totaling € 29.9 million were paid out for the year 2012, which corresponded to a dividend of € 0.75 per share.

At the 35th Annual General Meeting on May 9, 2014, the Management Board will propose a dividend of € 0.75 per share for the financial year 2013, which corresponds to a dividend payment of € 29.9 million. The proposed dividend is subject to the approval by the Annual General Meeting and was not recognized as a liability in the consolidated financial statements 2013.

Dividend payments to the shareholders of RHI AG have no income tax consequences for the RHI Group.

(47) Additional disclosures on financial instruments
Financial assets and liabilities at fair value
Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between market participants in an arm's length transaction on the day of measurement. When the fair value is determined it is assumed that the transaction in which the asset is sold or the liability is transferred takes place either in the main market for the asset or liability, or in the most favorable market if there is no main market. RHI considers the characteristics of the asset or liability to be measured which a market participant would consider in pricing. It is assumed that market participants act in their best economic interest.

RHI takes into account the availability of observable market prices in an active market and uses the following hierarchy to determine fair value:

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

The following table shows the financial instruments which are measured at fair value on a recurring basis in the RHI Group, classified by the respective level:

	12/31/2013			12/31/2012		
in € million	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available-for-sale securities and shares	31.2	0.0	1.6	30.3	0.0	1.6
Interest derivatives in a hedging relationship	0.0	0.6	0.0	0.0	0.0	0.0
Financial assets held for trading	0.0	0.2	0.0	0.0	0.1	0.0
Financial liabilities						
Financial liabilities held for trading	0.0	0.3	0.0	0.0	2.3	0.0

The classification criteria of financial liabilities to non-controlling interests, which were previously shown under level 3, were reassessed pursuant to the IFRS provisions and reclassified to financial liabilities at amortized cost. The development of the comparative period of the financial liabilities recognized at fair value at level 3 was adjusted accordingly. Non-current financial liabilities of € 19.3 million and current financial liabilities of € 6.8 million were thus reclassified to financial liabilities at amortized cost as of December 31, 2012.

The fair value of available-for-sale securities is based on the quotation at the balance sheet date. The fair value of available-for-sale shares which are not listed is determined by discounting the expected cash flow taking into account the weighted average of cost of capital in the RHI Group.

The fair value of interest derivatives in a hedging relationship (interest rate swaps) is determined by calculating the present value of future cash flows based on current yield curves taking into account the corresponding terms.

The fair value of financial assets and liabilities held for trading corresponds to the market value of the forward exchange contracts and derivatives in orders denominated in a currency other than the functional currency. They are measured based on quoted forward rates.

The development of level 3 financial instruments measured at fair value in the year 2012 is shown below:

in € million	Financial assets	Financial liabilities
Fair value 12/31/2011	**13.1**	**27.4**
Reclassification from Level 3	0.0	(27.4)
Reclassification due to full consolidation	(11.5)	0.0
Fair value 12/31/2012	**1.6**	**0.0**

The fair value of level 3 financial assets at December 31, 2013 is unchanged and amounts to € 1.6 million.

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

	12/31/2013		12/31/2012	
in € million	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Available-for-sale investments	0.4	0.4	0.4	0.4
Available-for-sale securities and shares	1.1	1.1	1.1	1.1
Other financial receivables	4.2	4.2	5.2	5.2
Trade and other current receivables	368.6	368.6	349.4	349.4
Cash and cash equivalents	112.4	112.4	185.7	185.7
Financial liabilities				
Non-current financial liabilities	362.1	373.3	390.7	406.4
Current financial liabilities	173.2	173.2	213.5	214.6
Trade and other current payables	291.8	291.8	310.7	310.7

The remaining terms of trade receivables, other receivables and liabilities as well as cash and cash equivalents are mainly short. Therefore, the carrying amounts of these items approximate fair value as of the balance sheet date.

The fair values of financial liabilities are calculated as the present value of future cash flows, which are discounted at the market interest rate applicable to financial liabilities with a comparable term and risk structure.

The fair values given are to be assigned to level 3 in accordance with the hierarchy of IFRS 13.

