PKF Österreicher - Staribacher
Wirtschaftsprüfungsgesellschaft mbH & Co KG

Hegelgasse 8 I 1010 Wien
Tel. +43 1 512 87 80 I Fax +43 1 512 87 80 - 599
www.pkf.at

PKF

Wirtschaftsprüfung &
Steuerberatung

Registriert als Abschlussprüfer
bei der Abschlussprüfer-
aufsichtsbehörde (Reg Nr 0700925)

Commercial Court Vienna
Court Ref. 75 Fr 6105/17 a - 3

Report on the Merger of

RHI AG
Vienna
FN 103123b
as the transferring Company

merging into

RHI-MAG N.V.
a Company according to Dutch Law
Arnhem
No. 68991665
as the receiving Company

according to
Sec. 220b Austrian Stock Corporation Act
in connection with Sec. 7 Austrian EU-Mergers Act
about executed Merger Audit
as per December 31st, 2016

Electronic Version (pdf-Version) dated June 23, 2017

Translation from German Original made available to public on June 2017

Table of Contents

1. ASSIGNMENT AND PERFORMANCE OF THE ENGAGEMENT 5

1.1. Assignment 5

1.2. Performance of the Engagement 6

1.3. Responsibility of the Management 7

1.4. Responsibility of the Auditor 7

2. NATURE AND SCOPE OF THE MERGER AUDIT 8

3. LEGAL SITUATION 10

3.1. Initial Situation 10

3.2. Merger into RHI-MAG N.V. 10

4. AUDIT OF THE MERGER PLAN 11

4.1. Completeness and Correctness of the Merger Terms 11

4.2. Other Statements 14

4.3. Details about the exchange ratio according to sec. 220b par. 4 Austrian Stock Corporation Act 14

4.3.1 Preamble 14

4.3.2 Methods to determine the exchange ratio (sec. 220b para. 4 subpara. 1 Austrian Stock Corporation Act) 15

4.3.3 Adequacy of the appraisal methods used (sec. 220b par. 4 subpar. 2 Austrian Stock Corporation Act) 15

4.3.4 Information according sec. 220b par. 4 subpar. 3 Austrian Stock Corporation Act 15

4.4. Cash-Out Compensation Offer 15

4.4.1 Assessment Method and Assessment Procedure 15

4.4.2 Plausibility Check 18

4.4.3 Conclusion of the Assessment Proceedings 19

4.4.4 Adequacy of the Assessment Methods used 20

4.4.5 Results by applying different Assessment Methods 21

4.4.6 Emphasis on different Assessment Methods 21

4.4.7 Special Difficulties during the valuation process 21

5. SUMMARY AND RESULT OF THE AUDIT 23

Translation from German Original not available to puplic on June 2017

Index of Appendices:

Appendix 1: Demerger balance sheet (= Residual assets balance sheet) as per January 1st, 2017 of RHI AG

Appendix 2: Financial Statement and Management Report as per December 31st, 2016 of RHI AG, including Auditors Report of PwC Wirtschaftsprüfungs GmbH dated March 10th, 2017

Appendix 3: Joint Merger Terms of the Management of RHI-MAG N.V. and RHI AG dated June 23rd, 2017 recorded under Case Number 17.134 of the public notary Dr. Rupert Brix (without appendices in order to mitigate duplicate effects).

Appendix 4: Joint Merger Report of the Management of the companies taking part in the Merger dated June 23rd, 2017

Translation from German Original maid available to puplic on June 2017

Abbreviations used:

par.	Paragraph
AktG	Austrian Stock Corporation Act („Aktiengesetz")
APV	Adjusted Present Value
BDO	BDO Austria GmbH
CAPM	Capital Asset Pricing Model
c.p.	ceteris paribus
DCF	Discounted Cash-Flow
EBIT	Earnings before Interest and Taxes
EBITDA	Earnings before Interest and Taxes, Depreciation and Amortisation
EGM	Extraordinary General Meeting
EUR	Euro
EU-VerschG	Austrian EU Merger Act („EU Verschmelzungsgesetz")
IFRS	International Financial Reporting Standards
Mio.	Millions
NOPLAT	Net Operating Profit Less Adjusted Taxes
p.a.	per annum
ROIC	Return on Invested Capital
Sec.	Sec.
TEUR	Thousend Euros
UGB	Austrian Commercial Law („Unternehmensgesetzbuch")
UmgrStG	Austrian Reorganisation Tax Act („Umgründungssteuergesetz")
WP/Stb	Certified Public Accountant/Tax Advisor

Translation from German Original, made available to public on June 2017

To be submittet to the Commercial Court Vienna

To the members of the management board of
RHI AG,
Vienna

In accordance with sec. 220b Austrian Stock Corporation Act in connection with sec. 7 Austrian EU-Mergers Act have we performed our audit procedures regarding the merger of

RHI AG,
Vienna
as the transferring Company to

RHI-MAG N.V.
Arnhem
as the receiving Company

as per December 31st, 2016 and report as follows:

Translation from German. Original may not be available to pupil on June 2017

1. Assignment and Performance of the Engagement

1.1. Assignment

The supervisory board of RHI AG (in the following also referred to as "the company"), with the business address in 1100 Vienna, Wienerbergstraße 9, which is registered in the Commercial Register of the Austrian Commercial Court in Vienna, Registration Number FN 102123b, has decided by circular resolution dated June 2nd, 2017 to appoint our company as the merger auditor for the proposed merger of RHI AG as the transferring company into the newly established RHI-MAG N.V. established under Dutch Law.

