LOOKING AHEAD TO 2020.

Annual Report 2012

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Earnings indicators (in € million)
Revenues
EBITDA
Operating result
EBIT
Financial result
Results from associates
Profit before income taxes
Income taxes
Profit for the year from continuing operations
EBITDA %
EBIT %
Profit for the year from continuing operations %

Cashflow indicators (in € million)
Cashflow from operating activities
Cashflow from investing activities
Cashflow from financing activities
Free Cashflow

Balance sheet indicators (in € million)
Balance sheet total
Equity
Equity ratio (in %)
Net debt
Gearing ratio (in %)*
Net debt / EBITDA
Working Capital
Working Capital %
Capital Employed
Return on capital employed (in %)

Stock exchange indicators (in €)
Number of shares (million units)
Closing price (Vienna Stock Exchange)
Market capitalization (in € million)
Earnings per share
Price-earnings ratio
Dividend per share
Dividend yield (in %)

Key Figures

2012	2011[1]	Delta	2010[1]	2009[2]	2008[2]	2007[2]
1,835.7	1,758.6	4.4%	1,522.9	1,236.9	1,596.7	1,467.6
229.4	**204.1**	**12.4%**	**172.0**	**114.5**	**216.1**	**217.0**
164.4	148.6	10.6%	138.8	79.0	166.2	169.6
167.6	150.9	11.1%	126.0	54.8	148.4	165.8
(21.3)	(30.9)	(31.1)%	(28.0)	(32.0)	(37.2)	(39.0)
5.3	5.5	(3.6)%	6.6	2.4	2.2	1.4
151.6	125.5	20.8%	104.6	25.2	113.4	128.2
(38.1)	(4.7)	710.6%	0.0	(3.8)	(11.6)	(15.1)
113.5	120.8	(6.0)%	104.6	21.4	101.8	113.1
12.5%	11.6%	0.9pp	11.3%	9.3%	13.5%	14.8%
9.1%	8.6%	0.5pp	8.3%	4.4%	9.3%	11.3%
6.2%	6.9%	(0.7)pp	6.9%	1.7%	6.4%	7.7%

2012	2011[1]	Delta	2010[1]	2009[2]	2008[2]	2007[2]
161.1	**124.4**	**29.5%**	**(12.3)**	**202.0**	**123.5**	**155.1**
(165.9)	(105.5)	57.3%	(54.3)	(36.2)	(73.2)	(102.4)
47.8	67.3	(29.0)%	(18.3)	(72.7)	(34.9)	(81.9)
(4.8)	18.9	(125.4)%	(66.6)	165.8	50.3	52.7

2012	2011[1]	Delta	2010[1]	2009[2]	2008[2]	2007[2]
1,850.3	1,689.9	9.5%	1,448.7	1,272.2	1,324.3	1,241.3
480.5	438.9	9.5%	320.9	206.1	160.1	73.9
26.0%	26.0%	0.0pp	22.2%	16.2%	12.1%	6.0%
418.5	361.5	15.8%	341.0	255.9	397.7	421.4
87.1%	82.4%	4.7pp	106.3%	124.2%	248.4%	570.2%
1.8	**1.8**	**0.0**	**2.0**	**2.2**	**1.8**	**1.9**
479.6	473.8	1.2%	467.3	310.8	426.2	388.5
26.1%	26.9%	(0.8)pp	30.7%	25.1%	26.7%	26.5%
1,184.4	1,049.0	12.9%	962.6	778.0	910.7	860.3
11.6%	**14.5%**	**(2.9)pp**	**14.5%**	**6.0%**	**15.4%**	**18.3%**

2012	2011[1]	Delta	2010[1]	2009[2]	2008[2]	2007[2]
39,819	39,819	0.0%	39,819	39,819	37,927	37,476
24.90	15.10	64.9%	29.48	16.24	11.25	28.00
991	**601**	**64.9%**	**1,174**	**647**	**427**	**1,049**
2.85	3.03	(5.9)%	2.63	0.52	2.51	2.82
8.7	**5.0**	**74.0%**	**11.2**	**31.2**	**4.5**	**9.9**
0.75	0.75	0.0%	0.50	0.00	0.00	0.00
3.0%	**5.0%**	**(2.0)pp**	**1.7%**	**0.0%**	**0.0%**	**0.0%**

1) For details on reclassifications see page 72 et seq. (other changes in presentation)
2) For details on reclassifications see annual report 2010, page 67 et seq. (accounting of non-controlling interests)
* excluding non-current provisions for pensions, termination benefits and service anniversary bonuses
Working Capital: Inventories + Trade receivables and receivables from long-term construction contracts – Trade payables – Prepayments received
Capital Employed: Property, plant and equipment + Goodwill + Other intangible assets + Working Capital
Return on capital employed: (EBIT - Taxes) / average Capital Employed

A World Leader in Refractories

The RHI group is a globally operating supplier of high-grade refractory products, systems and services, which are indispensable for industrial high-temperature processes exceeding 1,200 °C.

With approx. 8,000 employees, 32 production plants and more than 70 sales offices, RHI serves more than 10,000 customers in the steel, cement, nonferrous metals, glass, energy and chemicals industries in nearly all countries of the world. RHI produces more than 2 million tons of refractory products annually and supplies customized product and system solutions.

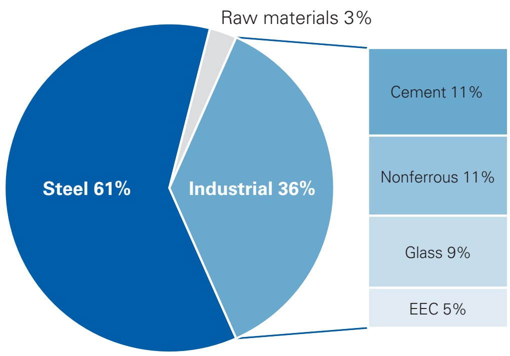
Refractory linings made by RHI ensure that different units (for example, steel ladles, cement rotary kilns, copper converters or glass furnaces) resist extreme thermal, mechanical and chemical stress.

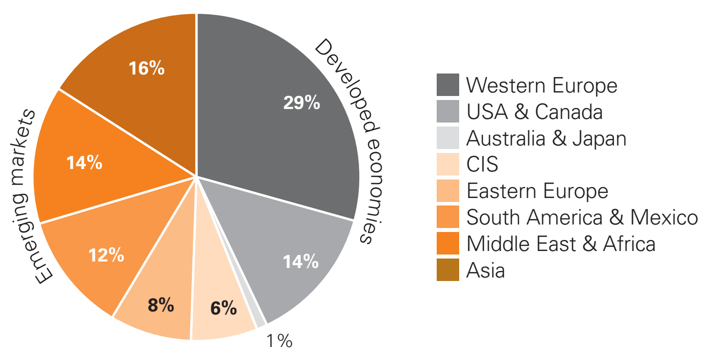
The production of refractory products is resource-intensive. The basic materials used are the naturally occurring raw materials magnesite and dolomite. Some 70% of the global deposits are located in three countries: China, North Korea and Russia. RHI covers about 80% of its requirements with raw materials from its own sites and is therefore largely independent from the raw material markets.

The RHI Group attaches great importance to research. The innovative strength, which has made RHI the global technology leader, is based on research and development activities established over decades, which provide a decisive leading edge. Roughly € 20 million are invested in this future-oriented segment.

Demand for refractory products is mainly driven by growing prosperity, the level of industrial production and infrastructure projects. Although refractory products account for only 1 to 3% of the production costs in the customer industries, they are decisive for the quality of the products made.

In the year 2012, RHI realized revenues of € 1,835.7 million. The chart below shows revenues by segment and region.





To our Shareholders

Dear Shareholders,

The title of the Annual Report 2012 is "Looking Ahead to 2020." and points to a central issue, which we dealt with intensively in the past financial year. At the leadership meeting held in Pamhagen, Austria, in April 2012, many of the international executives expressed the need for a common vision for the RHI Group. Without a vision that everyone identifies with, it is unclear what RHI stands for. Without orientation, we can do our best and still end up running along the wrong path.

Therefore, the Management Board initiated a process to develop a clear vision, a strategic objective with respect to revenues and profitability, and common values. First of all, the Management Board defined the strategic direction of RHI based on the most important business decisions and external influences. A group of young employees went through the same process in parallel. The results, which were surprisingly similar, were discussed and adopted as framework conditions. A group of executives then developed the vision and values in detail together with the Management Board.

In a globalized, networked economy, expertise and experience regarding the production processes of the customer industries are essential in order to stay one step ahead of the competitors from low-wage countries. Being the technology leader, it is our responsibility to provide a competitive advantage for our customers. The RHI Group looks back on a 150-year history when dealing with this task, and strives to prevail in the market for at least another 150 years. It is crucial to win the best minds for our company and to retain them in the Group for the long term. That's why we focus on key issues of our time like work-life balance, diversity and sustainability.

Our vision:

We lead the Industry.
Everywhere. Anytime.

We are the innovative power in the industry.
Our solutions make us our customers' first choice.
We create sustainable value.
We are proud to be part of the RHI team.

Our vision does not mean that we want to lead the market in all regions and segments, but we strive for technology leadership in all regions and segments in which we operate, as well as a clear competitive advantage in terms of product performance, engineering and services. All strategic initiatives will follow this vision in the future.

Workshops with Management Board involvement were held worldwide, the new vision was discussed and the contribution of each sales unit, of each plant and each department was defined. Information was provided and discussions conducted down to the shop floor level because every single one of us contributes to our company's success. Only if all of us have understood the vision, the strategy and the values and defined their personal contribution to the result, the positive effect on the entire company will evolve. The contents are to provide certainty regarding the future, new motivation and enhanced identification with the RHI Group and to create a new spirit of optimism.

In operating terms, we are looking back on a quite challenging financial year with declining volumes. Due to internal measures and clearly defined strategies based on expanding market presence in the emerging markets, increasing the self-sufficiency level for magnesia raw materials, an optimized cost structure and the expansion of technology leadership, RHI was partially able to detach its results from the developments in our customer industries. It also helped that revenues from refractory products depend more on the number of units in operation than on the volumes produced.

With the emerging markets accounting for 56% of revenues and the region Western Europe for only 29% in the year 2012, our Group now has a broad spread and is less susceptible to regionally varying economic developments. Although the share of the emerging market has massively grown in recent years and will continue to increase in the coming years, Europe will remain an integral part of RHI in the future.

The expected lower growth rates in Europe require an adaptation of capacities in order to ensure optimal utilization of the worldwide production facilities, which is why a plant concept is being evaluated within the RHI Group in coordination with the employee representatives.

In the past years we have invested a lot in the future, and we will reap the rewards in the years to come. Especially the increased backward integration of magnesia raw materials to approx. 80%, will reduce the volatility or results due to fluctuating raw materials and dependence on politically insecure regions further and open up new opportunities on the formula and product side. With the acquisition of Stopinc AG, Switzerland at the beginning of the year 2012 and of the Indian company Orient Refractories Ltd. in early 2013, we opened the door to the world of flow control further, where we want to strengthen our number two position.

We thank all our customers and employees, the most important assets in the RHI Group, and we thank you for the trust you have given us in the past financial year.

On behalf of the Management Board

Franz Struzl,
CEO

On behalf of the Supervisory Board

Herbert Cordt,
Chairman of the Supervisory Board

A CLEAR VISION OF THE FUTURE.

MANFRED HÖDL, 57
WITH THE RHI GROUP SINCE 1985
CSO (Chief Sales Officer) Industrial Division,
CTO (Chief Technical Officer)

After his studies of geosciences at the University of Vienna, Manfred Hödl joined the research institute of the RHI Group. From 1994 onwards he was responsible for the sales of the Business Unit Cement/Lime as a Department Manager at Veitsch-Radex AG. After working as a Nonferrous Metals Marketing Manager for Didier-Werke AG for two years, he took over the management of the Business Unit Cement/Lime in the year 2000. In 2007, he was appointed to the Management Board of RHI AG with responsibility for the Industrial Division.

FRANZ STRUZL, 70
WITH THE RHI GROUP SINCE 2011
CEO

Following his studies at the University of Economics in Vienna, Franz Struzl pursued a career in the steel industry. After joining Österreichische Alpine Montagegesellschaft and the merger with VOEST, he became a Divisional Manager for long steel products and a member of the Management Board of Voestalpine AG in 1992. Having served as CEO from 2001 until 2004, he transferred to Villares SA in Brazil, where he was also Chairman of the Management Board until 2010. In the year 2011, he was appointed CEO of the RHI Group.

BARBARA POTISK-EIBENSTEINER, 44
WITH THE RHI GROUP SINCE 2007
CFO

After her graduation in business administration at the University of Graz, Barbara Potisk-Eibensteiner completed a trainee program at Creditanstalt AG and subsequently worked in investment banking. In the year 1995, she changed from the finance industry to the real sector and took over the function of the Group Treasurer at Böhler-Uddeholm AG. In 2007, she became Head of Finance & Investor Relations at RHI AG. In 2012 she was one of the first women in Austria to be appointed to the Management Board as CFO.

GIORGIO CAPPELLI, 57
WITH THE RHI GROUP SINCE 1981
CSO (Chief Sales Officer), Steel Division

After his doctorate in industrial chemistry at the University of Milan, Giorgio Cappelli joined the RHI Group in the research and development department of General Refractories Company. In 1982 he transferred to the technical department of Radex Italiana SpA, where he became Managing Director in 1992. After his role as Sales Manager Europe at Didier-Werke AG from 1998 onwards, he took over the management of the Business Unit Steel & Flow Control Europe in the year 2000. In 2007, he was appointed to the Management Board of RHI AG and is responsible for the Steel Division.

ANNA FRANZKOWIAK, Technical Marketing Manager Nonferrous Metals
with the RHI Group since 2011

Looking Ahead to 2020.

The RHI Group has pursued a clearly defined strategy for many years, which is based on expanding market presence in the emerging markets, increasing self-supply with magnesia raw materials and an optimized cost structure.
In 2012, strategic goals were derived from the newly defined vision "We lead the industry. Everywhere. Anytime." The target until 2020 is to realize revenues of € 3.0 billion and an EBIT margin of 12% throughout the economic cycle. As part of a structured strategy update, the targets were broken down to the six Strategic Business Units (Linings, Flow Control, Cement/Lime, Nonferrous metals, Glass, Environment/Energy/Chemicals).
The aim is to accomplish this growth through increases in price and volume and selected smaller acquisitions. The intended improvement of the EBIT margin should result from a higher contribution to revenues by the emerging markets, where higher margins can be realized than in saturated markets, a higher level of self-sufficiency for magnesia and a further enhancement of the plant concept.

Profitable growth

In the year 2012, RHI generated 56% of its revenues in the emerging markets; in the year 2020, this share may already amount to some 70%. RHI strives to participate in the further catching-up process of the emerging countries and to grow in these markets together with the customers. While the number of motor vehicles per 1,000 inhabitants in China and India ranks in the low double-digit range, more than 800 vehicles per 1,000 inhabitants are registered in the USA, according to data of the World Bank. Steel consumption in India is in the medium double-digit kilogram range, while figures significantly exceeding 300 kilograms per capita are realized in Europe, the USA or even China. This results in enormous growth potential, which RHI intends to increasingly benefit from in the years to come.

Raw material integration

Raw materials account for roughly 60% of the overall production costs at RHI. Access to and the availability of high-quality raw materials are critical to refractory products because they have a significant influence on their performance characteristics.
Roughly 70% of the global magnesite deposits are located in China, North Korea and Russia. Due to growing demand and export restrictions in China, prices have more than tripled. For this reason, RHI increasingly invests in raising the level of self-sufficiency. The expansion of the mines in Turkey and Austria and acquisitions have enabled RHI to increase the self-sufficiency level to roughly 80%. In this, an alternative raw material production method based on seawater is also used. RHI strives to maintain the self-sufficiency level stable even during the growth period.

Innovation

As technology leader, RHI focuses on the development of solutions that are tailored to customer trends. New standards in the industry can only be set through continuous and innovative processes. Research focuses on four strategic areas: substitution of raw materials, energy efficiency, functional products and recycling. Innovation at RHI extends from the product level to all business processes and involves all employees.

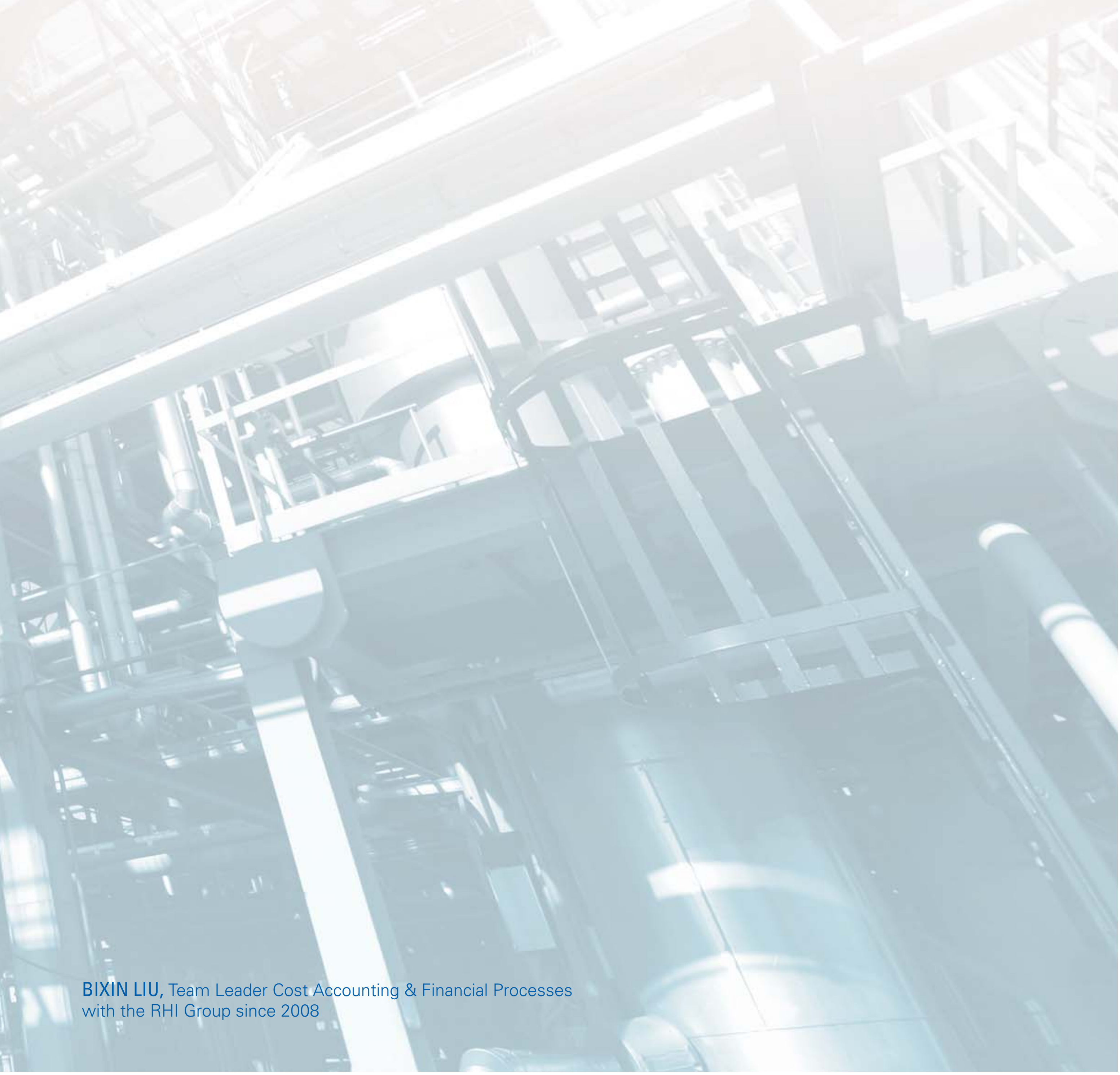
Business Excellence

In order to stay competitive in the market, production capacities have to be adjusted and transferred closer to the customer. As growth rates are expected to be lower in Europe, an adjustment of production capacities is required in order to ensure optimal utilization of all plants worldwide. RHI currently works on optimizing the plant structure, which should result in a reduction of inventories. Moreover, all business processes are adapted continuously in order to better serve customers and to optimize costs.

WITH A VIEW TO THE EMERGING MARKETS.

PARTICIPATING IN THE GROWTH OF EMERGING COUNTRIES.

As a world market and technology leader for refractory products, RHI is used to thinking globally. Today, 56% of the Group's revenues are already generated in the emerging markets. This share will continue to increase in the future due to the catching-up process in the developing countries. The objective of RHI is to grow profitably together with its customers.



BIXIN LIU, Team Leader Cost Accounting & Financial Processes
with the RHI Group since 2008

A CONSTANT FOCUS ON RAW MATERIALS.

SECURING THE SELF-SUFFICIENCY LEVEL AND MINIMIZING EXPENSES.

Increasing backward integration is the key to products of consistent high-quality and guarantees security of supply of refractory products. RHI has therefore stepped up investments in the expansion of existing mines as well as an alternative raw material extraction method from seawater in the past years and increased the self-sufficiency level for magnesia raw materials to roughly 80%.

EKREM BULUR, Plant Manager Eskisehir, Turkey
with the RHI Group since 1990

LOOKING OUT FOR ALTERNATIVES.

INNOVATION AND TECHNOLOGICAL ADVANCEMENT: A RECIPE FOR SUCCESS.

Continuous solutions which constantly increase the competitive advantage: that's what distinguishes RHI and makes it unique. With the four strategic research projects, substitution of raw materials, energy efficiency, functional products and recycling, RHI sets new standards in the industry.

NEHA JAIN, Research Scientist Process Technology
with the RHI Group since 2012

COMPETENCE WHEREVER YOU TURN.

BUSINESS EXCELLENCE THROUGH CONTINUOUS OPTIMIZATION OF ALL BUSINESS SEGMENTS.

Transparent objectives, internal benchmarking and always the most efficient solutions in all business segments are the best strategies to ensure success in the market. That's why RHI continuously questions all internal business processes and tries to address customer requirements even more efficiently.

CRAIG POWELL, VP Sales Steel USA & Canada
with the RHI Group since 2002

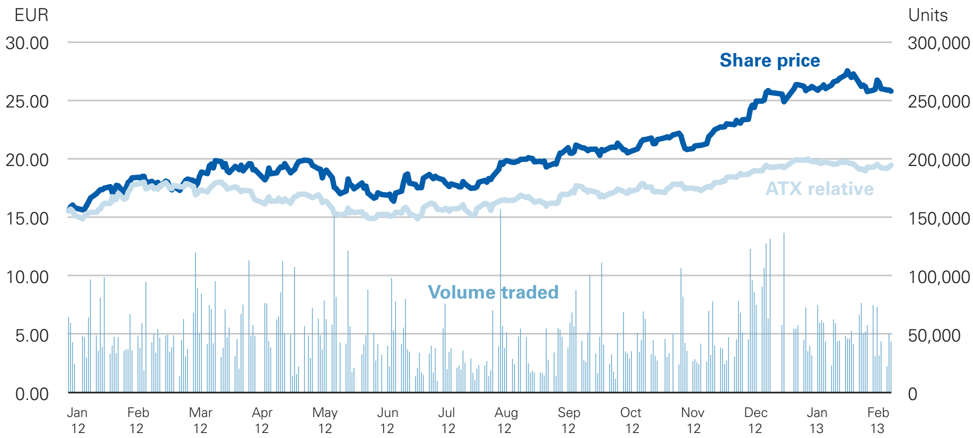
RHI Share

Market development

As the fears of a deep recession in the European Union, which were still looming at the end of 2011, did not prove true, market participants began to price out this scenario of share prices. The expansive monetary policy of the most important central banks provided additional support for the positive development of the stock markets. In Europe, prices picked up significantly once the ECB President had made a statement in the defense of the euro. In the financial markets the opinion prevailed that although politicians will find solutions to complex problems, decisions are only made in the very last moment.

In this environment and supported by the earnings development and investors' growing risk appetite, the RHI share rose to € 24.90 on the last trading day of the year 2012, compared with a closing price of € 15.10 in 2011. With a price increase of 64.9%, the RHI share realized the second best performance in the Austrian Traded Index ATX after the Erste Group. Including the dividend payout of € 0.75, shareholders invested at the beginning of the year saw a value increase of 69.9%. The ATX rose by 26.94% to 2,401.21 points during the same period. At the end of the year 2012, the RHI share was weighted at roughly 1.56% in the lead index ATX.

Share performance
ISIN: AT000676903
Reuters: RHI.VI
Bloomberg: RHI AV



Investor Relations

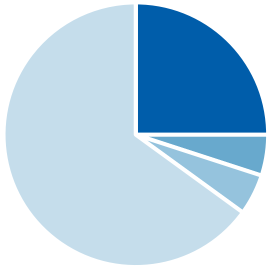
The Investor Relations team of RHI AG strives to establish and maintain a relationship with the financial community based on trust, transparency and reliability. We promptly provide current and relevant information and give an insight into RHI regarding the actual situation. We stand for open communication and dialogue on equal terms.

In the year 2012, more than 200 investors were informed about the Group's business development at twelve roadshows, eight conferences and numerous one-on-ones and conference calls.

In the past financial year, the following banks and investment institutions covered RHI AG with their analyses (in alphabetical order): Baader Bank, Berenberg Bank, Citigroup, Deutsche Bank, Erste Bank, Hauck & Aufhäuser, HSBC Trinkaus & Burkhardt, Kepler Capital Markets und Raiffeisen Centrobank.

Shareholder structure

On December 7, 2012, Raiffeisen Bank International AG sold a block of shares of RHI AG totaling roughly 3.6% and thus went below the 4% threshold of mandatory disclosure of voting rights. On January 18, 2013, voting rights were regrouped within the Winterstein family. FEWI Beteiligungsgesellschaft mbH, which is controlled by Dr. Wilhelm Winterstein, transferred roughly 5.2% of the voting rights respectively to Chestnut Beteiligungsgesellschaft mbH, which is controlled by Elisabeth Princess of Sayn-Wittgenstein, and to Silver Beteiligungsgesellschaft mbH, controlled by Mr. Konstantin Alfred Winterstein. The voting rights of Chestnut Beteiligungsgesellschaft mbH and Silver Beteiligungsgesellschaft mbH are exercised jointly. The combined voting rights of the two companies thus exceed 10%. In addition, the MS Private Foundation has held more than 25% of the voting rights since April 20, 2007.



* Voting rights are exercised jointly.

Employee stock ownership plan

The employee stock ownership plan "4 plus 1" gives employees the opportunity to receive bonus shares of a value up to € 1,460 per year for RHI shares they have purchased up to a total of € 5,840. At the end of the year 2012, 649 employees participated in this program.

Stock exchange indicators

in €	2012	2011	Change
Share price at year end[1]	24.90	15.10	64.9%
High[1]	26.00	30.16	(13.8%)
Low[1]	15.41	13.00	18.5%
Average[1]	19.43	20.49	(5.2%)
Number of shares (in million units)	39.819	39.819	0.0%
Market capitalization (in € million)[2]	991	601	64.9%
Earnings per share	2.85	3.03	(6.0%)
Price-earnings ratio[1]	8.7	5.0	74.0%
Dividend per share	0.75	0.75	0.0%
Dividend yield[2]	3.0%	5.0%	(2.0pp)
Stock market turnover (in million units)	24.262	38.695	(37.3%)
Stock market turnover (in € million)	477	776	(38.5%)

1) Closing price at Vienna Stock Exchange
2) Base closing price 12/28/2012 at Vienna Stock Exchange

Capital market calendar 2013

05/03/2013 RHI Annual General Meeting
05/08/2013 Expected ex-dividend day
05/13/2013 Expected dividend payment day
05/15/2013 Results Q1/2013
08/06/2013 Half-year results 2013
11/05/2013 Results Q3/2013

Investor Relations Officer

Simon Kuchelbacher
Shareholder hotline: +43 (0)50213-6123
Shareholder fax: +43 (0)50213-6130
E-mail: investor.relations@rhi-ag.com
Internet:www.rhi-ag.com

Corporate Governance

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

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

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

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

www.rhi-ag.com / Corporate Governance / Corporate Governance Report

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

Report of RHI AG on the Corporate Governance Code

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

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

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

Members of the Management Board, term of office, scope of competence and responsibilities, (non-group) supervisory board mandates (Figure 16, Comply or Explain)

Name and function	Year of birth	Start of term of office	End of term of office
Franz Struzl	1942	09/08/2011	09/08/2016
Chairman of the Management Board; CEO			
Scope of competence and responsibilities: Business Development, Human Resources, Corporate Communications, Audit; Legal & Compliance, Operations			
Barbara Potisk-Eibensteiner	1968	04/01/2012	03/31/2017
Member of the Management Board; CFO			
Scope of competence and responsibilities: Treasury, Investor Relations, Accounting & Taxes, Controlling, Risk & Opportunity Management, Information Management			
Giorgio Cappelli	1956	01/01/2007	03/31/2017
Member of the Management Board; CSO (Chief Sales Officer) Steel			
Scope of competence and responsibilities: Steel Europe, Steel North America, Steel Asia/Pacific, Steel South America, Product Management Linings, Product Management Flow Control			
Manfred Hödl	1955	01/01/2007	03/31/2017
Member of the Management Board; CSO (Chief Sales Officer) Industrial, CTO (Chief Technical Officer)			
Scope of competence and responsibilities: Product Development, Cement/Lime, Glass, Nonferrous Metals, Environment/Energy/Chemicals, Product Management Alumina, Product Management Magnesite Products			
Mark J. Eckhout[1)]	1959	02/14/2011	02/13/2013
Member of the Management Board; CFO			
Scope of competence and responsibilities: Treasury/IR/Risk Management, Audit, Information Management, Corporate Controlling/Financial Planning & Analysis, Taxes & Real Estate			

1) resigned prematurely as of 03/31/2012

After Mark J. Eckhout resigned from the Management Board of RHI AG, the scope of competence and responsibilities were restructured as of May 3, 2012.