Net results by valuation categories in accordance with IAS 39
The effect of financial instruments on the income and expenses recognized during 2013 and 2012 is shown in the following table, classified according to the valuation categories defined in IAS 39:

in € million	2013	2012
Net gain on available-for-sale financial assets		
recognized in the income statement	1.4	9.9
recognized in other comprehensive income	0.5	0.0
reclassified from other comprehensive income to the income statement	0.0	(7.1)
	1.9	2.8
Net loss from loans and receivables as well as financial liabilities at amortized cost	(46.4)	(23.6)
Net gain/(loss) on financial assets and financial liabilities held for trading	4.6	(4.1)

The net gain on available-for-sale financial assets recognized in the income statement includes income from securities, income from reversal of impairment and income realized from changes in market value originally recognized in other comprehensive income. In the financial year 2012, the changes in market value of € 7.1 million recognized in other comprehensive income were reclassified to the income statement when control was gained through the acquisition of the remaining 50% share in Stopinc.

The net loss arising from loans and receivables as well as financial liabilities includes interest income and expense, changes in valuation adjustments, payments received on and increases in the value of loans and receivables previously written off, foreign exchange gains and losses as well as gains and losses on derecognition.

The net result of financial assets held for trading and financial liabilities primarily includes changes in the market value of derivative financial instruments in the form of forward exchange contracts and embedded derivatives in open orders in a currency other than the functional currency of RHI as well as results from the realization of forward exchange contracts.

The financial result includes interest income of € 2.4 million (2012: € 3.2 million) and interest expenses of € 19.6 million (2012: € 18.4 million). They result from financial assets and liabilities which are carried at fair value without recognition to profit and loss.

(48) Derivative financial instruments
Interest rate swaps
In the financial year 2013, RHI AG concluded interest rate swaps amounting to € 100.0 million to hedge the cash flow risk of financial liabilities carrying variable interest rates ("pay fixed rates – receive floating rates"). Financial liabilities carrying variable interest in the amount of the nominal value of the interest rate swaps were designated as hedged items. The cash flow changes of the hedged items, which result from the changes of the variable interest rates, are balanced out by the cash flow changes of the interest rate swaps. These hedging measures pursue the objective to transform variable-interest financial liabilities into fixed-interest financial liabilities, thus hedging the cash flow from the financial liabilities. Credit risks are not part of the hedge.

The term of two hedging relationships with a nominal volume of € 46.4 million at the balance sheet date ends in the financial year 2019. The interest payments from the hedged item and the compensation payments from the two interest rate swaps are made quarterly at the end of the quarter. A hedging relationship with a nominal value of € 50.0 million runs until the financial year 2017. The interest and compensation payments for this hedging relationship are due semi-annually at the end of January and at the end of July. The interest expenses are recognized accordingly on a period basis.

At December 31, 2013, variable interest rates amount to roughly 0.7%; the variable interest rates are based on the EURIBOR.

The effectiveness of a hedging relationship is tested on a prospective and retrospective basis. As the conditions of the hedged items correspond to the conditions of the interest rate swaps, there was no hedge ineffectiveness to be recognized through profit and loss.

An unrealized gain of € 0.6 million from the value change of hedges was recognized in other comprehensive income as of December 31, 2013 taking into account deferred tax liabilities amounting to € 0.2 million. In the year 2013, losses recognized in other comprehensive income amounting to € 0.1 million were reclassified to interest expenses.

Forward exchange contracts
The nominal value and fair value of forward exchange contracts are shown in the table below:

	12/31/2013			12/31/2012		
		Nominal value in million	Fair value in € million		Nominal value in million	Fair value in € million
EUR purchase / CNY sale	EUR	41.7	0.0	EUR	45.2	(0.3)
EUR purchase / USD sale	USD	35.0	0.0	-	-	-
EUR purchase / INR sale	EUR	6.5	0.1	EUR	5.7	(0.1)
INR purchase / EUR sale	EUR	0.3	0.0	-	-	-
INR purchase / EUR sale	-	-	-	INR	2,626.5	(1.1)
USD purchase / CNY sale	-	-	-	USD	50.8	0.0
EUR purchase / CAD sale	-	-	-	CAD	2.1	(0.1)
CAD purchase / EUR sale	-	-	-	CAD	2.1	0.0
Forward exchange contracts			**0.1**			**(1.6)**

(49) Financial risk management
Financial risks are incorporated in RHI's corporate risk management and are centrally controlled by Group Treasury. None of the following risks represent a significant risk for the RHI Group:

Credit risk in the RHI Group is primarily related to operating receivables due from customers. In order to counteract the default risk related to a hedged item, receivables are hedged as far as possible through credit insurance and collateral arranged through banks (guarantees, letters of credit), even if the contractual partner has a top class credit rating. Credit and default risks are monitored continuously, and provisions are formed for risks that have occurred and for identifiable risks.

