HALF-YEAR FINANCIAL REPORT 2016

RHI

Quarterly Overview

Earnings indicators (in € million)	Q2/2016	Q1/2016	Delta	Q4/2015	Q3/2015	Q2/2015
Revenue	440.5	389.7	13.0%	440.0	410.5	477.9
EBITDA	**57.4**	**43.2**	**32.9%**	**(2.3)**	**39.8**	**51.3**
Operating EBIT[1)]	39.9	30.3	31.7%	32.7	22.8	34.1
EBIT	41.5	27.1	53.1%	(53.9)	22.8	34.1
Net finance costs	(5.1)	(6.0)	15.0%	(3.3)	(5.8)	(3.4)
Share of profit of joint ventures	2.7	2.7	0.0%	2.5	2.1	2.4
Profit before income tax	39.1	23.8	64.3%	(54.7)	19.1	33.1
Income tax	(15.0)	(9.0)	(66.7)%	16.3	(7.7)	(9.6)
Profit from continuing operations	24.1	14.8	62.8%	(38.4)	11.4	23.5
EBITDA %	13.0%	11.1%	1.9pp	(0.5)%	9.7%	10.7%
Operating EBIT %	9.1%	7.8%	1.3pp	7.4%	5.6%	7.1%
Profit from continuing operations %	5.5%	3.8%	1.7pp	(8.7)%	2.8%	4.9%

Cash flow indicators (in € million)	Q2/2016	Q1/2016	Delta	Q4/2015	Q3/2015	Q2/2015
Cash flow from operating activities	**46.2**	**30.5**	**51.5%**	**83.6**	**26.9**	**43.1**
Cash flow from investing activities	(8.7)	(8.4)	(3.6)%	(30.2)	(14.9)	7.3
Cash flow from financing activities	(50.5)	(3.9)	(1194.9)%	(56.8)	17.2	(27.1)
Free cash flow	37.5	22.1	69.7%	53.4	12.0	50.4

Balance sheet indicators (in € million)	Q2/2016	Q1/2016	Delta	Q4/2015	Q3/2015	Q2/2015
Balance sheet total	1,757.2	1,801.3	(2.4)%	1,804.5	1,840.1	1,869.6
Equity	469.8	486.8	(3.5)%	491.4	539.3	549.5
Equity ratio (in %)	26.7%	27.0%	(0.3)pp	27.2%	29.3%	29.4%
Net debt	373.9	378.9	(1.3)%	397.9	445.6	448.9
Gearing ratio (in %)[2)]	79.6%	77.8%	1.8pp	81.0%	82.6%	81.7%
Net debt / EBITDA[3)]	**2.7**	**2.9**	**(6.9)%**	**2.8**	**2.3**	**2.3**
Working capital[4)]	495.1	516.4	(4.1)%	532.6	591.6	597.7
Working capital %[5)]	28.1%	33.1%	(5.0)pp	30.3%	36.0%	31.3%
Capital employed[6)]	1,113.7	1,142.3	(2.5)%	1,176.5	1,239.4	1,260.1
Return on capital employed (in %)[7)]	**9.4%**	**6.2%**	**3.2pp**	**(12.5)%**	**4.8%**	**7.7%**

Stock exchange indicators (Vienna)	Q2/2016	Q1/2016	Delta	Q4/2015	Q3/2015	Q2/2015
Number of shares (million units)	39.819	39.819	0.0%	39.819	39.819	39.819
Closing price (in €)	17.25	17.17	0.5%	18.01	18.09	22.33
Market capitalization (in € million)	**687**	**684**	**0.5%**	**717**	**720**	**889**
Earnings per share (in €)	0.59	0.36	63.9%	(0.98)	0.28	0.58
Price-earnings ratio	**7.3**	**11.9**	**(38.7)%**	**(4.6)**	**16.2**	**9.6**

1) EBIT before expenses from derivatives from supply contracts, impairment and restructuring effects
2) Gearing ratio: net debt / equity
3) EBITDA trailing twelve months
4) Working Capital: inventories + trade receivables + receivables from long-term construction contracts – trade payables – prepayments received
5) Working Capital / (Revenue x 4)
6) Capital employed: property, plant and equipment + goodwill + other intangible assets + working capital
7) Return on average capital employed: (EBIT - taxes) / average capital employed

Condensed Interim Management Report

at June 30, 2016

Economic Environment

The IMF reduced its forecast for global economic growth among other things due to the United Kingdom's planned withdrawal from the European Union.

In its update of the World Economic Outlook published in July, the International Monetary Fund (IMF) reduced its forecast regarding global economic growth from 3.4% at the beginning of the year to 3.1% at present. One of the factors influencing this reduction was the referendum in the United Kingdom on the country's continued membership in the European Union in June. Due to the negative outcome and the related economic and political uncertainties, negative effects on economic growth in Europe are expected. These effects will in turn depend on how smoothly the UK's withdrawal from the European Union proceeds and to what extent consumer confidence and the investment climate are adversely affected in the transition phase. In this context, the International Monetary Fund forecasts the greatest decline in growth primarily for the United Kingdom itself as well as for Germany. The experts thus expect growth of 1.3% and 1.2% respectively for the two countries in the year 2017, which would correspond to a decline by 0.9% and 0.5% compared with the estimate at the beginning of this year. The report of the International Monetary Fund also names unresolved legacy issues in the banking sector as a risk affecting economic growth within the euro area. Especially Italian banks, with non-performing loans of roughly 350 billion euros, are considered to be at risk. The IMF has therefore been urging Italy to reorganize its financial sector as fast as possible since the outcome of the referendum in the UK has increased the financial markets' volatility and the danger of a setback for Italy. Italy's Prime Minister would now like to recapitalize the troubled banks by means of direct government aid. However, this stands in contrast to the new European banking directive under which state assistance is only permitted after losses are first imposed on shareholders and private creditors.

The European Central Bank adopted another set of measures to boost the growth-inhibiting weak inflation at its meeting in March 2016.

To boost the growth-inhibiting weak inflation, the European Central Bank (ECB) adopted another set of measures at its meeting in March 2016. For example, the base rate was lowered to 0.0% and the deposit rate to (0.4)%. Consequently, banks that deposit money with the ECB in the short term have to pay a higher penalty rate for the security provided. This is intended to encourage banks to expand lending rather than hoarding surplus liquidity. In addition, the bond purchasing program, which has been running since March 2015, was increased and extended to corporate bonds in the investment grade sector. In the US, the Federal Reserve maintained the interest rate unchanged at 0.5%, after the base rate had been raised in December of last year for the first time since the year 2006.

Despite a negative environment the important stock indices in Europe and the US held up well in the course of the year, with high volatility.

On the global financial markets, uncertainty was caused above all by re-emerging concerns regarding economic growth in China and other emerging markets and the associated fear of a global recession. Moreover, investors were concerned about the crisis in the international raw material markets, which was among other things caused by the weak economic situation in Asia. The decline of the oil price as well as the prices of many metalls and basic materials thus caused concerns regarding the credit quality in the bank sector. In addition, there were terrorist attacks in Paris, Brussels, Istanbul and Nice. Despite this negative environment, the most important stock indices in Europe and the US held up well, with high volatility, in the course of the year. In the US, the Dow Jones Industrial Average Index even reached an all-time high of roughly 18,600 points in mid-July.

Asset, Financial and Earnings Position

The RHI Group's sales volume increased by 3.0% compared with the same period of 2015 and amounted to roughly 992,000 tons in the first half of 2016. This increase is among other things due to higher raw dolomite sales in Italy, which make a significant contribution in terms of volume, but contribute little in terms of value due to the low price per ton. While sales volume in the Steel Division was up 1.8% in the first half of 2016 primarily due to an expansion of business in the basic mixes segment, the Industrial Division recorded a decline by 8.9% as a result of lower deliveries in the cement/lime and glass business units.

The increase in sales volume compared with the first half of 2015 primarily resulted from higher external raw material sales and an expansion of business in the basis mixes segment.

Revenue of the RHI Group was down 8.0% on the comparative period of 2015 and amounted to € 830.2 million in the first half of 2016. In the Steel Division, revenue decreased by 5.6% especially due to a weaker business development in South America, Europe and China. In the Industrial Division, the decline in revenue by 14.4% compared with the first half of 2015 is among other things attributable to lower deliveries in the cement/lime, glass and environment, energy, chemicals business units.

The decline in revenue compared with the first half of 2015 affected both the Steel Division and the Industrial Division.

The operating EBIT amounted to € 70.2 million in the first half of the year. Compared with the first half of 2015, at € 68.6 million, this is an increase by 2.3% despite the decrease in revenue. This development is primarily due to a highly satisfactory earnings situation in the Steel Division based on positive product mix effects, better utilization of the production capacities resulting from the increase in sales volume as well as savings in overhead costs. Moreover, the operating EBIT of the Raw Materials Division improved significantly as a result of good capacity utilization at the two Austrian raw material plants, Breitenau and Hochfilzen, which predominantly produce basic mixes for the steel industry, especially for the use in electric arc furnaces, and lower production costs at the plant in Porsgrunn, Norway. In contrast, the operating EBIT of the Industrial Division was lower than in the previous year due to a decline in revenue. The RHI Group's operating EBIT margin rose from 7.6% in the first half of 2015 to 8.5% in the first half of 2016.