Working method of the management Board

In the period under review, the Management Board of the company consisted of four members. Each Management Board member has his or her own area of responsibility, which he or she keeps the other Board members informed about. The cooperation and responsibilities of the Management Board are governed by rules of procedure. Meetings of the entire Management Board are generally held every two weeks and are chaired by the Chairman of the Management Board. At these meetings, resolutions are adopted regarding measures and business activities which require the approval of the entire Management Board in accordance with the rules of procedure of the Management Board. In order to have a quorum, at least half of the members of the Management Board have to participate in the vote. Resolutions of the entire Management Board are passed with a simple majority. An extraordinary Management Board meeting can be convened at the request of a Management Board member. Resolutions of the Management Board can also be passed outside meetings if all members of the Management Board participate in and agree to this procedure. Written minutes are drawn up for every meeting of the entire Management Board and for every resolution passed outside a meeting and signed by all members of the Management Board. A copy of the minutes will be sent to the members of the Management Board immediately.

Non-group supervisory board mandates of the members of the Management Board

The members of the Management Board, with the exception of Franz Struzl, who is a member of the Supervisory Board of NLMK, do not hold any supervisory board mandates outside the Group.

Information regarding the principles of remuneration of the Management Board
(Figures 30 and 31, Comply or Explain)

Principles of performance-linked remuneration of the Management Board and criteria of performance-linked remuneration:

The variable remuneration of the Management Board is based on the operating result, profit after tax, return on capital employed and a working capital ratio which does not take into account trade payables, each for the Group.

Methods used to determine whether the performance criteria have been met, and upper limits:

The accomplishment of these criteria is viewed with reference to a reporting date in such a way that a percentage of the annual remuneration represents the upper limit for some of the criteria.

Ratio of fixed to performance-linked components of total compensation:

The ratio of fixed to performance-linked components of the total compensation depends on the achievement of the targets for the respective year and amounts to up to 120% for 2012.

Principles of the company retirement plan:

Principle of deferred compensation, no defined benefit plan.

Principles of eligibility and claims in the event of termination of the function:

No claims beyond the Management Board contract.

Existence of a D&O insurance whose costs are borne by the company:

A D&O insurance, whose costs are borne by the company, exists.

Remuneration (fixed and performance-linked) for each Management Board member

in €	Struzl	Potisk-Eibensteiner[1)]	Cappelli	Hödl	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 function 04/01/2012

2) resigned prematurely as of 03/31/2012

Variable remuneration is performance-linked and will be paid in the following year. Other expenses mainly include termination benefits, severance payments, pensions, service anniversary bonuses and allowances for leave.

Number of meetings of the Supervisory Board; self-evaluation (Figure 36, Comply or Explain)

The Supervisory Board held seven meetings during the reporting period. In addition, the meetings of the committees of the Supervisory Board as well as of the presidium described in the following took place.

The Supervisory Board has decided not to conduct a self-evaluation until further notice.

Appointment to committees, number of meetings and activity in the financial year 2012 (Figure 39, Comply or Explain)

Three committees are in place at RHI AG (audit, nomination and compensation committees), which exercise the activities and have the decision-making powers stipulated by the Austrian Corporate Governance Code in accordance with figures 39-43 and the relevant legal requirements.

In the reporting period, activities of the audit committee included the preparation for the Supervisory Board of issues regarding the quarterly statements, the annual financial statements, audit of the consolidated financial statements, accounting, the effectiveness of the internal control system and various audit topics. In addition, this committee dealt with selecting the auditor of the consolidated financial statements and with risk management.

The activities of the nomination committee in the reporting period included proposals for Supervisory Board mandates as well as the function of the CFO and the composition of the Management Board.

The activities of the compensation committee comprised matters regarding bonus payments and the remuneration of the Management Board.

Audit committee (4 meetings):

G. Peskes, Certified Public Accountant (Chairman and finance expert)
M. Gröller
S. Prinz zu Sayn Wittgenstein-Berleburg
L. Miedl

Nomination committee (2 meetings):
H. Cordt (Chairman)
M. Gröller
H. Draxler
G. Peskes, Certified Public Accountant

Compensation committee (5 meetings):
H. Cordt (Chairman)
M. Gröller
H. Draxler
G. Peskes, Certified Public Accountant

Contracts with members of the Supervisory Board subject to approval (Figure 49, Comply or Explain)

There were no such contracts in the period under review.

Detailed statement of remuneration granted to the Supervisory Board (Figure 51, Comply or Explain)

In accordance with § 15 of the articles of association of RHI AG, the Supervisory Board members (capital representatives) receive a remuneration payable after the end of a financial year, the amount of which is determined by the Annual General Meeting. The remuneration of the Supervisory Board members determined by the Annual General Meeting is distributed in such a way that the Chairman of the Supervisory Board receives the 2.5-fold amount of an ordinary Supervisory Board member, and the Deputy Chairman of the Supervisory Board receives the 1.75-fold amount of an ordinary Supervisory Board member, on a pro-rata-temporis basis.

In the period under review, the members of the Supervisory Board received the following remuneration for activities in the financial year 2011, which was adopted by the Annual General Meeting 2012 and paid:

in €	
H. Cordt	60,900
M. Gröller	48,080
H. Draxler	44,810
CPA G. Peskes	47,535
D. Schlaff	24,905
S. Prinz zu Sayn Wittgenstein-Berleburg	25,450
H. Gorbach	23,815

There were no stock option plans for members of the Supervisory Board.

Criteria of independence, independent Supervisory Board members, period of office (Figures 53, 54 and 58, Comply or Explain)

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

Criteria for the determination of independence

Independence of a member of the Supervisory Board

A member of the Supervisory Board of RHI AG shall be deemed independent if he or she has no business or personal relationship with the company or its Management Board that constitutes a material conflict of interest and therefore may influence the member's behavior.

Non-presence of independence

A member of the Supervisory Board of RHI shall be deemed not independent if:

- the member of the Supervisory Board has been a member of the Management Board or an executive of the company or of a subsidiary of the company in the preceding five years;
- the member of the Supervisory Board has or has had a business relationship with the company or a subsidiary of the company in the last year to an extent important to the member of the Supervisory Board. The same applies to business relationships with companies in which the member of the Supervisory Board has a significant economic interest. The approval of individual business transactions by the Supervisory Board according to Legal Requirement 48 does not automatically result in a classification as independent;
- the member of the Supervisory Board has been an auditor of the company or a partner to or an employee of the auditing company conducting the audit in the past three years;
- the member of the Supervisory Board is a member of the Management Board of another company where a member of the Management Board of RHI AG is a member of the Supervisory Board
- the member of the Supervisory Board remains in the Supervisory Board for more than 15 years. This shall not apply for Supervisory Board members who are shareholders with a direct investment in the company or represent the interests of such a shareholder;
- the member of the Supervisory Board is a close relative (direct descendants, spouses, partners, parents, uncles, aunts, sisters and brothers, nieces, nephews) of a member of the Management Board or persons who are in a position described above.

Supervisory Board Members	Year of birth	First appointment	End of term of office
H. Cordt, Chairman	1947	06/01/2007	AGM 2013
M. Gröller, Deputy Chairman	1941	02/15/2002	AGM 2013
H. Draxler, Deputy Chairman	1950	06/01/2007	AGM 2013
W. Ruttenstorfer	1950	05/03/2012	AGM 2016
D. Schlaff	1978	04/30/2010	AGM 2014
H. Gorbach	1956	06/01/2007	AGM 2013
G. Peskes	1944	07/01/1999	AGM 2016
S. Prinz zu Sayn-Wittgenstein	1965	05/17/2001	AGM 2016

AGM = Annual General Meeting

According to evaluation of the Supervisory Board, the number of two independent members of the Supervisory Board of RHI AG as stipulated by rule 54 CGC currently corresponds to the sufficient number of independent members to be determined by the Supervisory Board in accordance with rule 53. It is declared that the Supervisory Board of RHI currently has eight independent capital representatives.

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

Disclosure of other supervisory board mandates of the members of the Supervisory Board for other listed companies (Figure 58, Comply or Explain)

Michael Gröller (Deputy Chairman)
Chairman of the Supervisory Board of Mayr–Melnhof Karton AG, Vienna, Austria

Helmut Draxler (Deputy Chairman)
Supervisory Board member of OMV AG, Vienna, Austria

Gerd Peskes (Member of the Supervisory Board)
Deputy Chairman of the Supervisory Board of Custodia Holding AG, Frankfurt, Germany
Deputy Chairman of the Supervisory Board of Nymphenburg Immobilien AG, Munich, Germany
Deputy Chairman of the Supervisory Board of Zwack Unicum Rt., Budapest, Hungary (until 06/28/2012)
Supervisory Board member of Schlumberger AG, Vienna, Austria (06/01/2012 until 09/05/2012)
Supervisory Board member of Roll Holding AG, Zurich, Switzerland

David Schlaff (Member of the Supervisory Board)
Supervisory Board member of A/S Ventspils Nafta, Riga, Latvia (until 07/25/2012)

Wolfgang Ruttenstorfer (Member of the Supervisory Board)
Chairman of the Supervisory Board of Vienna Insurance Group, Vienna, Austria
Chairman of the Supervisory Board of CA Immo AG, Vienna, Austria
Supervisory Board member, Telekom Austria AG, Vienna, Austria
Supervisory Board member, Flughafen Wien AG, Vienna, Austria
Member of the Administrative Board, Naftna Industrija Srbijie a.d., Belgrade, Serbia

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

Working method of the Supervisory Board

The Supervisory Board consisted of eleven (until 05/03/2012) and twelve (from 05/03/2012) members in the reporting period. The Management Board integrates the Supervisory Board in strategy and planning as well as in all matters of fundamental importance to the company. The rules of procedure for the Management Board include reservations of consent of the Supervisory Board for important business transactions. The Chairman of the Supervisory Board coordinates the work in the Supervisory Board, chairs its meetings and represents the board vis-à-vis third parties. The Management Board informs the Supervisory Board in a timely manner and comprehensively in writing as well as at the Supervisory Board meetings held regularly, at least quarterly, of the planning, the business development and the situation of the Group including risk management. An extraordinary meeting of the Supervisory Board is convened in case of important events. The Supervisory Board has established rules of procedure for its work. The Supervisory Board generally passes its resolutions in meetings. The Supervisory Board has a quorum when the meeting has been convened in accordance with the rules of procedure and at least three members are present. Resolutions may also be passed outside a meeting at upon instruction of the Chairman of the Supervisory Board. In general, resolutions of the Supervisory Board are passed by a simple majority of the votes cast. In case of parity of votes, the vote of the Chairman of the Supervisory Board will be decisive; if the Chairman does not attend the meeting, the vote of the Deputy Chairman of the Supervisory Board will be decisive. Minutes of the meetings of the Supervisory Board are drawn up and are signed by the Chairman of the Supervisory Board. Resolutions passed outside meetings will also be set forth in writing. A copy of the minutes or of the resolution passed outside a meeting will immediately be sent to the members of the Supervisory Board. The members of the Supervisory Board who have participated in the meeting or in the passing of a resolution can address objections or change requests in writing to the Chairman of the Supervisory Board within two weeks after delivery. In this case, the objection or change request will be settled in the following meeting of the Supervisory Board. Otherwise, the minutes and/or the resolution shall be deemed approved.

Working method of the committees

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

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

Self-evaluation of the Supervisory Board (Figure 36, Comply or Explain)

The Supervisory Board decided not to conduct a self-evaluation until further notice.

Functionality of risk management (Figure 83, Comply or Explain)

The audit of the auditor also includes risk management, which is dealt with in the audit committee. In addition, the significant risks which the company is exposed to are described in the notes and the management report. However, no separate audit of the functionality of risk management was conducted. Such an audit is envisaged for the consolidated financial statements of 2013.

Measures to promote women in the Management Board, the Supervisory Board and in executive positions (§ 80 AktG) of the company (§ 243 b par. 2 (2) UGB)

Barbara Potisk-Eibensteiner was appointed Chief Financial Officer of RHI AG as of April 1, 2012. In addition, special consideration was given to female employees in the new talent management program, which was initiated in the year 2012. The share of nominations of women amounts to 16%, thus exceeding the worldwide share of women at RHI of roughly 14%.

RHI AG

The Management Board

US Chapter 11 Proceedings

The Chapter 11 proceedings of the US companies North American Refractories Co., Harbison-Walker Refractories Co., AP Green Industries Inc. and Global Industrial Technologies Inc. (together with their subsidiaries the "ANH companies"), which were deconsolidated as of December 31, 2001, were completed positively at first instance in September and December 2007 with an approval of the reorganization plan and a confirmation of this plan. These companies are no longer considered to be subsidiaries of RHI AG because the Chapter 11 proceedings initiated by the companies in early 2002 do not permit RHI AG to exercise control.

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

In January 2005, RHI AG and its affiliates became beneficiaries with legal security of the channeling injunctions of the DII reorganization plan. This plan was approved by the competent court in the course of the Chapter 11 proceedings which DII filed for in late 2003. With the completion of the DII proceedings, all present and future asbestos and silica-based claims against the former RHI subsidiary Harbison-Walker were finally transferred with legal security to the DII trust funds. DII fulfilled its contractual obligations towards RHI on January 24, 2005 with a payment of USD 10.0 million. This represented the final settlement of a major part of the claims against former RHI companies in the USA. On December 18, 2007 the approval of the reorganization plan was confirmed, and the insurance companies lodged an appeal in due time. Due to an agreement with the plaintiffs, the NARCO appeal proceedings were stopped in the year 2010. In the GIT appeals proceedings the court ruled on May 4, 2011 to refer the case back to the first instance for the purpose of ascertaining further facts.

In the course of 2012, the ANH companies agreed on a settlement with all insurance companies that were successful in the appeals proceedings, against which settlement no objections were raised. The confirmation hearing was on October 29, 2012 and the Insolvency Court issued its written opinion confirming the plan of reorganization on February 13, 2013. It is expected that the final resolution of the proceedings will occur in the second quarter of 2013. If the court gives its final approval to all reorganization plans, RHI AG and its affiliates will receive full legal security with respect to all remaining damages claims against the US companies operating under Chapter 11. Moreover, RHI AG and its affiliates will then become beneficiaries of the court orders based on the reorganization plans. All existing and future asbestos-related claims against the deconsolidated US companies would then be completed with full legal security.

Management Report
RHI Group 2012

Economic Environment

The year 2012 was characterized by the European sovereign debt crisis; however, progress was made in overcoming it.

The fears expressed in late 2011 regarding a deep recession in the European Union did not materialize, amongst other things because of the expansive monetary policy measures of the European Central Bank, the successful restructuring of Greece's debts, and Spain's application for financial assistance of up to € 100 billion for its banks which are suffering from the effects of the burst of the real estate bubble. In a 36-month long-term refinancing operation the ECB allotted liquidity of € 530 billion to 800 banks, thus significantly reducing refinancing pressure and the danger of bank insolvencies. In order to break the vicious circle of troubled banks and high national debt, it was decided at the Conference of the European Council in June 2012 to enable recapitalization of banks directly from the European Stability Mechanism ESM; consequently, public debt will not be increased any further through financial assistance for troubled banks. In addition, an agreement was reached with respect to a European banking union under uniform oversight with the corresponding rights to intervene and a common deposit protection. The "fiscal pact" signed by the heads of state and government, which provides for strengthening budget discipline, the introduction of stricter monitoring within the European Monetary Union as well as closer coordination of economic policies, also contributed to calming the sovereign debt crisis. Moreover, the heads of state and government adopted a growth pact of € 120 billion, which is intended to boost the economy with funds from the European Structural Funds and the European Investment Bank. The International Monetary Fund (IMF) subsequently attested progress in overcoming the crisis in the euro area. Unit labor costs in the euro periphery states declined due to the reforms initiated and indicate first successes in increasing competitiveness. The ECB President's announcement stating that an unlimited volume of government bonds would be acquired in the secondary market as soon as a request for assistance was submitted to the European Stability Mechanism ESM caused a significant decrease in risk premiums and appears to be the turning point in containing the European sovereign debt crisis. In order to fund the costs to overcome the crisis, ten member states agreed to introduce a tax on financial transactions within the framework of "enhanced cooperation".

The upswing in the USA gained momentum in 2012 and is reflected in leading indicators.

In the USA, the economic upswing gained considerable momentum after a subdued first half of the year 2012, which was reflected, amongst other things, in the purchasing manager indices and an increase in the number of new loans granted. Furthermore, the unemployment rate fell below the psychologically important 8% mark for the first time since 2009. Positive signs also came from the property market, which seems to finally have bottomed out. Important indicators such as newly built houses sold recorded a strong increase and property prices picked up again for the first time since 2007. The greatest danger for the further economic development lies in the so-called fiscal cliff, which provides for automatic spending cuts of € 65 billion and significant tax increases if the debt ceiling is not raised; its solution was postponed by two months at the end of 2012.

Due to the sluggish economic development in the industrialized countries, growth in the emerging markets also cooled down considerably. Consequently, the IMF assumes an increase in the economic performance of "only" 1.0% in Brazil, 4.5% in India and 7.8% in China in 2012, after it had still been 7.5%, 10.1% and 10.4% respectively in the year 2010. The political decision makers are confronted with a decline in export volume, capital outflows of foreign investors and the heritage of the rapid growth of loans in the past years. Similar to the year 2008, the government in China tries to counteract the development with a gigantic € 250 billion economic stimulus package to be funded by the communities, which are already suffering from the debt burden of the previous package.

The stock markets picked up significantly, especially in Europe, following the statement of the ECB President on the defense and irreversibility of the euro, due to the regained confidence of investors related to the initiated reforms and due to the positive development of macroeconomic early indicators. In financial circles the opinion prevailed that although politicians will find solutions to complex problems, decisions are only made in the very last moment. Following a sharp drop at mid-year 2012, the oil price stabilized at the level of the previous year.

Following the statement of the ECB President on the defense of the euro, the stock markets picked up significantly.

In the current "World Economic Outlook" of January 2013, the International Monetary Fund forecast a slight increase in global economic growth from 3.2% in the year 2012 to 3.5% in the year 2013.

IMF outlook

GDP growth in %	2010	2011	2012	2013e	2014e
World	**5.1**	**3.9**	**3.2**	**3.5**	**4.1**
Developed economies	**3.0**	**1.6**	**1.3**	**1.4**	**2.2**
USA	2.4	1.8	2.3	2.0	3.0
European Union	2.1	1.6	(0.2)	0.2	1.4
Germany	4.0	3.1	0.9	0.6	1.4
France	1.7	1.7	0.2	0.3	0.9
United Kingdom	1.8	0.9	(0.2)	1.0	1.9
Italy	1.8	0.4	(2.1)	(1.0)	0.5
Spain	(0.3)	0.4	(1.4)	(1.5)	0.8
Emerging markets	**7.4**	**6.3**	**5.1**	**5.5**	**5.9**
Brazil	7.5	2.7	1.0	3.5	4.0
Russia	4.3	4.3	3.6	3.7	3.8
India	10.1	7.9	4.5	5.9	6.4
China	10.4	9.3	7.8	8.2	8.5
Southeast Asia	9.5	8.0	6.6	7.1	7.5
Middle East / North Africa	5.0	3.5	5.2	3.4	3.8
Mexico	5.6	3.9	3.8	3.5	3.5

Earnings Position

In the year 2012, RHI adapted the reporting structure to the organizational changes and to the resulting internal reporting structure. Due to the change from a divisional to a functional organization structure in the RHI Group, the production sites, which were previously allocated to the Steel, Industrial and Raw Materials Divisions, were combined in technology clusters as of the third quarter of 2012. While manufacturing cost variances were previously shown in the division to which the respective plant was allocated, the allocation is now based on the supply flow. This leads to a slight shift between the results of the three divisions. The Group results remain unchanged.

Income statement

in € million	2012	2011 [2]	Change
Revenues	**1,835.7**	**1,758.6**	**4.4%**
Steel Division	1,112.7	1,106.8	0.5%
Industrial Division	673.9	613.9	9.8%
Raw Materials Division			
External revenues	49.1	37.9	29.6%
Internal revenues	188.5	170.4	10.6%
EBITDA	**229.4**	**204.1**	**12.4%**
EBITDA margin	12.5%	11.6%	0.9pp
Operating result [1]	**164.4**	**148.6**	**10.6%**
Steel Division	54.0	66.0	(18.2)%
Industrial Division	91.8	69.9	31.3%
Raw Materials Division	18.6	12.7	46.5%
Operating result margin	**9.0%**	**8.4%**	**0.6pp**
Steel Division	4.9%	6.0%	(1.1)pp
Industrial Division	13.6%	11.4%	2.2pp
Raw Materials Division	7.8%	6.1%	1.7pp
EBIT	**167.6**	**150.9**	**11.1%**
Steel Division	50.1	67.4	(25.7)%
Industrial Division	91.8	73.4	25.1%
Raw Materials Division	25.7	10.1	154.5%
EBIT margin	**9.1%**	**8.6%**	**0.5pp**
Steel Division	4.5%	6.1%	(1.6)pp
Industrial Division	13.6%	12.0%	1.6pp
Raw Materials Division	10.8%	4.8%	6.0pp
Financial results	**(21.3)**	**(30.9)**	**31.1%**
Result from associates	5.3	5.5	(3.6)%
Profit before income taxes	**151.6**	**125.5**	**20.8%**
Income taxes	(38.1)	(4.7)	(710.6)%
Income taxes in %	25.1%	3.7%	21.4pp
Profit from continuing operations	**113.5**	**120.8**	**(6.0)%**
Profit from discontinued operations	0.0	0.7	(100.0)%
Profit for the year	**113.5**	**121.5**	**(6.6)%**
Earnings per share in € (basic and diluted)			
Continuing operations	2.85	3.03	(6.0)%
Discontinued operations	0.00	0.02	(100.0)%

1) before restructuring effects

2) after reclassification (see notes page 72)

Business Development

In a macro-economically challenging environment, the RHI Group's sales volume dropped by 5.0% from 1,948,000 tons in the year 2011 to 1,850,000 tons, which was primarily due to weaker steel business in Europe and weaker cement and glass business in Asia.

Although sales volume was lower, revenues of the RHI Group reached a new record level of € 1,835.7 million in 2012 (previous year: € 1,758.6 million). The increase by 4.4% in comparison with 2011 is primarily attributable to price increases realized in the market, shifts in product mix and the positive effects of a weaker euro-dollar exchange rate. Consequently, the Steel Division increased revenues slightly by 0.5% despite a decline in sales volume by 6.8%, generating the highest revenues in the company's history. The Industrial Division also realized record revenues. As the business units nonferrous metals and environment, energy, chemicals developed very positively, revenues were up 9.8% despite a 6.5% decline in sales volume.

The operating result before restructuring effects increased by 10.6% in comparison with the previous year, from € 148.6 million to € 164.4 million. The balance of expenses and income from the reversal of impairment losses and restructuring amounted to € 3.2 million and is related to the partial closure of the ISO production line at the Bonnybridge plant, UK, and the sale of the Isithebe plant in South Africa.

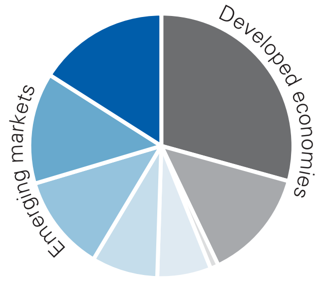
The Group's EBIT amounted to € 167.6 million in the past financial year, exceeding the prior-year EBIT of € 150.9 million by 11.1%. The EBIT margin improved from 8.6% in the year 2011 to 9.1% in the year 2012. EBITDA and the EBITDA margin of the RHI Group rose from € 204.1 million or 11.6% in the year 2011 to € 229.4 million or 12.5% in the year 2012.

The financial results improved from € (30.9) million in the previous year to € (21.3) million in 2012 in the light of the lower interest level and a one-off effect of € 7.1 million from the adjustment of the fair value of the old shares in the course of taking over the outstanding 50% share in Stopinc AG, Switzerland.

Profit before income taxes increased from € 125.5 million to € 151.6 million. The tax rate rose to 25.1% due to additional payments and provisions formed as a result of audits. In the previous year, the tax rate amounted to 3.7% due to the capitalization of deferred taxes. Income tax expenses rose from € 4.7 million to € 38.1 million in the year 2012.

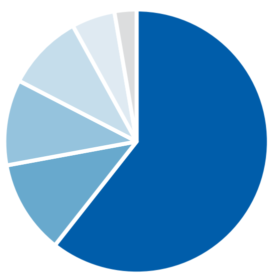
The profit for the year thus amounted to € 113.5 million in the past financial year, after € 121.5 million in the previous year. Earnings per share decreased from € 3.03 to € 2.85 in the year 2012.

Revenues by region



29.3% Western Europe
13.6% USA & Canada
1.0% Australia & Japan
6.6% CIS
8.1% Eastern Europe
11.8% S. America & Mexico
13.6% Middle East & Africa
16.0% Asia

Revenues by industry



60.6% Steel
11.5% Cement/Lime
10.5% Nonferrous metals
9.4% Glass
5.3% Environment/Energy/Chemicals
2.7% Raw materials

Steel Division

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

World steel production recorded another slight increase to roughly 1.55 billion tons in the year 2012 despite an economically weaker market environment. The development in the individual regions, however, varied greatly. The US steel market recovered much faster and more strongly than originally expected because the construction industry picked up and due to the good performance of the automotive industry. In the European Union, demand for steel fell significantly, especially in Southern Europe, due to the macroeconomic uncertainties related to the sovereign debt crisis and the austerity packages adopted in several countries to contain the government budget deficits. At roughly 170 million tons of steel, steel production remains at the level of the years 2010 and 2011 in Europe and is far off the record output of some 210 million tons in the year 2007. Emerging discussions regarding the permanent closure of individual units or even entire production lines or plants due to structural overcapacity primarily refer to plants that have already been shut down.

In the year 2012, steel production in China already accounted for 46% of world steel output. Consequently, the share of the emerging markets in the steel volume produced worldwide amounts to 77%. Without China, this share decreases to 56% and roughly corresponds to the portion of revenues which the Steel Division generates in the emerging markets.

Steel production

in million tons	2007	2008	2009	2010	2011	2012
World	**1,347**	**1,341**	**1,235**	**1,432**	**1,529**	**1,548**
China	490	512	577	639	695	717
World ex China	857	829	658	793	834	831
Developed economies	421	403	281	361	368	362
Emerging Markets	926	938	954	1,071	1,161	1,186
Regions						
Africa & Middle East	35	34	33	36	38	40
European Union	210	198	139	173	178	169
Other European countries	31	32	29	34	39	40
CIS	124	114	97	108	113	111
North America	133	125	83	112	119	122
South America	48	47	38	44	48	47
Asia	766	791	816	925	994	1,019

Despite a 7% decline in the volume sold, the Steel Division maintained revenues at a stable level.