Our responsibilities are specified in sec. 7 Austrian EU-Mergers Act in combination with sec. 220b Austrian Stock Corporation Act and we have accepted that assignment. With the decision dated June 14th, 2017 the Commercial Court Vienna has taken note of our assignment.

Our responsibility and liability as auditor is governed by sec. 275 Austrian Commercial Law applying to the company as well as to third parties.

1.2. Performance of the Engagement

We have performed our engagement in accordance with Austrian Standards for Assurance Engagements (Standard KFS/PG 13). Those standards require that we comply with independence regulations and that we plan our assignments following the principle of materiality and plan and execute our procedures so that we obtain sufficient evidence for our opinion.

The selection of our audit procedures is our professional responsibility and lies within our professional judgment and included the following activities:

1. Subject-matter of our procedures were the Merger Terms dated June 23rd, 2017 especially if the proposed exchange ratio as described and set by the management of RHI AG and RHI-MAG N.V. in the Joint Merger Terms dated June 23rd, 2017 is adequate.
2. Review of the correctness of the Joint Merger Terms with respect to the legal requirement of sec. 220 par. 2 Austrian Stock Corporation Act in combination with sec. 5 EU-Mergers Act.
3. Review of the adequacy of the cash-out compensation according to sec. 7 par. 3 EU-Mergers Act.

We have performed our procedures in June 2017. Our procedures where materially completed at the date of this report.

The responsible partners for the proper performance of the engagement are Mr. Andreas Staribacher, CPA and Mr. Thomas Außerlechner, CPA.

We have received for our procedures especially the following documentation:

1. Joint Merger Terms of the management of RHI-MAG N.V. and RHI AG, dated June 23rd, 2017, as recorded by the public notary Dr. Rupert Brix under the case number 17.134.
2. Management Summary of BDO about the valuation of RHI AG as per June 30th, 2017 with the substantial content as of June 23rd, 2017.
3. Joint Merger Report of the management of those companies taking part in the merger dated June 23rd, 2017.

Furthermore we have received additional information from staff of RHI AG as well as from outside consultants having been engaged by the company. We have received a representation letter from RHI AG at the close of our work. In this representation letter it is pronounced that all documentation and information has been presented to us which in the opinion of the signing person is relevant for our audit of the Joint Merger Terms according to sec. 220b Austrian Stock Corporation Act and sec. 5 and following Austrian EU-Mergers Act.

Our opinion is based on the examination of those documents prepared by of RHI AG and their consultants, and on interviews of those people that where responsible for drafting the documentation.

We have not engaged to and did not perform an audit of the accounts as described in sec. 268 Austrian Commercial Law, nor do we express any opinion on the account since this was part of our assignment.

Translation from German Original made available to public on June 2017

1.3. Responsibility of the Management

The responsibility of management consists of the preparation of the underlying documents, especially the Joint Merger Terms, the Joint Merger Report as well as the final balance sheet. Management is responsible for the preparation of the Financial Statements (Statement of Financial Position) in accordance with Austrian Generally Accepted Accounting Principles as laid down in the Austrian Commercial Law (Unternehmensgesetzbuch).

Their responsibility also includes: design, application and maintenance of the internal control system as it applies to the drafting of the documentation in accordance with the accounting regulation of the Austrian Commercial Law and that those documents are free from misstatements originating from intended or unintended errors; selection and application of adequate assessment and accounting procedures; making estimates, that are deemed appropriate under the conditions present. The business valuation, which is the basis for the determination of the cash-out compensation is also the responsibility of management. For this purpose RHI's management engaged BDO Austria GmbH as their external valuation expert.

1.4. Responsibility of the Auditor

It is our responsibility – according to sec. 220b Austrian Stock Corporation Act in connection with sec. 7 Austrian EU-Mergers Act to express an opinion, based on procedures we have performed whether

(1) the Joint Merger Terms are complete and correct and

(2) the exchange ratio of the shares as stipulated in the Joint Merger Terms and the amount of the cash-out compensation payment is adequate,

(3) the proposed cash-out compensation offer is adequate, whereby the assessment method, the adequacy of this method, the relationship of the different methods applied as well as the emphasis in case of application of different methods and lastly the special difficulties during the valuation have to be described.

Our assignment is not an audit and also not an expression of an opinion on compliance. Furthermore it is not designed to discover fraud or any other criminal offences like embezzlement or other defalcation or administrative offence nor does our assignment include an opinion about the effectiveness and profitability of the management.

We came to the conclusion that we have received sufficient evidence to express our opinion.

Translation from German. Original mad available to public on RHI's IR

2. Nature and Scope of the Merger Audit

Subject of the merger audit is according to sec. 220b Austrian Stock Corporation Act and sec. 5 and following EU-Merger Act - the Joint Merger Terms. The audit shall establish the completeness and correctness as such and the proposed exchange ratio of the shares as well as the adequacy of the cash-out compensation. The Joint Merger Terms of June 23rd, 2017 where the bases of the merger audit.