Despite the decline in revenue, the operating EBIT rose to € 70.2 million.

EBIT amounted to € 68.8 million in the first half of this year and includes a negative earnings effect of € 4.6 million from the deconsolidation of the US subsidiary RHI Monofrax, LLC resulting from the sale to the German private equity fund Callista. On the other hand, it also includes a positive net effect from the power supply contract in Norway. Based on own use, the sale at market prices and an increase in electricity future prices, financial liabilities of roughly € 3.0 million were reversed and recognized through profit or loss.

The sale of the US subsidiary RHI Monofrax, LLC results in a negative effect on earnings from the deconsolidation.

Net finance costs including the share of profit in joint ventures amounted to € (5.7) million in the first half of this year after € (5.6) million in the first half of 2015. The tax rate rose from 29.2% in the first half of 2015 to 38.2% in the first half of 2016.

Profit after income tax thus totaled € 38.9 million in the first half of 2016, after € 44.6 million in the comparative period of 2015. Earnings per share fell from € 1.10 to € 0.95.

Compared with the first quarter of 2016, sales volume increased by 15.2% to roughly 531,000 tons in the past quarter, which is among other things attributable to a positive business development in the electric arc furnace segment. In the second quarter of 2016, the RHI Group's revenue rose to € 440.5 million, up 13.0% on the previous quarter. This increase is primarily attributable to significantly higher contributions to revenue from the Steel Division, especially in Europe, Africa and the CIS region, and from the environment, energy, chemicals and nonferrous metals business units. The operating EBIT rose from € 30.3 million in the first quarter of 2016 to € 39.9 million in the past quarter, which was among other things due to better utilization of the production capacities resulting from the increase in sales volume. In addition, the operating EBIT of the second quarter of 2016 is influenced by positive currency effects resulting from the devaluation of the euro. The operating EBIT margin of the RHI Group thus improved from 7.8% in the first quarter of 2016 to 9.1% in the past quarter.

Cash and cash equivalents increased compared to the end of the year despite the dividend payment of € 29.9 million and the repayment of non-current financial liabilities.

Equity amounted to € 469.8 million at June 30, 2016 after € 491.4 million at December 31, 2015. This development is primarily attributable to a decrease in actuarial interest rates for the calculation of pension and termination benefit obligations predominantly in Austria and Germany and to results from currency translation recognized in equity. The equity ratio declined from 27.2% at the end of the financial year 2015 to 26.7% at June 30, 2016. Cash and cash equivalents rose from € 149.7 million at December 31, 2015 to € 156.1 million despite the dividend payout of € 29.9 million and the repayment of non-current financial liabilities as a result of a strong cash flow development. Net debt declined from € 397.9 million at the end of the year 2015 to € 373.9 million at June 30, 2016.

Working capital decreased for the fifth consecutive quarter.

Working capital, which consists of inventories and trade receivables less trade payables and prepayments received, decreased for the fifth consecutive quarter and amounted to € 495.1 million at June 30, 2016 after € 532.6 million at the end of the year 2015. The decline by € 37.5 million is attributable to both lower inventories and lower trade receivables.

Free cash flow amounted to € 59.6 million in the first half of 2016.

Net cash flow from operating activities amounted to € 76.7 million in the first half of 2016 after € 64.9 million in the same period of 2015. Net cash flow from investing activities amounted to € (17.1) million in the first half of 2016 after € (2.1) million in the first half of 2015. The prior-year figure included payments from the sale of securities due to excess coverage of the legally required provisions for pensions of € 10.9 million of two companies as well as payments related to the sale of a 2.6% share held in a German residential property company amounting to € 3.0 million. Free cash flow thus amounted to € 59.6 million in the first half of 2016 compared with € 62.8 million in the same period of 2015.

ROACE after tax (Return on Average Capital Employed), which is calculated by dividing annualized EBIT less tax by the average capital employed (property, plant and equipment, goodwill, other intangible assets and working capital), amounted to 7.8% in the first half of 2016 after 8.1% in the first half of 2015.

The number of employees declined from 7,898 at the end of the year 2015 to 7,619, which was among other things due to the sale of the US subsidiary RHI Monofrax, LLC.

Segment Reporting

	H1/2016	H1/2015	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015
Sales volume (thousand tons)	992	963	531	461	488	441	485
Steel Division	617	606	333	284	269	277	308
Industrial Division	195	214	99	96	136	93	112
Raw Materials Division	180	143	99	81	83	71	65
in € million							
Revenue	**830.2**	**902.0**	**440.5**	**389.7**	**440.0**	**410.5**	**477.9**
Steel Division	542.3	574.4	286.4	255.9	257.8	267.7	294.7
Industrial Division	265.4	309.9	141.8	123.6	171.2	133.5	173.1
Raw Materials Division							
external revenue	22.5	17.7	12.3	10.2	11.0	9.3	10.1
internal revenue	121.3	129.2	61.6	59.7	49.9	55.5	63.0
EBITDA	**100.6**	**102.5**	**57.4**	**43.2**	**(2.3)**	**39.8**	**51.3**
EBITDA margin	12.1%	11.4%	13.0%	11.1%	(0.5)%	9.7%	10.7%
Operating EBIT[1)]	**70.2**	**68.6**	**39.9**	**30.3**	**32.7**	**22.8**	**34.1**
Steel Division	47.4	40.0	27.5	19.9	13.6	10.7	17.2
Industrial Division	20.3	31.6	11.5	8.8	24.3	9.1	18.4
Raw Materials Division	2.5	(3.0)	0.9	1.6	(5.2)	3.0	(1.5)
Operating EBIT margin	**8.5%**	**7.6%**	**9.1%**	**7.8%**	**7.4%**	**5.6%**	**7.1%**
Steel Division	8.7%	7.0%	9.6%	7.8%	5.3%	4.0%	5.8%
Industrial Division	7.6%	10.2%	8.1%	7.1%	14.2%	6.8%	10.6%
Raw Materials Division[2)]	1.7%	(2.0)%	1.2%	2.3%	(8.5)%	4.6%	(2.1)%
EBIT	**68.6**	**68.6**	**41.5**	**27.1**	**(53.9)**	**22.8**	**34.1**
Steel Division	47.4	40.0	27.5	19.9	12.7	10.7	17.2
Industrial Division	15.7	31.6	6.9	8.8	18.2	9.1	18.4
Raw Materials Division	5.5	(3.0)	7.1	(1.6)	(84.8)	3.0	(1.5)
EBIT margin	**8.3%**	**7.6%**	**9.4%**	**7.0%**	**(12.3)%**	**5.6%**	**7.1%**
Steel Division	8.7%	7.0%	9.6%	7.8%	4.9%	4.0%	5.8%
Industrial Division	5.9%	10.2%	4.9%	7.1%	10.6%	6.8%	10.6%
Raw Materials Division[2)]	3.8%	(2.0)%	9.6%	(2.3)%	(139.2)%	4.6%	(2.1)%
Net finance costs	**(11.1)**	**(10.2)**	**(5.1)**	**(6.0)**	**(3.3)**	**(5.8)**	**(3.4)**
Share of profit of joint ventures	5.4	4.6	2.7	2.7	2.5	2.1	2.4
Profit before income tax	**62.9**	**63.0**	**39.1**	**23.8**	**(54.7)**	**19.1**	**33.1**
Income tax	(24.0)	(18.4)	(15.0)	(9.0)	16.3	(7.7)	(9.6)
Income tax in %	38.2%	29.2%	38.4%	37.8%	29.8%	40.3%	29.0%
Profit after income tax	**38.9**	**44.6**	**24.1**	**14.8**	**(38.4)**	**11.4**	**23.5**
Earnings per share in €[3)]	0.95	1.10	0.59	0.36	(0.98)	0.28	0.58

1) EBIT before expenses from derivatives from supply contracts, impairment and restructuring effects
2) based on external and internal revenue
3) basic and diluted

Steel Division

After the slump in the first quarter of 2016, global steel output recovered in the past quarter as steel prices picked up.