The Group's financing policy is based on long-term financial planning and is centrally controlled and monitored continuously at RHI. The liquidity requirement resulting from budget and medium-term planning is secured by concluding appropriate financing agreements. These lines of credit were concluded with different Austrian and international financial institutions in order to ensure independence of banks. The companies of the RHI Group are integrated into a clearing process managed by Central Treasury and provided with financing limits in order to minimize the need of borrowings for the Group as a whole.

Foreign exchange risks arise especially where business transactions (operating activities, investments, financing) are conducted in a currency other than the functional currency of a company. They are monitored at the Group level and analyzed with respect to hedging options. The net position of the Group in the relevant currency serves as the basis for decisions regarding the use of hedging instruments.

The interest risk in the RHI Group is primarily related to financial instruments carrying variable interest rates, which may lead to fluctuations in results and cash flows. The RHI Group is predominantly exposed to interest risks in the euro area. In the year 2013, interest hedges totaling € 100 million were concluded in order to secure the low interest rate level. A variable interest rate was converted into a fixed interest rate through an interest rate swap. This affected loans with maturity beyond 2016.

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

The credit risk, which is hedged by existing credit insurance, letters of credit and bank guarantees, is shown by customer segment in the following table:

in € million	12/31/2013	12/31/2012
Segment Steel	205.7	177.6
Segment Industrial	80.2	83.5
Segment Raw Materials	2.8	5.2
Trade receivables and receivables from construction contracts	288.7	266.3
Credit insurance and bank guarantees	(177.3)	(175.8)
Net credit exposure	**111.4**	**90.5**

The following table shows the carrying amounts of receivables denominated in currencies other than the functional currencies of the Group companies. The carrying amounts of the receivables in the functional currency of the respective Group company are included under other functional currencies:

in € million	12/31/2013	12/31/2012
US dollar	73.7	77.7
Pound sterling	3.2	3.4
Other currencies	5.0	2.2
Other functional currencies	206.8	183.0
Trade receivables and receivables from construction contracts	**288.7**	**266.3**

The classification of receivables by days outstanding is shown below:

in € million	12/31/2013	12/31/2012
Neither impaired nor past due at balance sheet date	218.8	211.3
Not impaired at balance sheet date and past due in the following time frames		
Less than 30 days	33.0	30.0
Between 30 and 59 days	14.6	9.3
Between 60 and 89 days	7.7	3.5
More than 90 days	14.6	12.2
Trade receivables and receivables from construction contracts	**288.7**	**266.3**

With respect to receivables that were neither impaired nor overdue, there were no indications at the balance sheet date that the debtors would be unable to meet their payment obligations. No impairments were recognized for overdue receivables amounting to € 69.9 million (12/31/2012: € 55.0 million) because the risk of default is essentially covered by credit insurance, bank guarantees and letters of credit.

Liquidity risk
Liquidity risk refers to the risk that financial obligations cannot be met when due.

Financial planning in the RHI Group is centrally managed and monitored continuously. The liquidity requirements determined by the planning process are secured through adequate financing agreements.

As of December 31, 2013, the RHI Group has a credit facility of € 262.3 million (12/31/2012: € 273.0 million) at its disposal, which is unused and available immediately, as well as unused credit lines from the sale of receivables amounting to € 11.2 million (12/31/2012: € 5.7 million).