According sec. 5 Austrian EU-Merger Act the Joint Merger Terms have to include, at the minimum, the following information

1. Legal form, corporate name and registered office of the transferring and receiving companies;
2. Exchange ratio of the shares and if applicable cash payments;
3. Details of the issuance of shares of the receiving company; if no new shares were issued the justification has to be described;
4. The expected consequences of the merger for employment, especially for the employees of the companies involved, the employment situation as such and the condition of the employment;
5. Point and time from which on the shareholders have the right to participate in the company's profits as well as any special issues that would affect such participation;
6. The effective date from which on the actions of the transferring company will be treated as being those of the receiving company (accounting effective date);
7. Any rights granted to those shareholders that had held special rights or to holders of securities other than shares, or either being granted or offered;
8. Any other advantages granted to members of administrative, management, supervisory or controlling bodies of the companies or any auditor of the companies or merger auditor;
9. The Articles of Association of the receiving company;
10. If applicable, information about the procedures which will regulate the involvement of employees and their participation in the decision making in the receiving company;
11. Information on valuation of those assets and liabilities, that are transferred to the receiving company during the merger;
12. Dates of the company's accounts of those companies taking part in the merger, being used to determine the conditions of the merger.

The Joint Merger Terms have to stipulate the conditions for a cash-out compensation which will be offered to those shareholders that voted against the resolution of the merger and that is offered by the company or any third party in exchange for their shares. It is not necessary to include such condition when all shares of the company are held by a single shareholder or all shareholders have waived the right to payment of cash-out compensation in writing or in the protocol of the shareholders meeting.

The merger auditor has to report in writing according to sec. 220b par. 4 Austrian Stock Corporation Act. The audit report has to conclude that the proposed exchange ratio for the shares and if so the cash payment is adequate.

Translation from German language and available to public on June 2017

The report has to state:

- What methods have been used to appraise the proposed exchange ratio;
- Why such methods have been adequate;
- What exchange ratio – if different methods are used - would be the results of those methods;
- What emphasis on those different methods have been applied and also if there are special difficulties, if any, have been encountered during the valuation.
- If the conditions of the cash-out compensation offer are adequate and especially
  1. What methods have been used to derive at the proposed cash-out offer;
  2. Why the application of those methods has been adequate;
  3. What results have been achieved if different methods have been used;
  4. What emphasis if those different methods have been used has been applied and, if any, what special difficulties have been encountered.

In order to arrive at an opinion on the adequacy of the exchange ratio, it is necessary to also examine the underlying enterprise values. It is therefore necessary to apply an examination of the methods used and also on the assumptions used. Especially it is necessary to validate the plausibility of the planning data.

The merger auditor is not to establish his own enterprise valuation for the exchange ratio. If stock markets data are available to derive the exchange ratio the auditor has to analyse and research the underlying data (for example the correctness of the stock exchange prices, if so any exclusions, the interpretation of the average price).

The Joint Merger Report of the management and the advisability of the merger are neither part of the legal frame work of the merger audit. Insofar as the audit merger report describes the exchange ratio the audit merger report is a useful source for reviewing the adequacy of the exchange ratio.

Furthermore the adequacy of the cash-out compensation has to be part of our examination. In principle the same aspects as for the exchange ratio apply. As we will show further down it is not necessary to deepen our analysis about the exchange ratio and any connecting valuation. However similar questions will be relevant in connection with the adequacy of the cash-out compensation offer.

Translation from German. Original not available to public on June 2017

3. Legal Situation

3.1. Initial Situation

RHI AG, registered with the Commercial Court in Vienna, under the commercial court number FN 103123b, with its legal office in Vienna, with the business address in 1100 Vienna, Wienerbergstraße 9, shall be merged by way of universal succession into RHI-MAG N.V. a stock company according to Dutch Law with its registered office Arnhem, Netherlands under the Austrian EU-Merger Act (EU-VerschG). RHI-MAG N.V. is registered with the Dutch Chamber of Commerce under the number 68991665.

All assets and liabilities, rights, permits, obligations and other contractional relations will by virtue of article I. of the Austrian Reorganisation Act (Umgründungssteuergesetz) and with the execution of the merger being transferred, whereas RHI AG ceases to exist under the cross-border merger in accordance with sec. 3 par. 3 Austrian EU-Merger Act.

RHI shares are listed on the Austrian Stock Exchange (Wiener Börse) and are part of the ATX (Vienna Share Index) and have been admitted to the prime market. Presently there are 39.819.039 no-par value bearer shares with the description "RHI Aktien AT000676903".

3.2. Merger into RHI-MAG N.V.

On the basis of the Joint Merger Terms RHI AG will be merged as a cross-border transaction into RHI-MAG N.V.. RHI-MAG N.V. will receive all assets, rights, licences and also all liabilities and any other legal relationships from RHI AG by way of universal succession. With the execution of the merger RHI AG will be deregistered and ceases to exists.

With the execution of the merger each shareholder of RHI AG will receive for one share of RHI AG one share of RHI-MAG N.V. at the par value of EUR 1,00. The exchange ratio is therefore 1:1 and no additional cash payments during this transaction will be paid.

RHI-MAG N.V. presently has issued 45.000 shares, which will be cancelled according to Dutch Civil Law during the transaction and new shares with exchange ratio of 1:1 will be issued so that 39.819.039 new shares of RHI-MAG N.V. will be issued. Each share will have a nominal phase amount of EUR 1,00. The new shares will be issued against cancellation of the RHI shares 1:1.

Translation into German. Original not available to public on June 2017

4. Audit of the Merger Plan

4.1. Completeness and Correctness of the Merger Terms

The management of RHI AG and RHI-MAG N.V. have signed the Joint Merger Terms dated June 23rd, 2017 in accordance with sec. 220b Austrian Stock Corporation Act in connection with sec. 5 Austrian EU-Merger Act. We have assessed the completeness and correctness of the information given in accordance with sec. 220b Austrian Stock corporation Act and sec. 5 Austrian EU-Merger Act.