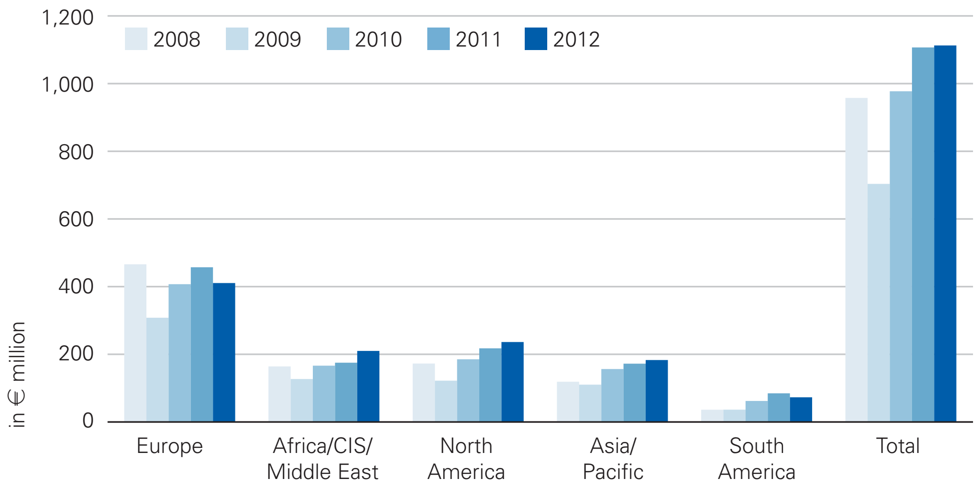
In a challenging market environment, in which many steel producers struggled with losses resulting from the decline in demand, the sales volume of the Steel Division was also down 7% year-on-year and amounted to 1,245,000 tons, thus even slightly below the level of the year 2010. In contrast, revenues were maintained stable at € 1,112.7 million after € 1,106.8 million in the previous year and reflect the adjustments in pricing necessary due to soaring raw material prices, and the more favorable regional mix. The operating result amounted to € 54.0 million in the past financial year after € 66.0 million in the previous year. The operating result margin of 4.9% is slightly below the prior-year level of 6.0%. Restructuring expenses of € 3.9 million, which primarily result from the partial closure of the ISO production line at the Scottish plant Bonnybridge, reduce the EBIT margin by 0.4 percentage points to 4.5%.

in € million	2012	2011	Change
Revenues	1,112.7	1,106.8	0.5%
Operating result	54.0	66.0	(18.2)%
Operating result margin	4.9%	6.0%	(1.1)pp
EBIT	50.1	67.4	(25.7)%
EBIT margin	4.5%	6.1%	(1.6)pp

Segment indicators

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

Development of revenues



EMEA

Due to a weak second half of the year, revenues in the region Western Europe were down 9% year-on-year.

Although the recession feared in Europe at the beginning of the year did not hit as hard as expected, demand for refractory products declined noticeably, especially in the second half of the year 2012. The capacity utilization of the European steel industry averaged some 70% for converter steel mills in the year 2012 and slightly over 60% for electric steel mills, with enormous disparities between Northern and Southern Europe.

Due to the high pressure on margins in the stainless steel sector through Chinese competitors, ThyssenKrupp and Outokumpu pooled their activities in this segment. This merger has no impact on the business activities of the RHI Group.

Revenues of the region Western Europe fell by 9% in a year-on-year comparison in a difficult market environment. The focus on profitability with the sales strategy "margin over volume" is maintained and implemented consistently. It is particularly gratifying that RHI won back market share which it had lost in 2011 in the course of the necessary price adjustments due to increased raw material costs, especially in the ladle and converter business through excellent service and outstanding product performance.

The acquisition of the remaining 50% share in Stopinc AG was an important step to strengthen the Flow Control segment.

At the beginning of the first quarter of 2012, the remaining 50% share in Stopinc AG was acquired, an important step in strengthening the Flow Control segment, which comprises the controlled flow of liquid steel in the production process. With the Interstop brand, Stopinc AG ranks among the world market leaders in slide gate mechanics. The acquisition enables RHI to offer integrated solutions which include both slide gate mechanics and slide gate plates, and to push ahead innovations in a more targeted manner.

In Eastern Europe, the environment for steel producers also remains challenging. Inefficiencies, delayed close-downs of plants as well as less expensive Asian manufacturers have a negative impact on the results of local producers. RHI slightly expanded its market share, above all through service packages. Russia's accession to the WTO in August 2012 could increase the pressure on the producers of basic steel qualities in Europe further as the quota system will expire in the year 2013. In addition, higher energy prices burden the European producers. Russian producers in turn see their position in the local automotive industry jeopardized in the medium term because the differences in quality are still significant, especially in the premium segment.

In North Africa RHI was able to resume business activities in the year 2012 although the political situation is still unresolved in the wake of the Arab spring. Currently, strategic measures are taken in order to consolidate the high market share in various construction projects, steel mill expansions and in project business.

North America

The euro weakened against the US dollar, which had a positive effect on the region's contribution to revenues and earnings.

After a surprisingly positive development of the steel market in the first half of 2012, production volumes declined slightly in the second half of the year. In view of favorable macroeconomic leading indicators and a slowly starting recovery in the labor market, the economic cycle in the NAFTA region is expected to continue its positive development.

The euro, which had come under devaluation pressure against the US dollar in 2012 due to uncertainties regarding the stability of the European Monetary Union, had a positive impact on the region's contribution to revenues and earnings, making the work performed, which is reflected in a continuous increase in revenues per ton in US dollars, even more evident.

The aim is to reduce dependence on imports and, consequently, a direct impact of currency fluctuations through a local production facility in the medium term. Other advantages of a local production site include a sustained reduction in working capital requirements, shorter lead times and lower logistics costs.

South America

Weaker economic growth in the region was countered with a drastic increase in import duties.

The steel market in South America did not develop as strongly as expected in the year 2012. In Brazil, a very low economic growth rate for an emerging market of 1.0% coupled with an increase in steel imports led to the postponement of planned capacity expansions and new construction projects. The Brazilian government reacted to this development by increasing various import duties, some of them massively.

The change in political framework conditions required RHI to revise its plans for a production facility in the federal state of Rio de Janeiro. The realization of the original business plan concept was made more difficult through the increase in import duties on refractory bricks to 35%, various other planned protective duties and energy legislation. RHI is currently evaluating the sourcing of local raw materials and the planned refractory product portfolio. In the market, prices and contracts are adjusted due to the increase in import duties. RHI intends to hold on to the attractive Brazilian growth market in the future.

Changed political framework conditions required a revision of the plans for a plant in Brazil.

In Venezuela, the political and economic situation remains unstable. As currency export is restricted, payments by customers are often delayed.

Asia/Pacific

Southeast Asia is one of the most rapidly growing markets with above-average profitability for refractory products, which makes it an integral part of RHI's growth strategy. In India, steel output increased from some 53 million tons in 2007 to roughly 77 million tons in 2012. This increase corresponds to an annual average growth of approximately 7.5%. During the same period, the Steel Division improved the revenues generated in India from roughly € 33 million to roughly € 70 million, which is equivalent to an annual increase by more than 16%. This rapid growth was also maintained in 2012.

Southeast Asia and especially India are currently among the most attractive markets for refractory products.

On January 15, 2013, the RHI Group signed a purchase contract to acquire 43.6% of the share capital of Orient Refractories Ltd. and made a public offer for up to another 26% of the ORL shares in accordance with the regulations of the Securities and Exchange Board of India. The purchase price for the target of 69.6% amounts to approx. € 49.5 million. The transaction is effective subject to different conditions, among them regulatory approvals. For RHI, this acquisition represents another important element in the consistent implementation of the growth strategy and strengthens the market position in the Flow Control business with special refractory products. In the past financial year (end: 03/31/2012), ORL realized revenues of approx. € 44 million and EBIT of roughly € 7 million.

The planned acquisition in India serves to strengthen the Flow Control segment and is a key element in the consistent implementation of the strategy.

Even markets like Indonesia, Malaysia and Thailand were unable to completely detach themselves from the weakening development of the global economy. As the demand for steel dropped in the course of the year, adjustments were made to the volumes and qualities produced. With lower capacity utilization, the payment behavior of the customers also deteriorated, which is why RHI has increased its focus on cash generation.

The planned investments of the steel industry in the establishment or expansion of local production capacities in order to increase independence of steel imports continue to indicate a positive business development.

China

In China economic growth slowed down noticeably to 7.8% after 9.3% in the previous year as the export business collapsed. Economists assume that growth of roughly 7% is necessary to maintain the existing level of prosperity and to create the more than 20 million new jobs required per year.

Economic growth also cooled down in China due to a decline in exports.

In the course of the weakening economic situation, steel production recorded growth of roughly 3%, the lowest in the past ten years. Despite full steel stocks and excess capacities existing in the market – experts speak of up to 300 million tons at present – the Chinese government approved two new steel mills in the South of China, each with a capacity of roughly ten million tons, which had been stopped by the authorities only three years ago due to excess capacity in the market. With these two major projects with a total volume of about € 18 billion, the Chinese government initiated a series of infrastructure investments of a total volume of € 250 billion in order to counteract weaker economic growth.

Profitability within the steel sector is extremely low. Currently about half of the Chinese steel producers make a loss, which leads to high pressure on suppliers and raw material prices. The environment in the Chinese refractories market is highly challenging because there are more than 3,000 competitors.

Due to the competitive market environment and different customer requirements, RHI pursues a selective growth strategy in the high technology segment.

Due the competitive market environment in China, RHI pursues a selective growth strategy in the high-technology sector. Although revenues are moderate in relation to the steel production, the sales region is one of the most profitable within the Group. In order to better serve local needs, which are in part completely different from those of European customers, RHI invested more than € 1.0 million in the establishment of a research center in China in the year 2012. Roughly 90% of the steel produced in China comes from converter steel mills, but due to the application of the slag splashing technology a far higher volume of lower-quality gunning mixes is used instead of high-grade magnesia carbon bricks. As a result, the specific refractory consumption in China, which amounts to roughly 20 kilograms per ton of steel, is twice as high as in other markets.

Industrial Division

Despite a 7% decline in volume, the Industrial Division realized record revenues due to a shift in product mix.

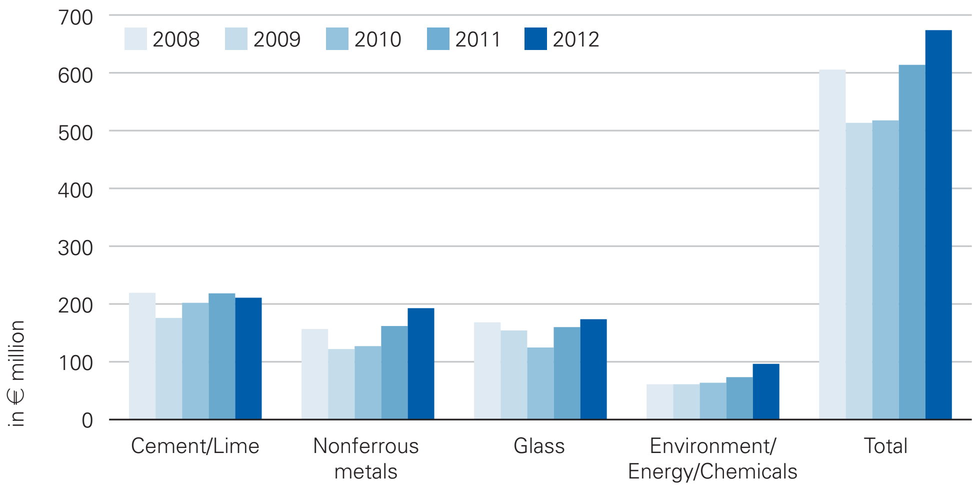
Sales volume of the Industrial Division decreased by 7% to roughly 470,000 tons in comparison with the previous year due to a shift in product mix and a challenging environment in the glass industry. Despite the decline in volume, revenues rose by 9.8% to a new record level of € 673.9 million after € 613.9 million in the year 2011. This increase is mainly attributable to a higher share of the service business, the delivery of a major project in the ferrochrome segment as well as a positive development in the business units nonferrous metals and environment, energy chemicals, both of which realized a historic record in both revenues and contribution to earnings. The operating result improved significantly from € 69.9 million to € 91.8 million in the year 2012 due to the changes in product mix. The operating result margin rose from 11.4% in the previous year to 13.6%.

in € million	2012	2011	Change
Revenues	673.9	613.9	9.8%
Operating result	91.8	69.9	31.3%
Operating result margin	13.6%	11.4%	2.2pp
EBIT	91.8	73.4	25.1%
EBIT margin	13.6%	12.0%	1.6pp

Segment indicators

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

Development of revenues



Cement/Lime

Regional developments varied greatly in the business unit cement/lime.

In a challenging economic environment the business unit cement/lime was unable to repeat the good results of the previous year, with the different regions showing a varied picture. While the cement industry struggled with an underutilization of production capacities in large parts of Western and Southern Europe, demand for high-quality refractory products recovered significantly in Eastern Europe and the CIS states as the construction industry picked up.

In Europe, customers are forced to adjust costs due to weaker demand.

Due to the difficult economic situation in Europe and the resulting decrease in the demand for cement, many customers were forced to adjust their costs. The refractories industry could not escape this development and is increasingly confronted with the use of low-cost materials. RHI took account of this development by launching a new product line and a service campaign. Customers can now learn the efficient installation of refractory products in practice at seminars held at the newly established Training Center Cement in Leoben, Austria.

Economic stimulus programs led to a slight recovery of the cement market in China.

The Chinese market, which is very important for the cement segment, fell short of expectations in the first half of 2012. Many cement producers suffer from the sluggish economy and declining utilization of their production capacity. However, a slight recovery of the cement market was to be observed in the second half of the year due to the economic stimulus packages adopted by the Chinese government, which is investing billions in the country's infrastructure. At this stage it cannot be predicted how sustainable this recovery of the construction industry will be.

The cement plants in India and South East Asia reported good capacity utilization throughout the year. In Indonesia, RHI successfully participated in the expansion of production capacities through engineering companies. As the growing demand for cement is expected to continue in this region, numerous new plants are currently being planned.

An increase in the demand for refractories was recorded due to a recovery of the US property market.

In the USA, the property market saw a noticeable recovery. The number of building permits and housing starts increased considerably in comparison with the previous year. For the first time in five years, US housing prices picked up again and many construction companies reported a solid level of incoming orders. Therefore, demand for cement and consequently also for refractories recorded an increase for the first time since 2007.

In South America, the Middle East and North Africa, business was difficult and fell short of expectations in 2012. While in Brazil an increase in import duties on finished products by 20% burdened the business development, the rapid reconstruction of the economy in Egypt and Libya after the successful parliamentary elections failed to meet expectations. In contrast, sales volume saw a very positive development in Saudi Arabia, where demand for high-grade refractory products is high.

The lime segment reported a new record in revenues in the past financial year. RHI greatly benefited from project business related to new plants worldwide. Important projects were won in the growth regions South America and Mexico. Despite an economically strained environment, about half of the lime segment's revenues were generated in Europe. The good cooperation with globally operating lime producers made a positive contribution to this development.

Nonferrous Metals

The business unit nonferrous metals realized record revenues and earnings due to an accumulation of major projects.

The nonferrous metals business unit realized a historic record result in terms of both revenues and earnings in 2012, exceeding the strong prior-year figures significantly. This very positive development is attributable to the economic environment, which was characterized by relatively stable metal prices, and to the accumulation of major projects, which resulted from postponements and unplanned major repairs and led to unusually high quarterly results particularly in the second half of the year. In Kazakhstan, for example, the main part of a project worth € 47 million was delivered in the ferrochrome segment. In Brazil, all materials for the complete repair of one of the largest ferronickel kilns in the world were supplied.

From a regional perspective, the markets in Latin America and Eastern Europe saw a particularly strong development in the nonferrous metals markets. In China, the high sales level of the previous year was not reached because of the customer industry's project character, but the outlook for the year 2013 is positive throughout, especially in the repair business. In Europe, revenues were maintained stable despite the difficult economic climate, and even though the competitive pressure related to customers' cost-cutting and saving programs increased noticeably. Deliveries to the USA, where the key aggregates in copper smelting plants are nearly exclusively supplied by RHI developed very well. In addition, new customers were won in the secondary copper as well as the lead segment.

Moreover, two Flow Control systems were installed in a copper smelting plant in the USA for the first time. The outstanding reputation of its products also enabled RHI to carry out a large part of the planned repair work in the key aggregates of smelters in the traditional copper country Chile, though increasing pressure from Far East competitors was noticeable in the downstream units. This development was taken account of by expanding the Dalian site, which has proven to be indispensable for business with South America.

One of the central success factors for the nonferrous metals segment is the excellent cooperation with the globally operating kiln construction companies, which entrusted RHI experts with a large part of their refractory and engineering requirements again in the year 2012. Examples include an ilmenite plant in Saudi Arabia, two direct current ferronickel electric furnaces in New Caledonia, a ferronickel project in Guatemala and some aluminum aggregates in Europe and Brazil.

The excellent cooperation with globally operating kiln construction companies is a key success factor.

The important Key Account Management was expanded further in the year 2012 and strengthened by the implementation of the newly established Furnace Integrity Group as a subsegment of global marketing. As a result, RHI's high engineering, service and quality standards, which are highly appreciated by customers in a complex market, can be met even better.

Glass

The global glass market cooled down significantly in the course of the year 2012. Thus primary production declined in all important segments in the second half of the year. Despite this unfavorable development, RHI increased revenues in the glass segment slightly in comparison with the previous year. This is attributable to price adjustments passed on to customers due to soaring raw material costs for zirconium, and to the successful acquisition of major projects in Europe and in the Middle East. RHI continues to pursue the successful strategy acting as a full-range supplier of large glass furnace projects.

The situation of the glass industry remained difficult in the year 2012 due to the weak construction industry.

The situation in the flat glass segment remained difficult, especially because of the weak construction industry, and led to capacities being taken out of the market. The container glass sector is less sensitive to economic cycles due to the characteristics of this business segment and its customer structure (glass as a packaging material of the food industry) and showed a largely robust development. The special glass market, in particular TFT glass, was also stable. The consolidation of the glass industry continued as Anchor Glass in the USA was taken over by the Ardagh Group last year.

The container glass segment is less sensitive to economic cycles due to the characteristics of this market.

In China the production capacities in the flat glass segment, which were massively expanded in the past years, are currently by far not fully utilized. This is caused by the fact that less architectural glass is purchased due to the slow-down of the construction industry. Moreover, the subsidized solar glass industry is undergoing a structural crisis because anti-dumping duties in the USA and the European Union have caused the export of solar panels to collapse. As a result, approximately 50% of flat glass and some 70% of solar glass production capacities were shut down.

In China, excess capacities make the market environment even more difficult.

It is to be expected that older, inefficient facilities will no longer receive an approval for operations and only modern plants will resume operations. Many Chinese refractories producers increasingly attempted to gain a foothold in near export markets because of the strained situation in their domestic market.

The trend towards cheaper refractory solutions with significantly lower useful lives continues especially in North and South America.

As many large glass manufacturers found themselves in a difficult situation for cyclical reasons, the trend towards cheap refractory solutions continued. Especially in North and South America, an increasing demand for Chinese refractory materials with significantly lower service lives was recorded. RHI is working intensively on the development and marketing of adjusted lining concepts in order to meet the changed requirements of many customers.

While many international corporations expanded their production capacities in Eastern Europe and Russia, smaller local manufacturers are unable to carry out urgently needed investments in replacements and modernization due to financing difficulties. As a result, RHI was faced with the situation in 2012 that deliveries from the European plants to this region increased, while deliveries from the Podolsk plant in Russia fell short of expectations.

The efficient use of energy and raw materials remains an important issue for the glass industry. The RHI Group significantly increased the share in secondary raw materials in recent years and works on the development of new products. The focus is placed on a reduction of the zirconium oxide content, the use of alternative construction materials to decrease investment costs and on an insulation concept for reduced heat loss. At the important trade fair Glasstec 2012, the new product lines were met with exceptionally high interest.

Environment, Energy, Chemicals

The business unit environment, energy, chemicals realized record revenues and earnings in the year 2012.

The year 2012 went extremely well for the environment, energy, chemicals segment. On the one hand, projects that had been postponed in the previous year were delivered or completed; on the other hand, the number of new contracts won was higher than average. This is primarily attributable to the favorable market climate in North America and the expansion of RHI's activities in Asia, Africa and in the Middle East. Double-digit growth rates were recorded in all of those areas. As a result, an all-time high was realized in terms of both revenues and contribution to earnings.

In contrast, the market development in Europe was difficult. There was basically no new construction activity and investments were only made very selectively, with most of them being replacement investments or investments to upgrade existing facilities. Uncertainties regarding energy supply in the future and environmental regulations prevent or delay necessary investments. In addition, excess capacities existing in the alumina product segment exercise increasing pressure on the price development. With the service activities in the area of installation and maintenance, which were started two years ago, the RHI Group is well equipped to face the challenges in Europe. The current market situation in South America is also difficult. The growing and attractive Brazilian market has been walled off through the drastic increase in import duties to up to 25%.

In the USA, the expansion of the exploration of shale gas and shale oil gave rise to promising opportunities for an expansion of business activities, with the area of gas liquefaction (gas-to-liquids) being particularly interesting for RHI. The development on the Arabian Peninsula also looks very promising. Here, attractive growth opportunities are coming up in the petrochemical sector as the countries strive for forward integration to the finished products. RHI plans to expand its activities in both markets on a sustained basis.

Especially in the USA, the expansion of shale gas production provides promising opportunities.

Raw Materials Division

Despite a difficult market environment, production in the Raw Materials Division was at a very high level in the first half 2012, but could not be maintained constant at this level throughout the year. As sales volume declined in the Steel and Industrial Divisions, internal demand for raw materials dropped accordingly.

Capacity utilization in the Raw Materials Division declined during the year due to decreased demand by the sales divisions.

In contrast, external raw materials sales increased significantly due to additional volumes of Irish sinter and Norwegian caustic magnesia. Moreover, the contribution margin and the share in the Group result improved slightly. The capacities are optimally used through opening up new markets for caustic products in Europe.

Revenues in the Raw Materials Division amounted to € 237.6 million in the past financial year, compared with € 208.3 million in the year 2011. Of this total, € 188.5 million were accounted for by deliveries to the Steel and Industrial Divisions of the RHI Group and € 49.1 million by external customers (previous year: € 170.4 million and € 37.9 million, respectively). The operating result of € 12.7 million in the year 2011 was increased to € 18.6 million in 2012. The operating result margin, at 7.8%, exceeded the 6.1% of the year 2011. The positive restructuring effects in the year 2012, which amounted to € 7.1 million, resulted from the sale of the plant in South Africa. The decision was based on logistical disadvantages in supplying the European plants and the economic disadvantages related to an enormous increase in the price of electricity. The Division's EBIT amounted to € 25.7 million in the past financial year, compared with € 10.1 million in the previous year. The EBIT margin improved significantly from 4.8% to 10.8%.

Positive restructuring effects resulted from the sale of a plant in South Africa.

Segment indicators

in € million	2012	2011	Change
Revenues	237.6	208.3	14.1%
External revenues	49.1	37.9	29.6%
Internal revenues	188.5	170.4	10.6%
Operating result	18.6	12.7	46.5%
Operating result margin	7.8%	6.1%	1.7pp
EBIT	25.7	10.1	154.5%
EBIT margin	10.8%	4.8%	6.0pp

In the reporting period the strategy to increase the self-sufficiency level for magnesia raw materials to 80% was successfully implemented.

The second rotary kiln in Eskisehir, Turkey, was commissioned in 2012. The RHI Group therefore has an additional 85,000 tons of high-quality sinter at its disposal, which will be produced in the full amount for the first time in 2013.

In Ireland, Premier Periclase Ltd. (PPL) reported a record production of 73,000 tons in the past financial year, thus confirming that the integration process into the RHI Group has been implemented very successfully.

With the second rotary kiln in Turkey and the fusing plant in Norway, the level of self-sufficiency in magnesia raw materials rose to roughly 80%.

The fusion plant in Norway successfully started trial operations in October 2012 and delivered first volumes of high-grade fused magnesia. In the course of the start-up of the newly built fusion plant, a technical defect occurred while material was fed in, which caused the crucible to spill over and consequently required the entire melting operations to be shut down. As it has taken longer than expected to repair the damage, start-up costs are higher. The re-commissioning of the fusion lines in Porsgrunn starts in February 2013. In the meantime, the required raw materials are provided by other RHI production sites. Full-load operation, with an annual production of roughly 80,000 tons of seawater-based fused magnesia, is expected for March; this will make RHI effectively self-sufficient in fused magnesia outside of China. Accordingly, a positive contribution to earnings should start to occur in the second quarter of 2013.

Backward integration of basic raw materials will be pursued further as a strategy, especially with respect to low-iron sinter. In addition, concepts are developed in order to secure self-supply in the growth markets Russia and Brazil.

In the past year, new filter systems were built at the Austrian sites in Breitenau and Hochfilzen and a preheater grate was installed in Hochfilzen. As a result of these investments, emissions were lowered significantly and a more efficient use of energy was achieved. RHI has thus again proven technology leadership in the production segment.

After the prices of some raw materials soared in the previous year, they stabilized during the year 2012.

On the market side, prices of externally purchased raw materials stabilized in the year 2012; the price of graphite and zirconium oxide declined. Significant regional differences were to be observed in energy prices. While energy prices saw a moderate development in large parts of Europe and the rest of the world, substantial price increases were recorded above all in China and in Turkey for liquid petroleum gas (LPG) and natural gas. This trend should continue in the coming year, which is why the competitiveness of the energy-intensive industries suffers in comparison with the USA. Due to the shale gas boom in the USA, the price of gas has fallen to only a quarter of the European level.

Financial and Assets Position

Investments

In the past financial year, record investments totaling € 186.1 million were made in the RHI Group. The remaining 50% share in Stopinc AG, which was acquired to strengthen the special product segment for the steel and nonferrous metals production, accounted for roughly € 18 million (approx. 10% of the investment total), the expansion of production capacity (for example, establishment of a fusion plant in Norway, doubling the firing capacity through the installation of a second rotary kiln in Turkey, and the construction of a fourth tunnel kiln in China) for some € 113 million (60%), investments in environmental measures and requirements by public authorities (for example, filter system and preheater grate in Hochfilzen, Austria) for roughly € 18 million (10%), maintenance, repair and rationalization measures for roughly € 19 million (10%), and other investments (IT, machines for sales, intangible assets and down payments) for roughly € 18 million (10%).

In 2012, RHI made anti-cyclical record investments, above all to increase its own supply with raw materials.

The five largest investment projects (Norway, Ireland, Turkey, China and Stopinc) added up to roughly € 128 million in total.

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

Investments

in € million	2012	2011	Change
EMEA	137.0	62.2	120.3%
Asia	14.4	10.3	39.8%
NAFTA	6.2	8.9	(30.3)%
South America	10.3	5.2	98.1%
Investments	18.2	36.5	(50.1)%
Investments	**186.1**	**123.1**	**51.2%**

Cash flow and liquidity

Net cash flow from operating activities increased from € 124.4 million in the year 2011 to € 161.1 million in the year 2012 due to a positive development of the operating business and consistent working capital management.

Cash flow from operating activities increased significantly.

Net cash flow from investing activities rose from € (105.5) million in the previous year to € (165.9) million in the year 2012. This was, amongst other things, related to the increase in the self-sufficiency level for magnesia raw materials to 80% accomplished through the construction of the smelter in Norway and the second rotary kiln in Turkey, the strengthening of the flow control segment through the acquisition of the remaining 50% share in Stopinc AG, Switzerland, and the construction of the fourth tunnel kiln at the Dalian plant in China; the sale of the plant in South Africa for € 2.4 million as well as the sale of land in Chile, Germany and Turkey, which totaled € 8.6 million, had a positive effect.

Despite strong cash flow from operating activities, free cash flow dropped from € 18.9 million in the year 2011 to € (4.8) million in the year 2012 as a result of high investments.

Net cash flow from financing activities decreased from € 67.3 million to € 47.8 million in 2012 although more long-term borrowings were taken out, including the issue of a

Schuldscheindarlehen. At the same time, however, loans were also repaid to a greater extent than in the previous year.

Cash and cash equivalents increased by € 41.2 million, from € 144.5 million in the year 2011 to € 185.7 million at December 31, 2012.

Cash flow

in € million	2012	2011	Change
Net cash flow from operating activities	161.1	124.4	29.5%
Net cash flow from investing activities	(165.9)	(105.5)	(57.3)%
Net cash flow from financing activities	47.8	67.3	(29.0)%
Cash flow from continuing operations	**43.0**	**86.2**	**(50.1)%**
Cash flow from discontinued operations	0.0	(0.2)	(100.0)%

Net debt and financing

Net financial liabilities correspond to roughly 1.8 times EBITDA of the year 2012.

The consolidated statement of financial position as of December 31, 2012 shows financial liabilities of € 604.2 million (previous year: € 506.0 million). After deducting cash and cash equivalents, net financial liabilities amounted to € 418.5 million (previous year: € 361.5 million). Net financial liabilities correspond to roughly 1.8 times the EBITDA of the year 2012. This key figure also corresponds to the covenants in the most important loans of the RHI Group and will lead to renegotiations of credit terms if the value of 3.5, or 3.8 under new agreements, is exceeded. Compliance with the covenants is checked on a quarterly basis.