In the first half of 2016 global crude steel production declined in all important regions with the exception of India compared with the same period of 2015. Despite a gradual economic recovery in Europe, steel production in the European Union fell by 6.1%, among other things because a steel plant in the United Kingdom was closed. Following the slump in the first quarter of 2016, global steel production recovered in the past quarter as prices picked up significantly after having plummeted dramatically in the year 2015, e.g. by roughly 40% for hot-rolled products. Especially in China it turned out that capacities which had allegedly been shut down are quickly restarted as soon as a certain price level is reached. After a new record volume of roughly 112 million tons of steel had been exported from China in 2015, exports increased by roughly another 9% in the first half of 2016 compared with the same period of 2015. The relatively stable steel production in the US reflects the effectiveness of the anti-dumping duties introduced at the beginning of the year.

in million tons	H1/2016	H1/2015	Delta	Q2/2016	Q1/2016	Delta
China	399.5	404.0	(1.1)%	208.6	190.9	9.3%
World ex China	395.3	405.9	(2.6)%	200.6	194.7	3.0%
thereof EU28	82.7	88.1	(6.1)%	41.6	41.1	1.2%
thereof US	40.1	40.0	0.2%	20.4	19.7	3.6%
thereof India	46.4	45.2	2.7%	23.5	22.9	2.6%
World	**794.8**	**809.9**	**(1.9)%**	**409.2**	**385.6**	**6.1%**

Source: World Steel Association (July 2016)

The Steel Division's sales volume increased by 1.8% compared with the first half of 2015 and amounted to roughly 617,000 tons. This is primarily attributable to an expansion of business in the basic mixes segment. Compared with the first quarter of 2016, an increase by 17.3% to roughly 333,000 tons was recorded in the past quarter due to a positive business development in the electric arc furnace segment.

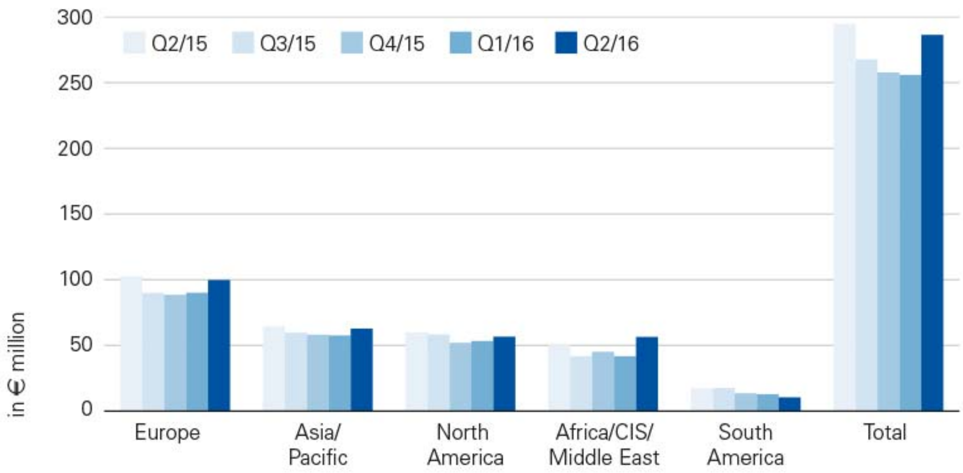
The Steel Division's operating EBIT improved significantly due to positive product mix effects and a satisfactory margin development in nearly all regions.

Revenue in the Steel Division amounted to € 542.3 million in the first half of 2016, down 5.6% on the comparative period of 2015, at € 574.4 million. This is primarily attributable to weaker business developments in South America, Europe and China. However, the operating EBIT improved from € 40.0 million in the first half of 2015 to € 47.4 million in the first half of 2016 despite the decline in revenue, due to positive product mix effects and a positive margin development in nearly all regions with the exception of South America. The operating EBIT margin, at 8.7%, clearly exceeded that of 7.0% in the comparative period of 2015.

In the second quarter of 2016 the Steel Division's revenue amounted to € 286.4 million, thus exceeding the revenue of the preceding quarter at € 255.9 million. However, it was lower than the revenue of the second quarter of 2015, at € 294.7 million. The increase on the first quarter of 2016 is primarily attributable to higher contributions to revenue from Europe, Africa and the CIS region. The operating EBIT rose from € 19.9 million in the first quarter of 2016 to € 27.5 million in the past quarter, thus also exceeding the second quarter of 2015, at € 17.2 million. The satisfactory margin development is among other things based on an expansion of business in the basic mixes segment and better utilization of the production capacities due to the increase in sales volume. In addition, the operating EBIT of the second quarter of 2016 is influenced by positive currency effects resulting from the weaker euro.

Revenue developed as follows in the past five quarters:

Development of revenue



Europe

The decrease in revenue in Europe is predominantly due to a decline in steel production.

In the first half of 2016, steel production within the European Union dropped by 6.1% compared with the first half of 2015 to roughly 83 million tons. The decrease in output volume took place on a broad scale and steel production fell in nearly all countries of the European Union. Especially the United Kingdom saw a massive decline of roughly 36% following the closure of the steel plant in Redcar. Compared with the level of the preceding first quarter of 2016, steel production increased by 1.2%, which was predominantly attributable to higher production in Italy and Germany. The automotive industry is still an important driver for demand. The number of new registrations of passenger vehicles in the European Union increased for the thirty-fourth consecutive month in June 2016 and totaled more than 7.8 million. This corresponds to an increase by 9.4% compared with the first half of 2015. The number of new registrations of commercial vehicles also recorded a substantial increase by 13.5% compared with the same period of 2015.

In response to the significant increase in steel imports from China in the past years due to massive local excess capacities the European Union adopted temporary duties ranging from 13.8% to 26.2% on cold-rolled flat steel products of Chinese and Russian producers at the beginning of the year 2016. Likewise, investigations were initiated in the segment of hot-rolled products and heavy plates regarding dumping prices of Chinese manufacturers, which were later complemented by investigations regarding prohibited state aid. Finally, the European Union initiated anti-dumping investigations regarding imports of hot-rolled products from Russia, Ukraine, Serbia, Iran and Brazil in early July. In addition, Jean-Claude Juncker, President of the Commission, emphasized at the bilateral summit of the European Union and China, which was held in mid-July, that the European steel industry would be defended against cheap imports from China. He also linked the reduction of excess capacity in the steel sector, which is roughly twice as high as steel production within the European Union, with the issue of granting the status of a market economy based on the rules of the World Trade Organization. This status would have an impact on the method of calculating the dumping margins.

The region's contribution to revenue dropped by roughly 3% in the first half of 2016 compared with the same period of 2015. This is primarily attributable to the decline in steel production. Especially France and the United Kingdom recorded a decrease in revenue. However, compared with the preceding quarter, revenue was up 11% in the second quarter of 2016. This development was influenced above all by strong business in Italy, Austria, Poland and Romania. Revenue in the electric arc furnace segment recorded a particularly positive development.

Asia/Pacific

Due to cost pressure in the domestic market, two of the largest Chinese steel groups are planning to merge.

Steel production in the Asia/Pacific Region declined by 1.0% in the first half of 2016 compared with the same period of 2015. Of the four largest markets, China, Japan, India and South Korea, only India recorded growth. In China, the downturn of the construction sector following falling property prices, high excess capacities in the basic industries and the resulting significant decline in investing activities are burdening the market environment. The restructuring initiated by the Chinese government provides for a reduction of steel production capacities by 100 to 150 million tons. Of this total, roughly 45 million tons should be achieved by the end of the year. Due to cost pressure in the domestic market, two of China's largest steel groups, the Baosteel Group and the Wuhan Iron and Steel Group, are planning a "strategic restructuring" and a merger of the two companies. Based on the data of the year 2015, the annual steel production of the merged group would total roughly 61 million tons and will thus be the new number two worldwide after the ArcelorMittal Group, which produced roughly 97 million tons of steel last year.

The region's contribution to revenue in the first half of 2016 was down roughly 4% on the comparative period of 2015 due to a weaker business development in China. In contrast, the contribution to earnings was expanded further. In India, the RHI subsidiary Orient Refractories Ltd. succeeded in winning the first comprehensive service contract within the scope of which a number of RHI products will be applied. Compared with the first quarter of 2016, revenue was increased by roughly 9% in the past quarter. This development was especially influenced by business in the electric arc furnace segment in India after a weaker first quarter.

North America

The development of the steel industry in the US reflects the effectiveness of the anti-dumping duties introduced at the beginning of the year.

North American steel production remained largely stable at roughly 56 million tons in the first half of 2016 compared with the same period of 2015. While demand for steel by the automotive and construction industries remained robust, business with the oil and gas industry was still weak. After an all-time high of roughly 1,600 in October 2014, the number of active oil drilling rigs in the US fell continuously and only amounted to roughly 330 in June 2016. This is equivalent to the level of the year 2009 and explains the plummeting demand for pipes, drill heads and other steel equipment for oil production. However, compared with the level of the preceding first quarter of 2016, steel production was up 3.9%. This is due to a volume increase in the US and Mexico and reflects the effectiveness of the anti-dumping duties on Chinese steel imports, which were introduced at the beginning of the year. In the US, for example, they amount to roughly 266% on certain cold-rolled flat steel products.

The region's contribution to revenue in the first half of 2016 declined by roughly 5% compared with the same period of 2015, which was primarily due to a weaker business development in the US. However, in the second quarter of 2016, revenue increased by roughly 6% on the preceding quarter. This development was heavily influenced by strong business in Mexico, where revenue was expanded especially in the ladle and the electric arc furnace segments.