These items are covered in the Joint Merger Terms:

a) Legal form, corporate name and registered office of the transferring and receiving companies:

RHI AG is an Austrian stock corporation which is registered in the Austrian Commercial Register under FN 103123b with its legal office in 1100 Vienna, Wienerbergstrasse 9. RHI AG is the transferring company.

RHI-MAG N.V. with its legal address in Arnhem, Netherlands and its office address in 1100 Vienna, Wienerbergstrasse 9, is registered with the Dutch Chamber of Commerce under number 68991665 and is a public company under laws of the Netherlands (naamloze vennootschap). RHI-MAG N.V. is the receiving and remaining company.

b) Exchange ratio of the shares and if applicable cash payments:

At the time the merger takes effect each shareholder of RHI AG will receive one share of RHI-MAG N.V. The exchange ratio is 1:1, no cash payments will be granted. Those shareholders who have voted against the resolution of the merger and requested that an objection be recorded in the minutes of the shareholders' meeting (EGM) have the right to request adequate cash compensation. The right to receive cash compensation is subject to certain conditions. The right to receive cash compensation is conditional upon the preceding demerger and is only valid if the total cash compensation amount does not exceed EUR 70.000.000,00.

The cash-out compensation offer for one share of RHI AG is EUR 26,50.

c) Details of the issuance of shares of the receiving company; if no new shares were issued the justification have to be described:

Each shareholder of RHI AG will be exchanged against one share of RHI-MAG N.V. with the exchange ratio being 1:1.

Further details of the issuance of new shares in RHI-MAG N.V. state that with the merger being legally effective the original issued shares in RHI-MAG N.V. amounting to 45.000 shares, will be withdrawn and cancelled in accordance with Dutch Civil Law and at the same time new shares on the bases of an exchange ratio 1:1 will be issued amounting to 39.819.039,00 shares, whereby each share of RHI-MAG N.V. will have a nominal phase value of EUR 1,00.

Translation from German. Original is available to public from June 2017

Therefore when the merger will becoming effective the issued capital of RHI-MAG N.V. will be EUR 39.819.039,00 being divided into 39.819.039 shares of EUR 1,00 base values per share.

d) The expected consequences of the merger for employment, especially for the employees of the companies involved, the employment situation as such and the condition of the employment:

Due to the prior de-merger of the whole operation of RHI AG into its 100 % subsidiary namely RHI Feuerfest GmbH all contracts especially all employment contracts including freelance personals, workers and staff, including pension contracts and pension obligations and any contractual or non-contractual rights out of employment including corresponding liabilities for taxes and other public claims or provisions out of employment contracts have been transferred to RHI Feuerfest GmbH and the merger will have no impact on employments.

After the completion of the prior de-merger RHI AG will therefore have no employees.

e) Point and time from which on the shareholders have the right to participate in the company's profit as well as any special issues that would affect such participation:

The shareholders of RHI-MAG N.V. have the right to participate in the profit of RHI-MAG N.V. for the shortened fiscal period from July 1st, 2017 until December 31st, 2017 according to their respective interest in the total share capital of RHI-MAG N.V..

In connection with the merger no special rights or other specifics entitlements with the effect on dividend rights have been granted.

f) The effective date from which on the transaction of the transferring company will be treated as being those of the receiving company (accounting effective date):

The accounting effective date is December 31st, 2016, 24:00 Central European Time.

g) Any rights granted to those shareholders that had held special rights or to holders of securities other than shares, or either being granted or offered:

The RHI-MAG N.V. has no priority right for any shareholder nor have multiple voting rights been granted, nor has there been any special rights been issued to any shareholder or other owners of any other securities and no other form of payoff has been done.

h) Any other advantages granted to members of administrative, management, supervisor or controlling bodies of the companies or any auditor of the companies or merger auditor:

No special advantages in connection with the merger have been granted to the members of the administrative, management, supervisory or controlling bodies of the compa-

Translation from German Original - made available to public on June 2017

nies, to the auditor of the companies nor to the merger auditor nor to any third party involved in the merger.

i) The Articles of Association of the receiving company;

The Articles of Association of RHI-MAG N.V. are enclosed as appendix 2 of the Joint Merger Terms and we refer to this document.

j) Information about the procedures which will regulate the involvement of employees and their participation in the decision making in the receiving company:

We refer to sec. 5.1.1 of the Joint Merger Terms, where all the relevant information about the participation of the employees is stipulated.

It is reported there that the representative of the companies that are part of the merger have agreed they will propose to the general meeting of RHI AG and RHI-MAG N.V. that the so called standard rules according to Dutch Law shall be applied. These standard rules stipulate that an equal number of employee representatives shall be appointed as non-executive directors into the board of RHI-MAG N.V. being equal to the same number of supervisory board members that are presently members of the supervisory board of RHI AG (according to Austrian Labour Relations Act, "Arbeitsverfassungsgesetz"). Since the Austrian Labour Relations Act gives the works representative the right to appoint a 1/3 of the members of the supervisory board (rounded upwards) the works representative will have the right to nominate 1/3 of the non-executive directors of RHI-MAG N.V. after the merger. Since the board of RHI-MAG N.V. will comprise 17 non-executive directors the employee representatives will, upon the merger becoming effective, have the right to appoint 6 members as non-executive directors into the board. The articles of association of RHI-MAG N.V. will reflect this regulation.

k) Information on the valuation of those assets and liabilities, that are transferred to the receiving company during the merger:

The merger will be executed with the carry-over-of-book-values of RHI AG. Therefore RHI-MAG N.V. will continue the book values as expressed in the statement of financial position of RHI AG as per the accounting effective date.