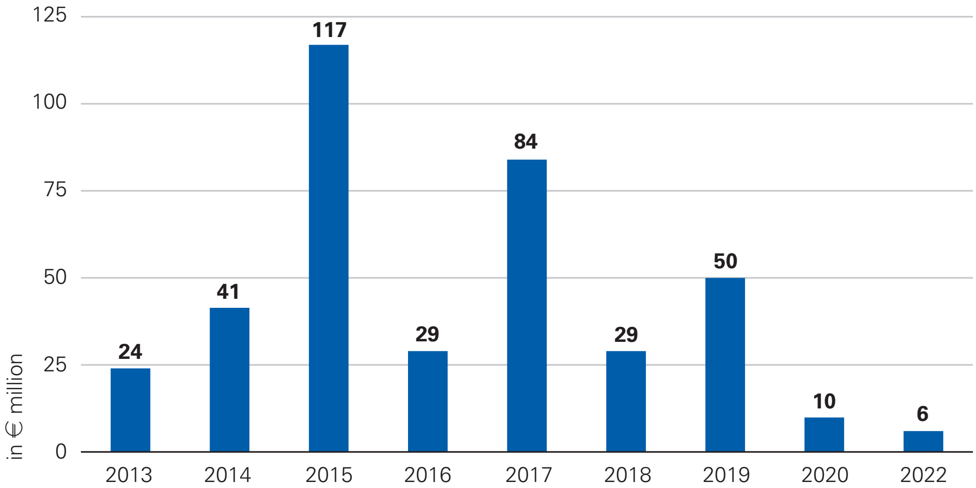
In the past financial year a *Schuldscheindarlehen* of a volume of € 130 million was issued.

In the year 2012, the RHI Group issued a *Schuldscheindarlehen* of € 130 million. The *Schuldscheindarlehen* was placed in tranches with terms ranging from three to ten years with Austrian, German and Eastern European investors. RHI will use the proceeds from the transaction to secure liquidity in the long term. An increase in the margin by 75 basis points was agreed as covenants for the period during which the key figure net financial liabilities divided by EBITDA exceeds 3.0.

A term to maturity of more than five years applies to 19.0% of the financial liabilities, while 45.7% have a term of one to five years and 35.3% a term of less than five years. As of December 31, 2012, 68.3% of the liabilities to financial institutions (including the *Schuldscheindarlehen*) amounting to € 570.9 million carried an average variable interest rate of 2.0%, and 31.7% carried a fixed average interest rate of 3.4%.

The repayment structure of non-current liabilities to financial institutions including the *Schuldscheindarlehen* as well as the non-current portion of repayments in the year 2013 as of December 31, 2012 is shown below:

Repayment structure

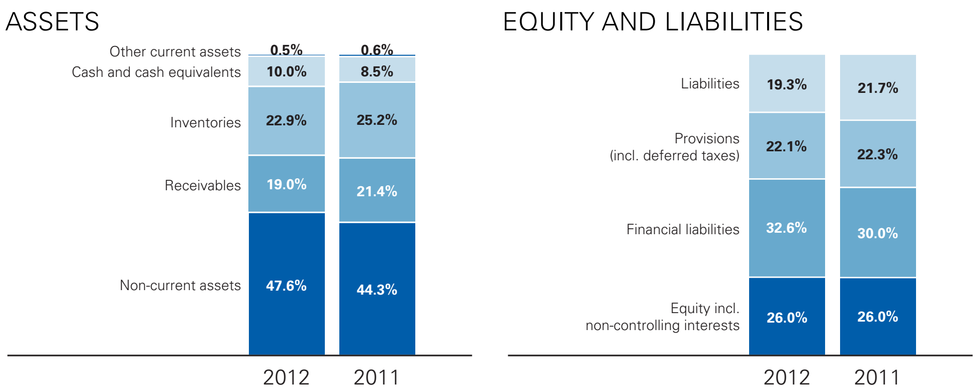


At December 31, 2012, the RHI Group had credit facilities of € 385.2 million with Austrian and foreign banks, of which € 273.0 million were unused at the end of December (previous year: € 176.6 million). In addition, a credit line from the sale of receivables of € 85.0 million was available at December 31, 2012, of which 93.3% was used (previous year: 93.1%).

Balance sheet structure and equity development

The balance sheet total of the RHI Group increased by 9.5%, from € 1,689.9 million in the previous year to € 1,850.3 million in 2012, which was mainly due to high investments in property, plant and equipment. 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.

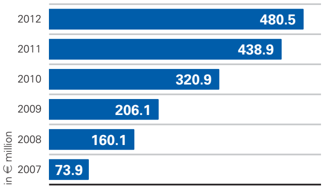
Balance sheet structure



Working capital, which consists of inventories and trade receivables less trade payables and prepayments received, recorded a disproportionately low increase of 1.2% in relation to revenues with 4.4% and amounted to € 479.6 million at December 31, 2012 (previous year: € 473.8 million). Consequently, the working capital ratio, working capital in relation to revenues, declined from 26.9% in the year 2011 to 26.1% in the year 2012.

The massive increase in personnel provisions from € 289.9 million in 2011 to € 330.6 million in 2012 is attributable to actuarial losses related to a decrease in interest rates in the capital market. The discount rate relevant for the euro area fell from 5.0% in the previous year to 3.3 to 3.5% as of December 31, 2012.

Equity development



RHI continued to build up equity in 2012. At December 31, 2012 it amounted to € 480.5 million (previous year: € 438.9 million). The equity ratio remained stable at 26.0% due to the higher balance sheet total. The gearing ratio increased slightly compared to the previous year, from 147.3% to 155.0% in 2012; not taking into account non-current provisions for pensions, termination benefits and service anniversary bonuses, this corresponds to an increase from 82.4% to 87.1%.

The 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 an increase in non-current assets resulting from the investments made to increase backward integration coupled with the fact that a positive contribution to earnings out of these investments will only materialize from 2013 onwards as well as higher tax expenses in 2012, ROCE fell from 14.5% in 2011 to 11.6% in 2012.

Non-financial Performance Indicators

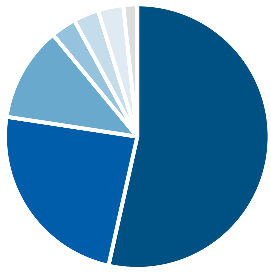
Non-financial performance indicators are important value drivers in a company, which are not directly reflected in the income statement, the statement of financial position or the cash flow statement, but account for a substantial part of corporate success. An outstanding market position as well as competitive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

Employees

In the past financial year 2012, the number of employees amounted to 7,917 and remained nearly unchanged in comparison with the figure of 7,925 in the previous year.

Western Europe accounted for 53.5% of the employees working for the fully consolidated companies of the RHI Group in 2012, while 23.9% worked in Asia/Pacific, 11.6% in North America, 3.1% in Africa, Eastern Europe and the Middle East respectively, and 1.7% in South America. 1,858 people were employed in Austria at the end of the year 2012.

Employees by region



Diversity

As RHI has been operating globally for many years, the company's staff consists of people from a total of 65 nations. The average age of the 7,917 employees is about 40 years, with 62.6% of the workforce falling in the age group of 30 to 50 years. The group of under-30-year-olds accounts for 19.2% and the group of over-50-year-olds for 18.2% of the staff. Company affiliation averaged 10.5 years; the worldwide share of women amounted to roughly 14%.

The sustainable establishment of equal opportunities was again consistently advanced in 2012 within the RHI Group. Diversity was defined as one of seven core competencies, a new appearance for career fairs with an emphasis on internationality was implemented and participation in the working group "Frauen Führen" (Women Lead) of the Federation of Austrian Industries was intensified further. The objective of the working group is to promote equal treatment from the entrepreneurial side and to improve the situation of women in management positions.

With the appointment of Barbara Potisk-Eibensteiner as CFO as of April 1, 2012, a woman became a member of the Management Board of the RHI Group for the first time. The share of women at the first and second reporting levels below the Management Board amounted to 6% and 8% respectively.

Training in the RHI Group

Employees from 65 different nations worked for the RHI Group in the year 2012.

RHI takes account of the demographic changes in society and the related shortage of skilled professionals with excellent 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.

In the year 2012, 242 apprentices worked for RHI.

In the year 2012, 242 apprentices were trained in Austria, Germany, Italy, Ireland and Switzerland; 75% worked in technical apprenticeships. The share of women amounted to approx. 14% and corresponded to that of the overall workforce. RHI supports numerous programs and campaigns to get girls and women interested in a technical career in industry.

Advanced education and personnel development

In the year 2012, a comprehensive personnel development concept was introduced, which 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 personnel development concept was completely revised and adapted to the strategy in 2012.

The available training and advanced education opportunities were completely revised, new contents defined and combined in a structured training catalogue. Special programs are designed to support structured knowledge building on the one hand and personal development on the other. In the Operations Management Program, for example, future executives are prepared for the tasks awaiting them in the production sector. As part of talent management, employees with particularly high development potential are identified in a structured and multi-level nomination process and combined in different circles where targeted preparation is provided for the next career steps.

In the past financial year, employees in Austria completed an average of 4.6 advanced training days per person.

Health and safety at work

With a holistic and comprehensive program, the Health & Safety department of RHI promotes the physical wellbeing of the employees and meets their need for a healthy and safe working environment. This has a positive effect on innovative strength, employees' dedication and long-term health. In addition, it is becoming increasingly important for companies to demonstrate to employees, customers and other business partners that occupational safety is consistently integrated into company processes. This is done by handling risks responsibly and making production and business processes safe.

Programs which have been running for many years such as health circles, back training, nutritional counseling, preventive medical check-ups, safety days or sports days are still well received and many employees participate.

Dealing with social partners

RHI AG considers its employee representatives worldwide business partners. Dealing with them is always characterized by respect and openness; this way, difficult issues can be solved together and to the best possible satisfaction of all those involved.

Personnel indicators

	2012	2011	Change
Annual average number of employees	8,097	7,883	2.7%
Number of employees at 12/31	7,917	7,925	(0.1)%
Revenues in € million	1,835.7	1,758.6	4.4%
Revenues per employee in € 1,000	226.7	223.1	1.6%
EBIT in € million	167.6	150.9	11.1%
EBIT per employee in € 1,000	20.7	19.7	8.5%
Value added per employee in € 1,000	69.7	63.6	9,6%
Personnel expenses in € million	397.1	350.4	13.3%
Personel expenses per employee in € 1,000	49.0	44.5	10.1%
Personnel expenses in % of revenues	21.6%	19.9%	1.7pp

Research & Development

Strategic approaches

RHI employs more than 160 people in Research and Development.

In line with corporate strategy, research and development activities were consistently continued and expanded further in the reporting period. The Technology Center Leoben forms the central knowledge hub and the center of innovation in a global network of research scientists and employees from a wide range of departments such as product management, marketing, sales, production and application technology within the Group, as well as raw material suppliers, technologically leading customer companies and cooperation partners at the technical, scientific and application-specific levels outside the Group. More than 160 internal research and development employees have access to international experts in this network, enabling them to develop new solutions, product concepts and systems in a targeted manner and to bring them to market maturity.

Apart from its most import cooperation partner, the University of Leoben, the RHI Group also worked with the following institutions on a scientific level: University of Graz, Graz University of Technology, Vienna University of Technology, Swiss Federal Institute of Technology Zurich, Slovak Academy of Sciences, Fraunhofer Gesellschaft, University of Bayreuth, ENSCI Limoges, Joanneum Research. In addition, the Group also cooperated with key customers at several competence centers promoted by the Austrian Research Promotion Agency, which included, for example, voestalpine Stahl Donawitz, voestalpine Stahl Linz, Böhler Edelstahl, Siemens VAI and Ebner-Industrieofenbau.

RHI intensifies the existing Innovation Management System with targeted activities, actively encouraging employees to contribute their ideas and suggestions for all areas of product and process development within a simplified company suggestion scheme. The group of experts responsible for the relevant topic discusses the ideas and suggestions collected with those who provided the ideas, and feasible results are integrated directly into product and process development.

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

Environmental protection and energy efficiency

The core task of Research & Development (R&D), the implementation of highest environmental and energy efficiency standards in the Group, has not changed. In close cooperation with the respective specialists, all production processes are thoroughly examined and continuously improved together, even beyond the applicable limit values. Just meeting the currently applicable environmental requirements cannot possibly be the objective of the global technology leader.

As in previous years, a key task as part of the implementation of the REACH Regulation (EC No 1907/2006, "Registration, Evaluation, Authorisation and Restriction of Chemicals") of the European Union has been exercised by Research and Development, i.e. to centrally execute, control and manage all registrations of the chemicals used.

A separate regulation for the implementation of the Globally Harmonized System (GHS) of Classification and Labelling of Chemicals was developed for Europe based on the UN Model Regulation: Regulation (EC) No 1272/2008, called CLP (Classification, Labelling and Packaging of Substances and Mixtures) entered into force on January 20, 2009. Since December 1, 2012 it has been mandatory to label substances according to the new rules. Mixtures, which were previously referred to as "preparations", have to be labeled accordingly as of June 1, 2015. Being a producer of a large number of mixtures, RHI will introduce the new regulations by mid-2014, even before the legal transition period expires.

Another ongoing process in R&D is the search for alternative substances to chemicals which may no longer be used within the EU after the implementation of the Regulation or which may cause concern. Alternative substances are continuously evaluated and examined with a view to their applicability.

R&D support of raw material projects ranges from sampling deposits to technical project planning.

Raw material development and backward integration

R&D supports and accompanies all raw material projects of the RHI Group, such as the projects in Norway and Ireland to increase the level of self-sufficiency in magnesia raw materials to approximately 80%. This support ranges from sampling deposits to technical project planning.

At the test plants of the Technology Center Leoben, fused materials are produced on the basis of extensive phase-theory considerations and thermochemical calculations on a trial scale, analyzed, and characterized; promising versions are handed over to product development for the application in finished products.

A major focal point of the activities of R&D deals with the reintroduction of used refractory materials and residual materials of the ceramic industry into the refractory cycle. During their service life, refractory materials undergo a variety of chemical and physical changes. The objective is to increase the recycling rate, which is currently at 4.5%, based on a combination of treatment methods and a definition of limit values. In addition, existing treatment processes and methods to be developed must be skillfully combined to recover the recyclable material from used refractories. The aim is to use secondary materials the same way as original materials as far as possible without affecting the properties of the refractory materials produced from them.

General thrust and R&D performance 2012

The general R&D thrust runs parallel to the corporate strategy.

The most important objectives and the general thrust of R&D have not changed essentially in comparison with the previous years. Examples include:

- the use of recycled raw materials and researching new methods to recycle refractory materials contaminated during operations
- the search for innovative, energy-efficient and emission-friendly production methods for raw materials
- researching high-temperature insulation materials for more efficient energy use (insulation of high-temperature units)
- optimized use of non-oxide material components
- environmentally friendly bond systems
- application-oriented corrosion tests with customer process slag and thorough chemical and mineralogical examination of the test series

Examples of results of R&D projects:

- Introduction of newly developed non-basic mixes and prefabricated component product lines with oxycarbide bonding in various different units of the pig iron and steel industry
- Development of sol-bonded gunning mixes for the cement industry
- Development and establishment of a global production concept for a basic tundish impact absorber system with the trademark Tunflow™
- Development of a chromium oxide brick grade with 93% Cr_2CO_3 for the use in coal gasification reactors, especially petcoke
- Expansion of production program by addition of fired doloma bricks
- Acid-resistant fireclay grade with 25% alumina content for the use in flue gas ducts and stacks
- Development of a fused cast low-exudation AZS grade for the lining of glass tanks with a low zirconium oxide content
- Development of an optimized alumina graphite grade for the application in the entire ISO product range
- New and further developments in the area of argon-purged stoppers for highest requirements in the clean steel segment
- Development of a grade concept on the basis of a novel spinel technology
- Highest-quality magnesia carbon brick grades with boron carbide additive for electric arc furnace linings
- Development of an expanded and adapted product portfolio for metering nozzles and metering nozzle changer systems in order to enable an increase in efficiency in the production of wire steel

Patents & intellectual property

The patent portfolio of the RHI Group consists of 118 active patent families. Nine new patents were granted in 2012.

The patent portfolio of the RHI Group was significantly expanded again as nine new patents were granted and a series of patents was taken over. It now consists of 118 active patent families. Patents and trademarks are used to protect products internationally and to prevent abuse of the innovative technologies and products, an aspect of increasing importance nowadays. In view of existing ideas for new products it is foreseeable that the trend towards patented products and technologies will continue or expand even further.

Training center for the cement industry

The Training Center Cement, which opened at the Technology Center Leoben in 2011, is enjoying great popularity. At this training center, seminars running over several days give customers from the cement industry the opportunity to see, learn and practice the lining of a cement rotary kiln (on a 1:1 model) with brick materials and state-of-the-art lining equipment as well as how to use monolithic materials for all applications at the cement plant. Four courses with a total of 57 participants were successfully conducted during the past year and received positive feedback.

Water modeling

Computer simulation calculations are validated with the water model.

RHI has conducted computer simulation calculations for many years in order to study the flow conditions of liquid steel from the ladle to the tundish and solidification in the mold and to offer optimal refractory and design solutions for any customer. It has turned out to be advantageous to validate these flow calculations in the water model. Taking account of this fact, RHI opened a water modeling facility at the Technology Center Leoben in April 2012. Currently three water models are used to observe and understand flows in the tundish (of any possible geometry, depending on the customer's design) and in the mold and to compare them with the respective computer simulations (Computerized Fluid Dynamics). In addition, a gas purger model was installed, in which the latest geometries and models can be tested and developed further.

Investments in the innovative strength and the future of the company

To secure technology leadership, the Management Board of the RHI Group adopted an increase in R&D expenses to € 23 million.

Research and development expenses amounted to € 19 million in the year 2012, with the optimization of existing products and production processes as well as process improvements accounting for approx. 20%, the development new products and production methods for approx. 40%, basic research for approx. 15%, and environmental protection and energy efficiency for approx. 25%. A further increase in R&D expenses by roughly € 4 million in the year 2013 was adopted by the Management Board and approved by the Supervisory Board, underlining the corporate strategy to further expand technology leadership in the refractories sector through innovation.

More than 160 persons were employed in Research and Development at the end of 2012. The share of women is slightly more than 30%. The R&D team in Leoben consists of colleagues from 12 different countries; 49% of these employees have a university degree.

Great importance is traditionally attached to training and further education in R&D. In the year 2012, six women and seven men were apprenticed in eight different technical professions. This is a clear sign for internally training the personnel resources needed in the future and to equip them with the best possible technical knowledge for the professional challenges to come.

The refractories training courses offered by employees from Research and Development for staff from other departments of the Group as well as customer-specific seminars form the basis for the RHI Group's technology leadership. Latest R&D findings and developments therefore benefit customers worldwide fast and directly – as in the past, this is one of the keys to success.

Sustainability

In April 2012, RHI published its first sustainability report in accordance with the Global Reporting Initiative (GRI) – Level C based on the RHI sustainability management, thus taking an important step in the systematization of the strategic topic sustainability and responsibility. The sustainability performance 2012 is only shown in a condensed form in the annual report; the sustainability report 2012, which is published in the second quarter of 2013, will contain more detailed information.

In the year 2012 a sustainability report in accordance with the Global Reporting Initiative (GRI) – Level C was published for the first time.

The RHI sustainability strategy is based on the triple bottom line, which balances economics, ecology and society. The focus lies on sustainable management in the context of all processes and customer requirements, responsible exploration and utilization of resources as well as taking on responsibility towards society and the employees. A Sustainability Board controlled by the Management Board discusses and adopts the contents and objectives defined by the sustainability groups.

Stakeholder forum

In 2012, RHI placed a special focus in sustainability management on the communication with stakeholders and organized the first RHI stakeholder forum in September 2012. The objective of this stakeholder forum was a dialogue which will be institutionalized in the future in order to obtain a clearer picture of the requirements of the stakeholders and proposals for improvements for the further sustainability process.

Integrated Management System (IMS)

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 32 production sites and according to ISO 14001:2004 at 20 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.

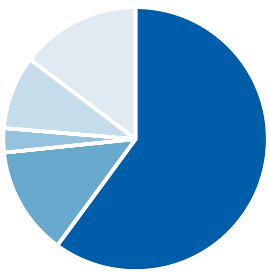
RHI is certified according to ISO 9001:2008 at 27 of 32 production sites and according to ISO 14001:2004 at 20 production sites.

In the area of health and safety at work, great efforts were put into the introduction of the Occupational Health and Safety Assessment Series 18001 (OHSAS 18001), and globally applicable standards were defined. These standards will be implemented step by step at the different sites in the months to come.

In the year 2012, further customer satisfaction surveys were conducted in the steel sales region NAFTA (Canada, Mexico, USA) and in the business unit nonferrous metals on topics such as product and service quality, sustainability and brand loyalty. The corresponding measures were derived from the results. An increasing number of supplier audits were performed in order to secure the quality of suppliers in the long term.

Environment and energy

Energy consumption



- Natural Gas: 2,005 GWh
- Electricity: 443 GWh
- Diesel/Petrol/Oil: 99 GWh
- LPG/Propane: 300 GWh
- Coal/Coke: 490 GWh

RHI's absolute energy consumption amounted to 3,337 gigawatt hours in the past financial year (2011: 2,875). The increased consumption is primarily related to the sites in Norway, Ireland and Russia, which were included in the reporting for the first time, with the largest part being attributable to the energy-intensive raw material production at the site in Drogheda, Ireland, in 2012.

RHI began to establish a group-wide energy management system in 2011 in order to reduce energy consumption on a sustained basis. Implementation was started at eleven locations in 2012. At the site in Veitsch, Austria, the energy management system has already been fully implemented. This site achieved significant success in the reduction of the compressed air leakage level and through improvements in heat recovery and the reduction of gas consumption by approx. 20% in the production of magnesia carbon bricks. In the year 2013, the focus will be placed above all on the roll-out at the German and other Austrian sites. In Germany, the objective is to introduce a system certified according to ISO 50000.

In 2012, (direct) CO_2 emissions throughout the Group amounted to some 1.4 million tons. The absolute increase by roughly 180,000 tons compared with the previous year is primarily attributable to the CO_2-intensive raw material production in Drogheda, Ireland, which was included in reporting for the first time.

RHI invested roughly € 26 million in environmental measures in 2012.

In 2012, the RHI Group invested roughly € 26 million in environmental measures. They consist of environmental investments, waste disposal costs and services such as certifications or consulting.

The most important environmental projects in 2012 were the installation of filter systems to reduce exhaust gas and resource consumption in rotary kilns at the Breitenau and Hochfilzen plants in Austria, measures for dedusting and improved control engineering in Porsgrunn, Norway, as well as enhancements in the exhaust gas and dedusting systems for the rotary kiln in Eskisehir, Turkey, with a total of € 16 million.

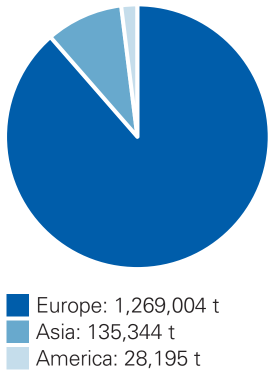
RHI attaches great importance to dealing with resources intelligently and on a sustained basis. Against this background, RHI launched a comprehensive recycling project in 2011 and established a central Secondary Raw Materials Team in 2012, which initiates and coordinates issues relevant to recycling across the boundaries of 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 could be directly recovered for the production of refractory materials until now. 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.

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

Based on a newly established internal reporting system for recycling materials, the data of the past years were structured and presented in a new form. Consequently, the 80,000 tons shown in the Annual Report 2011 have dropped to 66,400 tons now. In 2012, the portion of the reclaimed materials used in production rose to 72,500 tons. This corresponds to a recycling share of 4.5% in relation to the annual production volume. In comparison to the previous year, the recycling materials used were thus increased by 9% and the recycling share by 16%. The aim is to continuously increase this share in the years to come. RHI has set itself the target to use a minimum of 200,000 tons of recycled materials in production by 2020.

CO_2 emissions



Social responsibility

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. In 2012, a feasibility study co-financed by the Austrian Development Agency (ADA) was conducted on the topic of employability in defined growth markets. The planned program is designed to contribute to enhancing the employability of young people and training in technical professions. Possible measures include the revision of teaching curricula at external training institutions and improved teacher training. RHI will implement this program in Eskisehir, Turkey, and Ramos Arizpe, Mexico. These projects offer advantages to both sides: RHI will be able to recruit from a pool of better qualified potential employees in the future, the employment opportunities for young people will increase and the education level will be raised in the towns concerned.

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

As RHI is a globally operating corporation, structured risk management plays an important role for corporate management. In the year 2009, a process was introduced which enables the responsible managers to record and evaluate risks and, since 2012, also opportunities in a decentralized system. Controlled and effective handling of risks and early identification of opportunities create added value for RHI, which goes far beyond legal requirements.

Participants in the risk management process work with professional software to record and assess risks and opportunities, with risks being measured based on probability of occurrence and the possible impact on the operating result of the RHI Group.

Central risk management is part of the finance department and responsible for the risk management process and its further development. It provides standardized methods and tools for the identification and assessment of risks throughout the Group. Risk areas (strategy, volume/sales, operations, supply chain, compliance and legal as well as corporate finance) and a variety of risks categories are defined to support risk participants in the identification of risks. Risk policy and risk management processes are laid down in a risk manual and are accessible to all employees on the intranet.

The current risk analysis shows the following risks which could have a significant effect of the assets and earnings situation of the Group:

Risk area: strategy

The RHI Group already generates 56% 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. As a result of the investments made to increase the self-sufficiency level for magnesia raw materials to 80%, there is a risk regarding falling prices of sintered and fused magnesia.

Risk area: volume/sales

The customer industries of the RHI Group show above-average sensitivity to economic fluctuations. In addition, growth in the developed countries will be below average in the future.

Risk area: operations

A decline in the utilization of existing capacities due to falling demand for refractory products, regional excess capacity and delayed full-load operation of the new fusion plant in Norway represent significant risks for the RHI Group. RHI tries to accomplish optimal utilization of the production capacity for the Group through an actively controlled dispatch of production orders. Moreover, any further tightening of emission restrictions represents a substantial risk.

Risk area: supply chain

Being a globally operating production company, RHI is exposed to the development in the global procurement markets. Especially price fluctuations in the raw material, energy and transport markets represent a significant risk factor for the Group. The RHI Group tries to balance out the volatilities in the procurement markets by concluding long-term supply contracts.

Risk area: compliance and legal

Risks emanating from non-compliance with internal guidelines or a violation of the fundamental values of the company cannot be ruled out and may entail both financial and reputational damage. Negative results of current tax proceedings and audits may lead to additional payments for the RHI Group. In addition, transfer price adjustments on the part of tax authorities or a change of existing business models may have a negative effect on the Group.

Risk area: corporate 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, which are hedged as far as possible through credit insurance and collateral arranged through banks (guarantees, letters of credit) and monitored continuously.

The Group's financial policy is based on long-term financial planning and is centrally controlled and monitored continuously at RHI. The 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 possibilities. In the year 2012, foreign exchange hedges were concluded to protect the company against risks in certain currencies.

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.

Financial reporting process

At the aggregated level, the financial reporting process at RHI consists of preparation, consolidation, audit and publication. The preparation and consolidation are based on the rules and provisions set out in the Group manual for financial reporting. This manual includes, amongst other things, a harmonized chart of accounts as well as rules regarding measurement and recognition.

The Group manual for financial reporting is regularly adapted to the changing IFRS rules. In addition, the preparation process itself requires controls at different levels of the process, whose monitoring is partially system-assisted.

In the assessment of risks of the accounting process and the determination of controls, particular attention was paid to items of the consolidated statement of financial position and of the income statement that could have the most sustainable effects on the financial reporting of the RHI Group. They include property, plant and equipment, inventories, trade receivables and payables as well as personnel provisions.

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.

The audit committee and the Supervisory Board receive a report on an annual basis. In 2012, two reports were submitted to the audit committee regarding the effectiveness of the ICS.

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 the year 2012, the rules with respect to ensuring internal controls on RHI's central ERP system (SAP) were re-issued, which contributed to a further consolidation of the internal controls related to central IT systems.

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).

Notes in accordance with § 243a UGB

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

At December 31, 2012, the share capital of RHI AG amounted to € 289,376,212.84 (12/31/2011: € 289,376,212.84) and consisted of 39,819,039 (12/31/2011: 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, also from agreements between shareholders, are not known to the company.

Direct or indirect stakes in RHI capital

At February 20, 2013, the following investors with significant shareholdings were known to RHI: MS Private Foundation, Austria, with a stake 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, so 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 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 and without further approval by the Annual General Meeting, 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, and to determine the issue price, the issue conditions and further details regarding the implementation of the capital increase in agreement with the Supervisory Board. The Management Board was authorized to exclude shareholders' subscription rights with the consent of the Supervisory Board if the capital increase takes place against contributions in kind, or if the capital increase takes place against cash and the minimum issue price of the new shares corresponds to the average of the closing price of the RHI share (ISIN AT0000676903) on the Vienna Stock Exchange of the 30 trading days preceding the day of subscription of the new shares plus a premium of at least 25%, or for fractional amounts.