Africa/CIS/Middle East

Steel production in Africa fell by 15.9% in the first half of 2016 compared with the same period of 2015 and reflects the development in the two important countries Egypt and South Africa, which together account for more than 80% of the continent's steel production. Despite the decrease in steel production, the region's contribution to revenue rose by roughly 12% in the first half of 2016. This is primarily attributable to the positive business development in Libya, especially in the ladle and electric arc furnace segments as a result of an increase in steel production of an important customer. This is one of the reasons why revenue was roughly 75% higher in the second quarter of 2016 than in the preceding quarter.

The contribution to revenue in the CIS region increased in the first half of 2016 primarily because a major contract was won in Ukraine.

Steel production in the CIS region was 0.6% higher in the first half of 2016 than in the comparative period of 2015, which is primarily attributable to an increase in output in Ukraine. The region's contribution to revenue rose by roughly 18% in the first half of 2016, predominantly due to a major contract won in Ukraine. Here, roughly 18,500 tons of basic mixes were delivered, which are used in open-hearth furnaces. Because of that and the expansion of business in the converter segment in Russia, revenue of the past quarter exceeded that of the first quarter of 2016 by roughly 59%.

Steel production in the Middle East in the first half of 2016 declined by 3.2% compared with the same period of 2015. The region's contribution to revenue fell by roughly 10% in the first half of 2016 due to a weaker business development in the United Arab Emirates and Saudi Arabia. Compared with the first quarter of 2016, an increase by roughly 8% was recorded due to a positive development in Oman.

South America

In the first half of 2016, steel production in South America dropped 13.8% compared with the same period of 2015. This is primarily attributable to the severe recession in Brazil, which is the most important steel market with a share of roughly 75%. The economies on the South American continent are suffering from low raw material prices, high inflation and a lack of growth perspectives. For example, industrial production in Brazil declined for the twenty-sixth consecutive month in June 2016.

The decline in revenue in South America is attributable to the severe recession in Brazil.

In this market environment, the region's contribution to revenue in the first half of 2016 was roughly 41% lower than in the comparative period of 2015. This is primarily attributable to the weaker business development in Brazil and Venezuela. Compared with the preceding quarter, revenue dropped by roughly 19% in the second quarter of 2016 due to lower deliveries in Argentina.

Industrial Division

The Industrial Division's sales volume dropped 8.9% compared with the first half of 2015 and amounted to roughly 195,000 tons. This is primarily attributable to lower deliveries in the cement/lime and glass business units. Compared with the first quarter of 2016, an increase of 3.1% to roughly 99,000 tons was recorded in the past quarter.

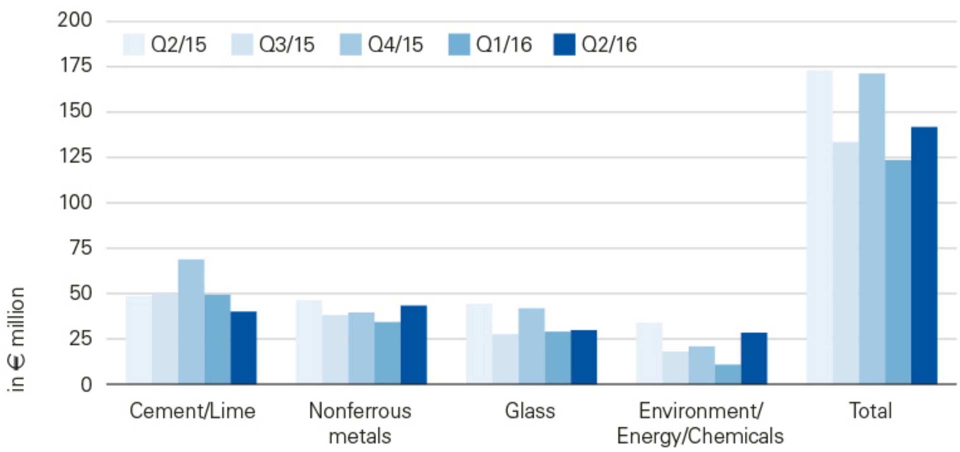
The decline in operating EBIT is due to lower deliveries and the resulting weaker utilization of production capacities.

The Industrial Division's revenue amounted to € 265.4 million in the first half of 2016, down 14.4% on the revenue of the comparative period of 2015, at € 309.9 million. Weaker demand in the cement/lime business unit predominantly results from the regions Asia/Pacific and South America, while in the glass business segment two major projects were delivered in the container glass sector in the Middle East last year. Likewise, a major project delivered last year in the coal and petroleum coke gasifier sector in India by the environment, energy, chemicals business unit was not fully compensated by several smaller orders. As a result of the decrease in deliveries and the related weaker utilization of production capacities, the operating EBIT fell from € 31.6 million in the first half of 2015 to € 20.3 million in the first half of 2016. The operating EBIT margin amounted to 7.6% and was lower than in the comparative period of 2015, at 10.2%.

In the second quarter of 2016, the Industrial Division's revenue amounted to € 141.8 million, thus exceeding the revenue of the preceding quarter, at € 123.6 million. However, it was lower than in the second quarter of 2015, at € 173.1 million. The increase compared with the first quarter of 2016 is attributable to significantly higher contributions to revenue by the environment, energy, chemicals and nonferrous metals business units. The operating EBIT rose from € 8.8 million in the first quarter of 2016 to € 11.5 million in the past quarter and was lower than in the second quarter of 2015, at € 18.4 million.

Revenue developed as follows in the past five quarters:

Development of revenue



Cement/Lime

Especially in China business declined as a result of the downturn of the construction industry.

In the first half of 2016, the contribution to revenue of the cement/lime business was down 13% on the first half of 2015. Nearly all regions recorded a decline in business. Especially in China, the world's largest cement market with an annual production of roughly 2.5 billion tons, business decreased by roughly a quarter as a result of the downturn in the construction industry, falling property prices and lower investment activities. Low utilization of the cement production capacities of many customers causes partial shut-downs of plants and consequently leads to a lower level of repair work for refractory producers. In this environment, RHI focuses on service packages appreciated by our customers. Revenue also recorded a weak development in nearly all South American markets due to the ongoing economic downturn. Many economies still struggle with the consequences of lower raw material prices. Compared with the preceding quarter, revenue in the second quarter of 2016 declined by roughly 19% due to seasonal effects. As construction activity peaks in the spring and summer months because of the weather and the demand for cement is therefore very high, cement plants hardly perform any maintenance during this period.

In general, the globally weak economic situation and regional excess capacities are causing a decrease in repair volume. Capacities are currently only expanded in some countries in North America. New plant business thus continues at a very low level.. In the past quarter, only the delivery of the contract won for a new plant in Mexico was started. In addition, political uncertainties in some regions have a negative impact on the development of the cement industry. In the CIS region, the strong devaluation of the Russian ruble additionally burdens the RHI Group's competitiveness compared with local suppliers. In contrast, the African continent has turned into an important market of this business unit in the past years. The most important individual markets are Nigeria and Algeria. These two countries also contributed to significant revenue growth on the African continent in the first half of the current year.

Nonferrous metals

The prices of the relevant nonferrous metals marked new multi-year lows at the beginning of the year as a result of the market turbulence caused by the concerns regarding economic growth of China. However, they recovered slightly as the year progressed. Compared with the level of June 30, 2015, nickel recorded the most significant drop at the end of the first half of 2016, at roughly 21%, followed by copper at roughly 16%, and aluminum at roughly 2%. In contrast, the price of lead rose by 2% year-on-year, zinc by roughly 5% and tin by roughly 22%.

Unplanned emergency deliveries in the ferrochrome and titanium oxide segments support the revenue development.

In the first half of 2016, the contribution to revenue of the nonferrous metals business unit declined by 5% compared with the same period of 2015. This is primarily due to a major delivery in the ferrochrome segment in Kazakhstan in the first half of 2015. However, business developed positively in South America, where two major repairs in Bolivia and Peru were performed and straight-line business with a long-standing customer in Chile was expanded further. Compared with the preceding quarter, revenue increased by roughly 26% in the second quarter of 2016. This was among other things attributable to unplanned deliveries in the ferrochrome and titanium oxide segments. In the latter, a considerable order from Saudi Arabia contributed to a significant increase in revenue in the Middle East. In addition, unexpected high volumes were sold to an important customer, and orders in the million euro range were delivered to Zambia, Australia and Canada. Other significant business was conducted in Australia and Mexico, where materials for major repairs of key aggregates were delivered in the lead and zinc segments, among others. Large-volume deliveries also went to Germany, Sweden and China, where core customers trusted in RHI materials. In the aluminum segment, the delivery of a major contract won in the first quarter of 2016 in China was started. In the course of the year, a total of seven kilns, in which three purging systems will also be integrated, will be lined with refractory materials. In addition, an important part of the metallurgical process technology will also be provided by

RHI. Not least because of that, the first half of 2016 was the most successful in the aluminum business unit in more than ten years.

Glass

In early June RHI sold the US subsidiary RHI Monofrax, LLC with its plant in Falconer, which is confronted with utilization difficulties.