An analysis of the terms of non-derivative financial liabilities as of December 31, 2013, based on undiscounted cash flows including the related interest payments shows the following expected cash outflows:

in € million	Carrying amount	Cash outflows	Remaining term up to 1 year	2 to 5 years	over 5 years
Liabilities to financial institutions					
fixed interest	130.6	150.4	6.9	98.1	45.4
variable interest	369.8	387.1	169.1	195.0	23.0
Other loans	34.9	124.6	9.3	15.2	100.1
Trade payables	173.8	173.8	173.8	0.0	0.0
Non-derivative financial liabilities	**709.1**	**835.9**	**359.1**	**308.3**	**168.5**

The analysis of the terms of non-derivative financial liabilities as of December 31 of the previous year is shown below:

in € million	Carrying amount	Cash outflows	Remaining term up to 1 year	2 to 5 years	over 5 years
Liabilities to financial institutions					
fixed interest	180.9	207.3	59.3	80.0	68.0
variable interest	390.0	411.0	160.2	218.6	32.2
Other loans	33.3	119.7	8.6	14.5	96.6
Trade payables	181.1	181.1	181.1	0.0	0.0
Non-derivative financial liabilities	**785.3**	**919.1**	**409.2**	**313.1**	**196.8**

The remaining terms of derivative financial instruments based on expected undiscounted cash flow as of December 31, 2013 are shown in the table below:

in € million	Carrying amount	Cash flows	Remaining term up to 1 year	2 to 5 years	over 5 years
Receivables from derivatives with net settlement					
Interest derivatives designated as cash flow hedges	0.6	0.8	(0.3)	1.0	0.1
Financial assets held for trading	0.2	0.2	0.2	0.0	0.0
Liabilities from derivatives with net settlement					
Financial liabilities held for trading	0.3	0.3	0.3	0.0	0.0

Derivative financial instruments as of December 31, 2012 include financial liabilities held for trading amounting to € 2.3 million with a remaining term of less than one year. The carrying amount corresponded to the expected cash outflow.

Foreign currency risks

Foreign currency risks according to IFRS 7 are created through financial instruments which are denominated in a currency other than the functional currency (in the following foreign currency) and are monetary in nature. Important primary monetary financial instruments include trade receivables and payables, cash and cash equivalents as well as financial liabilities as shown in the balance sheet. Equity instruments are not of a monetary nature and therefore not linked to a foreign currency risk in accordance with 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 recognized to profit or loss on monetary items, which represent part of a net investment in a foreign operation in accordance with IAS 21 are eliminated or hedged through forward exchange contracts. Major foreign currency provisions are also included in the analysis of risk.

The following table shows the foreign currency positions of the RHI Group in the major currencies as of December 31, 2013:

in € million	USD	EUR	NOK	Other	Total
Financial assets	218.1	55.6	2.0	31.7	307.4
Financial liabilities and provisions	(191.3)	(80.0)	(20.7)	(31.2)	(323.2)
Net foreign currency position	**26.8**	**(24.4)**	**(18.7)**	**0.5**	**(15.8)**

The foreign currency positions as of December 31 of the previous year are as follows:

in € million	USD	EUR	NOK	Other	Total
Financial assets	305.0	25.9	3.4	27.2	361.5
Financial liabilities and provisions	(221.4)	(113.0)	(30.1)	(2.8)	(367.3)
Net foreign currency position	**83.6**	**(87.1)**	**(26.7)**	**24.4**	**(5.8)**

The disclosures required by IFRS 7 for foreign exchange risks include a sensitivity analysis that shows the effects of hypothetical changes in the relevant risk variables on profit or loss and equity. In general, all non-functional currencies in which Group companies enter into financial instruments are considered to be relevant risk variables. The effects on a particular reporting period are determined by applying the hypothetical changes in these risk variables to the financial instruments held by the Group as of the balance sheet date. It is assumed that the positions on the balance sheet date are representative for the entire year. The sensitivity analysis does not include the foreign exchange differences that result from translating the net asset positions of the foreign Group companies into the Group currency, the euro.