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, 2012, 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 the addendum to the restructuring agreement made with RHI's consortium of banks in 2007, the following cancelation right was agreed with UniCredit Bank Austria AG (formerly: Bank Austria Creditanstalt AG (BA-CA)) as the consortium leader relating to the term loan facility in the amount of € 400.0 million, which has meanwhile been reduced to the amount of € 55.0 million: "If the economic and/or legal control of RHI AG changes ("change of control"), both BA-CA and RHI AG are entitled to terminate the restructuring agreement including the addendum subject to a notice period of three months at the end of a calendar month. "Change of control" exists when a change of control in accordance with the Austrian Takeover Act in the version of the Act amending Takeover Law 2006 becomes known about RHI AG. The cancellation of the restructuring agreement including the addendum due to a change of control through BA-CA or RHI AG shall be carried out within an exercise period of 90 days following the information of the respective party of the occurrence of a change of control, complying with a 3-month cancellation period at the end of a calendar month. If BA-CA or RHI AG does not cancel the agreement within the exercise period of 90 days, the extraordinary cancellation right in accordance with item 10.3. of the addendum will expire."

In July 2012, RHI issued a *Schuldscheindarlehen* amounting to € 130 million. The relevant agreement contains not only reasons for cancelation ensuing from legislation, but also a reason to cancel in the case 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 € 330 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 stipulated in § 75 of the Stock Corporation Act (AktG). In addition to that, the articles of association stipulate in § 8 that the Management Board shall consist of two, three, four or five persons.

The Supervisory Board consists of a minimum of three members.

Outlook

The outlook published by the World Steel Association in October 2012 shows great regional differences regarding the development of demand for steel. While the growth of global steel consumption is expected to increase from 2.1% in the year 2012 to 3.2% in the year 2013, consumption is expected to grow by 1.9% in the developed national economies after a projected decline by 0.3% in the year 2012. Following a decrease by 5.6% in the year 2012, growth in the European Union is forecast to be positive again at 2.4%. In the emerging markets, the increase in demand for steel should improve slightly from 3.0% to 3.7%. The Steel Division is cautiously optimistic and expects revenues to increase slightly compared to the previous year.

Due to the macroeconomic environment and because a recovery of the construction industry is not yet foreseeable, the business unit cement/lime should realize a similar level of revenues as in 2012. In view of the delivery of a major order in the ferrochrome sector in the past financial year, the contribution to revenues and earnings of the nonferrous metals business unit will fall short of the level of 2012 in the year 2013. The environment within the glass industry is expected to remain difficult in the current financial year. However, opportunities may arise in the special glass segment and in the USA because of the favorable gas price. The expansion of shale gas and oil shale production gives rise to promising opportunities of extending business activities for the environment, energy, chemicals segment in the coming years; in this context, the area of gas liquefaction is particularly interesting for RHI.

A technical defect, which occurred at the newly built fusion plant in Norway while material was fed in, caused the crucible to spill over and consequently required the entire melting operations to be shut down, will have a negative effect on the result of the Raw Materials Division in the first quarter of 2013. Full-load operation is expected to resume in March; RHI will subsequently reach a self-sufficiency level of 80% for magnesia raw materials.

The expected lower growth rates in Europe require an adjustment of capacities in order to ensure optimal utilization of the production plants. Therefore, a plant concept is currently being evaluated in the RHI Group. The results are expected in the first half of 2013. RHI will invest some € 75 million in the year 2013, of which roughly 25% will be used for environmental investments.

Overall, RHI expects revenues to reach a similar level in the year 2013 as in 2012 if the macroeconomic environment remains stable and exchange rates do not change. The EBIT margin should continue to improve due to increased backward integration and consistent cost management.

Material Events after the Balance Sheet Date

A subsidiary of RHI AG signed an agreement on January 15, 2013 to acquire 43.6% of the share capital of Orient Refractories Ltd. ("ORL").

ORL is a listed Indian producer of special refractory products and refractory mixes. The sellers of the largest part of the 43.6% are immediate family members of Mr. S.G. Rajgarhia. The transaction price amounts to roughly € 31 million (INR 2.3 billion). The transaction is effective subject to different conditions such as regulatory approvals. S.G. Rajgarhia will continue to be a member of the Board of ORL and hold less than 5% of the ORL shares.

Based on the key transaction data and the guidelines of the Securities and Exchange Board of India, the wholly-owned subsidiary of RHI AG is conducting a public tender offer for up to another 26% of the ORL shares. The price offered amounts to roughly € 0.6 (INR 43) per share, which corresponds to a total of up to € 18.5 million.

ORL develops and produces a wide variety of special refractory products and refractory mixes for the Indian and international iron and steel industry. The company is based in New Delhi, and the production and R&D site is located in Bhiwadi, Rajasthan. In addition, ORL operates eight sales offices in India. In the financial year 2011/2012 (04/01/2011 to 03/31/2012) ORL realized revenues of some € 44 million and EBIT of roughly € 7 million.

This acquisition will strengthen RHI in the growing Indian and Asian steel industry.

Vienna, February 20, 2013

The Management Board

Franz Struzl
CEO

Barbara Potisk-Eibensteiner
CFO

Giorgio Cappelli
CSO Steel Division

Manfred Hödl
CSO Industrial Division
CTO R&D

RHI Consolidated Financial Statements 2012

RHI Consolidated Statement of Financial Position 2012

in € million	Notes	12/31/2012	%	12/31/2011	%
ASSETS					
Non-current assets					
Property, plant and equipment	(1)	625.8	33.8	512.1	30.3
Goodwill	(2)	20.0	1.1	17.2	1.0
Other intangible assets	(3)	59.0	3.2	45.9	2.7
Shares in associates	(4)	14.1	0.7	14.5	0.9
Other non-current financial assets	(5)	31.8	1.7	41.7	2.5
Other non-current assets	(6)	10.7	0.6	11.0	0.6
Deferred tax assets	(7)	119.5	6.5	105.7	6.3
		880.9	**47.6**	**748.1**	**44.3**
Current assets					
Inventories	(8)	423.2	22.9	426.5	25.2
Trade and other current receivables	(9)	351.9	19.0	361.0	21.4
Income tax receivables		6.9	0.4	7.0	0.4
Other financial assets	(10)	1.7	0.1	2.8	0.2
Cash and cash equivalents	(11)	185.7	10.0	144.5	8.5
		969.4	**52.4**	**941.8**	**55.7**
		1,850.3	**100.0**	**1,689.9**	**100.0**
EQUITY AND LIABILITIES					
Equity					
Share capital	(12)	289.4	15.7	289.4	17.1
Group reserves	(12)	190.4	10.3	148.9	8.9
Equity attributable to equity holders of RHI AG		479.8	26.0	438.3	26.0
Non-controlling interests	(12)	0.7	0.0	0.6	0.0
		480.5	**26.0**	**438.9**	**26.0**
Non-current liabilities					
Non-current financial liabilities	(14)	390.7	21.1	285.7	16.9
Deferred tax liabilities	(7)	9.1	0.5	10.9	0.6
Personnel provisions	(15)	330.6	17.9	289.9	17.2
Other non-current provisions	(16)	3.7	0.2	3.5	0.2
Other non-current liabilities	(17)	5.2	0.3	7.5	0.4
		739.3	**40.0**	**597.5**	**35.3**
Current liabilities					
Current financial liabilities	(14)	213.5	11.5	220.3	13.1
Trade and other current payables	(18)	310.7	16.8	331.8	19.6
Other financial liabilities	(10)	2.3	0.1	0.3	0.0
Income tax payables		38.5	2.1	29.1	1.7
Current provisions	(19)	65.5	3.5	72.0	4.3
		630.5	**34.0**	**653.5**	**38.7**
		1,850.3	**100.0**	**1,689.9**	**100.0**

RHI Consolidated Income Statement 2012

in € million	Notes	2012	%	2011[1)]	%
Revenues	(22)	1,835.7	100.0	1,758.6	100.0
Cost of sales	(23)	(1,433.0)	(78.1)	(1,395.0)	(79.3)
Gross profit		**402.7**	**21.9**	**363.6**	**20.7**
Sales and marketing costs	(24)	(120.2)	(6.5)	(110.3)	(6.4)
General and administration costs	(25)	(115.0)	(6.3)	(109.6)	(6.2)
Other income	(26)	12.5	0.7	10.4	0.6
Other expenses	(27)	(15.6)	(0.8)	(5.5)	(0.3)
Operating result		**164.4**	**9.0**	**148.6**	**8.4**
Income from restructuring	(28)	7.1	0.3	4.9	0.3
Restructuring costs	(29)	(3.9)	(0.2)	(2.6)	(0.1)
Operating results (EBIT)		**167.6**	**9.1**	**150.9**	**8.6**
Interest income	(30)	3.3	0.2	1.5	0.1
Interest expenses		(18.5)	(1.0)	(19.5)	(1.1)
Other financial results	(31)	(6.1)	(0.3)	(12.9)	(0.8)
Financial results		(21.3)	(1.1)	(30.9)	(1.8)
Results from associates		5.3	0.3	5.5	0.3
Profit before income taxes		**151.6**	**8.3**	**125.5**	**7.1**
Income taxes	(32)	(38.1)	(2.1)	(4.7)	(0.2)
Profit for the year from continuing operations		**113.5**	**6.2**	**120.8**	**6.9**
Profit for the year from discontinued operations	(33)	**0.0**	**0.0**	**0.7**	**0.0**
Profit for the year		**113.5**	**6.2**	**121.5**	**6.9**
Profit attributable to					
equity holders of RHI AG		113.4	99.9	121.5	100.0
non-controlling interests		0.1	0.1	0.0	0.0
		113.5	100.0	121.5	100.0
in €					
Earnings per share (basic and diluted)					
Continuing operations	(40)	2.85		3.03	
Discontinued operations	(40)	0.00		0.02	

1) Explanations regarding the reclassified comparative figures of 2011 are provided in the Notes under "Accounting principles, general".

RHI Consolidated Statement of Comprehensive Income 2012

in € million	2012	2011
Profit after income taxes	**113.5**	**121.5**
Other results recognized in equity net of income taxes		
Currency translation differences		
Unrealized results from currency translation	0.1	0.2
Reclassification to income statement due to disposal of subsidiaries	(2.6)	0.0
Actuarial results arising from defined benefit pension plans and termination benefits	(44.5)	14.7
Deferred taxes on actuarial results arising from defined benefit pension plans and termination benefits	12.1	(4.1)
Market valuation of available-for-sale financial instruments		
Unrealized results from fair value change	0.0	5.6
Reclassification reserves to the income statement	(7.1)	0.0
	(42.0)	**16.4**
Total comprehensive income	**71.5**	**137.9**
Total comprehensive income attributable to		
equity holders of RHI AG	71.4	137.8
non-controlling interests	0.1	0.1
	71.5	137.9

RHI Consolidated Statement of Changes in Equity 2012

	Equity attributable to equity holders of RHI AG							
		Group reserves						
in € million	Share capital	Additional paid-in capital	Fair value reserves	Currency translation reserves	Accumulated results	Total	**Non-controlling interests**	**Total equity**
12/31/2011	**289.4**	**38.3**	**8.7**	**(30.7)**	**132.6**	**438.3**	**0.6**	**438.9**
Total comprehensive income	-	-	(7.1)	(2.5)	81.0	**71.4**	**0.1**	**71.5**
Dividends	-	-	-	-	(29.9)	**(29.9)**	**-**	**(29.9)**
12/31/2012	**289.4**	**38.3**	**1.6**	**(33.2)**	**183.7**	**479.8**	**0.7**	**480.5**

	Equity attributable to equity holders of RHI AG							
		Group reserves						
in € million	Share capital	Additional paid-in capital	Fair value reserves	Currency translation reserves	Accumulated results	Total	**Non-controlling interests**	**Total equity**
12/31/2010	**289.4**	**38.3**	**3.1**	**(28.7)**	**18.3**	**320.4**	**0.5**	**320.9**
Reclassification	-	-	-	(2.2)	2.2	**0.0**	**-**	**0.0**
12/31/2010 adjusted[1)]	**289.4**	**38.3**	**3.1**	**(30.9)**	**20.5**	**320.4**	**0.5**	**320.9**
Total comprehensive income	-	-	5.6	0.2	132.0	**137.8**	**0.1**	**137.9**
Dividends	-	-	-	-	(19.9)	**(19.9)**	**-**	**(19.9)**
12/31/2011	**289.4**	**38.3**	**8.7**	**(30.7)**	**132.6**	**438.3**	**0.6**	**438.9**

Explanations regarding equity are provided in the notes under figure (12).

1) Notes to the adaptation are provided in the section "Accounting principles, general" of the Notes.

RHI Consolidated Cash Flow Statement 2012

in € million	Notes	2012	2011[1]
Profit for the year from continuing operations		113.5	120.8
Adjustments for			
income taxes		38.1	4.7
depreciation and amortization charges		61.8	53.7
impairment losses of property, plant and equipment and intangible assets		1.8	0.2
reversal of impairment losses of property, plant and equipment		(1.8)	(0.7)
reversal of impairment losses on financial assets		(1.6)	(0.2)
gains from the disposal of property, plant and equipment		(7.1)	(5.5)
gains from the disposal of subsidiaries		(7.3)	0.0
interest result		15.2	18.0
realized gains on financial instruments classified as available for sale		(7.1)	0.0
dividend income		0.0	(0.8)
results from associates		(5.3)	(5.5)
other non-cash changes		23.3	13.6
Changes in assets and liabilities			
Inventories		6.9	7.4
Trade receivables		25.0	(40.3)
Other receivables and assets		(8.0)	(15.2)
Provisions		(20.1)	(21.5)
Trade payables		(33.5)	14.3
Other liabilities		3.8	7.4
Cash flow from operating activities		**197.6**	**150.4**
Income taxes paid		(36.5)	(26.0)
Net cash flow from operating activities	(36)	**161.1**	**124.4**
Investments in subsidiaries net of cash		(18.2)	(36.1)
Cash inflows from the sale of subsidiaries net of cash		2.4	0.0
Investments in non-controlling interests		0.0	(0.4)
Investments in property, plant and equipment and intangible assets		(167.9)	(86.6)
Cash inflows from the sale of property, plant and equipment		8.6	10.8
Investments in non-current receivables		(0.3)	(2.0)
Sale of / investments in financial assets		0.3	(0.1)
Dividend payments from associates		5.5	6.6
Investment subsidies received		0.5	0.0
Interest received		3.2	1.5
Dividends received		0.0	0.8
Net cash flow from investing activities	(37)	**(165.9)**	**(105.5)**
Dividend payments to shareholders of RHI AG		(29.9)	(19.9)
Proceeds from non-current borrowings and loans		192.0	134.8
Repayments of non-current borrowings and loans		(74.2)	(59.3)
Changes in current borrowings		(20.5)	30.1
Interest payments		(19.6)	(18.4)
Net cash flow from financing activities	(38)	**47.8**	**67.3**
Cash flow from continuing operations		**43.0**	**86.2**
Cash flow from discontinued operations		**0.0**	**(0.2)**
TOTAL CASH FLOW		**43.0**	**86.0**
Change in cash and cash equivalents		**43.0**	**86.0**
Cash and cash equivalents at beginning of year		144.5	58.8
Change in cash and cash equivalents due to currency translation		(1.8)	(0.3)
Cash and cash equivalents at year-end		185.7	144.5

1) Explanations regarding the reclassified comparative figures of 2011 are provided in the Notes under “Accounting principles, general”.

RHI Notes to the Consolidated Financial Statements 2012

The RHI Group

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

The business activities of the RHI Group comprise the three segments Steel, Industrial and Raw Materials. The Industrial segment supplies the cement, lime, glass, nonferrous metals, environment (waste incineration), energy (refractory construction) and chemical (petrochemicals) industries. The Raw Materials segment covers the value-added activities of the Group's mining and raw material operations, which primarily supply the Steel and Industrial segments.

The parent company of the Group is RHI AG, which is headquartered in Austria at Wienerbergstrasse 9, 1100 Vienna.

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

Accounting principles, general

The financial year of the RHI Group comprises the period from January 1 to December 31. The financial statements of all companies included in consolidation were prepared as of the Group closing date on December 31, 2012.

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

The consolidated financial statements were prepared applying the principle of historical cost. Derivative financial instruments and financial assets classified as available for sale as well as plan assets as defined in IAS 19 are exempted and measured at fair value. IAS 11 is applied for long-term construction contracts.

The preparation of the consolidated financial statements in agreement with generally accepted accounting and valuation methods under IFRS, as adopted by the EU, requires the use of estimates and assumptions that influence the amount and presentation of assets and liabilities on the balance sheet as well as the disclosure of contingent assets and liabilities as of the balance sheet date and the recognition of income and expenses during the reporting period. Although these estimates reflect the best knowledge of the Management Board based on current transactions, the actual values 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 as well as total figures represent the values with the smallest rounding difference. Therefore, minor differences may result from the addition of these rounded individual figures.

Release of the consolidated financial statements 2012
The Management Board released these consolidated financial statements for distribution to the Supervisory Board on February 20, 2013. The Supervisory Board is responsible for reviewing the consolidated financial statements and stating whether it approves the consolidated financial statements.

Initial application of financial reporting standards
In the financial year, IFRS 7 "Disclosures – Transfer of Financial Assets", which was issued in November 2011 and adopted by the EU, was applied for the first time and had no impact on these consolidated financial statements.

New financial standards not yet adopted
The IASB has issued the following new standards and amendments to standards and interpretations, which do not yet have to be applied mandatorily during the financial year 2012. They were not applied prematurely on a voluntary basis.

The following standards had been adopted by the EU at the time of the preparation of the RHI consolidated financial statements:

>> 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
>> 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 7 (amended 2011): Disclosures - Offsetting Financial Assets and Financial Liabilities
>> IFRS 10 (2011): Consolidated Financial Statements
>> IFRS 11 (2011): Joint Arrangements
>> IFRS 12 (2011): Disclosures of Interests in Other Entities
>> IFRS 13 (2011): Fair Value Measurement
>> IFRIC 20 (2011): Stripping Costs in the Production Phase of a Surface Mine

The amendments to IAS 1 "Presentation of Financial Statements", IAS 32 "Offsetting Financial Assets and Financial Liabilities" and IFRS 7 "Financial Instruments: Disclosures" are related to disclosure requirements and clarifications.

The amended IAS 12 "Deferred Tax" includes clarifications for the recognition of deferred taxes for properties held as a financial investment, which 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 IAS 12 was put into effect by the IASB on January 1, 2012, but is only applicable for financial years starting on or after January 1, 2013 due to the deviating time of initial application in the EU.

IAS 19 "Employee Benefits" was extensively revised by the IASB. The most significant change is related to the elimination of the corridor approach, which previously permitted the deferral of actuarial gains and losses. However, this change has no effect on RHI because in the consolidated financial statements of RHI actuarial gains and losses are recorded in full to equity in the year they occur, without recognition to profit or loss. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a net interest amount, which is calculated by applying the discount rate to the net defined benefit liability. Moreover, past service cost has to be recognized immediately in the case of changes to plan arrangements according to the amended version of IAS 19. In addition, modified recognition and measurement is applicable to termination payments for employees. The amendments are applicable on a retroactive basis to reporting periods starting on or after January 1, 2013.

In May 2011 the IASB published the standards IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Agreements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures", which are applicable to financial years starting on or after January 1, 2014 due to a delay of entry into force in the EU. However, IFRS 13 "Fair Value Measurement", which was also issued by the IASB in May 2011, is effective for financial years starting on or after January 1, 2013.

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, joint ventures and associates 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", and the option to apply proportionate consolidation to joint ventures was eliminated.

In the new version of IAS 28, provisions for the accounting of joint ventures are added to the provisions governing the accounting of interests in associated companies, and the application of the equity method is stipulated for both cases.

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.

IFRS 13 defines a single framework for measuring fair value.

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 is 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. This standard is applicable to financial years starting on or after January 1, 2013.

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

>> IFRS 9 (2009. amended 2011): Financial Instruments
>> IFRS 10, IFRS 11, IFRS 12 (amended 2012): Transition guidance
>> IFRS 10, IFRS 12, IAS 27 (amended 2012): Investment entities
>> Improvements to IFRSs 2009-2011 (2012)

In November 2009 IFRS 9 "Financial Instruments" was published. IFRS 9 regulates the classification and measurement of financial assets. The measurement categories of "loans and receivables", "held to maturity investments", "available-for-sale financial assets" and "financial assets at fair value through profit or loss" are replaced by the categories "amortized cost" and "fair value". Whether an instrument qualifies for the category of amortized cost, depends on the company's business model, i.e. how the company controls its financial instruments, and on the contractual cash flows of the individual instrument. With a decision from December 16, 2011, the IASB changed the mandatory effective date of first-time application to financial years that start on or after January 1, 2015. Moreover, it modified the relief from restating comparative periods and the associated disclosures in IFRS 7.

In June 2012, amendments to IFRS 10, IFRS 11 and IFRS 12 were published by the IASB which clarify the transitional guidelines to their initial application.

In October 2012, an amendment to the standards IFRS 10, IFRS 12 and IAS 27 was published. This amendment enables an exception with respect to the consolidation of subsidiaries if the parent company meets the definition of an "investment entity".

The effects of these new or revised standards and interpretations are currently reviewed by RHI.

Other changes in the methods of accounting and measurement and in presentation
Due to the change from a divisional to a functional organization structure in the RHI Group, the production sites, which were previously allocated to the Steel, Industrial and Raw Materials Divisions, were combined in technology clusters as of the third quarter of 2012 and pooled in the reporting unit Raw Materials. This reporting unit reports to the CEO. While manufacturing cost variances were previously shown in the division to which the respective plant was allocated, they are now allocated to the divisions based on the supply flow. The research activities, which previously had divisional organization, are now managed centrally again. The costs are allocated directly to the three divisions.

The adaptation of the organizational structure also led to changes in the management structure, resulting in shifts between sales and marketing costs and general and administration costs. The comparative figures of the previous year were consequently adjusted by € (0.5) million and € 0.5 million respectively.

As a result of the adaptation of the internal reporting structure after the organizational changes made, the divisional results of the financial year 2011 are as follows:

in € million	2011 after reclassification	2011 as published
Revenues	**1,758.6**	**1,758.6**
Steel Division	1,106.8	1,106.8
Industrial Division	613.9	613.9
Raw Materials Division	208.3	208.3
External revenues	37.9	37.9
Internal revenues	170.4	170.4
Operating result	**148.6**	**148.6**
Steel Division	66.0	70.1
Industrial Division	69.9	68.3
Raw Materials Division	12.7	10.2
Operating result margin	**8.4%**	**8.4%**
Steel Division	6.0%	6.3%
Industrial Division	11.4%	11.1%
Raw Materials Division	6.1%	4.9%
EBIT	**150.9**	**150.9**
Steel Division	67.4	71.5
Industrial Division	73.4	71.8
Raw Materials Division	10.1	7.6
EBIT margin	**8.6%**	**8.6%**
Steel Division	6.1%	6.5%
Industrial Division	12.0%	11.7%
Raw Materials Division	4.8%	3.6%

The accumulated results for 2011 remain unchanged.

Property, plant and equipment and intangible assets are allocated to the segments based on their utilization by the segments; in contrast, inventories and receivables are still allocated in accordance with the responsibilities of the three divisions. For reasons of practicality, the comparative data were not retroactively adjusted.

Due to a misrepresentation in the equity statement, € (2.2) million were reclassified from the item accumulated results to currency translation reserves as of December 31, 2010.

For better presentation as of the financial year 2012, proceeds from and repayments of non-current borrowings and loans are classified according to the total term of financing, rather than according to residual terms as it is done in the balance sheet. Payments related to financial liabilities to non-controlling interests (dividend payments) are accounted for in the item interest payments. The following effects on the comparative figures of 2011 are shown below:

in € million	2011 after reclassification	2011 as published
Proceeds from non-current borrowings and loans	134.8	119.8
Repayments of non-current borrowings and loans	(59.3)	(59.7)
Changes in current borrowings	30.1	43.3
Interest payments	(18.4)	(16.2)

Principles of Accounting and Measurement

A Principles of consolidation

Subsidiaries

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

The 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 on the date of acquisition or transfer of control. Acquisition-related transaction costs that are directly related to the business combination have been recognized through profit or loss since January 1, 2010.

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

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

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 in current or non-current financial liabilities in accordance with their limited contractual term.

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

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

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

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

Subsidiaries are deconsolidated on the day control ends.

Associates

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

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

B Foreign currency translation

Functional and presentation currency

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

The individual account balances of foreign Group companies are valued in the currency of the primary economic environment in which the company operates (functional currency). This is the local currency for all Group companies, with the exception of Magnesit Anonim Sirketi, Eskisehir, Turkey. The 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 foreign currency receivables and liabilities at the exchange rate in effect on the balance sheet date are recognized to the income statement.

Group companies

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

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

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

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

		Closing rate		Average monthly rate	
Currencies	ISO-Code	12/31/2012	12/31/2011	2012	2011
Brazilian real	BRL	2.70	2.41	2.51	2.33
Pound sterling	GBP	0.82	0.84	0.81	0.87
Chilean peso	CLP	631.42	673.23	632.36	671.36
Chinese renminbi yuan	CNY	8.22	8.15	8.14	9.09
Indian rupee	INR	72.46	68.99	68.53	64.78
Canadian dollar	CAD	1.31	1.32	1.28	1.38
Mexican peso	MXN	17.20	18.12	17.00	17.20
Norwegian krone	NOK	7.36	7.77	7.56	7.81
Swiss franc	CHF	1.21	1.22	1.22	1.24
South African rand	ZAR	11.19	10.53	10.54	9.95
US dollar	USD	1.32	1.29	1.29	1.41

C Property, plant and equipment

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

Assets that are held to generate rental or leasing income or to 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, no property, plant and equipment leased through finance leasing is presented. All other leases are treated as operating leases. The lease payments resulting from operating leases are expensed as incurred.

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

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.

Depreciation in the RHI Group is based on the following useful lives:

Factory buildings	15 to 50 years
Other buildings	10 to 50 years
Land improvement	7 to 20 years
Technical equipment and machinery	3 to 60 years
Other plant, furniture and fixtures	3 to 20 years

The remaining carrying amounts and economic useful lives are reviewed 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.

D 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.

E 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 amortized over a period of four years.

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

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

Patents are amortized on a straight-line basis over the estimated period of expected cash inflows. Customer bases identified during the allocation of the purchase price are amortized over a useful life of seven years. Land use rights are amortized over 50 years. The ordinary useful life of all other acquired intangible assets ranges from three to ten years.

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

Property, plant and equipment and intangible assets, including goodwill, are tested for impairment if there is any indication that the value of these items may be impaired. Intangible assets with an indefinite useful life and goodwill are tested 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 fair value less costs to sell and its value in use (present value of future cash flows).

If the reasons for a previously recognized impairment loss cease to exist, except for goodwill, the impairment loss is reversed.

Impairment losses and reversals of impairment losses are shown under the operating result in the income statement unless presentation within functional costs is more appropriate.

For impairment tests, assets are first combined into groups for which separate cash flows can be determined. These cash-generating units reflect the market appearance and market presence and as such generate the largest part of the cash flows. In the Steel Division there are two such units, 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 are combined in one cash-generating unit.

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

The cash flows determined take into account income taxes paid. The interest rates used to discount cash flows reflect the specific risks of the individual countries in which the cash-generating units are located. The interest rates after tax are applied. These interest rates, weighted by cash-generating unit, range from 6.38% to 6.73%. In the previous year, the analog interest rates ranged from 6.42% to 6.83% (interest rates before tax: 8.50% to 9.22%).

The determination of cash flows is based on a simplified cash flow statement that covers target figures for a period of five years. These target figures are based on market evaluations by management.

Based on the impairment test conducted in 2012 it was verified that the assets were unimpaired.

G Other financial assets

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

Available-for-sale financial assets are initially measured at fair value plus any related transaction expenses. Subsequent measurement reflects fair value, with changes in fair value being recorded directly in equity without recognition to profit and loss. The accumulated gains and losses from fair value measurement that are recorded under equity are only recognized to profit or loss when the financial asset is sold. Impairments are charged to profit or loss. Impairment losses on equity instruments recognized to profit and loss are reversed through equity. Reversals of impairment for debt instruments are recognized to profit and loss.

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

H Non-current receivables

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

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

I 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 (12.5 to 40%), and generally reflects the enacted or substantively enacted tax rate on the balance sheet date.

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

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

J Inventories

Inventories are stated at acquisition or production cost, or at net 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. Borrowing costs for inventories that are regularly produced in large volumes are not capitalized.

K Long-term construction contracts

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

Under the percentage of completion method, production costs plus an appropriate mark-up for profit based on the stage of completion are 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.

L Trade and other current receivables

Receivables are carried at nominal value after the deduction of any valuation adjustments. These valuation adjustments are determined on an individual basis and reflect any 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 exchange rate on the balance sheet date.

M 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.

N Other financial assets and liabilities

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

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

In the RHI Group, financial assets held for trading include derivative financial instruments in the form of forward exchange contracts as well as embedded derivatives in outstanding orders that are denominated in a currency 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 are recognized to the income statement under other income or expense. The underlying transactions for the derivatives are carried at amortized cost.

Financial liabilities classified under this valuation category are presented as other financial liabilities.