The contribution to revenue of the glass business unit in the first half of 2016 was roughly 20% lower than in the first half of 2015. This is primarily attributable to a low project level in the Middle East and in Africa. Business was also weak in Italy, Turkey and China. The global market environment is still characterized by little willingness to invest, high excess capacities, especially in the flat glass segment, and progressing market consolidation in the US and Europe. Compared with the preceding quarter, revenue rose by roughly 3% in the second quarter of 2016. While nearly all regions recorded a decline in business, revenue in Europe was substantially expanded, especially in the special glass segment. In the flat glass segment, the major manufacturers in the US and in Europe awarded the most important contracts of the current year. Here, RHI achieved success especially in the segment of fired products. Moreover, RHI won large parts of contracts for refractories for three projects in Kazakhstan and Thailand.

In the past quarter, RHI sold the US subsidiary RHI Monofrax, LLC with its plant in Falconer, which was confronted with difficulties in capacity utilization. The plant specializes in the production of fused cast refractories for the glass industry and generated revenue of roughly USD 30 million in the financial year 2015. The buyer is the German private equity fund Callista. The deconsolidation of the subsidiary results in a negative effect on earnings of roughly € 4.6 million for RHI. The company expects the transaction to result in improved earnings for the glass business unit.

Environment, energy, chemicals

Business in the Middle East recorded a positive development, especially in the area of pelletizing plants.

The contribution to earnings of the environment, energy, chemicals business unit in the first half of 2016 dropped by 24% compared with the same period of 2015. This is primarily attributable to a major order in the coal and petroleum coke gasifier segment delivered in the previous year. In contrast, business in the Middle East recorded a positive development, especially in the area of pelletizing plants. Moreover, a significant increase in inquiries by Iranian customers in the oil and gas industry was recorded after the trade embargo was lifted.

Compared with the weak first quarter of 2016, revenue in the past quarter soared by roughly 162% and reflects the start of the maintenance season in the oil and gas sector in North America and Europe. Service business also recorded a positive development, as larger projects were carried out in Europe and the Middle East. Despite this positive development, the persisting low oil price leads to a challenging market environment in the oil and gas extraction industry. Especially in the Canadian oil sand business, the market price is below production costs, leading to high cost pressure.

Raw Materials Division

The Raw Materials Division's external sales volume totaled roughly 180,000 tons in the first half of 2016. The increase by 25.9% is primarily related to higher sales of raw dolomite in Italy, which make a significant contribution in terms of volume. However, the effect in terms of value is little due to the low price per ton. Compared with the first quarter of 2016, sales volume rose by 22.2% to roughly 99,000 tons.

The positive development of the operating EBIT is among other things due to better utilization of the raw material plants in the basic mixes segment.

Revenue of the Raw Materials Division, at € 143.8 million in the first half of 2016 was 2.1% lower than in the comparative period of 2015, at € 146.9 million. The decline in internal demand, especially from the Industrial Division, was partially offset by an increase in external sales. The operating EBIT turned around from € (3.0) million in the first half of 2015 to € 2.5 million in the first half of 2016 due to the good utilization at the two Austrian raw material plants, Breitenau and Hochfilzen, which primarily produce basic mixes for the steel industry, especially for the use in electric arc furnaces. In addition, the improved earnings situation at the Norwegian site, Porsgrunn, also contributed to this development.

In the second quarter of 2016, the Raw Material Division's revenue amounted to € 73.9 million. Revenue was thus higher than in the preceding quarter, at € 69.9 million, and also slightly higher than in the second quarter of 2015, at € 73.1 million. The operating EBIT in the second quarter of 2016 amounted to € 0.9 million, after € 1.6 million in the preceding quarter, and exceeded that of the second quarter of 2015, at € (1.5) million.

The earnings situation at the Norwegian site improved significantly compared with the previous year.

At the site in Porsgrunn, Norway, roughly 19,000 tons of fused magnesia were produced in the first half of 2016. The earnings situation improved by roughly 30% compared to the same period of the previous year, also as a result of the complete write-down of assets at the end of the year 2015. Currently, lower qualities of fused magnesia are bought from China at a lower price, while the Norwegian raw material is still used for high-quality grades for the steel industry.

Slower economic growth in the emerging markets, combined with weaker industrial production, led to a decline in the price level of important refractory raw materials such as sintered and fused magnesia, bauxite, andalusite and fused corundum in the year 2015 and as well as in the first half of 2016. Many suppliers make losses due to the current market prices.

Outlook

Despite the challenging market environment, the Management Board of RHI AG is increasing the outlook due to the positive earnings development in the first half of the year. Consequently, an operating EBIT margin of roughly 8% is expected for the full year 2016, which corresponds to an increase by roughly one percentage point compared with the previous year.

Due to the development in the customer industries, RHI is currently working on further optimizing the plant structure, which could lead to an adjustment of production capacities in Europe in the current financial year. In addition, different cost measures have been defined in the sales and general administrative departments. The planned continuation of the reduction of working capital should support the generation of free cash flow and lead to a further reduction of net debt.

Risk Report

In the first half of 2016, the risk management processes and key risks remained essentially unchanged. No risks that are considered to be a threat to the existence of the RHI Group were identified. The main risks for the business development are related to the growing exports of Chinese steel producers resulting from a weak domestic market and high excess capacities, and to the low price level of important nonferrous metals such as copper, aluminum, nickel and tin because of slower economic growth in China, low oil prices and geopolitical uncertainties. While the steel exports from China lead to high pressure on steel prices and thus on the profitability of manufacturers and subsequently on the suppliers, the falling metal and energy prices could cause producers to postpone projects, major repairs and maintenance work. Opportunities lie above all in an increase in steel production volume in electric arc furnaces due to a considerable increase in iron ore prices, which lead to higher production costs at integrated steel plants, thus reducing their competitiveness.

Disclosures on Related Companies and Persons

Information regarding business relationships with related companies and persons is provided in the explanatory notes to the interim consolidated financial statements.

Condensed, unaudited interim consolidated financial statements

as of 06/30/2016

Consolidated statement of financial position

as of 06/30/2016

in € million	06/30/2016	12/31/2015
ASSETS		
Non-current assets		
Property, plant and equipment	512.1	532.2
Goodwill	36.6	37.5
Other intangible assets	69.9	74.2
Investments in joint ventures	17.2	19.3
Other non-current financial assets	24.4	23.7
Other non-current assets	18.7	18.0
Deferred tax assets	147.9	146.1
	826.8	**851.0**
Current assets		
Inventories	391.6	403.9
Trade and other current receivables	370.6	390.0
Income tax receivables	7.5	5.9
Other current financial assets	4.6	4.0
Cash and cash equivalents	156.1	149.7
	930.4	**953.5**
	1,757.2	**1,804.5**

EQUITY AND LIABILITIES		
Equity		
Share capital	289.4	289.4
Group reserves	166.0	188.2
Equity attributable to shareholders of RHI AG	455.4	477.6
Non-controlling interests	14.4	13.8
	469.8	**491.4**
Non-current liabilities		
Non-current financial liabilities	420.2	438.0
Other non-current financial liabilities	49.3	51.3
Deferred tax liabilities	14.4	15.3
Personnel provisions	339.9	326.3
Other non-current provisions	3.0	4.3
Other non-current liabilities	6.4	7.9
	833.2	**843.1**
Current liabilities		
Current financial liabilities	109.8	109.6
Other current financial liabilities	7.3	8.5
Trade payables and other current liabilities	280.3	293.6
Income tax liabilities	26.7	25.3
Current provisions	30.1	33.0
	454.2	**470.0**
	1,757.2	**1,804.5**

Consolidated statement of profit or loss

from 01/01/2016 to 06/30/2016

in € million	4-6/2016	4-6/2015	1-6/2016	1-6/2015
Revenue	440.5	477.9	830.2	902.0
Cost of sales	(346.4)	(377.4)	(649.6)	(708.5)
Gross profit	**94.1**	**100.5**	**180.6**	**193.5**
Selling and marketing expenses	(26.7)	(30.4)	(52.1)	(58.0)
General and administrative expenses	(32.5)	(32.5)	(62.4)	(65.9)
Other income	10.0	0.0	56.8	45.5
Other expenses	(5.0)	(3.5)	(52.7)	(46.5)
Operating EBIT	**39.9**	**34.1**	**70.2**	**68.6**
Gains from derivatives from supply contracts	6.2	0.0	3.0	0.0
Restructuring costs	(4.6)	0.0	(4.6)	0.0
EBIT	**41.5**	**34.1**	**68.6**	**68.6**
Interest income	1.0	0.6	1.4	1.0
Interest expenses	(4.5)	(5.2)	(9.0)	(10.2)
Other net financial expenses	(1.6)	1.2	(3.5)	(1.0)
Net finance costs	**(5.1)**	**(3.4)**	**(11.1)**	**(10.2)**
Share of profit of joint ventures	2.7	2.4	5.4	4.6
Profit before income tax	**39.1**	**33.1**	**62.9**	**63.0**
Income tax	(15.0)	(9.6)	(24.0)	(18.4)
Profit after income tax	**24.1**	**23.5**	**38.9**	**44.6**
attributable to shareholders of RHI AG	23.6	23.2	37.8	43.9
attributable to non-controlling interests	0.5	0.3	1.1	0.7
in €				
Earnings per share (basic and diluted)	0.59	0.58	0.95	1.10