A 10% appreciation or devaluation of the relevant functional currency against the following major currencies as of December 31, 2013 would have had the following effect on profit or loss and equity (both excluding income taxes):

	Appreciation of 10%		Devaluation of 10%	
in € million	Gain/(loss)	Equity	Gain/(loss)	Equity
US dollar	(2.4)	(4.4)	3.0	5.3
Euro	1.7	7.7	(3.2)	(10.4)
Norwegian krone	1.7	1.7	(2.1)	(2.1)
Other currencies	0.0	(1.9)	0.1	2.4

The hypothetical effect on profit or loss as of December 31, 2012 can be summarized as follows

	Appreciation of 10%		Devaluation of 10%	
in € million	Gain/(loss)	Equity	Gain/(loss)	Equity
US dollar	(8.0)	(9.4)	8.9	10.7
Euro	7.4	7.4	(10.2)	(10.2)
Norwegian krone	2.4	2.4	(3.0)	(3.0)
Other currencies	(2.2)	(5.0)	2.7	6.1

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 amortized cost, and did not elect to use the option that permits the measurement of these items at fair value through profit or loss. Therefore, a hypothetical change in the market interest rates for these financial instruments as of the balance sheet date would have had no effect on profit and loss or equity.

Changes in market interest rates on financial instruments which are designated as hedges as part of a cash flow hedge to protect against interest rate-related payment fluctuations have an effect on equity and are therefore included in the equity-related sensitivity analysis. If the market interest rate as of December 31, 2013 had been 25 basis points higher or lower, equity would have been € 0.6 million higher or lower taking into account tax effects. As of December 31, 2012, no interest hedges were concluded.

Changes in market interest rates have an effect on the interest result of primary, variable interest financial instruments whose interest payments are not designated as hedged items as a part of cash flow hedge relationships against interest rate risks, and are therefore included in the calculation of the result-related sensitivities. If the market interest rate as of December 31, 2013 had been 25 basis points higher or lower, the interest result would have been € 0.4 million (12/31/2012: € 0.5 million) lower or higher.

In the previous year, the hypothetical effect on the result resulted exclusively from primary variable-interest net financial liabilities.

Other financial market risks
RHI holds certificates in an investment fund amounting to € 31.2 million (12/31/2012: € 30.3 million) to cover the legally required protection of personnel provisions of Austrian Group companies. The market value of these certificates is influenced by fluctuations of the worldwide volatile stock and bond markets.

(50) Capital management
The objectives of the capital management strategy of the RHI Group are to secure going concern in the long term by creating a solid capital base to finance future growth, to increase company value on a sustained basis and to generate adequate returns to enable attractive dividend payments to the shareholders and to service debt. The overall strategy of the RHI Group has not changed in comparison with 2012.

The RHI Group manages its capital structure through internal targets with respect to net financial debt, equity ratio, and net gearing ratio through careful monitoring and assessment of the overall economic framework conditions, the requirements and risks related to operations and taking into account fixed strategic projects.

The capital structure key figures at the balance sheet date are shown below:

	12/31/2013	12/31/2012[1]
Net financial debt (in € million)	422.9	418.5
Net debt factor	1.6	1.8
Net gearing ratio (in %)	87%	87%
Equity ratio (in %)	28%	26%

1) Explanations regarding adjustments are provided in the section "Other changes in comparative information".

Net financial debt, which reflects financial liabilities net of and cash and cash equivalents, is controlled centrally by RHI in coordination with Corporate Treasury. The main task of the Corporate Treasury department is to secure liquidity to support business operations on a sustained basis, to use banking and financial services efficiently and to limit financial risks while at the same time optimizing earnings and costs. Due to central controlling, optimum effectiveness is accomplished by utilizing central and local instruments and opportunities.

The key performance indicator on net debt in the RHI Group is the net debt factor, which reflects the ratio of net financial liabilities to EBITDA. It is a measure of the ability of a company to repay its debt and amounts to 1.6 for the financial year under review. At December 31 of the previous year, this ratio was 1.8. RHI's target is to keep the debt factor below 3.0.

The net gearing ratio is the ratio of net financial liabilities to equity; it amounts to 87% for the financial year and has not changed compared to the previous year. RHI's internal objective provides for a balanced capital structure with a minimum equity ratio of 30%. The target regarding the net gearing ratio is consequently derived from the equity ratio.