O Cash and cash equivalents

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

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

P 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. The related expenses are included under personnel costs; a provision is not required. The RHI Group has defined contribution plans in Great Britain, Ireland, Canada, the USA and in Austria.

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

For pension plans financed through external funds, the pension obligation is calculated according to the projected unit credit method and reduced by the plan assets. If the plan assets are not sufficient to cover the obligation, the net obligation is recognized as a liability under the 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 calculation of provisions for pensions is based on actuarial methods in accordance with IAS 19. The present value of future benefits is based on the length of service, expected wage/salary developments and pension adjustments.

The pension cost to be recognized for a particular period comprises the current service cost, interest expense and expected return on plan assets.

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

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

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

The expected long-term development of existing plan assets is determined specifically to the individual countries and depending on the fund structures as well as taking into account past experience values.

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

Provisions for termination benefits

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

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. These obligations are measured in accordance with IAS 19 using the projected unit credit method. Actuarial gains and losses are recorded directly to equity after the deduction of deferred taxes and shown in the statement of comprehensive income.

However, for all employment contracts beginning in Austria 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 similar to those for defined contribution pension plans and included under personnel expenses.

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

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

When a company has a legal obligation to pay service anniversary bonuses, the relevant provisions are calculated in accordance with the employees' length of service based on an interest rate from 3.3% to 3.5% (12/31/2011: 5.0%) and an increase by 2.0% to 2.9% (12/31/2011: 3.6%) in wages/salaries based on the projected unit credit method. Actuarial gains and losses are recognized to profit or loss in the period incurred.

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

Local labor laws and other similar regulations require certain Group companies to create provisions for part-time work for older employees. The discount rate amounts to 3.3% as of December 31, 2012 (12/31/2011: 5.0%).

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

Provisions for restructuring
Provisions for restructuring are created insofar as a detailed formal restructuring plan has been developed and announced.

Q 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.

R 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 income 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.

S Revenues and expenses

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

Revenue is 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.

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

T Discontinued operations

Discontinued operations comprise the Insulating Division, which was sold in 2006, and the remaining activities of the Waterproofing Division, which were sold in 2008. Results and cash flows related to these former business units are shown separately in accordance with IFRS 5.

U 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 Industrial segment comprises the glass, cement/lime, nonferrous metals and environment, energy and chemical industries. The Raw Materials segment covers the supply with raw materials throughout the Group. These raw materials are produced at the Group’s plants and sold within the Group at market price. This reporting unit reports to the CEO. The allocation of manufacturing cost variances to the Steel and Industrial Divisions is based on the supply flow. Research activities are managed centrally. R&D costs are allocated directly to the three divisions.

An income statement including operating results is available for each segment. The result from associates is allocated to the segments. The financial result and income taxes are not allocated.

Segment assets include trade receivables and inventories, which are available to the 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.

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.

The disclosures are made according to the preparation of the consolidated financial statements using the IFRS.

V Risk management

As RHI is a globally operating corporation, structured risk management plays an important role for corporate management. In the year 2009, a process was introduced which enables the responsible managers to record and evaluate risks and, since 2012, also opportunities in a decentralized system. Controlled and effective handling of risks and early identification of opportunities create added value for RHI, which goes far beyond legal requirements.

Participants in the risk management process work with professional software to record and assess risks and opportunities, with risks being measured based on probability of occurrence and the possible impact on the operating result of the RHI Group.

Central risk management is part of the finance department and responsible for the risk management process and its further development. It provides standardized methods and tools for the identification and assessment of risks throughout the Group. Risk areas (strategy, volume/sales, operations, supply chain, compliance and legal as well as corporate finance) and a variety of risks categories are defined to support risk participants in the identification of risks. Risk policy and risk management processes are laid down in a risk manual and are accessible to all employees on the intranet.

The current risk analysis shows the following risks which could have a significant effect of the assets and earnings situation of the Group:

Risk area: strategy

The RHI Group already generates 56% 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. As a result of the investments made to increase the self-sufficiency level for magnesia raw materials to 80%, there is a risk regarding falling prices of sintered and fused magnesia.

Risk area: volume/sales

The customer industries of the RHI Group show above-average sensitivity to economic fluctuations. In addition, growth in the developed countries will be below average in the future.

Risk area: operations

A decline in the utilization of existing capacities due to falling demand for refractory products, regional excess capacity and delayed full-load operation of the new fusion plant in Norway represent significant risks for the RHI Group. RHI tries to accomplish optimal utilization of the production capacity for the Group through an actively controlled dispatch of production orders. Moreover, any further tightening of emission restrictions represents a substantial risk.

Risk area: supply chain
Being a globally operating production company, RHI is exposed to the development in the global procurement markets. Especially price fluctuations in the raw material, energy and transport markets represent a significant risk factor for the Group. The RHI Group tries to balance out the volatilities in the procurement markets by concluding long-term supply contracts.

Risk area: compliance and legal
Risks emanating from non-compliance with internal guidelines or a violation of the fundamental values of the company cannot be ruled out and may entail both financial and reputational damage. Negative results of current tax proceedings and audits may lead to additional payments for the RHI Group. In addition, transfer price adjustments on the part of tax authorities or a change of existing business models may have a negative effect on the Group.

Risk area: corporate 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, which are hedged as far as possible through credit insurance and collateral arranged through banks (guarantees, letters of credit) and monitored continuously.

The Group's financial policy is based on long-term financial planning and is centrally controlled and monitored continuously at RHI. The 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 possibilities. In the year 2012, foreign exchange hedges were concluded to protect the company against risks in certain currencies.

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.

W US Chapter 11 proceedings
The Chapter 11 proceedings of the US companies North American Refractories Co., Harbison-Walker Refractories Co., AP Green Industries Inc. and Global Industrial Technologies Inc. (together with their subsidiaries the "ANH companies"), which were deconsolidated as of December 31, 2001, were completed positively at first instance in September and December 2007 with an approval of the reorganization plan and a confirmation of this plan. These companies are no longer considered to be subsidiaries of RHI AG because the Chapter 11 proceedings initiated by the companies in early 2002 do not permit RHI AG to exercise control.

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

In January 2005, RHI AG and its affiliates became beneficiaries with legal security of the channeling injunctions of the DII reorganization plan. This plan was approved by the competent court in the course of the Chapter 11 proceedings which DII filed for in late 2003. With the completion of the DII proceedings, all present and future asbestos and silica-based claims against the former RHI subsidiary Harbison-Walker were finally transferred with legal security to the DII trust funds. DII fulfilled its contractual obligations towards RHI on January 24, 2005 with a payment of USD 10.0 million. This represented the final settlement of a major part of the claims against former RHI companies in the USA. On December 18, 2007 the approval of the reorganization plan was confirmed, and the insurance companies lodged an appeal in due time. Due to an agreement with the plaintiffs, the NARCO appeal proceedings were stopped in the year 2010. In the GIT appeals proceedings the court ruled on May 4, 2011 to refer the case back to the first instance for the purpose of ascertaining further facts.

In the course of 2012, the ANH companies agreed on a settlement with all insurance companies that were successful in the appeals proceedings, against which settlement no objections were raised. The confirmation hearing was held on October 29, 2012 and the Insolvency Court issued its written opinion confirming the plan of reorganization on February 13, 2013. It is expected that the final resolution of the proceedings will occur in the second quarter of 2013.

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

X Discretionary decisions and estimates

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

Impairment of intangible assets and property, plant and equipment

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

Neither a 10% reduction in the estimated contribution margin nor a 10% increase in the discount rate would lead to an impairment of property, plant and equipment and intangible assets.

Impairment of goodwill

The effect of an adverse change by plus 10% in the interest rate or minus 10% in the contribution margin as estimated on December 31, 2012 would not result in an impairment charge to the recognized goodwill.

Provisions for pensions

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

The Group determines an appropriate interest rate at the end of each year. This interest rate is used to calculate the present value of the expected future cash outflows required to settle the obligation. The calculation of the interest rate is based on the interest rate for industrial or government bonds of the highest rating, which are denominated in the currency in which the benefits will be paid and whose term reflects the term of the pension obligation. Other key assumptions are based in part on market conditions. Additional explanations are provided under note (15).

If the interest rate differed by 25 percentage points from the estimates made by management, the present value of the pension obligations would be approx. € 8.8 million higher or approx. € 8.4 million lower. This change in the interest rate would have no immediate effect on the results because actuarial gains and losses are offset against reserves without recognition to profit and loss.

Deferred taxes

If future taxable profits during the planning period defined for the recognition and measurement of deferred taxes varied by 10% from the assumptions made as of the balance sheet date, the net position recognized for deferred taxes would presumably increase by € 0.5 million or decrease by € 1.5 million.

Other items

With respect to other balance sheet items, RHI currently assumes that changes in the estimates and assumptions will not have a material impact on the Group's assets, liabilities, financial position and profit or loss for the following financial year.

Y Group of consolidated companies

In addition to RHI AG, the consolidated financial statements include 78 subsidiaries, in which RHI AG directly or indirectly exercises management control.

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

The group of consolidated companies changed as follows during the reporting year:

	Full consolidation	Equity method
12/31/2011	**75**	**2**
Additions	5	0
Disposals	(1)	0
12/31/2012	**79**	**2**

The group of consolidated companies changed as follows during the prior year:

	Full consolidation	Equity method
12/31/2010	**72**	**3**
Additions	3	0
Disposals	0	(1)
12/31/2011	**75**	**2**

Fully consolidated subsidiaries

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 will keep 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 effective date for the initial consolidation is January 1, 2012. The amounts recognized at the date of acquisition were adjusted during the measurement period, for the last time in the fourth quarter of 2012. The fair value adjustments made in the second to fourth quarter led to a reduction of property, plant and equipment of € 1.2 million on the assets side and to an increase in other intangible assets by € 6.3 million. Inventories were reduced by € 0.4 million, trade and other current receivables by € 0.9 million, and cash and cash equivalents by € 0.2 million. On the liabilities side, deferred tax liabilities increased by € 1.2 million on the one hand; on the other hand, personnel provisions were reduced by € 2.7 million. In the area of current liabilities, the fair value adjustments led to an increase in current financial liabilities of € 0.5 million and an increase in trade and other current payables of € 0.9 million.

Based on the definitive fair values the total purchase price consists of the following components:

in € million	01/01/2012
Property, plant and equipment	4.5
Intangible assets	15.8
Deferred tax assets	0.4
Inventories	8.4
Trade and other current receivables	9.3
Other financial assets	0.3
Cash and cash equivalents	1.7
Deferred tax liabilities	(3.4)
Personnel provisions	(1.7)
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	**26.3**
Goodwill	2.6
Total purchase price	**28.9**

The total purchase price of € 28.9 million comprises 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 amounts to € 17.4 million. The pro-rata dividend entitlement of the former co-owner of the Stopinc Group for the financial year 2011 is 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 in the previous years, were recognized in profit and loss through the financial results in accordance with IFRS 3.42. The costs related to the acquisition amount to less than € 0.1 million.

The goodwill of € 2.6 million resulting from the acquisition reflects the expected strategic advantages for the Group resulting from the expansion of the product portfolio in the flow control segment. The goodwill recognized is not usable for tax purposes.

The gross carrying amount of the receivables acquired amounts to € 10.1 million at the acquisition date; the carrying amount is € 9.3 million (corresponds to fair value).

Stopinc AG and its subsidiaries contributed € 24.9 million to revenues and € (0.8) million to the profit after income taxes in the financial year 2012. The elimination of license fees creates an advantage for RHI AG.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.

Additions 2011

Premier Periclase Ltd.

On September 30, 2011, RHI acquired 100% of the shares in the Irish raw material producer Premier Periclase Ltd. ("PPL") via its subsidiary Dutch US Holding B.V., Arnhem, Netherlands. The company, which is based in Drogheda, produces seawater-based sinter and employed 109 people at the date of acquisition. As a result of the takeover of PPL, RHI has expanded the supply with its own raw materials further.

The preliminary fair values determined as of December 31, 2011 correspond to the final values. Therefore, no adjustment of the net assets acquired was necessary in the financial year 2012. An adjustment of the amounts recognized on a preliminary basis due to new findings in the course of the business development 2012 would have been possible until September 30, 2012 in accordance with IFRS 3.

The purchase price allocation based on the definitive fair values at the time of acquisition consisted of the following items:

in € million	09/30/2011
Property, plant and equipment	19.4
Inventories	6.0
Trade and other current receivables	7.3
Cash and cash equivalents	1.3
Deferred tax liabilities	(2.2)
Trade and other current payables	(5.5)
Income tax payables	(0.2)
Net assets acquired	**26.1**
Negative difference	(2.9)
Total purchase price	**23.2**

The total purchase price of € 23.2 million was paid in cash. The external acquisition-related costs and the costs of the M&A department amounting to approx. € 0.7 million were included in general and administration costs. The negative difference arising from capital consolidation due to an external expert opinion was recognized under other income and allocated to the Raw Materials Division.

The gross value of the receivables acquired corresponded to the fair value and amounts to € 7.3 million.

RHI Normag AS

As of September 30, 2011, Radex Vertriebsgesellschaft mbH, Leoben, Austria, acquired 100% of the shares in SMA Mineral Magnesia AS ("SMA"), Porsgrunn, Norway. The company, whose name was changed to RHI Normag AS on October 15, 2011, produces seawater-based magnesium hydroxide, which can be converted to fused magnesia. At the date of acquisition SMA employed 20 people. Through the purchase and the investments in the fusion lines, RHI will significantly increase the self-sufficiency level for magnesia raw materials when the plant is commissioned.

The purchase price allocation based on the definitive fair values is presented below:

in € million	09/30/2011
Property, plant and equipment	14.0
Intangible assets	0.1
Trade and other current receivables	2.2
Cash and cash equivalents	0.1
Deferred tax liabilities	(3.0)
Personnel provisions	(0.8)
Other non-current liabilities	(0.3)
Trade and other current payables	(1.5)
Net assets acquired	**10.8**
Goodwill	2.3
Total purchase price	**13.1**

In the year 2011, € 11.3 million of the total purchase price were paid in cash and a purchase consideration of approx. € 1.8 million recognized as a liability, which is dependent on compliance with legal and contractual environmental requirements. In the financial year 2012, € 1.6 million of the purchase consideration were settled; the remaining amount is due in the year 2013. External acquisition-related costs and costs of the M&A department totaled approx. € 0.2 million and were included in general and administration costs.

The goodwill of € 2.3 million arising from the acquisition largely reflects the expected strategic advantages for the Group, which result from increasing the level of self-supply with raw materials. The goodwill shown is not deductible for income tax purposes.

The gross amount of the receivables acquired corresponded to the fair value and amounts to € 2.2 million.

CJSC "RHI Podolsk Refractories"

On June 16, 2011, Radex Vetriebsgesellschaft mbH, Leoben, Austria, acquired the remaining 76.5% in the Russian company CJSC "Podolsk Refractories" ("Podolsk") based in Moscow. The RHI Group thus holds 100% of the shares and exercises control over this entity, which resulted in a change in accounting from the acquisition cost method to full consolidation. On September 7, 2011 a decision was adopted to change the company name to CJSC "RHI Podolsk Refractories". The primary business activity of this company covers the manufacturing of refractory products which are used in the glass industry. Podolsk had 224 employees at the date of acquisition. Due to the acquisition and integration of Podolsk, RHI expects to be able to further expand its position in the Russian market.

For reasons of simplification, July 1, 2011 was selected as the date of the initial inclusion in the group consolidated of consolidated companies of RHI. The allocation of the purchase price based on the determined definitive fair values at the date of acquisition is shown below:

in € million	07/01/2011
Property, plant and equipment	5.6
Inventories	2.2
Trade and other current receivables	2.3
Cash and cash equivalents	0.5
Deferred tax liabilities	(0.6)
Current financial liabilities	(0.3)
Trade and other current payables	(4.0)
Net assets acquired	**5.7**
Goodwill	0.6
Total purchase price	**6.3**

The total purchase consideration of € 6.3 million comprised the acquisition costs of the previously held 23.5% share of € 1.4 million, a consideration in cash of € 3.4 million transferred in June 2011 and the contingent consideration of € 1.5 million. RHI expects to pay the maximum amount under the contingent consideration arrangement to the former owner. The payment will be due in 2013 and is primarily dependent on the local management remaining with the acquired company. Acquisition-related costs in the total amount of approx. € 0.6 million were recognized in the general and administration costs in the years 2010 and 2011.

The goodwill of € 0.6 million arising from the acquisition consists largely of expected synergies regarding the sale of refractory products in the Russian market. The goodwill is not deductible for income tax purposes.

The result from the fair value adjustment of the previously held equity interests amounted to less than € 0.1 million and was not recognized due to immateriality.

The gross carrying amount of the receivables acquired was € 2.5 million at the acquisition date, and the net carrying amount amounted to € 2.3 million (equivalent to the fair value).

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 shown under income from restructuring and consists of the following items:

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**

Companies consolidated at equity

Dolomite di Montignoso S.p.A., Genoa, Italy, which had been consolidated at equity, was deconsolidated as of February 10, 2011 as a result of being sold. This sale had no material effect on the assets, liabilities, financial position and profit or loss of the RHI Group.

Subsidiaries not included in the consolidation

In the reporting period, four (12/31/2011: two) subsidiaries were not included in the consolidated financial statements because their influence on the Group's assets, liabilities, financial position and profit or loss as well as its cash flows is considered to be immaterial.

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

The companies in which RHI AG holds a share and the group of consolidated companies are shown under note (47).

Notes on the Individual Items of the Statement of Financial Position

Assets

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

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

(1) Property, plant and equipment
Property, plant and equipment developed as follows during 2012:

in € million	Real estate, land and buildings	Raw material deposits	Technical equipment and machinery	Other plant and office equipment	Prepayments made and plant under construction	Total
Cost at 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 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 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**

Property, plant and equipment developed as follows during 2011:

in € million	Real estate, land and buildings	Raw material deposits	Technical equipment and machinery	Other plant and office equipment	Prepayments made and plant under construction	Total
Cost at 12/31/2010	360.6	32.0	735.4	219.1	18.8	1,365.9
Currency translation	1.8	0.0	1.6	1.6	0.3	5.3
Additions to consolidated companies	22.7	0.0	14.7	1.6	0.0	39.0
Additions	5.1	0.0	17.5	9.5	51.0	83.1
Retirements and disposals	(6.3)	0.0	(33.1)	(5.0)	0.0	(44.4)
Reclassifications	1.9	0.0	12.0	2.0	(16.3)	(0.4)
Cost at 12/31/2011	**385.8**	**32.0**	**748.1**	**228.8**	**53.8**	**1,448.5**
Accumulated depreciation at 12/31/2010	208.6	23.3	536.8	161.0	0.0	929.7
Currency translation	0.5	0.0	(1.5)	0.8	0.0	(0.2)
Depreciation charges	8.5	0.4	26.0	11.7	0.0	46.6
Reversal of impairment losses	(0.6)	0.0	(0.1)	0.0	0.0	(0.7)
Retirements and disposals	(5.7)	0.0	(28.6)	(4.7)	0.0	(39.0)
Accumulated depreciation at 12/31/2011	**211.3**	**23.7**	**532.6**	**168.8**	**0.0**	**936.4**
Carrying amounts at 12/31/2011	**174.5**	**8.3**	**215.5**	**60.0**	**53.8**	**512.1**

Of the additions to property, plant and equipment amounting to € 163.2 million in the financial year 2012, € 81.3 million are related to investment in the raw material smelter in Norway.

In the financial year 2012, borrowing costs of € 1.6 million (2011: € 0.6 million) were capitalized for qualifying assets.

Depreciation charges on property, plant and equipment are included in the income statement items cost of sales with € 49.7 million (2011: € 43.6 million), sales and marketing costs with € 1.8 million (2011: € 1.4 million) and general and administration costs with roughly € 1.4 million (2011: € 1.6 million). Impairment losses amounting to € 1.5 million (2011: € 0.0 million) are included in restructuring costs and allocated to the steel segment in their entirety. Reversals of impairment losses of € 1.8 million are shown in other income. Of this total, the Steel segment accounts for approx. € 0.3 million and the Industrial segment for approx. € 1.5 million. In the previous year, reversals of impairment losses amounting to € 0.7 million were recognized in the item income from restructuring and allocated to the Steel segment.

The income statement includes rental and lease payments for leased property, plant and equipment (operating leases) totaling € 24.3 million (2011: € 22.5 million).

Real estate, land and buildings of a carrying amount of € 6.1 million (12/31/2011: € 5.8 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 is estimated at € 10.3 million (12/31/2011: € 13.8 million).

At December 31, 2012 no real estate is limited in its marketability by its commitment as collateral for loans (12/31/2011: € 20.2 million).

(2) Goodwill
Goodwill developed as follows:

in € million	2012	2011
Goodwill at beginning of year	**17.2**	**14.4**
Currency translation	0.2	(0.1)
Additions to consolidated companies	2.6	2.9
Goodwill at year-end	**20.0**	**17.2**

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	12/31/2012	12/31/2011
Steel / Linings	10.0	10.4
Steel / Flow Control	5.9	2.9
Glass	0.6	0.6
Cement / Lime	0.5	0.5
Nonferrous metals	0.2	0.1
Environment, Energy, Chemicals	0.3	0.3
Raw Materials	2.5	2.4
Goodwill	**20.0**	**17.2**

(3) Other intangible assets
Other intangible assets changed as follows in the financial year 2012:

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 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 depreciation at 12/31/2012	**16.4**	**51.5**	**67.9**
Carrying amounts at 12/31/2012	**12.3**	**46.7**	**59.0**

Other intangible assets changed as follows in the previous year:

in € million	Internally generated intangible assets	Other intangible assets	Total
Cost at 12/31/2010	21.9	76.4	98.3
Currency translation	(0.1)	1.2	1.1
Additions to consolidated companies	0.0	0.1	0.1
Additions	3.2	3.9	7.1
Retirements and disposals	(0.1)	(1.2)	(1.3)
Reclassifications	0.0	0.4	0.4
Cost at 12/31/2011	**24.9**	**80.8**	**105.7**
Accumulated amortization at 12/31/2010	11.5	42.1	53.6
Currency translation	(0.1)	0.3	0.2
Amortization charges	2.2	4.9	7.1
Impairment losses	0.2	0.0	0.2
Retirements and disposals	(0.1)	(1.2)	(1.3)
Accumulated amortization at 12/31/2011	**13.7**	**46.1**	**59.8**
Carrying amounts at 12/31/2011	**11.2**	**34.7**	**45.9**

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

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

Amortization charges on intangible assets are included in the income statement items cost of sales with € 3.3 million (2011: € 3.0 million), sales and marketing costs with € 1.4 million (2011: € 0.1 million) and general and administration costs with roughly € 4.2 million (2011: € 4.0 million). Impairment losses amounting to € 0.3 million (2011: € 0.2 million) are included in the item general and administration costs.

Expenses recognized for research and development in 2012 totaled € 19.0 million (2011: € 19.2 million).

(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	2012	2011
Carrying amount at beginning of year	**14.5**	**15.5**
Share in profit	5.3	5.5
Dividends	(5.5)	(6.6)
Other changes in value (after taxes)	(0.2)	0.1
Carrying amount at year-end	**14.1**	**14.5**

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

Summarized financial information (not adjusted to reflect the percentage of ownership of the RHI companies) is as follows: assets € 24.8 million (12/31/2011: € 25.6 million), liabilities € 6.4 million (12/31/2011: € 6.4 million), revenues € 30.0 million (2011: € 29.5 million) and profit € 10.7 million (2011: € 11.0 million).

(5) Other non-current financial assets
The other non-current financial assets shown on the balance sheet comprise the following:

in € million	12/31/2012	12/31/2011
Investments - available for sale	0.4	12.0
Securities - available for sale	31.4	29.7
Other non-current financial assets	**31.8**	**41.7**

Stopinc AG, Hünenberg, Switzerland, in which the subsidiary Didier-Werke AG, Wiesbaden, Germany, holds a stake of 50%, was carried at fair value in accordance with IAS 39 until initial full consolidation as of January 01, 2012. The measurement as of December 31 of the previous year was based on the purchase price of the remaining 50% share in the company, which was acquired by Radex Vertriebsgesellschaft mbH, Leoben.

The impairment losses recognized to financial assets available for sale amount to € € 2.4 million at December 31, 2012 (12/31/2011: € 4.0 million).

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

in € million	12/31/2012	12/31/2011
Prepaid expenses for stripping costs	7.1	7.0
Net position plan assets from pension obligations	0.9	1.7
Other non-current receivables	2.7	2.3
Other non-current assets	**10.7**	**11.0**

Prepaid expenses for stripping costs arising from the development of a surface mine amounting to € 7.1 million (12/31/2011: € 7.0 million) are shown in non-current assets due to the planned use of the mine.

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

in € million	12/31/2012	12/31/2011
Deferred tax assets	119.5	105.7
Deferred tax liabilities	(9.1)	(10.9)
Net position	**110.4**	**94.8**

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

in € million	2012	2011
Net position at beginning of year	**94.8**	**95.2**
Currency translation	0.0	(1.0)
Additions to consolidated companies	(3.0)	(5.8)
Change to income statement	6.5	10.5
Recording without recognition through profit or loss	12.1	(4.1)
Net position at year-end	**110.4**	**94.8**

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

in € million	Tax loss carryforwards	Non-current assets	Personnel provisions	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)	0.2	(0.3)	0.2	(3.0)
Disposals of consolidated companies	(1.5)	1.5	0.0	0.0	0.0	0.0
Change to income statement	(2.1)	1.8	0.1	0.6	6.1	6.5
Recording without recognition through profit or loss	0.0	0.0	12.1	0.0	0.0	12.1
Tax rate changes	0.0	0.0	0.1	0.0	(0.1)	0.0
12/31/2012	**88.6**	**(39.0)**	**48.7**	**6.5**	**5.6**	**110.4**

in € million	Tax loss carryforwards	Non-current assets	Personnel provisions	Other provisions	Other	Total
12/31/2010	**73.7**	**(30.8)**	**40.0**	**6.5**	**5.8**	**95.2**
Currency translation	(0.4)	0.3	(0.4)	0.0	(0.5)	(1.0)
Additions to consolidated companies	0.7	(6.2)	0.2	0.0	(0.5)	(5.8)
Change to income statement	17.9	(2.1)	0.3	(0.3)	(5.3)	10.5
Recording without recognition through profit or loss	0.0	0.0	(4.1)	0.0	0.0	(4.1)
12/31/2011	**91.9**	**(38.8)**	**36.0**	**6.2**	**(0.5)**	**94.8**

As of December 31, 2012 subsidiaries that reported losses for the past year recognized net deferred tax assets totaling € 3.5 million (12/31/2011: € 2.9 million) on temporary differences and tax loss carryforwards. These assets are considered to be unimpaired because the companies concerned are expected to generate taxable income in the future.

Tax loss carryforwards in the RHI Group totaled € 518.6 million as of December 31, 2012 (12/31/2011: € 584.0 million). Deferred taxes were not recorded on € 169.1 million (12/31/2011: € 221.6 million). The main portion of the unrecognized tax losses can be carried forward indefinitely. Approximately € 2.1 million can be used until the year 2014 and € 5.2 million until 2015. Approximately € 30.1 million will lapse at the earliest in the year 2026.

Deferred tax assets were not recognized on temporary differences of € 3.6 million (12/31/2011: € 9.0 million) as it is not sufficiently probable that they can be used.

Taxable temporary differences of € 47.7 million (12/31/2011: € 14.0 million) and deductible temporary differences € 102.9 million (12/31/2011: € 77.2 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.

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

in € million	12/31/2012	12/31/2011
Raw materials and supplies	103.1	120.3
Unfinished products	115.0	95.5
Finished products and goods	196.5	201.3
Prepayments made	8.6	9.4
Inventories	**423.2**	**426.5**

Inventories recognized by the RHI Group amounted to € 423.2 million as of December 31, 2012 (12/31/2011: € 426.5 million). Of this total, roughly € 2.5 million (12/31/2011: € 4.5 million) were carried at net realizable value. Impairment losses recognized during the financial year 2012, netted out against reversals of impairment losses, amount to approx. € 7.5 million (2011: € 0.1 million).

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

in € million	12/31/2012	12/31/2011
Trade receivables	263.0	280.9
Receivables from long-term construction contracts	3.3	4.6
Receivables from associates	0.5	0.5
Other current receivables	85.1	75.0
Trade and other current receivables	**351.9**	**361.0**

Other current receivables comprise the following:

in € million	12/31/2012	12/31/2011
Taxes other than income taxes	62.5	54.0
Receivables employees	1.0	0.8
Prepaid expenses	2.6	1.5
Other	19.0	18.7
Other current receivables	**85.1**	**75.0**

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

RHI AG has sold trade receivables to an Austrian financial institution at an amount equal to the coverage provided by credit insurance. The balance sold equaled € 65.7 million as of December 31, 2012 (12/31/2011: € 68.9 million). This transaction also involved the transfer of default and foreign exchange risk on the sold receivables from RHI to the buyer. In accordance with the provisions of IAS 39, this sale was recorded as a derecognition of receivables on the Group’s balance sheet.