We may add that the statement of financial position as per the accounting effective date has been drawn up in accordance with the accounting regulation of the Austrian Commercial Law (Unternehmensgesetzbuch). The respective information in sec. 5.1.12 of the Joint Merger Terms means, that the receiving company will use IFRS as being endorsed by the European Union. That procedure has been confirmed by the merger auditor of the receiving company.

l) Dates of the companies accounts of those companies taking part in the merger, being used to determine the conditions of the merger:

The accounting effective date of the merger will be December 31st, 2016.

Translation from German original language version of June 2017

4.2. Other Statements

The principal of capital preservation has been complied with as follows:

- RHI AG has an issued capital before the merger of EUR 289.376.212,84 as well as restricted capital reserves of EUR 39.142.056,75 therefore a total restricted capital of EUR 328.518.269,59.
- The issued capital of RHI-MAG N.V. after the merger will be EUR 39.819.039,00.
- The restricted reserve of RHI-MAG N.V. after the merger will be EUR 288.699.230,59. Due to the unchanged high amount of restricted capital (EUR 328.518.269,59) of RHI-MAG N.V. vis a vis those of RHI AG the principal of conserving the capital has been observed.

4.3. Details about the exchange ratio according to sec. 220b par. 4 Austrian Stock Corporation Act

4.3.1 Preamble

The management of RHI AG and RHI-MAG N.V. have agreed in the Joint Merger Terms that the exchange ratio will be as follows:

For 1 share in RHI AG 1 share of RHI-MAG N.V. will be issued.

Since RHI-MAG N.V. is a 100 % percent subsidiary of RHI AG, the exchange ratio between RHI shares and RHI-MAG N.V. shares will be 1:1. Since all assets, rights, permits, liabilities and other legal relationships of RHI AG will be transferred to RHI-MAG N.V. management of RHI and the board of RHI-MAG N.V. have agreed not to performed a separate valuation of the companies. Furthermore no cash payments will be made during the exchange of shares.

Since after the merger the identical net asset as it was before the merger will exist no separate company valuation of the companies involved is required.

Translation from German original made available to public on June 2017

4.3.2 Methods to determine the exchange ratio (sec. 220b para. 4 subpara. 1 Austrian Stock Corporation Act)

In the Joint Merger Terms, signed by the management of RHI AG and RHI-MAG N.V. sec. 5.2 explains and justifies the methods and principals used to assess the correct exchange ratio. As all assets, rights, permits, liabilities and other legal relationships will be transferred during the merger the exchange ratio has been set to 1:1 without having done a separate valuation.

4.3.3 Adequacy of the appraisal methods used (sec. 220b par. 4 subpar. 2 Austrian Stock Corporation Act)

Since no separate valuation has been made for the exchange ratio the information required in sec. 220b par. 4 subpar. 2 Austrian Stock Corporation Act can be omitted. Since the identical assets remain the exchange ratio of 1:1 is adequate.

4.3.4 Information according sec. 220b par. 4 subpar. 3 Austrian Stock Corporation Act

Since no valuation of the companies has been made, the information concerning the different methods, emphasis and possible special difficulties during the valuation process can be omitted.

4.4. Cash-Out Compensation Offer

4.4.1 Assessment Method and Assessment Procedure

In order to achieve the cash-out compensation offer a valuation of RHI AG for the interim date June 30th, 2017 has been made. The management of RHI AG has assigned BDO Austria GmbH as an external valuation expert to determine the equity value of the company.

When finishing our report, we have received a management summary with the core data together with a number of detailed information on the assessment parameters and the assessment procedure. Parallel to the work done by BDO we have held question and answer process where we have been able to test the methodological and arithmetical adequacy of the valuation process by BDO. BDO has furthermore confirmed to us that the final valuation report, which will be finalised after we have finished our report, will not include any additional significant information that would lead to any different valuation result. By applying sec. 220b par. 5 of the Austrian Stock Corporation Act the detailed information on forecasts and other details of the valuation report is withheld for confidentially reasons (see sec. 13.3 of the Joint Merger Report).

Translation from German Original / Original / available to public on June 2017

The assessment method applied by BDO expresses the up to date standards in valuation theory and practice; hereby the value of an enterprise is determined exclusively by financial data based on future cash return to the owners. The Discounted Cash Flow Method and in particular the Adjusted Present Value (APV) procedure is used.

Hereby future cash streams are discounted by using the risk adequate and time adequate discount rate at the valuation date. When using the APV – Method the cash streams are separated into different components and the value of the operative business is separated from the financing part and the tax shield (tax deductible benefit from interests on external debt) is also separated. On the other side the value of non-operating assets will be added to the present value of the discounted cash flow result.

The discounted cash flows for the explicit forecast period was derived for the years 2017 to 2021 by adjusting the following items:

- Recalculating the business plan from real (inflation adjusted) results into nominal results by applying a 3 % inflation factor; these adjustments were made since costs of capital are also calculated on nominal figures.

- Sales, marketing and administration expenses have been reduced by any costs that are related to the present transactions since those costs do not relate to a stand alone valuation of the company.