RHI controls the operating business via the profitability indicator ROACE (Return on Average Capital Employed). This indicator describes the interest on the capital employed in operating business or for an investment. In the RHI Group, ROACE designates the ratio of the net operating profit after taxes (NOPAT) to the average capital employed in the reporting period. By extension, the comparison of this profitability key figure with the capital costs of RHI enables statements with respect to changes in company value. The objective of the RHI Group is a ROACE which exceeds the weighted average cost of capital (WACC) by at least 500 basis points.

in € million	12/31/2013	12/31/2012[1)]
∅ **Working capital**		
∅ Inventories	406.3	424.9
∅ Trade receivables	270.4	272.0
∅ Receivables from long-term construction contracts	7.2	4.0
∅ Trade payables	(177.5)	(195.4)
∅ Prepayments received on orders	(26.1)	(28.7)
	480.3	**476.7**
∅ **Assets**		
∅ Property, plant and equipment	584.8	569.0
∅ Goodwill and other intangible assets	95.3	69.8
	680.0	**638.7**
Average capital employed	**1,160.3**	**1,115.4**
EBIT	111.1	167.6
Taxes	(26.6)	(38.1)
Net operating profit after taxes	**84.5**	**129.5**
Return on average capital employed (in %)	**7.3%**	**11.6%**
∅ RHI WACC (in %)	7.0%	6.6%

1) Explanations regarding adjustments are provided in the section „Other changes in comparative information".

The ROACE amounts to 7.3% in the current financial year and is significantly lower compared with the profitability of 11.6% in the previous year. This decline is attributable to the special effects related to the raw material plant in Norway in the year 2013, the restructuring costs for the Duisburg plant, Germany, and effects from the termination of the US Chapter 11 proceedings.

In the reporting year 2013 and in the previous year, all externally imposed capital requirements were met.

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

(51) Contingent liabilities
The components of contingent liabilities are shown below:

in € million	12/31/2013	12/31/2012
Liabilities from sureties	1.0	1.3
Warranties, performance guarantees and other guarantees	24.0	25.3
Contingent liabilities	**25.0**	**26.6**
thereof for discontinued operations	0.7	1.1

Contingent liabilities are accounted for exclusively by third parties. The terms of contingent liabilities range between 2 months and 3 years, depending on the type of liability. Based on experiences of the past, the probability that contingent liabilities are used is considered to be low.

Individual proceedings and lawsuits which result from ordinary activities are pending as of December 31, 2013 or can potentially be exercised against RHI in the future. The related risks were analyzed with a view to their probability of occurrence. This analysis showed that the proceedings and lawsuits, both individually and overall, have no significant negative influence on the asset, financial and earnings position of the RHI Group.

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

	Total	Remaining term		
in € million	12/31/2013	up to 1 year	2 to 5 years	over 5 years
Obligations from rental and leasing contracts	83.5	14.3	40.8	28.4
Capital commitments	2.0	2.0	0.0	0.0
Miscellaneous financial obligations	3.5	0.9	2.6	0.0
Other financial obligations	**89.0**	**17.2**	**43.4**	**28.4**

	Total	Remaining term		
in € million	12/31/2012	up to 1 year	2 to 5 years	over 5 years
Obligations from rental and leasing contracts	68.6	13.1	40.2	15.3
Capital commitments	11.7	11.7	0.0	0.0
Miscellaneous financial obligations	3.8	1.0	2.8	0.0
Other financial obligations	**84.1**	**25.8**	**43.0**	**15.3**

Other financial obligations are shown at nominal value.

Rental and leasing obligations for property, plant and equipment of € 23.6 million (2012: € 24.3 million) are recognized in the income statement of the financial year 2013. The conditions of the most important operating rental and leasing agreements can be summarized as follows:

At the company's head office in Vienna a rental agreement exists which ends on October 28, 2020. Both contracting parties are entitled to terminate the rental agreement prematurely with a notice period of six months. However, the landlord may only exercise this right under certain conditions. RHI in turn has waived this right for defined areas for periods from 2.5 to 10 years. The rent is indexed.

Another rental contract for offices has a term until April 30, 2020. The tenant has a two-time optional right to extend the contract by 3 years each. The annual rent is coupled to the development of an index.

The group also rents individual production facilities and technical plant as part of operating leasing agreements:

One leasing contract has a term until January 2021. There is an option to extend the contract. There is no agreement regarding the option to acquire the lease object at the end of the contractual period. A price adjustment clause exists.