Consolidated statement of comprehensive income

from 01/01/2016 to 06/30/2016

in € million	4-6/2016	4-6/2015	1-6/2016	1-6/2015
Profit after income tax	**24.1**	**23.5**	**38.9**	**44.6**
Currency translation differences				
Unrealized results from currency translation	1.1	(15.5)	(8.7)	30.5
Deferred taxes thereon	(0.5)	(1.6)	(0.3)	(1.6)
Current taxes thereon	0.5	0.4	0.5	0.4
Reclassification reserves to profit or loss	(3.7)	0.0	(3.7)	0.0
Market valuation of cash flow hedges				
Unrealized results from fair value change	0.0	0.2	0.0	0.1
Market valuation of available-for-sale financial instruments				
Unrealized results from fair value change	0.1	(0.4)	0.1	2.0
Deferred taxes thereon	0.0	0.3	0.0	(0.3)
Reclassification reserves to profit or loss	0.0	(4.2)	0.0	(4.2)
Deferred taxes thereon	0.0	0.3	0.0	0.3
Items that will be reclassified subsequently to profit or loss, if necessary	**(2.5)**	**(20.5)**	**(12.1)**	**27.2**
Remeasurement of defined benefit plans				
Remeasurement of defined benefit plans	(13.0)	39.9	(26.8)	18.9
Deferred taxes thereon	4.3	(11.1)	8.3	(5.2)
Items that will not be reclassified to profit or loss	**(8.7)**	**28.8**	**(18.5)**	**13.7**
Other comprehensive income after income tax	**(11.2)**	**8.3**	**(30.6)**	**40.9**
Total comprehensive income	**12.9**	**31.8**	**8.3**	**85.5**
attributable to shareholders of RHI AG	12.4	32.2	7.7	83.8
attributable to non-controlling interests	0.5	(0.4)	0.6	1.7

Consolidated statement of cash flows

from 01/01/2016 to 06/30/2016

in € million	1-6/2016	1-6/2015
Profit after income tax	38.9	44.6
Adjustments for		
income tax	24.0	18.4
depreciation and amortization charges	32.4	34.4
income from the reversal of investment subsidies	(0.4)	(0.5)
reversal of impairment losses on securities	(0.5)	0.0
losses / (gains) from the disposal of property, plant and equipment	0.5	(1.1)
gains from the disposal of securities and other financial assets	0.0	(4.3)
losses from the disposal of subsidiaries	4.1	0.0
interest result	7.6	9.2
share of profit of joint ventures	(5.4)	(4.6)
other non-cash changes	(3.5)	12.3
Changes in		
inventories	(2.2)	(23.5)
trade receivables	20.1	8.6
other receivables and assets	(5.1)	(4.7)
provisions	(13.8)	(7.3)
trade payables	4.2	4.9
other liabilities	(6.2)	(3.5)
Cash flow from operating activities	**94.7**	**82.9**
Income tax paid less refunds	(18.0)	(18.0)
Net cash flow from operating activities	**76.7**	**64.9**
Cash inflows from the sale of subsidiaries net of cash	(4.6)	0.0
Investments in property, plant and equipment and intangible assets	(23.4)	(25.2)
Cash inflows from the sale of property, plant and equipment	2.2	1.9
Investments in / cash inflows from non-current receivables	(0.1)	(0.1)
Cash inflows from the sale of securities and other financial assets	0.0	13.9
Dividend payments from joint ventures	7.5	5.8
Investment subsidies received	0.0	0.6
Interest received	1.3	1.0
Net cash flow from investing activities	**(17.1)**	**(2.1)**
Dividend payments to shareholders of RHI AG	(29.9)	(29.9)
Proceeds from non-current borrowings and loans	0.2	30.2
Repayments of non-current borrowings and loans	(13.4)	(72.9)
Changes in current borrowings	(4.1)	(3.1)
Interest payments	(7.2)	(9.1)
Net cash flow from financing activities	**(54.4)**	**(84.8)**
Total cash flow	**5.2**	**(22.0)**
Change in cash and cash equivalents	**5.2**	**(22.0)**
Cash and cash equivalents at beginning of period	149.7	151.1
Changes due to currency translation	1.2	0.5
Cash and cash equivalents at end of period	156.1	129.6
Total interest paid	7.4	9.3
Total interest received	1.4	1.0

Consolidated statement of changes in equity

from 01/01/2016 to 06/30/2016

in € million	Share capital	Additional paid-in capital	Retained earnings
12/31/2015	**289.4**	**38.3**	**284.5**
Profit after income tax	**-**	**-**	**37.8**
Currency translation differences	-	-	-
Market valuation of available-for-sale financial instruments	-	-	-
Remeasurement of defined benefit plans	-	-	-
Other comprehensive income after income tax	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**37.8**
Dividends	-	-	(29.9)
Transactions with shareholders	**-**	**-**	**(29.9)**
Reclassification due to disposal of defined benefit plans	-	-	1.9
06/30/2016	**289.4**	**38.3**	**294.3**

in € million	Share capital	Additional paid-in capital	Retained earnings
12/31/2014	**289.4**	**38.3**	**307.9**
Profit after income tax	**-**	**-**	**43.9**
Currency translation differences	-	-	-
Market valuation of cash flow hedges	-	-	-
Market valuation of available-for-sale financial instruments	-	-	-
Remeasurement of defined benefit plans	-	-	-
Other comprehensive income after income tax	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**43.9**
Dividends	-	-	(29.9)
Transactions with shareholders	**-**	**-**	**(29.9)**
06/30/2015	**289.4**	**38.3**	**321.9**

	Group reserves						
	Accumulated other comprehensive income						
	Cash flow hedges	Available-for-sale financial instruments	Defined benefit plans	Currency translation	Equity attributable to shareholders of RHI AG	Non-controlling interests	Total equity
	(0.9)	**0.0**	**(91.9)**	**(41.8)**	**477.6**	**13.8**	**491.4**
	-	**-**	**-**	**-**	**37.8**	**1.1**	**38.9**
	-	-	-	(11.7)	**(11.7)**	**(0.5)**	**(12.2)**
	-	0.1	-	-	**0.1**	**-**	**0.1**
	-	-	(18.5)	-	**(18.5)**	**-**	**(18.5)**
	-	**0.1**	**(18.5)**	**(11.7)**	**(30.1)**	**(0.5)**	**(30.6)**
	-	**0.1**	**(18.5)**	**(11.7)**	**7.7**	**0.6**	**8.3**
	-	**-**	**-**	**-**	**(29.9)**	**-**	**(29.9)**
	-	**-**	**-**	**-**	**(29.9)**	**-**	**(29.9)**
	-	-	(1.9)	-	**0.0**	**-**	**0.0**
	(0.9)	**0.1**	**(112.3)**	**(53.5)**	**455.4**	**14.4**	**469.8**

	Group reserves						
	Accumulated other comprehensive income						
	Cash flow hedges	Available-for-sale financial instruments	Defined benefit plans	Currency translation	Equity attributable to shareholders of RHI AG	Non-controlling interests	Total equity
	(1.0)	**4.5**	**(106.1)**	**(51.3)**	**481.7**	**12.2**	**493.9**
	-	**-**	**-**	**-**	**43.9**	**0.7**	**44.6**
	-	-	-	28.3	**28.3**	**1.0**	**29.3**
	0.1	-	-	-	**0.1**	**-**	**0.1**
	-	(2.2)	-	-	**(2.2)**	**-**	**(2.2)**
	-	-	13.7	-	**13.7**	**-**	**13.7**
	0.1	**(2.2)**	**13.7**	**28.3**	**39.9**	**1.0**	**40.9**
	0.1	**(2.2)**	**13.7**	**28.3**	**83.8**	**1.7**	**85.5**
	-	**-**	**-**	**-**	**(29.9)**	**-**	**(29.9)**
	-	**-**	**-**	**-**	**(29.9)**	**-**	**(29.9)**
	(0.9)	**2.3**	**(92.4)**	**(23.0)**	**535.6**	**13.9**	**549.5**

Selected explanatory notes

(1) Principles and methods

The interim consolidated financial statements as of 06/30/2016 were prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" and with the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU).

The interim consolidated financial statements do not include all information and disclosures required in the annual financial statements and should therefore be read in conjunction with the RHI consolidated financial statements as of 12/31/2015.

All amounts in the explanatory notes and tables are shown in € million, unless indicated otherwise. For computational reasons, rounding differences may occur.