Trade receivables with a total nominal value of € 34.0 million were assigned for financial liabilities as of December 31, 2012 (12/31/2011: € 34.0 million).

For long-term construction contracts from current projects, cost incurred until December 31, 2012 amounting to € 19.2 million (12/31/2011: € 10.1 million) and contributions to earnings amounting to € 21.2 million (12/31/2011: € 4.0 million) were offset against prepayments received of € 37.1 million (12/31/2011: € 9.5 million), resulting in receivables from long-term construction contracts for projects not invoiced by the balance sheet date of € 3.3 million (12/31/2011: € 4.6 million).

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

in € million	2012	2011
Accumulated valuation adjustments at beginning of year	**15.7**	**11.7**
Currency translation	(0.1)	(0.1)
Additions to consolidated companies	0.8	0.2
Addition	6.1	6.5
Use	(0.5)	(0.6)
Reversal	(7.0)	(2.0)
Accumulated valuation adjustments at year-end	**15.0**	**15.7**

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

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

in € million	12/31/2012	12/31/2011
Segment Steel	177.6	204.3
Segment Industrial	83.5	72.4
Segment Raw Materials	5.2	8.8
Trade receivables and receivables from construction contracts	266.3	285.5
Credit insurance and bank guarantees	(175.8)	(199.9)
Net credit exposure	**90.5**	**85.6**

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

in € million	12/31/2012	12/31/2011
US dollar	77.7	66.3
Pound sterling	3.4	2.6
Other currencies	2.2	2.7
Other functional currencies	183.0	213.9
Trade receivables and receivables from construction contracts	**266.3**	**285.5**

The classification of receivables by days outstanding is as follows:

in € million	12/31/2012	12/31/2011
Neither impaired nor past due at balance sheet date	211.3	239.8
Not impaired at balance sheet date and past due in the following time frames		
Less than 30 days	30.0	29.4
Between 30 and 59 days	9.3	8.7
Between 60 and 89 days	3.5	4.1
More than 90 days	12.2	3.5
Trade receivables and receivables from construction contracts	**266.3**	**285.5**

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

Valuation adjustments were not recognized for receivables of € 55.0 million (12/31/2011: € 45.7 million) that were overdue as of the balance sheet date because the risk of default was mainly covered by credit insurance as well as bank guarantees and letters of credit.

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

in € million	12/31/2012	12/31/2011
Shares - available for sale	1.6	1.6
Financial assets - held for trading	0.1	1.2
Other financial assets	**1.7**	**2.8**

Other financial liabilities classified as held for trading amount to € 2.3 million (12/31/2011: € 0.3 million). This item essentially shows the fair value of the following forward exchange contracts (including non-deliverable forward contracts):

	Nominal value in million	Market value in € million
INR purchase / EUR sale	INR 2,626.5	(1.1)
EUR purchase / CNY sale	EUR 45.2	(0.3)
EUR purchase / INR sale	EUR 5.7	(0.1)
EUR purchase / CAD sale	CAD 2.1	(0.1)
CAD purchase / EUR sale	CAD 2.1	0.0
USD purchase / CNY sale	USD 50.8	0.0
Forward exchange contracts		**(1.6)**

At December 31, 2011 no forward exchange contracts had been concluded.

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

in € million	12/31/2012	12/31/2011
Cash on hand	0.1	0.1
Cheques	0.5	1.2
Cash at banks	185.1	143.2
Cash and cash equivalents	**185.7**	**144.5**

Foreign exchange regulations in various countries restrict the use of cash and cash equivalents totaling € 6.1 million (12/31/2011: € 2.8 million).

Equity and Liabilities

(12) Equity
Share capital
The share capital of RHI AG totaled € 289,376,212.84 and is comprised 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.

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

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, 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.

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.

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 currently prohibited by law. The reserve for the convertible bonds totaled € 11.3 million, unchanged compared to the previous year.

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

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

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

This item also contains goodwill arising from the elimination of the investment and equity in subsidiaries and associates, which arose before 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.

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

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

In the financial year 2012, dividends for the year 2011 totaling € 29.9 million were paid on the basis of a resolution by the Annual General Meeting on May 5, 2012. This corresponded to a dividend of € 0.75 per share.

Non-controlling interests
The item non-controlling interests essentially comprises the minority interest in the net assets of FC Technik AG, Winterthur, Switzerland.

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

Equity amounted to € 480.5 million and increased by € 41.6 million in comparison with the previous year. With a balance sheet total of € 1.850.3 million (12/31/2011: € 1.689.9 million), the equity ratio amounts to 26.0% at December 31, 2012 (12/31/2011: 26.0%).

Capital management is controlled by net gearing, which is defined as net debt divided by equity. Interest-bearing net debt represents interest-bearing liabilities (including obligations for pensions, termination payments and anniversary bonuses) minus interest-bearing assets. Net Gearing in relation to equity rose from 147.3% to 155.0% in 2012. Not taking into account non-current personnel provisions, net gearing deteriorated from 82.4% to 87.1%.

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

(14) Financial liabilities
Financial liabilities include all interest-bearing liabilities of the RHI Group 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	12/31/2012	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**

	Total	Remaining term		
in € million	12/31/2011	up to 1 year	2 to 5 years	over 5 years
Liabilities to financial institutions	471.1	212.4	196.5	62.2
Other loans	34.9	7.9	11.9	15.1
Financial liabilities	**506.0**	**220.3**	**208.4**	**77.3**

In the year 2012, RHI 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.

Approx. 32% of the liabilities to financial institutions (including "Schuldscheindarlehen") amounting to € 570.9 million carry fixed interest and 68% carry variable interest.

The following table shows interest commitments and conditions in detail:

Interest terms fixed until	Effective annual interest rate	Currency	12/31/2012 Carrying amount in € million	Interest terms fixed until	Effective annual interest rate	Currency	12/31/2011 Carrying amount in € million
2013	EURIBOR + margin	EUR	251.0	2012	EURIBOR + margin	EUR	142.7
	LIBOR + margin	CAD	45.7		LIBOR + margin	CAD	45.4
	Variable interest rate + margin	EUR	34.0		Variable interest rate + margin	EUR	34.0
	LIBOR + margin	USD	16.8		LIBOR + margin	USD	10.0
	8.16%	CLP	2.0		6.36%	CLP	1.8
	2.54% + margin	EUR	46.5		2.18% + margin	EUR	10.0
	ECB interest rate + margin	EUR	10.0		ECB interest rate + margin	EUR	10.0
	Interest rate + margin	EUR	31.1		Interbank rate + margin	BRL	5.5
	6.20% + margin	CNY	3.7		Interbank rate + margin	Various	1.9
	Interbank rate + margin	INR	1.4	2013	2.54% + margin	EUR	93.1
	1.50%	EUR	0.3		1.50%	EUR	0.9
2015	3.45%	EUR	12.0				
	0.75% + margin	EUR	5.0	2015	3.45%	EUR	12.0
2019	3.25% + margin	EUR	24.0	2019	2.50% + margin	EUR	25.0
	3.15%	EUR	16.0		3.25% + margin	EUR	24.0
	1.46% + margin	EUR	10.0		3.15%	EUR	16.0
	1.42% + margin	EUR	3.0	2020	3.15% + margin	EUR	38.8
2020	3.15% + margin	EUR	38.8				
	3.90% + margin	EUR	13.6				
2022	4.50%	EUR	6.0				
			570.9				**471.1**

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 € 330.3 million (12/31/2011: € 328.4 million).

In the financial liabilities recognized at December 31, 2012, € 34.0 million were secured by assignment of receivables, unchanged in comparison with the previous year. In addition, € 114.3 million were secured by pledges of shares and stakes in different group companies, mortgages of land as well as pledges of Austrian trademark and patent rights. These collaterals were released by the banks and trademark representatives. The entries in the land registers were deleted.

(15) Personnel provisions

Personnel provisions include the following provisions:

in € million	12/31/2012	12/31/2011
Pensions	253.7	220.0
Termination benefits	57.7	51.4
Other personnel provisions	19.2	18.5
Personnel provisions	**330.6**	**289.9**

Provisions for pensions

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

	12/31/2012	12/31/2011
Interest rate euro zone	3.3% - 3.5%	5.0%
Interest rate non-euro zone	2.0% - 6.75%	4.25% - 7.5%
Expected yield on plan assets	2.6% - 6.75%	3.0% - 7.5%
Salary increase	2.0% - 4.75%	3.0% - 4.75%
Pension increase	2.0% - 4.25%	2.0% - 4.25%
Discounts for employee turnover	0 – 5.0%	0 - 5.0%
Retirement age	55 - 65 years	55 – 65 years
Mortality tables		
Austria	AVÖ-P 2008, Ang	AVÖ-P 2008, Ang
Germany	Heubeck 2005 G	Heubeck 2005 G
USA	RP2000	RP2000

The following table shows the development of provisions for the financial year 2012 and the previous year:

in € million	2012	2011
Provisions for pensions at beginning of year	**220.0**	**237.4**
Currency translation	0.4	(0.7)
Additions to consolidated companies	1.7	0.8
Pension cost	15.2	14.0
Actuarial losses/(gains)	40.1	(11.3)
Benefits paid	(17.8)	(18.1)
Contributions to external funds	(5.0)	(3.8)
Reclassification to other non-current assets	(0.9)	1.7
Provisions for pensions at year-end	**253.7**	**220.0**

The pension obligations as a net position resulting from obligations and the fair value of plan assets are shown below:

in € million	12/31/2012	12/31/2011
Present value of unfunded pension obligations	224.7	201.0
Present value of wholly or partly funded pension obligations	115.1	88.5
Fair value of plan assets	(87.0)	(71.2)
Pension obligations	**252.8**	**218.3**

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

in € million	2012	2011
Present value of pension obligations at beginning of year	**289.5**	**304.0**
Currency translation	1.3	(0.5)
Additions to consolidated companies	15.8	1.3
Current service cost	3.6	3.1
Interest cost	14.7	13.7
Actuarial losses/(gains)	40.6	(8.0)
Benefits paid	(26.1)	(24.1)
Employee contributions	0.4	0.0
Present value of pension obligations at year-end	**339.8**	**289.5**

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

in € million	2012	2011
Fair value of plan assets at beginning of year	**71.2**	**66.6**
Currency translation	1.0	0.2
Additions to consolidated companies	14.1	0.5
Expected return on plan assets	3.1	2.8
Actuarial gains	0.5	3.3
Benefits paid	(8.3)	(6.0)
Employers' contributions	5.0	3.8
Employee contributions	0.4	0.0
Fair value of plan assets at year-end	**87.0**	**71.2**

External fund assets are composed as follows:

in %	12/31/2012	12/31/2011
Insurance	38	48
Shares	6	6
Fixed-interest securities	50	45
Real property	3	0
Other assets	3	1
	100	**100**

The actual income from the external fund assets equals € 3.6 million (2011: € 6.1 million).

The expected payments for 2013 amounting to € 21.8 million include the planned funding of plan assets as well as the payment of benefits not covered by the corresponding reimbursements from plan assets.

The following amounts were recognized in the income statement:

in € million	2012	2011
Current service cost	3.6	3.1
Interest cost	14.7	13.7
Expected return on plan assets	(3.1)	(2.8)
Pension cost	**15.2**	**14.0**

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

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

in € million	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008
Present value of pension obligations	339.8	289.5	304.0	286.2	285.9
Fair value of plan assets	(87.0)	(71.2)	(66.6)	(63.4)	(61.3)
Deficit	**252.8**	**218.3**	**237.4**	**222.8**	**224.6**

The actuarial losses recognized directly in equity are shown below:

in € million	2012	2011
Actuarial losses at beginning of year	**38.8**	**50.1**
Losses/(gains) of the year		
RHI AG and subsidiaries	40.1	(11.3)
Associates	0.1	0.0
Actuarial losses at year-end	**79.0**	**38.8**

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

in %	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008
Gains/(losses) in % of the present value of the obligation	0.0	0.6	0.2	(0.4)	0.8
Gains/(losses) in % of plan assets	0.6	4.6	0.9	2.1	(5.2)

Provisions for termination benefits

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

	12/31/2012	12/31/2011
Interest rate euro zone	3.5%	5.0%
Interest rate non-euro zone	5.5% - 6.75%	6.3% - 8.25%
Salary increase	3.0% - 5.75%	3.0% - 6.25%
Discounts for employee turnover	0 – 4.0%	0 – 4.0%
Retirement age	55 – 65 years	55 – 65 years
Mortality tables		
Austria	AVÖ-P 2008, Ang	AVÖ-P 2008, Ang
Italy	RG48	RG48

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

in € million	2012	2011
Present value of termination benefit obligations at beginning of year	**51.4**	**51.9**
Currency translation	0.1	(0.3)
Disposals of consolidated companies	(0.1)	0.0
Current service cost	1.7	1.9
Interest cost	2.6	2.4
Actuarial losses/(gains)	4.2	(3.3)
Benefits paid	(2.2)	(1.2)
Present value of termination benefit obligations at year-end	**57.7**	**51.4**

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

Payments for termination benefits are expected to total € 1.8 million for the year 2013.

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

in € million	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008
Present value of termination benefit obligations	57.7	51.4	51.9	46.5	49.9

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

in € million	2012	2011
Actuarial losses at beginning of year	**13.6**	**17.0**
Losses/(gains) of the year		
RHI AG and subsidiaries	4.2	(3.3)
Associates	0.1	(0.1)
Actuarial losses at year-end	**17.9**	**13.6**

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

in %	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008
Gains/(losses) in % of the present value of the obligation	1.6	0.8	(1.3)	0.2	(1.8)

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

in € million	Service anniversary bonuses	Lump-sum settlements	Payments to semi-retirees	Total
12/31/2011	**13.5**	**0.8**	**4.2**	**18.5**
Use	(1.3)	(0.3)	(3.9)	(5.5)
Reversal	(0.1)	(0.1)	0.0	(0.2)
Addition	2.6	0.7	3.1	6.4
12/31/2012	**14.7**	**1.1**	**3.4**	**19.2**

(16) Other non-current provisions
The non-current provisions included in the balance sheet amounting to € 3.7 million (12/31/2011: € 3.5 million) are comprised primarily of provisions for the demolition and disposal of buildings and plant that are outdated or no longer required, and are based on legal obligations. These obligations are carried at the expected amount required for settlement because the interest effect that would result from discounting is considered immaterial. These provisions are currently not expected to be used in the following year.

(17) Other non-current liabilities
Other non-current liabilities of € 5.2 million (12/31/2011: € 7.5 million) essentially include deferred income for subsidies received from third parties of € 4.4 million (12/31/2011: € 4.5 million). These subsidies are designed primarily to support capital expenditure. The grantors of the subsidies were provided with proof of compliance with the required conditions, which include certain investment volumes or creation and maintenance of jobs.

(18) Trade and other current payables

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

in € million	12/31/2012	12/31/2011
Trade payables	181.1	209.6
Prepayments received on orders	28.8	28.6
Accounts payable to associates	0.1	0.2
Other current payables	100.7	93.4
Trade and other current payables	**310.7**	**331.8**

Other current payables comprise the following items:

in € million	12/31/2012	12/31/2011
Taxes other than income taxes	14.1	14.6
Liabilities employees	54.3	47.3
Payables from commissions	8.7	7.8
Purchase price liability for Share Purchase Agreement	1.5	1.5
Other	22.1	22.2
Other current payables	**100.7**	**93.4**

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.

(19) Current provisions

The following table shows the development of current provisions:

in € million	Demolition and disposal costs, environmental damages	Warranties	Guarantees provided	Claims for compen-sation	Restructuring costs, other	Total
12/31/2011	**4.9**	**15.3**	**20.7**	**21.7**	**9.4**	**72.0**
Currency translation	0.0	(0.1)	0.0	0.0	0.3	0.2
Disposals of consolidated companies	0.0	0.0	0.0	0.0	(6.3)	(6.3)
Use	(0.8)	(8.5)	0.0	0.0	(1.2)	(10.5)
Reversal	0.0	0.0	(0.4)	(0.3)	(0.5)	(1.2)
Addition	1.5	9.0	0.0	0.0	0.8	11.3
12/31/2012	**5.6**	**15.7**	**20.3**	**21.4**	**2.5**	**65.5**

The item demolition and disposal costs, environmental damages essentially consists of recultivation and similar obligations.

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

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

The item claims for compensation shows provisions for possible claims arising from contractual or constructive obligations to provide compensation for damages or similar payments.

The item restructuring costs, other includes provisions for restructuring, which predominantly consist of obligations to employees for the termination of employment and expenses for demolition costs, as well as several individually immaterial provisions, which cannot be allocated to any of the other provision categories.

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

in € million	12/31/2012	12/31/2011
Liabilities from sureties	1.3	4.5
Liabilities from guarantees	25.3	25.3
Contingent liabilities	**26.6**	**29.8**

Contingent liabilities at December 31, 2012 contain contingent liabilities for discontinued operations amounting to € 1.1 million (12/31/2011: € 1.4 million).

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

	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**

	Total	Remaining term		
in € million	12/31/2011	up to 1 year	2 to 5 years	over 5 years
Obligations from rental and leasing contracts	58.4	11.3	31.8	15.3
Capital commitments	8.2	8.2	0.0	0.0
Miscellaneous financial obligations	12.4	2.6	9.8	0.0
Other financial obligations	**79.0**	**22.1**	**41.6**	**15.3**

Rental and leasing obligations are comprised primarily of obligations arising from rental contracts for plant buildings and offices as well as leases for office furnishings and motor vehicles. As a rule the term of leasing contracts amounts to three to seven years.

The reduction of miscellaneous financial obligations compared to the previous year predominantly results from the elimination of license obligations vis-à-vis Stopinc AG, Hünenberg, Switzerland, which was included in the group of fully consolidated companies in the year 2012.

Notes on Individual Items of the Income Statement

(22) Revenues
Revenues are classified as follows:

in € million	2012	2011
Revenues from the sale of goods and the rendering of services	1,749.8	1,701.0
Revenues from long-term construction contracts	85.9	57.6
Revenues	**1,835.7**	**1,758.6**

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

(24) 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 distribution services and units.

(25) General and administration costs
General and administration costs consist primarily of personnel expenses for the administrative functions as well as expenses for research and non-capitalizable development costs as well as legal and consulting costs.

(26) Other income
The individual components of this item are shown in the following table:

in € million	2012	2011
Income from the disposal of assets	7.7	3.8
Income from the reversal of impairment losses of property, plant and equipment	1.8	0.0
Negative difference Premier Periclase Ltd.	0.0	2.9
Miscellaneous income	3.0	3.7
Other income	**12.5**	**10.4**

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.

(27) Other expenses
Other expenses include:

in € million	2012	2011
Losses from the disposal of assets	(0.7)	(0.4)
Foreign exchange result	(8.0)	(5.3)
Result from derivative financial instruments	(4.1)	1.2
Miscellaneous expenses	(2.8)	(1.0)
Other expenses	**(15.6)**	**(5.5)**

The foreign exchange result 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.

(28) Income from restructuring

The item income from restructuring includes the result of the sale of the shares held in the South African company RHI Isithebe (Pty) Limited, Sandton, which was carried out in July of 2012. In the previous year, € 4.9 million were realized through the sale of the Canadian plant Bécancour and the reversal of provisions for the close-down of the plant in Soufflenheim, France.

(29) Restructuring expenses

In the financial year 2012, personnel costs and impairment losses of property, plant and equipment of € 3.9 million were recognized for the partial closure of the ISO product line at the plant in Bonnybridge, Great Britain. In the previous year, expenses of € 2.6 million were incurred for the raw material plant in South Africa.

(30) Interest income

This item includes interest on cash at banks and similar income amounting to € 1.9 million (2011: € 1.2 million), income from impaired securities of € 0.7 million (2011: € 0.0 million) as well as other of € 0.7 million (2011: € 0.3 million).

(31) Other financial results

The other financial results are classified as follows:

in € million	2012	2011
Realized gains on financial instruments classified as available for sale	7.1	0.0
Income from investments	0.0	0.8
Reversal of impairment losses of financial assets	1.6	0.2
Expected return on plan assets	3.1	2.8
Interest expense for personnel provisions	(17.9)	(16.7)
Other financial results	**(6.1)**	**(12.9)**

(32) Income taxes

Income taxes in the Group consist of the following items:

in € million	2012	2011
Current tax expense	44.6	15.2
Deferred tax (income)/expense relating to		
temporary differences	(8.6)	7.4
tax loss carryforwards	2.1	(17.9)
	(6.5)	(10.5)
Income taxes	**38.1**	**4.7**

The arithmetic income tax expense, which would result from the application of the Austrian corporate tax rate of 25% on the profit before tax from continuing operations, amounts to € 37.9 million (2011: € 31.4 million). The reasons for the difference between the arithmetic income tax and the income tax reported are shown below:

in € million	2012	2011
Profit before income taxes	**151.6**	**125.5**
Arithmetic tax expense	**37.9**	**31.4**
Different foreign tax rates	(0.3)	(0.3)
Expenses not deductible for tax purposes, non-creditable taxes	8.7	4.9
Income not subject to tax	(6.4)	(4.5)
Non-capitalized tax losses and temporary differences of the financial year	10.6	5.4
Utilization of previously unrecognized loss carryforwards and temporary differences	(23.1)	(11.2)
Capitalization of previously unrecognized loss carryforwards and temporary differences	(1.0)	(17.7)
Deferred income tax relating to prior periods	(0.4)	(0.4)
Current income tax relating to prior periods	12.3	(4.7)
Other	(0.2)	1.8
Recognized tax expense	**38.1**	**4.7**

The effective tax rate of the Group amounts to 25.1% in relation to profit before income taxes (2011: 3.7%). The increase is amongst other things due to additional tax payments and the creation of a tax provision as a result of an audit of previous financial years. In the income statement of the previous year, tax income of € 17.5 million was recognized due to the additional capitalization of tax loss carryforwards of RHI AG.

(33) Profit from discontinued operations

There are no income taxes on the profit of € 0.7 million of the previous year. It is attributable to the equity holders of RHI AG in its entirety.

(34) Expense categories

Expenses are classified by category as follows:

in € million	2012	2011
Cost of material and other production services	959.5	957.8
Personnel costs	397.1	350.4
Depreciation and amortization charges	61.8	53.7

(35) Personnel costs

The individual components of personnel costs are listed below:

in € million	2012	2011
Wages and salaries	303.7	268.3
Pensions		
Defined benefit plans	3.6	3.1
Defined contribution plans	2.4	2.0
Termination benefits		
Defined benefit plans	1.7	1.9
Defined contribution plans	1.6	1.7
Other expenses	3.2	0.5
Fringe benefits	80.9	72.9
Personnel costs	**397.1**	**350.4**

Notes to the Cash Flow Statement

The cash flow statement shows the cash inflows and outflows from operating activities, investing activities and financing activities. Cash flows from investing and financing activities were determined on the basis of cash payments, while cash flow from operating activities was derived from the consolidated financial statements using the indirect method.

Changes in the balance sheet items of companies that report in foreign currencies are translated at average monthly exchange rates and adjusted for effects arising from changes in the consolidation range or in other businesses. Therefore, the cash flow statement cannot be derived directly from changes in the consolidated balance sheet items. As on the balance sheet, cash and cash equivalents are translated at the exchange rate in effect on the balance sheet date. The effects of changes in exchange rates on cash and cash equivalents are shown separately.

(36) Net cash flow from operating activities

Net cash flow from operating activities shows the change in cash and cash equivalents based on profit after income taxes, which is adjusted for non-cash expenses and income (primarily depreciation and reversal of impairment losses) and results that are allocated to cash flows from investing or financing activities as well as the changes in the commitment of funds in the working capital as well as in other assets and liabilities and actual tax payments.

Net interest expenses for social capital amounting to € 14.8 million (2011: € 13.9 million) is accounted for in the item other non-cash changes and included in changes in personnel provisions.

(37) 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.

Not all investments of the year 2012 were shown as cash-effective in the cash flow statement, as outflows for individual asset capitalizations will only occur in the following years.

Payments have not been received yet for the sale of non-current assets totaling € 2.1 million (2011: € 1.8 million).

Cash effects from business combinations or sale of companies (net change in cash and cash equivalents from initial consolidations and deconsolidations) are shown separately.

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

(38) 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.

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.

Other Disclosures

(39) Segment reporting
Segment reporting by operating company divisions
The following table shows the financial data for the operating segments for the year 2012:

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	559.4	303.1	531.8	441.9	1,836.2
Shares in associates	0.2	0.0	13.9	0.0	14.1
					1,850.3
Investments in property, plant and equipment and intangible assets	57.6	42.3	69.4	0.0	169.3

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	1,106.8	613.9	37.9	0.0	1,758.6
Internal revenues	0.0	0.0	170.4	(170.4)	0.0
Segment revenues	**1,106.8**	**613.9**	**208.3**	**(170.4)**	**1,758.6**
Operating result[1)]	**66.0**	**69.9**	**12.7**	**0.0**	**148.6**
Income from restructuring	1.4	3.5	0.0	0.0	4.9
Restructuring costs	0.0	0.0	(2.6)	0.0	(2.6)
Operating results (EBIT)	**67.4**	**73.4**	**10.1**	**0.0**	**150.9**
Depreciation and amortization charges	(23.4)	(16.9)	(13.4)	0.0	(53.7)
Results from associates	0.0	0.0	5.5	0.0	5.5
Segment assets	588.4	317.6	381.2	388.2	1,675.4
Shares in associates	0.2	0.0	14.3	0.0	14.5
					1,689.9
Investments in property, plant and equipment and intangible assets	31.0	29.5	29.6	0.0	90.1

1) Notes regarding reclassifications are provided under „Accounting principles, general".

Revenues amounting to € 220.4 million (2011: € 218.9 million) were realized with a customer in 2012, 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 the revenues to product groups, a distinction is made between shaped and unshaped products 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 groups 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**

In 2011, revenues were classified by product groups as follows:

in € million	Steel	Industrial	Raw Materials	Group
Shaped products	702.7	480.0	0.0	1,182.7
Unshaped products	319.0	53.4	37.9	410.3
Other	85.1	80.5	0.0	165.6
Revenues	**1,106.8**	**613.9**	**37.9**	**1,758.6**

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

in € million	2012	2011
Austria	37.7	39.7
USA	166.4	134.7
Germany	166.0	162.9
Mexico	108.4	112.8
Italy	107.9	105.3
India	102.9	83.0
PR China	98.1	116.7
Canada	81.3	81.8
Russia	59.1	67.3
Brazil	52.7	58.1
Saudi Arabia	51.7	30.4
South Africa	43.1	54.0
France	42.3	47.8
Turkey	41.9	45.9
Other countries (each below € 40.0 million)	676.2	618.2
Revenues	**1,835.7**	**1,758.6**

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

in € million	12/31/2012	12/31/2011
Austria	178.6	165.6
PR China	149.0	149.4
Norway	109.1	26.9
Germany	85.2	86.9
Other countries	182.9	146.4
Property, plant and equipment and intangible assets	**704.8**	**575.2**

(40) Earnings per share

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

	2012	2011
Profit attributable to equity holders of RHI AG (in € million)	113.4	121.5
Weighted average number of shares	39,819,039	39,819,039
Earnings per share (in €)	**2.85**	**3.05**
thereof continuing operations	2.85	3.03
thereof discontinued operations	0.00	0.02

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.

Dividends

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. At the Annual General Meeting of the year 2013, the Management Board will propose a dividend of € 0.75 per share for 2012, which corresponds to a dividend payment of € 29.9 million.

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

(41) Additional disclosures on financial instruments

Financial assets and liabilities at (amortized) cost

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

	12/31/2012		12/31/2011	
in € million	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Other non-current financial assets	1.5	1.5	1.5	1.5
Other non-current assets	9.8	9.8	9.3	9.3
Trade and other current receivables	351.9	351.9	361.0	361.0
Cash and cash equivalents	185.7	185.7	144.5	144.5
Financial liabilities				
Non-current financial liabilities	371.4	387.1	263.2	273.1
Current financial liabilities	206.7	207.8	215.4	216.2
Trade and other current payables	310.7	310.7	331.8	331.8

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

Financial assets and liabilities at fair value
The following table shows the financial instruments which are measured at fair value in the RHI Group. 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 carrying amounts of financial assets and liabilities at fair value are shown in the following table classified according to measurement level:

	12/31/2012			12/31/2011		
in € million	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Securities - available for sale	30.3	0.0	0.0	28.7	0.0	0.0
Financial assets - held for trading	0.0	0.1	0.0	0.0	1.2	0.0
Investments - available for sale	0.0	0.0	0.0	0.0	0.0	11.5
Shares - available for sale	0.0	0.0	1.6	0.0	0.0	1.6
Financial liabilities						
Non-current financial liabilities	0.0	0.0	19.3	0.0	0.0	22.5
Current financial liabilities	0.0	0.0	6.8	0.0	0.0	4.9
Financial liabilities - held for trading	0.0	2.3	0.0	0.0	0.3	0.0

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

The fair value of available-for-sale securities is based on the quotation on the balance sheet date.