At one production site, the area for operating a plant has been leased for the long term. The related contract ends in April 2062 and includes an extension option for another 30 years. The rent is subject to indexing.

The Group also rents numerous mining vehicles, diggers, forklifts and the like within the framework cancelable leasing agreements. The contracts have terms ranging from 2 to 7 years; most of them do not include a purchasing option after the contract ends.

(53) Notes on off-balance sheet business

To secure liquidity requirements RHI AG regularly sells trade receivables amounting to the portion covered by credit insurance to a domestic financial institution. At December 31, 2013 the receivables sold amounted to € 63.2 million (12/31/2012: € 65.7 million). The default and foreign currency risks from the receivables sold were transferred from RHI AG to the buyer. The sale of receivables has reduced receivables in accordance with the provisions of IAS 39.

(54) Expenses for the Group auditor

The expensed fee for the activity of the Group auditor Deloitte Audit Wirtschaftsprüfungs GmbH in accordance with § 266 para 11 UGB amounted to € 0.3 million in the financial year 2013 (2012: € 0.3 million). The fee included € 0.2 million (2012: € 0.2 million) for the audit of the consolidated financial statements and the annual financial statements of RHI AG, and € 0.1 million (2012: € 0.1 million) for other certification services. The fees for other certification services include the remuneration for the audit of the financial statements of Austrian subsidiaries subject to statutory audits as well as certifications regarding compliance with certain contractual agreements. In the previous year, these fees also included the review of interim financial statements.

(55) Notes on related party transactions

Related companies

The RHI Group maintained business relations with the associate MAGNIFIN Magnesiaprodukte GmbH & Co KG, St. Jakob, Austria, during the financial years 2013 and 2012.

In the financial year 2013, the Group provided services totaling € 2.9 million (2012: € 2.8 million) to this related company. The Group received services amounting to € 2.5 million (2012: € 2.2 million) during the same period.

As of December 31, 2013, the receivables due from MAGNIFIN Magnesiaprodukte GmbH & Co KG totaled € 0.8 million (12/31/2012: € 0.5 million); the liabilities due to this company amounted to € 0.6 million (12/31/2012: € 0.1 million).

Related persons
The income statement for 2013 includes expenses for the Management Board totaling € 7.3 million (2012: € 3.8 million). The expenses not including non-wage labor costs in the year 2013 are shown below:

in €	Franz Struzl	Barbara Potisk-Eibensteiner	Franz Buxbaum[1)]	Reinhold Steiner[1)]	Giorgio Cappelli[2)]	Manfred Hödl[2)]
Fixed earnings	749,024	362,725	182,238	182,680	179,046	200,235
Variable earnings	250,390	120,050	60,025	60,025	58,310	65,170
Other	0	1,703	0	0	1,555,386	2,222,519
Total	**999,414**	**484,478**	**242,263**	**242,705**	**1,792,742**	**2,487,924**

1) Beginning of office term as of 07/01/2013
2) Resigned prematurely as of 06/30/2013

The table below shows the expenses of the previous year:

in €	Franz Struzl	Barbara Potisk-Eibensteiner[1)]	Giorgio Cappelli	Manfred Hödl	Mark J. Eckhout[2)]
Fixed earnings	698,328	287,757	353,814	394,113	94,745
Variable earnings	640,210	230,213	298,180	333,260	0
Other	0	1,309	13,147	33,862	0
Total	**1,338,538**	**519,279**	**665,141**	**761,235**	**94,745**

1) Beginning of office term as of 04/01/2012
2) Resigned prematurely as of 03/31/2012

Variable earnings are performance-related and are paid in the following year. The item other predominantly includes expenses for lump-sum settlements resulting from early termination of contracts in the financial year 2013.

Liabilities and provisions of € 4.7 million (12/31/2012: € 2.5 million) were recognized for active and former Management Board members.

In the past financial year, salaries and other current benefits totaling € 3.3 million (2012: € 2.7 million) were paid to members of the Management Board. Payments made to former Management Board members and their surviving dependents amounted to € 1.0 million (2012: € 0.5 million). This item includes benefits of € 0.1 million paid in connection with the termination of employment (2012: € 0.0 million).