Initial application of new financial reporting standards

With the exception of the changes described in the following, the same accounting and measurement principles were used as in the previous year:

Standard	Title	Publication (EU endorsement)	Effects on RHI consolidated interim financial statements
Amendments of standards			
IAS 1	Disclosure Initiative	12/18/2014 (12/18/2015)	No effect
IAS 16, IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	05/12/2014 (12/02/2015)	No effect
IAS 16, IAS 41	Bearer Plants	06/30/2014 (11/23/2015)	Not relevant
IAS 27	Equity Method in Separate Financial Statements	08/12/2014 (12/18/2015)	Not relevant
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	05/06/2014 (11/24/2015)	No effect
Various	Annual Improvements to IFRSs 2010-2012 Cycle	12/12/2013 (12/17/2014)	No effect
Various	Annual Improvements to IFRSs 2012-2014 Cycle	09/25/2014 (12/15/2015)	No effect

Audit and review by an auditor

The consolidated interim financial statements as of 06/30/2016 were neither fully audited nor reviewed by an auditor.

(2) Group of consolidated companies

Compared with the reporting date 12/31/2015, the number of companies included in group of consolidated companies changed as follows:

Number of consolidated companies	Full consolidation	Equity method
12/31/2015	**78**	**1**
Additions	1	0
Retirements and disposals	(2)	0
06/30/2016	**77**	**1**

On 03/04/2016, the subsidiary RHI United Offices Europe, S.L. (100%), based in Lugones, Spain, was established and included in the consolidated financial statements as of this date. The purpose of this company is the provision of internal administrative services.

With effect from 05/12/2016 the subsidiary RHI Rückversicherungs AG (100%) based in Vaduz, Liechtenstein, was liquidated.

As of 06/06/2016, all shares (100%) in RHI Monofrax, LLC, Wilmington, USA, were sold. The net assets disposed at the date of deconsolidation consist of the following items:

in € million	06/06/2016
Inventories	11.9
Trade and other current receivables	0.3
Cash and cash equivalents	4.6
Personnel provisions	(5.6)
Other non-current provisions	(0.7)
Trade payables and other current liabilities	(2.7)
Net assets disposed	**7.8**

The result from deconsolidation is determined as follows:

in € million	06/06/2016
Net assets disposed	(7.8)
Reclassification currency translation differences	3.7
Result from deconsolidation	**(4.1)**

The loss, taking into account the transaction-related costs of € 0.5 million incurred in the USA, was recognized under the item restructuring costs in the statement of profit or loss.

The selling price of USD 1 was paid in cash.

(3) Personnel provisions

For interim reports, provisions for pensions and termination payments are determined on the basis of a preview for the entire year prepared by an actuary. If there are significant changes in the actuarial assumptions in the course of the year, a remeasurement of the net debt from employee-related defined benefit obligations is recognized.

As of 06/30/2016, the reduction in the actuarial interest rate by roughly 90 basis points in the euro area compared with 12/31/2015 led to an increase in pension and termination benefit obligations of € 26.8 million and to a reduction of equity of € 18.5 million (after deferred taxes). Compared with 06/30 of the previous year, pension and termination benefit obligations decreased by € 18.9 million due to an increase in the actuarial interest rate by roughly 40 basis points. Taking into account income taxes, the Group's equity rose by € 13.7 million.

(4) Other income and expenses

Foreign exchange differences and derivative financial instruments had the following effect on the operating EBIT:

in € million	1-6/2016	1-6/2015
Foreign exchange gains	53.5	43.7
Foreign exchange losses	(51.0)	(35.8)
Gains from derivative financial instruments	1.5	0.0
Losses from derivative financial instruments	(0.7)	(10.1)
Net effect	**3.3**	**(2.2)**

(5) Income tax

The tax rate of the first half of 2016 amounts to 38.2% (1-6/2015: 29.2%).

(6) Segment reporting

The key figures of the operating segments for the first half of 2016 and the first half of 2015 are shown in the tables below:

in € million	Steel	Industrial	Raw Materials	Reconcil-iation	Group 1-6/2016
External revenue	542.3	265.4	22.5	0.0	830.2
Internal revenue	0.0	0.0	121.3	(121.3)	0.0
Segment revenue	**542.3**	**265.4**	**143.8**	**(121.3)**	**830.2**
Operating EBIT	**47.4**	**20.3**	**2.5**	**0.0**	**70.2**
Gains from derivatives from supply contracts	0.0	0.0	3.0	0.0	3.0
Restructuring costs	0.0	(4.6)	0.0	0.0	(4.6)
EBIT	**47.4**	**15.7**	**5.5**	**0.0**	**68.6**
Net finance costs	0.0	0.0	0.0	(11.1)	(11.1)
Share of profit of joint ventures	0.0	0.0	5.4	0.0	5.4
Profit before income tax					**62.9**
Segment assets 06/30/2016	636.8	274.5	395.7	433.0	1,740.0
Investments in joint ventures 06/30/2016	0.0	0.0	17.2	0.0	17.2
					1,757.2

in € million	Steel	Industrial	Raw Materials	Reconcil-iation	Group 1-6/2015
External revenue	574.4	309.9	17.7	0.0	902.0
Internal revenue	0.0	0.0	129.2	(129.2)	0.0
Segment revenue	**574.4**	**309.9**	**146.9**	**(129.2)**	**902.0**
Operating EBIT/EBIT	**40.0**	**31.6**	**(3.0)**	**0.0**	**68.6**
Net finance costs	0.0	0.0	0.0	(10.2)	(10.2)
Share of profit of joint ventures	0.0	0.0	4.6	0.0	4.6
Profit before income tax					**63.0**
Segment assets 12/31/2015	647.0	291.3	429.6	417.3	1,785.2
Investments in joint ventures 12/31/2015	0.0	0.0	19.3	0.0	19.3
					1,804.5

(7) Disclosures on financial instruments

The following tables show the carrying amounts and fair values of the financial assets and liabilities by level and measurement category, and the allocation to the measurement levels in accordance with IFRS 13. In addition, the carrying amounts are shown aggregated according to measurement category.

in € million	IAS 39 Measurement category[1]	Level	(Amortized) cost	Fair value recognized in profit or loss	Fair value recognized in equity	06/30/2016 Carrying amount	06/30/2016 Fair value
Assets							
Available-for-sale investments	FAAC	-	0.4	-	-	0.4	-
Available-for-sale securities	AfS	1	-	-	21.0	21.0	21.0
Available-for-sale shares	FAAC	-	0.5	-	-	0.5	-
Other non-current financial receivables	LaR	-	2.5	-	-	2.5	-
Trade and other current receivables[2]	LaR	-	281.7	-	-	281.7	-
Other current financial receivables	LaR	-	1.5	-	-	1.5	-
Financial assets held for trading	FAHfT	2	-	3.1	-	3.1	3.1
Cash and cash equivalents	LaR	-	156.1	-	-	156.1	-
Liabilities							
Non-current financial liabilities	FLAAC	2	420.2	-	-	420.2	447.7
Interest derivatives designated as cash flow hedges	-	2	-	-	1.3	1.3	1.3
Current financial liabilities	FLAAC	2	109.8	-	-	109.8	110.6
Financial liabilities held for trading	FLHfT	2	-	55.3	-	55.3	55.3
Trade payables and other current liabilities[3]	FLAAC	-	186.8	-	-	186.8	-
Aggregated according to measurement category							
Loans and receivables	LaR		441.8	-	-	441.8	
Available for sale financial instruments	AfS		-	-	21.0	21.0	
Financial assets at cost	FAAC		0.9	-	-	0.9	
Financial assets held for trading	FAHfT		-	3.1	-	3.1	
Financial liabilities measured at amortized cost	FLAAC		716.8	-	-	716.8	
Financial liabilities held for trading	FLHfT		-	55.3	-	55.3	

in € million	IAS 39 Measurement category[1)]	Level	(Amortized) cost	Fair value recognized in profit or loss	Fair value recognized in equity	12/31/2015 Carrying amount	12/31/2015 Fair value
Assets							
Available-for-sale investments	FAAC	-	0.5	-	-	0.5	-
Available-for-sale securities	AfS	1	-	-	20.4	20.4	20.4
Available-for-sale shares	FAAC	-	0.5	-	-	0.5	-
Other non-current financial receivables	LaR	-	2.3	-	-	2.3	-
Trade and other current receivables[2)]	LaR	-	308.4	-	-	308.4	-
Other current financial receivables	LaR	-	1.7	-	-	1.7	-
Financial assets held for trading	FAHfT	2	-	2.3	-	2.3	2.3
Cash and cash equivalents	LaR	-	149.7	-	-	149.7	-
Liabilities							
Non-current financial liabilities	FLAAC	2	438.0	-	-	438.0	461.3
Interest derivatives designated as cash flow hedges	-	2	-	-	1.3	1.3	1.3
Current financial liabilities	FLAAC	2	109.6	-	-	109.6	110.1
Financial liabilities held for trading	FLHfT	2	-	58.5	-	58.5	58.5
Trade payables and other current liabilities[3)]	FLAAC	-	196.9	-	-	196.9	-
Aggregated according to measurement category							
Loans and receivables	LaR		462.1	-	-	462.1	
Available for sale financial instruments	AfS		-	-	20.4	20.4	
Financial assets at cost	FAAC		1.0	-	-	1.0	
Financial assets held for trading	FAHfT		-	2.3	-	2.3	
Financial liabilities measured at amortized cost	FLAAC		744.5	-	-	744.5	
Financial liabilities held for trading	FLHfT		-	58.5	-	58.5	

1) FAAC: Financial assets at cost
AfS: Available for sale financial instruments
LaR: Loans and receivables
FAHfT: Financial assets held for trading
FLAAC: Financial liabilities measured at amortized cost
FLHfT: Financial liabilities held for trading

2) Trade and other current receivables of € 370.6 million (12/31/2015: € 390.0 million) as shown in the statement of financial position also include non-financial assets of € 88.9 million (12/31/2015: € 81.6 million).