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

The fair value of investments and shares available for sale that are not publicly traded is calculated by discounting the expected cash flows or determined on the basis of similar transactions.

The fair value of financial liabilities is calculated as the present value of discounted future cash flows.

The development of level 3 financial liabilities measured at fair value is shown in the following table:

in € million	Financial assets	Financial liabilities
Fair value 12/31/2011	**13.1**	**27.4**
Changes recognized in the income statement	0.0	2.6
Changes recognized in other comprehensive income	0.0	(0.3)
Payments	0.0	(3.6)
Reclassification due to full consolidation	(11.5)	0.0
Fair value 12/31/2012	**1.6**	**26.1**

in € million	Financial assets	Financial liabilities
Fair value 12/31/2010	**8.9**	**26.0**
Changes recognized in the income statement	0.0	2.3
Changes recognized in other comprehensive income	5.6	1.3
Payments	0.0	(2.2)
Reclassification due to full consolidation	(1.4)	0.0
Fair value 12/31/2011	**13.1**	**27.4**

The changes of financial liabilities measured at fair value, which are recognized in the income statement, are included in interest expenses.

Net results by valuation category in accordance with IAS 39

The effect of financial instruments on the income and expenses recognized during 2012 and 2011 is shown in the following table, classified according to the valuation categories defined in IAS 39:

in € million	2012	2011
Net gain on financial assets classified as available for sale	2.8	6.8
Net loss from loans and receivables as well as financial liabilities	(23.6)	(28.2)
Net loss/gain on financial assets and financial liabilities classified as held for trading	(4.1)	1.2

The net gain on financial assets classified as available for sale includes income from securities, dividend income, income from reversals of impairment losses and unrealized results recognized directly to equity in the previous year. In the financial year 2012, changes in the market value of available-for-sale financial instruments of € 7.1 million recognized in equity were reclassified from equity to the income statement in the course of the initial consolidation of the Stopinc Group.

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 includes primarily 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.

Foreign exchange risks

Foreign exchange risks in accordance with IFRS 7 arise through financial instruments that are denominated in a currency other than the functional currency of the legal entity (in the following, foreign currency) and are monetary in nature. The primary monetary financial instruments include trade receivables and trade payables, cash and cash equivalents, and financial liabilities recognized on the balance sheet. Equity instruments held are not monetary and are therefore not linked with any foreign exchange risk according to 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 non-current shareholder loans are eliminated in accordance with IAS 21 or are hedged through forward exchange contracts. Major foreign currency provisions are also included in the analysis of risk.

The following table shows the foreign currency positions of the RHI Group in the major currencies as of December 31, 2012:

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

in € million	USD	EUR	NOK	Other	Total
Financial assets	335.5	30.3	2.2	34.2	402.2
Financial liabilities and provisions	(309.1)	(73.5)	(27.9)	(29.9)	(440.4)
Net foreign currency position	**26.4**	**(43.2)**	**(25.7)**	**4.3**	**(38.2)**

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, 2012 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	(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

The hypothetical effect on profit or loss as of December 31, 2011 can be summarized as follows:

	Appreciation of 10%		Devaluation of 10%	
in € million	Gain/(loss)	Equity	Gain/(loss)	Equity
US dollar	(2.4)	(3.1)	2.9	3.8
Euro	3.9	3.9	(4.8)	(4.8)
Norwegian krone	2.3	2.3	(2.9)	(2.9)
Other currencies	(0.3)	(5.7)	0.5	7.1

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 have an effect on the interest result from primary, variable interest financial instruments and are therefore included in the result-related sensitivity analysis. If the market interest rate as of December 31, 2012 had been 100 basis points higher or lower, the interest results would have been € 2.0 million (12/31/2011: € 1.1 million) lower or higher. As in the prior year, this hypothetical effect on profit is related solely to primary, variable interest net financial liabilities.

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 the conclusion of appropriate financing agreements.

As of December 31, 2012, the RHI Group has a credit facility of € 273.0 million at its disposal as a liquidity reserve, which is unused and available immediately, as well as unused credit lines from the sale of receivables amounting to € 5.7 million.

An analysis of the terms of non-derivative financial instruments as of December 31, 2012 based on undiscounted cash flows including the related interest payments shows the following cash outflows to be expected:

			Remaining term		
in € million	Carrying amount	Cash outflows	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**

Derivative financial liabilities amounting to € 2.3 million as of December 31, 2012 have a remaining term of less than one year. The carrying amount corresponds to the expected cash outflows.

Other financial market risk

RHI holds certificates in an investment fund amounting to € 30.3 million (12/31/2011: € 28.7 million), which were purchased above all as coverage for employee-related provisions. The market value of these certificates is influenced by fluctuations on the worldwide volatile international stock and bond markets.

(42) Damage of the fusing line in Norway

In late November 2012, a technical defect occurred in the course of the start-up of the new fusing line in Norway, which required the complete fusing operations to be shut down. The evaluation of the extent of damage and repair work started in December 2012. At December 31, 2012, RHI assumes that the material damage of the fusing lines and consequently the damage caused by the interruption of operations are largely covered by insurance. Operations were resumed in early February 2013. The individual lines are expected to be recommissioned gradually by March 2013.

(43) Evaluation Project Brazil

In September 2012, the RHI Management Board decided to revise the original plan for the construction of a plant in Brazil. This decision was caused by changed political framework conditions in Brazil, especially with respect to the increase in import duties and the introduction of anti-dumping duties, and the investment costs, which are now significantly higher than originally budgeted.

At the beginning of the fourth quarter of 2012, the planned refractory product portfolio for the planned production site in the federal state of Rio de Janeiro as well as the related procurement of raw material sources in Brazil were evaluated again. The Management Board had not made a new decision by the time the consolidated financial statements 2012 were released on February 20, 2013. Currently there are no indications for an impairment of the investment made due to delays. By December 31, 2012, roughly € 17.5 million had been invested, thereof € 6.3 million in the property and its development, and € 11.2 million in presses and other plant and machinery.

(44) 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 2012 (2011: € 0.5 million). The fee included € 0.2 million (2011: € 0.3 million) for the audit of the consolidated financial statements and € 0.1 million (2011: € 0.2 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 the review of the interim financial statements.

(45) 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 2012 and 2011.

In the financial year 2012, the Group provided services totaling € 2.8 million (2011: € 2.7 million) to this related company. The Group received services valued at € 2.2 million (2011: € 2.4 million) during the same period.

As of December 31, 2012, the receivables due from MAGNIFIN Magnesiaprodukte GmbH & Co KG totaled € 0.5 million as in the previous year. The liabilities due to this company amounted to € 0.1 million (12/31/2011: € 0.2 million).

Related persons
The income statement for 2012 includes expenses for the Management Board of € 3.4 million (2011: € 3.4 million):

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 function 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 primarily includes termination payments, severance payments, pension payments, anniversary bonuses and provisions for holiday leave.

In the financial year 2012, a contract in the amount of € 0.6 million was concluded with a former Management Board member of RHI AG for the provision of consulting services for a limited period of twelve months.

Liabilities and provisions of € 2.5 million (12/31/2011: € 1.8 million) were recognized for active and former Management Board members.

Salaries and other current benefits totaling € 2.7 million (2011: € 3.2 million) were paid to the members of the Management Board during the reporting year. Payments made to former members of the Management Board and their surviving dependents totaled € 0.5 million (2011: € 0.8 million). In the previous year this item included € 0.3 million of payments made in connection with the termination of employment.

The members of the Supervisory Board received remunerations of € 0.3 million in 2012 (2011: € 0.3 million). These remunerations were recognized as an expense for the reporting year.

As of the balance sheet date, there were no loans outstanding to members of the Management Board or Supervisory Board and no contingent liabilities on behalf of these persons.

The members of the Management Board and Supervisory Board are listed following the note (48).

Shareholders of RHI AG
As of December 31, 2012, one shareholder (MS Private Foundation, Austria) to whom more than 25% of the voting rights were attributable was known to RHI. In addition to MS Private Foundation, FEWI Beteiligungsgesellschaft mbH, Deutschland reported more than 10% of the RHI voting rights in accordance with the Austrian Stock Exchange Act. The remaining shares are free float. In January 2013, FEWI Beteiligungsgesellschaft mbH transferred its shares to Chestnut Beteiligungsgesellschaft mbH (more than 5%) and to Silver Beteiligungsgesellschaft mbH (more than 5%). The voting rights of Chestnut Beteiligungsgesellschaft mbH and Silver Beteiligungsgesellschaft mbH are exercised jointly. The combined share of voting rights of the two companies therefore exceeds 10%.

(46) Employees
The average number of employees in the RHI Group was:

	2012	2011
Salaried employees	3,413	3,211
Waged workers	4,684	4,672
Average number of employees	**8,097**	**7,883**

(47) RHI Group Companies as of December 31, 2012

The following table lists all companies in which RHI holds a share of at least 20%:

		Type of consolidation	Parent	Currency	Nominal capital in local currency	Share in %
1.	RHI AG, Vienna, Austria	F		EUR	289,376,213	
2.	Betriebs- und Baugesellschaft mbH, Wiesbaden, Germany	F	6.	EUR	894,761	100.00
3.	CJSC "RHI Podolsk Refractories", Moscow, Russia	F	30.,71.	RUB	134,367,410	100.00
4.	Didier Belgium N.V., Evergem, Belgium	F	40.,67.	EUR	74,368	100.00
5.	Didier Vertriebsgesellschaft mbH, Wiesbaden, Germany	F	6.	EUR	178,952	100.00
6.	Didier-Werke AG, Wiesbaden, Germany	F	1.,30.	EUR	63,000,000	100.00
7.	Dolomite Franchi S.p.A., Brescia, Italy	F	30.	EUR	4,160,000	100.00
8.	D.S.I.P.C.-Didier Société Industrielle de Production et de Constructions, Breuillet, France	F	6.	EUR	1,735,990	100.00
9.	Dutch Brasil Holding B.V., Arnhem, Netherlands	F	71.	EUR	18,000	100.00
10.	Dutch MAS B.V., Arnhem, Netherlands	F	6.	EUR	30,000	100.00
11.	Dutch US Holding B.V., Arnhem, Netherlands	F	71.	EUR	18,000	100.00
12.	FC Technik AG, Winterthur, Switzerland	F	30.	CHF	100,000	51.00
13.	Full Line Supply Africa (Pty) Limited, Sandton, South Africa	F	30.	ZAR	100	100.00
14.	GIX International Limited, Wakefield, Great Britain	F	78.	GBP	1,004	100.00
15.	INDRESCO U.K. Ltd., Wakefield, Great Britain	F	14.	GBP	17,029,219	100.00
16.	INTERSTOP Corporation, Cincinnati, USA	F	70.	USD	1,000	100.00
17.	INTERSTOP (Shanghai) Co., Ltd., Shanghai, PR China	F	70.	CNY	3,310,600	100.00
18.	Latino America Refractories ApS, Copenhagen, Denmark	F	78.	EUR	20,000	100.00
19.	Liaoning RHI Jinding Magnesia Co., Ltd., Dashiqiao City, PR China	F	30.	CNY	300,000,000	83.33
20.	LLC "RHI Wostok", Moscow, Russia	F	1.,30.	RUB	3,500,000	100.00
21.	LLC "RHI Wostok Service", Moscow, Russia	F	1.,30.	RUB	22,000,000	100.00
22.	Lokalbahn Mixnitz-St. Erhard AG, Vienna, Austria	F	59.	EUR	119,397	100.00
23.	Magnesit Anonim Sirketi, Eskisehir, Turkey	F	10.,22.,30., 71.,78.	TRY	16,750,000	100.00
24.	Magnesitwerk Aken Vertriebsgesellschaft mbH i.L., Aken, Germany	F	6.	EUR	130,000	100.00
25.	MARVO Feuerungs- und Industriebau GmbH, Gerbstedt, Germany	F	26.	EUR	25,565	100.00
26.	MARVO Feuerungs- und Industriebau GmbH, Kerpen, Germany	F	6.	EUR	513,450	100.00
27.	Mezubag AG, Pfäffikon, Switzerland	F	70.	CHF	1,000,000	100.00
28.	Premier Periclase Ltd., Drogheda, Ireland	F	11.	EUR	3,175,615	100.00
29.	Producción RHI México, S. de R.L. de C.V., Ramos Arizpe, Mexico	F	51.,78.	MXN	9,432,389	100.00
30.	Radex Vertriebsgesellschaft mbH, Leoben, Austria	F	75.	EUR	60,000,000	100.00
31.	REFEL S.p.A., San Vito al Tagliamento, Italy	F	6.	EUR	5,200,000	100.00
32.	Refractory Intellectual Property GmbH, Vienna, Austria	F	1.	EUR	17,500	100.00
33.	Refractory Intellectual Property GmbH & Co KG, Vienna, Austria	F	1.,32.	EUR	10,000	100.00
34.	RHI Argentina S.R.L., San Nicolás, Argentina	F	18.,78.	ARS	10,000	100.00
35.	RHI Canada Inc., Burlington, Canada	F	78.	CAD	28,250,002	100.00
36.	RHI Chile S.A., Santiago, Chile	F	14.,78.	CLP	12,774,407,413	100.00
37.	RHI Clasil Limited, Hyderabad, India	F	78.	INR	184,000,000	53.72
38.	RHI Dinaris GmbH, Wiesbaden, Germany	F	67.	EUR	500,000	100.00
39.	RHI Finance A/S, Hellerup, Denmark	F	1.	EUR	70,000	100.00
40.	RHI GLAS GmbH, Wiesbaden, Germany	F	67.	EUR	500,000	100.00
41.	RHI India Private Limited, Navi Mumbai, India	F	78.	INR	835,000	60.00
42.	RHI MARVO SRL, Ploiesti, Romania	F	30.,71.	RON	129,900	100.00
43.	RHI Monofrax, LLC, Wilmington, USA	F	68.	USD	3,558,751	100.00
44.	RHI Normag AS, Porsgrunn, Norway	F	30.	NOK	200,000,000	100.00

		Type of consolidation	Parent	Cur-rency	Nominal capital in local currency	Share in %
45.	RHI-Refmex, S.A. de C.V., Ramos Arizpe, Mexico	F	51.,78.	MXN	67,210,290	100.00
46.	RHI Refractories Africa (Pty) Ltd., Sandton, South Africa	F	6.	ZAR	215,705	100.00
47.	RHI Refractories Andino C.A., Puerto Ordaz, Venezuela	F	78.	VEF	1,600,001	100.00
48.	RHI Refractories Asia Ltd., Hongkong, PR China	F	69.	HKD	1,000	100.00
49.	RHI Refractories Asia Pacific Pte. Ltd., Singapore	F	1.	SGD	300,000	100.00
50.	RHI Refractories (Dalian) Co., Ltd., Dalian, PR China	F	30.	CNY	391,792,412	100.00
51.	RHI Refractories España, S.L., Lugones, Spain	F	6.,10.	EUR	6,930,000	100.00
52.	RHI Refractories France S.A., Breuillet, France	F	69.	EUR	703,800	100.00
53.	RHI Refractories Holding Company, Dover, USA	F	78.	USD	1	100.00
54.	RHI Refractories Ibérica, S.L., Madrid, Spain	F	69.	EUR	30,050	100.00
55.	RHI Refractories Italiana s.r.l., Brescia, Italy	F	69.	EUR	110,000	100.00
56.	RHI Refractories Liaoning Co., Ltd., Bayuquan, PR China	F	30.	CNY	211,764,700	66.00
57.	RHI Refractories Mercosul Ltda, Sao Paulo, Brazil	F	71.,78.	BRL	49,250	100.00
58.	RHI Refractories Nord AB, Stockholm, Sweden	F	69.	SEK	1,000,000	100.00
59.	RHI Refractories Raw Material GmbH, Vienna, Austria	F	1.,30.	EUR	35,000	100.00
60.	RHI Refractories Site Services GmbH, Wiesbaden, Germany	F	6.	EUR	1,025,000	100.00
61.	RHI Refractories (Site Services) Ltd., Newark, Great Britain	F	65.	GBP	1,350,000	100.00
62.	RHI Refractories UK Limited, Clydebank, Great Britain	F	6.	GBP	8,875,000	100.00
63.	RHI Refratários Brasil Ltda., Sao Paulo, Brazil	F	9.,78.	BRL	126,066,501	100.00
64.	RHI Rückversicherungs AG, Vaduz, Liechtenstein	F	30.	EUR	1,210,000	100.00
65.	RHI Sales Europe West GmbH, Mülheim-Kärlich, Germany	F	6.,69.	EUR	256,157	100.00
66.	RHI Trading (Dalian) Co., Ltd., Dalian, PR China	F	30.	CNY	39,865,230	100.00
67.	RHI Urmitz AG & Co KG, Mülheim-Kärlich, Germany	F	5.,6.	EUR	2,454,250	100.00
68.	RHI US Ltd., Wilmington, USA	F	11.	USD	1	100.00
69.	SAPREF AG für feuerfestes Material, Basel, Switzerland	F	78.	CHF	4,000,000	100.00
70.	Stopinc AG, Hünenberg, Switzerland	F	6.,30.	CHF	1,000,000	100.00
71.	Veitscher Vertriebsgesellschaft mbH, Vienna, Austria	F	1.	EUR	36,336	100.00
72.	Veitsch-Radex America Inc., Burlington, Canada	F	35.	CAD	1	100.00
73.	Veitsch-Radex America LLC., Mokena, USA	F	68.	USD	100	100.00
74.	Veitsch-Radex GmbH, Vienna, Austria	F	1.	EUR	35,000	100.00
75.	Veitsch-Radex GmbH & Co OG, Vienna, Austria	F	1.,74.	EUR	106,000,000	100.00
76.	Veitsch-Radex Vertriebsgesellschaft mbH, Vienna, Austria	F	1.	EUR	36,336	100.00
77.	VERA FE, Dnipropetrovsk, Ukraine	F	30.	UAH	192,600	100.00
78.	VRD Americas B.V., Arnhem, Netherlands	F	1.,30.	EUR	33,750,450	100.00
79.	Zimmermann & Jansen GmbH, Düren, Germany	F	6.	EUR	3,835,000	100.00
80.	Dr.-Ing. Petri & Co. Unterstützungs-Gesellschaft mbH, Duisburg, Germany	N	6.	DEM	50,000	100.00
81.	INTERSTOP do Brasil i.l., Sao Paolo, Brazil	N	70.	BRL	443	100.00
82.	INTERSTOP Licensing LLC, Dover, USA	N	70.	USD	1	100.00
83.	RHI Réfractaires Algérie E.U.R.L., Sidi Amar, Algeria	N	52.	DZD	100,000	100.00
84.	MAGNIFIN Magnesiaprodukte GmbH & Co KG, St. Jakob, Austria	E	71.,88.	EUR	9,447,468	50.00
85.	Società Dolomite Italiana SDI S.p.A., Gardone Val Trompia, Italy	E	7.	EUR	208,000	50.00
86.	LLC "NSK Ogneupor Holding", Moscow, Russia	I	30.	RUB	10,000	49.00
87.	LLC "NSK Ogneupor", Novokuznetsk, Russia	I	30.	RUB	10,000	49.00
88.	MAGNIFIN Magnesiaprodukte GmbH, St. Jakob, Austria	I	71.	EUR	35,000	50.00

F full consolidation
E associates, equity consolidation
N not consolidated
I investments
i.L. in liquidation

(48) Material events after the balance sheet date
A subsidiary of RHI AG signed an agreement on January 15, 2013 to acquire 43.6% of the share capital of Orient Refractories Ltd. ("ORL").

ORL is a listed Indian producer of special refractory products and refractory mixes. The sellers of the largest part of the 43.6% are immediate family members of Mr. S.G. Rajgarhia. The transaction price amounts to roughly € 31 million (INR 2.3 billion). The transaction is effective subject to different conditions such as regulatory approvals. S.G. Rajgarhia will continue to be a member of the Board of ORL and hold less than 5% of the ORL shares.

Based on the key transaction data and the guidelines of the Securities and Exchange Board of India, the wholly-owned subsidiary of RHI AG is conducting a public tender offer for up to another 26% of the ORL shares. The price offered amounts to roughly € 0.6 (INR 43) per share, which corresponds to a total of up to roughly € 18.5 million.

ORL develops and produces a wide variety of special refractory products and refractory mixes for the Indian and international iron and steel industry. The company is based in New Delhi, and the production and R&D site is located in Bhiwadi, Rajasthan. In addition, ORL operates eight sales offices in India. In the financial year 2011/2012 (04/01/2011 to 03/31/2012) ORL realized revenues of some € 44 million and EBIT of roughly € 7 million.

This acquisition will strengthen RHI in the growing Indian and Asian steel industry.

Members of the Management Board

Franz Struzl, Vienna, Chairman

Barbara Potisk-Eibensteiner, Hagenbrunn (since 04/01/2012)

Giorgio Cappelli, Vienna

Manfred Hödl, Vienna

Mark J. Eckhout (CFO from 02/14/2011 to 03/31/2012) was also a member of the Management Board of RHI AG in the reporting period.

Members of the Supervisory Board

Herbert Cordt, Vienna, Chairman

Helmut Draxler, Vienna, Deputy Chairman

Michael Gröller, Vienna, Deputy Chairman

Hubert Gorbach, Frastanz

Gerd Peskes, Düsseldorf, Germany

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

Wolfgang Ruttensdorfer, Vienna (since 05/03/2012)

David A. Schlaff, New York, USA

Employee representatives:

Walter Geier, Leoben (since 12/17/2012)

Christian Hütter, Wien (since 12/17/2012)

Roland Rabensteiner, Veitsch

Franz Reiter, St. Jakob in Haus

Leopold Miedl, Vienna and Martin Kowatsch, Radenthein, were also members of the Supervisory Board until 12/16/2012.

Vienna, 02/20/2013

Management Board

Franz Struzl
CEO

Barbara Potisk-Eibensteiner
CFO

Giorgio Cappelli
CSO Steel Division

Manfred Hödl
CSO Industrial Division
CTO R&D

Auditor’s Report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RHI AG, Vienna, for the fiscal year from January 1, 2012 to December 31, 2012. These consolidated financial statements comprise the consolidated statement of financial position as of December 31, 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year ended December 31, 2012, and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Consolidated Financial Statements and for the Accounting System
The Company’s management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility and Description of Type and Scope of the Statutory Audit
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2012 and of its financial performance and its cash flows for the fiscal year from January 1, 2012 to December 31, 2012 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, 02/25/2013

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.

The results of the financial year ending on December 31, 2012 do not necessarily permit conclusions on the future development of results.

Vienna, 02/20/2013

Management Board

Franz Struzl
CEO

Barbara Potisk-Eibensteiner
CFO

Giorgio Cappelli
CSO Steel Division

Manfred Hödl
CSO Industrial Division
CTO R&D

Abridged Annual Financial Statements 2012 of RHI AG in accordance with the Austrian Commercial Code (UGB)

Balance Sheet of RHI AG 2012[1)]

in € million	12/31/2012	%	12/31/2011	%
ASSETS				
Fixed assets				
Intangible assets	5.4	0.3	5.5	0.3
Property, plant and equipment	10.8	0.6	11.3	0.7
Financial assets	894.8	49.5	858.1	52.0
	911.0	**50.3**	**874.9**	**53.0**
Current assets				
Inventories	42.9	2.4	39.9	2.4
Receivables and other assets	727.8	40.1	661.8	40.0
Cash and cash equivalents	129.6	7.2	75.5	4.6
	900.3	**49.7**	**777.2**	**47.0**
	1,811.3	**100.0**	**1,652.1**	**100.0**
EQUITY AND LIABILITIES				
Equity				
Share capital	289.4	16.0	289.4	17.5
Additional paid-in capital	39.1	2.2	39.1	2.4
Accumulated profit	566.2	31.3	477.1	28.9
	894.7	**49.4**	**805.6**	**48.8**
Provisions				
Provisions for termination benefits and pensions	45.3	2.5	40.6	2.5
Other provisions	86.8	4.7	94.0	5.6
	132.1	**7.3**	**134.6**	**8.1**
Liabilities				
Financial liabilities	503.4	27.9	407.2	24.7
Trade payables	16.7	0.9	18.6	1.1
Other liabilities	264.4	14.6	286.1	17.3
	784.5	**43.3**	**711.9**	**43.1**
	1,811.3	**100.0**	**1,652.1**	**100.0**
Contingent liabilities	96.8		108.2	

1) The financial statements 2012 of RHI AG were compiled in accordance with the Austrian Commercial Code (UGB) as amended. The balance sheet shown here is a summarized presentation of the audited balance sheet.

Income Statement of RHI AG 2012[1)]

in € million	2012	%	2011	%
Revenues	1,259.6	100.0	1,217.3	100.0
Changes in inventories of work in progress and services not yet invoiced	(0.1)	0.0	0.1	0.0
Other operating income	43.8	3.5	46.3	3.8
Cost of material and other production services	(925.1)	(73.4)	(914.8)	(75.1)
Personnel expenses	(79.5)	(6.3)	(65.1)	(5.3)
Depreciation and amortisation	(3.9)	(0.3)	(4.0)	(0.3)
Other operating expenses	(206.3)	(16.4)	(224.6)	(18.5)
Operating result	**88.5**	**7.1**	**55.2**	**4.5**
Income from investments	21.3	1.7	47.5	3.9
Income from other non-current securities	0.2	0.0	0.1	0.0
Other interest and similar income	14.1	1.1	15.6	1.3
Income from the write-up of financial assets	20.1	1.6	0.0	0.0
Interest and similar expenses	(16.7)	(1.3)	(15.3)	(1.3)
Financial result	**39.0**	**3.1**	**47.9**	**3.8**
Result from ordinary activities	**127.5**	**10.1**	**103.1**	**8.5**
Income taxes	(8.5)	(0.7)	(3.6)	(0.3)
Profit/Loss for the year	**119.0**	**9.4**	**99.5**	**8.2**
Profit carried forward	**447.2**	**35.5**	**377.6**	**31.0**
Accumulated profit	**566.2**	**45.0**	**477.1**	**39.2**

1) The financial statements 2012 of RHI AG were compiled in accordance with the Austrian Commercial Code (UGB) as amended. The income statement shown here is a summarized presentation of the audited income statement.

Management Report

Regarding the management report, please refer to the statements of the annual financial statements of RHI AG.

Vienna, February 20, 2013

Management Board

Franz Struzl
CEO

Barbara Potisk-Eibensteiner
CFO

Giorgio Cappelli
CSO Steel Division

Manfred Hödl
CSO Industrial Division
CTO R&D

Report of the Supervisory Board

The Supervisory Board of RHI AG, Vienna, held seven meetings in the year 2012. At these meetings and on other occasions, the Management Board informed the Supervisory Board about important matters relating to the management, operating activities and the situation of the company. The Supervisory Board therefore had ample opportunity to fulfill its obligation to remain informed of and to monitor company operations. The Supervisory Board saw no reason to raise objections to the activities and operations of the Management Board.

The financial statements of RHI AG and the consolidated financial statements for the year 2012 were audited and certified without qualification by Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, duly appointed auditors at the 33rd Annual General Meeting. Furthermore, the auditors confirmed that the management reports prepared by the Management Board are in accordance with the financial statements of RHI AG and the consolidated financial statements. The auditor's report was submitted to the members of the Supervisory Board in accordance with § 273 para. 4 UGB (Austrian Commercial Code).

At the meeting of the audit committee held on March 07, 2013 the financial statements of RHI AG and the RHI Group were examined and preparations made for their approval.

The Supervisory Board examined the financial statements of RHI AG submitted by the Management Board, the management report and the Corporate Governance Report for the year 2012 and approved the annual financial statements for 2012 at its meeting on April 4, 2013. The financial statements of RHI AG have thus been approved in accordance with § 96 para. 4 AktG (Stock Corporation Act). At the same meeting, the Supervisory Board reviewed and approved the RHI consolidated financial statements and the management report.

The Supervisory Board approved the Management Board's proposed appropriation of earnings.

The audit committee held four meetings in 2012. The presidium (at the same time nomination and compensation committee) held ten meetings, with two meetings being held in the function of the nomination committee and five in the function of the compensation committee. In addition to the audit of the financial statements, the audit of the quarterly financial statements, monitoring of the accounting process, strategy, organization, compliance, internal auditing, risk management, internal controlling system, personnel, status of important investment projects and current developments were discussed at these meetings.

Vienna, April 4, 2013

Herbert Cordt
Chairman

Imprint

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

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

These materials may use terms which are non-GAAP financial measures. These supplemental financial measures should not be viewed in isolation as alternatives to measures of RHI's financial condition, results of operations or cash flows as presented in accordance with IFRS in its Consolidated Financial Statements. For definition of these supplemental financial measures, a reconciliation to the most directly comparable IFRS financial measures and information regarding the usefulness and limitations of these supplemental financial measures please contact the RHI Investor Relations team (investor.relations@rhi-ag.com).

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