- The costs for pension reserves have been decreased by to 2 % p.a. based on a past experience, vis-à-vis the original plan showing continues increases of 1 % over the time.

The business plan from RHI is based – except for the transaction costs as described above – on a stand alone scenario. Since those shareholders that will opt for the cash-out compensation payments have to vote against the merger resolution in the shareholders' meeting and therefore will not be part of future synergy effects, it would be unreasonable if a shareholder disapproves the merger and at the same time participates in economic benefits out of such a procedure.

We have found that the planning is feasible in formal and material regard; especially the planning procedures in the past and there actual fulfilment left no doubt about the reliability of the planning process.

The applied midterm planning for 2017 to 2021 is in compliance with the business plan the board has decided on December 1st, 2016 and was approved by the supervisory board on December 16th, 2016. Since those days the management has become aware of additional chances as well as risks which made it necessary to adjust the planning. Therefore in material respect the planning basis is in line with the most recent knowledge and the assumption of the management board of RHI AG on the future performance of the company based on a stand alone scenario and therefore is a reliable basis for the valuation.

Furthermore besides the usual planning process – the midterm planning has been made by employing external experts (McKinsey) and industry experts who have undertaken a further validation of those planning. Since the growth rate is an essential

Translation from German Original Text available to public on June 20th

part of the planning those separate verifications have been undertaken and if necessary adjusted.

The historical analysis of the profitability of RHI shows that the EBIT and EBITDA results are in line with the Peer Group. Although RHI has historically been in a position to earn higher returns with lower capital invested. The return on capital employed in the past and also in the five years planning for 2017 to 2021 has been significantly above the Peer Group results.

Therefore after the detailed planning phase 2017 to 2021 a convergence period of 10 years has been calculated during which the return of RHI is reduced to the normalised level i.e. to the costs of capital. This system follows the economic theory whereby competitive advantages of single enterprises do not last forever and on a long term it cannot be expected that such high returns can be sustained above the costs of capital. Therefore during the convergence phase 2021 to 2031 the return rate of 18 % at the end of the detailed planning phase is reduced to 7,72 % until the beginning of the terminal value phase at 2032. For the calculation of the return the ratio of operating results adjusted for income taxes (NOPLAT = Net Operating Profit Less Adjusted Taxes) to invested capital (especially fixed assets plus working capital) is computed.

For the third phase of valuation starting 2032 (the so called perpetuity or terminal value) a constant growth rate of 3 % has been calculated. Assuming a 39 % retention of profits the growth assumption results in a neutral effect on net present value.

The costs of capital are calculated using the Capital Assets Pricing Model (CAPM) as per June 20th, 2017. The different parameters have been properly found; a diligent analysis on sensitivities and different results in the assumptions have been tested and finally applied in the proper rate. The costs of capital components can be shown as follows:

Risk free interest rate	1,21 %
Market risk premium	7,00 %
Beta unlevered	0,93
Costs of capital (unlevered)	**7,72 %**

In order to derive with the costs of equity of the levered enterprise the company's specific beta has been computed at 1,37 % and therefore the costs of capital (levered) have been derived as per December 31st, 2016 at 10,79 %.

Technically that has been achieved by discounting the future cash streams as per December 31st, 2016 and then accrued interests have been added until June 30th, 2017. The so calculated valuation reflects an objectively derived equity value for RHI AG on a stand alone scenario which means that no future effects of the planned transactions with Magnesita are reflected at the valuation date June 30th, 2017.

As a result of the DCF method under application of the APV method the

equity value of RHI AG at June 30th, 2017 ranges from EUR Mio. 1.002 to EUR Mio. 1.108.

Translation from German Original version available to public on request

This relates to a value per share of

EUR 25,17 to EUR 27,83.

The valuation band results out of the possible band for the costs of equity plus/minus 50 basis points namely between 7,22 % to 8,22 %. The arithmetic average is therefore 7,72 % which gives an equity value of EUR Mio. 1.053 translating into a value per share of EUR 26,45.

The DCF method as per June 30th, 2017 can been summarised by using the following parameters:

- Technical valuation date December 31st, 2016
- Mid-term planning 2017 to 2021 by RHI AG
- Convergence phase 2022 to 2031 with a retreating rate of return on invested capital (ROIC) finally equal to the costs of capital
- Terminal value at 2032 with a neutral growth assumption on net present value
- Cost of unlevered equity 7,72 % (arranging between 7,22 % and 8,22 %)
- Separate additional consideration for non-operating assets
- Accumulated interests to the preliminary valuation date June 30th, 2017 by using the costs of equity of the levered enterprise of approximately 10,3 % to 11,3 % (averaging approximately 10,8 %) by taking into account the dividend paid during that period.

Translation of German Original made available to public on June 2017

4.4.2 Plausibility Check

The DCF Method (APV Method) is the primary method for valuation which is the bases for the cash-out compensation offer. In conformity with valuation theory and practice as well as the standard promulgated by the Austrian Institute (KFS BW1 des Fachsenates für Betriebswirtschaft und Organisation der Kammer der Wirtschaftstreuhänder) the result of the DCF method is checked against plausibility methods. Therefore since the stocks are listed market prices on the stock exchange of the RHI share price are considered.

The methods used is called comparative value which has two lines, one so called transaction multiples, the other one trading multiples. Multiples procedures assume that enterprises with similar parameters will lead to similar market prices. Thereby from a known market or transaction price and its bench market reference of a comparable enterprise a reference number is calculated which gives the so called multiplier. In the second step this reference number of the target object is multiplied and the resulting potential market price is the result.