The members of the Supervisory Board received remunerations of € 0.3 million in 2013 (2012: € 0.3 million). These remunerations were recognized as an expense in the reporting year.

As of the balance sheet date, there were no advance payments or loans to members of the Management Board or Supervisory Board. The RHI Group did not enter into contingent liabilities on behalf of the Management Board and Supervisory Board.

As in the previous year, no stock option plans existed for the Management Board.

Directors Dealings reports are published on the websites of the Austrian Financial Market Authority and of RHI AG.

The members of the Management Board and Supervisory Board are listed following note (57).

Shareholders of RHI AG
RHI knows of the following investors with significant shareholdings: MS Private Foundation with a share exceeding 25% and Chestnut Beteiligungsgesellschaft mbH and Silver Beteiligungsgesellschaft mbH, each with shareholdings exceeding 5%. The voting rights of Chestnut Beteiligungsgesellschaft mbH and Silver Beteiligungsgesellschaft mbH are exercised jointly. Therefore, the combined voting rights of the two companies exceed 10%. The remaining RHI shares are free float.

(56) Annual average number of employees
The number of employees of the RHI Group weighted by employment status is shown below:

	2013	2012
Salaried employees	3,701	3,358
Waged workers	4,584	4,661
Weighted number of employees	**8,285**	**8,019**

(57) Material events after the balance sheet date
After the balance sheet date on December 31, 2013 there were no events of special significance which may have a material effect on the asset, financial and earnings position of the RHI Group.

Members of the Management Board

Franz Struzl, Vienna, Chairman

Barbara Potisk-Eibensteiner, Hagenbrunn

Franz Buxbaum, Bad Vöslau (since 07/01/2013)

Reinhold Steiner, Trofaiach (since 07/01/2013)

Giorgio Cappelli and Manfred Hödl were also members of the Management Board of RHI AG until 06/30/2013.

Members of the Supervisory Board

Herbert Cordt, Vienna, Chairman

Helmut Draxler, Vienna, Deputy Chairman

Wolfgang Ruttensdorfer, Vienna, Deputy Chairman (since 05/03/2013, member since 05/03/2012)

Hubert Gorbach, Frastanz

Alfred Gusenbauer, Vienna (since 05/03/2013)

Gerd Peskes, Düsseldorf, Germany

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

David A. Schlaff, Vienna

Employee representatives:

Walter Geier, Leoben

Christian Hütter, Vienna

Roland Rabensteiner, Veitsch

Franz Reiter, St. Jakob in Haus

Michael Gröller was also a member of the Supervisory Board until 05/03/2013.

Vienna, 02/26/2014

Management Board

Franz Struzl
CEO
CSO Industrial Division
CTO R&D

Barbara Potisk-Eibensteiner
CFO

Franz Buxbaum
COO

Reinhold Steiner
CSO Steel Division

Auditor's Report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RHI AG, Vienna, for the financial year from January 1, 2013 to December 31, 2013. These consolidated financial statements comprise the consolidated statement of financial position as of December 31, 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year ended December 31, 2013, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System
The Company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2013 and of its financial performance and its cash flows for the fiscal year from January 1, 2013 to December 31, 2013 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Comments on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 02/26/2014

Deloitte Audit Wirtschaftsprüfungs GmbH

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

Dr. Gottfried SPITZER m.p.
Austrian Certified Public Accountant

The publication or dissemination of the consolidated financial statements bearing our opinion may only take place in the approved version. This opinion relates exclusively to the German language version of the complete consolidated financial statements including the Group management report. For any other versions, the regulations contained in section 281 para. 2 UGB (Austrian Commercial Code) are to be observed.

Statement of the Management Board in accordance with § 82 (4) of the Austrian Stock Exchange Act

Statement of the Management Board in accordance with § 82 (4) of the Austrian Stock Exchange Act

We confirm to the best of our knowledge that the consolidated financial statements, which were prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

Vienna, 02/26/2014

Management Board

Franz Struzl
CEO
CSO Industrial Division
CTO R&D

Barbara Potisk-Eibensteiner
CFO

Franz Buxbaum
COO

Reinhold Steiner
CSO Steel Division