3) Trade payables and other current liabilities of € 280.3 million (12/31/2015: € 293.6 million) as shown in the statement of financial position also include non-financial liabilities of € 93.5 million (12/31/2015: € 96.7 million).

In the RHI Group especially securities and derivative financial instruments are measured at fair value on a recurring basis.

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

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

Level 1: Prices quoted in active markets for identical financial instruments.
Level 2: Measurement techniques in which all important data used are based on observable market data.
Level 3: Measurement techniques in which all important data used are not based on observable market data.

The fair value of available-for-sale securities is based on price quotations at the reporting date (Level 1).

The fair value of interest derivatives in a hedging relationship (interest rate swaps) is determined by calculating the present value of future cash flows based on current yield curves taking into account the corresponding terms (Level 2).

The fair value of financial assets and liabilities held for trading corresponds to the market value of the forward exchange contracts and derivatives in open orders denominated in a currency other than the functional currency and the market value of a long-term power supply contract. These financial assets and liabilities held for trading are measured based on quoted forward rates (Level 2).

The available-for-sale unlisted shares in a residential property company (Level 3) were sold in their entirety in the second quarter of 2015. The measurement performed was already based on the selling price. The development of the shares measured according to level 3 in the financial year 2015 is presented in the table below:

in € million	01/01/ - 12/31/2015
Fair values at beginning of period	**2.2**
Unrealized results from fair value change recognized in other comprehensive income	0.7
Reclassification to statement of profit or loss due to disposal	(2.9)
Fair values at end of period	**0.0**

RHI takes into account reclassifications in the measurement hierarchy at the end of the reporting period in which the changes occur. There were no shifts between the different measurement levels in the two reporting periods.

Financial liabilities are carried at amortized cost in the statement of financial position. The fair values of the financial liabilities are only shown in the notes. They are calculated as the present value of the discounted future cash flows using yield curves that are currently observable (Level 2).

Available-for-sale investments of € 0.4 million (12/31/2015: € 0.5 million) and available-for-sale shares of € 0.5 million (12/31/2015: € 0.5 million) are equity instruments carried at cost for which there is no quoted price on an active market. It was not possible to derive a fair value based on comparable transactions. These investments and shares are immaterial in comparison with the total position of the Group.

The financial receivables roughly correspond to the fair value as no material deviation between the fair value and the carrying amount is assumed due to the amount of the receivables, and the credit default risk is accounted for by forming valuation allowances.

The remaining terms of trade and other current receivables and liabilities as well as cash and cash equivalents are predominantly short. Therefore, the fair value approximates the carrying amounts at the reporting date.

At the two reporting dates, no contractual netting agreements of financial assets and liabilities were in place.

(8) Dividends

The Annual General Meeting on 05/04/2016 approved the payout of a dividend of € 0.75 per share for the year 2015. Therefore, a dividend totaling € 29.9 million was paid out to the shareholders of RHI AG in the second quarter of 2016.

(9) Contingent liabilities

As of 06/30/2016 contingent liabilities amount to € 32.3 million (12/31/2015: € 35.2 million). Of this total, warranties, performance guarantees and other guarantees account for € 31.5 million (12/31/2015: € 34.3 million) and sureties for € 0.8 million (12/31/2015: € 0.9 million).

(10) Disclosures on related companies and persons

With the exception of the dividend paid to MSP Foundation, Liechtenstein, and the dividend payment received from MAGNIFIN Magnesiaprodukte GmbH & Co KG, St. Jakob, Austria, which amounted to € 7.5 million (1-6/2015: € 5.8 million), no material transactions took place between the RHI Group and related companies and persons in the first half of 2016.

(11) Seasonal and cyclical influence

Explanations regarding seasonal and cyclical influences on the operating activities of the RHI Group can be found in the report of the divisions in the management report.

(12) Employees

In the first half of 2016 the average number of employees of the RHI Group weighted by level of employment amounted to 7,748 (1-6/2015: 7,979).

(13) Interim CEO

At its meeting of 06/26/2016, the Supervisory Board of RHI AG appointed Deputy Chairman of the Supervisory Board Wolfgang Ruttenstorfer Chairman of the Management Board on an interim basis with immediate effect for a period of three months. During that period, Wolfgang Ruttenstorfer will replace Franz Struzl, who is on sick leave and temporarily unable to fulfill his board duties.

(14) Events after the reporting date 06/30/2016

No further events of material importance became known after the reporting date on 06/30/2016.

(15) Statement of the Management Board in accordance with § 87 (1) of the Austrian Stock Exchange Act

We confirm to the best of our knowledge that the condensed interim consolidated financial statements, which were prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and that the Group's management report gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group with respect to material events during the first six months of the financial year and their effects on the condensed interim consolidated financial statements regarding principal risks and uncertainties in the remaining six months of the financial year and regarding significant transactions with related companies and persons which are subject to disclosure.

Vienna, 08/09/2016

Management Board

Wolfgang Ruttenstorfer
CEO (interim)

Barbara Potisk-Eibensteiner
CFO

Franz Buxbaum
COO
CTO R&D

Thomas Jakowiak
CSO Industrial Division

Reinhold Steiner
CSO Steel Division

RHI Share

Shareholder structure

- MSP Foundation, LIE >25%
- Chestnut Beteiligungsgesellschaft mbH, GER* >5%
- Silver Beteiligungsgesellschaft mbH, GER* >5%
- Free Float <65%

* Voting rights are exercised jointly.

The shares of RHI AG are admitted to official trading on the Vienna Stock Exchange. RHI is represented in the ATX, the lead index and the most important trading segment of the Austrian capital market, and is a member of the Prime Market at the Vienna Stock Exchange. On June 30, 2016, 39,819,039 no-par common shares of RHI AG with voting rights were admitted to trading in Vienna.

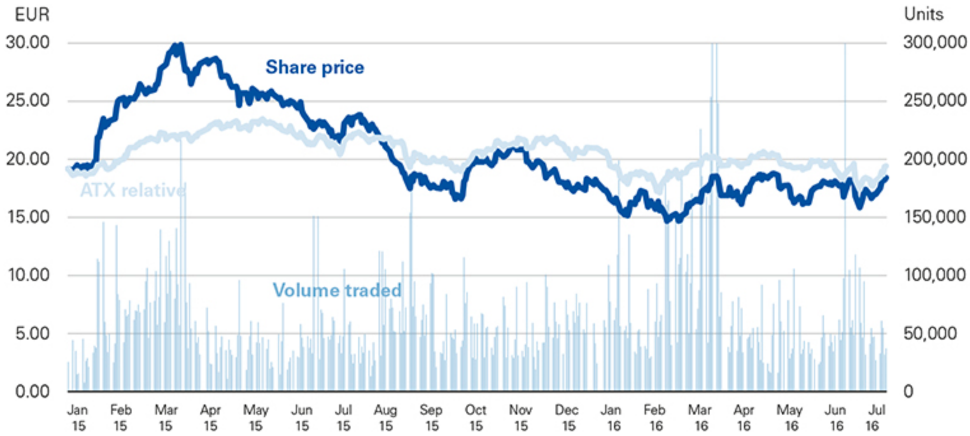
Capital market calendar 2016

Preliminary results 2015	February 15, 2016
Final results 2015	April 4, 2016
Annual General Meeting	May 4, 2016
Ex-dividend date	May 11, 2016
Record date "dividends"	May 12, 2016
Report on the first quarter of 2016	May 12, 2016
Dividend payment date	May 17, 2016
Half-year financial report 2016	August 9, 2016
Report on the third quarter of 2016	November 8, 2016

Stock exchange indicators

Share price on the Vienna Stock Exchange (in €)	H1/2016	H1/2015
Highest closing price	18.78	29.87
Lowest closing price	14.69	19.04
Closing price at end of period	17.25	22.33
Market capitalization (in € million)	687	889

Share performance 01/2015 - 07/2016



ISIN
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Reuters: RHIV.VI
Bloomberg: RHI AV

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The English translation of this RHI quarterly report is for convenience.

Only the German text is binding.

This quarterly 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 earnings position, profitability, performance or results of RHI to differ materially from the earnings position, profitability, performance or results expressed 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.

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