In this present case the reference number is EBIT as well as EBITDA. The transaction multiples for similar transactions have been searched in the data bank and sev-

eral transactions where sorted out as the Peer Group. The Peer Group listed companies were taken from worldwide basis from refractory producing enterprises. After having analysed in detail the business operations of each member of the Peer Group and also establishing a minimum turn over and balance sheet total 7 worldwide operating enterprises remained in the Peer Group.

The multiplier method resulted in a band of share price as per June 30th, 2017 between EUR 22,1 until EUR 24,2 by using the trading multiples and between EUR 22,7 until EUR 28,3 by using transaction multiples. Therefore within the band the DCF valuation is covered and thus the DCF result is plausible.

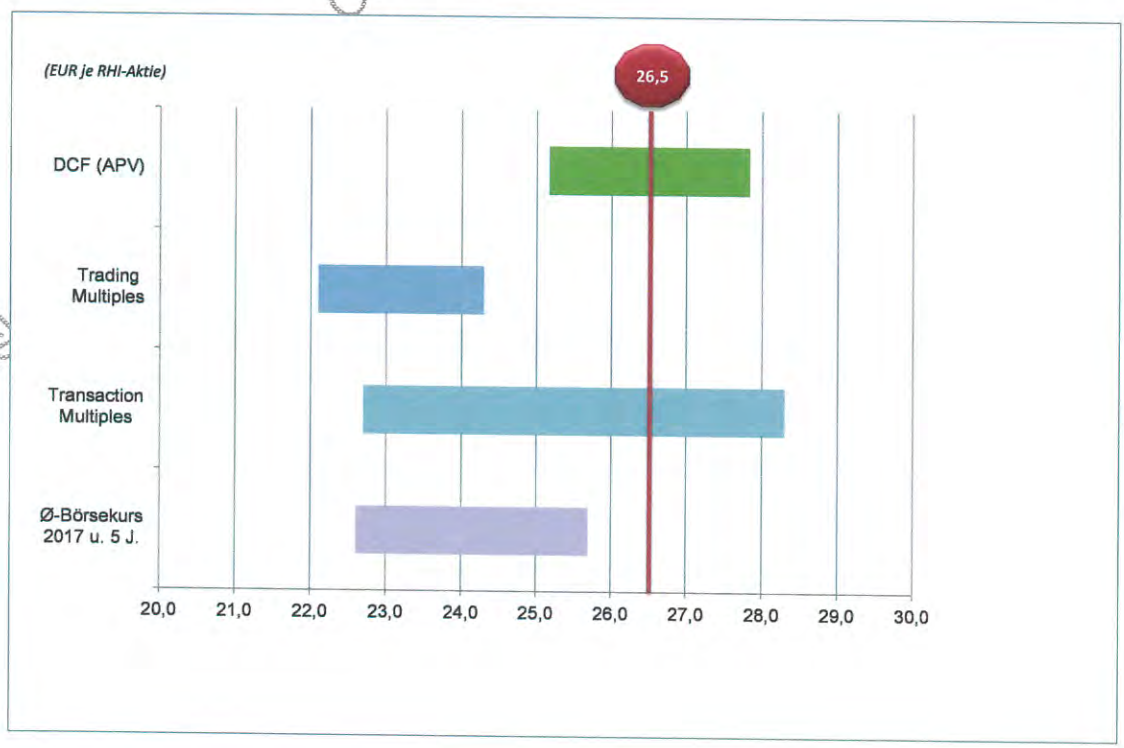
By using share prices it has to be noted that the share price does not reflect the value of the equity. The share price may or may not reflect the equity value. However share prices can be influenced by a number of irrelevant influences like subjective expectations or assumptions by individual market participants, irrationalities and information inequality.

Therefore the professional standard KFS BW1 in its sec. 7 states that the share price on the stock exchange can only be used as a plausibility check, whereby any major discrepancy against the DCF valuation result has to be analysed. The share price has shown a significant increase within the last two months and is well above the DCF or Multiples result. To the contrary, the long term 5 year average share price amounts to EUR 22,6 and the average for the period January 1st, to June 20th, 2017 amounts to EUR 25,66 per share.

Original text available for inspection on seat of the company

4.4.3 Conclusion of the Assessment Proceedings

Summarising the following band of results shows that the cash-out compensation offer is within the band of different results:



It shows that the DCF valuation result with its band between EUR 25,17 and EUR 27,83 per share as well as the medium value (cost of capital between 7,72 % and 7,22 % / 8,22 %) of EUR 26,45 is supported by the result of the multiple method. Compaired to the trading multiples the DCF result is higher than the result of the multiples.

Regarding the stock exchange prices the result are within the long term averages. The share prices within the last two months are showing a considerable higher price range and therefore since the difference between share price and equity value is not representative it can not be used for a plausibility check.

The cash-out compensation offer is within the DCF band and is therefore adequate.

4.4.4 Adequacy of the Assessment Methods used

The DCF method that has been used is popular in theory and among practitioners it is a common and adequate method. When applying consistently the finance structure, the risk component in the cashflows and financing, all DCF methods will lead to the same result. The APV method is especially useful in the present case since the integrated business plan assumes an independent finance strategy. Hereby the amount of debt financing is not value adjusted (in relation to the total value of the enterprise) but is computed independently as part of the integrated business planning.

The advantage of the APV method is that the assumption about the risk of debt financing (tax shields) is openly presented since its computation is done by components.

Even complex financing structures and complex tax effects (in this case due to existing tax deductible losses to be carried forward) can be presented and modelled in using the APV method. The sources of values that arrived are very transparent and open and it can been seen what value derives from the operating business and from the financing structure.

We'd like to add that due to the technical valuation date of December 31st, 2016 and the accrued interests to June 30th, 2017 (as per June 20th, 2017) the costs of equity may vary. Therefore any change in the valuation date - ceteris paribus – especially by maintaining the same costs of capital – a higher valuation will result. Each month of additional accrued interests will lead to an increase of approximately EUR 0,23 per share.

By constant costs of capital the proposed cash-out compensation payment remains within the DCF band by unchanged other assumption for another 6 months after June 30th, 2017.

In case the costs of capital are changing also the valuation result will change.

If costs of capital increasing the DCF result – ceteris paribus – will be reduced to the technical valuation date of December 31st, 2016. On the other side the accrued interests to the actual final valuation date will be increased accordingly. If only the accrued interest period between December 31st, 2016 and June 30th, 2017 is comput-

Translation from German. Original not available to public on June 2017

ed the capital costs have to increase by 75 % before the cash-out compensation offer is no longer covered by the band of the valuation result. Based on todays knowledge such a change seems unrealistic.

Although it is today's opinion that the presented valuation result and the corresponding cash-out compensation is appropriate and correct, a final judgment has to be done at the time of the shareholders' meeting whereby the same principals for the costs of capital have to be applied.

In summary, we can confirm that the valuation method is suitable for the purpose present and has been professionally applied.

The plausibility checks are fully in line with valuation theory and practitioner's expertise and the methods and procedures applied are appropriate.

The conditions of the execution of the cash-out compensation offer as laid down in sec. 5.4.5 in the Joint Merger Terms are adequate.

Translation from German Original, made available to pupil on June 2017

4.4.5 Results by applying different Assessment Methods

As described in sec. 4.4.1 the DCF method as per June 30th, 2017 with the costs of capital as per June 20th, 2017 as the primary and only relevant valuation method has been applied. Other methods like multiplier method are used as a plausibility check. Both methods have confirmed the plausibility of the results.

4.4.6 Emphasis on different Assessment Methods

No emphasis has been put on different valuation methods.

4.4.7 Special Difficulties during the valuation process

RHI is a globally active industrial enterprise with operational units all over the world which naturally lead to a number of complex effects for the enterprise valuation. Special risks lie hereby in political and economic risks in different countries and regions. Most of all currency fluctuation and different inflation expectations have to be considered when doing enterprise valuation. Due to the international exposition and the business activity and connections with international raw material markets RHI is planning its business in real values.

For the purpose of enterprise valuation the real values have to be translated into nominal values.

The requirement to have value adjusted as per the day of the shareholders' meeting is once again pointed out. The presented cash-out compensation offer is based on values as per June 30th, 2017 especially the costs of capital employed. Therefore the capital costs have to be adjusted and computed for the date of the general as-

sembly and in adjustment of the equity value against the cash-out compensation offer shall be made.

According to our present information there is no indication that any change in costs of capital within the next 1 to 2 months will lead to a different valuation result which would make the present cash-out compensation offer inadequate. Independently of this issue at the date of the shareholders' meeting it is necessary to verify if substantial changes in the valuation parameters and valuation assumptions did occur which would make the cash-out compensation offer inadequate. This especially applies to the midterm business plan which is the basis of the valuation and the assumptions herein based on the future development of the enterprise of RHI AG on a stand alone basis.

Other than that we have not encountered any particular difficulties in the course of the valuation that would not have been encountered during the valuation of a globally operating enterprise.

Translation from German Original maid available to puplic on June 2017

5. Summary and Result of the Audit

After having applied our procedures in accordance with professional standards we can confirm the following:

1. The information given in the Joint Merger Terms are in line with legal requirements, they are correct and complete.

2. The principal of preservation of capital has been observed within the framework of the proposed merger.

3. The proposed exchange ratio of one share (RHI AG) against one share (RHI-MAG N.V.) is adequate.

4. Based on our findings which are presented in our report the method to assess the exchange ratio is adequately applied.

5. In the course of the valuation for the purpose of the deriving the exchange ratio no special difficulties were encountered.

6. The cash-out compensation offer and its terms amounting to EUR 26,50 per share are adequate as per today. The necessity to update the appraisal at the date of the general meeting in this regard is pointed out.

7. The assessment of the cash-out compensation offer was based on an enterprise valuation by using the APV method (DCF method).

8. The APV method is a suitable valuation method since it is an approved procedure for assessing values of enterprises used in theory and by practitioners and this method has been completely and correctly applied.

9. Different valuation methods have not been used. The valuation result from the APV method has been checked against multiplier methods and the plausibility has been verified.

10. Emphasis on different valuation methods has not been applied.

11. Special difficulties during the valuation process resulted from the global activity of the company and the correspondent complex valuation factors. This complexity has been reflected through suitable procedures, review of assumptions in the valuation as well as the sensitivity analysis applied adequately during the valuation calculation.

Vienna, 23. Juni 2017

PKF Österreicher - Staribacher
Wirtschaftsprüfungsgesellschaft mbH & Co KG

Andreas Staribacher
Wirtschaftsprüfer

Thomas Außerlechner
Wirtschaftsprüfer

Translation from German original made available to pupil on June 2017

without APPENDIXES

Translation from German Original maid available to Public on June 2017